

## The Impact of Strategic Management on the Performance of Health Care Organizations (A Study of Three Selected Tertiary Health Care Center of Karachi, Pakistan)

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### Abstract

The Economic environment is dynamic, for survival of organization it is necessary to compete the market. Strategic management is a tool over come on the market driven challenges. Strategic management is a process for continuous improvement which manage and assess organizational environment in which they involved, assess their competitors and set goals and strategies to overcome on all of the challenges and then re-examine each of the strategy frequently to decide how it has been implemented either it fits or need to cope up with change. There was no such significant research work carried out in Karachi. As it is very important sector of nation economy and now Health care business is one of the top 10 businesses. So there was huge gap, which was tried to cover in this. The objective was to find out that which type of Management is practicing by Tertiary Health Care Centers, to explore the relationship between the level of competition and adoption of the strategies of the strategic management and to assess the relationship adoption of strategic management and organizational performance. There were three hypotheses. The research is depends on quantitative data and is typically descriptive, and questionnaire adopted and adapted as per requirement of the study. The sample size was 30 and questionnaire was distributed in three different tertiary care hospitals. The response rate was 100%. For the analysis regression model and chi-square was used. All hypotheses were accepted and the model was fit, which means that tertiary health care centers are started to adopt the tools of strategic management and there is strong positive impact of strategic management on level of competition and organizational performance and growth.

Study recommends that in current competent and dynamic economic scenario tertiary healthcare centers must adopt the tools of strategic management and give a cutting edge.

**Keywords:** Strategic management; Tertiary health care center; Hospital; Competitive advantage

### Introduction

#### Background to the study

**Strategic management:** Economic situations of the organization and country is changing very fast and the cause of this change is only due to the globalization, hastily varying the stake holders and shareholders demands, needs and expectations and it's only due to the increasing of market competition level. To fulfill its criteria successfully, the organizations are focused continues improvement on the performance in terms of cost reducing, processes and products innovation and improving customer satisfaction and quality, efficiency and market effectiveness. "Strategic management is a ongoing process of self-assessment and controlling of the institutional environment in which they involved, assessment of competitors, targets, goals and objectives setting and strategies to meet all challenges, and then re-examine each strategy frequently to decide how it can be implemented either it fits or need to changed to meet the state of affairs, technology, competitors, economic environment, or a social, financial or Political environment" [1]. "Getting a competitive advantage will lead a differentiation and enhanced the organization performance and beat the competitor is the main targets of the organizations" [2]. The strategy of strategic management vary From institute to institute and due to type of the culture of the institute, as a result, a global intercontinental organization may develop a more controlled strategic management model, as per their size and scope, and needs to fulfill the customer and market requirement [3]. Most important theories of the management like "Child cited in Porter and Karmar [4] highlighted that organization can exercise strategic variety, even in the face of external barriers. The way and manner they features strategic issues can affect the overall

performance of the organization. It can say without any arguments that the strategic structure must also be address essential issues such as resource base, infrastructure limits, suitable level of technology and Supply Chain."

**An overview of health care sector of Pakistan:** The health's indicators of Pakistan's indicate vary little change. Although the government of Pakistan has been increasing resource allocation for the health sector but it is too less t due to increasing population on one side and falling health criteria on the other one.

Now many private primary, secondary and tertiary care units have been recognized to increase the public sector. It improved significantly over the years. But, there is still remains a large gap between the availability and necessities. At present, there are 108,062 qualified doctors, 5,530 dental doctors and 46,331 registered nurses in the country which shows ratio of 1,404 patients per doctor 27,414 patients per dental specialist and the availability of the only one nurse for 3,296 patients. There are about 906 centers, 4,554 Government Dispensaries,

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5,290 Primary Health centers and 552 Health units. The availability of beds in hospital in all medical setups has been anticipated at 98,684 which end up with bed ratio of 1,536 persons per bed.

### Statement of problem

The performance of organizations is addressed in many researches but there are very few researches who explored its enhancing and betterment due to strategic management, especially in the health care industry. Now the organizations focused on that how they can effectively put into practice its strategies and goals/plans to accomplish its objectives in its direction of its mission and vision. Now Managers of the organizations are realized that competitive advantage is should be set to get the market share. Many organizations, comes with innovative ideas to create USP or cutting edge which will distinguish them from others in the terms of brand choice, immediate selection and consumer satisfaction. Despite all these, no significant research work has been focused to study the impact of implementation of strategic management and its impact on the growth and development of organization especially in the Health care sector of Karachi. There is very insignificant number of studies which investigates this area. Related research on to this topic was the assessment “impact of strategic planning on business development” [5]. To cover this gap, this research work efforts to analyze that how the strategic management can be implement in tertiary health centers of Karachi (THC) and to check how it is effective for its performance and how it can affect the health status of population of Karachi.

### Study objectives

The objectives are:

1. To find out that which type of Management is practicing by Tertiary Health Care Centers in Karachi.
2. To explore the relationship of adoption of strategic management and the level of competition.
3. To evaluate the relations of the adoption of strategic management with the organizational performance.

### Research hypothesis

There are three research objective and hypotheses. The alternate ones are:

1. The adoption of Strategic management has significant positive impact on the performance of tertiary health care center (THCs).
2. Adoption of strategy of strategic management has positive effect on the competition level among tertiary healthcare centers.
3. Strategic management has positive effect on growth and development of tertiary health care hospitals (organizations).

### Research Methodology

The study used a structured questionnaire comprise on six parts. Likert scale was used to answer rating in order of strongly agree to strongly disagree (0 to 4).

This study used a descriptive survey design. Data was collected based against selected questions adapted [6,7] and modified according to hypothesis and objectives of the study.

Likert scale was used to analyze The Impact of Strategic management on the performance (Growth and Development) of the health care Organization. The sample size was 30, 10 from each organization in five

different departments which was Operation, H.R, Accounts/Costing, Planning and Budget Dept., Hospital Services and Quality Dept. Three organizations were selected, so there were 30 samples.

The questionnaire was developed to inculcate the objectives of research.

The questionnaire was constructed of two parts one was the demographic data and second was based on the study questions, designed on Likert scale.

### Validity of the instrument

The validity of this instrument is checked in numerous papers as it is a famous Questionnaire model although, for the validity of data and sample size crone Bach Alpha test was used to check the data reliability. The value was 0.872 which was more then 0.7. So, the data and instrument (questionnaire) was valid and reliable (Tables 1 and 2).

### Data analyses methodology

The study was quantitative and explanatory so for the analysis descriptive statistics, Pearson correlation, regression and chi square were used. The analysis of research hypotheses were done with the help of SPSS -17 and advance excel. Correlation, chi-square and regression (OLS) was used for the relation of variables with each other and analysis. Research hypotheses of this research study was analyzed at 95% level of significance.

### Research Findings

#### Demographics

The data was tested by using descriptive Stats methods. As per requirement of the study, the sample included middle and senior managerial employees of three tertiary health care organizations in Karachi, Pakistan with a total of 30 participants, the response rate was 100% of 30 participants, out of whole the sample, 60% percent respondents were male and remaining were females. Most respondents were completed Master (43.3%). The highest percentage of work experience was more than 5 years (33.3%).

#### Descriptive statistics

Descriptive Statistics is given in Table 3.

Where Stg=Strategic Management, Op=Organization Performance and Growth and Comp=Market Competition Level.

The criteria for judgment of strategic management were on following question.

		N	%
Cases	Valid	30	100.0
	Excluded <sup>a</sup>	0	0.0
	Total	30	100.0

<sup>a</sup>Listwise deletion based on all variables in the procedure

**Table 1:** Case processing summary.

Cronbach's Alpha	No of Items
0.872	11

**Table 2:** Reliability statistics.

	Mean	Std. Deviation	N
Stg	2.5550	1.11350	30
Op	2.4500	1.13221	30
Comp	2.4667	1.12903	30

**Table 3:** Descriptive statistics.

1. Has a written vision and mission statement?
2. Has the resources of the organization are controlled and properly allocated with the help of a specified team?
3. Bases decisions and actions on formulated organizational policies.

The criteria for conclusion of “Market Competition Level” were based on three points which are as follows:

1. Adopt things that give us edge over our competitors?
2. Our services and Medical teams are available in the Center 24/7 all the year.
3. Has variety of Quality control, Patient awareness and marketing strategies and service innovation?

The criteria for conclusion of “organization performance” was based on three positions as mentioned below:

4. Strives for profit optimization and cost cutting strategies in each money cycle.
5. Effective in dealing with its customers.

### Correlation analysis

The nature of this study was quantitative and the data collected by the questionnaires was examined with help of Correlation test. The Correlation test calculates Pearson’s correlation coefficient, and determines that how the dependent and independent variables are related to each other’s. Pearson’s correlation is an assessment for linear association of variables. In result, the value (r) range from “0.10 to 0.29” is marked as not considerable due to weak point, from “0.30 to 0.49” is marked as moderate while from “0.50 to 1.0” is assumed as strong. The coefficient of Pearson’s correlation for this study was 0.1, 0.880 and 0.818 which shows the strong relation (Tables 4 and 5).

### Analyses of hypotheses

**Hypothesis number 1:** In the Questionnaire the questions number 7, 8, 9 and 10 were used to estimate the Hypothesis 1. The results illustrates that greater part of Tertiary healthcare centers (hospitals) has been adopted strategic management and it have significant positive effect on the controlled planning system, and have visions and mission statement in writing, quality policy, and allocated resources by specified team, and all decisions and actions are based on formulated policies. It means that strategic management is practicing in these selected hospitals.

		stg	op	comp
Pearson Correlation	Stg	1.000	0.880	0.818
	Op	0.880	1.000	0.714
	Comp	0.818	0.714	1.000
Sig. (1-tailed)	Stg	.	0.000	0.000
	Op	0.000	.	0.000
	Comp	0.000	0.000	.
N	stg	30	30	30
	op	30	30	30
	comp	30	30	30

Table 4: Correlations.

Model	Variables Entered	Variables Removed	Method
1	comp, op <sup>a</sup>	.	Enter

<sup>a</sup>All requested variables entered.

Table 5: Variables entered/removed.

**Hypothesis number 2:** The H2 is consisting of three questions, which was number 11, 12 and 13. The results showed that Adoption of strategy of strategic management has positive effect on the competition level among tertiary healthcare centers by enhances them to adopt the strategies which create an advantage over other hospitals and it also pursue them to adopt a variety of strategies for quality improvement. The results point out that selected hospitals have an edge over the quality improvement strategy, patient satisfaction and number of specialty care availability.

**Hypothesis number 3:** The H3 is consisting of three questions, which was number 14 and 15. The Responses results showed that by practicing strategic management, profit optimization occurs and it also lead increase in effectiveness in the patient care and patient satisfaction. This determines that the strategy of strategic management have positive relations with tertiary care hospitals performance especially in Karachi.

### Methods for hypotheses testing of research through chi-square

**Chi-square:** The result of Chi-Square analysis shows Df Asymp 16.667 a, d.f 6, Sig 0.011, For the Stg. Management and Competition, while for the strategic management and Health care centers performance the values was Df Asymp 6.333<sup>b</sup>, Sig 0.155 with d.f 4. This rejects the null hypothesis of H:01, H:02, H:03 and accept the alternate hypothesis H:01, H:02, H:03. So, the study express that the Health care institutions adopted the Stg. Management, and it has positive impact on competitiveness of tertiary healthcare centers and its performance (Table 6).

Chi-Square of Strategic Management and Market Competition is Chi- square Df Asymp 16.667a, df 6, Sig 0.011, Mean ..... have expected frequencies less than 5. The minimum expected cell frequency is 6.0. The value of the mean was 1.88 which is approximately 2. The value of 2 indicates “agree” to the research question. This implies that adoption of strategic management influences competitiveness. The Chi-square test is 16.667<sup>a</sup> with P value of 0.011. The P value is below the 5% level of significance for this study. Therefore, the study rejects the null hypothesis that adoption of strategic management does not have effect on the level of competition of hospitals. The study therefore concludes that strategic management has significant effect on the competitiveness of THC hospitals on strategic management in Karachi [8] did not cover indeed, the areas of the objectives of this work covers. Based lying on the above hypothesis, the study examined the level of use and effect of strategic management hospitals in Karachi. Following assertions that strategy can be described as senior managers’ answer to the limits and opportunities of their concern environment, as this study used the answers of managers and senior staff of different department of hospitals [9-11]. Regression, Descriptive and Chi – Square test indicated the following findings:

1. Strategic management is practicing in tertiary care hospitals in Karachi.

Test Statistics		
	STG MGT.	COMP.
Chi-Square	16.667 <sup>a</sup>	5.333 <sup>b</sup>
Df	6	4
Asymp. Sig.	0.011	0.255

<sup>a</sup>7 cells (100.0%) have expected frequencies less than 5. The minimum expected cell frequency is 4.3.

<sup>b</sup>0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 6.0.

Table 6: Test statistics.

2. Strategic management influences competitiveness and that adoption of strategic management has strong positive effect on competitiveness of tertiary care hospitals.

3. Strategic management has positive effect on THC centers performance and that adoption of strategic management has significant effect on organizational performance of THC hospitals.

### Regression

The analysis of above regression model and value of R square shows that the model is complete and the and all hypotheses are accepted and significant. It shows that there is strong relation of independent and dependent variables which was implementation of strategic management strategy, and its impact on competition level and on the organizational performance. The finding also indicates that for the growth and development of tertiary health care organization one of the important factor is adoption of strategic management (Tables 7-10).

### Conclusion

The results of this study show that now Stg. management is commonly practicing by the tertiary healthcare centers in Karachi. Strategic management has been identified as very important and necessary tool to get a competitive advantage over competitors and for the market aggressiveness, for improvement of performance and ultimately for organization development especially in tertiary healthcare centers (hospitals) of Karachi.

The result of Chi-Square analysis shows Df Asymp 16.667a, df 6, Sig 0.011, For the Stg. Management and Competition, while for the strategic management and Health Care institutions performance the values was Df Asymp 6.333<sup>b</sup>, Sig 0.155 with d.f 4. This rejects the null hypothesis of H:01, H:02, H:03 and accept the alternate hypothesis H:01, H:02, H:03. So, the study express that the Health care organizations adopted

	Mean	Std. Deviation	N
Stg	2.5550	1.11350	30
Op	2.4500	1.13221	30
Comp	2.4667	1.12903	30

**Table 7:** Descriptive statistics.

Model	Variables Entered	Variables Removed	Method
1	comp, op <sup>a</sup>	.	Enter

<sup>a</sup>All requested variables entered.

**Table 8:** Variables entered/removed.

Model Summary <sup>b</sup>					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.920 <sup>a</sup>	0.847	0.836	0.45121	1.577

<sup>a</sup>Predictors: (Constant), comp, op

<sup>b</sup>Dependent Variable: stg

**Table 9:** Model summary.

ANOVA <sup>b</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	30.460	2	15.230	74.805	0.000 <sup>a</sup>
	Residual	5.497	27	0.204		
	Total	35.957	29			

<sup>a</sup>Predictors: (Constant), comp, op

<sup>b</sup>Dependent Variable: stg

**Table 10:** ANOVA.

the Stg. Management, and it has positive impact on competency of tertiary healthcare centers and performance.

The analysis of above regression model and value of R square shows that the model is complete and all hypotheses are accepted and significant. It shows that there is strong relation of independent and dependent variables which was implementation of strategic management strategy, and its impact on competition level and on the organizational performance. The finding also indicate that for the growth and development of tertiary health care organization one of the important factor is adoption of strategic management.

So all of the alternate hypothesis were accepted and all variable were significant and the model was complete. The data was taken from managers and directors so that is why it's finding are most important for the health care organization or centers managements and leaders. So, the finding can be used as guidelines. The study emphasize on adoption of strategic management practices.

### Recommendations

This study recommends and suggests that more researches can be conducted in the Karachi to examine the impact of practicing the strategies of the strategic management on primary and secondary health care centers and to explore primary and secondary health care centers. There is also need to check the effect of strategic management practices on Patient satisfaction and employees' satisfaction in Tertiary healthcare institutions, as these areas can help to increase the health care quality and will emphasize of the provision of effective, monitored and safe care in Karachi.

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