INTRODUCTION

Health services organizations in the United States have been restructuring themselves since 1983. Due to federal government's new regulations in this industry, hospitals' profits have sharply decreased. Organizations in this sector have been trying to readjust themselves to the new conditions. New regulations have limited not only hospitals revenues but also spending on personnel issues. As a result, health services organizations have been changing their human resources policies that could be compatible with the new environment.

Within this broad restructuring process, motivating personnel has had a great importance for health services organizations. In this study, the motivational program of Sparrow Hospital, as an example of changing organizational structure and motivational programs in health services organization, will be examined. The data were gathered by interviewing with Mr. Howard W. Campbell II, Director of Organizational Development of Sparrow Hospital, in 1991 and by reviewing of pertinent literature.

In the first section, the effects of Federal government regulations in health care industry in 1983 and its result are addressed. Then in the second section, the structure of Sparrow Hospital and its recruitment policy, wage and promotion systems will be identified, considering motivational program of the hospital.

(¹) Sparrow Hospital is located in Lansing, Michigan, U.S.A. I am greatly thankful to Mr. Howard W. Campbell, Director of Organizational Development of Sparrow Hospital, without his help this study, can not be successfully completed.

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In the third section, the motivational program in Sparrow Hospital will be explained. In this section, besides description and implementation of the motivational program, assessing motivational factors and goal setting in the hospital will be examined separately.

In the fourth section, the strengths and weaknesses of the motivational program will be analyzed and discussed by using survey findings and related motivation theories. In the last section, fifth section, recommendations for managers are addressed according to findings of this study.

1- MANDATED CHANGES IN HEALTH CARE DELIVERY SYSTEM

The major factor which changed health care organizations was reregulation of reimbursement system in health care industry by federal government in 1983. Because of this regulation, Hospitals' profits sharply down and all organizational structure of hospitals has been subject to adjust themselves into new environment.

Before 1983, all hospitals calculated their profits by adding 10 or 20% to care costs and they were getting money from payers. When their costs rose, also their profits rose. It was better to increase cost for hospitals, and motivation, in wrong sense was used for this aim. With Diagnosis Related Groups (DRG) payment system in 1983, a flat rate is paid. Before 1983, 15% wage raises for employee were common, now there are only 4% raises.

Job security was guaranteed before 1983 through the ability of hospital to get paid no matter what they billed the payers; now there are lay offs to control costs. Since October 1983, many employees, especially nurses, quit their jobs, they were unable to cope with changes. Hospitals are more competitive and survival is issue; there is more formality and more defensive attitudes between departments. There are more territorial departments. Unionization has been issue in health care sector since 1983. Between 1983 and 1988, there had been three attempts at Unionization at Sparrow Hospital—all failed. In 1988, employees voted to be unionized.

Since 1983, 1000 hospitals have been closed nationally, about 10-20 of them are in Michigan. Almost thirty other hospitals in Michigan are in trouble. The trouble now is in attracting good employees because of more work-less money; less-motivated employees are the problem now, and Diagnosis Related Groups is the major influence.
II. THE STRUCTURE OF SPARROW HOSPITAL

1. General Structure of Sparrow Hospital

Sparrow Hospital is a public, non-profit organization and it is more than one hundred years old. Currently, it has 2,500 employees which is consist of 1,800 full-time employees, and 700 temporary, part-time or per diem employees.

The organization consists of eight department and they are functionally organized. A recent development is to arrange organization structure according to the product line structure. Most product line functions are under control of Chief Operation Office and Support Services. The Organization’s top governing body is the Board which consists of Patient Physicians, Associates, Community members and other stake holders. It has only one Chief Executive Officer.

Half of total employees are nurses and most physicians are not staff, they are self-governed. Also, there are a number of volunteer in the hospital. Until 1988, employees were not unionized. Since the new regulation of hospitals in 1983, after three attempts, the hospital was unionized.

2. Recruitment Policy

The organization recruits employees in three areas: professionals, technicals, and those who get on the job training. Professionals such as nurses and medical technologist have university degree or technical associates degree, or are community college graduates. The employees getting on the job training are walk off street employees.

Candidates are selected according to their 1) technical abilities, backgrounds, schooling, and previous experiences, and 2) their cultural elements which must fit in the organization. The organization has a set of own values and wants employees to buy into these values or can live within them. Candidates must be willing to make a commitment. Organizational values are not ethical or moral but rather proper for motivation as we will see.

Partial attention is given to candidates self motivation and whether they fit in the position or not. Therefore, before hiring, to assess who is proper candidate, the organization sets up an orientation program. Orientation program is well developed for managers rather than first line associates. Managers are taken to be tested by an outside testing company called Profile Test, in several area in order to assess their technical abilities and other components such as how they think, what their attitudes are. For director and vice presidents, there is a six hours psychological profile program. These programs take place at the beginning of recruitment, and are not continuous programs.
3. Wages System

In the organization, now, there is no correlation between wage system and motivation. Wages are increased two times in a year. Performance appraisal system is used to assess wages increase. According to the management, this is not a true merit system and it is a historical “Holy Grail” so that you cannot touch it. The basic factor for not changing the wage system is the resistance of the union which does not want any linkage between employees wages increase and their motivation.

The bonus system does not include all employees. Bonuses just started this year and exist for president and vice presidents. For directors, bonuses are under consideration for next year. Bonuses are based on the managers’ performances considering what they did, and also, how they did it. In order to assess performance, three goals have been set. Goals consist of two personal development goals and one based on financial performance. Each division must achieve a certain financial target as well the whole organization. Behavioral criteria should follow to measure how employees get targets. For example, it is expected to involve all related employees in implementing program to get their input. Mr. Compwell assumed that without taking all related employees’ inputs, some of them get angry at being left out of the process.

4. Promotion System

There have been problems in promotion in the organization. Managers are recruited from outside or inside but not by promotion. Now, the organization wants to change this recruitment system and to provide an opportunity for employees’ promotion. The basic problem is lack of information about supervisor and director levels requirements. The lack of information and recruitment of supervisor and managers from outside create barriers between employees who have been working in the hospital a long time, for example 10 or 20 years, and new recruited supervisors or managers who have been working for two or three years. The first barrier which stronger is between directors and supervisors, and the second barrier less strong is between supervisor and first line, but the most complaints exist about the latter. The Organization wants to remove these barriers when these barriers occur, it is very difficult to motivate employees.

The lack of promotion is the results of (1) the existence of few management positions and they do not open up often; (2) these positions’ requirements are not well defined; and (3) employees who are seeking to be in those positions are not qualified, do not have the appropriate skills. Therefore, the organization now tries to define upper status very clearly to create opportunities for subordinates to prepare themselves by getting new degrees or
getting new courses in order to qualify themselves and increase their abilities for upper status.

III. MOTIVATIONAL PROGRAM OF SPARROW HOSPITAL

1) Description of the Motivational Program

The current motivational program of Sparrow Hospital called earlier as the Uncommon leader (TUL) but now called as the American Hospital, is basically to adopt Herzberg’s two-factor theory and when necessary to use the other motivation theories. In this context, three main subjects are focused on (1) managers, (2) organizational culture, and (3) associate participation.

The managers and their structures have been identified as the number one problem. The basic assumption of the Organization is that to motivate managers, first, in order to motivate employees. For managers, the main problems are these: (1) they prefer the period before 1983 and do not like new system, and (2) many of do not understand new managerial functions, subjects such as goal setting, productivity. The old system did not require highly skilled managers because costs, productivity, organizational effectiveness were not problem. Therefore, managers had not paid attention to recruit motivated employees or to motivate them in the course of their work. They just recruited technical persons an put them in positons. Even some executives did not have experience in health sector. Indeed, under old system’s conditions, these procedures, attitudes did not affect the organization negatively. Under new conditions, they have frustrated. Now everything is problem for the managers. Therefore, the first step for handling their problem has been to develop their skill levels in these areas:

1. - Personel effectiveness. For example, in managing meetings and organizing time,
2. - Problem associates, i.e. discipline of problem employees,
3. - Leadership and motivation
4. - Customer relations
5. - Productivity
6. - Power politics

The Organizational culture has been identified as the second problem. Before 1983, Organization was seen as a family. Since 1983, all relations have been changed in personal, interpersonal, interdepartmental etc. Among them, competition increased. Interdepartmental relations have been more defensive. More informal groups and leaders are created by the change. Therefore, to create an organizational culture in order to get rid of “cultures” of individuals and
departments, and to unify them have been second major goal of the Organization. The Organizational culture values are determined and written, called ESPIRIT (Excellence, Service, People, Responsibility, Innovation, and Teamwork).

The third part of the program is to get the associate’s participation in the process. Every employee has been encouraged to participate in organizational issues. For this, a suggestion bank was formed. Although the suggestion bank has received great interest, two shortcomings took place;

1) employees submitted problems to be fixed but they do not want to help to solve them, and

2) some problems chosen were not strictly related to effective running of the hospitals or improving its operations. Therefore, the reward system for suggestions was changed from reward everybody who submitted an idea to reward some of them who submitted by holding a drawing. With implementation of new award system, the number of ideas has decreased but the quality of ideas has increased. However, implementation of accepted ideas is not proper because the ideas go to top, then come down. The Organization wants to shorten this long way and will set a new process within department for implementing new ideas.

Whole program is formulated by the organization. According to formula, organizational change (C) equal to function of dissatisfaction (D), model (M), and process (P). In short,

\[ C = (D \times M \times P) \]

2. Implementation of the motivational program

The program has been implemented for two years and it is expected to take five more years. Implementation of the program has been focused on creating a common vision by setting up a clear strategy, values, a socialization program and by supporting developments with feedbacks.

The strategy is not only for the members of the Organization, but also, to a lesser extent, for outside. A larger strategic plan has been created with over 250 staff working on it. With the strategy, values and objectives are given clearly whom they have the responsibility to carry out the motivational program.

Socialization programs are also set up to creates the common culture. A celebration committee has organized some programs such as having sports trips, weekends parties. To do them, the celebration committee tries to get employees together and to introduce each other. To create comfortable relations among the
employees the Organization first sets activities within departments and after it increases circle of involvement.

The program's implementation is controlled by feedback mechanism. Officially, surveys on program were once every three years but now because of the program's importance, it is considered to make the survey yearly. While the earlier surveys' results were negative, the latest's results is positive. Besides these surveys, managers were surveyed by an outside group from Chicago, results were very positive. In next October, there will be another written survey so it will be possible to compare developments since 1988. According to surveys, most negative feedbacks come from "old" aged employees and managers because (1) they still like pre-1983 period and (2) some employees mistrust of managers that according to these employees, managers are the responsible for new system. Overall, there has been a dramatic change since 1988.

3) Assessing Motivation Factors

The Organization has been focusing on determining motivator and maintenance factors in the Organization. The suggestion bank is used for to gather data. However, the Organization has yet to categorize which factors are maintainence and which factors are motivator.

According to Mr. Campbell, Director of Organizational Development, maintainence factors like enviroment, wages, benefits, work space, instrumentations do not motivate employees, but when they are absent, employees get upset. So first, the maintenance needs should be filled before moving motivator. Therefore, the Organization focuses on maintenance factors like job enhancement, job design, cultural fit, self esteem. The relation between maintaince factors and motivator factors is completed. Employers' complaints should be reduced, but organization also have to pay attention to absence of complaints because it does not mean employees are motivated; that is often misunderstood by many managers.

In the Organization, long-term employment is considered as a demotivator factor because of organizational and structural change of the hospital. These long-term employees, almost 90% of them, have had problems adjusting themselves to the new structures. In this respect, aged employees who worked under pre-1983 system are very reskistant to change and to socialize themselves with the new organizational culture. In other words, they have not been satisfied by hygiene factors in the organization.

In contrast, younger employees and managers are adequately adopting themselves to the new structure. Indeed, the age medium is 35-45 years,
including president, 39 years. Furthermore, gender, educational and social background of employees have not been identified as factors for motivation.

4. Goal setting in the Organization

The Organization has been set up a clear goal setting program for managerial levels and it is wanted to for front line. Part-time and temporary employees are not subject to the goal setting program. Furthermore, physicians are not staff and are not involved in goal setting program. Unless they are staff, physicians are self governed.

Goals are basically set by director; but at the same time, they are based on mutual agreement with subordinates. Both sides negotiate on what is to be done and how long it takes. CEO's goals are set by Board, but mutually, vice presidents goals are set by CEO; directors goals are set by vice presidents; supervisors' goal set by directors, but mutually. The chain of goal setting goes from top to down in this structure. Every staff has a written set of goals for the year. With the written goal setting, the Organization wants to help staffs at any level be focused and to make easier to measure performance. In order to eliminate shortcomings of measuring how the staff or employee implemented his goals, written behavioral criteria are used as an evaluator factor.

Goal setting is done well between three layers (Executive – Director and Supervisor) and in their intermediates. In contrast, goals and objectives are not done well for front line. Standart appraisal system is still used for first line. This appraisal system for first line employees is expected to change within the next few years.

IV. STRENGTHS AND WEAKNESSES OF THE MOTIVATION PROGRAM

1. The Strength of the Motivational Program

The strongest point of the Sparrow Hospital motivation program is to motivate the managers, the basic assumption of the program. Mr. Campell expresses it clearly. With this, the Sparrow organization wants to create self-motivated managers; that is correct to some extent and reflects Herzberg's motivation definition. Herzberg says that we can talk about one's motivation when they have their own generator; and when they are so, they do not need any outside stimulations (Herzberg, F. (1989) 95).

The motivation program of Sparrow Hospital attempts to create managers who have leadership features. In fact, the structure of managers should be considered with organizational change and its needs. Since 1983, Sparrow Hospitals, as well as the other hospitals, have been in organizational change. The
organizational change has included both the alteration of organizational means and goals. In other words, the Organization is not only in transition but also in transformation. In theory, two types of leadership have been identified for these two types of changes: transactional and transformational leadership. Transactional leaders have two patterns: contingent reward and management-by-exception. "In the contingent reward approach the leader identifies tasks to be done to accomplish a goal, explains them to subordinates and appraises them as to whether they are performed or not (Kurz, R. and et al. (1988) 222,226). This pattern reflects the goal setting procedure in Sparrow Hospital. In this respect, it could be said that Sparrow Hospital Leaders will be transactional leaders. Likewise, in terms of organizational structural change, Sparrow Hospital needs transformational type leaders. Transformational leaders facilitate transitional change and, moreover, their "Leadership is fundamentally a process of motivating others to do more then they originally expected to do" (Kurz, R. and et al. (1988) 226).

Another strength of the motivation program of Sparrow Hospital is to set an organizational socialization program. This program basically attempts to improve relations among the organization members. At the same time, the other outcomes of socialization affect organizational behavior. Theories suggest that with organizational socialization, these outcomes are expected from members:

1- carry out role assignments dependably;
2- remain with the organization;
3- innovate and corporate spontaneously to achieve organizational objectives;
4- general satisfaction with job;
5- internal work motivation i.e. self-motivation;
6- job involvement -- commitment to and implement in work (Feldman, D.C. (1983) 413).

For socialization program the greatest resistance comes from long term employees in Sparrow Hospital because of their early socialization. A second hurdle is the high level of nurses turnover that does not allow employees enough time to socialize themselves. But overall surveys done in Sparrow Hospitals showed that socialization program results have been positive.

When Sparrow Hospital's goal setting program is compared with theoretical and survey findings, generally speaking, it is a well developed program. According to research results; existence of specific goals, ability, feedback, monetary rewards, supportiveness, and acceptance of goals affect
performance positively; educational background, race, age, and sex do not affect
goal setting negatively or positively (Locke, E.A. et al. (1981) 143-147). Goals
in Sparrow Hospital are set like research findings suggest and sex, age,
educational background have not been effective factors in goal setting. In
contrast to this propriety, some argue that it is not easy to measure health;
therefore, health care service organizations usually do not have clearly defined
goals (Mercer, A.A. (1988) 203). The weak point of goal setting in Sparrow
hospital is that it does not include all employees. For example, nurses, who are
half of total employees, are not included.

Further strengths of motivation program in Sparrow Hospital can be
summmed up as such:

The Organization has set up a long term and radical motivation program
in terms of changing organization culture and set a step-by-step policy to
implement the program.

The relation between recruitment system and motivation program is well
planned, so that new recruited employees will be ready to adjust themselves to
organization and to motivate themselves.

1. The Weaknesses of the Motivational Program

As stated earlier, the motivational program in Sparrow Hospital is
basically based on Herzberg's two-factor theory. Therefore, Herzberg’s
assumptions will be used as the criteria to measure the weakness and strengths of
the motivation program in Sparrow Hospital. Then, other theories will taken into
account to determine strength and weaknesses of the program.

According to Herzberg, Man’s basic needs are two fold. One is avoidance
of pain from environment, depicting Man’s Anhnal-Adam nature; and the other
is seeking growth from tasks, depicting Man’s Human-Abraham nature. First
group needs include company policy and administration, supervision,
interpersonal relations, working condition and salary: these are called
maintenance or hygiene factors are often dissatisfied. The second group needs
include achievement, recognition, the work itself, responsibility and
advancement. These are known motivator factors and that lead to satisfaction
(Herzberg, F. (1985) 338-339).

Company policy and administration could be considered differently as a
hygiene factor for long-term employees who have worked since pre-1983, and for
newer employees who recruited after 1983. As seen in description of motivation
program in the hospital, while first group employees are dissatisfied with
company’s policy and administration, the latter group are satisfied. The same
interpretation can be done for managers. Therefore, in terms of Herzberg model,
newer young employees and managers are more able to motivated rather than long-time employees and managers.

In order to determine other dissatisfaction factors and weaknesses, nurses can be used as representatives of all employees because half of all employees are nurses in Sparrow Hospital. In general, nurses' job satisfaction has been a major concern of the hospital administration. Surveys that are done to identify the factors of work satisfaction of nurses show that intrinsic and extrinsic rewards, interpersonal relations, achievement and recognition, lack of appreciation, poor responsibility, promotion, the quality of care given to patients, the importance and challenge of work, and working conditions are strongly related to nurses' satisfaction. Mottaz in his survey found that there is a hierarchy among the job satisfaction factors of nurses. Nurses are more interested in with intrinsic task rewards, extrinsic social and extrinsic organizational rewards, respectively. The other hierarchy is that among task significance, task involvement, task autonomy, supervisor assistance and salary, respectively. Furthermore, in contrast to earlier research, recent surveys show that salary is a growing concern among nurses as a job satisfaction factor (Mottaz, C.I. (1998) 59, 65, 69). In addition to these, high turnover rate that is estimated 32% by the National Association of Nurse Recruiters and 40% by the American Nurses' Association (Broughton, S. (1986) 596) can be considered as criteria of nurses' dissatisfaction.

In light of these data, generally speaking, nurses in Sparrow Hospital are dissatisfied. First of all there are no reward and promotion system for them. Their yearly salaries' increase are lower than that of before 1983. Their social relations are not positive with peers, interdepartments, and supervisors. They have not been involved in the goal setting program. There is a barrier between nurses and supervisors. Therefore, nurses are still in need of fulfillment of hygiene factors.

Job security as a hygiene factor has also been one of the major factors among the health care employees and managers. This trend has increased since 1983 (Burke, C.G. (1989) 108). Organizational change in hospitals, readjustment of new human resource management programs, and decline of profits have led to apply flexible employment policies in hospitals. The same process is in Sparrow Hospital. Unionization could be considered to implement job security for nurses Sparrow Hospital.

Although job enrichment has not been applied in Sparrow Hospital, management is considering implementing it in a few years. In theory, there is a relationship between motivation and job enrichment. Some theories suggest that when job enrichment and feedback were combined, both productivity and job
satisfaction improved (Locke, E.A. (1983) 86-87). Herzberg also accepts vertical job loading (=job enrichment) as a motivator factor but not horizontal job loading (=job enlargement) (Herzberg, F. (1989) 102). In Sparrow Hospital managers’ tendencies are towards narrowly defined jobs. According to Mr. Campbell, to handle narrow jobs is easier and has been applied in the health sector, especially before 1983. At the same time, theory suggests that “assigning the employees explicit, challenging goals accompanied by feedback led to higher productivity even in the absence of job enrichment (Locke, E.A. (1983) 86)”.

According to this datum, in Sparrow Hospital, it could expected to increase productivity because goal setting program in the hospital is supported by feedback, clear goals and strategy.

It seems that expectancy theory is wanted to apply in Sparrow Hospital in both areas: promotion and bonuses. The expectancy theory is based on current estimates by individuals of the chances of obtaining some valued reward. In Porter-Lawler model, rewards are identified as intrinsic and extrinsic. Although expectancy theory has been discussed, it is well accepted by managers (Landy, F.J., Trumbo, A.D. 79-80). Promotion and bonuses as extrinsic rewards should be applied to all employees. At this time in Sparrow Hospital, bonuses are given to only CEO and vice presidents. Bonuses for the others are considered in a few years. Now, as known, that there is no promotion system has caused complaints. Therefore, the Organization want to change its recruitment system and to provide promotion opportunity for its first line employees.

The other weaknesses of motivation program in Sparrow Hospital can be summed up:

1. Maintaince or hygiene factors and motivator factors have not been identified. Therefore, it is not easy to measure developments, and to get healthy feedbacks.

2. Training program is not related to organizational socialization and is not a continuous program. Retraining should exist to develop employees skills and abilities.

3. Goal setting program does not include front line employees who are more than half of total employees.

4. The Organization is in transition and relations among the Organization members and institutions have not been institutionalized.

V. RECOMMENDATIONS

The motivational program of Sparrow Hospital as seen has many strengths and weaknesses. In general, its strengths are concentrated at managerial level
and weaknesses are concentrated at the level of first line employees. Although the implementation of the program has showed positive signs, there are many concerns have not been addressed.

At first, the motivation program should include all employees and should be diversified according to employees structure because, in health care industry, employees and jobs are more diversified than other industries. Besides this, part-time and temporary workers should be included in the motivation program.

Although the organization is aware of existence of differences between long-time employees who have experience pre-1983 and newer employees, the motivation program has not been diversified for them. Yet both groups' needs are different especially in terms of dissatisfactors.

The organizational flow is not proper for the employee who wants to fulfil his growth needs. Therefore, it must be reregulated for reducing negative conflicts in the organization, particularly between supervisors and front line employees and the promotion system should take the place of outside recruitment for managerial positions.

For the successful implementation of motivational program, satisfaction and dissatisfaction factors must be identified. Yet, the organization has not done that. In addition to this, the organization should take into account its members' needs rather than theoretical findings.

The goal setting program should be extended to include the input of non-managerial levels. Also, job enrichment or vertical job loading should be considered for employees to fulfill their growth needs.

Cultural change and socialization in the organization should be accelerated and enhanced for long-term employees and newer employees should be considered differently. The training program also should be related to cultural change and the socialization program.

The organization now is in transition; therefore, managers should have leadership characteristics of a transformational nature emphasizing organizational change and motivation rather than transactional leadership.

Lastly, there must be a balance between organizational needs and its members needs. But organizational effectiveness must not be sacrificed.
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