

# Understanding Healthcare Management

The prior chapter addressed growth in the health services industry and opportunities for healthcare managers. By now the reader should appreciate that formal preparation in healthcare management can pay big dividends in terms of exciting management jobs and positions with excellent career advancement. But just what do healthcare managers do? And what are their roles and responsibilities?

Healthcare 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. This chapter gives a comprehensive overview of healthcare management as a profession. Understanding the roles, responsibilities, and functions carried out by healthcare 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 healthcare organizations. In addition, descriptions of supervisory level, mid-level, and senior management positions within different organizations are provided.

## THE NEED FOR MANAGEMENT AND THEIR PERSPECTIVE

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Healthcare 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 that were beyond the capacity of any single individual. In healthcare organizations, the scope and complexity of tasks carried out in provision of services are so great that individual staff operating on their own couldn't get the job done. Moreover, the necessary tasks in producing services in healthcare organizations require the coordination of many highly specialized disciplines that must work together seamlessly. Managers are needed to make certain that 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.

Healthcare managers are appointed to positions of authority where they shape the organization by making important decisions. Such decisions, for example, relate to recruitment and development of staff, acquisition of technology, service additions and reductions, and allocation and spending of financial resources. Decisions made by healthcare 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 affect the organization's overall performance.

Managers must consider two domains as they carry out various tasks and make decisions (Thompson, 2007a). These domains are termed **external** and **internal domains** (see Table 2-1). The **external domain** refers to the influences, resources, and activities that exist outside the boundary of the organization but which significantly affect the organization. These factors include community needs, population characteristics, and reimbursement from commercial insurers and Medicare and Medicaid. The **internal domain** refers to those 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 on the part of management and significant effort in order to make good decisions.

**Table 2-1** 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: J.M. Thompson, "Health Services Administration" in S. Chisolm (Ed.), *The Health Professions: Trends and Opportunities in U.S. Health Care*, 2007.

## MANAGEMENT: DEFINITION, FUNCTIONS, AND COMPETENCIES

As discussed earlier, management is needed to support and coordinate the services that are provided within healthcare 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 humans 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, in order to achieve 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 healthcare 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 healthcare organizations include supervisor, coordinator, and director, among others (see Table 2-2). These levels of managerial control are discussed in more detail in the next section.

**Table 2-2** 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, Rakich, & Darr, 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. Further, 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 several 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 HIERARCHY

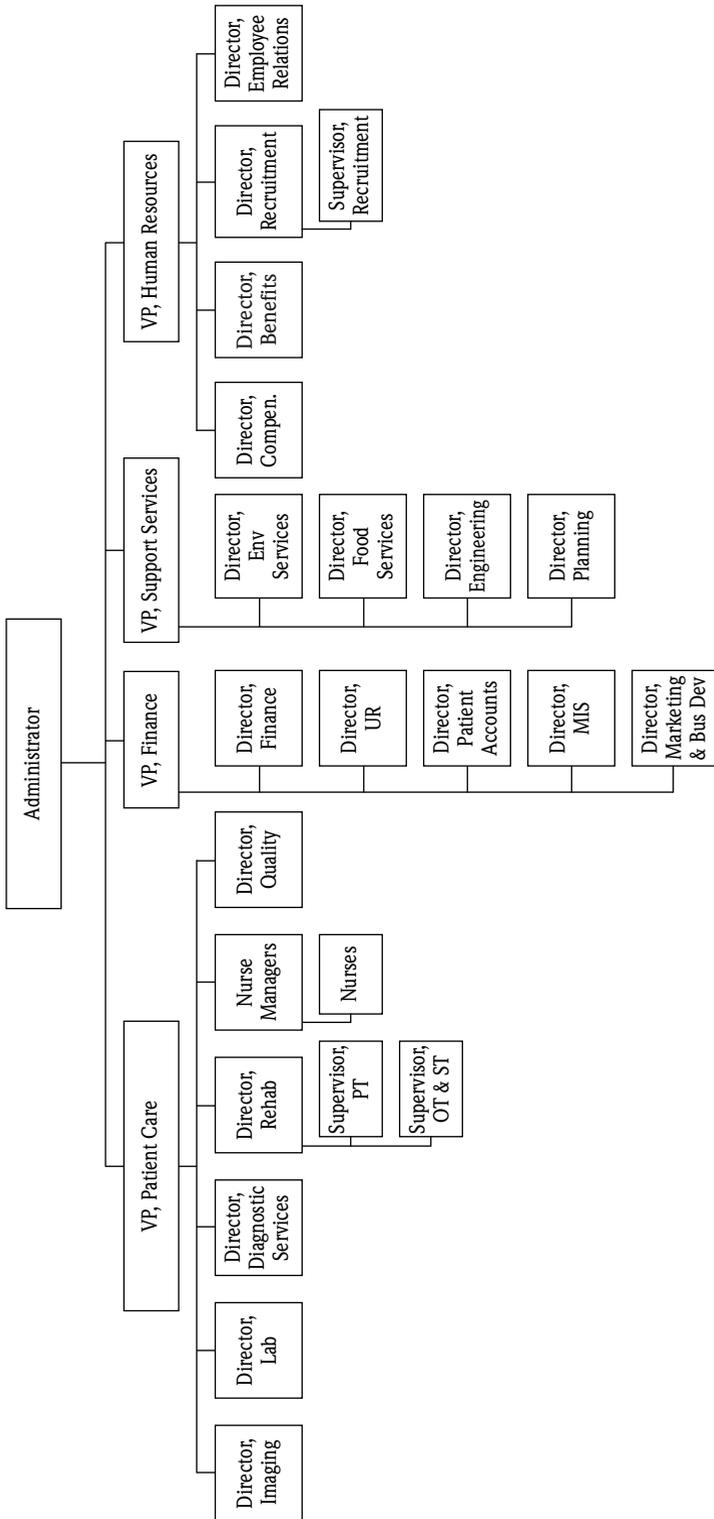
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Management positions within healthcare organizations are not confined to the top level; because of the size and complexity of many healthcare organizations, management positions are found throughout the organization. Management positions exist at lower levels, middle-management levels, and at upper levels, which is referred to as senior management level. The hierarchy of management means that authority, or power, is delegated

downward in the organization, and that 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 above, are **line** managerial positions because the manager supervises other employees; other managerial positions are **staff** managerial positions because they carry out work and advise their boss, but they do not routinely supervise others. Managerial positions also vary in terms of required expertise and 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 healthcare organizations is a **functional organizational structure** whose key characteristic is a pyramid-shaped hierarchy, which defines the functions carried out and the key management positions assigned to those functions (see Figure 2-1). 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 ensures that 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 healthcare 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



**FIGURE 2-1** Functional Organizational Structure

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 staff 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 & 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**

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Effective healthcare 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 understanding of management techniques and substantive issues of health-care management current. Managing yourself also means developing and applying appropriate technical, interpersonal, and conceptual skills and competences 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 work 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 at this level.

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 organizational-level 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 healthcare 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 TALENT MANAGEMENT

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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, healthcare organizations compete for labor, and it is commonly accepted today that high-performing healthcare organizations are dependent upon individual human performance (Thompson, 2007b). Many observers have advocated for healthcare 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 healthcare 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 fill a role (Huselid, Beatty, & Becker, 2005).

Beyond recruitment, managers are concerned about developing and retaining those staff who are excellent performers. There are several strategies used by managers to create and maintain excellent performers. These include formal methods such as offering training programs, assisting with hands-on leadership, providing continuing education, especially for clinical and technical fields, and providing job enrichment. In addition, managers use informal methods such as conducting periodic employee reviews, soliciting employee feedback, offering employee suggestion programs, and other methods of fostering high-involvement employee relations.

## ROLE OF THE MANAGER IN ENSURING HIGH PERFORMANCE

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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 organi-

zation. 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.

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: 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 that 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, is improved.

Stakeholders, including insurers, state and federal governments, and consumer advocacy groups, are expecting, and in many cases demanding, acceptable levels of performance in healthcare organizations. These groups want to make sure that services are provided in a safe, convenient, low-cost, and high-quality environment. For example, the Commission (formerly JCAHO) has set minimum standards for healthcare 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 to meeting the reporting requirements of the aforementioned organizations, many healthcare 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 on the 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 their 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 SUCCESSION PLANNING

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Due to the competitive nature of healthcare 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 that staff can move up in management roles within the organization, in order 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). In order to continue the emphasis on high performance within healthcare 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.

Healthcare organizations are currently engaged in several practices to address leadership succession needs. First, **mentoring programs** for junior management that senior management participate in have been advo-

cated as a good way to prepare future healthcare leaders (Rollins, 2003). Mentoring studies show that mentors view their efforts as helpful to the organization (Finley, Ivanitskaya, & Kennedy, 2007). Some observers suggest that having many mentors is essential to capturing the necessary scope of expertise, experience, interest, and contacts to maximize professional growth (Broscio & Sherer, 2003). Mentoring middle-level managers for success as they transitioned to their current positions is also helpful to 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 healthcare organizations focus on high-potential people (Burt, 2005).

## CHAPTER SUMMARY

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The profession of healthcare management is challenging and requires that persons in managerial positions at all levels of the organization possess sound conceptual, technical, and interpersonal skills in order to carry out the required 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 healthcare 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 talent recruitment and retention as well as succession planning.

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