

Strategy implementation and organizational performance: A study of private hospitals.

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ABSTRACT

Although there is continuing interest in the concept of strategic planning, very little research has been done to examine whether the extent to which marketing strategies are implemented in private hospitals could explain variations in their organizational performance. This paper aims to present the results of a study that addressed whether there are significant differences in the extent to which marketing strategies are implemented in private hospitals that have high level of organizational performance versus private hospitals that have low level of organizational performance.

INTRODUCTION AND BACKGROUND

Implementation is an important component of the strategic marketing planning process. It has been defined as “the process that turns marketing strategies and plans into marketing actions to accomplish marketing objectives” (Pride & Ferrell 2003, p. 574). It addresses the *who*, *where*, *when*, and *how to* carry out marketing activities successfully (Kotler et al. 2001; Kotler et al. 1994). Pride and Ferrell (2003, p. 574) define marketing implementation as “the process of putting marketing strategies into action”.

According to David (2003), both managers and employees should be involved in the implementation decision and adequate communication between all parties is important for successful implementation. Elements that require consideration during the implementation process include annual objectives, policies, resource allocation, management of conflict, organization structure, managing resistance to change, and organizational culture (David 2003).

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In developing policies during the implementation process, methods, procedures, rules, forms, and administrative practices are established. According to David (2003), strategies which are implemented within an organization should support the culture associated with the firm. The proposed strategy should preserve, emphasise, and enhance the culture, in accordance with the culture supporting the proposed strategy (David 2003). Conflict management also plays an integral role within the implementation process. According to the literature (David 2003; Godiwalla et al. 1997) the human element of strategic implementation plays a key role in successful implementation and involves both managers and employees of the organization. Both parties should directly participate in implementation decisions and communication that play a key role in ensuring that this occurs (David 2003). Business performance is influenced by this human element of strategic implementation. Through providing performance incentives to employees during the implementation phase, it is suggested by David (2003) that business performance will be positively influenced.

Strategic implementation literature focuses on the distinct relationship between implementation and other various organizational elements (Dooley, Fryxell & Judge 2000; McFadyen & Farrington 1998; Skivington & Daft 1991). For example Skivington & Daft (1991) identified the implementation process as being undertaken through a systematic approach which provided a link between strategic consensus and implementation success. These findings were further endorsed by Dooley, Fryxell & Judge (2000) who determined a positive association between strategic consensus and firm performance. Environmental scanning was also found to be important for identifying the human element as a key problem to be addressed during the implementation process (David 2003; Kotler et al. 2001; Kotler et al. 1994; McFadyen & Farrington 1998). However, although the literature is rich in the area of the effect of organizational factors (e.g. culture, structure and resources) on successful implementation of strategies, very little research has been done to examine whether the ways marketing strategies are implemented could affect the performance of private hospitals. This study therefore aims to identify whether the extent to which marketing strategies are implemented in private hospitals could explain variations in their organizational performance.

METHODOLOGY

Hospitals in this study are defined as private hospitals if they are (1) privately owned and operated (2) catering for patients who are treated by a doctor of their own choice and (3) patients are charged fees for accommodation and other services provided by the hospital and relevant medical and paramedical practitioners which according to AusInfo (1999), includes private free standing day hospital facilities.

Regarding the sample population for this study the Australian Medical Association (AMA) was approached for a list of Australian private hospitals. However, the AMA was unable to provide a list but suggested the use of the Australian Private Hospitals Association (APHA) website that contained a list of private hospitals in Australia. The information on the membership list from the APHA website claimed that the list covered 72% of all private hospitals within Australia (Association 2004). Other private hospitals not listed on the website were obtained from state and territory websites and were added to the APHA list thus resulting in a total of 388 private hospitals in Australia.

The survey instrument for this study was sent to all 388 private hospitals via mail delivery. A reply paid envelope was included with each of the questionnaires that were sent out. The questionnaire was pre-tested prior to sending them to the private hospitals. Of these 388 private hospitals invited to participate in this study, 96 hospitals returned the questionnaire. However 24 of these questionnaires were rejected due to a substantial amount of missing items. A further 5 questionnaires were “returned to sender” as a result of changed addresses or business closure. Therefore a total of 383 private hospitals were invited to participate in the study. As a result of the questionnaires that were rejected due to missing items and returned to sender, a total of 72 usable questionnaires were returned, yielding a response rate of 18.8 per cent. Although a response rate of 18.8 per cent could be considered low, it was however deemed satisfactory for this study because it was 18.8 per cent of the total population of private hospitals in Australia.

In order to determine whether respondent characteristics differed from those of ‘non-respondents’, a sample of 25 private hospitals were contacted by telephone to obtain the organizational characteristics of their hospitals and compare them with

respondents characteristics. A chi-square analysis of the data indicated that the organizational characteristics of 'non-respondents' concerning type of hospital, number of employees, ownership nature and time in operation did not differ significantly (at 0.10 level of significance) from those organizational characteristics of respondents.

Given the sensitive nature and level of knowledge required to complete the questionnaire to a satisfactory level, it was deemed that the Chief Executive Officer (CEO) of each hospital was the most appropriate person to complete the questionnaire. However, in organizations where the position of CEO was non-existent, the Executive Director, General Manager or Director of Nursing completed the questionnaire.

The majority (81.9 per cent) of respondents that completed the questionnaire were either Chief Executive Officers, Executive Directors, General Managers or Directors of Nursing in their organizations. Given that a large majority of the respondents used in this study were in senior management positions they should have very reasonable knowledge of the strategic marketing planning practices and performance levels of their organizations. Most (83.3 per cent) of respondents had university qualifications or higher. Just slightly over a half (52.7 per cent) of the respondents employed less than 100 employees and the remainder (47.3 per cent) had 100 or more employees. About a third (30.6%) of the private hospitals employed 200 or more employees.

To determine the level of business performance of these organizations, evidence was sought regarding the following performance indicators:

- profitability status;
- growth in the past 2 years;
- market share currently held;
- satisfaction with return on investments;
- satisfaction with return on equity;
- satisfaction with growth in revenue;
- satisfaction with profitability;
- satisfaction with market share; and

- Satisfaction with average occupancy.

Each of the 9 variables was measured on a five-point scale (where 1 = low performance and 5 = high performance). To meet each requirement an organization must achieve a high level of performance in each of the performance indicators. For each indicator of performance a score of 'one' was awarded if a high level of performance was achieved and a score of 'zero' was awarded if an organization did not achieve a high level of performance. Therefore, if an organization has a high level of performance in all of the 9 performance indicators the organization will have the maximum score of 9, while an organization that does not have a high level of performance in any of the 9 performance indicators will receive a total score of zero. Since the median score was 5, organizations with scores lower than the median value were classified as organizations with low level business performance', and the rest with the median score or above the median score were classified as organizations with high level business performance. This resulted in 19 organizations being classified as organizations with high level performance, and 53 organizations being classified as organizations with low level performance.

RESEARCH FINDINGS

Chi-square analysis was used for identifying whether there are significant differences between the organizations with high level of organizational performance versus organizations with low level of organizational performance with regards to the extent to which they carry out strategic marketing implementation activities. The various implementation questions used for this study (measured on a five - point scale ranging from 1 "carried out to a small extent" to 5 "carried out to a great extent derived") were derived from David (2003) and Tang (1997). The chi-square analysis found significant differences between organizations with low level of performance and organizations with high level of performance concerning the extent to which a number of the implementation activities were carried out (see table 1). For example, the majority (73.7 per cent) of organizations with high level of performance carry out to a great extent making necessary changes to the organization's culture when implementing a strategic plan, compared to 43.4 per cent of organizations with low level of performance who made the same claim. Over half (57.9 per cent) of organizations with high level of performance provided incentives to a great extent for employees to carry out their strategies effectively when implementing a strategic plan,

as compared only 24.5 per cent of organizations with low level of performance that made such a claim. There are however, no significant differences between low level performers and high level performers and the following implementation activities that may be undertaken to a great extent when implementing a strategic plan (see table 1):

- State the activities to be implemented;
- Define the deadlines for implementing the strategies;
- Establish annual objectives;
- Develop policies to guide the implementation process;
- Allocate resources needed to implement these strategies;
- Enhance organizational culture;
- Manage potential conflict that may result from the implementation process; and
- Consistent monitoring to ensure that all activities are co-ordinated.

Table 1: Implementation Activities

| | Low Level Performers Respondents who carried out the following implementation activities to a great extent N = 53 | | High Level Performers Respondents who carried out the following implementation activities to a great extent N = 19 | | Chi-square test Sig. Level |
|--|---|------|--|------|-----------------------------------|
| | N | % | N | % | |
| Make any necessary changes to the organization's structure | 23 | 43.4 | 14 | 73.7 | 0.023 |
| Communicate to employees when and how the strategies will be carried out | 30 | 56.6 | 15 | 78.9 | 0.084 |
| Provide incentives for employees to carry out the strategies effectively | 13 | 24.5 | 11 | 57.9 | 0.008 |
| Consistent monitoring to ensure that all activities are co-ordinated | 30 | 56.6 | 12 | 63.2 | N.S. |
| Assign people who are able to be responsible for implementing these strategies | 35 | 66.0 | 17 | 89.5 | 0.050 |

N.S. = No significant difference at 0.10 level

Table 1: Implementation Activities Cont'd

| | Low Level Performers Respondents who carried out the following implementation activities to a great extent N = 53 | | High Level Performers Respondents who carried out the following implementation activities to a great extent N = 19 | | Chi-square test Sig. Level |
|---|---|------|--|------|-----------------------------------|
| | N | % | N | % | |
| State the activities to be implemented | 36 | 67.9 | 15 | 78.9 | N.S. |
| Define the deadlines for implementing the strategies | 33 | 62.3 | 12 | 63.2 | N.S. |
| Establish annual objectives | 35 | 66.0 | 15 | 78.9 | N.S. |
| Develop policies to guide the implementation process | 27 | 50.9 | 9 | 47.4 | N.S. |
| Allocate resources needed to implement these strategies | 31 | 58.5 | 14 | 73.7 | N.S. |
| Enhance organizational culture | 29 | 54.7 | 11 | 57.9 | N.S. |
| Manage potential conflict that may result from the implementation process | 20 | 27.7 | 10 | 52.6 | N.S. |

N.S. = No significant difference at 0.10 level

SUMMARY AND CONCLUSION

This study found that the extent to which these private hospitals carry out their strategic implementation activities are related to the level of their organizational performance. The claim by the respondents that their organizations carried out to a great extent (1) changes to the organization's structure; (2) communicated to employees when and how the strategies will be carried out; (3) provided incentives for employees to carry out the strategies effectively, and (4) assigned people who are able to be responsible for implementing these strategies were cited more frequently by organizations with high level of performance compared to organizations with low level of performance.

The result of this study tends to support the prescriptive literature (e.g. David, 2003; 2005, Kotler et al. 2001, Pride & Ferrell 2003), that stresses that organizations should treat implementation as an important component of marketing strategy. The lesson for organizations who strive to improve their performance is that they should engage in

performing to a great extent the various implementation activities that are found to be significant in this study.

However, because of the small sample size used for this study, (N=72), a similar study on a much larger scale should be conducted to investigate further the validity of the findings of this study. Future research can also examine whether the extent to which an implementation activity is carried out is related to the type of strategy pursued by organizations which in turn influences the level of performance.

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