



received: 5 December 2016
accepted: 5 June 2017

pages: 82-89

USING TOOLS OF STRATEGIC MANAGEMENT IN MEDICAL FACILITIES OF LUBLIN REGION

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ABSTRACT

The purpose of this article is to evaluate the use of tools of strategic management in hospitals in Lublin region.

The study was conducted among 14 medical entities from the area of Lublin Voivodeship. The survey was addressed to economic directors or chief accountants of health care facilities and sent by post. The questionnaire was also helpful in conducting an in-depth interview as it provided a required structure. As part of the interviews with managers of health care facilities, information beyond the questionnaire was acquired, e.g. about the mission. According to studies, most health care facilities develop strategic plans (71.4%). For 21.4% of the studied facilities, the strategic plan is known mainly to management. In contrast, 28.6% of entities do not have a strategic plan. The presented results of the research can increase the effectiveness of activities in each area of the health care facility, continuous process improvement and rapid response to changes in the environment.

KEY WORDS

medical facilities, hospitals, strategic management

DOI: 10.1515/emj-2017-0017

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INTRODUCTION

In recent years, healthcare changes in general and those relating to the system of financing, the increase in the accountability of management of medical entities for their performance in particular, have posed new challenges for health care facilities (Kogut, 2009).

In their present form, health care entities operate on the border of the public sector and business sector,

and although they have to fulfil a socially important mission in helping all citizens of our country, their daily operation must be economically efficient (Jarosinski, 2014).

If these entities want to manage the existing resources more efficiently and want to respond to changes occurring in the environment in a better and more efficient manner, they must, on the one hand,

build business models, and on the other hand, properly implement them through strategies.

The purpose of this article is to evaluate the use of tools of strategic management in hospitals in Lublin region.

1. LITERATURE REVIEW

The transfer of management practices from business firms in private or for-profit sector to hospitals has a long history, dating back to the beginning of the twentieth century. It began with the advocacy of scientific management principles for hospitals and continues at present as hospitals are admonished to adopt practices such as diversification and total quality management. While the specific practices have changed, the claims that their adoption will better hospital management, improve efficiency and even assure the survival of hospitals have endured (Arndt & Bigelow, 2000).

The basic principles of the strategy were described, among others, by Sun Tzu, Homer, Euripides and many other ancient strategists and writers (Swayne, Duncan & Ginter, 2012).

'Strategy' is a word with many meanings and all of them are relevant and useful to those who are charged with setting a strategy for their corporations, businesses, or organisations.

Alfred D. Chandler defined a strategy as 'the determination of the basic long-term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources for carrying out these goals' (Chandler, 1962).

Michael Porter defined a competitive strategy as 'a broad formula for how a business is going to compete, what its goals should be, and what policies will be needed to carry out those goals' (Porter, 1986).

Henry Mintzberg indicated that a strategy is a plan, a pattern, a position, a perspective and, in a footnote, he indicated that it can also be a ploy, a manoeuvre intended to outwit a competitor (Mintzberg, 1994).

A more recent entry appears in the *Strategic Planning for Public and Non-profit Organisations*, published in 1996 by John Bryson. He defines a strategy as 'a pattern of purposes, policies, programs, actions, decisions, or resource allocations that define what an organisation is, what it does, and why it does it' (Bryson, 1996).

In the literature on the subject, there are many approaches. For the purpose of this paper, the definition of a strategy proposed by Gierszewska was adopted. An organisational strategy is a general programme for defining and implementing the objectives of the entity and the performance of its mission, which contains a system at the time of the reaction of the entity to its surroundings (Gierszewska, 2012).

Formulating the strategy and its implementation is the interest of strategic management.

Many variations of a strategic management model have emerged in both the business and health-care sectors, but the basic model has remained relatively unchanged since its inception. Simyar, Lloyd-Jones, and Caro tailored the process to health-care strategic management: identify the current position of an organisation, including the present mission, long-term objectives, strategies, and policies; analyse the environment; conduct an organisational audit; identify the various alternative strategies based on relevant data; select the best alternative; gain acceptance; prepare long- and short-range plans to support and carry out the strategy and implement the plan and conduct an on-going evaluation (Simyar, Lloyd-Jones & Caro, 1988).

Strategic management has been the interest of managers of health care facilities for many years. Unfortunately, under the Polish conditions, the procedure for creating a strategy is forced on many hospitals by the legal system and in many cases proved to be impossible to implement; consequently, managers could not utilise the strategic control.

Therefore, actions should be considered to ensure the strategic management of a medical facility is to bring the expected results. The principles of building a strategy in relation to health care facilities can be limited to a few conditions (Briman, 2002):

- the health care facility must have a well-organised system of internal information,
- the health care facility must determine its future position as precisely as possible, using all available sources of knowledge and possibilities to influence the environment,
- the health care facility must determine the internal conditions for implementing the strategy, and, therefore, the available resources,
- the health care facility must make the best possible choice from several variants of the strategy developed jointly by the management, establishing bodies and employees. To select variants, it is necessary to extract some key determinants, significantly affecting the future of the hospital,

- the health care facility must develop a strategic plan, that is a path of reaching the proposed solutions, using existing resources,
- the health care facility management must obtain the support of the staff for the introduced strategy,
- the health care facility management should provide the ongoing supervision and monitoring of progress in the realisation of the strategy at each stage of the strategy implementation, and later, at the stage of its realisation.

These measures not only guarantee the development of a good strategy but also a stable future and lower risks associated with changes in the environment.

2. RESEARCH METHODS

The need for analyses in the scope of using tools of strategic management in the health care facilities requires the prior presentation of the general characteristics of the studied sample.

Of the 40 questionnaires sent out, 14 completed questionnaires were returned, representing a response rate of 35 percent. Studies were undertaken in 2012.

The study looked at 14 medical entities from the area of Lublin Voivodeship. All the studied hospitals provide stationary diagnostic, therapeutic and rehabilitation services within the scope of their activities. Individual hospitals differ in the number of wards, number of beds, number of employees, organisational structure and the amount of financial resources at their disposal.

The survey was addressed to economic directors or chief accountants of health care facilities and sent by post. The questionnaire was also helpful in conducting an in-depth interview as it provided a required structure. As part of the interviews with managers of health care facilities, information beyond the questionnaire was acquired, e.g. about the mission.

In nearly 80% of facilities, the main founding body for the studied health care facilities was their local government administration. 14% of the facilities were established by state medical universities and one health care facility was established by a government administration body, i.e. the Ministry of Defence.

Most of the studied facilities were located in a town (43%), 35% facilities were located in Lublin,

and the remaining facilities (21%) operated in communal centres.

The largest number of the studied health care facilities was characterised by the number of beds above 500 (28.7%). In terms of the number of beds, health care facilities had from 301 to 400 and 401 to 500 (21.4% each) of beds. Furthermore, it should be noted that in the studied sample of facilities, there are no small entities with up to 50 beds.

3. RESEARCH RESULTS

Changes that can be observed in the health care system cause the need for professional management in health care facilities with the use of modern tools, both on the strategic and operational level.

According to studies, most health care facilities develop strategic plans (71.4%). For 21.4% of the studied facilities, the strategic plan is known mainly to management. In contrast, 28.6% of entities do not have a strategic plan. This may be because these plans are not regarded as helpful in the facility management but rather as a requirement of various authorities.

An important thing that enables the design of adequate strategic plans is the appropriate diagnosis of the health care facility, which includes internal and external factors. This applies both to the general and target environment — institutions and organisations directly cooperating with the hospital, which includes, e.g., health care payers (Talaga, 2004).

The studied health care facilities use a variety of methods and tools in analysing the environment for the purposes of strategic management.

The most common tool used in strategic management is the analysis of strengths and weaknesses (64.2% of respondents). The SWOT analysis, according to interviews with facility managers, makes it possible to determine through further analyses how to use strengths of the facility to take advantage of opportunities emerging in the environment, and what to do to improve weaknesses. 42.9% of the studied health care facilities use the break-even point analysis. Few health facilities carry out the PEST analysis (14.3% of respondents), which helps to identify the main factors affecting the functioning of the health care sector in each of the spheres: political, economic, social and technological. None of the surveyed health care facilities applies the balanced

scorecard. This may indicate a relatively low knowledge of this tool among health care managers.

The strategic analysis begins with an analysis of the external environment and the analysis of the health care facility. The results of this analysis provide the basis for determining the mission and goals of the health care facility, and these, in turn, are used to determine the strategy.

The strategy of a health care facility is based largely on shaping the relationship between the organisation and the environment, which requires the determination of its long-term goals (Marciniak, 1998). The environment of the health care facility has a very large impact on its functioning. Half of the analysed entities evaluate the environment as varied, the other half as stable or rarely changing. Only for one health care facility, the volatility of the economic environment was so high that the environment was rated as turbulent. Market conditions, under which most of the studied health care facilities operated, forced these entities to apply constant changes and systematic actions to adapt to new criteria of the functioning in the environment.

Under such variable conditions, it is very difficult to operate and plan any measures to improve efficiency and profitability because the possible consequences on the facility resulting from the present and future changes in the environment cannot be fully predicted.

The studied health care facilities must assess factors that affect the strategic management in the entity. The assessment was made according to a four-point scale, from 0 to 3, where 0 meant not taking a given factor into account, and 3 meant great importance, so it was the highest weight. The average scores for the six areas of the macro environment in the studied group of health care facilities are shown in Tab. 1.

Based on the research, in the development of a strategy of the surveyed health care facilities, politi-

cal-legal and technological factors are the most important, while social and cultural factors are of least importance.

Among technological factors, the most relevant to health care facilities are new techniques and diagnostic procedures (the average score of 2.1) and new treatment techniques (the average score of 2.0). Health care institutions wanting to be more competitive have to consider technological factors. The management should be kept abreast of new technologies which have appeared on the market and assess whether they would be useful in the facility and how to obtain them.

From among the political and legal factors, the most important were the of healthcare reform (the average score of 2.7), change in the healthcare policy (the average score of 2.6) and the volatility of regulations and legal norms (the average score of 2.3). It can be noted that these factors pose some threat. In the recent period, we observed the instability of legal regulations, more rigorous rules of contracting and settling health care benefits, as well as limiting them.

Economic factors comprise an important group of factors. The most important for the studied entities were the economic situation (the average score of 2.3), inflation (the average score of 1.9), the distribution of income of the population (the average score of 1.8) and the availability of loans (the average score of 1.8).

Based on these studies, it can be stated that political and legal as well as technological factors, rather than financial factors, have a key influence on the operation of the studied health care facilities, and, therefore, their strategies.

The most important player in the environment of health care facilities is the payer that determine the type and the number of services as well as their price to be contracted with the hospital. And without a contract with the National Health Fund, the hospital would not exist, because the contract provides approx. 95% of the revenue of the entity.

The policy pursued by the National Health Fund had and continues to have a decisive impact on the operation of health care facilities.

As it is clear from the conducted studies, as much as 71.4% of respondents are dissatisfied with the cooperation with the National Health Fund. The most important problems that health care facilities had to face because of the policies adopted and implemented by the National Health Fund, according to managers of the studied health care facilities, were:

Tab. 1. Summary of average assessments attributed to factors that affect a strategy in the studied health care facilities

SPECIFICATION	ASSESSMENT
Political and legal factors	2.0
Economic factors	1.7
Socio-cultural factors	0.6
Technological factors	2.0
Demographical factors	1.2
Epidemiological factors	1.6

Source: own study based on surveys.

- non-payment by the National Health Fund for all the realised benefits, despite a huge financial surplus secured by the Head Office,
- not paying for migration, i.e. benefits realised for residents of other voivodeships,
- the need to reduce admissions and the level of provided benefits,
- increasingly higher requirements of NFZ with the unchanged or even reduced level of funding,
- rules for the performance of agreements related to the central reporting necessitate multiple copying and manual entering of data into the reporting system of the National Health Fund, even though it is nowadays unacceptable for a computer system to function without the possibility of loading data recorded in another system, having in mind millions of zlotys spent each year for computerisation by the National Health Fund.

After conducting strategic analysis, the next stage is to formulate the mission and goals of the organisation based on the analysis.

To implement financial and strategic plans, actions should be taken based on targets defined by health care facilities.

The overall goal of the operation of the health care facility is expressed in its mission. In practice, not all studied health care facilities formulate its mission. Defining the proper mission, adequate to market opportunities, may be an element of competitive advantage in the market of medical services.

The next step is determining goals and objectives, and then defining strategies to achieve and implement them.

The objectives of health care facilities should be short-term, due to the nature of the policies imposed by the National Health Fund.

The studied health care facilities formulated the following goals and objectives in their statutes:

- providing patients with high-quality medical services with full respect for the rights of the patient,
- development of medical activities of health care facilities by extending the scope, increasing the availability and number of provided medical services, particularly outpatient services and short-stay hospitalisations,
- reliable implementation of the terms of the agreement concluded with the National Health Fund,
- maintaining mutual respect and trust with partners,

- ensuring security in the environments of health care facilities by knowingly managed risk,
- efficient and environmentally friendly management of resources,
- providing employees with a safe working environment, conditions for professional development and a sense of belonging and responsibility in the creation of the position and image of the health care facility,
- fulfilling legal requirements.

After analysing the objectives of the surveyed health care facilities, we can conclude that they coincide with the mission.

Goals can be achieved taking required actions and using specific resources. This involves the implementation of the strategy.

The current strategy can have a physical and financial aspect. The resources launched during real processes require financing.

If we consider the financial aspect, from the point of view of the health care facility, whose main objective is to balance costs with revenues and maintain the financial liquidity, the answer to the following questions will be important: 'How to hold out on the market of medical services, how to maintain relative liquidity or how to rationalise costs?' Health care facilities can plan strategic financial objectives, such as the revenue growth, cost reduction, improved efficiency, and better use of resources (Kludacz, 2009).

Based on the study, the strategic financial objectives of the surveyed health care facilities primarily related to the reduction of costs of the entities (64.3% of respondents).

Health care facilities should consider how to translate their strategy into action. The strategic scorecard and the strategy map are helpful tools. Unfortunately, none of the surveyed health care facilities has an implemented strategic scorecard. An analysis of the activities of the surveyed entities demonstrates that health care facilities have elements of strategic scorecards; however, they have not been transformed into a system. There is no comprehensive approach to strategy in the surveyed health care facilities.

Possible improvement of this process should be considered. One should start by building a strategy map that includes strategic objectives placed in four perspectives: financial, patients, processes and development.

The strategy map shows the logic of achieving the primary goal of the organisation, i.e. the mission. Health care facilities are created to serve public pur-

poses and provide services to all or some groups of the society. Therefore, the primary purpose of these entities is to meet the needs of certain groups, rather than generate profit. In the surveyed health care facilities, the perspective of the patient is perceived, because the entities are concerned with the satisfaction of patients and availability of services. These facilities need to think about how to adjust the range of services to local needs and strengthen their reputation. However, to achieve this, facilities will have to improve organisational processes. They will need to improve patient care, the implementation of programmes to enhance the quality and operational efficiency. The study shows that 85.7% of respondents use metrics specific to the perspective of internal processes, such as bed occupancy rate on the average length of stay in the hospital bed.

Other areas are important for the realisation of these goals as well. Since the organisational processes are performed by employees, health care facilities will have to ensure the appropriate level of staff qualifications and its satisfaction. They should also provide support to their employees in the use of information systems that will be helpful in improving the implemented organisational processes.

In all the surveyed health care facilities, the financial perspective is perceived. A typical goal in this perspective is the financial condition. Therefore, the surveyed health care facilities should pay attention both to growth strategies and efficiency strategies.

As it is clear from the research, health care facilities place a greater emphasis on efficiency strategies rather than growth strategies.

4. DISCUSSION OF THE RESULTS

The study shows that the studied health care facilities did not use modern tools helpful in strategic management. It may be because the payer — the National Health Fund — is not a suitable partner enabling to build an appropriate strategy for health care facilities. It would seem that with the ever-changing conditions of the environment, health care facilities should pay attention to modern tools allowing to make more accurate decisions.

According to the undertaken studies, the SWOT analysis is one of the most common tools in strategic management, e.g. in the Netherlands, more than 80% of health managers in hospitals, home care organisa-

tions and nursing homes are reported to use the SWOT analysis as part of their strategic process (van Wijn-gaarden, Scholten & van Wijk, 2012).

Research evidence demonstrates that the improvement of strategic planning practices of hospitals can be effective, but many health care organisations have difficulties in implementing their Strategic Plan to result in successful performance (Zuckerman, 2006; Adams, 2005).

If health care facilities construct strategic plans, it is not a result of the cooperation with the National Health Fund. Most often, health care facilities treat these documents not as a tool in the management of the facility, but as a requirement of various authorities. Consequently, such financial plans are often of low quality.

The National Health Fund poses increasing demands regarding the implementation of various types and ranges of services, constantly changes the rules of operation and cooperation, which do not have any tangible benefits but rather complicate the settlements. Consequently, in such a turbulent environment, the most important focus on the value to the patient thing is lost.

The study shows that mission statements, visions and goals are among the most poorly understood strategic management tools available to organisations. Also, both the hospital's mission and vision statements, as well as clearly defined objectives, are related to the improved performance, staff behaviour, and staff motivation (Bart, 2004).

Healthcare needs to define its own stage four strategic planning qualities. Unique considerations might include the following (Ginter & Swayne, 2006):

- some strategic alternatives available to non-health care organisations may not be realistic for many health care organisations,
- health care organisations have unique cultures that influence the style of and participation in strategic planning,
- health care has always been subject to considerable outside control,
- society and its values place special demands on health care organisations.

The study shows that none of the surveyed health care facilities applies modern tools of strategic management. The use of the Balanced Scorecard in the public sector is shown to be beneficial since it improves and enhances aspects of performance, strategy, alignment, communication, resource allocation, decision-making and competitiveness. The Balanced Scorecard is a tool built to harmonise actions and strategic plans

into a consistent control system. Since the BSC philosophy is to learn from own actions, teamwork and follow up strategy, this tool puts a heavy emphasis on clear communication of objectives and priorities. In short, being flexible and dynamic, the BSC shows what must be done (Cretu, Gheonea & Ivan, 2015).

CONCLUSIONS

A decision about the future of a hospital requires confrontation of information about surroundings that determine the possibilities of the hospital, expounded through kept reserves, abilities, and their configurations. Consequently, a strategic analysis is of utmost importance. Due to the carefully conducted strategic analysis, a hospital can define:

- tasks that must be addressed as well as opportunities and threats that emerge in the surrounding environment,
- possibilities arising in the surrounding environment,
- the present and future position in the managed market of health certificates,
- the projected strategy that must be implemented, answering the challenges and flowing the chances arising from its immediate and more distant environment.

In order to operate in a turbulent environment, health care facilities must have the ability to flexibly adapt to changes. In addition, these entities are forced to compete on the basis of principles of a free market economy. Therefore, managers should think in strategic terms. In planning the future of their health care facility, managers must have a range of information about the environment of the entity, its resources, and skills.

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