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**MANAGEMENT OF THE 21ST CENTURY:  
GLOBALIZATION CHALLENGES. ISSUE 2**

Collective monograph

In edition I.Markina, Doctor of Economic Sciences, Professor



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## PREFACE

Globalization, as the establishment of the world integrity, is manifested, above all, in the formation of a single socio-economic, political, cultural and informational space.

The growing intensification of the interdependence of peoples and states is extended to all spheres of public life. Globalization and regionalization have become the determinative processes of the world development, the main vectors of the present. As new trends in modern post-industrial development, they lead to the emergence of new requirements for management in the 21st century, which is increasingly influenced by processes of globalization and integration, involving the consideration of regional peculiarities in the process of effective implementation of global management. However, the peculiar to the beginning of the third millennium dependence of the dynamics of society development on the quality of management activities determines the need for a solid rethinking and critical analysis of the fundamental concepts and categories of management sphere.

Traditional management, as a mechanism in its various models, forms, systems, has exhausted itself, since it does not contribute to solving the globalization problems of the development of civilization, which caused the objective need for formulation of the recent paradigm of management of the 21st century – management, the essence of which is to resist the processes of self-destruction; to create conditions for the harmonization of open self-regulatory systems: of a person, an organization, a society; to create conditions for the realization of creative potential of each person; to form and implement the management mechanism at all levels for any open socio-economic system.

These and other problems determined the need for further research in the field of modern management, which led to the integration of the results in the second issue of the joint monograph «Management of the 21st century: globalization challenges. Issue 2».

The joint monograph presents the trends in the theory of management that are developed on the basis of the analysis of scientific-theoretical and methodological works of scientists and practitioners and create opportunities for the practical use of the accumulated experience, determine the content of management, and awareness of them is supposed to become the basis for the choice of focuses for further research aimed at improving the theory of management. In the joint monograph, much attention is paid to the practical tasks connected with the formation of organizational and economic mechanism of corporate management in the context of globalization, the development of methods, principles, models of management, taking into account modern scientific approaches and consolidated informatization of business processes of modern enterprises.

The monograph presents the results of the research and scientific attitude of authors from different countries to innovative aspects of management: management

of organization as a socio-economic system, innovation, investment and information management in the system of a modern enterprise, personnel management in a modern organization, branch and regional aspects of modern management, public administration, agrarian management, tourism business management, international business management, risk management, management of security and competitiveness of the enterprise, marketing management, modern approaches to management of higher education.

The authors covered a wide range of problems – from the formation of conceptual foundations of the management of the potential for development of the state to the applied aspects of management of its individual subsystems.

The monograph consists of four parts, each of which is quite independent in terms of problem area. The structure of the monograph, presented by four parts: development of modern paradigm of management: globalization and national aspects; management of modern socio-economic systems: a sectoral and regional approach; current national and global fundamentals of social and economic systems' development; the legal, sociocultural and educational aspects of society management, helps to focus on the conceptual problems of the formation and development of the socio-economic and socio-ecological component as well as problems of ensuring the process of practical application of the developed management models.

The advantage of the joint monograph is the systemacity and consistency of the structure, the simplicity and accessibility of the material presentation, the presence of examples and illustrations.

The results of the research works presented in the joint monograph have a scientific and practical importance.

We believe that the monograph will become one more step towards a scientific solution of the problems in the context of formation of the effective management system under complicated globalization conditions.

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## **BASIS FOR STRATEGIC MANAGEMENT AT HEALTHCARE ENTERPRISES**

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Provision of healthcare is the responsibility of every government to assure the health of its most valuable asset, people. Advancement in healthcare includes the development of new diagnostic procedures, new techniques, new equipments, and new drugs. These techniques are developed to diagnose diseases faster at an early stage before the disease is fully developed, shorten lengthy procedures allowing

shorter hospital stays and create new drugs that combat illness in more efficient way with fewer side effects. The practice of medicine is being revolutionalized by these techniques, however, these techniques are a result of serious research i.e. they cost money to develop and therefore, the saving achieved by these techniques is eaten by the cost of the high technology.

The great development in healthcare is also matched by the development of new standards of care, which is updated annually to match the changes in the healthcare system. The Joint Commission for the Accreditation of Healthcare Organizations (JCAHO) is updating its standards of healthcare provision almost annually. To comply with these standards hospitals have to carry on mass changes that cost a lot of money, another cost factor that is not accounted for while planning the budget for a healthcare organization.

Healthcare is a continuously developing system; it is a dynamic system that requires a dynamic system for its management. The old management by objectives system is of no value in the management of the new era of healthcare. There is a need for a dynamic management system, clear vision, and a strategic management plan to decrease cost and ensure quality of services for our patients.

Total Quality Management (TQM) is a management system developed in Japan and use for over 30 years before it became know world wide it proved to be an excellent system for provision of quality services, decreasing cost, concentrating on customers' needs and achieves full staff involvement and support as well as their satisfaction. The system is dynamic that is suitable for continuously changing and developing organizations and services. Through its Continuous Quality Improvement model it can solve problems, improve processes and decrease cost. It is an ideal system for healthcare where it allows coping with the rapid change and manages the whole organization simultaneously. JCAHO approved and requires the application of this system in all healthcare facilities that seeks JCAHO accreditation.

Before we go into the details of managing healthcare we have to understand all its aspects and all factors affecting this growing system. These aspects are: standards of healthcare and how they affect healthcare delivery, the business side of health, and the quality and its impact on healthcare delivery and promotion.

Standards: the standards of healthcare are believed to be set to assure the quality of the services we provide to our patients, yet it is just the starting point in quality. Quality of services can be improved continuously to achieve customer's satisfaction beyond JCAHO standards. The JCAHO sets the standards of practice however; it basically categorizes services as functions and sets the requirements for documentations of the services. Therefore, to provide quality services we have to start with the standards and build on to create the level of services desired by our customers. Our customers are the one who determine the quality of our services since they are at the receiving end and they are the ones whom we have obligation to satisfy, after all they are the ones who pay for our services.

Business side of healthcare: healthcare recently underwent serious transformation,



i.e. the same forces that transformed and reshaped much of the world's economy also affected our healthcare system. Healthcare became a huge business driven by market demand. Our customers became more informed, more assertive, and more demanding. Their busy daily schedules don't allow for long waiting hours for the doctors, nor for the acceptance of one physician's opinion "doctors know best" it looks like that the same demythification process of pharmacy profession, that took place following the launch of Pharmaceutical industry is reshaping the public belief in the medical profession. Customers seek quality, and go into extensive evaluation and reviews for the best doctor in the field. Also customers are not only looking for quality services but they demand convenience for the services they receive.

Healthcare providers are faced with number of issues to consider while planning for their organizations, one of the main issues is the Return On Investment (ROI); ROI has come to the forefront with the advent of the Balanced Budget Act and other financial pressures. ROI is defined as a financial measurement that looks at the percentage return on the use of specific assets (usually money, but not always) the normal formula to calculate ROI is:

*ROI= Net income divided by the owner's equity*

or

*ROI= Revenue traceable to the efforts divided by the investment made*

Generally in industry it is easy to understand and calculate the ROI yet in healthcare we are faced with number of issues that are unique to healthcare both on the impact and limit our ability to measure ROI for marketing these include e.g. innovation capital of medical facility.

There is often a significant time delay between marketing efforts and when a service is actually used. How many people come in for open-heart surgery during or right after a three-month cardiac services ad campaign.

Most healthcare usage is not planned or spontaneous. In fact usage is frequently avoided until the need becomes acute. People don't wake up and decide that today would be a good day for bypass surgery.

Many of the financial accounting systems used by providers are not geared to easily provide accurate pricing, cost, and margin information. One major problem in our industry is how we allocate overhead and the resulting margin. Our financial systems force every unit of measure (admission, visits etc.) to take a pied of the entity's overhead. While this is reasonable for annual auditing purposes, it does not make sense in measuring the ROI of a specific marketing effort. In most cases, new volume is incremental and does not result in any new overhead or fixed costs (unless significant levels of new volume are gained and maintained).

Many of the information systems used by providers are not geared to easily and quickly measure volume changes or specific usage tied to specific marketing efforts.

The bottom line is that we need to remember that marketing in healthcare is

more than tactical public relations and advertising. Marketing involves efforts that range from sales calls and physician relation to 24-hour phone access, system “ease of use”, facility quality and pricing for elective or non-insured services. Some marketing efforts do have near-term tangible returns. Other efforts, however, involve the long-term building and maintenance of the “Brand”. It is hard to attach an ROI to this brand building; through it can be measure quantitatively using broader objectives. However, ROI should be included during setting any marketing plan or strategy however, we have to keep these points in mind and not to expect the ROI will be easily assessed. It could be a long-term result.

Quality of Services: the Institute Of Medicine (IOM) defined quality of care as “the degree to which health services for individuals and populations increase the likelihood of desired health outcomes and are consistent with current professional knowledge”. It has also been demonstrated that delivery of high-quality care, as defined by the IOM, is a collaborative endeavor and not the exclusive domain of any one discipline, department, or organization. Unfortunately, in the quest to operationalize this definition, the core healthcare principle-first, do no harm-seems to have been forgotten.

While fee-for-service are perceived by some to encourage overuse of care and managed care’s capitation system is thought to encourage underuse, clearly neither system exists to encourage misuse of medical services. Yet, according to the Centers for Disease Control and Prevention (1999), deaths due to preventable adverse events exceeded deaths attributable to AIDS, breast cancer and even motor vehicle accidents in 1998.

Using information to identify and effectively address opportunities for improvement and documenting and demonstrating the results of such efforts are critical for survival in today’s healthcare environment. Both hospitals and managed Care Organizations (MCOs) are challenged to meet these demands in environments in which healthcare resources are diminishing, yet the requirements to demonstrate, improve, and sustain quality of care are increasing.

In early hospital Quality Improvement (QI) attempts, members of each respective discipline were charged with designing and coordinating their own projects; thus they never gained an appreciation for working collaboratively with one another. Although the 1990s rectified that situation as organizations experienced the power of interdisciplinary collaboration in their QI efforts, the next logical outgrowth, that of interorganizational collaboration, has yet to occur consistently. Establishing an interorganizational approach to quality as a core operational process within MCOs and their network hospitals will cultivate refinement of care that stems not from fiscal implications but rather from making the «right thing to do, the easiest thing to do whether it is in the doctor’s office, the hospital, or the managed care organization».

The role of quality management is to assure the provision of high quality services, minimize or eliminate preventable adverse effects, maximize the

utilization of resources, improving processes with collaboration of all concerned parties and minimizing the waste attributed to misuse of services. Quality is achieved by implementing a management system that oversees all aspects of care as complementing each other and work through processes improvement to achieve their goals. The efforts of Quality management will be reflected positively on the business side of healthcare and will eventually reduce the cost of healthcare.

Developing a strategy for healthcare organizations is not a simple task, it requires full understanding of the current market challenges, evaluation of our customer satisfaction, evaluation of our current operations, assessment of the quality of our services. The strategy starts with the organizational leadership vision, and values statement, followed by development of objectives and devising a plan to the implementation of the means to achieve these objectives.

The first step as we stated earlier is the vision of the leadership, vision states the future where the organization wants to be at the said time driven by values which covers the accountability, continuous improvement, customer driven services, and the quality of the services provided.

Development of a management process for our organization is practically a Plan Doc Check Act (PDCA) cycle and it goes through five Phases:

Plan: Phase I: this phase include the feed back to the organization from different resources, e.g. Customers complaints, processes failure, stakeholders remarks, employees feedback, and the market place surveys. This data will identify the key business-related aspects of healthcare and provide clear picture on how the organization is performing, also it will highlight areas of strength and weaknesses in the organization.

Phase II: Objectives of the organization will be driven from the work atmosphere and the feedback of the working staff discussing their problems and proposing solutions for these problems. To obtain these objectives the leadership has to go through the process of Policy Deployment (PD).

Policy Deployment (PD) was borrowed from the Japanese, and the name itself isn't likely to tell a great deal about it. PD is a simple straightforward process, which provides a powerful structure to communicate to your organization through the use of facts and data, the direction you want to move your organization.

PD creates the structure to set strategic objectives, both short-term (one to two years) and longer term (five to seven years), however, in healthcare we can't go that far with our strategic planning, where the changes in healthcare is quite drastic and maximum 5 years plan will be more than we can go for. PD compels your organization through the use of facts and data to develop very specific plans and projects to meet those objectives.

PD process can be organized in the following manner:

1. Executives request all managers to submit a list of problem area.
2. Managers request their staff to find out what their problems were.
3. List of problems and areas of improvements are passed to the PD Committee.

4. Executives will carry on their own assessment and surveys to evaluate customer's satisfaction.

5. All the information gathered plus the staff problems list and areas of improvement is passed to the PD committee, which is made up of senior management.

6. PD committee along with an executive committee formulates the fundamental objectives of the organization.

7. Organizational objectives will be formulated based on the final outcome of the PD process.

Do: Phase III: The results of PD will be reflected not only in setting the organizational objectives but it will be expressed in projects and other improvement activities. Therefore, Phase III puts organization and infrastructure around the output of Phase II. It will describe Who, Will do what, by when, and for What purpose, with What linkage to the system etc.

Check: Phase IV: Management efforts are now aimed at the following:

1. Keep activities focused on the selected themes.

2. Discourage dissipating energies with other legitimate but unsolicited goals and strategies.

3. Encourage persistence; continue to demonstrate management interest and support.

4. Support the use of data and logic. Discourage careless short-cuts and reliance on opinion data.

5. Extract and organize the learning, which continuously occurs in each effort. Redirect these learning back into the system.

Act: Phase V: The management reviews Feedback on the results of the different projects and process improvement efforts. This will allow the management to assess the progress made, and accept or reject the recommended changes based on the results. Data collected will give the organization the strength to make changes and modification of its operational system based on facts and data.

Planning the strategy for your organization starts by Vision, however, assessment of your current operational functions and evaluating your organization performance is the key to establishing efficient objectives. It will point out your points of strength and weaknesses that will be an asset in devising you objectives. Data gathered through the process of PD will be of great value in shaping your future look.

It is quite clear that to have effective management of your organization, it is necessary to establish a quality management department. Quality Improvement (QI) efforts will be the major force in improving the performance of your organization and increase your efficiency. Quality has been viewed by some organizations as an accessory that they can do without, however, it was proven beyond any doubt that it could be the most important function that guides you strategic planning of your organization, improve services, gain customers satisfaction and decrease cost.

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## TRENDS OF SOCIAL ENTREPRENEURSHIP

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The aim of the abstract is to investigate the role of social business and its contribution to the development of a modern society. Definition, types and representatives of this business area are investigated in this article as well. Resources for social entrepreneurs available on market are analysed, both with current trends and issues of social business. Tools to accelerate social business are offered with the conclusion that appropriate education may boost potential of this entrepreneurial activity and some already elaborated programs observed in this article could become a basis for equal courses implementation in the other countries as well.

In this article, the authors are going to examine the phenomenon of social entrepreneurship, and to give a definition of this concept on a basis of opinions of various researchers. Stated research problem is to analyze the development of social entrepreneurship, current issues and trends with an aim to clarify main tools of accelerating social entrepreneurial activity. The development of the social entrepreneurship as a separate growing part of a modern business process is the main objective of the paper. The research on challenges and benefits social entrepreneurship brings to its stakeholders in different countries and regions is made, existing relationships within the system and the environment are analysed, foundations and available resources are mentioned to be used by the entrepreneurs with an aim to get a support. Main conclusions of the research are obtained in the result of review of latest scientific progress and according publications in the consonance with own