

Organizational Theory and Design

By R.T. Hall

Organization

An organization is a collection of people working together under a defined structure for the purpose of achieving predetermined outcomes through the use of financial, human, and material resources. There are a number of approaches to the structure and management of organizations.

Classical or Scientific Theory

The oldest theory of management has a focus on efficiency and production. Evolved into classical organizational theory with the principals of chain of command, unity of command, span of control specialization, and the use of a scalar chain or vertical levels of authority. The organizational design is bureaucracy.

Classical Theory

- **Work is divided into specialized tasks and standardized. The hierarchy of authority (the right to direct) and responsibility (the obligation to perform) is the chain of command. Line authority is linear and derived from position, staff authority is an advisory relationship.**
- **The arrangement of the work group or organizational structure is based on departmentalization.**
- **Span of control refers to how many employees a manager can effectively supervise.**

Characteristics of Bureaucratic Structures

- **Authority and communication flow downward through a rigid chain of command.**
- **The vertical growth represents many levels of supervision and indicates a one person one boss philosophy(unity of command)**
- **The number of people supervised is small(span of control).**

Bureaucratic Structure

- **Bureaucracy results in a line structure, so called because it is a chain of command or leader-follower relationship. It is also called a machine bureaucracy.**
- **This type of structure facilitates large scale administration by coordinating the work of many personnel.**

Complex Organizations

- **Highly structured, formal entities with uniform rules, policies and procedures.**
- **People placed in functional specialty areas with standard pay structures, roles and responsibilities.**
- **Authority clearly designated and centralized=a tall structure**

Flat Structures

Less complex organizations have flat structures where authority is decentralized and the span of control is wider.

Other Classical Designs

Simple structure consists of a strategic apex (executive- level management) and an operating core (the individuals responsible for the organizational work). An example is a private physician's office.

Classical Designs

- **A professional bureaucracy consists of an operating core of professionals with decentralized decision making and a well developed support staff. The technostructure (individuals who standardize and improve the work, such as accountants) is underdeveloped. Most hospitals are professional bureaucracies.**
- **A divisionalized form is characterized by a number of independent divisions with one administration such as an integrated system.**
- **Adhocracy is a fluid structure using shifting teams of management, staff, and experts.**

Human Relations Era

- **Concern for profit and production along with the human or social elements of an organization.**
- **Fosters cooperation between labor and management and strives for worker autonomy and growth.**
- **Focus on the informal organization with its rewards of attention and recognition.**

Neoclassical or Humanistic Theory

- **Less formal, less control. More participation in decision making with decision authority at the point of service.**
- **Results in a flat structure developed along horizontal lines with fewer levels of management.**

- **Communication is enhanced, but managers can be overburdened.**

Neoclassical Theory

- **Seeks to validate aspects of human behavior in organizations through research; the Hawthorne study.**
- **Views managers as coaches, not as authority figures.**
- **Concerned with employee motivation, satisfaction, creativity.**
- **Authority works with willing participants.**

Systems Theory

- **A system is a set of interrelated parts arranged in a unified whole.**
- **Productivity is viewed as a function of the interplay among people, structure, and the environment.**
- **The organization is a complex social and technical open system that requires human, financial, and material resources.**

Learning Organizations

- **Influenced by systems theory, learning organizations are characterized by five disciplines: systems thinking, personal mastery, mental models, shared vision, and team learning.**
- **Participation, in these organizations, is the basis of learning.**
- **The organizational design is a systems model based on the rapid sharing of information through computer technology. This design can be applied to both bureaucracies and organic structures.**

Contingency Theory

- **The organization's structure must be matched to its environment to enhance performance.**
- **The optimal form of an organization is contingent on the circumstances faced by that organization including patients, third-party payers, regulators, and personnel.**

Chaos Theory

- **Based upon the belief in the uncertainty and unpredictability of the environment, chaos theory asserts that organizations are living, self-organizing systems that are complex and self-adaptive.**
- **The system moves between order and chaos and is only stable temporarily.**

Health Care Organizations

- Health care organizations differ in ownership which can be either private or government, voluntary (not-for profit) or investor owned (for-profit), and sectarian or nonsectarian.
- Health care organizations also differ in role, activity, and size.

Hospitals

Hospitals are classified by length of stay and type of service. Most are acute care facilities in which the average length of stay is less than 30 days; chronic or long-term hospitals have longer lengths of stay. The services offered may be general or special care such as pediatric or rehabilitative.

Long Term Care Facilities

- Long term care facilities provide skilled nursing or rehabilitative services.
- Nursing facilities provide daily care.
- Residential facilities are sheltered environments in which no skilled care is provided.

Ambulatory Care Centers

Physicians' offices, birthing centers, surgical centers, and imaging centers are examples of ambulatory care.

Home Health Care Agencies

Home health care is the temporary delivery of health care in the home by nurses, therapists, or aids. Some agencies also provide durable medical equipment.

Temporary Service Agencies

These agencies provide nurses and other health care workers to hospitals and individual patients in a variety of settings.

Managed Health Care Organizations

- Health maintenance organizations(HMOs)-prepaid group practice plans in which a group of providers is responsible for managing health care.
- Preferred Provider Organizations(PPOs)-health care contracts with various groups.
- Point of Service Plans (POS).

Health Maintenance Organizations

- **Staff Model-Physicians are HMO employees and salaried.**
- **Independent Practice Association-Physicians have a private practice but contract with HMOs.**
- **Group and Network Models-The HMO contracts with a specialty group to provide capitated services to enrollees.**

Inter-organizational Relationships

- **Horizontal integration refers to arrangements between or among organizations that provide similar services.**
- **Vertical integration refers to an arrangement between or among dissimilar but related organizations to provide a continuum of services.**

Diversification

- **Diversification is the expansion of an organization into different arenas either by complementing existing services or by moving into areas that differ from the original product or service.**
- **Multi-organizational Arrangements**
- **Mergers-organizations combining assets to ensure profits and survival.**
- **Acquisitions-buy out usually of a smaller facility.**
- **Consolidated systems-large regional or national multi-hospital entities.**

Future Trends

- **The growth of multi-hospital systems has challenged many principles of management and organization.**
- **Decentralization is the trend and a challenge to nursing services.**
- **Nursing must be able to contribute to corporate profits while meeting market demands.**

Organizational Structure

- **Functional structures-employees are grouped in departments by specialty with all nursing tasks under nursing service and centralized decision making as the norm.**
- **Service integrated structure-all functions needed to produce a product or service are grouped together.**
- **Hybrid structure-both self-contained and functional units are organized in an attempt to provide functional coordination across service or product structures.**
- **Parallel structure-the medical staff is separate and autonomous from the organization creating two lines of authority.**

Matrix Structure

- **Matrix designs have a dual authority structure with both a functional manager and a project manager.**
- **Product and functional structures are integrated and results in a dual organizational focus.**
- **Shared governance, based on participatory management uses a committee structure whereby staff make either managerial or clinical decisions.**
- **Professional practice or self-governance allows staff to govern themselves using specific councils with decision authority.**
- **Participatory Management allows participation in decision making but the power over the final decision remains with the top executive.**
- **Other designs include project management, collegial management, and the corporate model which has led to mergers, buyouts, etc.**

Followership

- **The success of an organization depends on followers who view themselves as equals of the leaders and who work for the common good.**
- **Followers are supportive of the leader but will also challenge the leader. They adhere to lines of communication and authority.**

Key Concepts related to Organizational Structure

Strategic and Operational Planning: Strategic planning extends 3 to 5 years into the future and involves an analysis of the internal and external environment so as to determine the direction of the organization. Operational planning is short range and concerned with daily activities.

Key Concepts

- **Strategic planning in health care is relatively new and represents a paradigm shift from person as customer to population as customer; from illness care to wellness care; from revenue management to cost management; from professional autonomy to professional interdependence.**
- **Strategic planning gives direction to an organization and clarifies beliefs and values. It results in a vision of the preferred future. This vision gives rise to a mission statement which is the stated purpose for which the organization exists, its aim and function.**
- **Philosophy is a written statement, influenced by the mission, which provides a statement of beliefs and values. It includes approaches to care, beliefs about patients and workers, and level of responsiveness to the community.**
- **Goals and objectives state actions for achieving the mission and philosophy. Goals are central to the whole management process and help focus**

attention on what is important. Goals are broad statements of expectations. Objectives are specific ways to reach the goal.

- Policies explain how goals will be achieved and serve as guides that define the activities permissible for goal accomplishment.
- Procedures are more specific guides to action. Procedures are a step by step protocol that standardizes various approaches to patient care.
- Rules and regulations are part of both policy and procedure statements, they constitute the one and only one choice of action.

Organizational Climate and Culture

- The climate of an organization is the perceived characteristics including the physical plant, lines of communication, and rule structure.
- The culture of an organization is the norms and traditions maintained.

Components of Organizations: Review

Organizational Charts are the visual representation or blue print of an organizational structure showing how resources, departments, and personnel are grouped horizontally and vertically into lines of authority, communication, delegation, and decisions.

Charts

- The chart designates areas of responsibility and areas of specialization
- Charts show only formal relationships, the framework in which the management process takes place. The informal structure, personal and social relationships, is not depicted on the chart.

Chain of Command

The chain of command is the formal line of authority and communication. In bureaucratic structures or hierarchies authority and communication flow from the top downward.

Centrality

Centrality indicates the location of a position in an organization where frequent communication occurs. It is determined by organizational distance as depicted by the chart.

Unity of Command

Unity of command represents the managerial dictum of **one person, one boss**. It is represented by the vertical solid line between positions on the organizational chart.

Span of Control

Span of control or span of management is the number of people the manager directs. The optimal span of management is highly variable. In general, managers in bureaucratic structures have a narrow span of control while those in flat structures have a broader span.

Centralized versus Decentralized

Centralization refers to the area where decisions are made. In autocratic structures decisions are made at the top and flow downward. There is a small span of control resulting in many layers of management and a tall structure. Decentralized structures are flat and decisions are made at the level where they occur.

Unit Level Organization

- **Case Method or Total Patient Care:** Each patient is assigned to a nurse for all care while that nurse is on duty.
- **Functional Method:** Based on scientific management, this method emphasizes efficiency. Each staff member is assigned a task. Care is fragmented.
- **Team Nursing:** Patients are assigned to a team of staff led by an RN who plans, coordinates, and supervises care.
- **Modular or District Nursing:** These are similar to team nursing except that patients are assigned by location and the RN is more actively involved in care.
- **Primary Nursing:** This represents an extension of decentralization to the unit level. In this model the RN is completely responsible for 24 hour care of a group of patients for their entire length of stay. The RN establishes outcome criteria and is accountable for patient care. The care plan is the basis for coordination.
- **Case Management:** This model focuses on an entire episode of illness, including all settings in which the patient receives care. The case manager coordinates services for the patient and family. The concern is on managing quality, access and cost. The critical path is the analysis tool.
- **Collaborative Practice:** This model can include interdisciplinary teams, nurse-physician joint practice or collaboration.
- **Partners in Practice:** A model based on collaborative practice in which an RN and an associate work together in care. The associate is cross trained.
- **Differentiated Practice:** This model recognizes the competencies of baccalaureate versus technical nurses. The professional nurse is responsible

for assessment, planning and evaluation while the technical nurse is responsible for implementation of care.

- Patient centered care: A nursing care delivery system that is unit based. All patient care services take place on the unit and the focus is on cost containment, efficiency, quality, and decentralization. The R.N. is the patient care coordinator.