

# Exploring Leadership Styles in Nonprofit and For-Profit Acute Care Setting



## Study Objectives:

- To determine the leadership styles utilized by nonprofit and for-profit leaders in the acute care setting.
- To analyze if there is a relationship between leadership style and organizational turnover.
- To identify the impact of organizational size on leadership style.

## Abstract

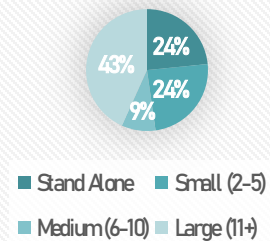
The cost of healthcare is rising with the US spending \$3.6 trillion, which was 17.7% of the US GDP, in 2018 (National Health Expenditure Data, 2019). As a result, healthcare has become a major focus of public administrators, politicians, employers, and the general public. These rising costs are creating a need for innovation and change in the healthcare industry. Healthcare administrators are searching for new ways to meet the demands, lower costs, and continue to provide quality care. One strategy that has grown in popularity is a focus on mergers and acquisitions with the hope of increasing quality and reducing costs. From 1975 to 2017, the number of for-profit hospitals grew 70.5%, predominately through the acquisition and transition of nonprofit hospitals to for-profit centers, creating large for-profit healthcare systems. Nonprofit hospitals are also acquiring hospitals and creating large nonprofit systems.

With the national attention on healthcare, and the development of large hospital systems, it is important to understand the impact on leadership, however, there have been few studies in this area. With the trend towards larger healthcare systems and leaders transitioning between business sectors, this study sought to determine if there is a difference in the leadership skills needed for success. Healthcare leaders participated by completing the Multifactor Leadership Questionnaire (MLQ) designed to determine a leaders' propensity towards utilizing transformational, transactional, and passive avoidant behaviors. Additional insight was gained through interviews with 20 healthcare leaders with experience in either nonprofit and for-profit hospitals and with leaders who had experience in both sectors.

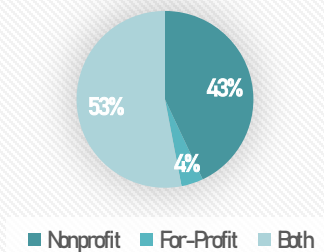
The results revealed no significant difference in transformational behaviors between leaders in the nonprofit and for-profit sectors however for-profit leaders had a stronger tendency towards some elements of transactional behaviors. As the organization grew, leaders tended to lean towards increasing transactional behavior. The study considered turnover which was found not to correlate to leadership style.

## Respondents

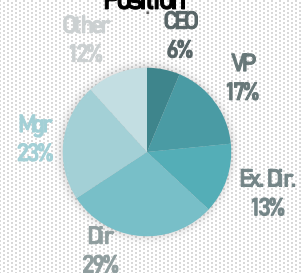
### Hospital Size



### Business Model Experience



### Position



# Leadership Styles and Business Sector

Transformational    Transactional    Passive Avoidant

## MLQ Survey Results

Business Model	"N"	Transformational	Transactional	Passive Avoidant
Survey Mean	109	4.26	3.26	1.57
Nonprofit	47	4.22 ↓	3.20 ↓	1.49 ↓
For-Profit	5	4.43	3.60	2.05
Both	57	4.28	3.26	1.59

Business Model	"N"	Transformational	Transactional	Passive Avoidant
Survey Mean	57	4.26	3.26	1.57
Nonprofit	24	4.38	3.27	1.54 ↓
For-Profit	33	4.27	3.25 ↓	1.64

## Transformational Leadership

Bass and Avolio (2004) divided transformational behaviors into five subcategories. Idealized Attributes (IA) build trust, inspire pride and focuses the team on the overall interest of the group. Idealized Behaviors (IB) assess the leader's behavior related to integrity and includes values, beliefs, overall vision, and the moral and ethical consequences of their behavior. Inspirational Motivation (IM) behaviors provide meaning and challenge to their team's work and focus on a better future. Intellectual Stimulation (IS) behaviors focus on stimulating innovation, encouraging new and creative ideas, and there is no ridicule for mistakes. Individualized Consideration (IC) behaviors focus on building the skills of the individuals on the team through new learning environments and learning opportunities.

While the survey means implied the nonprofit leaders were less inclined to utilize transformational leaders, the statistical testing showed no significant difference in the transformational leadership tendencies between nonprofit and for-profit leaders. The low number of for-profit respondents may impact significance. Analyzing leaders with experience in both sectors suggested nonprofit leaders were more transformational however, again, the statistical testing did not indicate the difference was significant. The interviews provided greater insight and suggested while leaders in both sectors may demonstrate transformational behaviors, they focus on different elements of transformational leadership. Nonprofit leaders may tend toward focusing more on the mission, challenging team members, and a higher calling, while their for-profit peers may focus more on developing strengths and including differences of opinions in decision-making.

## Transactional Leadership

According to Bass and Avolio (2004), transactional behaviors included contingent reward (CR) and management-by-exception: active (MEEA). CR behaviors focus on setting clear expectations and rewarding achievement. MEEA behaviors include clear standards for performance and monitor performance closely to identify errors and take corrective action quickly.

The MLQ survey results showed for-profit leaders had a stronger tendency toward MEEA behaviors than their nonprofit peers with the statistical testing validating there is a significant difference. Also, the leadership interviews supported the survey results with statements suggesting leaders in the for-profit sector typically set clearer goals with metrics that are monitored daily, and the rewards for obtaining goals are clear.

## Passive Avoidant

Passive avoidant characteristics include management-by-exception: passive (MBEP) and laissez-faire (LF). MBEP leadership behaviors include waiting on a problem to appear then taking punitive corrective action. LF behaviors can be described as non-leadership. They don't provide expectations, monitor performance, or accept leadership responsibilities (Bass and Avolio, 2004). The MLQ survey results revealed there is no significant difference in the tendency towards passive avoidant behaviors between nonprofit and for-profit healthcare leaders.

## Leadership Style and Turnover

Turnover data was provided by 79 respondents. The data were analyzed by sector to determine the average turnover rate for nonprofit acute care centers and for-profit acute care centers. For the respondents who have experience in both sectors, the data were separated by their current business model. The self-reported turnover rate for nonprofit hospitals was 14.28%, and the self-reported turnover rate in the for-profit sector was 16.98%.

Turnover data were also analyzed by the size of the organization. Stand-alone acute care centers reported a 15.74% turnover rate, small acute care centers reported a 12.11% turnover rate, medium acute care centers reported a turnover rate of 13.56%, and large acute care centers reported a turnover rate of 17.02%. Considering these results, large systems and stand-alone acute care centers had the highest turnover rate whereas small acute care centers had the lowest turnover rate.

Additional analysis was completed to determine if there is a relationship between transformational leadership style and staff turnover and transactional leadership style and staff turnover. Pearson product-moment correlation coefficient revealed no relationship between transformational leadership and turnover. There was a small correlation between transactional behavior and turnover however additional testing indicated the relationship was not significant.

## Organizational Size and Leadership Style

Size	Transformational	Transactional	Passive Avoidant
Survey Mean	4.26	3.26	1.57
Stand-Alone	4.21 ↓	3.19 ↓	1.52 ↓
Small (2-5)	4.27	3.21 ↓	1.67
Medium (6-10)	4.35	3.38	1.38 ↓
Large (11+)	4.27	3.29	1.59

An analysis of the MLQ 5s survey results in Table 17 indicates a progressive increase in transformational and transactional behavior as the organization grows with large organizations showing transactional behaviors level off. However, the scores for large organizations are still higher than the survey mean in every category. Statistical testing indicated the difference was not significant.

Interview responses indicate an increasing focus on transactional behaviors such as goals setting, managing to deviations, and standardization as the organization grows as evidenced in the following statements:

“It isn't personal, it's looking basically at numbers.”

“Larger systems invest more in data mining.”

“For a larger system, there is a lot more scrutiny in terms of your performance.”

“You know the standards that are set.”

“I think the size has to do with it because they have to standardize operations across a major company.”

“The benchmark themselves against their own hospitals, and know at the end of every month, how people are doing and are we heading towards the goal.”

Nonprofit Leadership Experience	For-profit Leadership Experience
<p>Nonprofit leaders focus on mission and community needs for decision-making. They are generally more externally focused than for-profit leaders; therefore, they may decide to offer services that address a need in the community even if the service may not be self-sustaining. They may spend more time making connections with businesses and the community. Local board members make decisions with a focus on meeting community needs. They understand the business economics and often work within tight budget constraints. There are fewer standardized processes than in the for-profit model and they have more input into decision-making.</p> <p>Retention strategies focus on a deep commitment to the mission, which they expect will foster a deeper sense of loyalty. The recognition is often personal. Leaders are identified from within the organization with an emphasis on internal promotions. The skills are gained through experience in their hospital by expanding responsibilities. In larger organizations, the experience is augmented by leadership training.</p> <p>Nonprofits have metrics that are analyzed; however, the frequency and access to data are often driven by the size of the organization. In standalone hospitals, access to data may be lagging, which makes accountability more difficult. The respondents from larger nonprofit systems indicated metrics have become a much greater focus and they utilized more sophisticated systems that were timely and more effective. In both sectors, whereas it was expected that deviations were addressed, they were provided more leniency than their for-profit peers in how long it may take to correct the situation.</p> <p>Successful leaders in the nonprofit sector understand economics and how they make money; however, there is also a deep commitment to the mission. They have a servant perspective, are fulfilled by mission more than money, and work well with people. They know how to get people excited about the mission and getting the work done while displaying integrity in their everyday dealings. They build collaborative relationships and involve the team in decision-making. There is the flexibility to meet personal employee needs while maintaining high standards of care. As one leader shared, they believe if you have the "right people doing the right thing, then all the finances will come".</p>	<p>For-profit hospitals are more internally focused on bottom-line performance and internal operational procedures. They spend time inputting information into data systems, monitoring systems, and responding to deviations in real-time. Decision-making is mostly done at the corporate or division level leaving the leader with less input and flexibility to meet local needs. The decisions are based on data. Whereas the nonprofit organizations ask for input from the team and other leaders in the decision-making and problem-solving process, for-profit leaders have vast resources and draw from expertise throughout the system.</p> <p>The recognition strategies are structured, typically consistent throughout the system, include metrics, and leaders have more resources for recognition. Employees can transfer anywhere in the system without losing benefits or accrued time with the company. Leaders are eligible to receive bonuses for meeting targets. Expectations are clear, as are rewards for meeting expectations. Leaders are groomed from within the entire system with leadership development programs in place. The leaders learn through experience. Therefore, leaders are moved to different locations throughout the system intentionally to gain experience that prepares them for a higher position.</p> <p>Accountability is important. The expectations are clear and there is structure, multiple processes, and systems in place to correct deviations quickly. The data are utilized to promote competition between leaders with the intent to raise the bar system-wide. This focus on accountability creates a strong transactional leadership style, which according to Avolio and Bass (1995), builds a foundation for transformational leadership.</p> <p>Successful leaders in for-profit centers analyze and make decisions based on data. They are effective in navigating the political structure and can communicate with multiple levels in the organization. Successful leaders drive an agenda and get the expected results. They recognize the company makes the decisions and they need to carry them out regardless of their feelings. They learn how to make it work and they are motivated by competition. Several leaders mentioned it's not personal, it's about the numbers and meeting targets. If you can deliver results, you are fine.</p>

## Conclusion

The study found nonprofit and for-profit leaders display transformational leadership; however, it is manifested in different ways. For-profit leaders had a stronger propensity to utilize transactional behavior of management by exception active and there was some evidence that transactional behavior increased with organizational size. Turnover was found to be a concern in both sectors without a correlation to transformational or transactional leadership. More study is recommended evaluating large hospital organizations to determine the extent to which business model and size dictate leadership style.

References: Avolio, B, Bass, B (1995). MLQ License Agreement. Mind Garden, Inc., Bass, B, Avolio, B, (2004). Multifactor Leadership Questionnaire Manual and Sample Set. Third Edition. Mind Garden, Inc., National Health Expenditure Data (2019). Centers for Medicare & Medicaid Services.

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