

THE VALUE OF BUSINESS MODELS FOR HOSPITALS

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Abstract: During the last two centuries (the 19th century and the 20th century) have developed new techniques of aseptic and Antiseptic, which involves a better understanding of the infection and the development of effective anesthesia. In general, hospital development in this period has been largely influenced by technology. In Romania there are different types of hospitals, general hospital, hospital personnel, Clinical Hospital and University Hospital. Between these hospitals there are six main functions on which the organization offers them: patient care, teaching, research, support for the health care system (for example, the management of primary medical assistance), the role of the employment and the role of the company (for example, the provider of social services). The analysis of the relatively large show similarities between the current configurations of hospitals.

Key words: business model, hospital market, the value chain, competitive strategy

JEL Classification: M12, G30

Introduction

It is important to analyze the strategic background and problems of hospitals in order to better understand the value of business models. Hospitals appeared in the first century, when they focused mainly on providing curative and stationary therapies to soldiers from the Roman Empire. Later, they evolved into "places where people were about to die" (isolating them from the rest of society). After that - starting with the 19th century - hospitals evolved more and more in the areas where symptom-based care was administered, being resolved with treatment. Over time, four distinct uses of hospital-specific business models were identified, such as: strategic choice, linking different strategic areas, focus on value creation and focus on value achievement.

The business model is an approach that balances the opinions within the strategy (based on the resources that the organizations have) with the visions of the strategy (which offers the competition and the demands of the clients). The uses of "strategic choice" and "connecting different strategic areas show the complexity of the hospital business model. It does not focus on a specific strategic domain (for example, the value chain), but on providing a healthy business logic that connects different areas. the business model, which concerns the creation of value, as well as their appreciation, will ensure that what is required can be delivered and what can be delivered is what is truly good.

In this analysis, the specific theoretical part of a business model within a public institution, specifically within a hospital, was exemplified. The model is regarded as a well-operationalized theory, comprising six different elements linked in successive order: value proposition, market segment, strategic position, value chain, competitive strategy and potential cost structure / income.

The notion of value is the strong point of the business model, being exemplified as an input and output value. This is important for resolving current health care issues. The value for hospitals is exemplified by three dimensions: it must be viewed from the client's perspective, it must cover the whole process and be delivered through a sustainable process. In order to investigate the value of the business model, from the point of view of the business strategy, one started from identifying the most important problems encountered in hospitals:

- providing specialized medical care is considered a basic business;
- strategic decisions are often determined by supply;
- the field of application is regarded as the most important aspect of the change;
- the current governance structure complicates decision-making;
- the relationship with the patient is considered increasingly important
- financial structures are increasingly difficult to adapt to strategic initiatives;
- hospitals have great similarities in strategic structures and configurations;
- patients are not always considered end users;
- regulated competition does not operate at full capacity;
- the development of the strategy replaces the established policies.

In addition, compared to the identified strategic problems, four business strategies were identified, completely different that are applied in the sanitary units.

The elements of the business model (value proposition, market segment, strategic position, value chain, competitive strategy and cost structure / revenue potential) together build a complex business logic and concise to the organization. Each of the individual elements can provide a (different) value for the hospital, if strictly strategic issues are addressed.

Defining a value proposition requires the hospital to analyze stakeholders and end customers. The value proposition does not only refer to products and services, but also to the basic functions: more precisely, whether it is the hospital aimed at healing the sick or maintaining the health of the people? The market segment follows the value proposition and focuses on segmentation of potential customers into quantifiable groups and specifies the targets. Today's hospitals show little focus on the needs of patients.

The connection with the environment involves the third element of the business model (strategic position) and is oriented towards creating a relevant value. Emphasis is placed on aspects related to the organizational

structure, such as: centralization, outsourcing, trading costs, coordination costs and addressing governance issues. The relevance of determining the strategic position, clearly shows what the boundaries of the organization mean: where it starts and where it ends.

At each stage of the hospital's value chain, the value is changed, which must be relevant to the value proposition. The next element, the competitive strategy, is an important element for hospitals that offers sustainability and cannot be overtaken by competitors.

The cost structure and the revenue potential of changing the business model focuses on the idea that no organization is viable unless it generates revenue. The hospital must build a broad portfolio of services that will balance costs as well as revenue-generating activities. Customers must be taken into account, their needs, intuited on what they are willing to pay (exchange value), which exemplifies the identification of future revenue streams that go beyond the current payment mechanism.

The business model can be used to test current hospital management strategies, but it is useful to test new scenarios for hospitals that look at how to gain a competitive advantage in the future. The business model is not an easy solution to be implemented in hospitals, especially where the policies initially established by the management have long been followed. Discipline is needed to determine what a healthy business logic means. Thus, the idea was reached that, at any stage of the business model, there are methods, tools and techniques that help the hospital to evaluate and connect on different strategic areas. If the hospital can link these tools and techniques, through the business model, then the business logic specific to the current strategy can be correctly evaluated and future scenarios can be tested.

Accepting the use of the business model is closely linked to the hospital's desire to rethink the organization. If there is no need for change, there will probably be less interest in any value-based strategy. If the hospital is aware that sustainable supply of value is important, then it is necessary to accept the business model. In order to be able to evaluate the value of the business model, it is necessary to understand in what area the value is being tested.

The business model is part of the field of tools available to run a hospital to build a strategy. The strategy evolves around questions about why, where, how and when products and services are properly delivered in the hospital unit. If the value of the business model is analyzed, one must first find out more about the context in which it is applied. This context is the strategic environment of the hospital: its positions in the landscape of healthcare organizations and its functions and activities.

The health care system is exemplified by three modes: public health services, primary care and secondary / tertiary care. Primary health care is provided by family physicians, home nurses, home caregivers, midwives,

physiotherapists, social workers, dentists and pharmacists. Secondary and tertiary care in hospitals is largely provided in private institutions.

The family doctor is the keeper of the health system. Family physicians "specialize" in common and minor diseases, in the care of patients with chronic diseases and in addressing the psycho-social problems related to these complaints. Complicated (and expensive) specialized care is reserved for patients who require special expertise.

The present hospital is a virtual organization: it is often presented as a monolithic, singular entity, homogeneous to the outside world, but inside it is presented as a network of different entities, working together in different ways and stages of the process.

In conclusion, hospitals have a long history of reactive growth and development. Proactive strategic development and subsequent decisions regarding delivery products and services have not long been part of hospital-based decisions. Rather, hospitals would follow the policies set by "doing what they had done for a long time."

The business model represents a comprehensive approach to the construction strategy. It is a "conceptual tool that contains a set of elements and relationships that allows the expression of the business logic of a particular thread". You can use a business model, as a tool, to build a strategy that balances both internal, organizational and external views, the patient. This establishes the business model that takes into account the strategies on which the managerial management of the hospital unit has focused, strategies to be applied or which are still in the elaboration phase. The use of the business model for strategic choice is not surprising. It is a technique that is in the field of strategic tools and techniques, all oriented to support the strategic option in one way or another. Highlighting the business model is exemplified by its focus on competitiveness. Compared to other strategic techniques, such as S.W.O.T. or the BCG matrix - which focuses only on specific strategic areas (competitive strategy and strategic position) - the business model that is linked to different strategic areas, focuses on a broader perspective of the strategic option, namely: from value to the user final to the generation of income for the healthcare institution.

The main attributes of the business model, implemented within a hospital are:

- ✓ the articulation of value propositions, that is the value created for the users of the technology based offer.
- ✓ identification of a market segment, ie users whose technology is useful and aims to specify the mechanism for generating revenue for the hospital.
- ✓ description of the strategic position of the hospital within the network of values linking providers and customers, including identifying potential complementarities and competitors.

- ✓ defining the value chain structure within the hospital, an extremely important aspect for creating and distributing the offer and determining the complementary assets necessary to support the firm's position in this chain.
- ✓ formulate the competitive strategy by which the hospital will gain you and has advantages over your rivals.
- ✓ estimating the cost structure and the income potential to produce the offer, taking into account the value proposition and the chain of structures of the chosen value chain.

The six attributes collectively serve complementarities, namely the justification of the financial capital needed to realize the model and define a way of expanding the business. Applying the business model, the authors do not follow a sequential structure, although they start with the value proposition, thus it was concluded that it is not absolutely necessary to define such a structure. At the same time, offering a possible structure, the business model acts as a reference for aligning the thinking process of the management. In conclusion, a structure is proposed that identifies the three main topics: creating value, realizing and obtaining value. It also includes the fundamental notion of approaching the business model that starts with the preferences of the customers and "ends" with the delivered value.

The business model does not offer a single answer to how hospital and internal strategies should be built. But it continually emphasizes the need for the logical connection of all the elements, so that the final value is delivered to the end user in ways that respect the ideas regarding the sustainability of the organization.

There are many actors in hospitals, including patients, doctors, nurses, management, insurers, neighbors, government, family and providers. And the list can be even longer. So the consumer problem for hospitals is not always easy to answer. What we can say is that, in the end, the patient is always considered an end user: the patient is removed (the person receiving care) and there is no reason to involve any other stakeholders. This makes the patient the end user, but not always the end consumer. Hospitals express different opinions, when referring to the final consumer, some say the patient is the final consumer, others see themselves as facilitators of the doctors who provide the real services, while others focus on the insurer as the final client, because they define the parameters of what what should be delivered. Hospitals agree that the patient is always considered an end user, but the final consumer may differ depending on what is considered more important.

The hospital acts as a "virtual mall" or network, and the business is connectivity and knowledge intermediation; The markets served vary (large or small) that connect to the needs of customers with the small or large service provider, exemplifying a flat management.

The business model links the strategic areas to give a complete and concise image on the business logic. The value proposition refers to the main functions of the organization. And when the value proposition is defined, it is based on the patient's value preferences. Therefore, the value proposition must always include the notion for

which the basic functions are offered. When establishing a value proposition with business model theory, it is not possible to define the outcome, but it is possible to define the attributes that need to be addressed in order to build a relevant value proposition. The value proposition is, in the first phase, the business model and can be seen as a summary of all the following elements to which the client must turn.

Versions of a value proposition can be slogans or slogans for organizations, such as: "Patient needs are first" or "Treating the heart, vascular and thoracic for patients around the world." As identified, the value proposition begins with The basic function of the offer Hospitals define the provision of specialized medical services as a basic offer. In conclusion, the value proposition is not automatically linked to an offer of concrete products or services and must be linked to actors such as clients.

The strategic position of an organization is related to the relationship between the organization and its environment. Today's hospitals often define their strategic position as "the next line of medical specialists" because they have added expertise on the value chain. The value chain of health care delivery focuses on four levels specific to the services provided: information and employment (including communication), measurement (including diagnosis) and access (including office visits). The fourth level constitutes the effective delivery of healthcare divided into monitoring / prevention, diagnosis, preparation, intervention, recovery / rehabilitation and monitoring / management. The concept behind the value chain is that every step of the chain is an exchange of values. This shows that the steps in the value chain are valuable only if there is a balanced exchange of values. The steps in the value chain that do not add value can be cut from the process to have a weaker process, with less losses.

A competitive strategy is relevant for the hospital in a competitive environment (even a non-functional one) in order to achieve a sustainable success. If no competitive strategy is developed, other organizations may sooner or later offer competitive offers, including similar products with better services or "simply" better products. This will make it harder for organizations once the regulated competition system matures and they are not ready for competition. The approach of the business model has some benefits for hospitals, but also limitations - but it does not solve all the problems and questions of the hospitals.

Benefits of approaching the hospital business model:

- they offer an inclusive model rather than exclusive solutions
- offers a comprehensive, structured sequential model
- identifies the need to make choices in order to build a comprehensive and coherent logic;
- resolves the causal ambiguity;
- can be used for analyzing and creating new horizons.

The business model is viewed as an instrument that attempts to provide predefined solutions, resulting in a clearer identification of the fact that hospitals must make choices to build a comprehensive and coherent logic. Finally, the business model approach is useful at least for analyzing current strategic logic, as well as for defining new and / or changed strategies.

In conclusion, hospitals must balance their decisions between the value created for both the client and the organization. This means that the various strategic options need to be defined and evaluated. Each of these options needs to be concise and comprehensive to assess whether it provides value in a sustainable way. The business model is a strategic model (or a template) that gives decision makers a tool to build personalized and comprehensive strategic scenarios. Accepting the use of the business model is closely linked to the hospital's desire to rethink the organization. If there is no need to perceive change with decision makers, there is likely to be little interest in any value-based strategy. If the hospital is aware that providing value in a sustainable way is an important step, it will be easier to accept the business model.

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