



Managers and Leaders in Contemporary Healthcare Organizations and Management

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Organization

- A deliberate arrangement of people brought together to accomplish some specific purpose.

THREE CHARACTERISTICS:

EXHIBIT 1-1 Three Characteristics of Organizations



Leader-Manager Continuum

LEADER	MANAGER
Purpose Driven _____	Objectives Drive _____
Emotional _____	Rational _____
Fulfill Mission _____	Fulfill Contracts _____
Do Differently _____	Do Better _____
Inspire Risk _____	Avoid Risk _____
Seek New Systems _____	Tweak Existing System _____
Look Outward _____	Look Inward _____
The Big Picture _____	Day-to-Day Routine _____
Take Initiative _____	Seek Control _____
Confront Order _____	Maintain Order _____
Set Organizational Context _____	Plan and Execute _____
Transformational _____	Transactional _____
Innovative _____	Stable _____
Flexible, Supportive _____	Well-Ordered _____
Open Systems _____	Bureaucracies _____
Do the Right Thing _____	Do Things Right _____
Change Things _____	Keep Things Running _____
Coordinate and Cultivate _____	Command and Control _____
The Future _____	The Present _____

FIGURE 2.1 The leadership-management continuum.

Followers

*Kellerman

1. ISOLATES
2. BYSTANDERS
3. PARTICIPANTS
4. ACTIVISTS
5. DIEHARDS



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Three sources of powers for Managers:

1. **Affiliative Power Managers:** They want to be liked more than they want to get the job (patient care) done so they make decisions based on what makes people (staff) happy.
2. **Personal Power Managers:** These are strong bosses who make employees feel strong. They are democratic but depend on turf building and self-aggrandizing, so friction among units of an organization (e.g., physical therapy versus occupational therapy versus speech-language pathology) results. They are competitive, but they are not team players because decisions are based on “me” first.
3. **Institutional Managers:** These are managers who are of service to the organization (healthcare system or rehabilitation team). Because they are mature and self-confident, they easily and eagerly reward performance. They put the organization before themselves in decision-making.

Managers vs. Nonmanagerial employees

Managers

-directly work on a job or a task & oversee the activities of other people in the organization

Nonmanagerial employees

-work directly on a job/task & have no responsibility for overseeing the work of others
-referred to by names such as associates, team members, contributors, or even employee partners

Titles → Managers

01

Top Managers

-vice president, president, chancellor, managing director, chief operating officer, chief executive officer, chairperson of the board

02

Middle Managers

-manage other managers & some nonmanagerial employees
-responsible for translating the goals set by top managers into specific details
-department/agency head, project leader, unit chief, district manager, division manager, store manager

03

First-line Managers

-supervisors, team leaders, coaches, shift managers, unit coordinators

EXHIBIT 1-2 Management Levels



EXHIBIT 1-4 Management Activities by Organizational Level



Source: Based on T. A. Mahoney, T. H. Jirdee, and J. J. Carroll, "The Job(s) of Management," *Industrial Relations*, 4, no. 2 (1965), p. 103.

Process-primary activities/functions
that managers perform



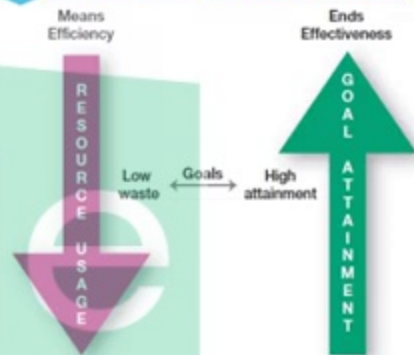
Effectiveness-
"doing the right things"

Efficiency-
"doing things right"

Management

-is the process of getting things done,
effectively & efficiently, with and
through people

EXHIBIT 1-3 Efficiency and Effectiveness



Four Management Functions

EXHIBIT 1-4 Four Management Functions

- ❖ **Henri Fayol**
-- 5 management activities:
plan, organize, command,
coordinate, and control

- ❖ **TODAY** →



EXHIBIT HM-1 Fayol's Fourteen Principles of Management

- 1 Division of Work.** This principle is the same as Adam Smith's "division of labor." Specialization increases output by making employees more efficient.
- 2 Authority.** Managers must be able to give orders. Authority gives them this right. Along with authority, however, goes responsibility. Whenever authority is exercised, responsibility arises.
- 3 Discipline.** Employees must obey and respect the rules that govern the organization. Good discipline is the result of effective leadership, a clear understanding between management and workers regarding the organization's rules, and the judicious use of penalties for infractions of the rules.
- 4 Unity of Command.** Every employee should receive orders from only one superior.
- 5 Unity of Direction.** Each group of organizational activities that have the same objective should be directed by one manager using one plan.
- 6 Subordination of Individual Interests to the General Interest.** The interests of any one employee or group of employees should not take precedence over the interests of the organization as a whole.
- 7 Remuneration.** Workers must be paid a fair wage for their services.
- 8 Centralization.** Centralization refers to the degree to which subordinates are involved in decision making. Whether decision making is centralized (to management) or decentralized (to subordinates) is a question of proper proportion. The task is to find the optimum degree of centralization for each situation.
- 9 Scalar Chain.** The line of authority from top management to the lowest ranks represents the scalar chain. Communications should follow this chain. However, if following the chain creates delays, cross-communications can be allowed if agreed to by all parties and if superiors are kept informed. Also called chain of command.
- 10 Order.** People and materials should be in the right place at the right time.
- 11 Equity.** Managers should be kind and fair to their subordinates.
- 12 Stability of Tenure of Personnel.** High employee turnover is inefficient. Management should provide orderly personnel planning and ensure that replacements are available to fill vacancies.
- 13 Initiative.** Employees who are allowed to originate and carry out plans will exert high levels of effort.
- 14 Esprit de Corps.** Promoting team spirit will build harmony and unity within the organization.



Managerial Roles

EXHIBIT 1-5 Mintzberg's Managerial Roles

INTERPERSONAL ROLES

- Figurehead
- Leader
- Liaison



INFORMATIONAL ROLES

- Monitor
- Disseminator
- Spokesperson



DECISIONAL ROLES

- Entrepreneur
- Disturbance handler
- Resource allocator
- Negotiator



Source: Based on Mintzberg, Henry, *The Nature of Managerial Work*, 1st edition, © 1973.





Four critical management skills in managing:

**Robert L. Katz & others

✔ CONCEPTUAL SKILLS

-use to analyze & diagnose complex situations

✔ INTERPERSONAL SKILLS

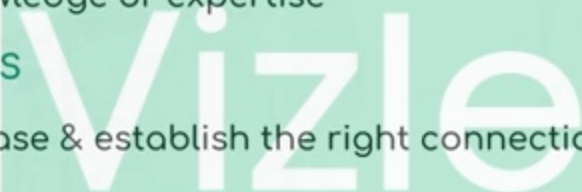
-working well with other people both individually & in groups

✔ TECHNICAL SKILLS

-specialized knowledge or expertise

✔ POLITICAL SKILLS

-build a power base & establish the right connections





Nine Managerial Competencies (recent study)

- ✔ Traditional functions
- ✔ Task Orientation
- ✔ Personal Orientation
- ✔ Dependability
- ✔ Open-mindedness
- ✔ Emotional control
- ✔ Communication
- ✔ Developing self & others
- ✔ Occupational acumen & concerns

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Organizational Design

Process of arranging
the activity of an
organization into a
whole

Organizational Structure

Outcome of the
process

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Characteristics of Business Structures

Structural references commonly used to describe health care organizations include:

- I. Legal structure
- II. Tax status
- III. Operating structure



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I. Legal Structure

- best determined by its business objectives
- Incorporation: is the process by which business venture receives recognition as a separate entity.
 - Legal recognition is desirable should the business owners wish to separate the organization's legal and financial affairs from their personal, legal, and financial affairs.

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A. Sole Proprietorship

- ❑ a business, run by an individual or family, which does not adopt a formal business structure
- ❑ this design structure would apply to any unincorporated business, including professional private practices of lawyers, accountants & therapists
- ❑ business and the person are legally one and the same
- ❑ for tax purposes, business profit is treated as the owner's personal income

ADVANTAGES	DISADVANTAGES
Easy -> owner has full control and all the profit	Unlimited liability -directly liable for all the debts and expenses of the business; owner's personal assets are at risk
Inexpensive	More difficult raising capital No tax-free benefits of health/life insurance Only available protection: INSURANCE





B. Partnership

- with one or more persons
 - partners have shared control
 - may be required to be registered
 - profit is divided between the partners
 - partners pay taxes on profit at their own tax rates, even if they differ
 - shared liability to all aspects of business operation
 - partners are jointly liable from the actions of their partner(s)
- *Limited partnership*- "limited partners"
- allows some partners to limit their liability to the amount of their investment
- general partner-> must be at full risk with unlimited personal liability
 - limited partner -> "silent" ; may not be involved in the day-to-day operation of the partnership
- ✓ it is advisable to have partnership agreement to delineate the purpose, structure and membership of the partnership
 - ✓ agreement should delineate what each partner will do and how they will be compensated

ADVANTAGES	DISADVANTAGES
Partners have shared control	Unlimited liability → shared liability
Inexpensive and easy to form	**same as sole proprietorship





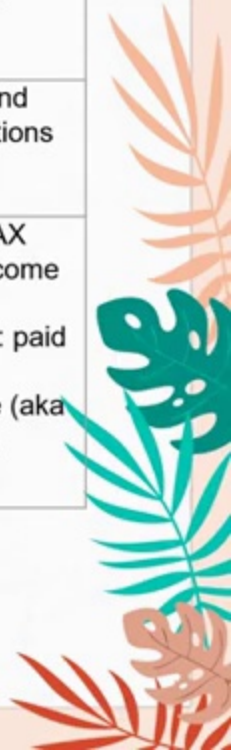
C. The Corporation

C Corporation

- more expensive

- is a legal entity, distinct from its owners, and must be formed under state law
- offer ease of ownership transfer and will continue to exist without the initial owners
- subject to income tax on profit
- if the after-tax profit are distributed to the owners, the distributed funds are subject to a second tax paid at the owner's income tax rate

ADVANTAGES	DISADVANTAGES
Limited personal liability	More expensive-> corporation fees, double tax
Ease of ownership transfer; will continue to exist without the initial owners	More regulation and more legal restrictions
Easiest time raising capital	-Tax: INCOME TAX ON PROFITS become very costly → SECOND TAX: paid at the owner's income tax rate (aka DOUBLE TAX)





C. The Corporation

S Corporation

- ☐ offers both limited and pass through tax treatment for federal income tax purposes
- *shareholders are limited to 35 individuals who are US citizen or resident aliens*

ADVANTAGES	DISADVANTAGES
The only alternative for one-person company for limited liability without the liability of corporate taxes	More expensive-> corporation fees, double tax
Continuity of existence without the original owner	High regulation and legal restrictions, ownership restrictions
Ease in raising capital	



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