

Management and organization in health structures

Doç. Dr. Mustafa TÖZÜN

Esafed

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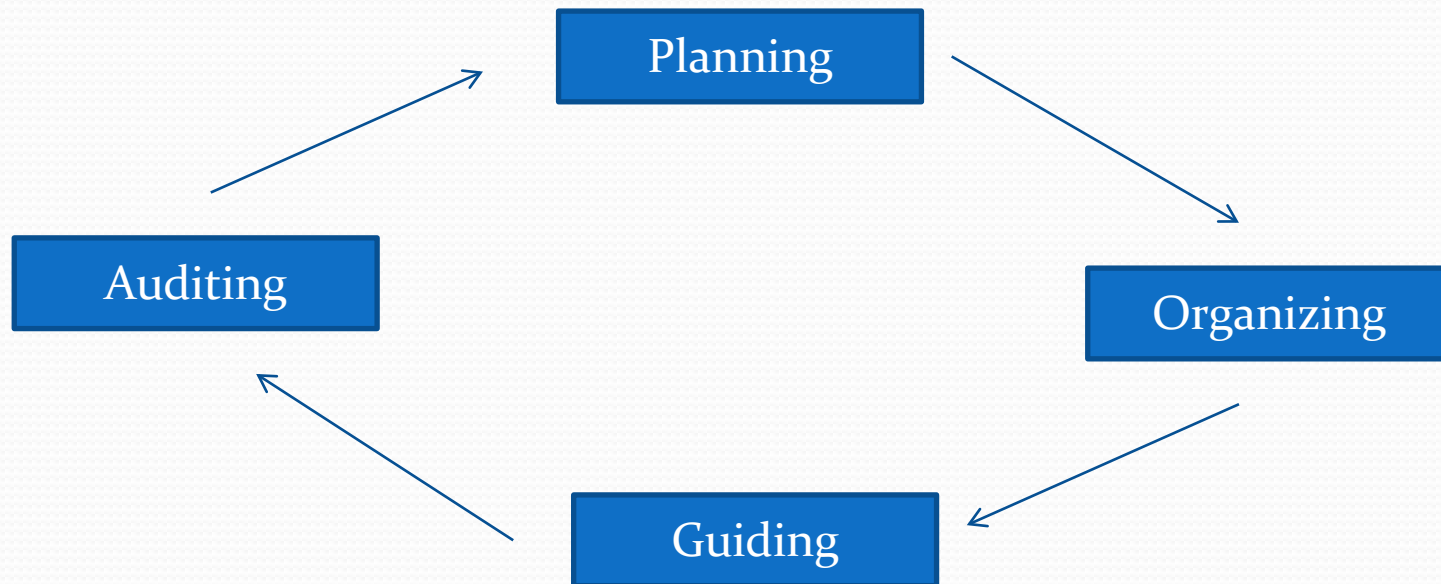
The definition of health structure management:

- A **process** that contains social and technical functions and activities related to one another
- which emerge in the course of a certain **formal organization**
- with the objective of achieving **goals**
- that have been predetermined by people and other **sources**.

The Features of Management

- Process
- Purpose
- Resources
- Structure

The administrative functions in the management process



Planning


- Includes activities
- performed towards determining institutional objectives
- and determining the tools that are necessary to realize these objectives.

Organizing

- The process of determining
- the **activities** required to realize objectives
- the **personnel** required to carry out these activities
- And the **tools** and **equipment** to be used.

Steps for Organizing

- Examining the objectives that are determined in the planning process
- Determining the basic activities that need to be carried out in order to achieve the objectives
- The separation of basic activities into sub-activities (task distribution)
- Determination of the personnel who will undertake the activities, deciding on authority, responsibility and accountability relations and the formation of communication channels
- The assessment of the organizing process and strategy results

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- AT THE END OF THE ORGANIZING PROCESS
 - THE ORGANIZATIONAL STRUCTURE
 - IS FORMED.

Guiding

- Guiding is setting material and human resources in motion towards objectives.
- It is not enough to reach goals just to have the sufficient number of personnel, tools and equipment!
- The guiding function includes all activities with a human element (conflict management, changing behavior, etc.) in addition to basic processes such as communication, motivation and leadership.

Auditing

- Auditing consists of comparing the obtained results with the desired results (objectives) and assessing the state that has been reached.
- In the auditing stage;
- the structural effectiveness level and
- the reasons for not being able to achieve the objectives are examined
- and attempts are made to remove the factors that have led to the failure.

Coordination

- The management task that enables management functions to be carried out compatibly is coordination.

The Management Process



Management Roles

- The roles played by
- administrators
- while carrying out their management duties
- are called management roles.

Management Roles

Roles Among
People



- * Chairman(leader)
- * Mediator(in company, outside of company)
- * Influential individuals(leadership)

Information Roles



- * Information collection (audience)
- * Information distribution
- * Speaker

Decision Roles



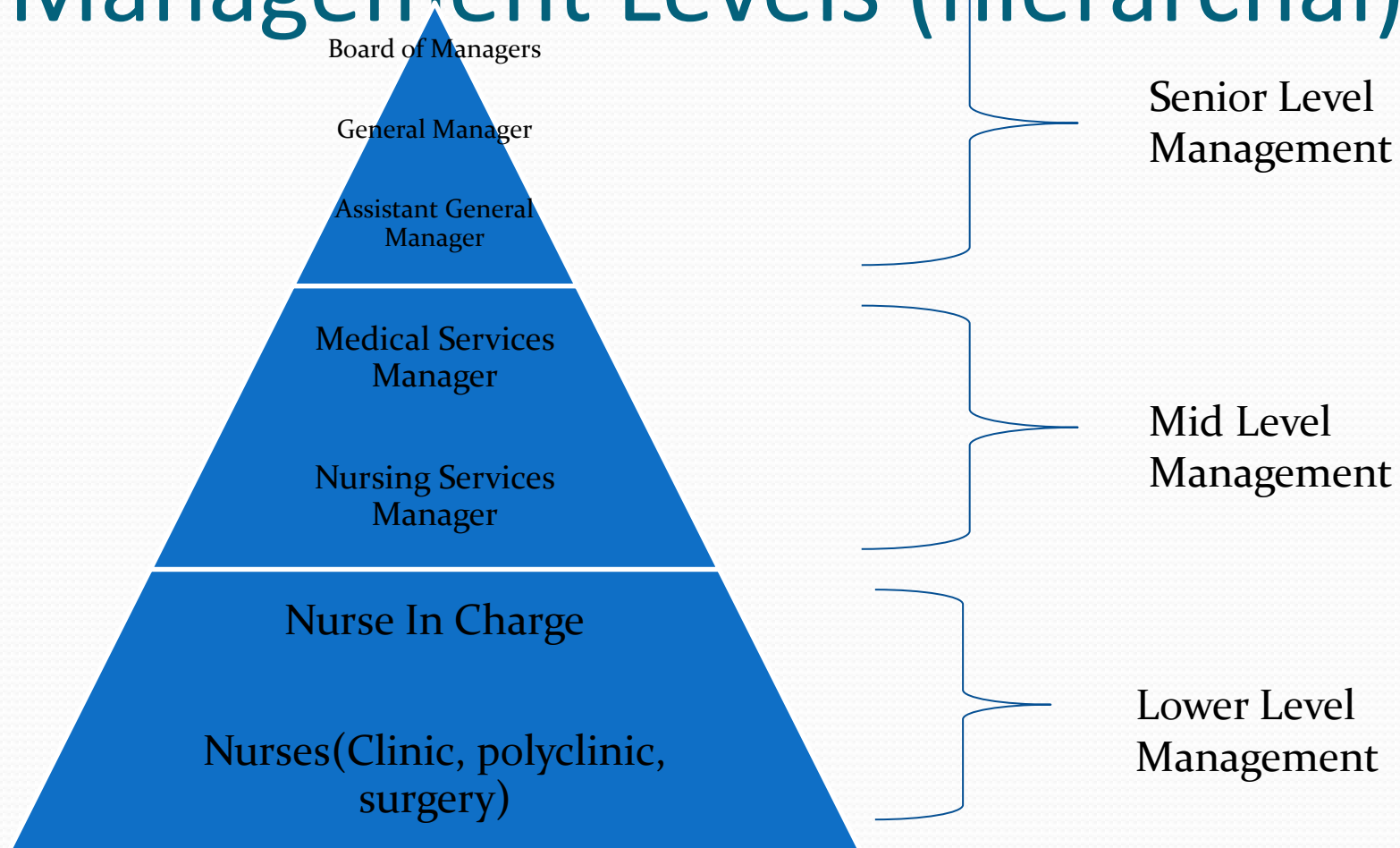
- * Entrepreneurialism
- * Removing corruptive elements
- * Distributing Resources
- * Agreement

Management Levels

- **Vertical** differentiation criteria: Classifies administrators according to management (hierarchy) levels.
- **Horizontal** differentiation criteria : Classifies administrators according to the content of their work and thier areas of responsibility.

- According to horizontal differentiation:
- 1) Functional administrators : do a single and specialized job (Finance, human resources, etc.)
- 2) General administrators : do more than one kind of work and manage more than one department.

Management Levels (hierarchical)



Administrative Skills

- 1) **Technical Skills:** The skill of being able to use information, tools and techniques. This is a skill that is sought to a large extent in lower level management.
- 2) **Human Relations Skills:** The skill of being able to understand others, motivate them, influence them and work together with them.
- 3) **Institutional Skills:** The skill of being able to integrate and coordinate all institutional activities. Sought mostly in senior level management.

Management Roles that Have Recently Gained Significance

- 1) Strategist Role
- 2) Designer Role
- 3) Leader Role

The Strategist Role

- **Protecting against threats** created by the external surroundings and
- carrying out management activities
- to make the health structure **compatible with its environment**
- in order to **benefit from resources** created by the external surroundings.

The Designer Role

- Due to internal and external changes the organizational structure will become insufficient.
- The role that achieves the redesigning of the structure is the designer role.
- The structure must be made **flexible** and must easily **adapt** to changes.
- One of the most important topics in design is : **the development of information systems.**

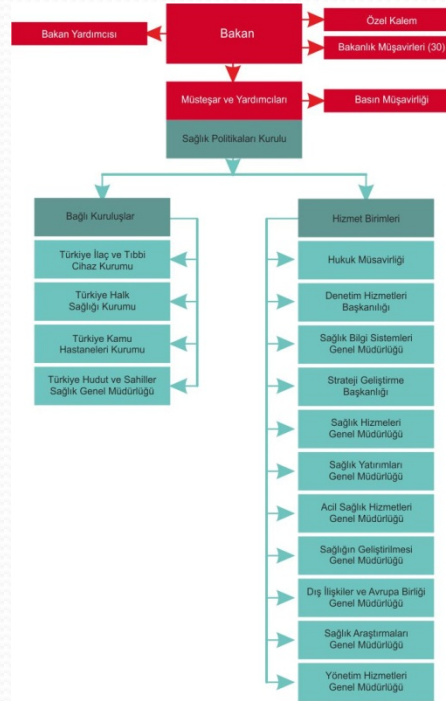
The Leader Role

- The administrator guides the personnel included in various specialty groups towards institutional objectives with his/her leadership role.
- Health administrators must especially be leaders who are;
 - open to change and development and
 - enable personnel participation in decisions.

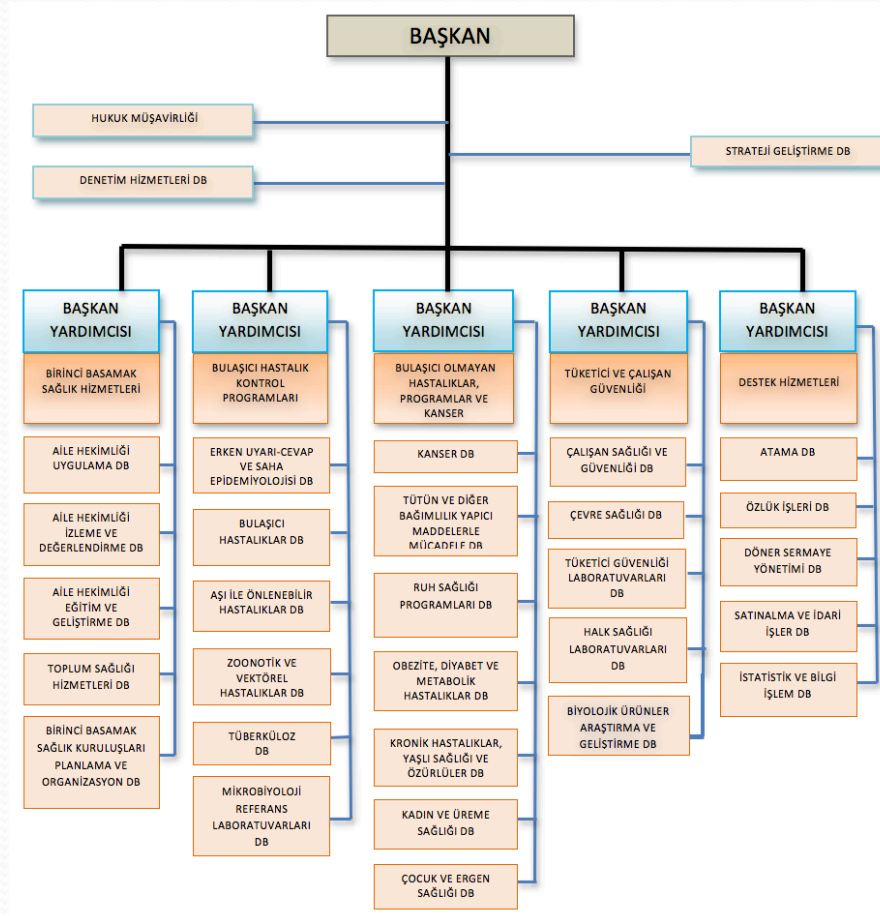
Organization in Health Services

- The Turkish Example: Transformation in Health Programs

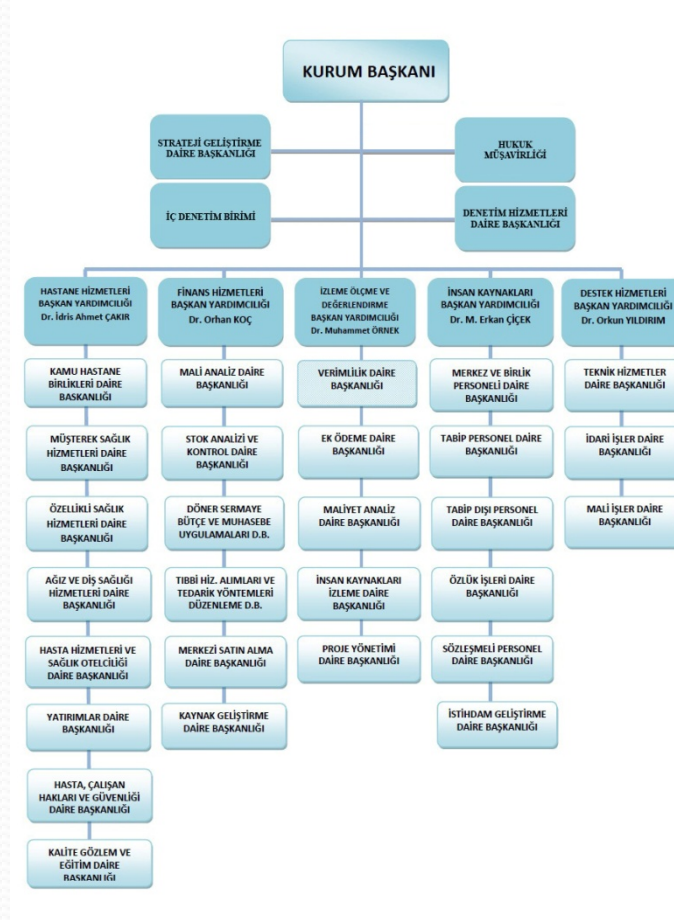
Ministry of Health Organizational Structure



Turkish Public Health Agency



Turkish Public Hospitals Agency



The Turkish Public Hospitals Agency Rural Organization

- **Genel Secretariat:**
- **The basic duty of the General Secretariat is as follows:**
- 1) To operate health facilities, to monitor, assess and inspect their activities; to ensure that all manner of protective, diagnostic, treatment and rehabilitative health services are provided in these facilities; to popularize good practice examples and to offer suggestions to the Agency for the creation of regulations and policies.

- The General Secretary has 3 assistants:
- 1) The Medical Services Chairman
- 2) The Administrative Services Chairman
- 3) The Financial Services Chairman

Hospital Administration

- **The Hospital Administrator**
- (1) Is responsible for the development of services towards the rights, safety, satisfaction and social requirements of patients and employees and for the administration of the health facilities.
- (2) The hospital administrator reports to the **General Secretary** in terms of carrying out the duties that have been given to them as required.

Those Who Report to the Hospital Administrator

- **Chief physician**
- **Health treatment services manager**
- **Administrative and financial services manager**

- *** The Chief physician and managers also have assistants.**

Chief Physician

- Responsible for carrying out medical services in line with patient and employee rights and safety regulations with the principles of evidence based medicine, rational medicine use and medical ethics

Evaluation and verification of strategies in health organizations

Doç. Dr. Mustafa TÖZÜN

Esafed

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Strategic Management

- Strategic management:
- is the health institution monitoring the changes and developments that take place in the external surroundings,
- analyzing them,
- and assessing them.

Strategies

- Are applied in the order below;
 - 1) Directional strategies
 - 2) Adaptive strategies
 - 3) Strategies for entering a market
 - 4) Position strategies
 - 5) Operational strategies

1. Directional Strategies

- The most general strategy.
- Determines the essential direction of the institution.
- Mission (Who are we? Why do we exist?) and vision (what should we be?) are determined.

2) Adaptive strategies

- a) **Growth strategies:** The best strategies that serve to realize the mission and succeed in the vision.
- a1) Diversification
- a2) Vertical Integration
- a3) Market Development
- a4) Product/Service Development)
- a5) Penetration

a1) Diversification

- Entering a **New** market. (Relevant type: a hospital starting home treatment services, etc. Irrelevant type: the hospital opening a cafeteria, etc.)

a2) Vertical Integration

- **Retroactive vertical integration:** The health institution starting to produce the input it uses (purpose: to take the patient flow to various institutions and departments under supervision)
- **Proactive vertical integration:** The health institution growing towards customers and providing new services. (a hospital establishing a long-term care unit, etc.)

a3) Market Development

- The health institution entering a new market with the existing products and services.
- Purpose: To increase the amount of services being provided.

a4) Product/Services Development

- The provision of new products and services that supplement existing products and services.
- Also the development of existing products and services.
- For example, a maternity hospital starting to provide birth control services.

a5) Penetration

- The presentation of better services to the existing market,
- with existing products and services.
- Purpose: to increase production and the market share.
- Focuses on promotion, distribution, pricing and introduction (human relations).

b) Contract Strategies

- Includes **compacting** the quantity and scopes of the activities being conducted.
- b1) **Divestiture**: The sales of service units.
- b2) **Liquidation**: Purchasing an x-ray machine with new technology and selling the old one, etc.
- b3) **Harvesting**: Retreating in an orderly and planned way from a market in which demand has decreased.
- b4) **Retrenchment**): Includes the redefinition of the market, reduction of costs and decreasing some assets. Reduction in personnel, ceasing the production of some products/services, narrowing the served region.

c) Stability Strategies

- The old strategies that are continued with a **few minor changes** if the existing conditions are suitable.
- c1) **Work development strategy:** includes the application of quality programs like total quality management.
- c2) **Maintaining the Situation:** The purpose is to maintain market share in a market that has intense competition.

3) Strategies for entering the market

- 3. 1) Purchasing strategy
- 3. 2) Cooperation strategy
- 3.3) Development strategy

3.1) Purchasing Strategy

- Allows an institution to enter a market rapidly, using its financial resources.
- **Acquisition:** One health institution purchasing part or all of another institution.
- **Purchasing license rights (licensing):** Instead of preparing software that is part of an integrated information system, a hospital may purchase the software licenses of institutions that have specialized in this subject.
- **Supporting Investments:** Involves a health institution investing in newly developing smaller institutions.

3. 2) Cooperation Strategy

- Sometimes cooperation is preferred to competition.
- **Merging (marriage):** Two or more health institutions merge.
- **Establishing Alliance:** Actions are made jointly in some subjects (like purchasing materials) with other institutions.
- **Joint Venture:** Two or more health institutions undertake high cost and risk projects together (jointly). This is a risk sharing method.

3.3) Development Strategy

- **Internal Development:** New products/services are developed using the institution's existing structure and personnel.
- **Internal Venture:** Involves the establishment of a relatively independent new department inside the institution. This is a strategy that is used when the new products/services are not related to the existing products/services.

4. Positional Strategies

- After the adapting and entering the market strategies,
- it is necessary to determine position in terms of competition.

- - Cost leadership strategy
- - Differentiation strategy
- - Focus strategy

Cost leadership strategy


- To be able to produce products and services at lower cost compared to the competition,
- To be able to provide them at a lower price.

Differentiation strategy

- To render the institution's products and services unique in the market.
- For example, adding laser technology to be able to perform cataract surgeries.

Focus strategy

- The objective is to focus on the needs of certain customer groups (like the high income group) rather than the whole market.

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- A HEALTH INSTITUTION
 - CAN ACHIEVE A GOOD PLACE IN THE MARKET
 - BY USING A FOCUS STRATEGY
 - FOR PRODUCT DIFFERENTIATION AND COST LEADERSHIP STRATEGIES.

Assessing strategies

- Many different techniques are used in the assessment of strategies.
- Two of these are:
 - SWOT Analysis
 - Boston Consulting Group Growth Sharing Matrix

SWOT Analysis

- It is necessary to determine the institution's strong and weak points
- in order to protect against threats
- and utilize resources

SWOT

- S (Strengths): The institution's strong points
- W (Weaknesses): The institution's weak points
- O (Opportunities): Surrounding opportunities
- T (Threats): Surrounding threats

SWOT Analysis

Institutional Dimension

Strong points

Weak points

Opportunities

PROMISING

INTERNAL
STABILIZATION

Surroundings

Dimensions

Threats

EXTERNAL
STABILIZATION

STRUGGLE FOR LIFE

Internal Stabilization

- There are weak points in the institution and opportunities in the surroundings.
- Strategies are in 2 stages:
- 1) Strategies to resolve their own weaknesses (for example, selling assets, making savings, etc.)
- 2) Strategies towards surrounding opportunities (business development, market development, product development, vertical integration, relevant diversification, etc.)

External Stabilization

- The institution is strong, there are surrounding threats.
- The strategy is determined to maximize strong points and minimize threats.
- For example, relevant diversification, irrelevant diversification, market development, product development and maintaining the situation, etc.

Promising

- The institution is strong, there are surrounding opportunities.
- Growth strategies must be applied.

Struggle for Life

- The institution is weak, there are surrounding threats.
- Applicable strategies:
 - Irrelevant diversification,
 - Divestiture,
 - Selling assets,
 - Harvesting
 - And cost-saving strategies.

Boston Consulting Group(BCG)

Growth Sharing Matrix

- Deals with the relative market share and the market's growth rate.
- Relative market share: Shows the position of an establishment in relation to its strongest competitor.
- Relative market share= Institution's market share / Strongest competitor market share

Relative Market Share

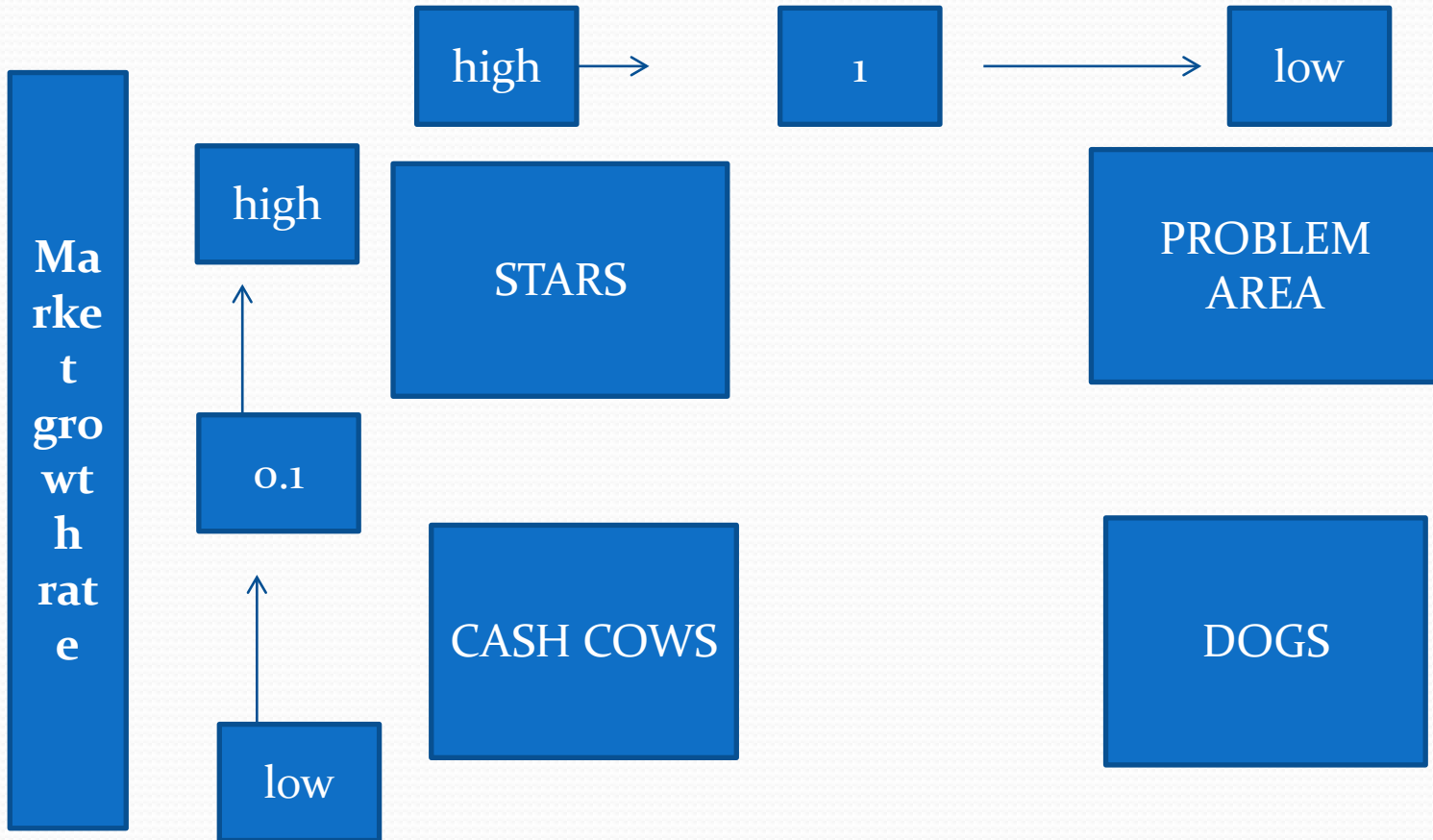
- > 1 : The institution has the biggest share in the market.
- $=1$: The institution's market share is equal to that of its strongest competitor.
- < 1 : The institution's market share is less than the share of its strongest competitor.

The Market Growth Rate

- Calculated yearly.
- It is the rate of increase from the amount of services presented in the previous year.
- Market growth rate: $(V_t - V_{t-1}) / (V_{t-1})$
- According to BCG the normal Market growth rate is 10%.

BCG

Relative Market share



Problem area

- The institution is operating with a low market share in a market that is growing rapidly.
- Applicable strategies:
 - Market development
 - Product development
 - Harvesting
 - Divestiture
 - Selling assets

Stars

- The institution is in a leading position in terms of market share in a rapidly growing market.
- Main applicable strategies:
 - Market development
 - Product development
 - Penetration
 - Vertical integration
 - Relevant diversification

Cash Cows

- The institution has a large market share in a gradually growing market.
- Main applicable strategies :
 - Cost savings
 - Relevant diversification
 - Harvesting
 - Divestiture
 - Selling assets

Dogs


- The institution has a small market share in a slowly growing market.
- Main applicable strategies:
 - Cost savings
 - Divestiture
 - Selling assets


Strategies for Cooperation among Institutions

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- Strategies developed in other sectors are generally based on **competition**.
 - However, the health sector is different from other sectors.
 - The society expects health institutions to take action toward cooperation, both to meet health requirements and to reduce duplications of services.

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- Cooperation must be examined from two perspectives:
 - 1) Resource dependency
 - 2) Strategy for growth and marketing


Resource dependency

- Resource dependency is when an institution is not able effectively supervise its use of environmental resources that it feels are necessary needed in order to be able to continue its enterprises, or being dependent on other institutions in terms of these resources.

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- It may be said that health institutions show a high degree of resource dependency.
 - Some uncertainties exist in the inputs of health institutions (materials, work force, money, etc.)
 - For these reasons, health institutions must apply cooperation (mergers, consortiums, strategic unions, membership in joint administrative boards, etc.)

Strategies for Growth and Marketing

- Cooperation between institutions not only solves the problem of resource dependency, but also plays a role in the presentation of the services produced to the public.

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- For example, a hospital cooperating with a home care institution in order to reach more patients and produce new services may be seen as a part of the strategy of marketing.

Dimensions of cooperation among institutions

- Horizontal integration
- Vertical integration

Horizontal Linkage/Integration

- This is the cooperation among similar health institutions.
- It is very common especially among small hospitals.
- It is carried out with the purpose of reducing competition and increasing the channels of presenting of services.
- Multi-hospital systems are health institutions which appear as the result of horizontal linkage.

Vertical Linkage/Integration

- It occurs among institutions which offer different services (like a hospital and a home care institution)
- Vertical linkage may also happen between a hospital and a pharmaceutical company or a research center.
- There are two types:
 - 1) Upward vertical linkage
 - 2) Downward vertical linkage

Upward Vertical Linkage

- It is when a health institution approaches institutions which provides the inputs it uses in order to carry out its essential functions, or cooperates with these institutions.
- For example, a hospital which does organ transplants cooperating with institutions which supply organs.

Downward vertical linkage

- It is a cooperation approach that serves to increase the production volume of a health institution and widen the channels of the services it provides.
- For example, a hospital cooperating with a nursing care center, a home care institution or a terminal patient care center.

Strategies for cooperation among institutions

- Strategies for horizontal and vertical linkage may be considered in 2 groups:
 - 1) Mutual cooperation strategies
 - 2) Purchasing strategies

Mutual cooperation strategies

- Are grouped in 3:
 - a) Cooptation
 - b) Coalition
 - c) Joint ventures

Cooptation

- It is a strategy for achieving cooperation and accord.
- The upper level administrator or administrators of a health institution take on duties in the administrative organs of the institution with which cooperation is being carried out.
- It is a flexible and easily applied form of cooperation.
- In this form of cooperation, the health institutions preserve their own characteristics.

Coalition

- It is the joint use of resources by two or more health institutions.
- Institutions which carry out coalition are said to be loosely coupled.
- Health institutions preserve a large degree of their own identity and characteristics.
- Health institutions where coalition is most commonly practiced are those in areas of small habitation.

Which conditions make coalition necessary ?

- 1) Economic limitations
- 2) Technical limitations (purchase of CT, MR, etc.)
- 3) Informational limitations (to carry out health education, advertising, etc.)
- 4) Regional limitations (coalition may be applied in places where health services are insufficient)

Joint ventures

- It is the cooperation among health institutions in order to bring about projects or enterprises which they are unable to achieve by their own means.
- Success depends on the contributions of the cooperating institutions.
- Institutions do not lose their legal status.

Joint ventures

- Example: A hospital, a specialist doctor group, a nursing care center and an insurance agency come together and create a managed care plan.

Joint ventures

- As well as occurring among similar health institutions, joint initiatives may also be found among different health institutions.
- Institutions which practice joint ventures, may turn out to be a health institution that is different from its legal entity.
- With joint ventures, the risk of failure is shared and costly investments are made easier.

Purchasing strategies

- 1) **Acquisition:** the purchase by another institution of all or most of the shares of an institution.
- 2) **Merger :** A new health institution with a new name is created from two health institutions.
- 3) **Purchasing the licence power:** A health institution purchases the right to use products or procedures developed by other institutions.

Advantages of cooperation between institutions

- 1) Economic
- 2) Personnel
- 3) Institutional

1) Economic advantages

- Costs decrease
- Advantages occur in production
- Productivity increases
- The level of use of the production capacity rises
- The number of personnel decreases
- Opportunities for entering capital markets easily and finding loans increase, etc.

2) Personnel advantages

- Medical and administrative personnel are easily acquired.
- Medical and administrative personnel are retained.
- Clinical and administrative skills are developed.
- The level of quality of services rises.

Institutional advantages

- Institutional growth occurs.
- The existence of the institution is able to be continued.
- A greater degree of political power is obtained.