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**Impact of strategic  
orientation adopted by  
an organisation on its  
performance, as shown  
on the example of public  
healthcare entities<sup>1</sup>**

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## 1. Introduction

One of the research directions in the area of public governance are issues related to the strategic management of a public organisation and searching for solutions that would translate into a greater efficiency of public organisations, especially since the business environment is becoming more dynamic and the importance of the public sector for socio-economic development is growing. Literature on the subject suggests the organisations should adopt a resource-based view (RBV) to strategic decision-making, i.e. to focus on the organisation's internal structure, its resources and skills so as to enable it to better address emerging challenges, as one of possible solutions for effective operation in a turbulent environment. Studies on the resource-based approach carried out thus far focused mostly on analysing the impact of a specific resource of an organisation on its operation. However, there are no extensive studies that

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treat orientations in a more comprehensive way, especially in reference to public organisation management (Szymaniec-Mlicka 2014). The noticed research gap became a motivation to design studies aimed to examine the impact of strategic orientation adopted by an organisation on its performance and, additionally, to analyse how the adopted approach to stakeholder relations management affects that relationship. The study was conducted on public healthcare entities operating as independent public healthcare institutions. The purpose of this article is to present the results of conducted studies.

## 2. Strategic orientation and stakeholder relations management strategies

Literature on organisations and management, in particular pertaining to the area of strategic management, features a certain number of structures referred to as “orientations”. They are an attempt to build an integrated tool for understanding and measuring a specific type of orientation adopted by an organisation towards one or another phenomenon (Bratnicki, Zbierowski 2012). An organisation’s orientation comprises philosophies that determine the nature and direction of its operations and plans (Bratnicki, Zbierowski 2012). Therefore, adopting different organisational orientations leads to a changed perception of priorities – consumer perception, defining the organisation’s operations. Orientation is a basic philosophy that gives substance to a general decision-making model adopted by the management. It is a type of focus, a course set for a specific point of reference (Bratnicki, Zbierowski 2012).

Literature on the subject distinguishes between many different kinds of orientations (Bratnicki, Zbierowski 2012, Zakrzewska-Bielawska 2011). One of the typologies proposed in the literature, based on the strategic thinking perspective, distinguishes between an exogenous (market-based) or endogenous (resource-based) orientation. The approach referred to above can be found, among others, in studies by prof. R. Krupski (2012), B. De Witt and R. Meyer (2007), and E. Urbanowska-Strojkin *et al.* (2011).

Adopting an exogenous perspective, the so-called market-based perspective, means that the strategy development process prioritises thinking “outside-in”, whereas the starting point in the development of an enterprise’s strategy is the vision for the market environment. Upon an in-depth analysis of an organisation’s competition and building a strategy on this basis, what follows is the process of amassing resources necessary to implement that strategy. In the exogenous approach, resources play a secondary role in relation to the strategy developed beforehand in result of analysing the competitive environment against which an organisation is trying to position itself.

Adopting the second perspective – the endogenous perspective – for the development of an organisation's strategy means thinking "inside-out", i.e. building a strategy around an enterprise's strengths. In line with this approach, the potential that may ensure market success can be found, in the first place, inside the enterprise, as it lies in an organisation's resources. The company's success is determined by the configuration of its resources and skills. The endogenous approach is characteristic for the resource-based view, in-depth research on which has been conducted by J. Barney (1991, 2007) who believes that a permanent competitive advantage can be achieved by utilising strategic resources, i.e. resources characterised by strategic value, rarity, difficulty to imitate and a lack of substitutes. Resources that have the characteristics specified above have the potential to be used by an organisation as a foundation on which to build a permanent competitive advantage and should become the basis for the development of a strategy.

The resource-based view is assigned particularly great value in the works of R. Krupski, who believes that it enables an organisation to survive, or even achieve success, in an increasingly turbulent environment. In accordance with the assumptions of prof. R. Krupski, an organisation should aim to build a base of flexible strategic resources that will enable it to seize opportunities that appear in its environment. A publication authored by M. Bratnicki and B. Ząbkowska (Bratnicki, Ząbkowska 2007) emphasizes the particular importance of resources in an increasingly unpredictable environment, particularly underlining the role of knowledge and its management. A. Koźmiński emphasizes the importance of resources in conditions of "generalised uncertainty", i.e. the unpredictability of an organisation's internal and external environment (Koźmiński, 2005). An organisation must aim to potentialise, i.e. amass potential with regard to, its ability to operate in unpredictable situations, and that may be achieved by reserves of available resources, in particular intangible resources (Koźmiński, 2005). M. F. Waterhouse (1992) suggests that a manager, a leader should be more than a supervisor or someone looking over your shoulder. In a turbulent environment, they should serve the function of a gardener, i.e. maintain and develop an organisation's resources, mainly human resources. In addition, the strategic planning process in a turbulent environment must place greater emphasis on the involvement of and relations with stakeholders. According to B. Dreyer, K Grønhaug (2004), in an uncertain and turbulent environment, organisations must strive to increase their flexibility, i.e. the ability to quickly react to emerging challenges. Therefore, an organisation's flexibility may

be considered as its strategic resource. E. Fredericks (2005) also points to strategic flexibility as the answer to the increasingly dynamic environment. In Fredericks opinion, the adoption of the resource-based view constitutes the foundation on which to build a flexible organisation. M. L. Pettus, Y. Y. Kor, J. T. Mahoney (2007) also stress the role of the resource-based view in their paper. S. Lev, A. Fiegenbaum, A Shoham (2008), on the other hand, emphasize knowledge and the ability to absorb it, stressing that a turbulent environment gives the organisation an opportunity to transform absorption capacity from potential into actual capacity, thus improving the organisation's results. B. E. Perrott (2008) writes – in a turbulent environment, it becomes necessary to develop competencies in strategy development (including environment analysis), as it will enable better management and adaptation to change.

The resource-based view has an established position in the strategic management theory, but it is not given much attention in the area of strategic management of a public organisation. Studies on the resource-based view in a public organisation conducted thus far touched mainly upon the possibility of utilising a specific resource in an organisation's activities, presupposing that an organisation has adopted the resource-based view approach (review by Szymaniec-Mlicka 2014).

Studies designed by the author, the results of which have been presented in this article, also touched upon the impact of the adopted approach to stakeholder relations management in a public organisation on the relationship between an organisation's strategic orientation and its performance. It is particularly important to pay attention to stakeholders in the case of a public organisation, as the essence of a public organisation's operations comes down to satisfying the needs and expectation of its stakeholders, who in many cases have significant impact on the organisation's decision-making process. The importance and impact of stakeholders on the operation of public organisations forces their managers to seek appropriate strategies for managing relations with stakeholders, especially those of key importance for an organisation's survival (Bryson 2004, Austen, Czakon 2012, Rainey 2007).

One of the stakeholder relations management concepts proposed in literature on the subject is a model of relations proposed by M. Banks and D. Vera which considers organisations to be a collection of contracts between stakeholders. Their proposal is based on the assumption that an organisation is a kind of contract between the interests of cooperation and competition, and an organisation (a commercial company) that manages relations may, *ceteris paribus*, achieve better financial results (Austen, Czakon 2012). An organisation

is a collection of contracts that comprise the organisation and constitute a metaphor of its relations with stakeholders. A contract with a stakeholder may take on the form of a business transaction, exchange of values or knowledge, formal documents, expectations as regards fair treatment, etc. An organisation may conclude several contracts with a particular group of stakeholders. The stakeholder relations management strategy is characterised by behaviours aimed to seek contracts (*ex-ante* strategy) and response processes (of an *ex-post* nature) (Banks, Vera 2007).

The *ex-ante* strategy concerns the stage of deciding whether to enter into a contract with a stakeholder. This choice is connected with the assignment of resources to actions directed at seeking stakeholders, gathering information concerning potential relations and re-orienting current relations, which means learning and utilising knowledge (Austen, Czakon 2012). Therefore, one can refer to the concept of exploration and exploitation as stated in the organisational learning theory, where exploration means volatility, radical change and long-term orientation, whereas exploitation means efficiency, incremental changes and short-term orientation (March 1991).

The *ex-post* strategy concerns choices made after the formal or informal agreement of a contract between a stakeholder and an organisation, i.e. responses to issues related to reactions to the expectations of stakeholders. The *ex-post* strategy may take on the form of proactive or reactive measures. Proactive behaviours are characterised by seeking solutions to problems in relations with stakeholders before they become visible, encouraging stakeholders to participate and pursuing an information policy with regard to a stakeholder that contributes to gaining and building their trust. Reactive behaviours are characterised by making decisions concerning relations with stakeholders in response to emerging problems, minimising the investment in maintaining contact and fulfilling contractual obligations only. In other words, the *ex-post* strategy defines how to respond to stakeholders' demands using resources held by the organisation (and having regard to their limited availability) (Austen, Czakon 2012).

As regards *ex-post* and *ex-ante* strategies, organisations should apply both their dimensions: exploration and exploitation as well as proactive and reactive measures. The managers are faced with a challenge to match the strategy to a particular situation, resources at the organisation's disposal and the importance of individual stakeholders (Banks, Vera 2007).

### **3. Impact of strategic orientation adopted by an organisation on its performance – results of empirical studies**

The above deliberations have prompted the author to design studies aimed to determine the impact of strategic orientation adopted by an organisation on its performance. The analysis covered the role played by the adopted approach to stakeholder relations management in the relationship concerned. Studies are conducted as part of an individual project of the National Science Centre. Public healthcare entities were chosen to be the object of the study. The conducted literature studies allowed to put forward the following research hypotheses:

1<sup>st</sup> hypothesis: There is a presumption that the strategic orientation adopted by an organisation has an impact on its performance.

2<sup>nd</sup> hypothesis: There is a presumption that the adopted approach to stakeholder relations management plays a significant role in the relationship between an organisation's strategic orientation and its performance.

The decision to raise the subject of strategic orientation, with particular focus on the resource-based view, stems from the fact that studies on the resource-based view in public organisations conducted thus far touched mainly upon the possibility of utilising a specific resource in an organisation's activities, presupposing that an organisation has adopted the resource-based view approach, which means that literature on public governance lacks studies identifying strategic orientation represented by organisations. Therefore, it seems substantiated to supplement the identified gaps. The research method adopted in order to achieve the goals referred to above consisted in quantitative studies, with data for these studies obtained by means of a survey. The survey questionnaire was developed using a modified questionnaire used in the study on the adopted strategic orientation, authored by Rafał Krupski (2011), whereas the questionnaire used to study the adopted approach to stakeholder relations management was a modified questionnaire used in the study on stakeholder relations management strategies, authored by Aldona Frączkiewicz-Wronka and Agata Austen (Frączkiewicz 2012). The questionnaire is based on M. Banks and D. Vera's typology of stakeholder relations management strategies, described in the theoretical part of this Article. Managers express their attitude towards specific statements that characterise specific types of behaviours on a scale of 1 to 7. An original survey questionnaire, based on a subjective assessment of an organisation's performance as made by its management staff, was developed in order to assess an organisation's performance. Managers were asked to assess sixteen characteristics of their organisation, e.g. financial stability, progress in

contract performance, patient satisfaction, on a scale of 1 to 7 (Szymaniec-Mlicka 2015). Using the concept of Balanced Scorecard the individual characteristics were grouped into four subcategories of performance (stakeholders, financial, internal processes and growth) and calculated the total performance of the organisation.

The research sample was composed of 120 managers of public healthcare entities operating as as independent public healthcare institutions, i.e. 25% of the studied population. The sample was selected randomly.

The strategic orientation of organisations by market-based view and resource based view was assessed by determining time horizons for the organisation's strategic thinking and decision-making processes. Based on average time horizons for strategic thinking and decision-making processes in public healthcare entities, it is possible to determine the dominant strategic orientation (Table 1). By analysing data provided in the Table below, it is possible to determine that resource-based view is dominant among public healthcare entities. As regards both the strategic thinking and decision-making processes, the time horizon is definitely longer than in the case of the market-based view.

**Table 1. Comparison of resource-based and market-based views in terms of average time horizons for strategic thinking and decision-making processes (in months)**

View	Resource-based	Market-based
Time horizon for strategic thinking	25.1	23.0
Time horizon for decision-making	23.6	21.1

Source: own study

The 1<sup>st</sup> hypothesis, on the impact of an organisation's strategic orientation on its performance, was verified using Spearman's rank-order correlation coefficient – table 2. Statistically-relevant coefficients are shown in bold. On this basis, it can be concluded that a resource-based view to strategic thinking adopted by the management staff clearly affects an organisation's performance, although there is a weak negative correlation (-0.19). The negative value of impact means that the shorter the time horizon for strategic thinking, the higher the organisation's performance. The adoption of a resource-based view to both strategic thinking and decision-making has an impact on performance considered from the

perspective of satisfying stakeholders' needs – the correlation has a negative value as well. The impact of market-based view to strategic thinking and decision-making on an organisation's performance has not been determined. Therefore, it must be concluded that only resource-based view to strategic thinking impacts an organisation's performance.

**Table 2. Correlation between strategic orientation adopted by an organisation and its performance (Spearman's rank-order correlation coefficient; p-value <0.05)**

	Stakeholders' Perspective	Financial Perspective	Internal Process Perspective	Growth Perspective	Total Performance
Time horizon for strategic thinking regarding the market	-0.16	-0.08	0.03	-0.12	-0.10
Time horizon for strategic thinking regarding resources	<b>-0.25</b>	-0.13	-0.04	-0.12	<b>-0.19</b>
Time horizon for making decisions regarding the market	-0.09	0.02	0.02	-0.02	0.00
Time horizon for making decisions regarding resources	<b>-0.16</b>	-0.05	-0.04	-0.06	-0.09
Strategic orientation, total	<b>-0.18</b>	-0.06	-0.03	-0.09	-0.11

Source: own study

Conducted studies were also aimed to identify stakeholder relations management strategies adopted by public healthcare entities. Table 3 presents average values for specific types of strategies – the dominance of the *ex-ante* strategy, i.e. placing the greatest focus on the process of seeking and establishing relations with stakeholders, is clearly visible. In the *ex-ante* group, behaviours characteristic for the exploitation strategy, aimed to develop existing relations with a high degree of certainty, are more dominant, which may result from high volatility of the environment of public healthcare entities, especially in terms of politics. With a high volatility of an organisation's environment, the exploration



strategy might carry too great a risk. In the *ex-post* strategy group, the proactive strategy clearly dominates over the reactive strategy.

**Table 3. Assessment of the performance of specific stakeholder relations management strategies**

	Average value
<i>Ex-ante</i> strategy – exploitation	6.21
<i>Ex-ante</i> strategy – exploration	5.56
<i>Ex-post</i> strategy – proactive	6.21
<i>Ex-post</i> strategy – reactive	3.20

Source: own study

The 2<sup>nd</sup> hypothesis concerned the role played by the adopted approach to stakeholder relations management in the relationship between an organisation's strategic orientation and its performance. The analysis of gathered material indicated that the adopted approach to stakeholder relations management is not an ancillary variable in the relationship between an organisation's strategic orientation and its performance, but does directly affect its performance, hence the strength and direction of its impact has been determined using the Spearman's rank-order correlation coefficient (Table 4). All types of stakeholder relations management strategies, both separately and when considered in aggregate, clearly indicate a positive direction of impact on performance – the greater the degree to which a given strategy adopted by an organisation has been implemented, the higher its performance. It has been determined that the proactive *ex-post* strategy has the greatest impact on performance. The reactive *ex-post* strategy, on the other hand, has the weakest impact.

**Table 4. Correlation between the approach to stakeholder relations management adopted by an organisation and its performance (Spearman's rank-order correlation coefficient; p-value <0.05)**

	Organisation's performance
<i>Ex-ante</i> strategy – exploitation	0.19
<i>Ex-ante</i> strategy – exploration	0.16

<i>Ex-post</i> strategy - proactive	0.30
<i>Ex-post</i> strategy - reactive	0.09
Strategy, total	0.27

Source: own study

#### 4. Conclusion

Adopting a resource-based view to public organisation management seems to be the proper course of action, in particular in a turbulent environment, especially since the statistical analysis showed that resource-based strategic thinking has a positive impact on an organisation's performance. An important hint to putting this idea into practice is, in this case, the negative value of this impact that allows to hazard a recommendation - "think about resources, but not too long", as the shorter the time horizon for resource-based thinking, the greater the organisation's performance. Resource-based thinking and resource-based decision-making has the biggest impact on an organisation's performance from the perspective of stakeholders. It is confirmed, to a certain degree, by the importance of stakeholders in public organisation management, as additionally evidenced by conducted studies that clearly showed a positive impact of the organisation's approach to stakeholder relations management on its performance. Therefore, proactive measures aimed at stakeholders - actively searching for solutions to problems in relations before they arise, strengthening cooperation or constantly searching for new areas and methods of cooperation, while also building trust - will have a positive impact on an organisation's performance, which is why managers should consider relations with stakeholders to be a strategic resource.

#### Summary

##### **Impact of strategic orientation adopted by an organisation on its performance, as shown on the example of public healthcare entities**

The resource-based view has an established position in the strategic management of a public organisation. However, it is not given much attention in the area of public governance, focusing instead on analysing the impact of a single resource on an organisation's

performance. This article attempts to fill this gap by analysing the impact of strategic orientation adopted by an organisation on its performance. In addition, the analysis also covers the impact of the approach to stakeholder relations management adopted by an organisation on its performance. Studies were conducted on public healthcare entities, using a survey questionnaire and quantitative methods. The obtained results indicate that a resource-based view to strategic thinking has an impact on an organisation's performance (negative correlation). A positive correlation, on the other hand, exists between the approach to stakeholder relations management adopted by an organisation and its performance.

**Keywords:** *resource-based view, public governance, public organisation, stakeholders, public healthcare entity.*

### **Streszczenie**

#### **Wpływ orientacji strategicznej organizacji na efektywność jej funkcjonowania na przykładzie publicznych podmiotów leczniczych**

Podjęcie zasobowe ma ugruntowaną pozycję w zarządzaniu strategicznym organizacją publiczną. Niewiele miejsca poświęca się mu jednak w zarządzaniu publicznym skupiając się głównie na analizie wpływu pojedynczego zasobu na funkcjonowanie organizacji. Niniejszy artykuł podejmuje próbę uzupełnienia tej luki poprzez przeanalizowanie wpływu przyjmowanej przez organizację orientacji strategicznej na efektywność jej funkcjonowania. Dodatkowo analizie poddano wpływ sposobu zarządzania relacjami z interesariuszami na efektywność organizacji. Badania przeprowadzono wśród publicznych podmiotów leczniczych przy wykorzystaniu kwestionariusza ankiety i metod ilościowych. Otrzymane wyniki wskazują, iż na efektywność organizacji wpływ ma orientacja zasobowa w perspektywie myślenia (korelacja ujemna). Korelacja dodatnia występuje pomiędzy sposobem zarządzania relacjami z interesariuszami a efektywnością organizacji.

### **Słowa**

**kluczowe:** *podejście zasobowe, zarządzanie publiczne, organizacja publiczna, interesariusze, publiczny podmiot leczniczy.*

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