EFFECTIVENESS OF COMPETITIVE ADVANTAGE IN PRIVATE HOSPITALS
LEADING TO SUSTAINABILITY

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ABSTRACT

Health has been a top priority for a country’s stakeholders. The average health expenditure depicts an impressive variability worldwide, with Americans being the top spenders and South East Asian countries being at the bottom of the respective list. This study analyses the existing competitive advantages of the most important players in the private medical services market, in Bangalore. It traces their development and the factors that determine positioning strategic decisions. The competitive advantage of a business in the private medical services market is a result of a number of factors. The top three criteria of choice for a patient are doctors, medical technology and waiting time for accessing the service. Objectives of this research paper are: 1. To identify the key success factors (KSFs) and the drivers of change (DC) in the Indian Medical Industry; 2. To propose a fine tuning in strategy as a response to changes in the macro and micro environment; 3. To re-evaluate existing business models and propose amendments that may lead to future sustainable competitive advantage and 4. To develop a proposition for growth strategies, business strategies and means of implementation that will lead to long term growth.

Keywords: Strategy, Medical Services, Business Models and success factors.

1. Introduction

Health, Was, Is and Will always be a top priority for population, service providers and payers (Government, companies and Private Individuals). Health financing is a critical component of health systems and the total expenditure on health is the sum of government as well as private health expenditure where government expenditure in health is low, the shortfall is made up, in low-income countries, by private spending about 85% of which is out of pocket in these countries the fee for service market is significant and can be affordable only by selected customers having high purchasing power.

The first private initiatives started to occur with startups in dentistry services followed by general Practitioners, medical offices privatization in 1999. Since then, step by step other medical specialists started to be introduced in the private market. Currently there are more than 2000 private medical service providers from small mono-specialized clinics to hyper clinics and private hospitals. This lead to fast growing market which registered double digit growth every year in the past five years and is expected to further develop mainly because of the existing gaps in the medical system.

Competitive advantages are conditions that allow a company or country to produce a good or service at a lower price or in a more desirable fashion for customers. These conditions allow the productive entity to generate more sales or superior margins than its competitors. Competitive advantages are attributed to a variety of factors, including cost structure, brand, quality of product, intellectual property and customer support.
Competitive advantage is attained through either cost leadership or differentiation. To gain competitive advantage over its rivals, a firm must either provide comparable value to the customer, but perform activities more efficiently than its competitors (lower cost), or perform activities in a unique way that creates greater buyer value to the customer and commands a premium price (Porter, 1996). The common function in either of the strategies therefore is value creation.

RESEARCH DESIGN:
1. Statement of the Problem: Organizations being environment dependent have to constantly adopt activities and internal configurations to reflect the new external realities. Today’s customers are becoming knowledgeable, their tastes and preferences and quality expectations continue to change which puts pressure on organizations to meet the customer preferences by adopting strategies to gain competitive advantage leading to sustainability.

I. The Scope of the study: The study is restricted to few selected private hospitals in Bangalore city to analyse the factors affecting competitive advantage

II. Objectives of the Study:
1. To identify the key success factors (KSFs) and the drivers of change (DC) in the Indian Medical Industry;
2. To propose a fine tuning in strategy as a response to changes in the macro and micro environment
3. To re-evaluate existing business models and propose amendments that may lead to future sustainable competitive advantage
4. To develop a proposition for growth strategies, business strategies and means of implementation that will lead to long term growth.

3. Review of Literature:

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>Author/Citation</th>
<th>Variables Studied</th>
<th>Findings, Suggestions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Szekely and Knirsch(2005)</td>
<td>Shareholder value, reputation, customer relationship,</td>
<td>Characteristics of sustainability hospitals can be measured through quality improvement, waste reduction, and upgrading equipment to higher efficiency.</td>
</tr>
<tr>
<td>2.</td>
<td>Porter (1985)</td>
<td>Competitive advantage, Cost leadership and Differentiation</td>
<td>Value a firm is able to create for its buyers that exceed the firm's cost of creating it. Value is what buyers are willing to pay, and superior value stems from offering lower prices than competitors for equivalent benefits.</td>
</tr>
<tr>
<td>3.</td>
<td>Treacy and Wiersema (1995)</td>
<td>product leadership, operational excellence, and customer intimacy.</td>
<td>Hospitals to maintain competitive advantage in the market should focus on the operational excellence, customer intimacy and also cost effectiveness so that they can sustain in the market for a longer period of time.</td>
</tr>
<tr>
<td>4.</td>
<td>Porter (1990)</td>
<td>proprietary technology, customer relationships</td>
<td>Hierarchy of source (durability and imitability) - lower-order advantages such as low labour cost may be easily imitated, while higher order advantages like brand reputation require sustained and cumulative investment and are more difficult to imitate.</td>
</tr>
</tbody>
</table>

3. Methodology:

Primary Data: Is collected through Questionnaires and Interviews from the personnel of various designations in the Hospitals situated in Bengaluru City. Sample size was 100 respondents. Data was collected and analyzed through statistical tools

Secondary Data: Is obtained from the Health Care Journals and Websites, Newspapers, Magazines, and Web Search

4. Limitations of the Study:
- Since the paper work is carried out for a very short period exhaustive findings could not be made.
- The data collected is restricted to selected Private hospitals in Bangalore city.
- Data collected was analyzed based on the opinion given by the respondents which is assumed to be true.
Analysis and Interpretation

Objective 1 and 2 Analysis through Core Competency and Firms Performance

I Table Showing cost effectiveness and customer relationships in hospitals

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost Effectiveness</td>
<td>60%</td>
<td>40%</td>
</tr>
<tr>
<td>Customer relationship</td>
<td>80%</td>
<td>20%</td>
</tr>
</tbody>
</table>

Source: Primary data

Analysis

From the above table it can be analyzed that 80% of patients are satisfied with customer relationship maintained in the private hospitals and 20% are not satisfied with the customer relationship that they maintain in private hospitals. 60% of the patients are satisfied with the cost effectiveness and around 40% are not satisfied with the cost effectiveness in private hospitals.

Interpretation

It can be interpreted from the above graph that even though majority of them are satisfied with the customer relationship but still the hospital should try to focus on cost effectiveness which will lead to gain competitive advantage and sustain in the market for a longer period of time.

II Table Showing customer intimacy and operational excellence

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Satisfactory</th>
<th>Not satisfactory</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer intimacy</td>
<td>90%</td>
<td>10%</td>
</tr>
<tr>
<td>Operational excellence</td>
<td>75%</td>
<td>25%</td>
</tr>
</tbody>
</table>

Source: Primary data

Analysis

From the above table it can be analyzed that 90% of patients are highly satisfied with the customer intimacy that hospitals maintain with their patients and only 10% are not satisfied with customer intimacy in private hospitals. 75% of them are satisfied with operational excellence maintained by the hospitals and only 25% are not satisfied with the operational efficiency in private hospitals.
Interpretation
From the above graph it can be interpreted that even though only a minority percentage of people are not satisfied with the customer intimacy and operational excellence maintained in private hospitals, they should try to focus on this issue so that they can try to increase the satisfaction level of the patients in order to sustain in the market.

III Table showing customer satisfaction and environment changes

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Satisfactory</th>
<th>Not Satisfactory</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer satisfaction</td>
<td>80%</td>
<td>20%</td>
</tr>
<tr>
<td>Environment changes</td>
<td>70%</td>
<td>30%</td>
</tr>
</tbody>
</table>

Source: Primary data

From the above table it can be analyzed that 80% of patients are highly satisfied with the care given to their patients in hospitals and only 20% are not satisfied with patient care given in private hospitals. 70% of them are satisfied with environment maintained by the hospitals and only 30% are not satisfied with the environmental changes in private hospitals.

Interpretation
It can be interpreted that Private Hospitals should still focus on positive environmental changes so that they can satisfy the customers and also maintain competitive advantage.

IV objective 3 Analyzed through model
V Objective 4 Analysis through model of core competency and Firms performance

SUMMARY OF FINDINGS AND RECOMMENDATIONS/SUGGESTIONS:

1. Hospitals should try to focus on cost effectiveness which will lead to gain competitive advantage and sustain in the market for a longer period of time.

2. Private hospitals should try to focus on operational efficiency issue so that they can try to increase the satisfaction level of the patients in order to sustain in the market.

3. Private Hospitals should still focus on positive environmental changes so that they can satisfy the customers and also maintain competitive advantage

4. Hospitals should focus on social responsibility, environment, and economic concern in providing services to the patients for its sustainability

5. Conclusion
To conclude, healthcare’s role in society is changing. To compete and enhance organization’s ability is to improve its performance. The study also found out that the organization had adopted some strategic responses such as marketing strategies and specifically promotional strategies that has resulted in success in the organization customer acquisition endeavor. The expected finding in the study has provided a structural relationship between core competency and Firm’s performance which serve as a bench mark in implementing latest technology in order to compete and sustain in the market.

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