

Comparing Products and (Medical) Services on Few Organizational Variables: A Theoretical Framework

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Abstract

Here we argue that cost-effective medicare businesses are to be built incrementally, and premium medical services are to be built in a big-bang manner. And leadership in cost leadership medicare business is people oriented, and in premium medical service it is task oriented.

Keywords

Capacity building, Costing, Accounting and Leadership.

1. Theoretical Framework

In the manufacturing field, cost leadership requires adding capacity in a big bang manner. Whereas implementing a differentiation strategy requires incrementally adding capacity. However, it is different in medical services (especially when it has become a commodity in India, and service cannot be stored; it has to be produced and consumed simultaneously). The above propositions are given as hypotheses below.

H1: Hospital Capacity for low-cost medical service has to be added in an incremental manner.

H2: Hospital Capacity for premium medical service is to be added in a big bang manner.

In manufacturing set up, cost leaders use standard costing and use exception reporting (in terms of variances that raise the alarm); whereas the differentiators use ABC costing. However, in medical services, we have the following proposition

H3: In both low cost and premium segments of medical services, one uses ABC (activity-based costing) costing as the flow is zigzag in both the cases.

In the context of manufacturing: cost leaders' leadership style is task-oriented while in the context of differentiators, it is people oriented. This aspect is almost culture invariant in the service industry. In the context of MeD (production line approach to service: Theodore Levitt: where food items are precooked) both on customer-side (if he has the power to enforce justice) as well as internal side it will be task oriented. However in the Indian context, in medical services it is as given below as:

H4: Leadership in low-cost medical services (in Indian conditions: where a patient takes a loan when he falls ill: his expectations are high but due to very poor bargaining power to be demanding) is people oriented; while in the premium segment it is task oriented.

2. Conclusion

We have given the hypotheses on various aspects of medical services like capacity planning and evolution, costing and accounting procedures, and the leadership style. We are undertaking an empirical investigation to verify the above propositions.

References

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Biographies

Sheela R. Sharma is MBBS and MD (Obste & Gynea). She has practiced as a private consultant for the last 30 years. She is Associate Professor at Rama Medical College at Kanpur India.

R. R. K. Sharma has had 30 years of career to date. Started as graduate engineer trainee with TELCO (Pune) (now Tata Motors India) during 1980-82, and later went on to do Ph.D. in management at I.I.M., Ahmadabad, INDIA. After Ph. D. in management, he worked with TVS Suzuki (for 9 months) as executive assistant to GM (marketing). Now he has 26 years of teaching and research experience at the Department of Industrial and Management Engineering, I.I.T., Kanpur, 208 016 India. He has taught over 22 different courses in management at IIT Kanpur India (to B. Tech., M. Tech. and M.B.A. students) and is well versed with all the facets of management and has unique ability to integrate different areas of the subject. To date he has written over 507 (total) publications (220 Full-Length Papers and 287 Extended Abstracts Outlining Theoretical Framework) in international/national journals and six research monographs). He has developed over 8 software products. Till date, he has guided 58 M TECH and 15 Ph.D. theses at IIT Kanpur. He has guided 129 Special Studies Projects for MBA IInd year students of IME, IIT Kanpur. He has been Sanjay Mittal Chair Professor at IIT Kanpur (15.09.2015 to 14.09.2018).

Ajay Jha is currently a fulltime research scholar at Indian Institute of Technology Kanpur. Mr. Jha holds a B. Tech. degree in Mechanical Engineering from Harcourt Butler Technological Institute, Kanpur and an M. Tech. degree in Industrial and Management Engineering from the Indian Institute of Technology, Kanpur. He has rich experience of production and marketing domains of over ten years and also of teaching mechanical engineering and operations Management courses of 10 years. His research areas include Supply Chain Management and Strategy.