

An Overview of Health Care Management

Jon M. Thompson,
Sharon B. Buchbinder,
and Nancy H. Shanks

LEARNING OBJECTIVES

By the end of this chapter, the student will be able to:

- Define healthcare management and the role of the health care manager;
- Differentiate among the functions, roles, and responsibilities of health care managers;
- Compare and contrast the key competencies of health care managers; and
- Identify current areas of research in health care management.

INTRODUCTION

Any introductory text in health care management must clearly define the profession of health care management and discuss the major functions, roles, responsibilities, and competencies for health care managers. These topics are the focus of this chapter. Health care management is a growing profession with increasing opportunities in both direct care and non-direct care settings. As defined by Buchbinder and Thompson (2010, pp. 33–34), **direct care settings** are “those organizations that provide care directly to a patient, resident or client who seeks services from the organization.” **Non-direct care settings** are not directly involved in providing care to persons needing health services, but rather support the care of individuals through products and services made available to direct care

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settings. The Bureau of Labor Statistics (BLS, 2014) indicates health care management is one of the fastest-growing occupations, due to the expansion and diversification of the health care industry. The BLS projects that employment of medical and health services managers is expected to grow 23% from 2012 to 2022, faster than the average for all occupations (see Figure 1-1).

These managers are expected to be needed in both inpatient and outpatient care facilities, with the greatest growth in managerial positions occurring in outpatient centers, clinics, and physician practices. Hospitals, too, will experience a large number of managerial jobs because of the hospital sector's large size. Moreover, these estimates do not reflect the significant growth in managerial positions in non-direct care settings, such as consulting firms, pharmaceutical companies, associations, and medical equipment companies. These non-direct care settings provide significant assistance to direct care organizations, and since the number of direct care managerial positions is expected to increase significantly, it is expected that growth will also occur in managerial positions in non-direct care settings.

Health care management is the profession that provides leadership and direction to organizations that deliver personal health services and to divisions, departments, units, or services within those organizations. Health care management provides significant rewards

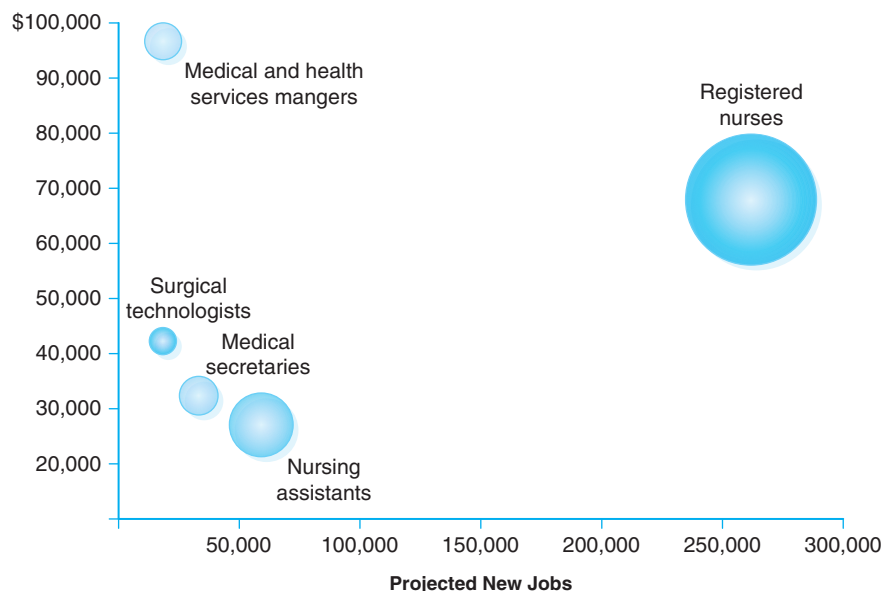


FIGURE 1-1 Occupations with the Most New Jobs in Hospitals, Projected 2012–2022. Employment and Median Annual Wages, May 2013

Source: U.S. Bureau of Labor Statistics, Employment Projections program (projected new jobs, 2012–2022) and Occupational Employment Statistics Survey (employment and median annual wages, May 2013).

and personal satisfaction for those who want to make a difference in the lives of others. This chapter gives a comprehensive overview of health care management as a profession. Understanding the roles, responsibilities, and functions carried out by health care managers is important for those individuals considering the field to make informed decisions about the “fit.” This chapter provides a discussion of key management roles, responsibilities, and functions, as well as management positions at different levels within health care organizations. In addition, descriptions of supervisory level, mid-level, and senior management positions within different organizations are provided.

THE NEED FOR MANAGERS AND THEIR PERSPECTIVES

Health care organizations are complex and dynamic. The nature of organizations requires that managers provide leadership, as well as the supervision and coordination of employees. Organizations were created to achieve goals beyond the capacity of any single individual. In health care organizations, the scope and complexity of tasks carried out in provision of services are so great that individual staff operating on their own could not get the job done. Moreover, the necessary tasks in producing services in health care organizations require the coordination of many highly specialized disciplines that must work together seamlessly. Managers are needed to ensure organizational tasks are carried out in the best way possible to achieve organizational goals and that appropriate resources, including financial and human resources, are adequate to support the organization.

Health care managers are appointed to positions of authority, where they shape the organization by making important decisions. Such decisions relate, for example, to recruitment and development of staff, acquisition of technology, service additions and reductions, and allocation and spending of financial resources. Decisions made by health care managers not only focus on ensuring that the patient receives the most appropriate, timely, and effective services possible, but also address achievement of performance targets that are desired by the manager. Ultimately, decisions made by an individual manager impact the organization's overall performance.

Managers must consider two domains as they carry out various tasks and make decisions (Thompson, 2007). These domains are termed external and internal domains (see Table 1-1). The **external domain** refers to the influences, resources, and activities that exist outside the boundary of the organization but that significantly affect the organization. These factors include community needs, population characteristics, and reimbursement from commercial insurers, as well as government plans, such as the Children's Health Insurance Plans (CHIP), Medicare, and Medicaid. The **internal domain** refers to those

TABLE 1-1 Domains of Health Services Administration

External	Internal
Community demographics/need	Staffing
Licensure	Budgeting
Accreditation	Quality services
Regulations	Patient satisfaction
Stakeholder demands	Physician relations
Competitors	Financial performance
Medicare and Medicaid	Technology acquisition
Managed care organizations/insurers	New service development

Source: Thompson, 2007.

areas of focus that managers need to address on a daily basis, such as ensuring the appropriate number and types of staff, financial performance, and quality of care. These internal areas reflect the operation of the organization where the manager has the most control. Keeping the dual perspective requires significant balance and effort on the part of management in order to make good decisions.

MANAGEMENT: DEFINITION, FUNCTIONS, AND COMPETENCIES

As discussed earlier, management is needed to support and coordinate the services provided within health care organizations. **Management** has been defined as the process, comprised of social and technical functions and activities, occurring within organizations for the purpose of accomplishing predetermined objectives through human and other resources (Longest, Rakich, & Darr, 2000). Implicit in the definition is that managers work through and with other people, carrying out technical and interpersonal activities to achieve the desired objectives of the organization. Others have stated that a manager is anyone in the organization who supports and is responsible for the work performance of one or more other persons (Lombardi & Schermerhorn, 2007).

While most beginning students of health care management tend to focus on the role of the senior manager or lead administrator of an organization, it should be realized that management occurs through many others who may not have “manager” in their position title. Examples of some of these managerial positions in health care organizations include supervisor, coordinator, and director, among others (see Table 1-2). These levels of managerial control are discussed in more detail in the next section.

TABLE 1-2 Managerial Positions, by Organizational Setting

Organizational Setting	Examples of Managerial Positions
Physician practice	Practice Manager Director of Medical Records Supervisor, Billing Office
Nursing home	Administrator Manager, Business Office Director, Food Services Admissions Coordinator Supervisor, Environmental Services
Hospital	Chief Executive Officer Vice President, Marketing Clinical Nurse Manager Director, Revenue Management Supervisor, Maintenance

Managers implement six management functions as they carry out the process of management (Longest et al., 2000):

Planning: This function requires the manager to set a direction and determine what needs to be accomplished. It means setting priorities and determining performance targets.

Organizing: This management function refers to the overall design of the organization or the specific division, unit, or service for which the manager is responsible. Furthermore, it means designating reporting relationships and intentional patterns of interaction. Determining positions, teamwork assignments, and distribution of authority and responsibility are critical components of this function.

Staffing: This function refers to acquiring and retaining human resources. It also refers to developing and maintaining the workforce through various strategies and tactics.

Controlling: This function refers to monitoring staff activities and performance and taking the appropriate actions for corrective action to increase performance.

Directing: The focus in this function is on initiating action in the organization through effective leadership and motivation of, and communication with, subordinates.

Decision making: This function is critical to all of the aforementioned management functions and means making effective decisions based on consideration of benefits and the drawbacks of alternatives.

In order to effectively carry out these functions, the manager needs to possess several key competencies. Katz (1974) identified key competencies of the effective manager, including conceptual, technical, and interpersonal skills. The term **competency** refers to a state in which an individual has the requisite or adequate ability or qualities to perform certain functions (Ross, Wenzel, & Mitlyng, 2002). These are defined as follows:

Conceptual skills are those skills that involve the ability to critically analyze and solve complex problems. Examples: a manager conducts an analysis of the best way to provide a service or determines a strategy to reduce patient complaints regarding food service.

Technical skills are those skills that reflect expertise or ability to perform a specific work task. Examples: a manager develops and implements a new incentive compensation program for staff or designs and implements modifications to a computer-based staffing model.

Interpersonal skills are those skills that enable a manager to communicate with and work well with other individuals, regardless of whether they are peers, supervisors, or subordinates. Examples: a manager counsels an employee whose performance is below expectation or communicates to subordinates the desired performance level for a service for the next fiscal year.

MANAGEMENT POSITIONS: THE CONTROL IN THE ORGANIZATIONAL HEIRARCHY

Management positions within health care organizations are not confined to the top level; because of the size and complexity of many health care organizations, management positions are found throughout the organization. Management positions exist at the lower, middle, and upper levels; the upper level is referred to as senior management. The hierarchy of management means that authority, or power, is delegated downward in the organization, and lower-level managers have less authority than higher-level managers, whose scope of responsibility is much greater. For example, a vice president of Patient Care Services in a hospital may be in charge of several different functional areas, such as nursing, diagnostic imaging services, and laboratory services; in contrast, a director of Medical Records—a lower-level position—has responsibility only for the function of patient medical records. Furthermore, a supervisor within the Environmental Services department may have responsibility for only a small housekeeping staff, whose work is critical, but confined to a defined area of the organization. Some managerial positions, such as those discussed previously, are **line manager** positions because the manager supervises other employees; other managerial positions are **staff manager** positions because they carry out work and

advise their bosses, but they do not routinely supervise others. Managerial positions also vary in terms of required expertise or experience. Some positions require extensive knowledge of many substantive areas and significant working experience, and other positions are more appropriate for entry-level managers who have limited or no experience.

The most common organizational structure for health care organizations is a **functional organizational structure**, whose key characteristic is a pyramid-shaped hierarchy that defines the functions carried out and the key management positions assigned to those functions (see Figure 1-2). The size and complexity of the specific health services organization will dictate the particular structure. For example, larger organizations—such as large community hospitals, hospital systems, and academic medical centers—will likely have deep vertical structures reflecting varying levels of administrative control for the organization. This structure is necessary due to the large scope of services provided and the corresponding vast array of administrative and support services that are needed to enable the delivery of clinical services. Other characteristics associated with this functional structure include a strict chain of command and line of reporting, which ensure communication and assignment and evaluation of tasks are carried out in a linear command and control environment. This structure offers key advantages, such as specific divisions of labor and clear lines of reporting and accountability.

Other administrative structures have been adopted by health care organizations, usually in combination with a functional structure. These include matrix, or team-based, models and service line management models. The **matrix model** recognizes that a strict functional structure may limit the organization's flexibility to carry out the work, and that the expertise of other disciplines is needed on a continuous basis. An example of the matrix method is when functional staff, such as nursing and rehabilitation personnel, are assigned to a specific program, such as geriatrics, and they report for programmatic purposes to the program director of the geriatrics department. Another example is when clinical and administrative staff are assigned to a team investigating new services that is headed by a marketing or business development manager. In both of these examples, management would lead staff who traditionally are not under their direct administrative control. Advantages of this structure include improved lateral communication and coordination of services, as well as pooled knowledge.

In **service line management**, a manager is appointed to head a specific clinical service line and has responsibility and accountability for staffing, resource acquisition, budget, and financial control associated with the array of services provided under that service line. Typical examples of service lines include cardiology, oncology (cancer), women's services, physical rehabilitation, and behavioral health (mental health). Service lines can be established within a single organization or may cut across affiliated organizations, such as within a hospital system where services are provided at several different affiliated facilities (Boblitz

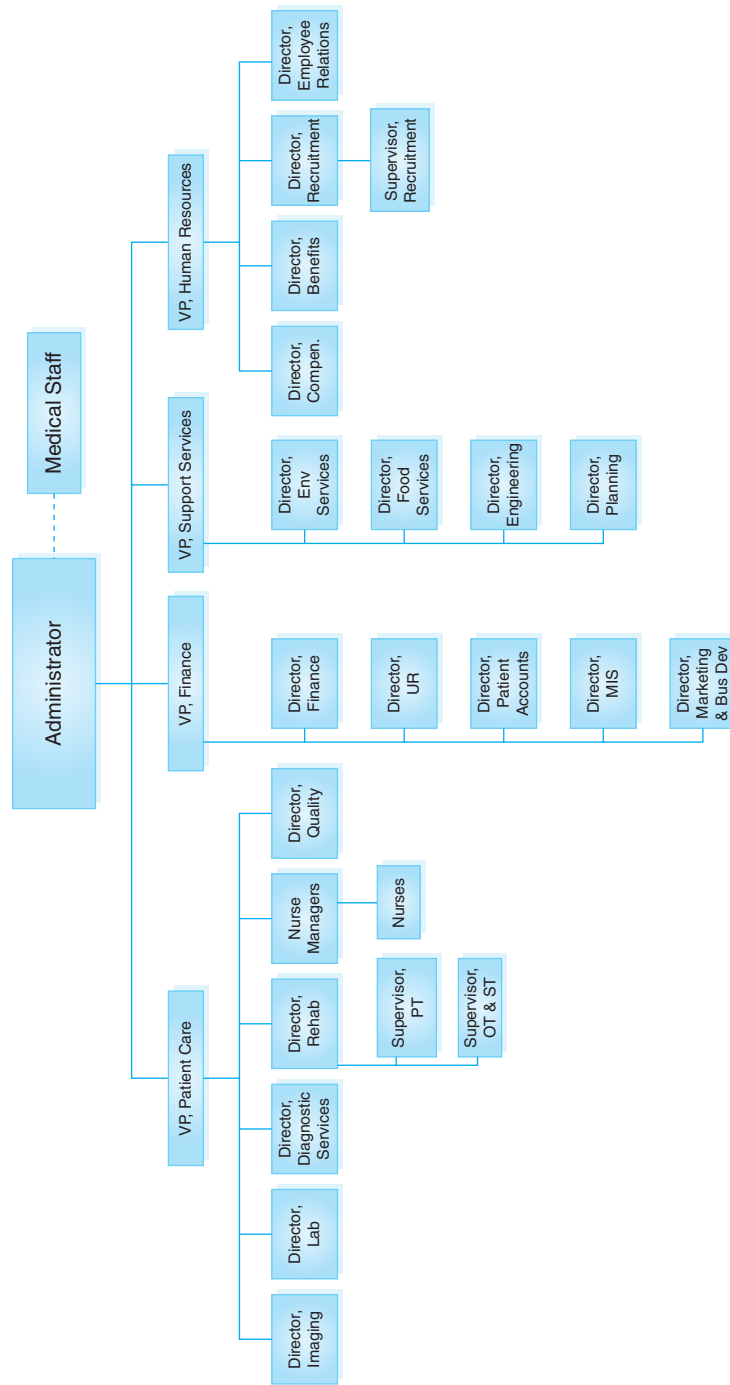


FIGURE 1-2 Functional Organizational Structure

& Thompson, 2005). Some facilities have found that the service line management model for selected clinical services has resulted in many benefits, such as lower costs, higher quality of care, and greater patient satisfaction, compared to other management models (Duffy & Lemieux, 1995). The service line management model is usually implemented within an organization in conjunction with a functional structure, as the organization may choose to give special emphasis and additional resources to one or a few services lines.

FOCUS OF MANAGEMENT: SELF, UNIT/TEAM, AND ORGANIZATION

Effective health care management involves exercising professional judgment and skills and carrying out the aforementioned managerial functions at three levels: self, unit/team, and organization wide. First and foremost, the individual manager must be able to effectively manage himself or herself. This means managing time, information, space, and materials; being responsive and following through with peers, supervisors, and clients; maintaining a positive attitude and high motivation; and keeping a current understanding of management techniques and substantive issues of health care management. Drucker (2005) suggests that managing yourself also involves knowing your strengths, how you perform, your values, where you belong, and what you can contribute, as well as taking responsibility for your relationships. Managing yourself also means developing and applying appropriate technical, interpersonal, and conceptual skills and competencies and being comfortable with them, in order to be able to effectively move to the next level—that of supervising others.

The second focus of management is the unit/team level. The expertise of the manager at this level involves managing others in terms of effectively completing the work. Regardless of whether you are a senior manager, mid-level manager, or supervisor, you will be “supervising” others as expected in your assigned role. This responsibility includes assigning work tasks, review and modification of assignments, monitoring and review of individual performance, and carrying out the management functions described earlier to ensure excellent delivery of services. This focal area is where the actual work gets done. Performance reflects the interaction of the manager and the employee, and it is incumbent on the manager to do what is needed to shape the performance of individual employees. The focus of management at this echelon recognizes the task interdependencies among staff and the close coordination that is needed to ensure that work gets completed efficiently and effectively.

The third management focus is at the organizational level. This focal area reflects the fact that managers must work together as part of the larger organization to ensure organization-wide performance and organizational viability. In other words, the success

of the organization depends upon the success of its individual parts, and effective collaboration is needed to ensure that this occurs. The range of clinical and nonclinical activities that occur within a health care organization requires that managers who head individual units work closely with other unit managers to provide services. Sharing of information, collaboration, and communication are essential for success. The hierarchy looks to the contribution of each supervised unit as it pertains to the whole. Individual managers' contributions to the overall performance of the organization—in terms of various performance measures such as cost, quality, satisfaction, and access—are important and measured.

ROLE OF THE MANAGER IN ESTABLISHING AND MAINTAINING ORGANIZATIONAL CULTURE

Every organization has a distinct culture, known as the beliefs, attitudes, and behavior that are shared among organizational members. **Organizational culture** is commonly defined as the character, personality, and experience of organizational life i.e., what the organization really “is” (Scott, Mannion, Davies, & Marshall, 2003). Culture prescribes the way things are done, and is defined, shaped, and reinforced by the management team. All managers play a role in establishing the culture of a health care organization, and in taking the necessary leadership action to sustain, and in some cases change, the culture. Culture is shaped by the values, mission, and vision for the organization. **Values** are principles the organization believes in and shape the organization's purpose, goals, and day-to-day behaviors. Adopted values provide the foundation for the organization's activities and include such principles as respect, quality service, and innovation. The **mission** of the organization is its fundamental purpose, or what the organization seeks to achieve. The **vision** of the organization specifies the desired future state for the organization and reflects what the organization wants to be known and recognized for in the future. Statements of values, mission, and vision result from the organizational strategic planning process. These statements are communicated widely throughout the organization and to the community and shape organizational strategic and operational actions. Increasingly, organizations are establishing codes of conduct or **standards of behavior** that all employees must follow (Studer, 2003). These standards of behavior align with the values, mission, and vision. The role of managers in the oversight of standards of behavior is critical in several respects: for setting expectations for staff behavior, modelling the behavior, measuring staff performance, and improving staff performance. Mid-level and lower-level managers are instrumental to organization-wide adoption and embracing of the culture as they communicate desired behaviors and reinforce culture through modelling expectations through their own

behaviors. For example, a value of customer service or patient focus requires that managers ensure proper levels of service by their employees via clarifying expectations and providing internal customer service to their own staff and other managers. Furthermore, managers can measure and evaluate employee compliance with organizational values and standards of behavior by reviewing employee performance and working with staff to improve performance. Performance evaluation will be explored in a later chapter in this text.

ROLE OF THE MANAGER IN TALENT MANAGEMENT

In order to effectively master the focal areas of management and carry out the required management functions, management must have the requisite number and types of highly motivated employees. From a strategic perspective, health care organizations compete for labor, and it is commonly accepted today that high-performing health care organizations are dependent upon individual human performance, as discussed further in Chapter 12. Many observers have advocated for health care organizations to view their employees as strategic assets who can create a competitive advantage (Becker, Huselid, & Ulrich, 2001). Therefore, human resources management has been replaced in many health care organizations with **talent management**. The focus has shifted to securing and retaining the talent needed to do the job in the best way, rather than simply filling a role (Huselid, Beatty, & Becker, 2005). As a result, managers are now focusing on effectively managing talent and workforce issues because of the link to organizational performance (Griffith, 2009).

Beyond recruitment, managers are concerned about developing and retaining those staff who are excellent performers. Many health care organizations are creating high-involvement organizations that identify and meet employee needs through their jobs and the larger organizational work setting (Becker et al., 2001). One of the critical responsibilities of managers in talent management is promoting **employee engagement**, which describes the motivation and commitment of staff to contribute to the organization. There are several strategies used by managers to develop and sustain employee engagement, as well as to develop and maintain excellent performers. These include formal methods such as offering training programs; providing leadership development programs; identifying employee needs and measuring employee satisfaction through engagement surveys; providing continuing education, especially for clinical and technical fields; and enabling job enrichment. In addition, managers use informal methods such as conducting periodic employee reviews, soliciting employee feedback, conducting rounds and employee huddles, offering employee suggestion programs, and other methods of managing employee relations and engagement. These topics are explored in more detail in a later chapter in this book.

ROLE OF THE MANAGER IN ENSURING HIGH PERFORMANCE

At the end of the day, the role of the manager is to ensure that the unit, service, division, or organization he or she leads achieves high performance. What exactly is meant by high performance? To understand performance, one has to appreciate the value of setting and meeting goals and objectives for the unit/service and organization as a whole, in terms of the work that is being carried out. Goals and objectives are desired end points for activity and reflect strategic and operational directions for the organization. They are specific, measurable, meaningful, and time oriented. Goals and objectives for individual units should reflect the overarching needs and expectations of the organization as a whole because, as the reader will recall, all entities are working together to achieve high levels of overall organizational performance. Studer (2003) views the organization as needing to be results oriented, with identified pillars of excellence as a framework for the specific goals of the organization. These pillars are people (employees, patients, and physicians), service, quality, finance, and growth. Griffith (2000) refers to high-performing organizations as being championship organizations—that is, they expect to perform well on different yet meaningful measures of performance. Griffith further defines the “championship processes” and the need to develop performance measures in each of the following: governance and strategic management; clinical quality, including customer satisfaction; clinical organization (caregivers); financial planning; planning and marketing; information services; human resources; and plant and supplies. For each championship process, the organization should establish measures of desired performance that will guide the organization. Examples of measures include medication errors, surgical complications, patient satisfaction, staff turnover rates, employee satisfaction, market share, profit margin, and revenue growth, among others. In turn, respective divisions, units, and services will set targets and carry out activities to address key performance processes. The manager’s job, ultimately, is to ensure these targets are met by carrying out the previously discussed management functions. A control process for managers has been advanced by Ginter, Swayne, and Duncan (2002) that describes five key steps in the performance management process: set objectives, measure performance, compare performance with objectives, determine reasons for deviation, and take corrective action. Management’s job is to ensure that performance is maintained or, if below expectations, improved.

Stakeholders, including insurers, state and federal governments, and consumer advocacy groups, are expecting, and in many cases demanding, acceptable levels of performance in health care organizations. These groups want to make sure that services are provided in a safe, convenient, low-cost, and high-quality environment. For example, The Joint Commission (formerly JCAHO) has set minimum standards for health care facilities

operations that ensure quality, the National Committee for Quality Assurance (NCQA) has set standards for measuring performance of health plans, and the Centers for Medicare and Medicaid Services (CMS) has established a website that compares hospital performance along a number of critical dimensions. In addition, CMS has provided incentives to health care organizations by paying for performance on measures of clinical care and not paying for care resulting from **never events** i.e., shocking health outcomes that should never occur in a health care setting such as wrong site surgery (e.g., the wrong leg) or hospital-acquired infections (Agency for Healthcare Research and Quality, n.d.). Health insurers also have implemented pay-for-performance programs for health care organizations based on various quality and customer service measures.

In addition to meeting the reporting requirements of the aforementioned organizations, many health care organizations today use varying methods of measuring and reporting the performance measurement process. Common methods include developing and using dashboards or balanced scorecards that allow for a quick interpretation of organizational performance across a number of key measures (Curtright, Stolp-Smith, & Edell, 2000; Pieper, 2005). Senior administration uses these methods to measure and communicate performance on the total organization to the governing board and other critical constituents. Other managers use these methods at the division, unit, or service level to profile its performance. In turn, these measures are also used to evaluate managers' performance and are considered in decisions by the manager's boss regarding compensation adjustments, promotions, increased or reduced responsibility, training and development, and, if necessary, termination or reassignment.

ROLE OF THE MANAGER IN LEADERSHIP DEVELOPMENT AND SUCCESSION PLANNING

Because health care organizations are complex and experience challenges from internal and external environments, the need for leadership skills of managers at all levels of the organization has become paramount. Successful organizations that demonstrate high operational performance depend on strong leaders (Squazzo, 2009). Senior executives have a primary role in ensuring managers throughout the organization have the knowledge and skills to provide effective leadership to achieve desired levels of organizational performance. Senior management also plays a key role in succession planning to ensure vacancies at mid- and upper levels of the organization due to retirements, departures, and promotions are filled with capable leaders. Therefore, key responsibilities of managers are to develop future leaders through leadership development initiatives and to engage in succession planning.

Leadership development programs are broadly comprised of several specific organizational services that are offered to enhance leadership competencies and skills of managerial

staff in health care organizations. **Leadership development** is defined as educational interventions and skill-building activities designed to improve the leadership capabilities of individuals (Kim & Thompson, 2012; McAlearney, 2005). Such initiatives not only serve to increase leadership skills and behaviors, but also ensure stability within organizational talent and culture through career advancement and succession planning (Burt, 2005). In order to embrace leadership development, managers provide technical and psychological support to the staff through a range of leadership development activities:

Leadership development program: Training and leadership development on a variety of required topics, through a formally designated program, using structured learning and competency-based assessment using various formats, media, and locations (Kim & Thompson, 2012)

Courses on leadership and management: Didactic training through specific courses offered face-to-face, online, or in hybrid form (Garman, 2010; Kim & Thompson, 2012)

Mentoring: Formal methods used by the organization for matching aspiring leaders with mid-level and senior executives to assist in their learning and personal growth (Garman, 2010; Landry & Bewley, 2010)

Personal development coaching: Usually reserved for upper-level executives; these formal organizational efforts assist in improving performance by shaping attitudes and behavior and focusing on personal skills development (Garman, 2010; Scott, 2009)

Job enlargement: The offering of expanded responsibilities, developmental assignments, and special projects to individuals to cultivate leadership skills for advancement within the organization (Fernandez-Aaroz, 2014; Garman, 2010; Landry & Bewley, 2010)

360-degree performance feedback: Expensive, labor-intensive, and usually reserved for upper-level executives; a multisource feedback approach where an individual staff member or manager receives an assessment of performance from several key individuals (e.g., peers, superiors, other managers, and subordinates) regarding performance and opportunities for improvement (Garman, 2010; Landry & Bewley, 2010)

Leadership development programs have shown positive results. For example, health systems report benefits such as improvement of skills and quality of the workforce, enhancing organizational efficiency in educational activities, and reducing staff turnover and related expenses when leadership training is tied to organization-wide strategic priorities (McAlearney, 2005). In addition, hospitals with leadership development programs have been found to have higher volumes of patients, higher occupancy, higher net patient revenue, and higher total profit margin when compared to hospitals without these programs (Thompson & Kim, 2013). Studies have also shown that leadership development

programs in health systems are related to greater focus on employee growth and development, improved employee retention, and greater focus on organizational strategic priorities (McAlearney, 2010). Finally, within a single health system, a leadership development program led to greater market share, reduced employee turnover, and improved core quality measures (Ogden, 2007). However, one of the key drawbacks to leadership development programs is the cost of developing and operating the programs (Squazzo, 2009).

Due to the competitive nature of health care organizations and the need for highly motivated and skilled employees, managers are faced with the challenge of succession planning for their organizations. **Succession planning** refers to the concept of taking actions to ensure staff can move up in management roles within the organization to replace those managers who retire or move to other opportunities in other organizations. Succession planning has most recently been emphasized at the senior level of organizations, in part due to the large number of retirements that are anticipated from Baby Boomer chief executive officers (CEOs) (Burt, 2005). To continue the emphasis on high performance within health care organizations, CEOs and other senior managers are interested in finding and nurturing leadership talent within their organizations who can assume the responsibility and carry forward the important work of these organizations.

Health care organizations are currently engaged in several practices to address leadership succession needs. First, mentoring programs for junior management that includes the participation of senior management have been advocated as a good way to prepare future health care leaders (Rollins, 2003). Mentoring studies show that mentors view their efforts as helpful to the organization (Finley, Ivanitskaya, & Kennedy, 2007). Some observers suggest having many mentors is essential to capturing the necessary scope of expertise, experience, interest, and contacts to maximize professional growth (Broschio & Scherer, 2003). Mentoring middle-level managers for success as they transition to their current positions is also helpful in preparing those managers for future executive leadership roles (Kubica, 2008).

A second method of succession planning is through formal leadership development programs. These programs are intended to identify management potential throughout an organization by targeting specific skill sets of individuals and assessing their match to specific jobs, such as vice president or chief operating officer (COO). One way to implement this is through talent reviews, which, when done annually, help create a pool of existing staff who may be excellent candidates for further leadership development and skill strengthening through the establishment of development plans. Formal programs that are being established by many health care organizations focus on high-potential people (Burt, 2005). Thompson and Kim (2013) found that 48% of community hospitals offered a leadership development program, and McAlearney (2010) reported that about 50% of hospital systems nationwide had an executive-level leadership development program.

However, many health care organizations have developed programs that address leadership development at all levels of the organization, not just the executive level, and require all managers to participate in these programs to strengthen their managerial and leadership skills and to contribute to organizational performance.

ROLE OF THE MANAGER IN INNOVATION AND CHANGE MANAGEMENT

Due to the pace of change in the health services industry and the complexity of health services organizations, the manager plays a significant role in leading innovation and spearheading change management. Health services organizations cannot remain static. The environmental forces discussed earlier in this chapter strongly point to the need for organizations to respond and adapt to these external influences. In addition, achieving and maintaining high performance outcomes or results is dependent on making improvements to the organizational structure and processes. Moreover, managers are encouraged to embrace innovation to identify creative ways to improve service and provide care effectively and efficiently.

Innovation and change management are intricately related, but different, competencies. Hamel (2007) describes management innovation and operational innovation. **Management innovation** addresses the organization's management processes as the practices and routines that determine how the work of management gets conducted on a daily basis. These include such practices as internal communications, employment assessment, project management, and training and development. In contrast, **operational innovation** addresses the organization's business processes. In the health care setting, these include processes such as customer service, procurement of supplies and supply chain changes, care coordination across staff, and development and use of clinical procedures and practices. Some operational innovation is structural in nature and involves acquisition of information and clinical products, such as electronic medical/health records, or a new device or procedure, such as robotic surgery or new medications (Staren, Braun, & Denny, 2010). There are specific skills needed by managers to be innovators in management. These skills include thinking creatively about ways to proactively change management and operational practices to improve the organization. It also involves a willingness to test these innovative practices and assess their impact. Also, a manager must facilitate recruitment and development of employees who embrace creativity and innovation. Having innovative clinical and administrative staff is critical to implementing operational innovation. A culture of innovation depends upon staff who are generating ideas for operational innovation, and the manager is a linchpin in establishing a culture of innovation

that supports idea generation. Recent studies of innovative and creative companies found that leaders should rely on all staff collaborating by helping one another and engaging in a dynamic process of seeking and giving feedback, ideas, and assistance (Amabile, Fisher, & Pillemer, 2014). Several barriers to innovation have been identified. These barriers include lack of an innovation culture that supports idea generation, lack of leadership in innovation efforts, and high costs of making innovative changes (Harrington & Voehl, 2010). In addition, formal rules and regulations, professional standards, and administrative policies may all work against innovation (Dhar, Griffin, Hollin, & Kachnowski, 2012). Finally, daily priorities and inertia reflecting the status quo that cause managers to focus on routines and day-to-day tasks limit staff ability to be creative, engage in discovery, and generate ideas (Dhar et al., 2012).

Organizational change, or **change management**, is related to but different from innovation. Organizational change is a structured management approach to improving the organization and its performance. Knowledge of performance gaps is a necessary prerequisite to change management, and managers must routinely assess their operational activities and performance and make adjustments in the work structure and processes to improve performance (Thompson, 2010). Managing organizational change has become a significant responsibility of managers and a key competency for health care managers (Buchbinder & Thompson, 2010). Managing the change process within health care organizations is critical because appropriately and systematically managing change can result in improved organizational performance. However, change is difficult and the change process creates both staff resistance and support for a change.

A process model of change management has been suggested by Longest et al. (2000). This rational, problem-based model identifies four key steps in systematically understanding and managing the change process: (1) identification of the need for change, (2) planning for implementing the change, (3) implementing the change, and (4) evaluating the change.

There are several key management competencies that health care managers need to possess to effectively manage change within their organizations. Thompson (2010) suggests that managers:

- Embrace change and be a change agent;
- Employ a change management process;
- Effectively address support and resistance to change;
- Use change management to make the organization innovative and successful in the future; and,
- Recruit staff and succession plan with change management in mind.

ROLE OF THE MANAGER IN HEALTH CARE POLICY

As noted earlier in this chapter, managers must consider both their external and internal domains as they carry out management functions and tasks. One of the critical areas for managing the external world is to be knowledgeable about health policy matters under consideration at the state and federal levels that affect health services organizations and health care delivery. This is particularly true for senior-level managers. This awareness is necessary to influence policy in positive ways that will help the organization and limit any adverse impacts. Staying current with health care policy discussions, participating in deliberations of health policy, and providing input where possible will allow health care management voices to be heard. Because health care is such a popular yet controversial topic in the U.S. today, continuing changes in health care delivery are likely to emanate from the legislative and policy processes at the state and federal levels. For example, the Patient Protection and Affordable Care Act, signed into law in 2010 as a major health care reform initiative, has had significant implications for health care organizations in terms of patient volumes, reimbursement for previously uninsured patients, and the movement to improve population health and develop value-based purchasing. Other recent federal policy changes include cuts in Medicare reimbursement and increases in reporting requirements. State legislative changes across the country affect reimbursement under Medicaid and the Children's Health Insurance Program, licensure of facilities and staff, certificate of need rules for capital expenditures and facility and service expansions, and state requirements on mandated health benefits and modified reimbursements for insured individuals that affect services offered by health care organizations.

In order to understand and influence health policy, managers must strive to keep their knowledge current. This can be accomplished through targeted personal learning, networking with colleagues within and outside of their organizations, and participating in professional associations, such as the American College of Healthcare Executives and the Medical Group Management Association. These organizations, and many others, monitor health policy discussions and advocate for their associations' interests at the state and federal levels. Knowledge gained through these efforts can be helpful in shaping health policy in accordance with the desires of health care managers.

RESEARCH IN HEALTH CARE MANAGEMENT

Current research in management focuses on best practices. For example, the best practices of managers and leaders in ensuring organizational performance has been the focus of work by McAlearney, Robbins, Garman, and Song (2013) and Garman, McAlearney, Harrison, Song, and McHugh (2011). The best practices identified by these researchers include staff

engagement, staff acquisition and development, staff frontline empowerment, and leadership alignment and development. Understanding what leaders do to develop their staff and prepare lower-level managers for leadership roles has been a common research focus as well. Leadership development programs have been examined in terms of their structure and impact. McAlearney (2008) surveyed health care organizations and key informants to determine the availability of leadership development programs and their role in improving quality and efficiency, and found these programs enhanced the skills and quality of the workforce, improved efficiency in educational development, and reduced staff turnover. A study of high-performing health organizations found various practices are used to develop leaders internally, including talent reviews to identify candidates for upward movement, career development planning, job rotations, and developmental assignments (McHugh, Garman, McAlearney, Song, & Harrison, 2010). In addition, a 2010 study examined leadership development in health and non-health care organizations and found best practices included 360-degree performance evaluation, mentoring, coaching, and experiential learning (National Center for Healthcare Leadership, 2010). A study of U.S. health systems found about half of health systems offered a leadership development program and also found that leadership development initiatives helped the systems focus on employee growth and development and improved employee retention (McAlearney, 2010). As noted earlier in this chapter, some recent studies have examined the characteristics of leadership development programs in hospitals, finding correlations of programs with size, urban location, and not-for-profit ownership status (Kim and Thompson, 2012; Thompson and Kim, 2013). A new area of management research is the participation of early careerists in leadership development programs, and recent evidence shows that some leadership development activities are of more interest to staff than others (Thompson and Temple, 2015). A number of important areas of management research exist today, and include looking at the effect of leadership development training on specific decision-making by managers, career progression due to participation in leadership development, and the impact of collaboration among staff on firm innovation and performance (Amabile, Fisher, & Pillemer, 2014).

CHAPTER SUMMARY

The profession of health care management is challenging yet rewarding, and requires persons in managerial positions at all levels of the organization to possess sound conceptual, technical, and interpersonal skills to carry out the necessary managerial functions of planning, organizing, staffing, directing, controlling, and decision making. In addition, managers must maintain a dual perspective where they understand the external and internal domains of their organization and the need for development at the self, unit/team, and

organization levels. Opportunities exist for managerial talent at all levels of a health care organization, including supervisory, middle-management, and senior-management levels. The role of manager is critical to ensuring a high level of organizational performance, and managers are also instrumental in establishing and maintaining organizational culture, talent recruitment and retention, leadership development and succession planning, innovation and change management, and shaping health care policy.

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DISCUSSION QUESTIONS

1. Define health care management and health care managers.
2. Delineate the functions carried out by health care managers and give an example of a task in each function.
3. Explain why interpersonal skills are important in health care management.
4. Compare and contrast three models of organizational design.
5. Why is the health care manager’s role in ensuring high performance so critical? Explain.
6. Characterize the health care manager’s role in change management and assess the extent to which this has an impact on the success of the change process.

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