CHAPTER

12

DIVISION OF WORK AND DEPARTMENTALIZATION

Chapter Objectives

After you have studied this chapter, you should be able to do the following:

1. Describe the importance and benefits of division of work—that is, job specialization.
2. Describe the advantages and disadvantages of departmentalization and departmentalization methods.
3. Explain the supervisor's goal when designing the "ideal" department.
4. Consider alternative models for displaying the organization chart.

As stated in the previous chapter, organizing means deciding how best to group the activities and resources of the organization to achieve its mission. Formal organization theory rests on several major principles. Two of these are division of work and departmentalization.

Division of work, or job specialization, means the degree to which each task of the organization is broken down into component parts. This is essential for efficiency and for the achievement of objectives.

Departmentalization, or compartmentalization, is the process of grouping activities into distinct units according to logical arrangements. Departmentalization creates the building blocks for the formal structure, the main network for managing the various activities of the enterprise.

These two major premises of organization are the primary concern of the CEO in a smaller organization or the COO in a larger one. He must translate these principles into a formal organizational structure for the institution. Because the application of these formal organizational principles involves all levels of management, it is also necessary for the supervisor to understand them and know how they are used. This knowledge helps the supervisor organize the department and coordinate its activities in concert with those of the rest of the institution. The supervisor is frequently asked to carry out, and maybe even help make, decisions involving departmentalization and division of work.

Making a Pin (Nail) Involves 18 Tasks

Without Specialization
1 worker doing all 18 tasks yields approximately 20 pins a day.
20 workers make 400 pins a day.

With Specialization
20 workers make 100,000 pins a day.
1 worker makes approximately 5,000 pins a day.

SOURCE: Smith, A. 1776, 1967. *The Wealth of Nations.* Chicago: Henry Regnery.

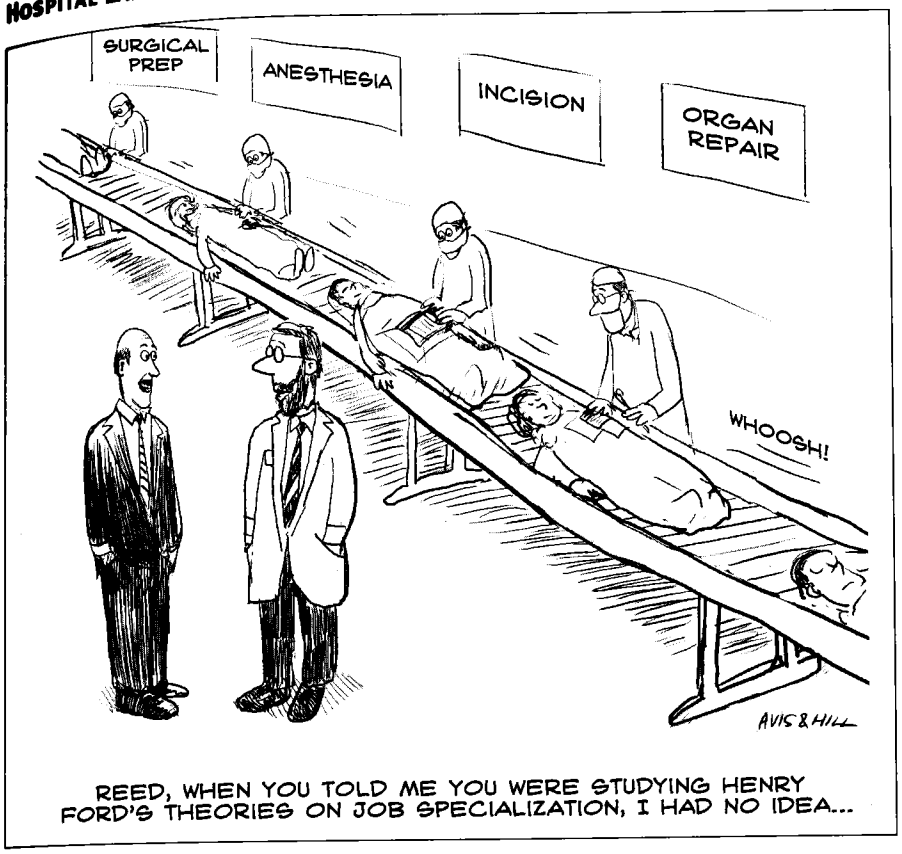
Division of Work or Job Specialization

job specialization Breaking down a task into smaller parts, and having each part or step of the task performed by a different individual.

Division of work is an age-old practice. Consider the division of work in early tribal societies: women planted and maintained the gardens and washed clothes, while men hunted for food and protected the tribe. **Job specialization** is breaking down a task into smaller parts, and having each part or step of the task performed by a different individual. Thousands of years ago, human beings divided work in this manner because they realized a group of people, each performing a small specialized part of the overall job, could accomplish more than the same number of people each doing the whole job alone. Adam Smith's oft-cited example from 1776 of job specialization in a pin (nail) factory confirms this advantage (see box).

Furthermore, with specialization, each individual learns how to do his task exceptionally well and allows high-skilled workers to concentrate on tasks that require high skills while lesser-skilled workers perform less-complicated tasks. Additionally, teaching an individual a single task makes employee replacement easier. In other words, the division of work results in greater efficiency and higher production. Industrial mass production in the United States during the 20th century expanded largely because of specialization. However, excessive specialization can lead to employee boredom. Adam Smith, known as the Father of Economics, stated, "The man whose life is spent in performing simple operations . . . has no occasion to exert his understanding. He generally becomes as stupid and ignorant [as] is possible for a human creature to become" (Box et al. 1999).

Healthcare organizations utilize the specialization and division of work theory. Continuous advances in medical sciences and technology result in greater specialization of healthcare professionals, facilities, and equipment and



increased fragmentation of the delivery of care. For example, ophthalmologists have foundational specialty training in ophthalmology, but some specialize in retinal conditions while others specialize in surgical techniques such as Lasik surgery. One home care agency may specialize in serving newborns, while another agency specializes in serving the geriatric population. Because of the proliferation and specialization of medical sciences and technologies, healthcare centers have become large and complex organizations.

This proliferation of specialties helps healthcare providers offer state-of-the-art care. However, this specialization creates administration problems, because various organizational structures are needed to coordinate the specialties. It also inconveniences those patients who prefer to go to one physician for everything that ails them.

In essence, as the healthcare industry becomes more sophisticated, higher degrees of expertise are required, forcing specialization of its professionals and staff. In light of Adam Smith's concern, the impact specialization may have on motivating employees is discussed in Part VI of the book.

Departmentalization

When the organization grows and a single person can no longer personally supervise all personnel in the organization, additional managers are employed and assigned specific functions or departments and employees to supervise. Almost every healthcare organization must departmentalize, because division of work into specialized tasks produces a more efficient operation. As stated, **departmentalization** is the process of grouping various activities into natural units by logical arrangements. A department, by definition, is a unit; it is a distinct area of activities over which a manager or supervisor has been given authority and for which he has accepted responsibility. The terminology may vary and a department may be called a division, service, section, unit, office, or similar term, but it still represents a closely related set of activities. Departmentalization relies on specialization, which is the core determinant. By departmentalizing the organization, a horizontal and vertical grouping of specialized activities is attained.

departmentalization The process of grouping various activities into natural units by logical arrangements.

The top-level executive of an organization groups the various activities into departments. Some departments established this way are small and require no further subdivision; others are so large that managers have to subdivide their departmental staffs into smaller units, sections, or teams to create an effective span of control. For this reason, every manager must become acquainted with the various alternatives available for grouping activities.

The process of departmentalization can be done on the basis of (1) functions, (2) process and equipment, (3) territory (location), (4) customer (patient), (5) time, or (6) product.

Functions

The most widely accepted practice of departmentalizing is grouping activities according to functions[1] or common tasks. All activities that are alike or similar and involve a particular function are placed together into one department under a single chain of command. This is depicted for nursing or patient care services in Exhibit 12.1. In a functional organization, all patient care services are placed under the chief nurse executive. Other common functional alignments are finance, compliance, and support services.

As an institution grows and undertakes additional work, often new duties are added to the already existing departments. For instance, an addition of an outpatient surgical center may logically be assigned to the surgical services director. However, when we study product- or customer-oriented organizations, this function may be more appropriately placed under the ambulatory services director. Regardless, expansion of service offerings and the concomitant additional patient volume require adding more employees and levels of supervision within the functional departments. Occasionally, however, new services require adding a new department; for example, a rural

hospital that purchases several physician practices and a rural health center may need to establish a physician practice management department.

Departmentalizing by function is a natural, logical way of arranging various activities. This kind of departmentalization takes advantage of specialization by combining the functions that belong together and that are performed by experts in that functional field with the same type of education, background, equipment, and facilities. The experts for each function are brought together under a supervisor for the area where they can share their common expertise and participate in technical problem solving. Each functional supervisor is concerned with only one type of work and concentrates all of her energy on it. This leads to an efficient use of resources.

Functional departmentalization also facilitates and enhances coordination because one manager is in charge of one type of activity throughout the entire organization. Coordination is easier to achieve this way than it would be if the same function were performed in several different divisions. Another advantage of functional departmentalization is that it makes the expertise and skills of one or a few individuals available to the enterprise as a whole.

Functional design also facilitates in-depth skill development and allows for clear career paths. For example, an employee may start out at the Technician I level and after a year move up to the Technician II level. If the technician has three or more years of experience, he may qualify for the team leader position; after five years, the day supervisor position; and so forth. Eventually, the individual becomes an expert in each of the tasks performed by the department. Because functional departmentalization is a simple and logical method and has all these advantages, it is the most widely used way of setting up departments.

Some disadvantages to functional departmentalization have arisen in large organizations, especially when the undertaking grows in size. It may limit the staff's ability to see the complete process, emphasize routine tasks, and increase boredom. Interdepartmental communication may break down and turf battles may ensue over new services offered. Working in a single department may leave an individual vulnerable when technology advances; that is, if a specialized expertise is no longer needed, the individuals who know just that one job may be out of work or require extensive retraining. Finally, department managers may become so protective of their own goals that the organizational goals may be compromised. These disadvantages can be minimized by supervisory awareness, however, and should not prevent management from opting for functional departmentalization.

Process and Equipment

Activities can also be grouped around the equipment, process, customer flow, and technology involved. This kind of departmentalization is often found in hospitals because hospitals usually operate sophisticated equipment and handle certain processes that require special installations, training, and expertise.

Every task involving the use of certain equipment and technology is then referred to the particular specialized department that is equipped to do the task. This type of organizational structure is similar to functional departmentalization, the major difference being the emphasis on person–machine relationships or a process that supports mass production. For instance, in imaging and nuclear medicine departments, specific equipment is used but only certain functions are performed. Another area in which organizing occurs around equipment is in large hospital laboratories, where the laboratory has discrete sections, each focusing on one high-volume type of testing. Here staff may be assigned to work with the microbiology equipment or the chemistry equipment and remain in this area for their entire career. Similarly, in radiology individuals with specialized training in nuclear medicine, tomography, ultrasound, and diagnostic radiology perform those tasks for other departments. Organizing by equipment, process, and technology results in the staff becoming very specialized in the defined area, but this is beneficial during disaster situations when patient care services are triaged in large numbers.

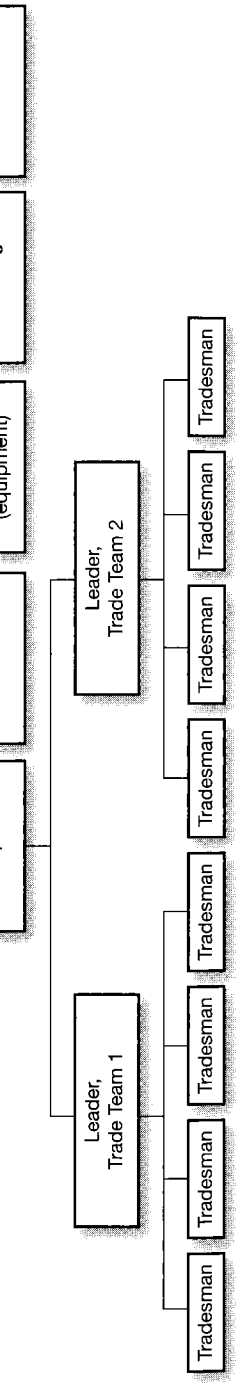
Departmentalization by function and by equipment frequently become closely allied. In fact, within a functional department, one may organize staff by process or equipment. However, departmentalization does create disadvantages for management and staff. Because employees are specialized, they may not be able to fill vacancies in other areas or positions because they lack the additional skills. Conversely, the employee is limited on positions into which she may advance because her skill set is technologically narrow.

Territory (Geographic Location)

An alternative way to departmentalize is according to location (see Exhibit 12.2). This means setting up departments based on defined geographic areas or sites. The extent of the area may range from the entire hemisphere to a number of cities, a few blocks of a large city, or different floors in the same building. This type of departmentalization is common in national and regional healthcare systems. For example, a hospital or nursing home in a large city may have several geographically dispersed units, such as St. Mary's East on one side of town and St. Mary's West on the other. If the same functions are performed in different locations and different buildings, geographic departmentalization is necessary. This type of departmentalization is also common for county health departments and home health agencies. As staff members join the agency, depending on their residence or client load, they are assigned to the agency's office that serves that region. The same considerations are applicable even if all activities are performed in one building but on different floors and wings, such as centralizing surgical services in the east tower with day surgery on the first floor, all operating rooms and recovery areas on the second floor,

orthopedic surgery on the third floor, cardiothoracic surgery on the fourth floor, and so forth. In this example there is function, customer, and even equipment departmentalization in a territorial location.

One of the advantages of territorial departmentalization is placing decision making close to where the work is done; managers develop expertise solving problems unique to the location, and managers are familiar with their customers and their problems. Possible disadvantages of territorial departmentalization include duplication of effort and resources, focus on a given location's goals rather than the organization's, and the necessity of extensive rules or procedures to enable managers to coordinate and ensure uniformity of quality of care between locations. Consider the surgical tower mentioned above. One service that would likely be housed in this tower is central supply (instrument sterilization). However, this service also is required for the clinics, where some office-based procedures are performed, and for the emergency department. To support the needs of these departments, another instrument supply and sterilization unit may need to be established, staffed, and equipped in a location closer to these areas. On the positive side, this duplication of service provides opportunities for the development of more managerial talent.



Customer (Patient)

At times, management may group activities based on customer (patient) needs and characteristics, hence the term customer (or customer-focused) departmentalization. Two examples of organizations that have departmentalized along customer lines are universities and hospitals. In some universities, night programs and day programs comply with the requests and special needs of the "customers"—namely, part-time and full-time students. For example, in a hospital certain services and activities may be grouped for outpatients and inpatients, such as outpatient surgery. Some healthcare organizations have built entire facilities to specifically serve a patient type, such as women's centers and children's hospitals. In so doing, the healthcare center's services are less diverse and allow the staff to specialize in treating a certain customer or patient type. Healthcare services delivered by this approach are on the rise. Often, the distinction between customer and product structures is difficult to make because the product describes the customer. This is true of **centers of excellence** for cancer, cardiology, orthopedics, etc. The centers are product lines that treat patients with a common condition.

center of excellence A department, such as cardiology or oncology, chosen by the healthcare organization to receive special attention and resources. Centers of excellence are sometimes called "institutes."

The customer departmentalization approach offers several advantages, including facilitating the attention to patient (customer) needs by centralizing specialists' focus on a specific patient or condition type and developing managers to become customer advocates. It may also have disadvantages, such as conflicts over resource allocation, the restriction of problem-solving skills to a single patient type, coordination problems between specialties or departments,

duplication of resources, and possibly decision making that pleases the customer but hurts the company.

Time

Some organizations find it helpful to group activities according to the period during which they are performed. An enterprise such as a hospital, which operates around the clock, must departmentalize activities on the basis of time, at least to a certain extent. The institution must set up different time shifts—usually day, afternoon, and night or only day and night. Activities typically are grouped first on some other basis, such as by function, and then are organized into shifts. Since the activities performed on each shift are largely the same, such groupings often create organizational questions of how self-contained each shift should be and what relationships should exist between the regular day-shift supervisors and the off-shift supervisors.

Product

This departmentalization approach is similar to customer departmentalization and is often seen in the establishment of centers of excellence. To departmentalize on a product basis in industry means that a division is responsible for a single product or group of closely related products; the emphasis is shifted from the function to the output or product. For example, a hospital supply company may have a separate department for furniture, another for surgical supplies, and a third for uniforms.

Product departmentalization in a healthcare facility involves the division into departments based on the "product" turned out—for example, maternity, surgery, oncology, cardiology, or psychiatry. Hospitals that have adopted this departmentalization approach often call it a product-line organization. Each such department has its own nursing, dietary, housekeeping, and maintenance staffs, and each such product department has its own boss—the director of oncology services, the director of maternity, and so on. These directors are in charge of all functions within their product departments, including nursing activities, therapy, food services, laundry, and maintenance. Often decision making is faster in this structure. While this compartmentalization approach may be seen within an existing organization, it is often seen when a parent organization establishes satellite locations. For example, a medical center may establish outpatient facilities throughout the community. One facility may be an urgent care center situated in an industrial area, and another may be a satellite laboratory adjacent to a medical office complex. Each community satellite is overseen by a director who must arrange for all services needed by the satellite location. Having total control over all or most factors allows economic and outcome performance of these individual products to be assessed.

As you can see, such product departmentalization can result in duplication of effort within the organization. Instead of a single director of nursing,

there are as many as the number of existing departments. Moreover, coordinating all nursing services and ensuring that the same level of care is rendered throughout the entire organization are difficult because each supervisor reports to a different boss. Another potential disadvantage of this system is that the individual department managers may be "out of sight" of the overall leadership, especially if they are also geographically dispersed. This limits career opportunities.

There are advantages to the system, however. This system can be manipulated to gain economies of scale and the ability to leverage staff. For example, environmental services will be required for each of the different departments. A single department or outpatient center would not be able to command the pricing discounts on supplies that the medical center and its multiple satellites could. In the case of staffing, if one of the centers needs a nurse, she can more easily be assigned from the larger pool of nurses working at the medical center.

As hospitals have had to compete for market share, they have had to enhance, and to some extent exploit, those areas that are in demand by the population served. Some hospitals have created geographically separate facilities dedicated to one product, such as women's services or mental health services. Furthermore, the increased technology and advances in medicine in some product areas have forced healthcare enterprises to organize by product to permit the manager or product leader to focus on the product, the technology serving it, and the impact of medical advances on its future. Thus, product departmentalization, as practiced in healthcare institutions, also has encouraged specialization, can easily be aligned with customer departmentalization, and presents the same advantages and disadvantages.

Mixed Departmentalization (Composite, Hybrid Structure)

Departmentalization is not an end in itself. In grouping activities, management should not attempt to merely draw a balanced organizational chart. Its prime concern should be to set up departments that help bring about the institution's objectives and coordinate its functions. There are advantages and disadvantages to each method of departmentalization. Choosing a method is a question of balance and deciding which works most effectively. In so doing, often management uses multiple departmentalization options and creates a hybrid structure—that is, a mixed departmentalization; for example, a nursing supervisor (functional) on the surgical unit (subfunction), west wing, third floor (location), during the night (time), and in the women's center (customer). In practice, almost all hospitals have this composite type of departmental structure, combining function, location, time, and many other considerations (see Exhibit 12.2). Any mixture is acceptable, as long as it works and is consistent with the overall objectives of the institution.

Organizing at the Supervisory Level

Thus far, we have discussed the organizing process from an overall institu tional point of view. We have explored how the chief executive establishes th formal organizational structure and makes it come alive by selecting the righ supervisors to whom organizational authority is delegated.

Most department heads and supervisors are not likely to be involved i the major decisions concerning the overall organizational structure of thei healthcare institution. However, they are likely to be concerned with th structure of their own department, including departmental goals and objec tives, daily operations and activities, and existing personnel and resources.

The organizing process is basically the same regardless of whether it i performed by the CEO, COO, or first-line supervisor. Organizing involve grouping activities for purposes of departmentalization or subdepartmentali ization on the supervisory level; assigning specific tasks and duties; and, mos important, delegating authority. In essence, this means that the basic organi zational principles must be understood and applied by supervisors when they are setting up their own departments, just as they were by the chief adminis trator when the overall institution was structured. How might a supervisor ap ply these principles daily, so that they are not just abstractions but parts of a healthy departmental body?

Ideal Organization of the Department

Most supervisors are placed in charge of an existing department; only a few have the opportunity to design a structure for a completely new department. When designing or rearranging the organizational structure of the depart ment, the supervisor should conceptualize and plan for the ideal organization. The word "ideal" in this instance is not intended to mean perfect; rather, it is used to mean the most desirable organization for achieving stated objectives. It is the supervisor's job to design an organizational setup that is best for his or her particular department. In so doing, the principles and guidelines of or ganizing must be observed.

The manager must bear in mind that certain organizational concepts and arrangements that work well in a large organization may not be applica ble to a smaller organization. In other words, supervisors must not blindly follow the idea that what is good for one enterprise is also good for another. Moreover, it is not essential that the manager's organizational plans for the department look pretty on paper or that the organizational chart appear symmetrical and well balanced. Rather, this ideal design should be uniquely tailored to suit the conditions under which the manager works, instead of some abstract image of what a "perfect" department should look like.

In planning this ideal, but realistic, organization, the supervisor must consider it as something of a standard with which the present organizational

setup can be compared. The ideal structure should be looked on as a guide to the short- and long-range plans of the department. Although the supervisor should carefully plan for the ideal structure when becoming the department's manager, this does not mean that the existing organization should be forced to conform to the ideal immediately. Each change in the prevailing organization, however, should bring the existing structure closer to the ideal. In other words, the ideal organization of the department represents the direction in which the supervisor moves as time passes.

Internal Departmental Structure

When supervisors design the ideal departmental structure, they usually are being asked to subdepartmentalize. In other words, they establish subdivisions or subunits within their department—just as the chief administrator established the overall divisions or units for the whole organization. Several examples of how a director might subdepartmentalize are shown in the organizational charts throughout this chapter.

Supervisors consider the groupings of activities in the department, the various existing positions, and the assignment of tasks and duties to these positions. Is this the best possible arrangement for achieving departmental and institutional objectives? Are all the present positions necessary, or could some be eliminated or combined with others? Does each position have a fair assignment of tasks and duties, commensurate with its status and salary? Are the positions related so that there is no duplication of effort and that coordination and cooperation are facilitated? Are there any changes at all that the supervisor would like to see in the internal organizational structure of the department?

Such changes become the basis for the ideal organization of the department. They become the organizational goals toward which the department head strives when structuring the department.

Departmental Organizational Structure

A department can be organized by function, process and equipment, territory, and so on. A department may have sections, divisions, teams, or areas. Each subunit may have a lead employee, team leader, supervisor, or manager, or several subunits may report to one of these titled individuals. Regardless, the objective of the manager in creating the organizational structure is to ensure that the department's goals are achieved through the proper organization of staff and coordination of duties or work flow. Examples of different departmental structures are given in the following section.

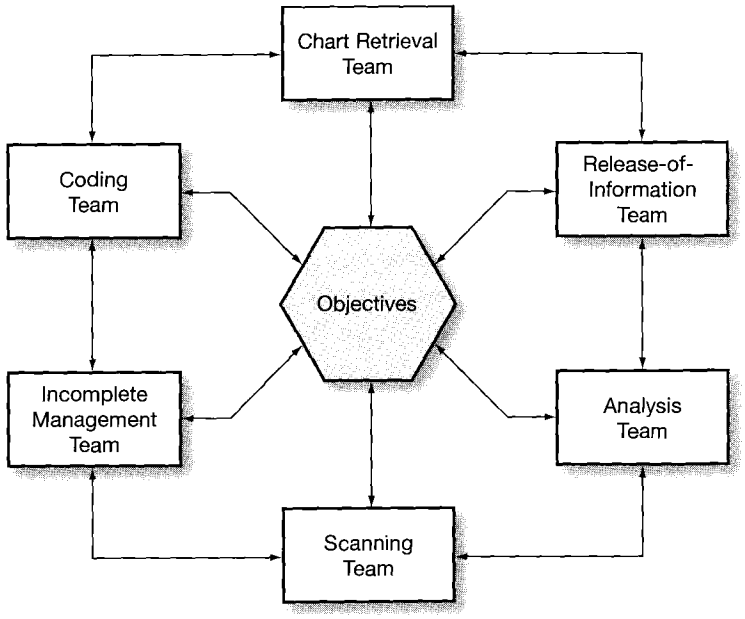
Exhibit 12.2 displays a departmental structure where the engineering services are centralized under one executive, the chief engineer. He has responsibility for services across a healthcare campus that includes a hospital and

several ambulatory clinics. This structure depicts an organizational structur that includes location, equipment, and function models and uses the relativel common titles of director, associate director, assistant director, manager, su pervisor, and team leader.

Exhibit 12.3 depicts a health information management departmen that has chosen the self-directed team model. Self-directed teams may b found in tall or flat organizations. Some flat organizations, also known as hor izontal organizations, may have customer-oriented processes performed b multidisciplinary teams (Dessler 1998; Dessler and Stark 2004; Osland et al 2006) or microsystems, as discussed in Chapter 11. These teams are group of people committed to a common purpose, with a set of performance goals and an approach for which they hold themselves mutually accountable (Dessler 1998, 476). When a team approach is used, the manager establishes the objectives but has delegated authority to the teams to achieve the objec tives. The team may use an authority template as explained in Chapter 11, or the manager may have met with each team one-on-one and discussed his ex pectations. To have fully decentralized authority, this manager may even allow each team to select its leader or to choose not to have a leader.

Earlier we discussed a product-line organization for surgical services. This example is displayed in Exhibit 12.4. All staff involved in the delivery of surgical services are aligned under the corporate director for these services. Note that practitioners with expertise in nutrition, financial management, pharmacy, and so forth are included in this product-line organization.

EXHIBIT 12.3 Single-Department Structure: Self-Directed Teams



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models and uses the relatively
sistant director, manager, su-

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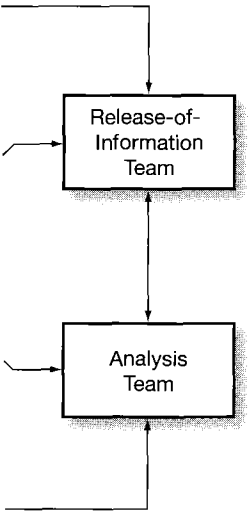


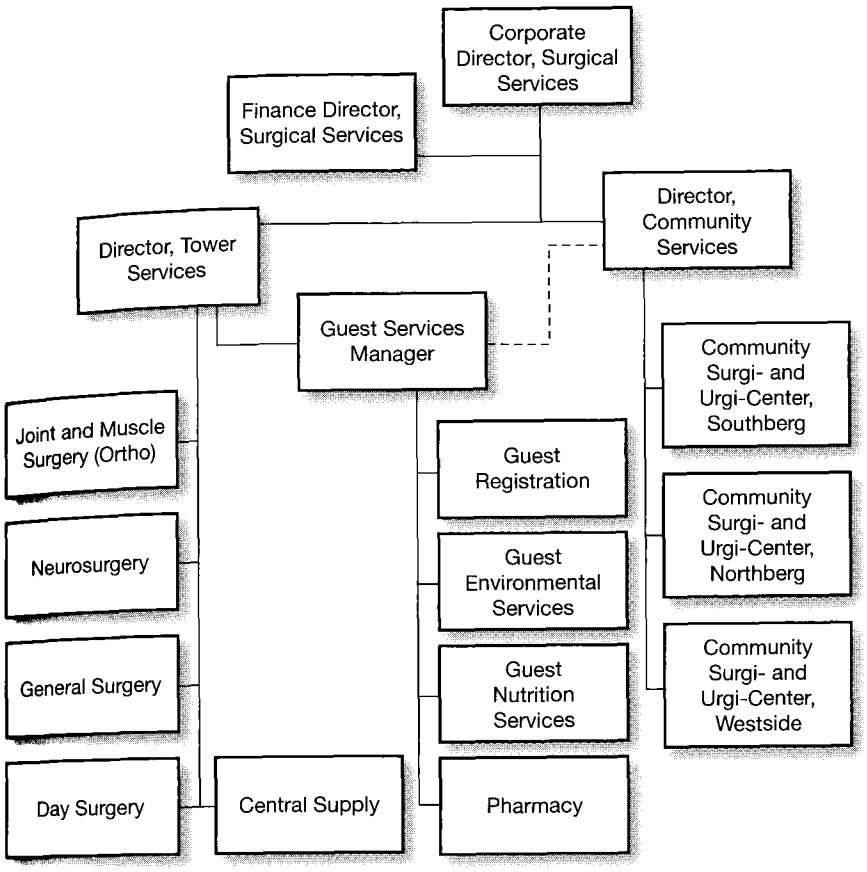


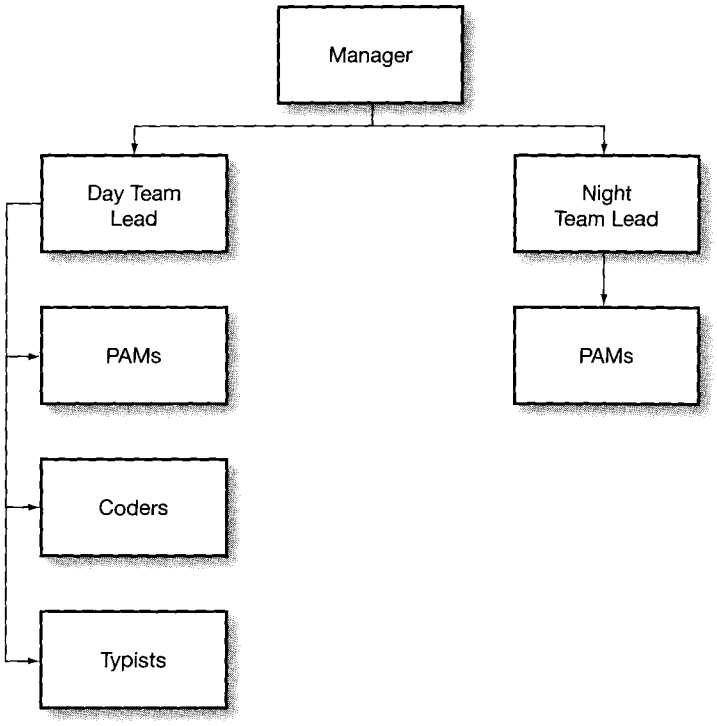
EXHIBIT 12.4
Product-Line Organization

If a supervisor is setting up a new department or working in a newly established institution, much of the ideal structure can probably be implemented in the beginning. This is the most desirable situation, but it is not usually the case. In fact, often the structure that is established at the beginning of a new organization is rapidly changed.

Example of a New Department in a New Organization

Consider the case of a new 80-bed hospital in southwest Florida. The hospital expected to have 25 beds in operation on Day 1 and to be at the 80-bed level within six months. Clearly, the staffing level required for 25 beds was not the same as that required for 80 beds. Furthermore, it was inappropriate to hire staff for 80 beds only to have them be idle for up to six months until the census increased. To manage these staffing challenges, the activities of access, patient financial services, and health information were initially combined; these hybrid positions were titled personal account managers (PAMs) (see Exhibit 12.5). The PAMs were cross-trained to perform the duties of all three

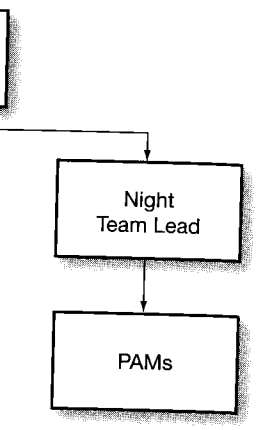
EXHIBIT 12.5 New Department Organization Chart



functions with the exception of coding and transcription. In fact, the PAMs even obtained the first meal selection from the patients and escorted the patients to the patient care area.

The PAMs worked 12-hour shifts three days per week and a four-hour shift on any day of their choosing. During peak registration hours they performed access functions; during slow periods or between patient registrations they obtained precertifications or certifications from insurers. Also during slower hours, the PAMs processed discharged patient records and completed the various billing functions for the day. In the early evening, these same individuals followed up on patient balances for collection purposes. Because they met the patients at the time of admission, PAMs developed rapport with patients and could check on their at-home recovery progress and report that information to performance improvement.

Generally, the supervisor implements organizational goals gradually while working within the existing departmental structure and with personnel. In this instance, the goals were to ensure the functions were adequately staffed with well-cross-trained individuals who eventually migrated to one specialized function or another as the hospital grew in size and complexity.



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Organization and Personnel

The supervisor should design the ideal organization based on sound organizational principles, regardless of the people with whom he works. The problems of organization should be handled in the right order; the sound structure comes first, then the people are asked to fulfill this structure.

If the department setup is planned first around existing personnel, existing shortcomings are perpetuated. Because of incumbent personalities, too much emphasis may be given to certain activities and not enough to others. Moreover, if a department is structured around personalities, it carries an inherent flaw, which is revealed if a particular employee is promoted or resigns. If, on the other hand, the departmental organization is structured impersonally on the general need for personnel rather than on the incumbent personalities, it should not be difficult to find an appropriate successor for a particular position. Therefore, an organization should be designed first to serve the objectives of the department, then the various employees should be selected and placed into departmental positions. This, however, is easier said than done.

In most instances, the supervisor has been put into a managerial position in an existing and fully staffed department without having had the chance to decide on the structure or personnel of the department. Frequently, some of the available employees do not fit well into the ideal structure, but they cannot be overlooked or simply dismissed. In such cases, the best the supervisor can do for the time being is to adjust the organization to use the capacities of the existing employees. This is an accommodation of the ideal plan to fit present personalities and should be regarded as temporary. Then, as time goes on and attrition naturally occurs or a significant change in workflow is introduced, the supervisor can strive to come closer and closer to the ideal departmental setup.

Organizational Design

With the exception of team structures, the discussion of organizational structure has centered around traditional structure concepts. **Traditional structure** is the most studied and researched form of organization and has a long history of successful performance. Traditional structure is not inflexible or rigid. This structure functions successfully under most prevailing conditions and is capable of producing and accommodating change and adapting to contingencies as they arise.

traditional structure
The most common form of organizational design, in which hierarchical relationships develop vertically, and each employee reports to one superior.

Of course, even the best-designed organization cannot be left without change forever. Changes in technology, care delivery systems, the environment, human and social processes, organizational size, the workforce, economic

trends, regulatory activities, and so forth have to be accommodated. The institution must design a structure that works best under these contingencies. The organization is an open system, which means that changes in one part of it affect the activity in another part. The organizational concepts discussed thus far are applicable even under those new contingencies.

Matrix Organization (Matrix Design)

matrix organization An organizational structure that adds cross-departmental connections to a traditional vertical organization. These connections may unite departments for special projects or products or services that span several geographic areas. In a matrix organization, employees often report to more than one superior.

An alternative organizational structure building on traditional concepts is the **matrix organization**. This is an organizational structure in which employees have two bosses—one in the department to which they are permanently assigned and one who is directing a special project that crosses departmental boundaries or a service or product that spans several geographic areas. Matrix organization, also known as project or grid organization, does not do away with the traditional organization; it simply builds on it and, under certain contingencies, improves on it. It is superimposed on functional organization, creating a grid, or a matrix. Thus, it provides horizontal dimensions to the traditional vertical orientation of the functional organization. It is an organizational design that typically combines technical expertise found in the departmentalization model and product models simultaneously.

Exhibit 12.6 is the organizational chart of a national managed care organization (MCO). This example shows a matrix organization for the utilization review function of the MCO. The structure violates unity of command; for this organization it is imperative that utilization review policies be consistently applied nationwide. The corporate vice president of utilization review is responsible for ensuring this occurs, and she must have some authority to impose standard rules and procedures on the regional operations. Day-to-day oversight and control of these functions rests with the regional vice president. This structure can be used in a healthcare provider as well. For example, consider The Joint Commission's expectation for consistent nursing practice throughout a healthcare organization that has multiple outlying clinics, an ambulatory surgery center, a home health agency, community urgent care centers, and a hospital. The chief nurse executive must have authority to mandate certain nursing practices to ensure compliance with The Joint Commission's standard. In this scenario, a matrix organization may best meet this objective.

Matrix Structure in Project Management

High-technology fields such as healthcare often need to create project organizations to focus resources and special talents for a given time on a specific project. For example, if an organization is emphasizing oncology (cancer) care, the oncology division brings in dietitians, radiation therapy technicians, pharmacists, nurses, pastors, lab technicians, and physicians who specialize in cancer care. These members define the services to offer to cancer patients. They develop the plans, recruit the staff, organize the functions needed to serve the patients, and deliver the care.

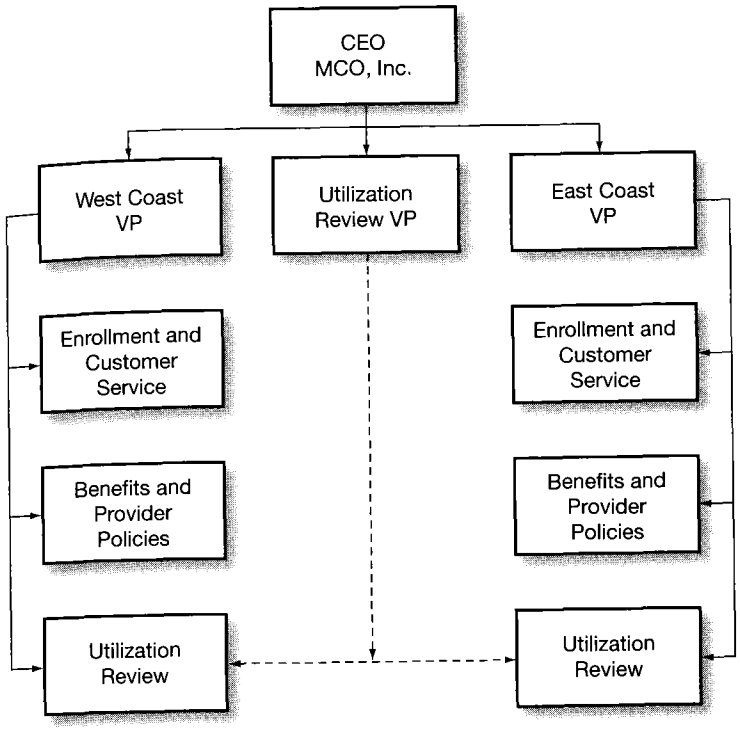


EXHIBIT 12.6 Utilization Review Matrix

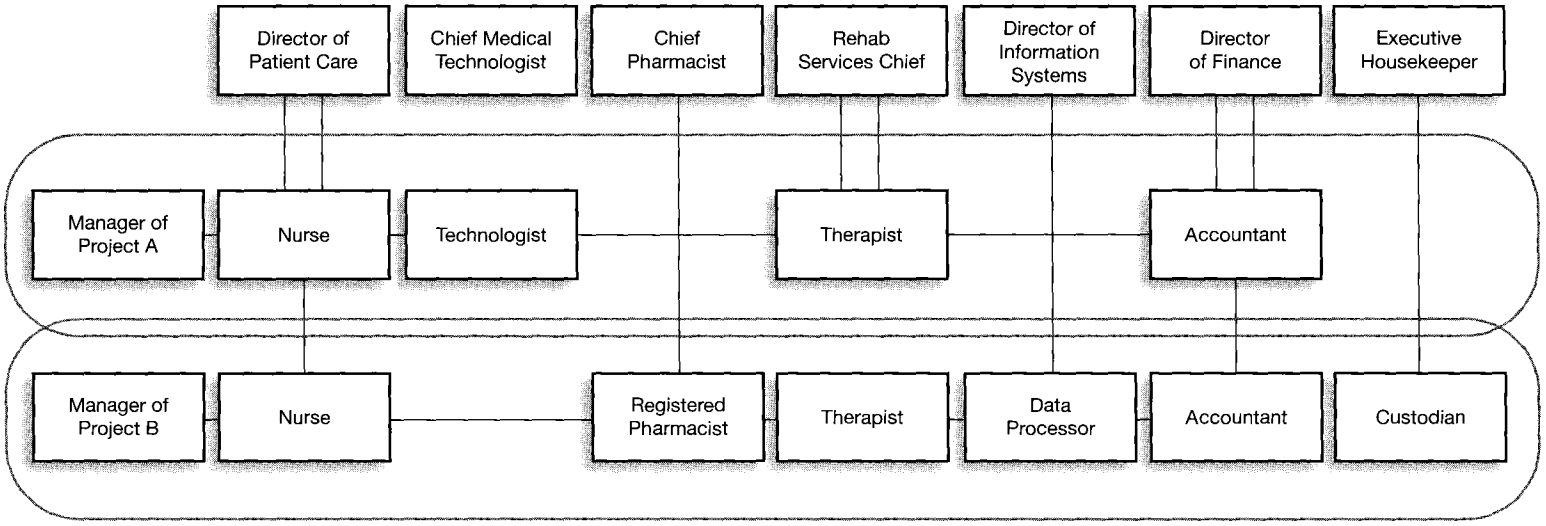
The essence of matrix management is a compromise between functional and product departmentalization in the same organizational structure. For example, Exhibit 12.4 demonstrates the matrix relationship for guest services between the tower and community directors. Exhibit 12.7 shows a more complex but not unusual matrix arrangement in a healthcare institution in which the functional managers are in charge of their professional function, with an overlay of two project managers (A and B) who are responsible for the end product—a specific project.

Some organizations are breaking down their functional organization structure and replacing it with project teams that focus on issues that cross many departments and tie to an organizational value such as clinical information or quality. The leaders of these endeavors often are certified as professional project managers (PMP®).[2]

Advantages and Disadvantages of Matrix Structures

A matrix organization gives an enterprise the potential to conduct several projects simultaneously. Say the president of a hospital sees the need for three projects to be phased into her institution within the next two years: a pharmaceutical barcoding system, an electronic record system, and preparation for the hospital's accreditation. The president could assign these projects to three different project managers, and matrix organizations could be established for each.

EXHIBIT 12.7 Matrix (Project) Organization



By establishing a matrix organization, better coordination can be achieved than would be possible in a traditional organizational structure because experts from throughout the organization are pooled together with a common charge and focus for a temporary period. The project is assigned to a project manager from the beginning to its completion, and people from the functional areas needed for the project are assigned either on a full- or part-time basis. The project matrix overlays the conventional structure; it draws on traditional structure for the various skills required for the project. When the project is finished, the project manager and specialized personnel return to their functional departments or are reassigned to a new project.

The advantages of matrix organization are that it

1. provides an effective way to focus on new products and customers and phase new projects in and out of operation;
2. improves coordination and establishes lateral relationships;
3. offers greater flexibility to consider and implement innovative ideas;
4. creates teams of experts quickly to cope with a sudden change or need;
5. dissolves teams without too much repercussion on the overall structure;
6. exposes members of a project to interaction with experts from other areas, thus offering an opportunity for personal development;
7 identifies individuals who may be selected to serve in future leadership positions; and
8. affords top-level management an additional way to delegate and decentralize.

Matrix design also creates a number of problems. The most common problem is that sometimes the roles of team members are not clearly defined. As noted earlier, the matrix organization is a system in which employees are supervised by two bosses, namely their functional director and the project manager. Recall Exhibit 12.4 and the dual-boss arrangement for the guest services manager. This structure clearly violates one of the major principles listed in Chapter 11—unity of command. The professional, when assigned to a project, may be faced with duality of command because conflicting directives may come from the two bosses. Additionally, when used in a project management context, the employees on the project may not be certain to whom they are supposed to report and whose assignments take priority; worse, there may be power struggles between the individual's two bosses. More confusion can arise when one person is assigned part-time to two or more projects.

Further sources of frustration for the project team members are that while assigned to the project, they may also feel isolated from the mainstream of their home departments and penalized because evaluations and possible promotion opportunities are usually vested in the functional department head and not in the project manager.

role theory
The concept that when employees receive inconsistent expectations and little information, they experience role conflict, which leads to stress, dissatisfaction, and ineffective performance.

Most of these problems are caused by poor coordination, insufficient project preparation, and a lack of concise and clear statements of authority relationships. These symptoms introduce the concept of role theory. **Role theory** claims that when employees receive inconsistent expectations and little information, they experience role conflict, which leads to stress, dissatisfaction, and ineffective performance. Role theory supports the chain-of-command and unity-of-command principles (Roussel, Swansburg, and Swansburg 2006). Multiple lines-of-authority disrupt these principles, create stress, and reduce trust.

If management creates an environment of support and communication, conflict can be avoided. Well-prepared projects have the following attributes:

- At the start of the project, the enterprise executive clarifies the relationships. He clarifies the authority and responsibility of the functional directors.
- The project manager has full authority and responsibility over the integrity of the design and over the budget. She is the decision maker and coordinator for the duration of the project.
- There are clear statements about the project manager's frequency of reporting and the scope of the project.
- The project manager makes schedules and works out priorities with the functional managers.
- The functional managers are responsible for the integrity of the service or products that their departments supply to the project.
- Statements concerning these decisions and responsibilities guide the project manager and the functional managers whose departments are involved in the project.

Despite the best preparations and clarifications, misunderstandings may still arise. Provisions to resolve such a dilemma should probably be made by referring the misunderstanding or dispute to higher management. Thorough preparation and clarifying authority and responsibility when the project is established minimize many of these problems. Some borderline cases involving problems of dual command may still arise. Remember that all organizational structures can create some problems occasionally. Matrix organization provides a system with a proven method of implementing a complex new task that has relatively short duration.

Additional Approaches to Organizational Structure

Two additional organizational approaches appear in the literature: mechanistic and organic (Burns and Stalker 1961). While classified as organizational structures, they speak more to the culture or atmosphere established within any of the other structures discussed in this chapter. Setting the tone for an organization starts at the top. Recognizing that labels have been created to

define these tones is an important lesson for supervisors to learn, as these labels may affect recruitment and retention of talented staff.

A **mechanistic organization** is a structure that is characterized by high specialization, extensive departmentalization, narrow spans of control, many rigid rules and regulations, a limited information network, and authority vested in a few higher-level executives. In contrast, the **organic structure**, occasionally called the *thinking structure*, is one in which jobs tend to be general; few rules and regulations exist; communication is vertical, diagonal, and horizontal; and the organization is highly adaptive and flexible and encourages decentralized decision making by the employees.

mechanistic organization An organization whose structure is characterized by high specialization, extensive departmentalization, narrow spans of control, many rigid rules and regulations, a limited information network, and authority vested in a few higher-level executives.

organic structure An organizational structure in which jobs tend to be general; few rules and regulations exist; communication is vertical, diagonal, and horizontal; and the organization is highly adaptive and flexible and encourages decentralized decision making by the employees.

Organizing defines the relationships between authority and activity and no one culture or structure works for every organization. Common sense helps the manager design the best one and create a culture that encourages productivity and employee satisfaction.

Organizational Charts

Many conflicts in organizations are caused by employees not understanding their assignments and those of their coworkers. Proper use of organizational charts, manuals, and job descriptions defining authority and informational relationships substantially reduces misunderstandings and clarifies doubts. The healthcare institution's structure is formalized graphically in charts and in words in the manual. To be helpful, these tools must be available all the time and be up to date, which means changes must be incorporated promptly.

Organizational charts are a means of illustrating the organizational structure at a given time—as a snapshot. The chart shows the skeleton of the structure, depicting the basic formal relationships and groupings of positions and functions; that is, it maps the lines of decision-making authority. Most of the time, the chart starts out with the individual position as the basic unit, which is shown as a rectangular box. Each box represents one function. The various boxes are interconnected horizontally to show the groupings of activities that make up a department, division, or whatever part of the organization is under consideration. They are connected vertically to show scalar relationships. Thus, one can readily determine who reports to whom merely by studying the position of the boxes in their scalar relationships.

Advantages of Organizational Charts

As the organizational chart is prepared, the organization must be carefully analyzed. Such analysis might uncover structural faults and duplications of effort, complexities, or other inconsistencies. Cases of dual-reporting relationships (one person reporting to two superiors) or overlapping positions

might also be uncovered. Moreover, charts might indicate whether the span of supervision is too wide or too narrow, or if the organization is unbalanced.

Charts offer a simple way to acquaint new members with the organizational makeup and with their fit into the entire structure. Most employees have a keen interest in knowing where they stand, in what relation their supervisor stands to the higher echelons, and so on. Charts are also helpful in human resources administration; they can indicate possible routes of promotions for managers as well as for other employees.

Another advantage of charts is they assist in developing better communications and relations. Charts can also be valuable for future planning purposes. A supervisor may want to have two charts for his department, one showing the existing arrangements and the other depicting the ideal organization. The latter may be used so that all the gradual changes planned fall within the design of the ideal, representing the ultimate organizational goal of the department in the future. Charting shows what is changing and how that change affects the members of the organization.

Limitations of Organizational Charts

Charts also pose some limitations, especially if they are not kept up to date. It is imperative that organizational changes be recorded speedily, or they are of little practical use. Another shortcoming of charts is that the information they give is limited. A chart is a snapshot, not a CT scan; it shows only what is on the surface, not the inner workings of the structure. It shows only formal authority relationships, not the many informal relationships that exist (see Chapter 17). The chart also does not show the amount of authority and responsibility inherent in each position (sometimes even positions with similar titles have different levels of authority and responsibility).

Another problem with charts is that individuals confuse authority relationships with status. Sometimes people read into charts and come up with interpretations that are not intended. For example, a person may interpret an employee's degree of power and status by checking how distant that person's position is on the chart from the box of the CEO, or on which level it is shown.

Finally, some charts are so complex that they end up confusing the employees. To determine if your organization chart is too complex, supervisors should ask their employees to identify their position and then work their way up to the individual to whom the supervisor reports. If they cannot, the supervisor should reevaluate the chart.

vertical chart
An organizational chart that shows the different levels of the organization in a step arrangement in the form of a pyramid.

Types of Charts

Three main types of charts commonly used are vertical, horizontal, and circular. Of these, the vertical chart is used most often.

A **vertical chart** shows the different levels of the organization in a step arrangement in the form of a pyramid. The CEO is placed at the top of the

chart, and the successive levels of administration are depicted vertically in the pyramid shape. One of the main advantages of the vertical chart is that it can be easily read and understood. It also shows clearly the downward flow of delegation of authority, chain of command, functional relationships, and the relationships between activities. Many of the general shortcomings of charts apply to vertical charts as well.

In addition to the vertical chart, some healthcare institutions prefer a **horizontal chart**, which reads from left to right (see Exhibit 12.8). The advantage of a horizontal chart is that it stresses functional relationships and minimizes hierarchical levels. The left-to-right chart of a matrix or project organization is a combination of these two arrangements. Horizontal relationships are superimposed on the vertical chart.

horizontal chart
An organizational chart that reads from left to right, stressing functional relationships more than hierarchical levels.

A **circular chart** can also be used. It depicts the various levels in concentric circles rotating around the top-level administrator, who is at the hub of the wheel (see Exhibit 12.9). Positions of equal importance are on the same concentric circle. This graphic portrayal eliminates the need to place positions at the bottom of the chart.

circular chart
An organizational chart that depicts the various levels in concentric circles rotating around the top-level administrator, who is at the hub of the wheel.

A few organizations might prefer an **inverted pyramid chart**, showing the chief administrator at the bottom and the associate administrators farther up. This type tries to express the idea of the "support" given to each manager by the "superior" (see Exhibit 12.10).

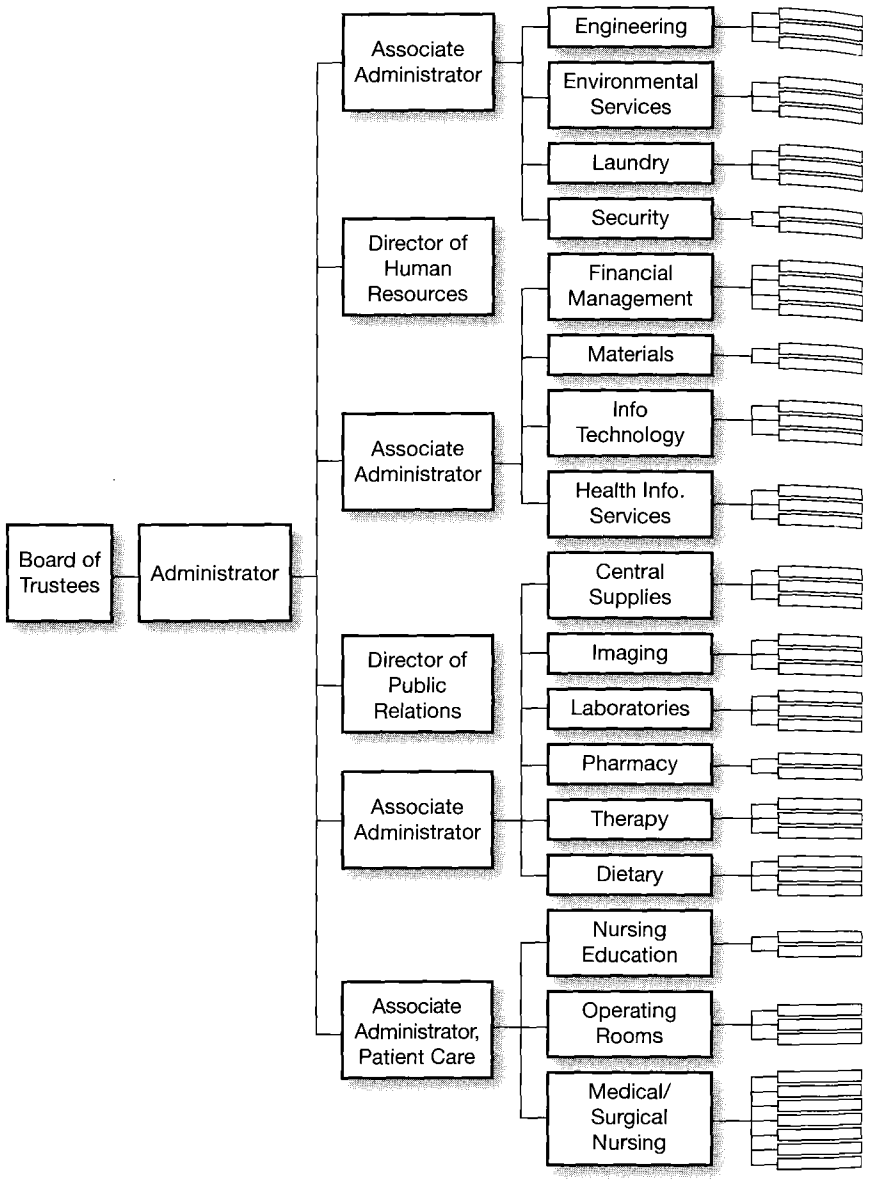
inverted pyramid chart
An organizational chart featuring the chief administrator on the bottom and others farther up. This chart expresses the idea that the superiors support those who report to them.

Summary

Management's overall organizing function is to design a formal structural framework that enables the institution to achieve its objectives. The CEO or COO establishes this framework initially, using the basic principles of formal organizational theory as guidelines. She begins with the principle that specialization is necessary for efficiency. This means grouping the various activities into distinct departments or divisions, assigning specific duties to each, which, in turn, assigns the tasks to multiple workers. The administrator can approach this departmentalizing effort in several ways. The most widely used concept of departmentalization is grouping activities according to functions—that is, placing all those who perform the same functions into the same department. Besides departmentalization by functions, it is possible to departmentalize by process and equipment, geographical (territorial) lines, customers (patients), time (shift), or product. However, a composite or hybrid structure made up of several of these alternatives is most often used.

Organizing on the departmental level involves the same general steps as organizing the overall institution—that is, grouping activities or subdepartmentalizing, assigning specific tasks and duties, and delegating authority. The supervisor should supplement these steps, however, by designing an ideal organizational structure specifically for his particular department. Such

EXHIBIT 12.8
Horizontal Chart



a structure represents the way the supervisor would organize the unit if starting from scratch and given ideal resources and personnel. In most cases, however, the supervisor comes into an existing department and cannot immediately implement an ideal organizational design. What must be done in that case is to plan changes or completely reorganize the department to make it come closer to the ideal. Such reorganization is a normal and important part of managerial life; however, it should not be done so frequently that it undermines the security and morale of employees. Organizational changes

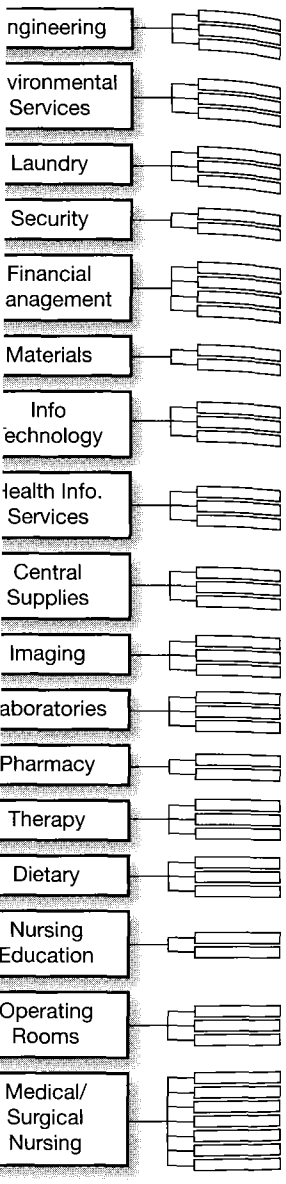
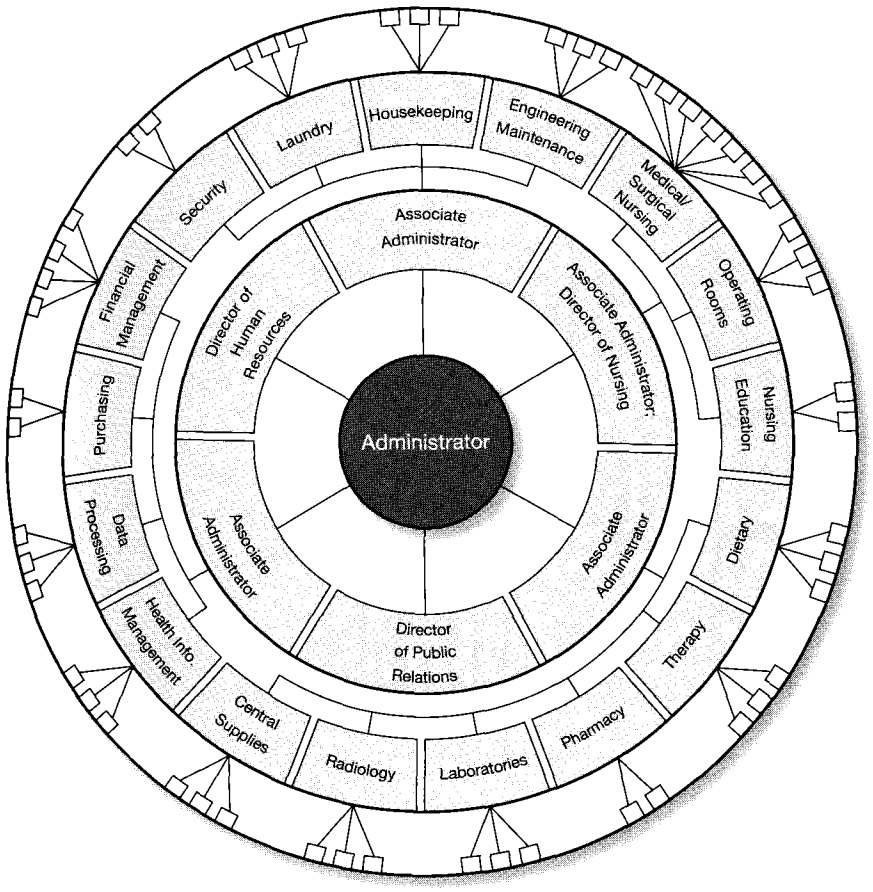


EXHIBIT 12.9
Circular Chart



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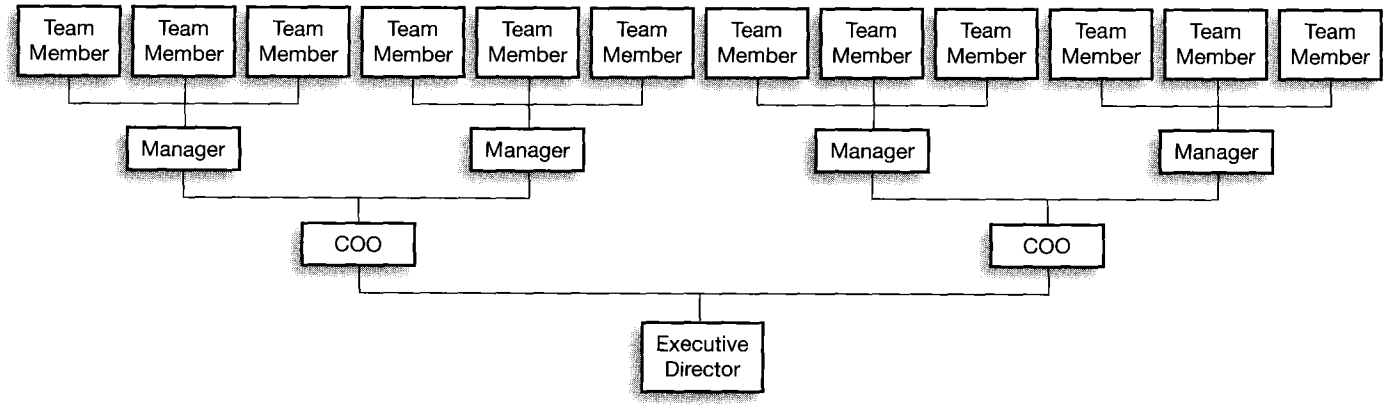
can be implemented either all at once or gradually, depending on the imminence of the need for them.

An approach that blends the functional and product organization structures is the matrix organization. This stresses horizontal relationships and combines functional and product departmentalization. Matrix design can be employed for achieving a special project with a definite result by superimposing a matrix over a traditional organizational structure. At the project's inception, the CEO or COO states the authority relationships to the project manager in charge, the functional personnel assigned to the project for the duration, and their functional department heads. This is necessary to minimize possible problems of dual command, dual allegiance, and other conflicts.

Two additional organizational approaches—mechanistic and organic—while classified as organizational structures, speak more to the culture or atmosphere established within any of the structures discussed in this chapter.

EXHIBIT 12.10 Inverted Pyramid Chart



Notes

1. The term *function* in this context is used to connote organizational activities such as nursing, pharmacy, laboratories, dietetics, therapy, and environmental services rather than the basic managerial functions of planning, organizing, etc.
2. For more information on PMP certification visit www.pmi.org.