Annals of R.S.C.B., ISSN:1583-6258, Vol. 25, Issue 4, 2021, Pages. 4486 - 4496
Received 05 March 2021; Accepted 01 April 2021.

What Encourages Owners, Managers, and Employees to Cooperate in Healthcare Institution

Muhammad Mahya Restu Nasution[1], Musthafa Haris Munandar[2], Hania Aminah[3], Feri Kameliawati[4], Yenny Marthalena[4]

[1]Universitas Labuhanbatu, Indonesia. E-mail: muhammadmahyarestu25@gmail.com
[2]Universitas Labuhanbatu, Indonesia. E-mail: harismunandaaar@gmail.com
[3]Universitas Negeri Jakarta, Jakarta, Indonesia. E-mail: hania@unj.ac.id
[4]Universitas Aisyah Pringsewu, Lampung, Indonesia.

Abstract

The economic behaviour of the hospital was discussed through two approaches, namely (1) the company standard model and (2) the non-profit hospital model. The company standard model refers to the behavior of institution in maximizing profits. The definition of profit or non-profit is not understandable in Indonesia. The limitation of the non-profit is that there is no party may receive or ask for the dividend (SHU). The dividend means the difference between income and cost or called as profit in a general business institution. In the United States, two other characteristics distinguish non-profit and for-profit status. The first, non-profit institutions do not need to pay corporate taxes and are often exempt from property taxes, land taxes, and sales taxes. The second, the donations to non-profit institutions will reduce taxes for donors. The definition of non-profit in the United States is still difficult to be implemented in Indonesia. The tax treatment is relatively similar between non-profit and for-profit hospitals. Thus, in the hospital sector in Indonesia, it can be stated that during the transition from social to socio-economic institutions, the overview of for-profit and non-profit forms is still vague.

Keywords: economic behavior, hospital, healthcare institution, government, company

1. Introduction

The company aims to generate a maximum profit and to have adequate ability in achieving goals following the development of the environment. The hospital in the form of a company

Annals of R.S.C.B., ISSN:1583-6258, Vol. 25, Issue 4, 2021, Pages. 4486 - 4496
Received 05 March 2021; Accepted 01 April 2021.

is operating to look for profit. Eventhough in reality, this goal may not be achieved as quickly and as large as finance companies because the hospital's profit-oriented economic environment is not as powerful as other sectors [1].

In the Circular Flow model, there are at least three components of a business entity, namely: (1) workers or people who are paid a fixed salary and have work regulations; (2) a manager who is responsible for the decisions-making, and monitoring workers; and (3) owners who have capital and who responsible for business financial risk. In the standard model of the company, there is a separation between the owner and the managers [2].

The separation between the owners and the managers is one of the characteristics of modern business institutions. With the presence of a company on the stock market, there are likely thousands of shareholders. Most of them certainly do not have to deal with business decisions [3]. This situation causes the ownership of business institutions become impersonal. Also, this separation results in an organizational structure that is the standard of a company, namely the existence of Board of Directors and managers who carry out daily management jobs [4].

In large and open companies, the number of shareholders will increase. These shareholders incurs a considerable information cost in controlling the managers. The owner of capital becomes difficult to follow the strategies implemented or directed by the company. Essentialy, the control mechanism by the owner of capital over the manager is imperfect [5].

The roles of the Board of Directors in a hospital in the form of company are similar to the general company. They play as a major milestone in the internal control mechanism. In a system that refers to good corporate governance, some regulations describe the roles of managers and boards. One of the main roles of the board is to oversee the performance of managers on behalf of shareholders. If the board members judge the manager's performance results are not in accordance with the expectations of shareholders, then they can lay off and

Annals of R.S.C.B., ISSN:1583-6258, Vol. 25, Issue 4, 2021, Pages. 4486 - 4496
Received 05 March 2021; Accepted 01 April 2021.

displace the manager with someone who is more capable [6]. This certainly applies based on the agreement of the board members. Consequently, this threat encourages managers to work to meet shareholder expectations, namely getting bigger dividends [7].

In a company, the general responsibility of the Board of Directors is monitoring the managers on the mandate of the company's shareholders. In detail, the responsibilites are include:

1. Reviewing and directing the business institutions strategies, grand plans, risk policies, annual budgets, and business plans; establishing performance indicators, monitoring the implementation and performance of business institution, and supervising the capital costs.
2. Selecting, providing compensation, monitoring and if it necessary the board can replace the directors, and supervising the replacement planning.
3. Reviewing executive and board payments.
4. Monitoring and managing various potential conflicts in management.

In this case, the development of hospital corporate governance can be discussed through approaches, namely: (1) the company standard model that maximizes profits; and (2) the non-profit hospital model. These models have a corporate governance system in achieving the hospital goals. The corporate governance system in a for-profit hospital is increasing profits as much as possible [8]. Meanwhile, the corporate governance system in non-profit hospitals aims to ensure that the hospital's mission can run as efficiently as possible.

Initially, the existence of a Board of Directors (in a for-profit hospital) or a Board of Trustees (in a non-profit hospital) functioned as ‘stamps’ that validated the directors decisions. Another initial function is to raise humanity funds or get political support. Consequently, many Board members come from among politicians, businessmen, informal

Annals of R.S.C.B., ISSN:1583-6258, Vol. 25, Issue 4, 2021, Pages. 4486 - 4496
Received 05 March 2021; Accepted 01 April 2021.

leaders in society, or philanthropists. However, in the United States, it is reported that the function of the Board in the hospital is becoming more decisive in management decisions.

An example of corporate governance for a for-profit hospital is the presence of the Board of Directors at the University Health System Ltd. owned by Tulane University (20% share) and Columbia, a for-profit company operating in the hospital network (80% share). There are ten members of the Board which consists of five people from Tulane University and the other five come from Columbia. The leader of Board comes from Tulane University. All major decisions must be approved by three members from Tulane University and three members from Columbia. Decisions requiring a majority vote from the Board are relating to the appointment and displace of hospital directors, business development or removal of hospital services, modification of academic support, and purchase of teaching hospitals within a 75-mile radius.

In the context of the corporate structure, there may be differences in behavior between the shareholders who want to maximize profits and the company's managers, as well as employees [9]. Managers may have other goals besides maximizing profits namely increasing sales, increasing market share, and pursuing fast company growth. Managers are not owners, but they are paid professionals to manage the company. The manager's salary tends to increase according to the increase of total sales. Thus, it is understandable if managers tend to increase sales (sales maximizer). However, there is also the behavior of managers who tend to look other satisfaction from their work [10]. Symbols of satisfaction that are often used are: luxurious office space, owning a nice company car, being a member of an executive club, and so on.

In a group of employees, the profit maximization motive is not the main point, unless the employee is also a shareholder. The pleasure and comfort work factors are the demands of employees which may reduce profits. Perhaps the employee demands annual family

Annals of R.S.C.B., ISSN:1583-6258, Vol. 25, Issue 4, 2021, Pages. 4486 - 4496
Received 05 March 2021; Accepted 01 April 2021.

recreation or the construction of sports facilities in the office. At a certain point, the demands of employees can be carried out using demonstration which strikes at work. It often happens in Indonesia lately [11].

The purpose of managers and employees in working is not only for profit. It can trigger what is called X-inefficiency. Companies are forced to spend budgets that should not be necessary for the survival and development of the company [12]. The contradiction often occur between owners, managers, and employees regarding these life behaviors. In various religious hospitals, conflicts between employees, hospital owners, and directors can also happen.

Some of the company owners behaviour aims to find other satisfactions besides profit from the company. In this condition, the owner think that the amount of the profit is not a problem. The most important point is that the profit earned can help other things for the company such as giving sponsorship to sports associations or giving scholarships. However, in general, the owners want to increase their profits as much as possible.

2. The Model of Government-Owned Hospital and Private Non-Profit Hospital

All government-owned hospitals are non-profit institutions. Although the new developments have emerged, such as service companies, regional technical institutions, regional technical implementation unit (UPTD), or self-financing hospitals. Practically, the government-owned hospitals have not turned into for-profit institutions. The clear thing is a process that leads to the forms of business institutions, although there are hospitals which are managed as bureaucratic institutions. Likewise, many various private hospitals which are non-profit. Those are generally owned by religious, social, and humane foundations or individuals. In discussion of non-profit hospitals, the concept was similarly to the for-profit hospitals.

Annals of R.S.C.B., ISSN:1583-6258, Vol. 25, Issue 4, 2021, Pages. 4486 - 4496
Received 05 March 2021; Accepted 01 April 2021.

In line with economic theory, profit is important for development of an institution. The question is that why are there non-profit institutions in the world? The persistence of non-profit business institutions shows that not all sectors of life are affected by the market as depicted in the Circular Flow model. In various sectors such as education, health, and transportation, there can be various things that cause market failure, for instance, the existence of externalities and public goods. Externality will require the role of government. By providing free medicines for a group of people with Tuberculosis, then the government can protect the healthy people who have the possibility of being infected by those who are sufferer.

Some health services are characterized by non-excludable public goods. It means that it is impossible to limit the services provided to community. As an illustration, non-excludable hospital services for the poor. This means that services must be free for the poor who need them. Tariffs setting at this hospital will be difficult because the poor cannot afford to pay [13].

In providing services to community who have externalities and who have the characteristic of public goods, the government has a budget as a manifestation of the political attitude of the welfare state. Then, the option to organize government health service agencies has arisen [14]. Moreover, the number of government-owned institutions is insufficient to provide services. Another option is by contracting out service activities to private institutions. In this case, an oddity will arise if the government provides health services contract that contain externalities and have the characteristic of public goods to for-profit institutions. Logically, the government funds can be distributed to non-profit institutions through a subsidy mechanism or the government ostensibly to buy services from this non-profit institution [15].

Annals of R.S.C.B., ISSN:1583-6258, Vol. 25, Issue 4, 2021, Pages. 4486 - 4496
Received 05 March 2021; Accepted 01 April 2021.

When viewed from the perspective of community funds, the provision to non-profit institutions is still sustainable. Some people still have the intention to donate even though the amount is not large. In the United States, up to 1996, 3% of total hospital revenue came from humanity funds. The humanity factor is the background of this contribution from the community. Also, in this aspect, the non-profit hospital can move better than the for-profit one.

3. Non-profit Hospital Organizational Structure

The owner of government-owned hospitals is the Department of Health for the central general hospital (RSUP), the province or district or city governments for regional hospitals, while the armed forces and national police for military and police hospitals. The state-owned enterprises hospitals (BUMN) are grouped into private hospitals. The government as the owner of the hospital is in the position of board of trustee or superior of the appointed hospital directors. The relationship between the owner and the manager is part of the government bureaucratic system. Hence, the management positions in government-owned hospitals still use a bureaucratic model with an echelon system. The higher the structural position in the hospital, the more it requires a higher echelon. In this case, there is an obvious separation between the owner and the manager. However, this relationship does not use the concept of corporate governance but relies more on the relationship between superiors and subordinates [16]. The criteria for the recruitment of government-owned hospital directors are often incomprehensible. It was only in 2001 that a new system of recruitment of directors for central government hospitals was carried out by the Directorate General of Medical Services. In local government-owned hospitals, the government as the owner generally have a position on the Board of Trustee.

Annals of R.S.C.B., ISSN:1583-6258, Vol. 25, Issue 4, 2021, Pages. 4486 - 4496
Received 05 March 2021; Accepted 01 April 2021.

As discussed, the separation and working relationship between owner and manager becomes important in the private for-profit hospital. In contrast to private for-profit business institutions, for example in the form of limited liability company (PT), some private non-profit business institutions operating in hospitals do not have a separation between the owners, the managers or the employees. Hospital owners are commonly acts as foundations and also as hospital managers. Within this framework, the relationship between the foundations and the directors can be a problem. The ambiguous relationships between directors and owners, make the internal control system which is the 'fundamental' of good corporate governance can not be executed. The term of Board of Trustees as in non-profit hospitals in the United States is not popular in Indonesian hospitals. This can be understood since the corporate governance model in Indonesia is more influenced by the continental model which uses the term Board of Commissioners, not the Board model like in the United States. Conceptually, there is an unclear division of roles between foundations and hospital managers in Indonesia.

Various factors can affect the emergence of problems in the relationship between managers and hospital owners, among others: the members of the foundation who do not have the understanding and expertise regarding hospitals, the foundation has concurrently held positions with the board of directors which causes a conflict of interest; the managers do not understand the importance of control systems and other things [17]. Consequently, it is not surprising that conflicts arise between foundations and directors, or between members of the foundation, or between members of foundations and foundation owners. This conflict also occurs in religious institutions that should be free from conflict.

Annals of R.S.C.B., ISSN:1583-6258, Vol. 25, Issue 4, 2021, Pages. 4486 - 4496
Received 05 March 2021; Accepted 01 April 2021.

4. Conclusion

As the name implies, a non-profit institution does not look for the profit. In this situation, the important questions are; What encourages owners, managers, and employees to cooperate? Is it financial motivation, heavenly motivation, humanitarian motivation, or others? This is interesting to be observed because the owners of religious hospitals, for example, Catholic hospitals, certainly have a heavenly mission to provide health services to those who need. However, do the specialists or nurses who work in Catholic hospitals also have the same motivations? Or is there another motivation? Various cases show incompatibility between the owner and employee behavior. For instance, some of the directors of religious hospitals are nuns working on a heavenly basis. However, the specialist doctors who work in this religious hospital are professionals who have income based on the market desires and standards. Consequently, there is a peculiarity namely that religious hospitals are currently ideal workplaces for doctors to earn very high incomes. This is contrast to the principles of equity and simple life which are religious teachings.

References

[1] Albert-Cromarias, A., & Dos Santos, C. (2020). Coopetition in healthcare: Heresy or reality? An exploration of felt outcomes at an intra-organizational level. *Social science & medicine*, 112938.

[2] Fredriksen, E., Martinez, S., Moe, C. E., & Thygesen, E. (2020). Communication and information exchange between primary healthcare employees and volunteers–Challenges, needs and possibilities for technology support. *Health & Social Care in the Community*.

[3] Borowska, M., Augustynowicz, A., Bobiński, K., Waszkiewicz, M., & Czerw, A. (2020). Selected factors determining outsourcing of basic operations in healthcare entities in Poland. *Health Policy*.

[4] Liu, B., Lu, Q., Zhao, Y., & Zhan, J. (2020). Can the Psychosocial Safety Climate Reduce Ill-Health Presenteeism? Evidence from Chinese Healthcare Staff under a Dual

Information Processing Path Lens. *International Journal of Environmental Research and Public Health*, *17*(8), 2969.

[5] Brown, W. R. (2020). *A Case Study of Influence of Dale Carnegie Courses on Managers' Behaviors at UnityPoint Health and Its Effects on Employee Engagement and Employee Satisfaction Scores* (Doctoral dissertation, Northcentral University).

[6] Karamitri, I., Kitsios, F., & Talias, M. A. (2020). Development and Validation of a Knowledge Management Questionnaire for Hospitals and Other Healthcare Organizations. *Sustainability*, *12*(7), 2730.

[7] Vaishnavi, V., & Suresh, M. (2020). Assessment of readiness level for implementing lean six sigma in healthcare organization using fuzzy logic approach. *International Journal of Lean Six Sigma*.

[8] Şahin, S., & Alp, F. (2020). Agile Leadership Model in Health Care: Organizational and Individual Antecedents and Outcomes. In *Agile Business Leadership Methods for Industry 4.0*. Emerald Publishing Limited.

[9] Maseleno, A., Huda, M., Jasmi, K. A., Basiron, B., Mustari, I., Don, A. G., & bin Ahmad, R. (2019). Hau-Kashyap approach for student's level of expertise. *Egyptian Informatics Journal*, *20*(1), 27-32.

[10] Vaishnavi, V., & Suresh, M. (2020). Assessing the Readiness Level of Healthcare for Implementing Agility Using Fuzzy Logic Approach. *Global Journal of Flexible Systems Management*, *21*(2), 163-189.

[11] Noh, B. H., Lee, M. J., Kwon, S. G., & Kim, B. K. (2020). The Effect of Healthcare Service of Employees at a Workplace Using Mobile. *Medico Legal Update*, *20*(1), 2277-2282.

[12] Ellmer, M., & Reichel, A. (2020). Mind the channel! An affordance perspective on how digital voice channels encourage or discourage employee voice. *Human Resource Management Journal*.

[13] Akbari, M., Bagheri, A., Imani, S., & Asadnezhad, M. (2020). Does entrepreneurial leadership encourage innovation work behavior? The mediating role of creativity self-efficacy and support for innovation. *European Journal of Innovation Management*.

[14] Panagiotakopoulos, A. (2020). Exploring the link between management training and organizational performance in the small business context. *Journal of Workplace Learning*.

[15] Ogunmokun, O. A., Eluwole, K. K., Avci, T., Lasisi, T. T., & Ikhide, J. E. (2020). Propensity to trust and knowledge sharing behavior: An evaluation of importance-

performance analysis among Nigerian restaurant employees. *Tourism Management Perspectives*, *33*, 100590.

[16] Lovita, E., Sudarma, M., Baridwan, Z., & Roekhudin, R. (2020, March). Ethnomethodology Study: Employee Loyalty as a Strategy for Building Internal Control in Retail Business. In *Annual International Conference on Accounting Research (AICAR 2019)* (pp. 115-118). Atlantis Press.

[17] Chege, S. M., & Wang, D. (2020). The influence of technology innovation on SME performance through environmental sustainability practices in Kenya. *Technology in Society*, *60*, 101210.