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# STRATEGIC MANAGEMENT IN PUBLIC HOSPITALS IN ROMANIA

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## Abstract

Strategic management is undoubtedly one of the most debated concepts of general management, this being due to the success organizations around the world which have put it into practice have registered. More and more papers on the management of health facilities have come out, both internationally and nationally. However, in Romania, most of these papers skipped strategic management approach to healthcare and those that don't, however, limit themselves to macroeconomic approach or describe the concept in general terms, without singularize it for hospitals. However, in the Romanian practice there is a progress in terms of concern for the strategic management of the health system, this being ascribed to the creation of uniform management standards for all hospitals in Romania, but also to the emergence of institutions responsible for training in health management. Accordingly, this paper aims to outline an overview of the current state of the strategic management practice in public hospitals in Romania, the information being useful to decision makers both at the microeconomic level, directly involved in hospital management, and at the macroeconomic level, charged with the overall health system management.

**Keywords:** Strategic management, Strategic planning, Public hospitals, Health system, Health facilities.

## 1. INTRODUCTION

The health system is one of the most analyzed public systems in Romania, suffering over time numerous changes in legislation and also in management and economic policies which apply within. In the last two decades, the state's governing bodies have conducted various legislative changes and introduced new measures in order to reform the Romanian health system performance impairment, but unfortunately these reforms have not had the desired effect (National Council for the Elderly, 2012). Thus, today we get to meet hospitals which offer very low quality medical services, in small and even in the more developed towns, given that health is a public service of vital importance for the population.

Problems such as lack of financial resources, medicines and sanitary materials, small number of beds, poor training of medical personnel, are common in Romanian public hospitals, but until now they have not been solved completely (Dinulescu and Voicu, 2014). In any case, finding solutions involves identifying causes of problems first. There are many causes for the counter-performances of public

hospitals, but essentially they can be reduced to the most important element on which any organization's development depends, namely its management. When we talk about health management, we must take into account both microeconomic and macroeconomic aspects, therefore, the Romanian health system's key to success is for hospitals to have advanced internal management practices, supported by adequate macroeconomic policies.

Strategic management is, perhaps, the most important concept of management science, its practice becoming necessary for any organization pursuing a long-term development. Therefore, hospitals also need a comprehensive strategic management approach in order to withstand societal and healthcare industry changes that will occur in the future (Ginter, Duncan, and Swayne, 2013). Moreover, each hospital activity will take place on the coordinates plotted by existing plans and strategies, so that problems such as failure in goal achieving or lack of resources could be avoided.

## **2. GENERAL FRAMEWORK OF STRATEGIC MANAGEMENT IN THE ROMANIAN HEALTH SYSTEM**

Strategic management is a very commonly used concept in the specialty literature, but also a management practice used in worldwide organizations. The initiator of this term is Igor Ansoff, who officially introduced it in the vocabulary of management in 1973 in the "First International Conference on Strategic Management". From that moment until today, this concept has received tremendous attention from specialists in management, so that now there is a huge variety of definitions on this topic. Some notable contributors in this area, other than Igor Ansoff, are: Peter Drucker, Henry Mintzberg, Michael Porter, Bruce Henderson, Chris Zook.

Strategic management has also been studied by Romanian specialists. Corneliu Russu defines the term as "the process by which the organization's top management determines its long-term evolution and performance, ensuring rigorous formulation, proper implementation and continuous evaluation of the strategy" (Russu, 1999) and Ion Popa describes this concept as "a new form of management based on strategy, by which managers aim to ensure the organization's long-term progress and performance, the focus being the rigorous formulation, the systematic and effective implementation and the continuous evaluation of the strategy" (Popa, 2004).

The importance of strategic management is also recognized by Ion Verboncu in an article published in 2011. According to the author, in order to achieve excellence in management, organizations must formulate and implement global and partial realistic strategies based on rigorous diagnoses, which will be leading to management's anticipative dimension strengthening (Verboncu, 2011). Furthermore,

integration and competition are considered as being appropriate approaches for achieving excellence in management by another professor of Management, which is Razvan Corbos (Corbos, 2011). Nowadays, public health services represent an important vector in the strategic development of European countries and regions (Zamfir, 2010, 2011, 2013).

A different situation occurs in the Romanian theory of health management because very few studies treat strategies or strategic management from the perspective of hospitals. Usually this concept is discussed only at the macroeconomic level of the health system, and if it relates to hospital management, then it is not tailored to the health facilities' specific. Among national writings approaching health management, two of them stand out in terms of content. "Hospital Management" is the first one and it defines strategic planning as a process whose aim is "to adapt the hospital to the always changing environment and to understand the current and future opportunities related to these changes" (National School of Public Health, Management and Professional Development, 2006). In turn, Cristian Vlădescu believes that planning in health management falls into two categories: activity and allocation planning. Activity planning relates to making plans that can be controlled, in order to perform preset activities and allocation planning relates to making decisions regarding resources allocation (Vlădescu, 2004).

Even if the theory of health management has not developed, practice has made remarkable progress, which consists of the support that public administration provides for the development of this field. This positive change started with the adoption of Law 95/2006 on health reform. One of the most important issues stipulated by this law is the foundation of the National Commission for Accreditation of Hospitals (CoNAS). Its mission is "to coordinate a standardized evaluation process of the quality of services provided by hospitals in order to improve the health of Romanian people". Specifically, the role of this institution is the accreditation of the Romanian hospitals, according to their compliance with specified standards related to all areas of the medical facility. Thus every hospital must implement a total quality management system by the end of 2015, otherwise they could no longer contract funds from the National Health Insurance House.

Another improvement due to the adoption of Law 95/2006 is the foundation of the National School of Public Health, Management and Professional Development (NSPHMPD), a public institution whose goal is training, research and consultancy in the field of public health and health management. NSPHMPD provides health management postgraduate courses for people who want to occupy a leading position in hospitals, but lack managerial training.

The main conclusion is that the central public administration began to support healthcare management

and, in turn, hospital managers must act properly by practicing a powerful strategic management in organizations they lead, in order to benefit from this support.

### **3. RESEARCH ON STRATEGIC MANAGEMENT PRACTICE IN ROMANIAN PUBLIC HOSPITALS**

#### ***3.1. Objective and research methodology***

The objective of this paper is to analyze the strategic management practice in public hospitals in Romania, in order to get an overview of the strategic approach in the health system. The research focused only on public hospitals because they hold a large share in the Romanian health facilities (about 85%), largely influencing performance of the entire health system.

The research method used is the questionnaire, because it is the most adequate tools for collecting a large amount of qualitative information. In this regard, I have designed a questionnaire consisting of six questions concerning the following issues: motivation for strategic management practice, participants in strategic planning, types of strategies and plans used in hospitals, goals, resources and competitive advantage in the health system. Gathering information was possible by sending the questionnaire by e-mail to hospitals, the sample consisting of 83 health units.

The usefulness of this research is the fact that the results can be used by various stakeholders, such as:

- hospital managers who can see how the health facility they run is positioned in the health system;
- other parties who wish to obtain an overview about the strategic management of public hospitals (consultants, doctors, economists, etc.).

#### ***3.2. Results***

In this section I will present the research results obtained from the questionnaire applied on the sample of public hospitals in Romania.

Note that most managers of hospitals (53%) consider improving performance indicators as the main motivation for strategic management practice. This is because health facilities are assessed by the Health Ministry through these indicators, which largely cover the entire activity. Next motivation on the preference list of managers (15%) is increasing responsiveness to environmental influences, which allows hospitals to adapt more quickly to changes occurring in the environment. The opposite is

strengthening relations with stakeholders, which is considered important by only 2% of respondents.

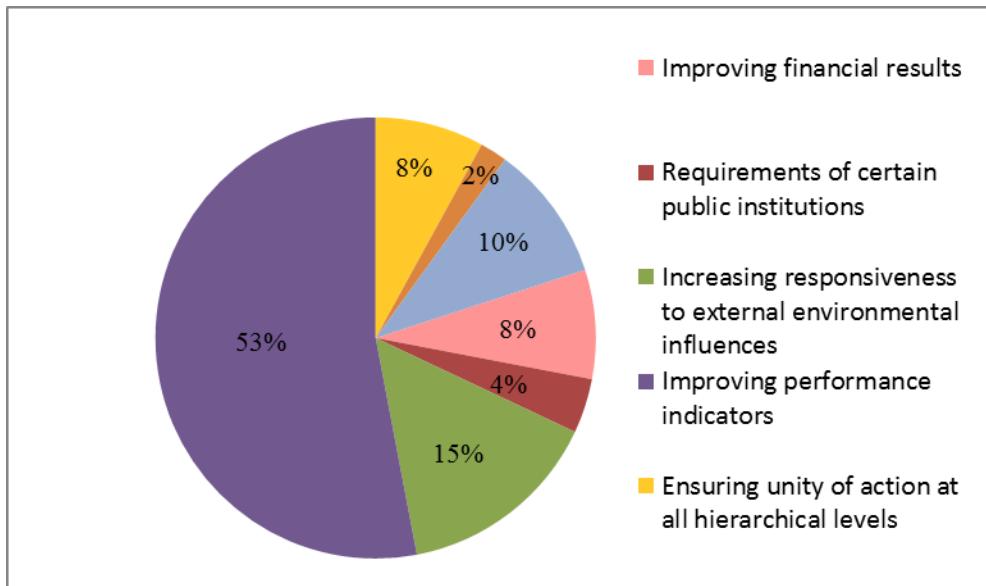


FIGURE 1 - THE MAIN MOTIVATION FOR STRATEGIC MANAGEMENT PRACTICE WITHIN THE HOSPITALS  
Source: own research

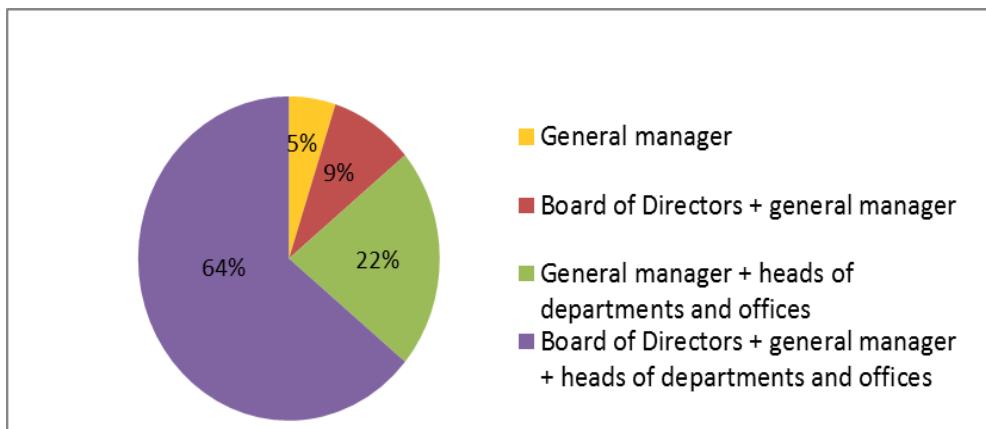


FIGURE 2 - PARTICIPANTS IN THE STRATEGIC PLANNING OF HOSPITALS  
Source: own research

As shown in Figure 2 in most public hospitals in Romania there is a strong participatory management, meaning that each category of employees participate, through their representatives, in decision making. In the present case, the decisions focused on strategic planning are taken in 64% of hospitals by the Board of Directors, general manager and managers of departments and in 22% of hospitals by general

manager together with managers of departments, which shows a collective involvement of decision makers in initiatives regarding the future of the medical facilities. The percentage of hospitals in which strategic planning is carried out only by the general manager and the Board of Directors is low (14%).

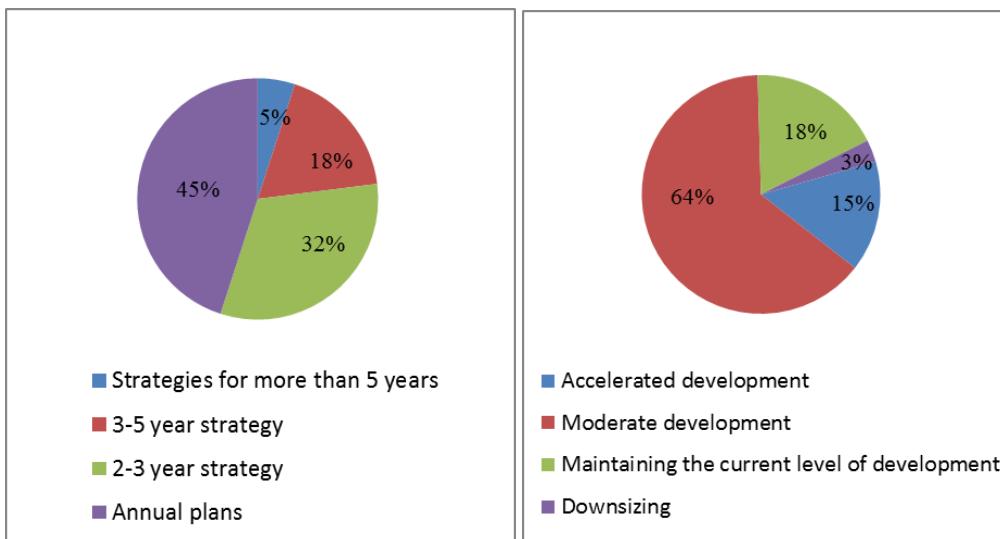


FIGURE 3 - TYPES OF STRATEGIES AND PLANS USED IN HOSPITALS

Source: own research

FIGURE 4 - HOSPITALS OBJECTIVES FOR THE NEXT 2-3 YEARS

Source: own research

Figure 3 shows the period of time over which strategic planning in public hospitals in Romania spans. On this question, the managers had to choose the types of strategies or plans that are used in health facilities they lead. According to responses recorded, 45% of hospitals use annual plans, 32% use 2-3 year strategies, 18% use 3-5 year strategies and only 5% use strategies for more than 5 years. The conclusion is that the medium-term, up to one year planning predominates, and the percentage of hospitals with long-term planning decreases as the time horizon over which strategies span increases.

A very important aspect of strategic management is the strategic objectives. Therefore, Figure 4 shows the major targets that public hospitals in Romania are setting for the next 2-3 years. Thus, most health facilities (64%) are turning to a moderate development, 18% want to maintain the current level of development, 15% are turning to an accelerated development and only 3% will reduce their current size. Therefore, it is found that the trend the Romanian health system is following in the coming years will be moderate pace development.

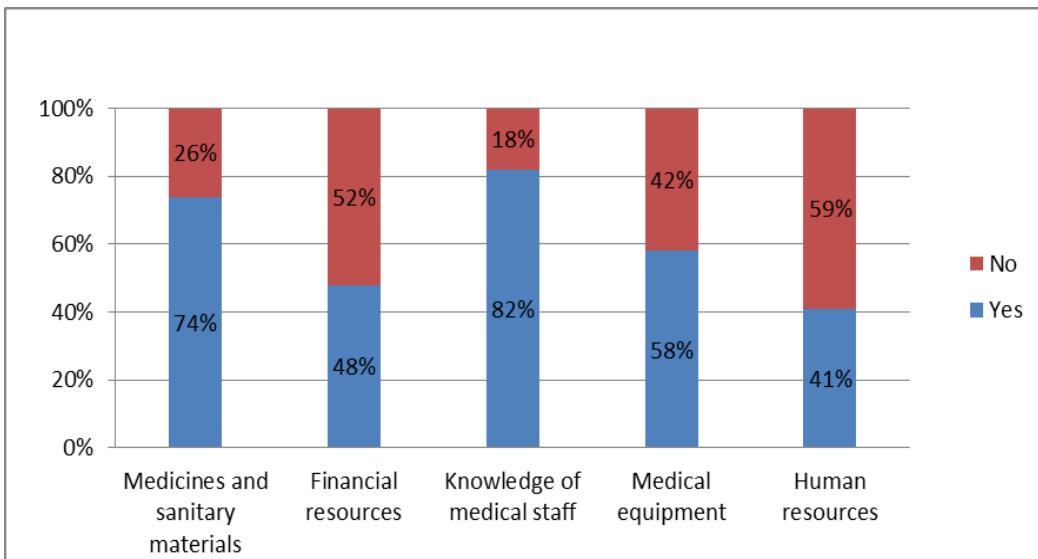


FIGURE 5 - AVAILABILITY OF RESOURCES NEEDED FOR ACHIEVING GOALS  
Source: own research

Given that the resources of an organization contribute directly and decisively to its goals achievement, I wanted to find out if the managers of public hospitals have the necessary means for carrying out all activities in accordance with the set parameters, the more so since it is well known that the Romanian health system frequently faces a reduced level of needed resources, both in terms of quantity and quality. According to the obtained responses, we see that the situation differs depending on the type of resources. Thus, if we look at medicines and sanitary materials and also at the knowledge of medical staff, we note the existence of a large percentage of hospitals that own these types of resources (74% and 82%). For medical equipment, the same percentage drops to 58% and then reaches lower values when it comes to financial resources (48%) and human resources (41%). Therefore, even though there are well trained people, the lack of both money and workforce are factors that affect the effectiveness of hospitals.

The main consequence the strategic management practice has is the development of sustainable competitive advantages, this being the reason I asked hospital managers to rate the competitive advantages a medical facility must possess, according to the importance they ascribe to them. As shown in Figure 6, the first is the existence of well-trained medical staff, with a score of 4.52 out of 5, followed by the supply of high quality medical services (4.29 out of 5) and the use of modern medical technology and equipment (4.23 out of 5). This is a logic fact, because healthcare is a sector where employee skills are crucial, and together with the latest technology, they directly reflect the quality of the medical care. The least important competitive advantages, according to managers of hospitals, are the

supply of medical home care and the decrease of medical services costs. Minimizing the importance of this last point denotes the low cost-orientation managers of Romanian hospitals have, especially when the revenues in this sector cannot vary greatly from one period to another.

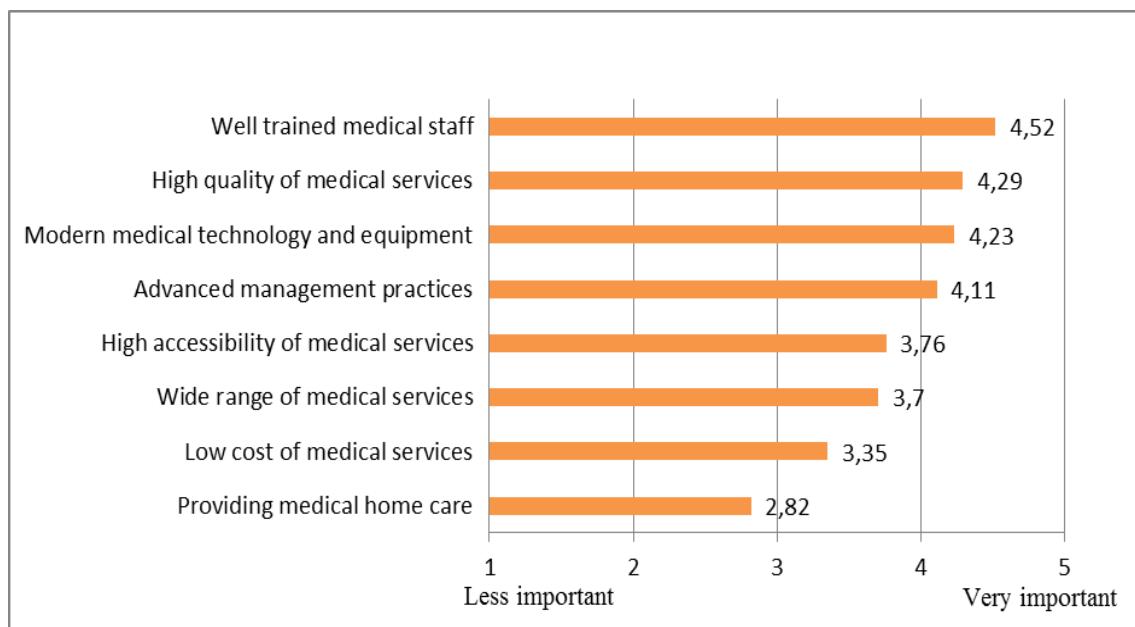


FIGURE 6 - RATING COMPETITIVE ADVANTAGES IN THE ROMANIAN HEALTH SYSTEM  
Source: own research

#### **4. CONCLUSIONS**

In order to achieve their main goal, that being providing high quality medical services to the population, hospitals must implement developed management practices, characterized by a pronounced strategic dimension. The present study shows that, currently, strategic management of Romanian public hospitals is developing, having both strong and weak spots. The positive aspects, such as the developed participatory dimension of the strategic process, are not fully exploited because of the deficiencies such as hospitals' mainly focus on annual plans and not on long-term strategies. Strategic management is affected from the outside too, due to lack of crucial resources (human and financial resources), in this regard the efforts being needed from both the managers and the public administration.

Despite existing shortcomings, the fact that hospital managers are aware of the importance of trained medical staff and need for high quality services, shows that there is potential for improving hospital management. In this regard, actions and support received from public institutions strengthen the hope

that, sooner or later, all Romanian hospitals will move towards an evolved strategic management.

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