

The Competitiveness and Balanced Scorecard of Health Care Companies

The
Competitiveness
and Balanced
Scorecard of
Health Care
Companies

Inese Mavlutova

*BA School of Business and Finance, Kr. Valdemara 161, LV-1013, Riga, Latvia
inese.mavlutova@ba.lv*

Santa Babauska

*BA School of Business and Finance, Kr. Valdemara 161, LV-1013, Riga, Latvia
santa.babauska@ba.lv*

Purpose - To do the research of competitiveness, balanced scorecard theoretical aspects, to indicate how balanced scorecard concept can increase competitiveness of private health care companies in Latvia.

Design/methodology/approach - Research methodology includes the analysis of theoretical background and two survey data about private health care companies in Latvia.

Findings - Globally recognized is the balanced scorecard concept. Latvian health care companies are not using in evaluation all of the main indicators influencing the company's competitiveness and they do not group them into four perspectives of balanced scorecard for analyzing health care companies, as well as by evaluating the factors which are significant for patients in choosing the health care company. Price level, quality of health care services and the company's images in Latvia are significant factors that can influence the health care company's competitiveness not only in the local markets, but in global ones as well.

Originality/value - The paper combines the research of competitiveness and balanced scorecard. Competition on value is crucial for health care companies, because they have to take into account the immaterial value - patient's health.

Key words - Balanced Scorecard, Competitiveness, Research, Health Care Companies, Patients' Perspective, Synergy

Paper Type- Research Paper

1. Introduction

Health care is an industry that influences all the other industries and all the society groups, and it takes a more important role especially because of the ageing of society. Solving the social problems is an actual theme. One of the government responsibilities is to provide its inhabitants with available health care services, but the financial fund for health care services per one inhabitant in Latvia is one of the smallest in European Union.



International Journal
of Synergy and Research
Vol. 2, No. 2, 2013
p. 107-128

A global trend indicates that there is a change needed in health care systems by refocusing the emphasis on value for patients. In this situation, it is important to provide the best quality services for patients. The authors (Porter, Teisberg, 2006) also stress the importance of health care delivery questions. The private health care companies are dealing with difficulties because of too dynamic changes in environment when they are not able to balance their capabilities with change in insufficient demand. This all increase the competition for private health care companies and they need to tailor to this changing environment and should think strategically smarter to compete in a longer run. The tailored strategic management system can allow measuring company's success in achieving long-term sustainability in shareholder value growth and improvements in competitiveness. Globally recognized is the balanced scorecard concept.

The purpose of the paper is to do the research of competitiveness and balanced scorecard theoretical aspects, to indicate how balanced scorecard concept can increase competitiveness of private health care companies in Latvia. As qualitative methods there are used theoretical comparison analyses, interviews with experts, personal observations, expert method in making assumptions and evaluating certain aspects. As quantitative research methods the statistical data analysis and other financial calculations are used. Two surveys are carried out. The research findings show that Latvian health care companies are not using in evaluation all of the main indicators influencing the company's competitiveness and they do not group them into four perspectives of balanced scorecard for analyzing health care companies.

2. Literature review

2.1. The concept of company's competitiveness

The concept of *competitiveness* has multiple interpretations. Competitiveness depends on different variables, but by summarizing the definitions, the authors came to conclusion that competitiveness is a strategic management comparison tool that shows the existing performance of the company and further ability to compete in a certain market. Competitiveness is company's flexibility and ability to maintain or to improve the position within the changing environment in the particular market. It shows the company's position in the market, because it is possible to evaluate company's overall performance and compare it with other players in the local and global market.

By competing, the companies use their capabilities, for instance, effective resource management. Usually, (Hamel, Prahalad, 1994), the effective use of resources is based on company's employees, for example, on their knowledge. In addition, the knowledge is very significant in contributing to company's intangible assets. The intangible assets are very important in the perspective of private health care company's competitiveness.

Competition promotes new solutions, values. Every private health care company is involved in competition environment, some are more, some less, but the approaches that companies use to strive for better results in the market and be more competitive are different. The success base of this is a tailored company strategy and the balance between the available resources. However, for excellent results companies ought to evaluate also their competitive advantage that increases the company's possibility to compete in the particular market segment (Porter, 1998).

The Competitiveness and Balanced Scorecard of Health Care Companies

Creating *competitive advantage* (Swayne, Duncan, Ginter, 2006) “is often a matter of selecting an appropriate basis on which to compete, it is the means by which the organization seeks to develop cost advantage or to differentiate itself from other organizations”. According to this definition, it might be focused on image, higher quality services, as well as excellent and widely recognized personnel.

Not only strategic manager researchers (Porter, 1998), (Barney, 2007), but as well Latvian authors of strategic management research (Caune, Dziedons, 2009) point out that *competitive advantage* is not only a question of internal environment analysis, it needs to be analyzed also in the context of external environment; it is also necessary to find out the impact of industry on company’s competitive advantage.

Other authors (Prahalad, Ramaswamy and Venkatram, 2004) point out that as consumers and technologies advance, the traditional, preventive medicine and the improvements in the quality of life are rapidly merging into a “wellness space”, assuming a more centric role. It is also focused that in the past health care was generally doctor-centric, but now the health care process is more complex, because if a consumer feels ill, it is possible to learn about the experience of other patients and opinions of health care professionals, thus the patient can determine the “value bundle” that is more appropriate for him. Now is important, how the patient can actively participate in health care process; how the patient’s interactions with the doctor can affect the quality of the patient’s overall experience; what is the value for patient; what is the role of the network in this value creation and how much the intangible aspects of a patient’s context influence the experience.

According to previously mentioned authors, the main question that arises is how health care companies can develop such environment where companies can co-create the value with patients. In health care patients think about the continuity of well being, so this is also an aspect which should be taken into account when thinking about how to be more competitive in the health care industry.

The opinion of the authors of the paper is, in order to create base for competitive advantage, company can use the concept developed by Jay Barney (Value Based Management, 2011), who is considered as the father of modern resource based view. The four empirical indicators of the potential of company resources to generate sustained competitive advantage are following (Value Based Management, 2011):

V = Valuable, R = Rare, I = Imperfectly Imitable, N = Non Substitutability

The author Phadtare (Phadtare, 2011) believes that companies are able to compete on the three primary elements: quality, price, availability. According to this theory, the focus is on how suitable the characteristics of the product or service are how affordable the price is in relation to products or service quality.

There is pointed out (The World Economic Forum, 2012) that the most competitive economies in the world are Switzerland, Singapore and Sweden. One of the 12 pillars of competitiveness that drives productivity and competitiveness is Health and primary education. Therefore, it is possible to conclude that health has important role in driving the competitiveness level of a country. In this meaning, the health care companies are a base that can provide the humans with good health. A healthy workforce is vital to a country’s competitiveness and productivity.

The main idea derived from this is that healthy human resources are more productive, which can lead to lower costs in business and people can work at higher level of efficiency. This means the health care sector is very important for human capital and shows its sustainable necessity as well as proves that it will always be an actual discussion topic. Health care sector has a significant role when talking about the overall development of society, industry, economy, country etc.

The company competitiveness is influenced by the changing internal and external environment. In evaluation of the company's internal environment the focus is on competitive advantage development, the company value chain and its ability to tailor to internal changes. When discussing competitive forces, derived demand has also always been one of the powerful competitive forces in existence. According to Michael E. Porter (Porter, 1998) the five forces that can be used in order to reflect the industry's competition level are *rivalry among current competitors, bargaining power of suppliers, threat of new entrants, bargaining power of buyers, threat of substitutes*.

Porter and Teisberg have shown the fundamental nature of competition and value for the customer in health care industry in United States of America (Porter, Teisberg, 2006). They have come to fact that health care delivery ought to be transformed. They believe that in order to reform the health care, the competition in the field itself needs to be reformed first. In order to reform the competition, first of all the strategies should be transformed, measurement practises. They have also shown that value based competition in health care industry has a significant impact, because improves the value to customers, the quality in relation to the price level.

2.2. Financial aspects of company's competitiveness

In order to analyze the company's value and competitiveness at first the company's financial position should be researched. The company's competitiveness and value are closely related.

In order to have stable company's financial position there should be a well-balanced and organized financial management system. In order to have a well-balanced system, companies should first identify the factors that influence them internally and externally. Companies ought to analyze the possible risk factors and to be able to adapt to market conditions. The financial risk mainly is influenced by the capital structure, but the operational risk takes a very important role in company's daily activities as well. Both of them are related to company's strategy.

The company's financial position shows how the company is managing its internal process mechanisms and responds to changing environment external modifications. This financial position is one of the perspectives that allow determining company's competitiveness (Glen, 2008). The adequacy of financial management system to company's strategy is also a condition that influences company's value (Damodaran, 2001). In order to detect company's future financial position, at first the company should analyze its actual financial position. At the micro level, company can analyze its financial position through internal company data and financial statements. Afterwards the company can proceed to more detailed analysis and perform following analysis of the financial statements (Vause, 2005): dynamic (comparing with the past period), structural

(comparing the structure), tendency (analyzing the dynamics), comparison (comparing with the certain optimal levels, industry’s average and competitor data). Furthermore, the company can calculate their financial ratios, by making the comparison (Van Horne, Vachowisz, 2005), for instance, with the average ratios of competitors and industry.

The
Competitiveness
and Balanced
Scorecard of
Health Care
Companies

Concepts	Approaches	Methods	Formula
INCOME	Income capitalization	Profit capitalization, Net cash flow capitalization, Gross cash flow capitalization	Projected Value ₁ /(r-g) ¹ + Projected Value ₂ /(r-g) ² + Projected Value ₃ /(r-g) ³ +...+ Projected Value _∞ /(r-g) [∞] Please, view Damodaran, 2001 Market
MARKET	Discounting future income flow	Discounting net cash flow, Discounting future profit	Value ₁ = (Market Value ₂ / Variable ₂) * Variable ₁ (Assets – Liabilities) + Not Listed Assets (Fixed Asset Liquidation value + Inventory, Debtor forced sale selling value – Liquidation costs – Liability value) * Discount coefficient
COST	Market data comparison	Price / EBITDA, Price / Net profit, Price / Dividends, Price / Gross cash flow, Price / Book value	
		Net asset value	
	Asset - based approach	Liquidation value	

Source: Created by the authors based on different author works

Table 1:
Business Evaluation
Concepts, Approaches
and Methods.

According to the Table 1 one of the financial performance indicators` is Free Cash Flow (FCF) (Glen, 2008) that can be calculated in accordance with formula (2):
 $FCF = NOPAT + Depreciation \& Amortization - Change \ in \ Net \ Working \ Capital - CAPEX$, (2) where
FCF – Free Cash Flow,
NOPAT – Net Operating Profit after Tax,
CAPEX – Capital Expenditure.
Weighted Average Cost of Capital (WACC) that is based on capital structure and its price can be used as a discount rate.

Evaluation of results can be used further in making projections and evaluating company's financial position further development. In order to calculate the company's economic value added, EVA ratio that can assist in company's market value and competitiveness determination can be used. It is calculated as follows (Stern Stewart & Co, 2012):

$$EVA = NOPAT - Capital\ Invested * WACC, (1) \text{ where}$$

EVA – Economic Value Added,

NOPAT – Net Operating Profit After Tax,

WACC – Weighted Average Cost of Capital.

In evaluating the position of company's competitiveness and finding roots for improvements, it is advisable for the company to analyze its future cash flows, investments and possible market value (Damodaran, 2001). In Table 1 three business evaluation concepts, approaches and methods are reflected.

3. The role of balanced scorecard in the development of synergy for companies

3.1. Advantages of balanced scorecard

The solution to improve the health care environment is a healthy competition to improve value for patients, the quality of services relative to their price (Porter, Teisberg, 2011). The health care company performance in the past was more often measured only from financial and quality improvements' point of view, but the further described Balanced Scorecard (BSC) has combined four perspectives that are crucial for company to be competitive.

Robert S. Kaplan and David P. Norton published article 'The Balanced Scorecard - Measures that Drive Performance' in Harvard Business Review in 1992 (Kaplan, Norton, 1992) where created a new management system where the strategic objectives of companies have been transformed into the balanced set of indicators. The purpose of this system was to balance company's financial and non financial measurements.

Now this system is popularly used in wide range of businesses by its adaptability in different industries, the main reason is because of the balanced view which is provided by this system. So the balanced scorecard framework can be used daily in business activities.

"Balanced scorecard has been hailed as one of the 75 most influential business ideas of the 20th century" (Niven, 2005). Nowadays employee knowledge, relationship with customers, cultures of innovation and change generate success and this success can be generated by the company's intangible assets that can be measured through balanced scorecard.

In addition, Blokdijk considers managerial accounting as criticized over the past years, but the introduction of balanced scorecard has accepted the process innovation to the corporate world (Blokdijk, 2008). It sets operational measures on customer value that can lead to business growth and development. So Brown discloses that BSC is not a reporting tool, it is an analytical tool and is like aid to improving performance (Brown, 2007).

According to previously discussed concept, BSC means various things to different people. To ones it simply is performance measurement framework, for others it is

a robust organization-wide strategic planning, management and communication system (Rohm, 2008).

The tendency of the 21st century indicates that the basis of effective management of health care companies is the balance between the service quality and patients' satisfaction. The BSC can assist in achieving strategic goals. BSC is important for service companies, especially for health care industry because health care companies should balance their business activities with patient's health. BSC allows better to plan and measure certain aspects to company's strategy.

BSC is a management's system that supports the company's management in leading significant processes and changes in order to be more competitive in the market. In order to be competitive each company ought to have a developed system of its effective measures that are responsible for company's performance not only in a short term, but in a long-term perspective as well. The BSC includes not only usual financial indicator analysis as, for instance, indicator profit, but also measurements in perspectives such as relationship with customers, innovation and employee learning and growth, as well as measurements in company's internal process management. This system can be used to achieve significant improvements in changing company's competitiveness position, because it can help the company to add value in its processes, contribute to customer satisfaction and product positioning by improving company's overall performance.

The advantage of this system is its ability of being tailored to specific company or specific company group. In addition, this system allows evaluating company's existing performance and points out milestones of further company's development. This system can assist successfully by indicating the actions for improvement, but factors like market situation and competition conditions should be taken into account regularly. The BSC should be subordinated to company's strategy and focus on company's vision by providing the balanced evaluation between the measures influencing company's inside and outside environment and the overall company's performance.

3.2. The content of balanced scorecard system

BSC system should be tailored to suit the company's corporate culture, capabilities, information system, technological level of development etc. The BSC can be used for gathering information for various user groups, the management, potential investors, employees, customers etc. The BSC can be considered as a basis tool for competition strategy. According to previously mentioned authors, as a success factor for BSC there can be mentioned the systems transparency with 15 – 20 indicators that assist in monitoring and controlling the strategy of competitiveness, previously the yearly budget used to be the prime mechanism for planning the financial management, but now the BSC is being used as a language and basis for evaluation of all the new projects and businesses. BSC includes four perspectives: *Financial, Customer, Internal Business, Innovation and Learning Growth Perspective*.

Financial Perspective provides with information on how the company intends to create its sustainable shareholder value growth. *Customer Relationship Perspective* highlights the customer and market segments in order to determine the strategy that is tailored to the needs of customer and market segment. *Internal Business Perspective* is

The
Competitiveness
and Balanced
Scorecard of
Health Care
Companies

responsible for defining the processes that are the most relevant in achieving customer and shareholder objectives. *Innovation and Learning Growth Perspective* links company's objectives and measures the company's learning and growth.

All BSC aspects can develop company's strategy in compliance with company's objectives.

The *intangible assets* can be defined as intangible value of a company that shows the company's performance. It can be evaluated positively if the intangible assets create positive association with the company and improve the company's competitive position.

According to Kaplan and Norton (Kaplan, Norton, 2004), following asset contributors usually relate to the intangible assets:

- Human capital – employee knowledge, skills, talent,
- Information capital – technology infrastructure, databases, information networks and system,
- Organization capital – knowledge management, organizational culture, teamwork, employee learning ability.

The intangible assets can be measured and analyzed through the BSC.

The global trend shows that economy is rather knowledge and service than product driven, and intangible assets which are not measured by financial system account for more than 75% of the company's value in contradiction to average company's tangible assets that net book value minus liabilities reflect for less than 25% of market value (Kaplan, Norton, 2004).

3.3. Development of synergy for companies

If the company's value mostly consists of intangible asset contribution then company's strategy should also be based on intangible asset maintenance and improvements and a BSC can be a powerful system that can lead to higher company's value. In order to have a whole picture of the company's performance the company should focus its evaluation in four previously mentioned perspectives. The measurement system can provide managing company in a more accurate way.

The synergy between processes can create value, it can increase the company's value. Synergy can help to build sustainable competitive advantage (Kaplan, Norton, 2006), because it can be used to create it. The combined effect is the main advantage. In practice there are examples (Jones, 2010) of how a balanced scorecard can drive out synergy, help to manage the company's strategy, align the company's organizational processes and in a result tease out the synergy across the company. According to this it is possible to say that balanced scorecard and strategy maps can show those areas where synergy can be found out and can improve the company's performance.

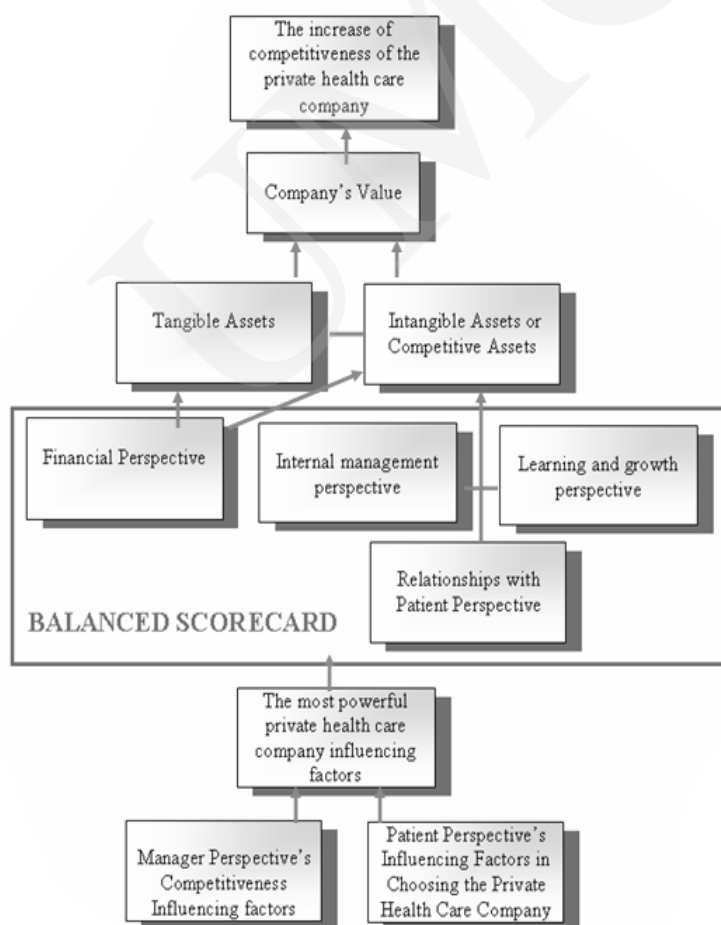
4. Research methodology

The conceptual model of the paper is to develop balanced scorecard concept to show that it can be used for company if it wants to manage company's value and increase the competitiveness. Authors' offered developed BSC concept purposefully assists in

manage the company's market value and increase the competitiveness. By regularly measuring and analyzing indicators company can increase its competitiveness.

The concept claims that competitiveness influencing factors and indicators can be divided in four BSC perspectives. The financial perspective is responsible for the company's tangible and intangible asset management, but the other perspectives for intangible asset or competitive asset management. Both asset management approaches, different skills, company's valuable resources that are improving efficiency, those assets that are rare, imperfectly imitable or there is non-substitutability, are creating and developing also company's sustainable competitive advantage. This means if company follows up, analyzes and tries to improve the outcomes, it will be more competitive and the company's competitiveness increases. Of course, each private health care company can tailor the offered BSC concept for company's specific strategy and objectives.

The key concept of research is reflected in Figure 1.



The Competitiveness and Balanced Scorecard of Health Care Companies

Figure 1:
BSC Concept for
Latvian Private Health
Care Company

According to the concept, tangible and intangible asset successful management are contributing to company's market value and competitiveness. It must be said that higher added value gives not the tangible, but the competitive assets. The problem occurs when there is a need to evaluate the intangibles or competitive assets. These competitive assets are mostly adding value to the company's market value that is why it is important to recognize these assets in the company, analyze them and afterwards manage, in order to achieve higher efficiency and better position in the market.

The research methodology includes use of descriptive, analytical, graphic and comparison methods. There are used statistical quantitative methods. The research period includes years 2006-2011. The research was conducted in health care industry in Latvia, pointing out the aspects of private health care companies. The research base of the management perspective in evaluating private health care company's competitiveness is the survey conducted by the authors of the paper. The questionnaire included indicators in four balanced scorecard categories for private health care companies to evaluate. The example of questionnaire can be viewed in Appendix. The aim of the survey was to find out the most important aspects from the point of view of company management for private health care companies to become more competitive. The information about private health care companies was taken from the Latvian Medical Institutions Register database.

In order to find out aspects that are the most important from the patient perspective in choosing the private health care company an additional survey has been carried out. Altogether 34% males and 66% females took part in the survey, the average age was 27 years, but the range of the age was between 21 to 55 years. All the respondents replied that they use private health care company services in Latvia.

The further research results are based on these two survey results conducted by the authors of the paper - the private health care company patients' and private health care company managers, interview analysis and data analysis in the industry level of Latvia.

5. Research results

The basic indicators of health care in Latvia are reflected in Table 2 that shows the decreasing tendency of number of hospitals during the years 2006-2010 and increasing tendency of health care institutions providing outpatient services.

Indicator	2006	2007	2008	2009	2010	2011
Physicians of all specialties	8 341	8 014	8 437	7 964	7 951	7 987
Residents and apprentices	420	478	637	489	463	440
Specialists with higher medical professional education	379	391	462	483	519	611
Nurses with higher education	593	700	692	831	1 090	1 480
Medical personnel with secondary medical education	14 751	14 546	15 197	13 492	13 217	12 494
Hospitals	106	94	88	69	67	70
Beds in Hospitals	17 599	17 497	17 001	14 434	11 920	12 111
Health care institutions providing outpatient services- total	3 183	3 285	4 078	4 583	4 756	4 658

Table 2:
Basic Indicators of
Health Care in Latvia at
the End of the Year from
the Year 2006 to 2011

Source: Central Statistical Bureau of Latvia, 2012

In order to achieve the purpose of the paper the survey questionnaire included different questions about competitiveness, value and balanced scorecard, as well included indicators in four balanced scorecard categories for private health care companies and patients to evaluate which are the most important indicators for them. Altogether 36 responses from the private health care company managers and 184 responses from the private health care company patients were received (Mavlutova, Babauska, 2012). In evaluating the factors that influence competitiveness, the survey results show that patient and public appreciation, resource base of medical professionals and technological equipment level are the most important competitiveness factors from the perspective of the private health care company manager. Detailed results are reflected in Table 3.

Factor	Rank	Factor	Rank
Patient and public appreciation	1	Satisfaction of patient needs	5
Resource base of medical professionals	2	Health care service differentiation level	6
Technological equipment level	3		
Financial factors	4	Cost savings	7

Source: Survey results

The survey results of the importance of factors that influence the competitive advantage show that the quality is the leading factor of importance. Majority or 67% of private health care company managers, do not know what the balanced scorecard is, but they would like to know what it is. Only 3% say that they know what it is; however, they do not use it in their company's strategic management. 30% of respondents do not know and that is why do not see it as an using option. This shows that the main problem is the lack of information about using the BSC in health care sector in Latvia.

Based on the survey results and analysis, indicators in four categories of balanced scorecard system that can be used for intangible asset evaluation were created, the indicators were listed in the order of importance in each BSC category based on the private health care company patients' and managers' survey results. From the perspective of patients' it can be concluded that the most significant balanced scorecard perspective is the personnel competence level and company's attitude to patients, as can be seen in the Table 4.

Indicator	Rank
Health care company's personnel competence level	1
Health care company's attitude to patient	2
Health care company's internal business organization	3
Health care company's financial indicators	4

Source: Survey results

From the patients' point of view, in evaluating patient and company's relationship, the precise identification of patients' problems as well as health care service availability

The Competitiveness and Balanced Scorecard of Health Care Companies

Table 3:
Importance of Factors
Influencing Privas
Health Care Company;s
Competitiveness

Table 4:
The Balanced Scredard
Four Perspective
Significance from the
Private Health Care
Company Patient View

IJSR
2, 2

and service quality are considered as very important aspects. The ranks are reflected in Table 5.

Table 5:

Priority of Patient
Perspective Indicators
in Evaluating Private
Health Care Company
Competitiveness

Indicator	Rank
Precise identification of patients' problems	1
Availability of health care services	2
Service quality	3
Price level	4
Service culture	5

Source: Survey results

The survey results in Table 6 show that private health care company managers, who evaluate their company's competitiveness level as average also think that balanced scorecard assists in managing company's market value and can increase the competitiveness of the company. According to survey results also the most important intangible aspect indicators are related with accurate patient problem identification, interest in providing qualitative health care service, staff education and qualification and from the financial point of view profitability ratios.

Table 6:

The Balanced Scorecard
Role for Private Health
Care Companies

BSC assists in managing company's market value and can increase the competitiveness	Private Health Care Company's Competitiveness Evaluation			Total
	Low	Average	High	
Yes	2	22	2	26
No	1	2	1	4
Hard to say	1	3	2	6
Total	4	27	5	36

Source: Survey results

In conclusion, implementation of the BSC is one of the management approaches to strengthen company's strategy. The problem that may arise is that the BSC approach is rather built on long term and it can conflict with short-term objectives. The problem that may arise in intangible asset evaluation - it is very hard to evaluate intangible asset contributors separately, since all the components together provide the value to company and assist in achieving its strategy. Balanced scorecard and strategy maps can show those areas where synergy can be found out and can improve the company's performance.

6. Conclusions

The concept of competitiveness assists as a comparing tool, it allows to make comparisons and to make decisions, how the company's competitiveness can be improved, but still there is not only one opinion. This research reveals the majority of those private health care company managers, whose companies have strategy and who consider strategy and management skills as the most important success factor for maintaining the competitive position, also evaluate their company's competitiveness. In fact, the research shows

human resources have a significant role in intangible asset contribution and competitive advantage creation and development due to their added value with knowledge and experience.

In accordance with the research the private health care companies should think about a value-based competition where companies can compete in delivering better value to customer. In order to find solutions to the issue, one of the ways to deliver the better value to customer is through the management of factors that are important for patients, in addition factors that usually create a benefit for patients are related with intangible aspects. This is a significant discussion topic. The framework of BSC can allow companies to focus on things that are the most important for company and measure their success. The research results point out the importance of intangible assets in value management in health care companies. Our findings support that the intangible asset value increase the company's market value and that is why also the company's competitiveness. Balanced scorecard can better allow organizing the health care company's work because shows those business areas, which require better strategic management.

According to the BSC concept for Latvian private health care companies the results show that improvements should be on such areas as innovation and learning growth perspective, patient's relationship perspective, internal business perspective, financial perspective.

It would be preferable to implement assessment criteria's such as technological, personnel qualification and patient satisfaction level of evaluating the performance of Latvian health care companies. This would allow differentiating companies in categories or levels so that patients have the opportunity to choose the best health care provider. This ought to be considered for the further research.

References

- Barney, J. B. (2007), *Gaining an Sustainable Competitive Advantage*, Pearson Prentice Hall, USA.
- Blokdijk, G. (2008), *Balanced Scorecard 100 Success Secret*, Australia.
- Brown, G.M. (2007), *Beyond the Balanced Scorecard*, Productivity Press, USA.
- Caune, J., Dziedons, A. (2009), *Strategic Management // Stratēģiskā vadīšana*, 2nd ed., Lidojošā zivs, Riga.
- Damodaran, A. (2001), *Corporate Finance Theory and Practice*, 2nd ed., John Wiley & Sons, New York.
- Glen, A. (2008), *Corporate Financial Management*, 4th ed., Financial times, Prentice Hall, Harlow.
- Hamel, G., Prahalad, C. K. (1994), *Competing for the Future*, Library of Congress Cataloguing, USA.
- Jones, P. (2010), "A Balanced Scorecard to Drive Growth through Synergy: The application of Strategy Mapping in an International group of companies", Excitant Ltd., available at: http://www.excitant.co.uk/wp-content/uploads/2012/07/Excitant_CS_-InternationalTechnology-Company.pdf (accessed May 2013).
- Kaplan, R. S., Norton, D. P. (2004), *Strategy Maps: Converting Intangible Assets Into Tangible Outcome*, Harvard Business School Publishing, Boston.

The
Competitiveness
and Balanced
Scorecard of
Health Care
Companies

- Kaplan, R.S., Norton, D.P. (2006), *Alignment. Using the Balanced Scorecard to Create Synergies*, Harvard Business Review, USA.
- Kaplan R.S, Norton D.P. (1992), "The Balanced Scorecard - Measures that drive performance", *Harvard Business Review*, 1992 Jan/Feb, pp.71-79.
- Mavlutova, I., Babauska, S. (2012), "Latvian Health Care Company Competitiveness Determining Indicators and their Improvement Possibilities", *Latgale National Economy research, Rezekne, RA Izdevnieciba, Journal of Social Sciences*, Vol.1(4) 2012, pp. 234-250.
- Niven, R.P. (2005), *Balanced Scorecard diagnostics: Maintaining Maximum Performance*, John Wiley & Sons.
- Phadtare, Milind, T. (2011), *Strategic Management: Concepts and Cases*. PHILearning Private Limited, New Delhi.
- Porter, M. E. (1998), *Competitive Strategy: Techniques for Analyzing Industries and Competitors*, The Free Press, New York.
- Porter, M. E., Teisberg, E.O. (2011), "Redefining Health Care: Creating Value – Based Competition on Results", Institute for Strategy and Competitiveness, available at: <http://www.hbs.edu/rhc/problem.html> (accessed November 2013).
- Porter, M. E., Teisberg, E. O. (2006), *Redefining Health Care: Creating Value – Based Competition on Results*, Harvard Business School Press, Boston.
- Prahalad, C. K., Ramaswamy, Venkartram. (2004), *The Future Competition: Co-creating Unique Value with Customers*, Harvard Business School Publishing, Boston.
- Rohm, H. (2008), "Using the Balanced Scorecard to Align Your Organization. Balanced Scorecard Institute, a Strategy Management Group", available at: <http://www.balancedscorecard.org/LinkClick.aspx?fileticket=1Uq6fsxJyaY%3d&tabid=56> (accessed December 2012).
- Stern Stewart & Co. (2012), *Economic Value Added*, available at: <http://www.sternstewart.com/?-content=proprietary&p=eva> (accessed January 2012).
- Swayne, L. E., Duncan, J. W., Ginter, P. M. (2006), *Strategic Management of Health Care Organizations*, Blackwell Publishing Ltd., Oxford.
- Central Statistical Bureau of Latvia (2012), "The Basic Indicators of Health Care in Latvia at the End of the Year", available at: <http://data.csb.gov.lv/Dialog/varval.asp?ma=VA0010&ti=VAG01%2E+VESEL%CEBAS+APR%DBPES+PAMATR%C2D%CET%C-2JI+GADA+BEIG%C2S&path> (accessed November 2013).
- The World Economic Forum (2012), "The Global Competitiveness Report 2011-2012", available at: http://www3.weforum.org/docs/WEF_GCR_Report_2011-12.pdf (accessed June 2013).
- Value Based Management.net (2011), "Resources Perspective. Resource Based View of the Firm", available at: http://www.valuebasedmanagement.net/methods_barney_resource_based_view_firm.html (accessed September 2013).
- Van Horne, J., Vachowicz, J. (2005), *Fundamentals of Financial Management*, 12th edition, Prentice Hall Inc., USA.
- Vause, B. (2005), *Guide to Analyzing Companies*, 4th Edition, Profile Books.

Appendix

The Competitiveness and Balanced Scorecard of Health Care Companies

Private Health Care Company Manager Survey

Does company have a strategy that is focused on increasing the company's competitiveness?

- ☐ Yes, but it is not focused on the competitiveness increase
- ☐ Yes and it is focused on the competitiveness increase
- ☐ No, but the company's management thinks about competitiveness issues
- ☐ No and the issue of competitiveness for the company is not the topic of the day

What are the most important success factors in keeping the competitiveness position in the market?

- ☐ Ability to tailor to industry's trends
- ☐ Large investments in business development
- ☐ The company's provided service uniqueness
- ☐ Sustainable business strategy and good management skills
- ☐ Other _____

Do You evaluate company's competitiveness?

What, from the following aspects, are taken into account in evaluatingr company's competitiveness or would be taken into account, if You would evaluate?

- ☐ Net turnover
- ☐ Different profit ratios
- ☐ Cash flow indicators
- ☐ Profitability ratios
- ☐ Activity ratios
- ☐ Liquidity ratios
- ☐ Gearing ratios
- ☐ Shareholder's equity capital value
- ☐ Balance sheet asset value
- ☐ Market share indicators
- ☐ Market value indicators
- ☐ Investment ratios
- ☐ Internal control's process efficiency aspects
- ☐ Staff qualification and learning growth aspects
- ☐ Company's reputation

IJSR

2, 2

- ☐ Number of clients
- ☐ Patient satisfaction level
- ☐ Relationship culture with patients
- ☐ Different kind of financial indicators
- ☐ Different kind of non- financial indicators
- ☐ Other _____

Is company's market value evaluated?

How important role the financial and non-financial aspects in evaluating health care company's market value have?

Financial aspect importance in company's market value creation

Non-financial aspect importance in company's market value creation

Do You have information about what is Balanced Scorecard system and is it used in company's strategic management?

Indicate the significance level of these indicators in evaluating the company's collaboration with the patient.

Health care company service availability
Patient satisfaction index
Number of patients lost
Accurate patient identification of problem
Waiting time for patient to get to necessary medical personnel
Yearly patient flow changes
Patient service culture evaluation
Patient categorization by stage of the service operating costs
Health care service price level change
Health care company's compliance with market trends
Time for patient spent for problem solving
Health care company's reputation level

Indicate the significance level of these indicators in evaluating the company's internal process organization.

Medical equipment technical level
Various health care services in one place
Compliance with ISO quality standards
Health care company's interest in providing qualitative services
Employee awareness of the processes going on in the company
Cooperation with suppliers, partners

Average Debt Settlement Period
Average Current Accounts Payable Period
Exchange speed of information between medical staff and other health care institutions
Length of time in order to make important management decisions
Health care company's received recognition

The Competitiveness and Balanced Scorecard of Health Care Companies

Indicate the significance level of these indicators in evaluating the company's employee learning and growth in organization.

Medical staff average length of working in the company
The average age of the medical staff
Publications by medical staff in the press
Medical staff training course, seminar, conference attendance
Medical staff turnover ratio
Health care company's investment in staff training and development

Indicate the significance level of these indicators in evaluating the company according to financial indicators.

Economic value added
Shareholder's equity value
Balance sheet value
Future cash flows
Net turnover
Gearing ratios
Liquidity ratios
Profitability ratios
Activity ratios

In evaluating health care company's competitiveness, please rank the following factors in order of importance.

- ☐ Financial factors
- ☐ Resource base of medical professionals
- ☐ Cost savings
- ☐ Patient and public appreciation
- ☐ Technological equipment level
- ☐ Health care service differentiation level
- ☐ Satisfaction of patient needs

IJSR
2, 2

In evaluating health care company's competitive advantage, please rank the following factors in order of importance.

- Quality
- Effectiveness
- Satisfaction of patient needs
- Innovation

If You would continuously measuring, analyzing and evaluating four perspective indicators mentioned previously that You have acknowledged as significant, do these perspectives assist in managing company's market value and increase the competitiveness ?