Strategic Practices in Nonprofit Hospitals: the Convergence of Social Mission and Sustainability

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Abstract

Nonprofit organizations play a significant role in society. Environmental changes and fierce competition for scarce resources frustrate nonprofit organizations. Hospitals must improve management practices if they want to survive as the complex and socially-relevant institutions they are. Hospitals cannot sustain themselves on mission alone—no matter how important their contributions to society are. Learning to cope with scarce resources and manage strategically has challenged managers in every kind of formal organizations. Hospitals have been under the severest scrutiny in recent years—nonprofits especially. This study analyzes the strategic practices developed by a nonprofit hospital in Brazil to balance the social mission with financial sustainability of the organization. The research is characterized as a qualitative research at a well-known, comprehensive, nonprofit, oncological hospital located in Curitiba, Parana, Brazil. Researchers conducted interviews of fifteen top, middle, and lower managers, made observations, and collected archival documents for analysis. The study reveals that the mission of the hospital has been an inspiration for the main decisions and actions taking place within the hospital. Researchers found evidence that the mission represents the glue that holds together people at the hospital. Managers support sustainability efforts by creating a vision for the future that is widely shared by top, middle and operational managers. Strategic practices are being developed at various levels in the hospital by a variety of professionals through efforts like fund-raising, marketing, community relations and internal managerial functions in general. Some practices are micro-strategies such as activities undertaken by managers and volunteers working together. Examples include launching fund-raising campaigns, improving the public image of the hospital through public relations, administering the gift shop, and expanding the partnerships between the hospital and corporations, foundations and government agencies. These strategic practices led to the development of partnerships whereby the hospital produces and sells catheters as a related business. The business generated a new revenue stream creating much-needed income to improve hospital sustainability. The hospital is heavily dependent on public funds as a portion of total income. Another revenue source is donations. As the number of donors and the amount of donations per donor increase, the hospital can expand its social mission and increase its sustainability. These improvements are results of improved managerial performance, the strategic practices of volunteers in concert with management and the institutional focus on mission as its unifying force. Management is building itself a market orientation but the benefits or effect on performance is not yet measurable. The findings of the study reveal the importance of strategic practices developed by managers, other professionals, and volunteers—all unified by the glue of the mission—as key factors to generate stronger revenues that provide sustainability.
Introduction

Nonprofit organizations have long provided benefits and made significant contributions to society. In recent years hospital performance has become a critical focus of organizational scholars (Bryson, 2004; Weerawardena, McDonald, & Mort, 2009). According to many, sustainability is fundamental for the health and welfare of nonprofit institutions (Murphy, 2007); reconciling sustainability with mission has been a severe challenge for hospital managers—even more so for nonprofits.

It is especially crucial for nonprofit hospitals to survive, they must require management to provide excellent service while balancing the budget—the whole while building sustainability. As hospitals have become more important to society as social institutions, they struggle to balance budgets and focus their mission during times of skyrocketing costs. The nature of the business demands more highly-qualified medical and administrative personnel, along with modern and costly technology even while governments and society pressure them to reduce costs and humanize service.

Hospitals cannot transfer their costs to users because of government regulations, constraints from insurance providers and, especially for nonprofit hospitals, the social mission imperative to provide services for the indigent.

Perhaps the greatest challenge for nonprofit hospitals is to carry out their social mission to provide high-quality health services at a reasonable cost while maintaining long-term sustainability. Hospitals face significant, constant change as a result of technological innovation, new legislation, the need for highly-skilled professionals and the increase in operational costs (Porter & Teinsberg, 2006). All these factors emphasize the need for talented administrators who are able to craft strategies to meet their challenges, contain costs, and meet the expectations of diverse stakeholders.

To survive in business, nonprofit hospitals are adopting new managerial practices and becoming more business-like. As a result of strategic planning, total quality programs, balanced scorecards, and budget and control systems, hospital managers have been able to slow the onslaught of pressures from stakeholders and the environment. McDonald (2007) suggests that survival in a changing and competitive environment demands that nonprofits operate more like for-profit organizations by incorporating sophisticated management tools to achieve sustainable performance while pursuing their social missions.

For nonprofit hospitals mission and values are the twin anchors in making decisions subject to opportunities presented and resources available. Each of these concerns has a great impact on the strategies developed. A major concern of managers is to balance efficiency and effectiveness in operations while providing health services that add value and fulfill the social mission. For some hospitals the issue is mission or sustainability, for nonprofit hospitals the issue is mission and sustainability. Reconciling mission and sustainability has become the major challenge to all hospitals; nonprofit hospitals are challenged more than most.

The purpose of this study was to analyze the strategies developed by community hospitals to balance the social mission with the economic and financial sustainability of the organization. The object of the study is one large, Brazilian, nonprofit hospital which enjoys a national reputation as an oncology hospital and research center. The study seeks to answer the question: what relevant strategies are practiced by a nonprofit hospital to reconcile social mission and sustainability?
Mission and Sustainability: The Challenge to Management

As complex systems, hospitals house an assortment of professionals, medical and administrative, with varying backgrounds and affiliations who exchanging ideas, experiences and information, make decisions and enact them. The nature of hospital work is tangible, intangible and human because it deals with life-and-death decisions daily.

Like other nonprofit organizations, hospitals pursue missions to serve particular social needs that either are not delivered well by for-profit or governmental organizations or not delivered at all. According to Moore (2000) the social value added is the ultimate reason for the existence of nonprofit organizations. For-profits are motivated by profit, increased equity value, and the wealth of stockholders.

Cravens describes nonprofit hospitals as “missionary organizations,” meaning “mission-based organizations” (2006, p.15), because their purpose is to make a contribution to the social order (Bodewyn, 2003) and add social value (Moore, 2000). Thus, the mission of nonprofits defines the values intended to benefit stakeholders and society (Moore, 2000, p.183). Essentially the mission of hospitals is known as promoting health by rendering a variety of services provided by professionals working together. Each hospital further distinguishes itself in the quality of care or organizational values. For instance, hospitals sponsored by religious organizations may incorporate the distinctive values of the sponsoring religious group or patron. Several examples from the US include the Franciscans, Daughters of Charity, Seventh-Day Adventists, and many others—all sponsors of hospitals with different missions and values.

Today the healthcare sector is itself seriously ill. One poignant reason for this illness is the growing gap between the declining quality of services rendered and the increasing costs and limited accessibility by the underprivileged (Christensen, Grossman, & Hwang, 2009). It is increasingly difficult to provide quality and reliable medical care in a diverse market populated with patients ranging from the impoverished to the wealthy. This situation has increased competition in the sector by attracting private hospitals to the market serving patients with private insurance or personal wealth—patients traditionally served by nonprofits.

Salamon (2003, p. 76) calls attention to a growing identity crisis experienced by nonprofits in the US. He states that one risk challenging nonprofits is the identity crisis represented by “[…] a growing tension between the market character of the services it is providing and the continued nonprofit character of the institutions providing them”. He further points out that the tension in healthcare is analogous to private universities that experience tension between mission and corporate sponsorship.

In Brazil the paucity of public support to the health sector has intensified the competition for funds among nonprofit hospitals. While the operational costs continue to increase, the number of people able to pay for healthcare declines over time. Nonprofit hospitals, therefore, suffer from pursuing worthy missions to serve needy patients who cannot pay and for whom public funding is insufficient. As a result hospitals struggle to pursue the social mission while balancing the budget. Sustainability is at risk.

Nonprofit hospitals find it increasingly difficult to separate social issues from mission or pro-bono work. They cannot overlook the need to generate revenue to sustainable operations (Gilmartin & Freeman, 2002). The central focus is to build a business model that generates sufficient revenue from paying customers to provide social value by serving those who cannot pay the whole cost of healthcare. Gilmartin and Freeman (2002) also highlight the urgent need for hospitals operating on the "business model," generating profit, continue serving in the
field of healthcare. The healthcare sector needs both kinds—for-profit and nonprofit. There is a growing consensus as to which social enterprise will sustain itself more easily (Boschee & McClurg, 2003).

Some researchers recommend redefining the purpose and mission of nonprofit organizations (McDonald, 2007). Nonprofit hospitals, they suggest, could cope with the environment effectively. Others, like Durst and Newell (2001), suggest nonprofits define their missions more broadly. Still others seek a re-orientation to the market to employ modern managerial practices (Eikenberry & Kluver, 2004).

The tendency to use the market as a benchmark for nonprofits may create risks to the social missions themselves. The risk to hospitals comes from the possibility of financial shortcomings that in turn jeopardize the mission. A study on the increasing market orientation of health services in the UK has shown improvement in service rendered without any negative effects on mission (Weerawardena et al., 2009).

To Weerawardena et al. (2009) the environment is driving the need to build sustainable nonprofit organizations that in turn adopt strategies improve managerial efficiency and effectiveness. For these authors sustainability for nonprofits essentially concentrates on the organizational capacity and commitment to survive in service to constituents.

For a hospital, sustainability is the ability to survive over time while maintaining high-quality of healthcare to all patients, but especially the disadvantaged. For a nonprofit hospital, social sustainability implies that the organization will be able to meet its commitments to the government, suppliers, donors, society, and, mainly, their patients. These hospitals are dependent on stakeholders to fulfill their mission. Sustainability requires stakeholders to trust in the purpose and commitment of the hospital.

Nonprofit hospitals generate three main sources of revenue: payment for services provided, government support and donations. In Brazil, as in other countries in Latin America, nonprofits benefit from tax exemptions—a major consideration for nonprofit hospitals. In other countries, despite tax benefits hospitals must search for additional funds to balance their budgets because operational costs are out of control (Christensen et al., 2009).

To cover the cost of services provided, as Bryson (2004) has pointed out, every nonprofit needs to ensure sufficient flows of revenue to sustain itself. Donors, then, quickly become a vital resource along with volunteers who provide networks to raise funds to support a variety of projects. Governmental and corporate support are two more sources of support nonprofits.

The literature on strategic management has focused on sustainability as a fundamental concern in private organizations. Studies have further discussed the growing need for organizations to seek competitive advantages by improving their financial performance to guarantee survival and growth long range. However the literature on nonprofit organizations does not reflect this concern, despite the increasing vulnerability and challenges they face, especially in nonprofit hospitals. Yet Murphy (2007) has pointed out the strategic component of nonprofits—that their missions are their “raison d’être”.

More and more researchers are recommending the notion of "earned income strategies" by social organizations in the search for sustainability (Peredo & McLean, 2006, p. 60). Under this perspective management practices adopted by both private and community hospitals are quite similar because “social entrepreneurship can take place equally well on a for-profit basis” (Mair & Marti, 2006, p. 39).

For nonprofits it is becoming increasingly difficult to separate social issues from financial matters. Nonprofit hospitals, like other nonprofits, need to generate sustainable operations
The central issue is building sustainability while adding social value through the mission. This requires careful strategic management. Most agree that social entrepreneurship should have economic independence in order to operate (Boschee & McClurg, 2003).

As a result, hospital managers face the challenge of building sustainable organizations that render quality services and add social value while accomplishing the social mission. Strategies, commitment and involvement of all the participants are needed.

**Strategies for Sustainability**

All organizations develop strategies one way or another. In Moore’s terms (2000) an organization has a strategy when there is a commitment to a vision indicating how the organization is going to operate to create value and sustain itself in the future. However, how strategies are formed and how their practices are developed differ among organizations in the nonprofit sector (Oster, 1995; Bryson, 2004).

Fundamental differences exist between managing hospitals and managing traditional formal organizations. Most managerial approaches have been designed for and applied to for-profits (Bolman & Deal, 2003; Mintzberg, 1994; Gilmartin & Freeman, 2002; Mintzberg & Rose, 2007). Strategic priorities of nonprofit hospitals are usually concentrated on rendering health services to the community with government subsidies, private health insurance programs and patients as end users. Scarce resources, politics and ideologies also restrain strategic choices and actions in this kind of organization (Johnson, Scholes, & Whittington, 2008).

Complex organizations like hospitals are subject to the bounded rationality of human beings as described Simon (1997), the autonomy of their members, the interdependence in the production of goods and services as well as intense relationships among their members—everyone holding different interests and beliefs (Mintzberg, 1979; Gilmartin & Freeman, 2002). In practice then, strategy occurs interdependently, and is the result of cooperation and interrelations among participants as agents in charge of the actions that take place in organizations (Stacey, Griffin, & Shaw, 2000).

These factors have highlighted the need for especially-talented administrators, who can employ careful planning to align external demands with internal needs and expectations of multiple stakeholders with resources available. To better meet these complexities, hospitals have sought to adopt or enhance new managerial approaches using strategic management, sophisticated budgeting practices and cost analyses while exercising great care over the quality of service.

In Brazil, the health sector is regulated by the state, which establishes rules and regulations and sets standards to monitor the services offered by hospitals. Like in many other countries, the performance of nonprofit hospitals has often been the target of criticism and complaints by costumers, funders, government agencies, and society.

Scholars have long studied hospitals, examining conflicts in decision making (Shook, Payne, & Voges, 2005), strategic management, and financial performance (Ginn & Lee, 2006), the participation of professionals in strategic decisions (Goldstein & Ward, 2004), implementation of strategies in complex systems (Meyer & Pascucci, 2009) and organizational sustainability.

Researchers who focus on sustainability have suggested several strategies for adoption to provide financial sustainability—the application of business principles to fundraising and employing relationship marketing (Remley, 1996), using identity-based donations and
creating cross-sector, strategic alliances (Berger, Cunningham, & Drumwright, 2004). More common is the practice of relating sustainability to strategic management literature by focusing on the resource-based view (Barney, 1991), market orientation (Slater & Narver, 1995), or core competencies (Prahalad & Hamel, 1990) thereby stressing the need to pursue competitive advantages that lead to survival and growth in the long run.

A major difficulty related to the search for sustainability by nonprofit hospitals is its social status. Many may agree, "at the heart of the discourse is the amoral nature of perceived healthcare's 'corporate transformation' in juxtaposition with the social function of healthcare service" (Gilmartin & Freeman, 2002, p. 53).

In more recent years a new approach has emerged changing the focus of strategy away from the rational view predominant in management literature (Whittington, 1996; Johnson, Melin, & Whittington, 2003; Jarzabkowski, 2003). This new approach, "strategy as practice" (SAP) focuses on the practices of strategists within the organizational context.

**Strategy as Practice**

The premise of the strategy-as-practice approach is that organizations do not have strategies but people do (Whittington, 1996). Within this perspective strategy is an activity undertaken by people in organizations—the strategist is the center of the strategic scenario—and the focus is on what actors actually do and the activities they carry out as strategists. Strategic activity is activity, related or unrelated to the formal, intended strategy, that affects “the strategic outcomes, directions, survival and competitive advantage” (Jarzabkowski, Balogun, & Seidl, 2007) of the organization.

Understanding people and their behavior in doing strategy is one of the key issues in strategy-as-practice research. Within this perspective, as Whittington (2002) has stressed, the central concern is over “practitioners, practices and praxis” and to micro-strategies (Jarzabkowski, 2003; Johnson *et al.*, 2003). Practitioners are actors responsible for action or strategizing. Practices are routines, norms and typical procedures carried out by strategists while thinking and acting. Praxis refers to the actual activity that actors do in practice or strategizing (Whittington, 2002).

The focus on micro-strategy is the attempt to bring to the surface and value the work of agents at various levels and in various units throughout the organization. While top managers perform key roles in the process of strategy formulation, middle managers also undertake the crucial work of “doing strategy” or strategizing. Besides, they strategize through the top-down processes of agenda setting, proposal selection and information filtering (Whittington, 2003, 2006). More recently research studies have examined the role of middle managers as strategic practitioners (Frølich & Stensaker, 2009; Hope, 2009; Tippmann, Sharkey-Scott, & Mangematin, 2009).

Based on this approach strategic practices are done either formally and informally by agents within the organization who are thinking, acting, and making sense of what they do. Typical activities include making decisions, setting directions, allocating resources, monitoring results, and exchanging thoughts and experiences.

Understanding how strategizing occurs in pluralistic or complex environments has been a major concern to strategy-as-practice theorists. In hospitals much of the practices performed by professionals using a variety of resources may have strategic implications in the broad managerial sense. With reference to the public sector, professional services and regulated industries, Jarzabkowski and Felton (2006) identified different aspects of strategizing and
organizing. Jarzabkowski (2003) studied micro practices of strategy in UK universities. Analyzing the strategies in hospitals, Meyer and Pascucci (2009), concluded that most of the time middle managers—not top managers—are in charge of key (corporate) strategic practices.

Strategy-as-practice is an adequate framework for analyzing strategies and their practices in hospitals. This claim is based on the strategic practices in hospitals, as complex organizations, where professionals manage diversified activities with varying expertise.

Research Method

This is a comparative qualitative case study (Yin, 1987) in Hospital Erasto Gaertner (HEG) located in Curitiba, Parana, Brazil. The criteria that guided the selection of this case are its social characteristics, healthcare service, teaching and research, the recent professionalization and adoption of strategic management and the fact that it was nonprofit. HEG is a major cancer treatment center in southern Brazil, of international significance in the treatment, cure and research of cancer. The hospital serves as a teaching hospital and leading center of research in oncology. To fulfill its mission of "Fighting Cancer with Humanism, Science and Affection" (HEG, 2009), the hospital has sought alternatives to will guarantee a sustainable future.

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>HEG</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foundation date</td>
<td>1972</td>
</tr>
<tr>
<td>Position in health market</td>
<td>Renowned in oncology in the South of Brazil</td>
</tr>
<tr>
<td>Number of staff</td>
<td>1,000</td>
</tr>
<tr>
<td>Number of beds</td>
<td>153</td>
</tr>
<tr>
<td>Percent of patients using federal healthcare program (SUS)</td>
<td>92%</td>
</tr>
<tr>
<td>Average number of patients</td>
<td>12,300 per month</td>
</tr>
</tbody>
</table>

Source: HEG Annual Report 2009

The level of analysis is the organizational; the unit of analysis is the perception of the key managers about the real strategists and strategic practices adopted by the hospitals to reconcile its social role and sustainability.

Data was gathered in between August, 2009, and March, 2010, from interviews, non-participant observation and archival documents. These sources were defined to avoid possible biases resulting from a single data source, particularly when retrospective analysis was involved (Eisenhardt, 1989; Denzin & Lincoln, 1994).

For data gathering a semi-structured questionnaire was used, with open and standardized questions, aiming to identify strategists and strategies adopted by the hospitals to reconcile its social role and sustainability; special attention was given to practices adopted. The questionnaire was previously tested and validated by managers of other hospitals. The researcher interviewed 15 managers directly involved in the strategic management of the hospital.
The interviews were taped and transcribed; transcriptions totaled more than 370 pages. Researchers also kept notes as non-participant observers which they recorded in field diaries. In sum, the material transcribed for analysis numbered more than 430 pages. Reports of activities, leaflets, information gathered from websites were used—documents supplied by interviewees.

The data were content analyzed. The specific technique was content analysis—categorical analysis using themes within units. In addition to "presence" and "frequency" researchers also recorded "intensity," specifically its contextual meaning, according to Bardin (1977). The variety of methods used for data gathering allowed the use of triangulation (Yin, 1987; Eisenhardt, 1989) to assure the validity of the information obtained. Triangulation of data sources was sought in various types of publications, interviews, and observation strategies.

### Analysis and Discussion

The overall finding of the study is that the strategic practices developed by the hospital are quite influential in achieving levels of sustainability in the hospital. The findings indicate that the hospital’s clear and compelling mission has been a significant driver and inspiration for decisions and actions that guide major decisions and strategic practices. The number of volunteers has grown based on the clear mission; new stakeholders are making gifts through fund raising campaigns.

Another mission effect occurs when new sources of income are identified they are reviewed in terms as to fit with the mission and whether they would improve health care services. Hospital managers evaluate proposed projects against the mission.

Another finding identified in the study was that strategic practices are carried out by a widely diversified group of professionals—especially at the micro-level. Both employees and volunteers conducted fund-raising, marketing and community relations activities; patient care by employees and volunteers also contributed to the overall improvement of hospital performance in critical areas. Donations increased because of these efforts based on the networks created and nurtured by volunteers. The image and prestige of the hospital increased also through micro-actions of volunteers.

The practices adopted by HEG and identified as strategic were classified into four types: fund raising, marketing, community relations, and functional.

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**Table 2**

<table>
<thead>
<tr>
<th>Characteristics of Respondents</th>
<th>Type</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Top managers</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Middle managers</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Operational managers</td>
<td>7</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td><strong>15</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: Authors
Table 3
Practices of Sustainability

<table>
<thead>
<tr>
<th>Type</th>
<th>Practices</th>
<th>Micro-strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fundraising</td>
<td>Charity events</td>
<td>Dinner, campaigns, entrance fees</td>
</tr>
<tr>
<td></td>
<td>Fundraising</td>
<td>Government agencies and foundations</td>
</tr>
<tr>
<td></td>
<td>Tax exemption</td>
<td>Incentive campaigns</td>
</tr>
<tr>
<td></td>
<td>Planned giving</td>
<td>Efficiency and loyalty</td>
</tr>
<tr>
<td></td>
<td>Donation of goods and in-kind gifts</td>
<td>For individuals and businesses</td>
</tr>
<tr>
<td></td>
<td>Networking</td>
<td>Influence and relationships</td>
</tr>
<tr>
<td>Marketing</td>
<td>Strengthen the image</td>
<td>Related to quality, good management practices, medical reference</td>
</tr>
<tr>
<td></td>
<td>Product sales</td>
<td>Developed for specific campaigns</td>
</tr>
<tr>
<td></td>
<td>Social Marketing</td>
<td>Search for partner companies</td>
</tr>
<tr>
<td>Relations</td>
<td>Partnerships, donations, sponsorships and support</td>
<td>Focus on individuals, businesses and government agencies</td>
</tr>
<tr>
<td></td>
<td>Volunteer work</td>
<td>Psycho-social, assistance and professional activities</td>
</tr>
<tr>
<td>Functional</td>
<td>Concentration</td>
<td>Development for their own use and commercialization</td>
</tr>
<tr>
<td></td>
<td>Diversification of market niche</td>
<td>Focused on attracting patients private and covenants</td>
</tr>
<tr>
<td></td>
<td>Cost reduction</td>
<td>Campaigns, accountability, meritocracy</td>
</tr>
</tbody>
</table>

Source: Authors

A good reputation serves as a red carpet when it comes to attracting patients, resources and partnerships. Many practices adopted in the HEG serve to reinforce the image and reputation of the organization in terms of medical quality and the human touch. As one manager put it, "a line of action when it comes to improving the external image of the hospital is investing in quality" and also "we are working hard to strengthen our social foundations of communication and build an image of efficiency, a hospital facing the prevention of cancer." In the case of nonprofit organizations, Weerawardena et al. (2009) showed strategy to be fundamental to managerial efficiency and effectiveness. Several examples show that hospital strategies have achieved results: HEG was the first charitable organization to receive the seal of hospital accreditation (HEG, 1998).

As pointed out by Eikenberry and Kluver (2004) and McDonald (2007), HEG adopted management practices known as ISO 9000 that included budgeting and strategic planning. As one middle manager said, "these are operational issues, but they are linked to the hospital's growth strategy to become a benchmark, to be recognized nationally, and to improve the external image to get more donations and more partnerships with the government." A top manager added "currently in fundraising, if you want a donation in the long run, you have to plan and show that the hospital has attempted this through planning and training.”

However, its characteristics are complex (Etzioni, 1961; Kast & Rosenzweig, 1979) and differentiated with respect to market thereby requiring appropriate management approaches. Noting the difficulties inherent in this process, a middle manager said "I believe it is very difficult to generate creativity," paraphrasing Stacey (1996).

When micro-actions improve or strengthen the image or reputation; it is considered strategic. Accountability, for example, is strategic when practiced at every opportunity and by different stakeholders. As Gilmartin and Freeman (2002) pointed out, the efforts to integrate and the convergence of interests among stakeholders are essential to the success of hospitals.
Employees and volunteers have used strategies in fund raising which have made important contributions to fund raising campaigns. Providing healthcare services to the poor enhances the image of the hospital and provides new opportunities for fund raising. Practices adopted charity events (such as entrance fees, bingo and dinners), telemarketing, loyalty campaigns for donors and encouraging donations through tax exemption all continue to make significant financial contributions to the hospital.

One successful practice of fund raising is the creation of projects to attract contributions from the public sector, large corporations, and national and international foundations. A top manager emphasized this by saying that "[...] since then, the hospital has established a new level of relationship with the leaders of society and the government" and added "when they [people and companies] see that the government gives us equipment worth a million dollars, they also come to make donations, because they see and believe that we are reforming and improving the hospital". One top manager noted about the medical field as a result of agreements, amendments and parliamentary projects, "we've got a lot of equipment to upgrade the hospital and maybe the hospital may have, today, one of the best technical parks, surgery, surgical center and medical care in oncology in Brazil". This micro-action was the result of making sense of a manager who, according to Orton and Weick (1999), saw the opportunity, developed a proposal to develop special projects then structured it and trained people. The team that previously collected donations of $1 per phone call now picks up a few thousand in a single project. In addition, the acquisition of new equipment is strategic to the hospital because besides representing a savings of millions, it represents fundamental technological upgrades to the change in the customer mix desired by the hospital.

The increase in the number of residential customers served by the covenants and HEG is crucial in terms of sustainability. Today, the largest customer of the HEG is the government which pays for care for the large proportion of people without private health insurance. Historically, this kind of service is unprofitable but in 2010 it represented 92 percent of the patients served at HEG. According to the CEO, to continue fulfilling the mission to "treat all patients regardless of their soccer team, religion, whether rich or poor, we have to keep the hospital [...] maintained within a rather complex structure as a hospital, it means talking about money". Maintenance activities include the search for additional resources to cover the costs of services rendered to the government as well as upgrading technology. That is, the search for resources is necessary for the hospital to sustain its mission. As one middle manager said, "You have to really demonstrate the important points for those who will make a donation to our mission".

Bryson (2004) states that the quality associated with cost reduction should be a strategy of nonprofit organizations. An example of this is the strategic practice adopted to reduce costs of expensive materials used by the hospital. Besides reducing its own costs of surgeries and medical equipment, HEG produces and sells catheters to companies throughout Brazil—thereby generating new revenues for the hospital and a much-needed service to others. Micro-actions such as creating partnerships with universities and research institutes through the active participation of the Institute of Bioengineering Erastus Gaertner (IBEG) expanded the product mix by increasing sales by 20 percent compared to previous years (HEG, 2010). As one top manager stated "one of the catheters developed by IBEG is the only national product. It is the only one that is developed, manufactured and sold here in Brazil".

Another practical strategy at the hospital is the establishment of partnerships with educational institutions and the provision of post-graduate courses on cancer topics. HEG, therefore, trains professionals in the hospital as a service to employees and students at partnership institutions thereby providing a rare resource to the community. Asked about the financial outcome of
such a partnership, a middle manager replied "first of all, we need to empower people. Part of our mission is to empower people to invest". This advances the mission in the decisions and strategies adopted by the hospital.

The distribution of HEG revenue in 2010, presented in Figure 1, shows that although “donations” is representative of the whole, alternative income sources in total are still small. Comparing the performance between 2006 and 2009, total revenue increased 26 percent over all sources. Donations alone grew 30 percent; product sales increased 39 percent. Revenues from health services on the other hand increased only 23 percent. This is because the inability to attract many more private customers paying full costs and the unchanged rate of reimbursement from public programs while costs continued to increase during the period.

![Figure 1. Distribution of Income in 2009](image)

Source: HEG, Annual Report 2010

Besides the aforementioned practices of fund raising, marketing and operations, good community relations have attracted companies and individuals interested in helping out financially or through volunteer work. These practices have been supported hospital fund-raising and assisted in the spread of its social mission.

The use of volunteers and their networks provided another key role in raising funds from a variety of sources. Fund raising generated resources to help meet the increasing operational costs and balance the budget. Besides networks, volunteers hosted charitable events, launched campaigns, operated bazaars, sought funding partners for specific needs of the hospital, and recruited sponsors and donors. One top manager noted that "the volunteer is the spokesperson for the hospital, because in this case there is the middle ground, whoever is working as a volunteer is working because he or she fell in love with the cause." Another top manager mentioned that "They are in tune with our goals, including the purpose of sustainability and bring many ideas which we may be looking for or other sources of funds for our survival".

According to the CEO, while they achieve the mission by humanizing care, the volunteers are crucial in financial terms. They represent unpaid labor, offer help in daily activities, and provide psycho-social assistance and administrative work. One top manager pointed out, "[...]
today I have 400 volunteers doing an activity at the hospital, that would require 300 or more paid workers to do the job." He continued, "Thus this kind of work is strategic and has a big impact for us, especially financial".

Three important features of management at HEG were identified, 1) leadership, 2) the role of stakeholders, particularly volunteers, and 3) managerial approaches to cope with efficient and effective uses of resources to reduce costs. The study identified that the micro-actions of actors, especially middle managers, may have assigned resources according to the contribution towards the quality of services rendered. Agents directly involved in the operation have different perspectives and approaches to problem solving, according to Whittington (2002). Hospital practices such as systematic monitoring of results, discussion forums on controversial issues—with middle and operational managers fully participating—encouraged managerial creativity and process improvements.

Considering sustainability and social mission, decision making at HEG occurs at different levels. Micro-actions as processes were developed, disseminated and used by clinical staff, middle and operational managers. As one manager said "this is what we seek always within Erastus Gaertner, balance."

Conclusions
The study identified the critical influence of strategic practices at the micro-level. It also revealed the importance of managerial capabilities in the hospital in coping with a volatile environment and the high cost of operations in the pursuit the social mission.

As a complex system the hospital needs to constantly learn more professional managerial practices. For-profit managers have profits to measure performance—easily understandable for most audiences. Nonprofit managers manage operational surplus but more importantly, they manage mission accomplishment. This is done by providing quality services at affordable costs to a range of clients (paying and non-paying) while sustaining the enterprise. Thus, the functioning and productivity of nonprofits happens with narrow margins and performance goals that are harder to define. Even the mission is hard to define and implement most of the time. In this regard hospital managers as leaders have been especially skillful aligning goals, objectives and actions, while motivating employees and creating a work climate suitable to carry out the social mission.

Thus, managers have imported practices and measurements from the for-profit sector and added them to time-honored nonprofit practices such as fund-raising and the use of volunteers. The results indicate that strategic practices developed by managers, professionals, and volunteers advance organizational mission and build sustainability. These activities mainly occur in the form of micro-strategies within managerial practices. These efforts have spawned new managerial practices and enlarged organizational capacity.

Hospital mission emerged as a critical component of the study in overall effectiveness. Mission emerged as a unifying reference and source for inspiration for most managers and volunteers. Stakeholders like volunteers are strongly influenced by the mission in their decision to join the organization and work for it. Passion among volunteers is often palpable—an unpaid dividend derived from the match of personal values with hospital mission. Mission is a source for other stakeholders as well. Corporations, foundations, governmental agencies, and wealthy people identify with or experience empathy for cancer patients and those who serve them because of the mission.
The ability to manage diverse streams of income arose in the study. Hospital managers have been learning to explore fund-raising, marketing, and community-relations activities through the work of volunteers—all with the effect of diversifying income sources and strengthening sustainability.

Some areas and issues remain unaddressed by this study. Deserving further examination are issues of professionalism in management, management of volunteers, management of fund-raising, cost containment, the brand and image management, knowledge management, and the role of mission in stakeholder support. All these issues require a deeper analysis especially in evaluating their effect on the performance and sustainability of the organization.

References


