

Estimate of the Situation

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The Affordable Care Act: Real World Impacts and Options

“The bad news is “time flies”. The good news is you’re the pilot.” — Anonymous

Management Structure

When was the last time you took a hard look at your internal management structure? The need to respond quickly and effectively to the Affordable Care Act’s challenges requires another look, using a different mindset.

Management structure is a key element in defining any organization’s effectiveness. We

are not referring to the *physical* structure of the space it occupies. We are talking about the *reporting relationships* and *responsibilities* that exist among people, functions, and departments as reflected in the organization chart.

Fundamental principles must be observed when evaluating your organization’s structure.

- Authority can be delegated. Responsibility cannot.
- To optimize effectiveness, decisions should be made at the lowest reasonable level in the organizational hierarchy consistent with capability and accountability.
- Someone must be assigned responsibility for each key result area. Moreover, feedback loops must be established alerting the responsible manager in real time or near real time whenever performance in a key result area fails to meet budgetary, quality, or other measurably defined goals.
- Authority to perform management cycle functions (planning, organizing, directing and controlling) and performance expectations should be clearly and appropriately defined at each management level.
- Overspecialization is the enemy of organizational effectiveness.
- The span of control principle must be followed.

The All-Important Span of Control Principle

Ideally, a manager should be responsible for six to eight key result areas. This does NOT mean that a manager should only have six to eight direct reports. One manager can supervise many people if they share the same responsibilities or work to perform the same service.

A key result area may or may not involve the direct supervision of people. Critical *functions* are also key result areas. For example, assuring that regulatory requirements are met can be a key result area. As a general rule, flatter is better when it comes to management structure. However, care should be taken to assure that there are neither too few nor too many management layers.

- Too few layers of management can create span of control issues and result in executive burn out.
- Too many layers will limit organizational responsiveness, complicate communication, and facilitate information silo development.

Two layers of management between the organization's CEO and working staff is ideal. Four layers between the top and bottom is almost always too many.

If significant time has passed since your organization chart has been evaluated, there is no time like the present. Developing a structure that observes these principles can have a profound impact on organizational effectiveness. The first step is to inventory your hospital's key result areas and map responsibility assignments. Let us know if we can be of assistance.



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