UCSF School of Nursing

Doctor of Nursing Practice

N263.16 Organizational Systems & Health Economics

Week 1 Overview & Textbook Summary (Borkowski: Ch. 1, 20 & 21)

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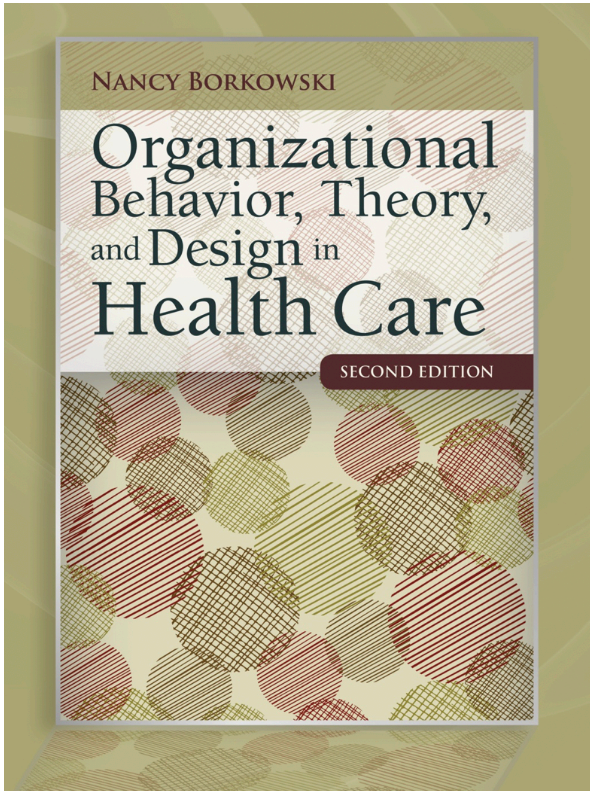
- **Chapter 1: Overview and History of Organizational Behavior**
- **Chapter 20: Overview and History of Organizational Theory**
- **Chapter 21: Organizational Strategy & Structure**



Week 1 Learning Outcomes

1. Define “organization”, organization theory, and the components of an organization’s formal structure.
2. Relate the importance of classical management theorists and development of organization theory.
3. Consider factors that determine the stability and uncertainty of an organization’s environment.
4. Differentiate between closed and open systems.
5. Discuss what is meant by the term “learning organization.”
6. Define organizational strategy and the three levels of strategy
7. Understand the strategic planning process and relate to the the organizational culture

What Is Organizational Behavior (OB)?

- The study of individual and group dynamics within an organization setting.

The Goals of Organizational Behavior

- OB attempts to explain why individuals and groups behave the way they do within the organizational setting.
- OB tries to predict how individuals and groups will behave based on internal and external factors.
- OB provides managers with tools to assist in the management of individuals' and groups' behaviors so they willingly put forth their best effort to accomplish organizational goals.

Topics to Be Discussed Throughout the Course

- Diversity
- Perceptions and attitudes
- Communication
- Motivation
- Leadership
- Stress and conflict management
- Group dynamics
- Working in groups
- Teams and team-building
- Managing organizational change

What is Organizational Theory?

1. Organization theory (OT) is commonly referred to as the study of the behavior and nature of organizations in their environments.

2. Although organization theory emerged from the disciplines of sociology, economics, political science, and psychology, similar to organizational behavior, the focus of OT is the organization as a whole.

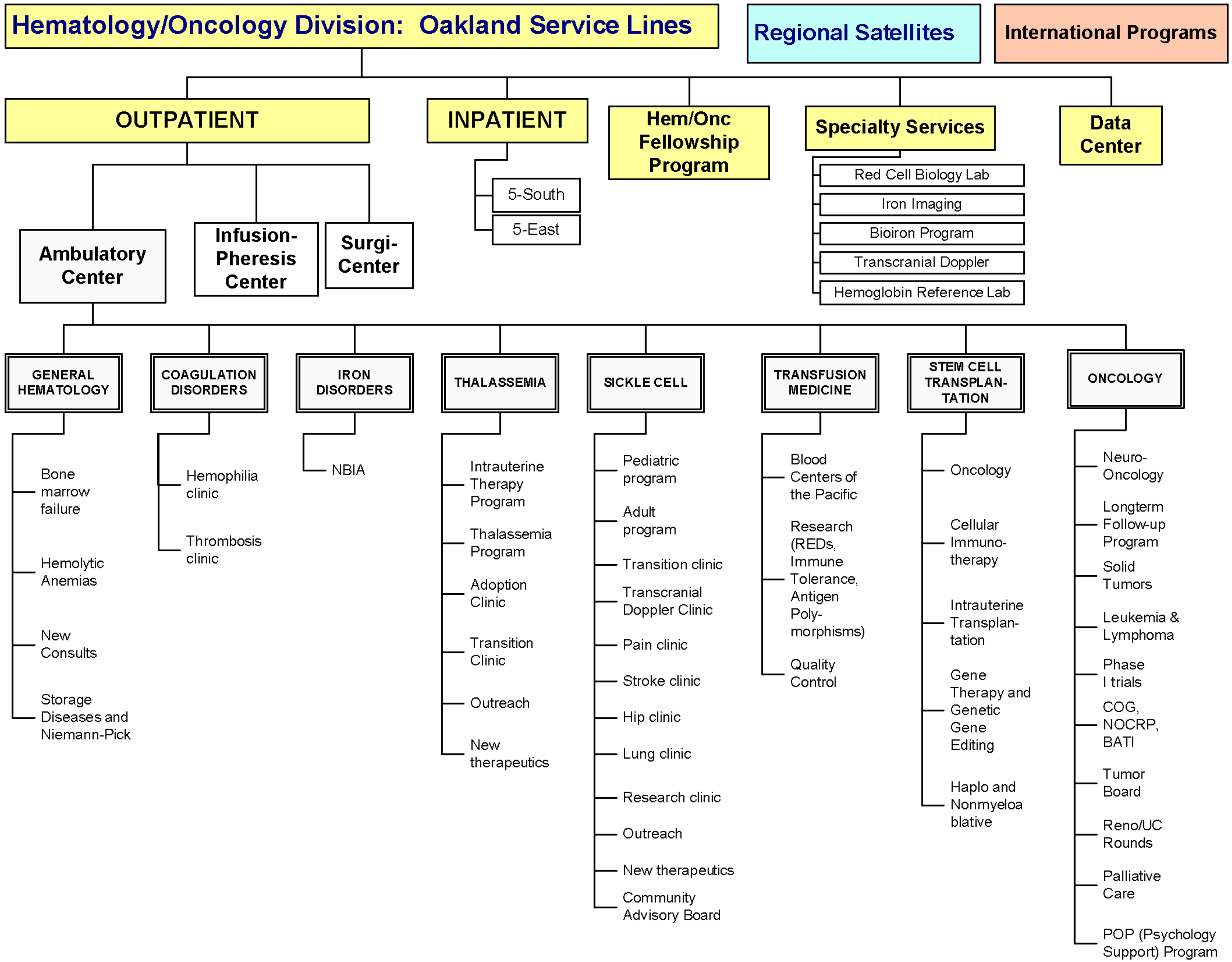
What is an Organization?

- An organization is a collection of people working together (i.e., social entity) under a defined structure to achieve predetermined outcomes through coordinated activities (i.e., processes).

- Although many of the theories originated in the business world, application to health care is clear.

Organization Structure

- The formal structure of a company is reflected by its organization chart which reveals the complexity of the organization.
- The more differentiated and diverse the activities (i.e., size, technology, strategies) of the organization - the more integration is required resulting in a more complex structure.
- Next Slide is the Organizational Chart illustrating ONE service line within UCSF Benioff Hospital


Hematology/Oncology Division: Oakland Service Lines
Regional Satellites
International Programs
OUTPATIENT
INPATIENT
Hem/Onc Fellowship Program
Specialty Services
Data Center
Ambulatory Center
Infusion-Pheresis Center
Surgi-Center
5-South
5-East
Red Cell Biology Lab
Iron Imaging
Bioiron Program
Transcranial Doppler
Hemoglobin Reference Lab
GENERAL HEMATOLOGY
Bone marrow failure
Hemolytic Anemias
New Consults
Storage Diseases and Niemann-Pick
COAGULATION DISORDERS
Hemophilia clinic
Thrombosis clinic
IRON DISORDERS
NBIA
THALASSEMIA
Intrauterine Therapy Program
Thalassemia Program
Adoption Clinic
Transition Clinic
Outreach
New therapeutics
SICKLE CELL
Pediatric program
Adult program
Transition clinic
Transcranial Doppler Clinic
Pain clinic
Stroke clinic
Hip clinic
Lung clinic
Research clinic
Outreach
New therapeutics
Community Advisory Board
TRANSFUSION MEDICINE
Blood Centers of the Pacific
Research (REDs, Immune Tolerance, Antigen Poly-morphisms)
Quality Control
STEM CELL TRANSPLAN-TATION
Oncology
Cellular Immuno-therapy
Intrauterine Transplan-tation
Gene Therapy and Genetic Gene Editing
Haplo and Nonmyeloa blative
ONCOLOGY
Neuro-Oncology
Longterm Follow-up Program
Solid Tumors
Leukemia & Lymphoma
Phase I trials
COG, NOCRP, BATI
Tumor Board
Reno/UC Rounds
Palliative Care
POP (Psychology Support) Program

Organizational Formal Structure

Kast and Rosenzweig (1985, p. 234) define an organization's formal structure as:

- The pattern of formal relationships and duties – the organization chart plus job descriptions.
- The way in which the various activities or tasks are assigned to different departments and/or people in the organization (differentiation).
- The way in which these separate activities or tasks are coordinated (integration).
- The power, status, and hierarchical relationships within the organization (authority system).
- The planned and formalized policies, procedures, and controls that guide the activities and relationships of people in the organization (administrative system).

Environmental Forces and the Organization's Structure

The stability/instability and certainty/uncertainty of environmental forces greatly affect an organization's structure.

Questions to be answered:

1. How many forces does an organization need to deal with on a regular basis?
2. How diverse are these forces?
3. How rapidly these forces are changing?

History of Organizational Theory

- "Taylorism"
  - The traditional or classical management approach
- Hawthorne Studies
  - The beginning of the human relations/behavioral management movement
- McGregor's Theory X and Theory Y

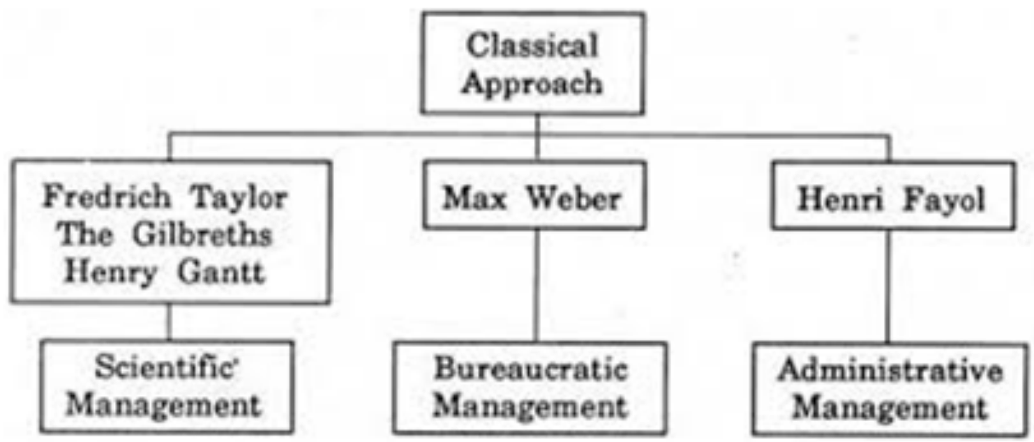


Figure 8: Classical organizational theories

History of Organization Theory

The historical roots of organization theory can be found in the concepts developed during the Industrial Revolution in the late 19th and early 20th centuries.

- **Max Weber (1864-1920)**
- **Henry Fayol (1841-1925)**
- **Frederick Taylor (1856-1915)**

The Six Key Administrative Characteristics of Weber's "Rational" Organization:

1. **Hierarchy of authority** – to ensure clear communication of supervision and subordination positions (i.e., designations).

2. **Hiring (and promoting) of technically qualified workers** - to ensure that hiring and promotions are based on merit rather than favoritism, and those hired view their positions as full-time, primary careers.

3. **Consistent system of rules** – to ensure consistent and effective pursuit of organizational goals.

The Six Key Administrative Characteristics of Weber's "Rational" Organization:

4. **Extensive use of written documents** – to ensure that decision are made and communicated through written rules and records.

5. **Functional specialization and division of duties** – to ensure efficient operations with each worker carrying out specific tasks and duties based on his/her skill and training.

6. **Separate position from worker** – to ensure that individual workers did not have "rights" to any aspect of his/her position thereby eliminating the ability to pass the position on to friends or family once their contract ends.

Henri Fayol (1841-1925)

- Developed a “set of rules” for managers to follow to be successful.
- His rules consisted of three parts:

  (1) Activities of management,

  (2) Principles of management, and

  (3) Elements of management.

Fayol's Activities of Management

Fayol argued that all activities within organizations could be divided into **six main groups**:

1. Technical
2. Commercial
3. Financial
4. Security
5. Accounting
6. Managerial

14 Principles of Henry Fayol

- Division of Work
- Authority and Responsibility
- Discipline
- Unity of Command
- Unity of Direction
- Interest
- Remuneration

- Centralization
- Scalar Chain
- Order
- Equity
- Stability of Tenure
- Initiative
- Esprit De Corp

Fayol's Principles of Management

Table 19–1 Fayol's 14 Principles of Management

Principle	*Description*
Division of work	Division of labor or specialization limits the activities or tasks that attention must be given to by the worker and therefore allows for increased quality and quantity of output for the same amount of overall effort.
Authority and responsibility	Managers should exercise authority, both as it derives from the office held and as it derives from the intelligence, experience, and other personal qualities of the manager. In addition, responsibility must be commensurate with authority.
Discipline	Discipline is a condition for effective operation of a business. It consists of obedience, application, energy, behavior, and respect, all given on the basis of some formal or informal employment contract between the individual and the firm. To function as it should, discipline requires good managers, clear and equitable agreements, and the judicious application of sanctions such as warnings, fines, suspensions, and other, similar disciplinary actions.
Unity of command	An individual should receive orders with regard to a particular action from one supervisor only. Dual command is to be avoided.
Unity of direction	Unity of direction applies to coordination of effort and is a principle of organizations. A group of activities having the same objective should be placed under a single manager with a single plan.

Fayol's Principles (cont.)

Subordination of individual interests to general interest	For effective functioning, the interests of the organization as a whole must take precedence over those of individuals or groups. Subordination of interests is one basis for reconciling conflicting interests. In some instances, interests of a different order appear to have equal claims. Such conflicts must be reconciled rather than being permitted to continue. Possible means to this end are the firmness and good example of managers, fair agreements, and constant supervision.
Remuneration of personnel	Payments should be fair and equitable, should reward well-directed effort, and should not exceed reasonable limits.
Centralization	The amount of centralization, as opposed to decentralization, should be optimal for the particular concern. Contingency factors are firm size, personal character of the manager, manager's moral worth, reliability of subordinates, and conditions of business. The degree of centralization may vary considerably, depending on the relative potential effectiveness of the manager or subordinate.
Scalar chain	The line of authority from top management to the lowest ranks represents the scalar chain. Communication should occur up and down the scalar chain of authority. However, if following the chain creates delays, cross-communications can be allowed if agreed to by all parties and superiors are kept informed (Fayol referred to this as gangplank/horizontal communication).

(Continued)

Fayol's Principles of Management (Cont'd)

Table 19–1 Fayol's 14 Principles of Management *(Continued)*

Principle	*Description*
Order	To avoid loss of material, there should be a place for everything and everything in its place. In addition, the prescribed place should be one that facilitates the carrying out of necessary activities. The principle of order applies not only to material things, but also to people. Thus there should be an appointed place for each employee, and each employee should be in that place with the appointed place appropriate to the task to be performed. This principle means good organization and selection, and it implies the existence of an organization chart.
Equity	Employees should be treated with kindness and justice, which together equal equity. The object is to elicit devotion and loyalty in return. Ideally, a sense of equity will permeate the whole scalar chain.
Stability of tenure of personnel	Employees and managers alike need time to settle into their jobs before they can achieve maximum performance (Fayol viewed high employee turnover as inefficient). Therefore, management should provide for job security and personnel planning. Stability of tenure promotes loyalty to the organization, its purposes, and values.

Fayol's Principles of Management (Cont'd)

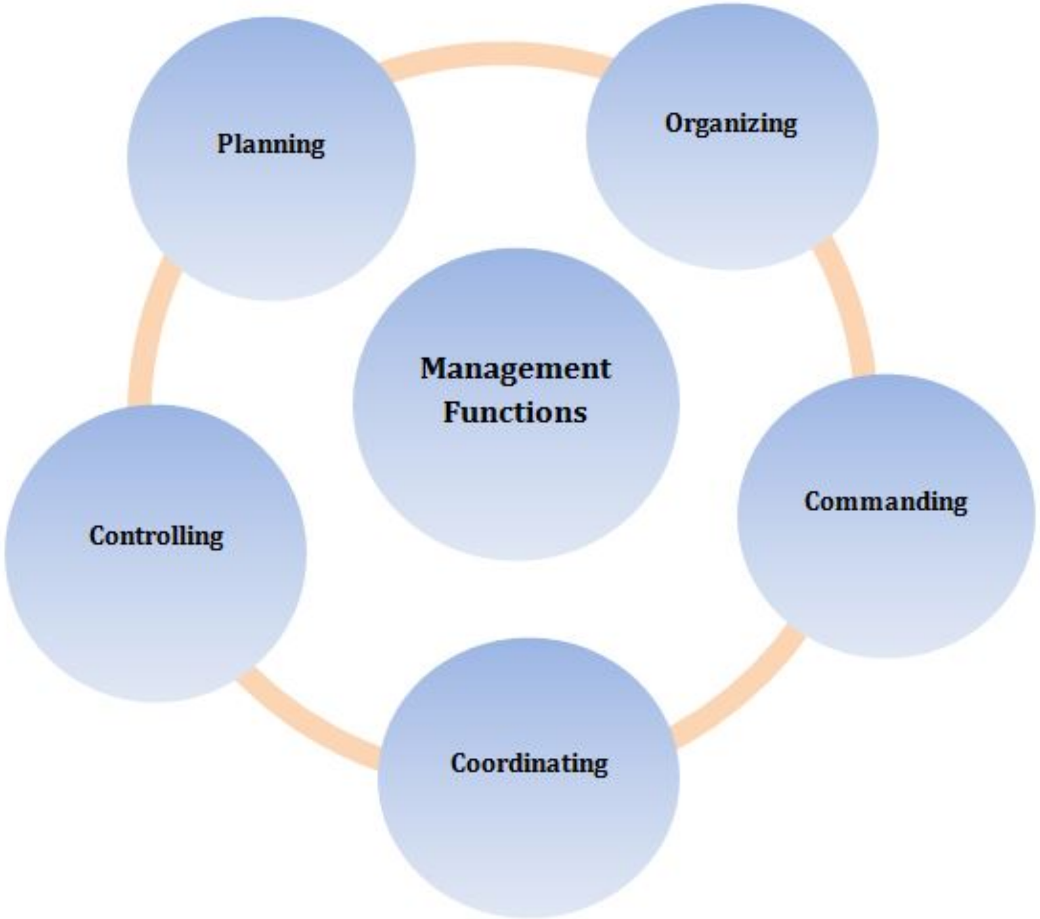
Initiative	Initiative is thinking out a plan and executing it, as well as having the freedom to do these things. Initiative of this kind should be encouraged; it is particularly valuable to an organization in difficult times. The manager who facilitates the initiative of subordinates is far superior to the manager who does not, because initiative can serve as a source of both satisfaction and motivation.
Esprit de corps	Essentially, this is a principle of unity. Harmony should be fostered and conflict minimized. Unity of command is one means to this end. Creating dissension among one's subordinates thwarts coordination and teamwork (e.g., Fayol was opposed to the divide-and-conquer technique). Verbal communication should be used whenever possible because, being two-way, it permits rapid resolution of conflicts. Written communication often fosters conflict.

Source: *Organizational behavior: foundations, theories and analysis* (pp. 65–67), by J. B. Miner, 2002. New York: Oxford University Press. Reprinted with permission.

Elements of Management:

Fayol saw a manager's responsibilities as (you learned these in your BSN program!):

1. Planning
2. Organizing
3. Commanding
4. Coordinating
5. Controlling



Taylor's Four Basic Principles of Management

1. Develop a science for the work of each person. This involves determining how the work can best be performed by experimenting with it, conducting motion and time studies, and often applying mathematical formulas.

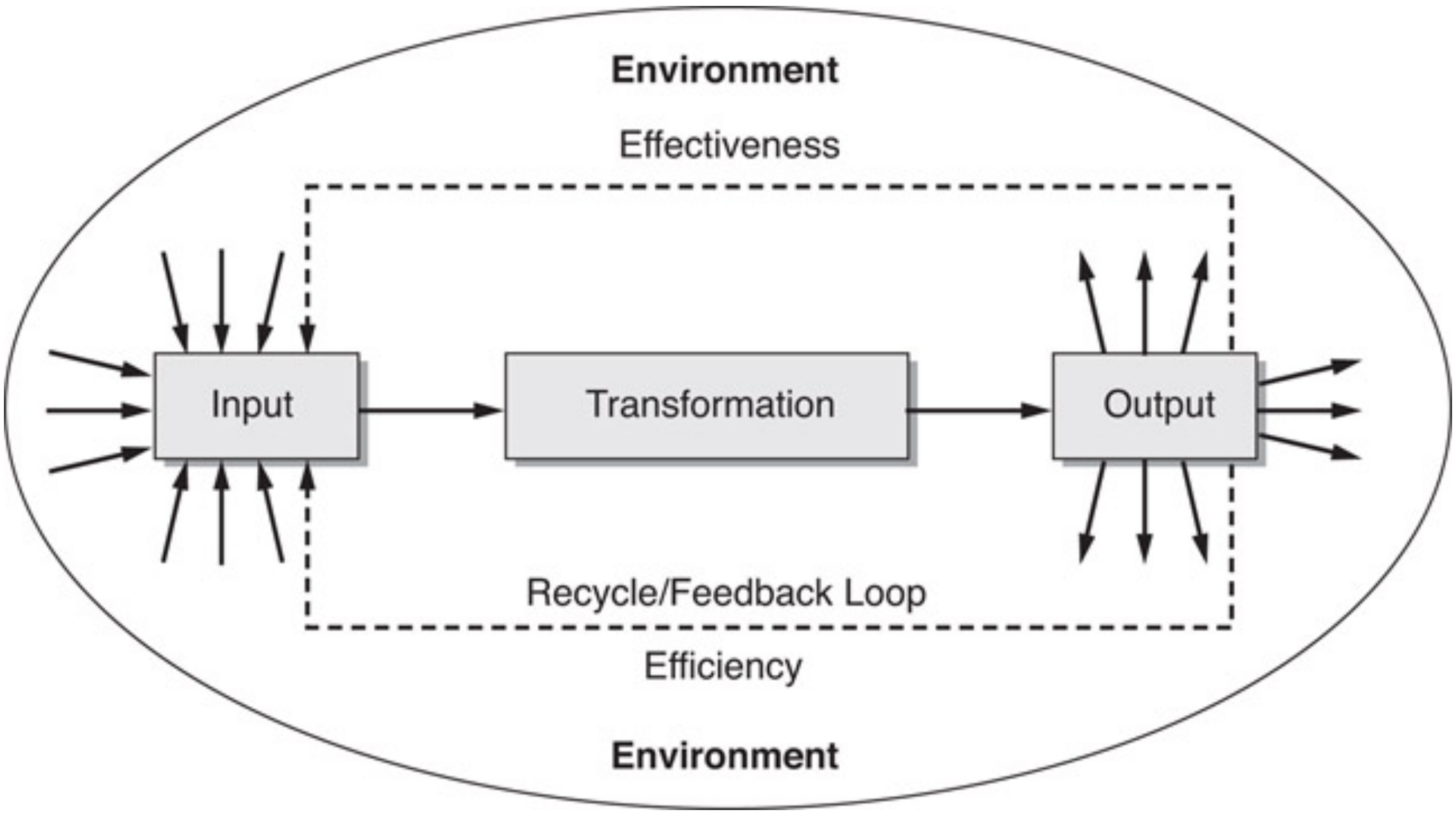
2. Scientifically select the best individual for the job, train that person to be able to perform the job better and better, and finally pay higher wages than ever before to reward the increased productivity.

Taylor's Four Basic Principles of Management

3. Cooperate with the workers to ensure that the work is, in fact, done in the prescribed manner; make knowledge of the job (principle 1) and the worker selected (principle 2) come together. This should include, but not be limited to, providing for increased earnings for those who follow the prescribed methods most closely.

4. Divide the work so that activities such as planning, organizing, and controlling are the responsibility of management; the worker, in contrast, has the responsibility for doing. This division is predicated on the assumption that most workers do not have the capability to create the science of their work.

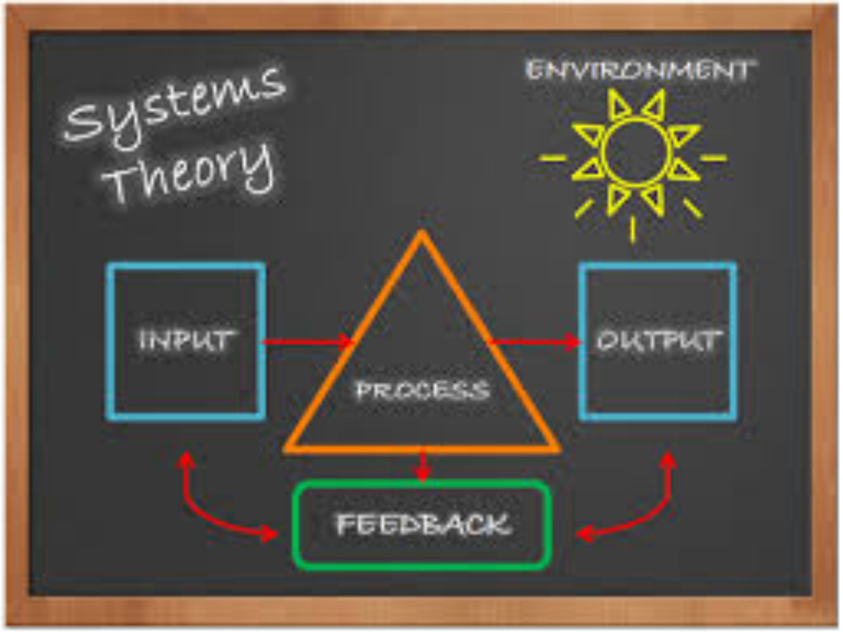
Open-System Theory: Katz & Khan (1978)



4 Phases in Open Systems Theory

- Inputs
- Transformation
- Outputs
- Recycling

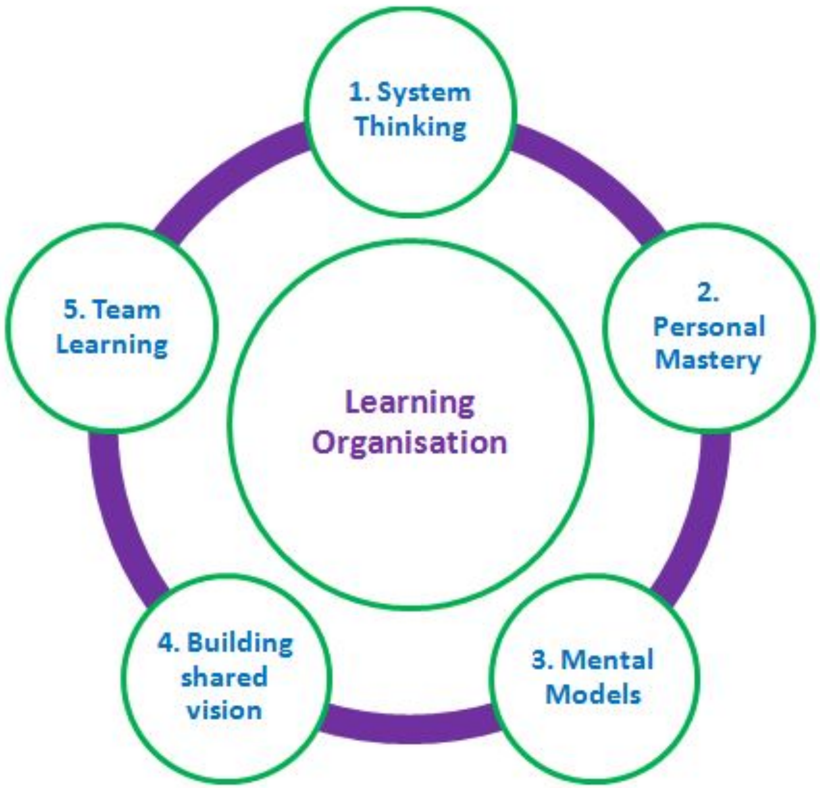
- (See p. 442-444)



“Learning” Organizations

“We can’t solve problems by using the same kind of thinking we used when we created them” Alfred Einstein

- Health care is an extremely complex system
- The system must learn that what worked in the past likely will NOT work in the future
- Peter Senge (1990) ***The Fifth Discipline***
- Five key elements



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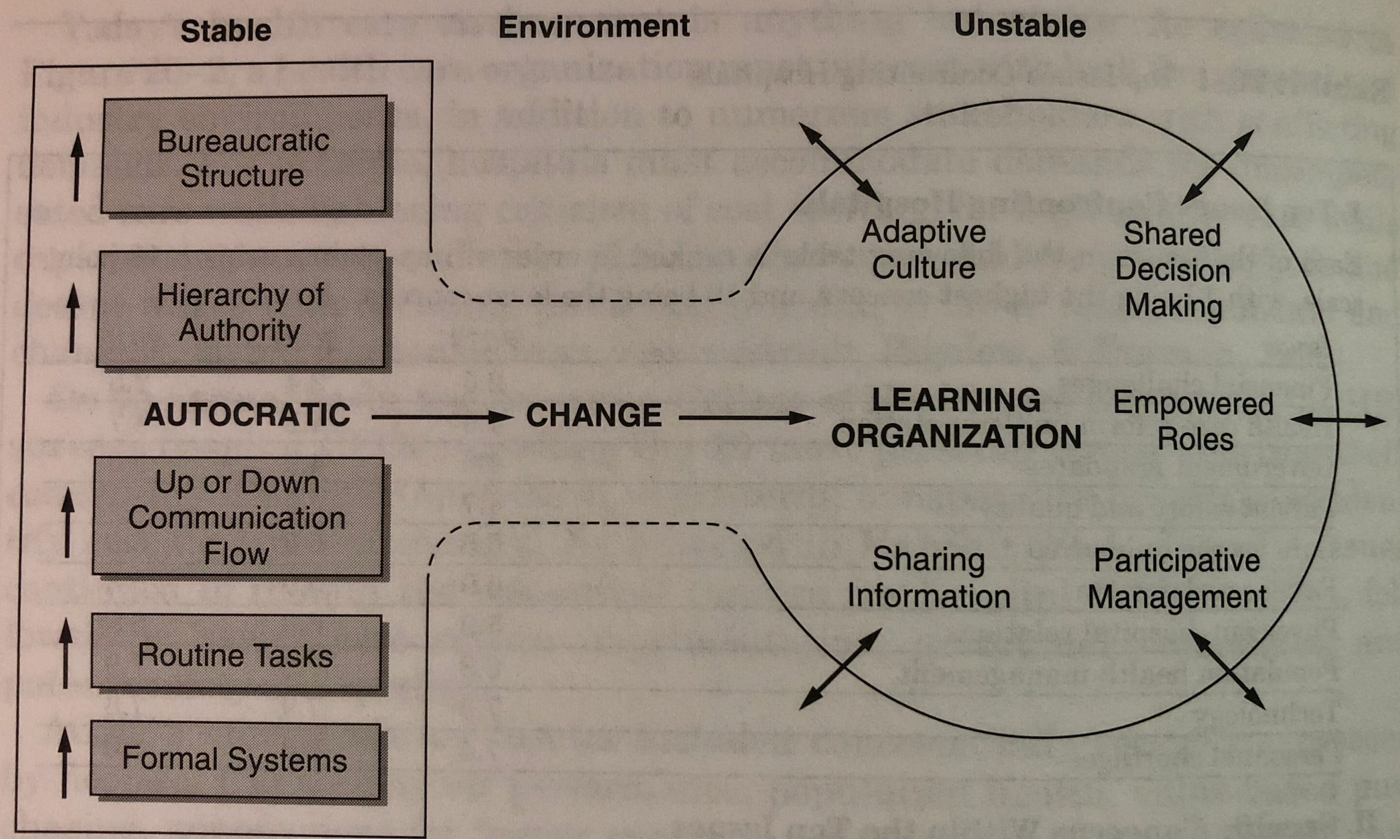


Figure 20–3 Learning Organization

Organizational Strategy

- Organizational strategy deals with the choices the organization makes that define how it relates, as a whole, to the external environment.
- Organizational strategy is both a process and a mind-set (i.e., way of viewing the environment).

What is Strategy?

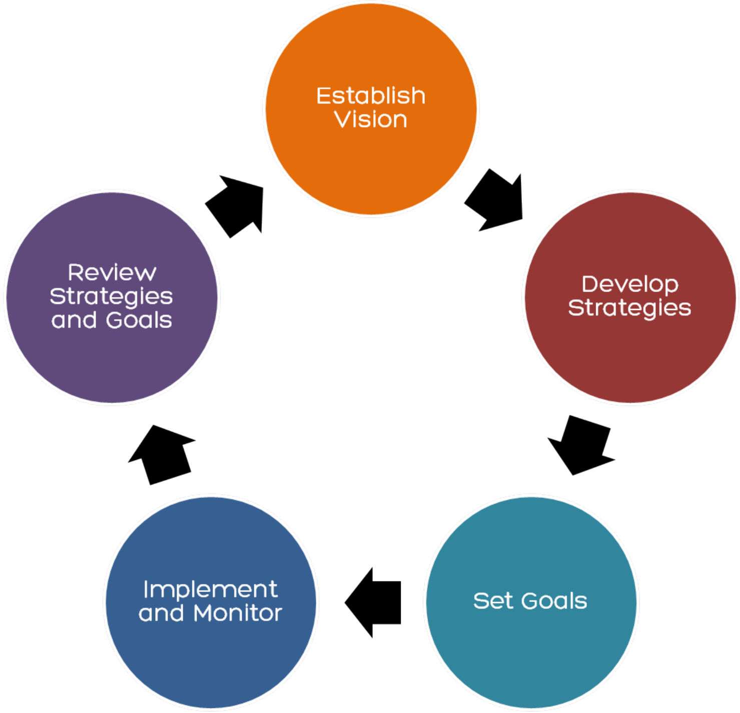
- By definition, strategy provides the means to accomplish the vision, mission, and objectives of the organization.

- The focus on the whole organization rather than individual units or parts of the organization is a defining element of strategy.

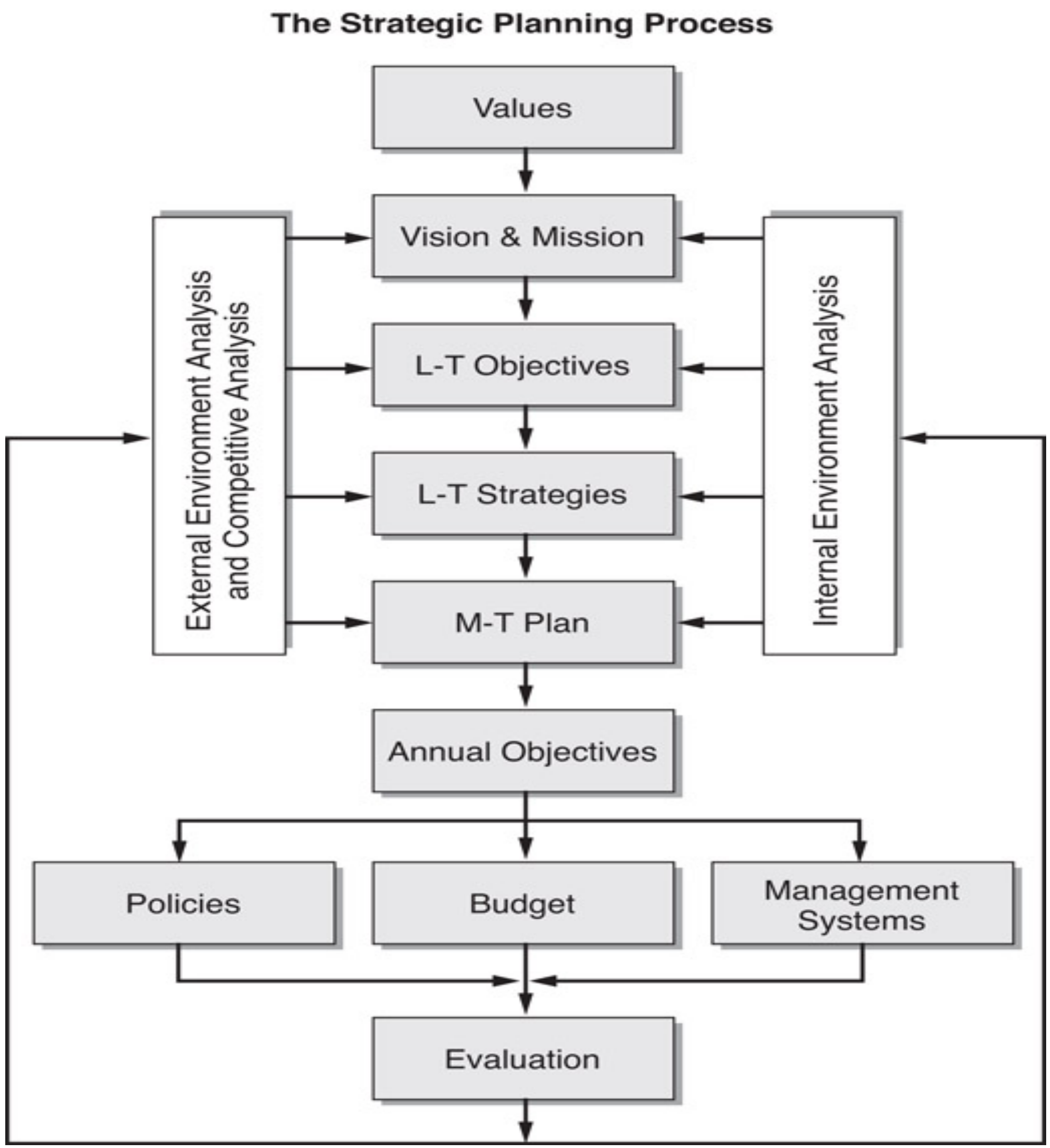
Stages of Strategic Planning

- Assessment
- Development
- Implementation
- Evaluation

(sound familiar?!)

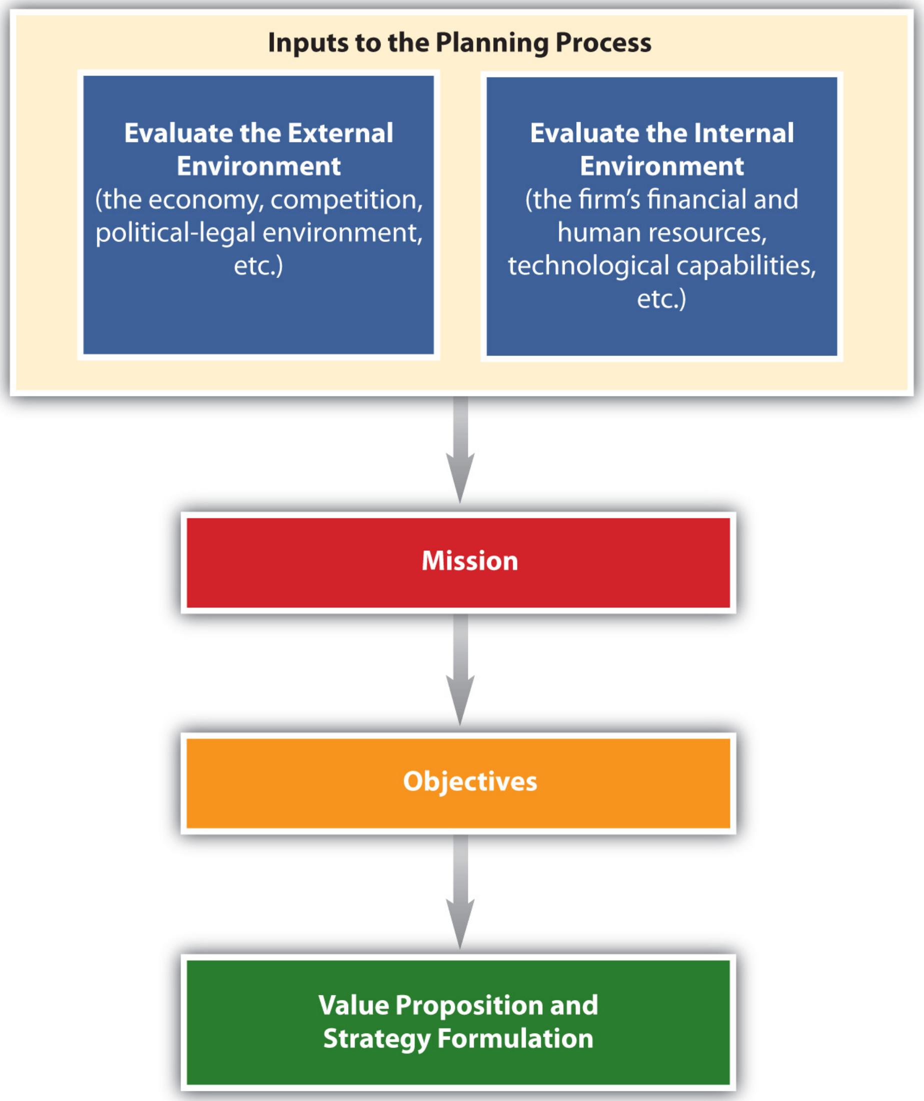


Strategic Planning Process



Strategic Assessment

- Values and culture
- Internal environmental analysis
- External environmental analysis
- Competitive analysis (Often as a SWOT analysis in the business world)



Strategic Plan Development

- Vision and mission
- Long-term objectives
- Long-term strategies

Implementing the Strategic Plan

- Medium-term plan
- Annual objectives
- Budget
- Policies
- Management systems

Evaluating the Strategic Plan

- Management evaluates the effectiveness of the prior year's strategies, including accomplishment of the year's strategic objectives.
- For an effective evaluation, biases need to be set aside and the analysis needs to be factual.

Three Levels of Strategy

- Level 1 – Corporate strategy
- Level 2 – Business strategy
- Level 3 – Functional strategy

Level 1 – Corporate Strategy

Corporate-level strategy answers the questions:

1. What business(es) the organization is in?
2. What is the emphasis between those different businesses?

Level 2 – Business Strategy

Business strategy defines how the organization will compete within the defined business(es) - given the allocated resources.

Level 3 – Functional Strategy

- Almost all implementation of strategy is accomplished at the **functional level**, as most organizations use a functional structure at some level.
- For those organizations having no functional structure at all, the lower units (such as teams or networks) still must have functioning strategies to **guide them in carrying out the overall organizational strategies.**
- Consistent functional strategies that fully support the organization's chosen business strategy, lead to the targeted level of efficiency and effectiveness, build on the organization's strengths, and are key to the successful implementation of the organization's corporate and business strategies.

Strategy and Organizational Structure

The organization's structure plays a dual role in the strategic planning process:

- It is an important consideration in the internal evaluation phase, and
- a critical element in implementation.

Matching Strategy and Structure

Based on research in 84 organizations (including 19 hospitals), Miles and Snow (1978) proposed four organizational types:

1. Defenders
2. Prospectors
3. Analyzers
4. Reactors

See Borkowski Chapter 21!

Culture and Strategy

- Organizational culture is considered at both the internal **assessment and implementation** stages of the strategic planning process.
- During the internal evaluation phase, the organization's overall culture should be evaluated, as the **organization's existing culture can be a major strength or weakness.**
- **During the implementation phase, culture should be a primary strategic consideration**.