

## QUALITY AS A STRATEGY FOR THE DEVELOPMENT OF COMPETITIVE ADVANTAGES IN THE HEALTH INSTITUTIONS FOR ACHIEVING BUSINESS SUCCESS

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**Abstract:**

Background: The aim of this paper is to explore the place, role and importance of modern approaches in determining the strategic position of health institutions. Methodology: This paper presents an analysis of economic indicators of business performance, and an analysis of financial indicators from the perspective of the BSC model. Results: Health care organizations achieve success in their operations of developing systems for measuring and evaluating resources from which to create strategies and develop skills. Conclusion: BSC is a framework, a way to develop the mission and strategy, which along with help, inform about the methods of evaluation of health workers on the stimulation to the past and projected future success.

*Key words: strategic analysis, economic indicators, balanced scorecard, the financial indicators, pharmaceutical marketing strategies.*

## 1. INTRODUCTION

Quality as a strategy for the development of competitive advantage and achieving business success has been recognized since early times. The founders of the philosophy of quality management are Joseph Juran, Philip B. Crosby, and Kaoru Ishikawa. They were the original founders of the program called Total Quality Management, TQM. The basic idea of TQM is management of the organization aimed at quality, and based on the participation of all employees, in order to achieve long-term business success through the satisfaction of all users and employees. The main goal of this approach is to reach an awareness of quality in all organizational processes on all organizational levels. All employees of the organization must be aware of the needs of the end user - the patient (Dickov, Mitrovic & Kuzman, 2011; Dickov & Kuzman, 2011). Measures in the BSC are used to formulate business strategies, communication inside them, alignment of individual and common goals and initiatives for their implementation. Four aspects are illustrated by the BSC to establish a balance of short- and long-term objectives, implementation and expectations of objective and subjective measures, all of which lead to the integrated strategy. In the early nineties of the last century a new measurement system for the performance of business organizations was developed. It was named the Balanced Scorecard - BSC (Concept balanced performance indicators), which was originally designed to be a means of reporting, but it then expanded to include the critical aspects of business. Today, the BSC system, or methodology and its mission, vision and strategy of the organization translated into an understandable set of performance measures that provide the framework for implementing strategy and serves to transform of organizational strategic objectives into performance indicators. Balanced scorecard is a new concept introduced by Robert Kaplan and David Norton at the end of last century, as a revolutionary new system for measuring performance. The basic idea is that BSC is a model for managers. Balanced Scorecard is, like all other modern systems of measurement of business performance, unthinkable without IT support. The complexity of the business environment and companies today is such that to measure the success of a company one must gather a lot of information and process huge amounts of data, which can only be achieved through appropriate information technology support. An existing well-built information system proved to be one of the important factors for successful development and implementation of the BSC (Dickov & Kuzman, 2011; Carter & Chitturi, 2009; Bhalla, Evgeniou & Lerer, 2004).

## 2. METHODS

### 2.1. Methodological concept of the research

The concept paper follows methodology research procedures, which include: the research problem, case studies, research goals, the basic research hypothesis, scientific and social justification of research and research methods. Basic research is the underlying problem in the security model for measuring key performances in any given healthcare enterprise. One way of solving problems occurs in the system of establishing and managing key performance indicators used for measuring, monitoring and managing business results, and determining the relationship between the achieved level of quality of individual processes as well as the indicators of effectiveness of health care business enterprises. Since quality is becoming the most important strategic factor for the success of an organization, the changes in the market led to new approaches to quality, by which the quality of health service is not only determined by efficiency and quality control, but includes market access and the features of organizational management on all levels. Successful implementation of the process involves

the realization of management operations at all times, therefore the organization must be functioning properly and providing necessary input in order to set the execution plans. In an era of new economy and widespread health care companies, sustainable development requires high speed and flexibility, collaboration and organizational efficiency. Performance management is still key to organizational efficiency and is a necessary requirement for adequate changes in the transitional environment (Gundlach, 2007; Dickov, Dickov & Martinović-Mitrović, 2011). The subject of this study is to investigate all relevant aspects of the problematic issues present in a security model for measuring the effectiveness and efficiency of complex health companies, along with all the demanding challenges and pressures of contemporary economic currents at the beginning of the new millennium. Changes in business processes occur through high-speed mobility, Internet, e-Business, so that enterprises can not adapt to such changes soon enough, and businesses end up far behind their competitors. In order to achieve the goal of continual business success in the future, it is necessary to find a way of controlling and managing such mishaps in today's conditions (Dickov, Nerandjic & Perovic, 2004). The main objective of this research is to build an efficient model for providing key performance information of processes in health care companies. The main hypothesis, as well as the specific hypotheses that follow will be explored using relevant scientific methods. The main driving force of this study is the assumption that the drafting of the proposed model will significantly affect and improve the quality of main enterprise performances and improve business enterprise as a whole. Also, one of the goals is to improve the level of the individual processes that have a crucial impact on indicators of overall enterprise efficiency and if possible, to develop a model for measuring primary performance data. Research results should be such that they can be generalized and applied to other conditions and cases, outside of the considered models. The modern business environment is fully globalized and liberalized, using high-production, information and communication technologies. Reaching set goals and achieving the desired level of efficiency is only possible if strategies are formulated, developed and implemented to precisely match the conditions in which they are found. An indispensable tool for effectively managing health enterprises is establishing a systematic approach, integrated into existing approaches and models, and defining the system performance measures that enable the implementation of a devised strategy across all elements of organizational structures. Therefore it is necessary to develop a unified and consistent performance measurement system that clearly links strategic objectives of health institutions to the indicators that are used at all organizational structure levels (Sandier, et. al., 2004; Dickov, Kuzman & Tomic, 2011; Dickov & Kuzman, 2011). The objectives of the research are set according to predefined principles. Carrying out a detailed investigation is of great significance for establishing specific structural characteristics, or any advantages and deficiencies of certain scientific models. To test and prove the following hypothesis, key performance indicators of health enterprises and their interdependence should be provided, which should be obtained by the application of relevant scientific methods (Dickov, 2011; Pisano, 2006, pp. 94–97).

## **2.2. The main hypotheses**

To provide separate models for the measurement of key performance indicators of health companies based on such general approaches and principles in company organization and management.

### **2.3. Auxiliary Hypothesis 1**

A detailed analysis of the characteristics of medical institutions is possible, and so is developing an appropriate approach within their own organizations, establishing consistent system criteria - parameters of performance processes, which are necessary and which will sufficiently reflect the effectiveness of these processes and the overall success of the enterprise.

### **2.4. Auxiliary Hypothesis 2**

Once the system of key performance indicators of enterprises has been established, systems to measure the success of the process in a medical institution will have acquired the conditions for the development of management models for monitoring and the management team that will lead to continuous performance improvement.

## **3. RESULTS**

Studying the work to be done contributes significantly to the scientific perception of the problem which is related to the existence of reliable models of key performance enabling early prediction of any potential problems and their swift elimination. The scientific contribution of this paper is to study the problem of quality assurance performance as a function of health care management company and is made up of the following:

1. First, this contribution will be realized in the domain of the definition of the basic determinants managing and measuring the success of an enterprise, their essential principles and conditions, and the role in the functioning of companies as health (economic) systems;
2. Second, it will achieve a contribution to defining the essence and the determinants of controlling the concept of processes and activities of contemporary performance measurement companies in terms of globalization;
3. Third, the contribution will be realized in connection to the elements and functions of intellectual financial resources of the modern enterprise;
4. Fourth, the paper will contribute to the clarification of the essence and methodology of modern models for measuring business success of enterprises, projected on the performance of healthcare companies, with correctly defining certain shortcomings and explaining the proposal for improved models;

Fifth, we shall conduct a correct analysis of the comparative advantages and disadvantages of modern models for measuring performance. In this sense, attention merits and contribution of research will be in clarifying the roles of key performance processes and Balance Scorecard (BSC) model in improving performance of measurement systems, health institutions, or growth and development on that basis (Mintzberg, Quinn & Ghoshal, 1998, pp. 76–78; Gillespie, Jeannet & Hennessey, 2004, pp. 60–62; Smith, 1991, pp. 77–78).

The social justification of this research is to meet the practical needs - solving specific problems of the company. The results indicate the key issues of quality performance, and direct the attention of all subjects of management companies to these issues and influence their attitudes and behavior in the process of making concrete decisions. This is because the doubt that any investigation, in particular the material in this paper, implies a social relationship. The establishment of social relationships during the implementation of the security model of performance in industrial companies causes reactions of different intensity

in all subjects who were in contact with the research results (Walker, Boyd & Larreche, 1995, 88–90). The primarily used method of comparing similar health care institutions in the country and abroad was using the available domestic and foreign literature, magazines and the internet. Examples from practices were used to compare data on a representative case study, with the examples being taken from the finest health care institutions that excel in applying measurement and analysis of key indicators of enterprise performance. In addition, the paper will be applied to an experimental study of the applicability of the model quality assurance and key performance of health institutions. An enterprise with a complex activity described in the hypothesis is seen in view of the overall complexity of the case studies, a set objective will be achieved with the application of scientific methods on three levels - theoretical, attempting to reach the universal, the concrete-historical, which answers the question of how a normative theoretical model can be used in practical situations, and case studies - analyzing the relevant indicators of the success of healthcare institutions, namely the clinical centers in Serbia, with complex business activity. The choice of these methods and areas of experimental research (samples) will be fully adapted to the nature of the problems whose solution will be sought in this paper. Processing, displaying and analyzing data will be used appropriately along with statistical methods and techniques. Bearing in mind that the collection, processing, presentation and analysis of the data will be mostly numerical, but only partly descriptive and characterized, the proposed methodology is fully compliant to these requirements. This study collected extensive experience of researchers around world, dealing with experimental and theoretical research by ensuring quality of key health performance of enterprises (Walker, Boyd, Mullins & Larreche, 2003, pp. 223–229; Dickov, Kuzman & Tomic, 2011).

## 4. DISCUSSION

### 4.1. Traditional Pharmaceutical Marketing Strategies

As in other industries, marketing plan for advertising or promoting products is crucial to pharmaceutical industry too. However, the pharmaceutical marketing strategies (as well as advertising strategies) are different from other businesses because pharmaceuticals or drugs can negatively affect both- the end consumers or the patients and the health care profession. Also, the advertising strategies included in the marketing plan of any pharmaceutical company is not 'direct to consumer'. Any pharmaceutical marketing strategy targets the health care professionals or the Doctors who in turn prescribe the drugs to the patients (end consumers) liable to pay for the products. However, a few countries (till date two countries- New Zealand and United States) allow Direct-to-consumer advertising (DTC advertising) for pharmaceutical products. The pharmaceutical companies traditionally adopt four major marketing strategies for promoting their products:

- Giving drugs as free samples to doctors;
- Providing details of their products through journal articles or opinion leaders;
- Gifts that hold the company logo or details of one or multiple drugs; and
- Sponsoring continuing medical education.

Pharmaceutical representatives, also popularly known as medical representatives, are the major pharma marketing strategy for marketing drugs directly to the physicians. Typically, the expense of this sales force of any pharmaceutical company comprises anything ranging from 15–20 % of annual product revenues. However, with changing times and new developments, the pharmaceutical industry faces some very serious strategic issues (Helms, 2011; Blackett & Robins, 2010, pp. 94–103).

## 5. CONCLUSION

While most of the pharmaceutical companies successfully employ a host of marketing strategies to target various types of customers, the current business and customer trends are continuously creating new challenges as well as opportunities for increasing profitability. If the pharmaceutical companies want to improve their Return-On-Investment (ROI), they have to adopt new communication technologies (digital media) along with their conventional sales force of medical representatives. They really need to adopt this multi channel marketing strategies for the following reasons.

- The concept of blockbuster drugs is dying out for big pharmaceutical companies where 2-3 drugs were good enough to pay back the whole investment for a larger number of manufactured drugs. Now the limited prospective for blockbuster drugs (thanks to low investment on R&D and patent expiry) makes it essential to focus on more specialized drugs sold in lower volumes. And when there is low volume products, sales driven marketing strategy (with high cost of sales force) is not feasible.
- As far as small pharmacy companies are concerned, they already have small sales force. However, with the use of digital media, having a lower investment cost (both for the company and its targeted customer) they can easily get return on investment.
- Customer behaviour (doctors behaviour) is rapidly changing. Doctors, who are getting more and more busy with increasing patients, can be hardly seen by the medical representatives. They are more inclined towards Internet for obtaining relevant information. It is the time for pharmaceutical companies to build their marketing strategies around this digital media. Website marketing, online marketing, blogs, social media, forums, chat rooms and any other such media is an influential means to present the company's products and offers through opinion leaders.

The right marketing strategy for any pharmaceutical company would be to build on proven strategic marketing principles, along with a focus on changing customer behaviour. Use of digital media through Internet marketing plan is the best marketing strategy that can provide the basis for a changed business model. However, there should be some planning for using digital media for marketing too. It should be a multi channel marketing strategy but should identify the target audience. Every digital media used for all people cannot be called the right marketing strategy. The focus should be on the high value customer segment for pharmaceutical products. To formulate a marketing strategy, it is also crucial to know the existing markets as well as emerging markets of pharmaceutical drugs. Bearing in mind all of the above, it can be concluded that for successful operation, health care companies need to constantly monitor and analyze the strategies defined within the institution, because they need to reach the desired strategic position, where the perception of economic and financial indicators arrives at a conclusion on the financial performance and how successfully the company implements the defined strategy, because strategies which are formulated and not carried out the right way, without yielding results, are left with no purpose. Turbulent environments require such institutions to conduct strategic analysis and business performance analysis ordered at any time. The strategy must be in accordance with the requirements and objectives of the enterprise environment, where economic and financial parameters largely determine the chances of achieving success through change. This will result in increased competitive advantage compared to similar companies, as well as other profitable businesses.

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