

# ORGANIZATIONAL DIAGNOSIS - A MANAGEMENT TOOL FOR CHANGE. CASE STUDY IN SATU MARE COUNTY HOSPITAL

Cătălin BABA  
Răzvan CHERECHEȘ  
Tudor ȚICLĂU  
Cristina MORA

## Cătălin BABA

Associate Professor, Communication Department, Faculty of Political, Administrative and Communication Sciences Babeș-Bolyai University, Cluj-Napoca, Romania  
Tel/fax: 0040-264-431361  
Email: baba@polito.ubbcluj.ro

## Răzvan CHERECHEȘ

Researcher, Center for Health Policy and Public Health, Babeș-Bolyai University, Cluj-Napoca, Romania  
Tel/fax: 0040-752-123.673  
Email: razvan\_chereches@healthpolicy.ro

## Tudor ȚICLĂU

Research Assistant, Center for Health Policy and Public Health, Babeș-Bolyai University, Cluj-Napoca, Romania  
Tel/fax: 0040-753-688192  
Email: tudor\_bm@yahoo.com

## Cristina MORA

Lecturer, Public Administration Department, Faculty of Political, Administrative and Communication Sciences Babeș-Bolyai University, Cluj-Napoca, Romania  
Tel/fax: 0040-264-431361  
Email: cristina@apubb.ro

## Abstract

Most human activities are the product of coordinated actions performed by individuals working as a team rather than individuals working alone. Thus, the processes through which they accomplish their tasks, change, decide and relate to each other inside an organization is essential. This paper is about the importance of Organizational Diagnosis in management of change. Organizational Diagnosis is an essential step in every initiative of change, and with ever changing environment in which flexibility and creativity are proving to be key values, most managers are interested in questions regarding the nature of organizational process and structure, human relations, and nature of change. The paper presents such a case of using organizational diagnosis as a management tool in a change process inside a health care organization. Using this tool has helped the management team identify the existing gaps between "what is" and "what should be" and has increased the chances of a successful change process.



## **Introduction**

The vast majority of human activities are not solitary, but rather the result of coordinated actions performed in most cases by a group of people or a team. As soon as we have such situations we need to start discussing about organizations and the nature of organizations, the way they function, adapt, change and transform based on their resources and on their environment. Managers are interested in these issues, as they are practically the architects of the organization but most of all because their organizations performance depends on how the work is defined and organized (Romelaer, 2002). As a result, the starting point will be to define an organization. We shall use the system approach to organizations where an organization is seen as an open system, “a consciously coordinated social entity, with a relatively identifiable boundary, which functions on a relatively continuous basis to achieve a common goal or a set of goals” (Robbins, 1987). In this sense, an organization is seen as a set of elements that interact with each other in certain boundaries to attain a common goal. What is significant for us is how these elements interact (especially human relations) and how change is influenced by these interactions. In order to study these phenomena, managers need an assessment tool that can give them as much insight as possible on all the modifications that take place inside these interactions at a time when a change process is imminent. Organizational Diagnosis is in our opinion more than a tool that can give a comprehensive image about managers when trying to implement change. In this paper, we will try to underline the importance of conducting a diagnosis before any process of change starts.

## **Why Change? Why Organizational Diagnosis?**

Organizations need to survive in a competitive and rapidly changing environment, thus they are confronted with challenges and uncertainty in their actions and need to be capable of adapting to new situations and environments in order to “survive” – remain competitive and be effective. In such cases, change is not only inevitable but it is necessary, so how change processes are planned and then implemented is vital to the development of modern organizations. Organizational change can be defined as a state of transition between the current state and a future one, towards which the organization is directed (Cummings *et al.*, 1985). This means that when talking about change we are referring to a process through which the organization goes, more simply from state A to state B, with the desire for improvement.

Organizational change can also be seen as a sort of innovation meaning a technology, a product or a practice used by the members of an organization for the first time, regardless of whether it has already been used by other organizations or not (Petigrew, 1985).

Van de Ven and Poole (1995) categorize change in four types available to managers. These models are:

- life cycle
- evolutionary
- debate-synthesis
- goal setting

Usually when managers think about change they tend to define and plan the process according to one of these models. Life-cycle change models are based on the assumption that there is a predefined series of steps that must be followed. It is much like the steps or cornerstones in the life of a biological organism. The organization is seen as going through a series of life-cycles similar to those that a biological entity goes through. What is distinctive here is that in this life-cycle perspective, the change process is linear and beyond the control of the changing entity. An organization has the same stages to go through as a living organism – birth or the creation of the organization, growth stage, becoming mature, and inevitably decline.

Evolutionary change is based on the notion of survival (ex. Darwin) but still sees the organization as something similar to a living organism. Therefore, a conflict appears between organizations as they compete for resources and a natural selection process occurs as the organization adapts to its environment. This recurrent competition notion can be seen in some of the literature describing organizational populations and survival rates (Carroll and Hannan, 1989). In reality, this translates in a constant process of starting up new types of “products” so that the “chances of the survival” of a particular product are higher. Many or most of the products will not make it, but the ones that do will compensate for the resources lost.

Debate-synthesis models of change have at the foundation the idea of conflicting forces. There are always at least two major groups that will take opposite sides. When one of these emerges victorious, the equilibrium inside the organization is restored until the next so-called conflict arises. Some examples would be an organization that has set conflicting goals, or at a lower levels departments or subsystems of the organizations that have conflicting goals and objectives. This is actually quite common especially in public organizations where goals tend to be ambiguous and conflicting.

Changing the goals (goal setting model) involves identifying the gaps between today (where the organization find itself now) and tomorrow (where it wants to be in the future). It also involves taking decisions in order to reduce these gaps. All this process is actually change.

The mission of any organizational change process is to be successful (without successful results change processes are simply a waste of the organizations resources), meaning reaching the goal set by the change process, using resources as efficient as possible and perceiving the whole process as positive as possible by the entire organization.

Organizational Diagnosis must be analyzed as part of a bigger process of change or part of an organizational development process. It is neither proper nor efficient to isolate or to use Organizational Diagnosis independently. In most cases, Organizational Diagnosis is seen as the first step taken in a broader organizational change attempt. It can be considered as a special branch of organizational research leading to a set of statements about design options and recommendations for change (Postma and Kok, 1998). Such research includes a set of different activities, from organizational assessment (Furnham and Gunter, 1993), aspect-oriented audits and diagnoses (Hofstede *et al.*, 1990), performance measurement (Kaplan and Norton, 1996), to organizational

inquiry (Argyris and Schön, 1995). Research conducted within organizations is part of efficient management. These actions provide managers with useful information that represent a basis for informed and competent decision-making and organizational development and change. They can provide feedback to organizational members and have a critical role in assessing employee's attitudes, training needs, diagnosing organizational situations, and motivating organization members so that they constitute an important research tool in developing and maintaining effective organizations (Smith, 2003). The results of such a diagnosis usually lead to a statement about the functioning of the organization. In addition, it must include a set of recommendations meant to improve organizational effectiveness and efficiency.

Another important aspect of Organizational Diagnosis is the conceptual framework representing the core of the instrument. This conceptual framework represents a guide for the researcher in all the activities included in a diagnosis. "A conceptual model contains components (e.g. task, strategy, people, structure, culture, and technology) and their relationships. The components are directive for search activities. The relationships between these components can be grounded in chosen organizational theories, in the experience of a specific model or a combination of both" (Postma and Kok, 1998). As we adopted the systemic definition of organizations, we therefore see Organizational Diagnosis as a general, whole system evaluation process rather than a specific sub-unit focused one.

### **Research in Health Care**

Health systems research has been defined broadly as: "ultimately concerned with improving the health of a community, by enhancing the efficiency and effectiveness of the health system as an integrated part of the overall process of socio-economic development" (Varkevisser *et al.*, 1991). This is closely linked with the concept of health services research, which can be defined starting from the relationship between health service delivery and the health needs of the population: for example, as "the identification of the health care needs of communities and the study of the provision, effectiveness and use of health services" (Medical Research Council, UK).

Health services research is concerned with the relationship between citizens' health needs and services provided, taking into consideration aspects like efficiency value for money and quality. The goal is to produce reliable and valid research data on which to base appropriate, effective, cost-effective, efficient and acceptable health services (Bowling, 2002). What is most important in our case is that the information and data gathered needs to be transformed into action plans meant to enhance organizational performance and ultimately increase the community health status. We think that research regarding either health systems or health services is closely linked to change processes and implicitly to Organizational Diagnosis. This paper will try to present a case of using research in health as a managerial tool for improving healthcare performance and effectiveness. More specifically the study took place in a County Hospital in Romania and used Organizational Diagnosis as a managerial tool for implementing an ampler change process aimed at improving the effectiveness and overall performance of the organization

## **Case Study in Satu Mare County Hospital**

Before presenting the methodology and results of the study, we would like to outline some of the changes that took place in the public healthcare system, in Romania, after the fall of the communist regime. This is important for our debate because in the last 18 years the entire system has gone both through planned but also unexpected changes, which had significant impact on health service provision and delivery. After 1989, the Romanian public health care system went through many changes, from centralized health care to a social insurance type. The changes were both in the legal framework and structure of the system (structure) but also regarding the way the system functioned (processes). This impact was felt especially at hospital level.

The system is still in transition from the characteristic over-use and inflated importance given to the hospital care towards the emphasis on primary care. It was specific, during the communist regime, to place hospitals as central to health care, in spite of the obvious associated costs. The bias structured in this period was one of the obstacles in the way of the reform.

The reform started in 1992-1993 through a project – “A Healthy Romania”, financed by the World Bank, which aimed, among other things, towards increased management autonomy of hospitals combined with the initiation of independent family practitioner offices. The Social Health insurance Bill from 1994 along with the Public Health Law from 1998 updated the financing and functioning mechanisms of hospitals. Between 1992 and 2006, major reforms have been implemented in the health system, still the internal structure and internal management of the hospitals suffered minor changes.

The assessment of both management and quality of services offered by hospitals still remains as a goal, lacking the implementing of any operating procedures. Using the Organizational Diagnosis in a hospital environment aimed at opening the door towards future introduction and use of various diagnosis instruments.

The Organizational Diagnosis used in Satu Mare County Hospital was part of a change process that intended to restructure the healthcare facility and make it more flexible and responsive to the citizens needs.

We used a five phase conceptual model (adapted from Rogers and Fong, 2000) for this:

1. Symptoms;
2. Establish the facts (fact finding);
3. Establish motives/causes (causation);
4. Evaluate alternative approaches to addressing the problems (alternatives analysis);
5. Select and justify the best solution (optimization).

Starting from here, the Diagnosis was focused on five major organizational components

1. Organizational structure (formal structure, relations between organizational subsystems, coordination mechanisms, formalization, standardization, level of flexibility);

2. Inputs (all types of resources used in the organizations activity);
3. Processes/Management (planning, strategy, human resource management, efficiency, communication processes, performance evaluation);
4. Organizational Culture (vision, mission, shared values, work environment, relations between employees, image and symbols);
5. Output (quality of services, relation with clients, relation with other organizations, types of services provided).

The managerial team identified a series of issues that pointed out to the existence of a serious problem in the organization (**symptoms**):

- Several employees from the administrative department were complaining about a bad relation with the head of the department and wanted to leave the organization;
- Public acquisition process was running very slow and in many cases the procedures needed to be repeated because they were not applied accordingly;
- Some sections of the hospital had a small number of beds compared to the real needs (high patient numbers) while other sections had far more beds then they needed;
- Even though the hospital had financial resources, the medical staff complained about lack of necessary medical products.

The second phase regarded **fact finding**, linking the above mentioned symptoms to real data by examining the organizations systems to determine what was contributing to its current difficulties.

The first step was informing the hospital employees about the process and presenting why the diagnosis is taking place. Both qualitative and quantitative methods were used. We used three primary assessment techniques: survey instruments, document analysis and structured interviews. The surveys helped us identify the trends in the organizational procedures and practices, while the interviews gave us the possibility to detect certain types of problems that would not arise only with the use of surveys. Document analysis gave us an insight into the organization's recent history. Twenty interviews were organized with the head chiefs of each department and documents regarding the organization's recent history were analyzed (the organization's mission, goals, objectives – strategy, organizations internal rule and procedure code, budget plans, activity reports,). Also, we applied a 100 item survey structured in 5 major categories (Organizational Structure, Inputs, Processes, Organizational Culture, Outputs) to around 350 employees (from total of 1320).

## **Findings**

The information gathered revealed major problems with regard to all 5 aspects analyzed. First, the structure of the organization was not appropriate and the existence of two codes of rules and procedures translated into overlapping tasks and avoidance of responsibility. Another problem in this section was the inadequate allocation of space (some sections of the hospital were overcrowded while others had very few beds occupied) and there were not any records about all hospital proprieties leading

to mismanagement. Regarding the inputs there was a general discontent of both medical and administrative staff about the available resources. The medical staff complained about lack of technological resources, which led to poor health services. Another problem was the IT network, which was barely functioning and fragmented communication processes. We identified several setbacks concerning the processes and management. First, none of the questioned or interviewed employees had any information about the existence of a plan regarding the mission goals and medium and long-term objectives of the hospital (this was because no such thing existed). Things were dealt with on a daily basis. Another problem consisted in the differences between formal relations and informal ones. Most of the problems were resolved through the informal network because of the poor relation between management and lower levels of the organization. Finally, there was a weak organizational culture characterized by rigidity, appeal to rules and procedures, and avoidance of responsibility. This led to inefficiency and poor quality services.

All these had a tremendous impact on the services provided. Some of the services which the patients were entitled to get were not available because of outdated technology; also certain type of pharmaceutical products were not available even though there was funding for them (lack of professionalism and low motivation by staff to get the public acquisition procedure right).

The results were presented to the leaders of the hospital (manager and head of departments) A set of possible solutions were proposed for addressing the issues found. The alternatives were evaluated considering cost-effectiveness criteria and probability of success. Based on all the findings, a report was drafted presenting the current situation, available options and recommendations for improving which was presented to the management team. There was also a verbal-visual presentation, which included, along with the leadership of the hospital, all the head chiefs of each department and the medical staff, and the proposed recommendations were discussed.

## **Conclusions**

The study has obvious limitations, due to the focusing on just one hospital. The study was a pilot one, meant to accentuate the importance and utility of such a tool as Organizational Diagnosis in the health care system. The results are specific for the targeted hospital; the study therefore does not aim to obtain generalizable results but more towards a hypothesis generator stance. It is the intention of the research team to conduct a follow up research by developing a larger scale project, which will enable us to collect data capable of inference. It is worth mentioning that a major obstacle for studies developed in hospital environment is gaining access to the staff and assuring compliance to the data collection rigors on their behalf.

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