

# **The Association between Organizational Characteristics, Strategic Behavior, Strategic Flexibility, and Hospital Performance**

Li-Lin Sunny Liu  
**Florida International University**

Sheng-Ying Tseng  
**Florida International University**

Although a variety of prior literature has documented the respective influences of organizational characteristics, strategic behavior, and strategic flexibility on hospital financial performance, little evidence has been provided as to the causal linkage among this set of variables. Based on an extensive review of prior literature, I therefore assert that hospitals with different organizational characteristics will be able to exercise different level of market power or cost containment, will exert different extent of strategic flexibility, and thus will exhibit different financial performance. Based on a set of sample selected from both the AHA Annual Survey File and the HCFA Medical Cost Report file, this paper seeks to explore the relationship among these variables of interest. The primary purpose is to help healthcare managers increase their profitability as well as to assist policymakers to improve the effectiveness and efficiency of the delivery of healthcare to populations in a turbulent environment. The results from time series analysis and LISREL approach support our main hypotheses, while not all of them. Specifically, urban hospitals with for-profit status or of greater size tend to exercise higher level of market power or cost containment, exert more extent of strategic flexibility, and exhibit better financial performance relative to those with nonprofit status or of smaller size.

---