

Development of Core Competencies in the Wellness & Spa Services in the Digital Economy

Simchenko N. Yanovskaya A.*

*Institute of Economics and Management (structural subdivision) V.I. Vernadsky Crimean Federal University, Simferopol
295000, Russia*

**Corresponding author. E-mail: anna_net88@mail.ru*

ABSTRACT

The development of a modern Wellness & Spa complex should be based on strategic planning, it should be susceptible to the external and internal challenges of global society and digital technological processes, as well as in identifying key competencies of Wellness & Spa organizations that will not only strengthen their financial condition, but also outline ways for sustainable and effective development. The paper defines the principles of organizing Spa medicine at a Wellness & Spa institution in the context of digitization, as well as the factors that determine the attitude of a Wellness & Spa organization to the healthcare system. Due to the fact that the activities of the Wellness & Spa organizations are related to the service sector, the key element in the process of managing the organization is the personnel, which becomes part of the service provided. In order to prepare and to maintain highly motivated, customer-oriented personnel, a Wellness & Spa organization needs to create a corporate culture that will become an integral strategic tool to achieve the organization's long-term goals, a way to increase its competitiveness, and the quality of services provided. The methodological part of our study is shaped on the concept of resource theory, the basis of which is the analysis of the strengths and weaknesses of the organization, as well as the search for core competencies that make up its competitive advantage. Taking into account the provisions of the resource theory and the main scientific developments by K. K. Prahalad and G. Hamel, we have developed a map of the core competencies of the Wellness & Spa organization's competitiveness. The essence of the core competencies map for the Wellness & Spa organization's competitiveness is to define a set of unique competitive advantages that form the core competencies and key products of the industry, which together create a business line, which further allows the formation of the final product of the Wellness & Spa organization in the context of digital technology diffusion. The advantage or benefit received by the consumer of the Wellness & Spa services is a criterion for the quality of treatment and recreation, which are confirmed by the methods of objective examination and perceived by the consumer subjectively.

Keywords: *core competencies of the organization, digital technology, Wellness & Spa complex, strategy, management, competitiveness*

1. INTRODUCTION

In the process of digital transformation of the economy, an organization, as an effective business entity, should comply with modern development trends, it should be receptive to the external and internal challenges of global society, as well as develop strategic development plans for both short and long term nature. Given the impact of digitization on the functioning of the organization, an economic entity needs to identify a key concept that will not only strengthen its financial condition, but also outline ways for sustainable and effective development. Thus, it is necessary to determine the mechanism for effective management of an organization whose activities are aimed at meeting the needs of a personal or social nature. Such

organizations include, for example, enterprises of Wellness & Spa complex.

In this regard, the question arises of improving the organizational and economic mechanism for managing enterprises of the Wellness & Spa sector, which should be aimed at overcoming the current situation through modern technologies, methods, and forms of activity in digital conditions. The effective functioning of the country's Wellness & Spa complex attracts the State to its development, thereby identifying priority strategic goals, such as: improving the population's quality of life, health protection of citizens, the multiplier effect of the activities of related industries, transforming the resource, infrastructure, financial, and innovative potential of the territory (E.A. Kochkurova, T.V. Zykova, 2019). Such goals determine the relevance of digital technologies in the

context of the need to implement state programs in industry complexes, which are aimed primarily at the socioeconomic development of the territories.

The object of the research is the institutions of the Wellness & Spa complex. The subject is their activity, which is aimed at providing various Wellness & Spa services to the population by medical personnel using natural healing factors in combination with artificial physical factors, physiotherapy exercises, dietetic nutrition, and other methods in a rational treatment and relaxation regime.

Moreover, we determine the key factors based on digital economy technologies that will allow managing the Wellness & Spa complex institutions effectively that provide medical services to tourists, including foreign citizens. In other words, let us consider the organizational and economic mechanism for managing enterprises that form Spa medicine.

In accordance with the Order of the Ministry of Health of the Russian Federation dated May 5, 2016, No. 279n *On the Approval of the Organization of the Wellness & Spa Treatment*, the Wellness & Spa treatment is based on the principles of stages, continuity, and succession between medical organizations providing specialized primary health care, including high-tech, medical care. In accordance with the Decree of the Government of the Russian Federation dated April 16, 2012, No. 291 *On Licensing of Medical Activities...*, the Wellness & Spa treatment is carried out with the interaction of medical specialists, paramedical personnel, and specialists with higher and secondary non-medical education such as, for example, physiotherapy methodologists, other specialists.

It should be noted that the structure of the Wellness & Spa complex includes Wellness & Spa organizations, such as: sanatoriums, health and recreation resorts, balnearies, mud baths, pensionates with treatment, etc., which are directly medical institutions and which have an appropriate license to implement their activities; recreation organizations, which include holiday hotels, rest houses, children's health camps, etc.; hotels and other collective accommodation facilities; catering facilities located in the resort; tourist-excursion companies related to tourism; organizations providing leisure and entertainment services, culture and sports (A.M. Vetitnev, Y.A. Voinova, 2014).

2. RESEARCH METHODS

In the context of digitization, the strategic goals of the Wellness & Spa complex can be achieved in terms of increasing:

- the quality of the medical and health-improving services provided by the Wellness & Spa institutions based on automated systems used in medical institutions (G. Gibbon, 1996);
- the quality of the Wellness & Spa services to consumers through the effective storage and recording of data from the health-improving process, as well as

integrated medical and health-improving support for consumers of services;

- the effectiveness of managing the institution based on information and analytical support for the management decision-making process.

In accordance with the Order of the Ministry of Health of the Russian Federation dated May 5, 2016, No. 279n *On the Approval of the Organization of the Wellness & Spa Treatment*, let us define the factors by which Wellness & Spa organizations are related to the healthcare system: firstly, they provide the Wellness & Spa treatment; secondly, they operate on the basis of a medical license for the Wellness & Spa treatment; thirdly, the personnel, structure of departments (offices), and even the equipment of Wellness & Spa organizations are determined by regulatory documents of the Ministry of Health (the latter factor applies mainly to Wellness & Spa state-owned institutions).

However, we note that any organization in the service sector uses natural or environmental, material and human resources to achieve its goals. Recently, more and more importance has been given to human resources, also called workforce or organization personnel; in the process of managing an organization, they have become a key element.

For example, the personnel of the Wellness & Spa or any other medical institution that makes direct contact with the patients during their treatment, becomes a part of the Wellness & Spa or medical services: professional qualities, appearance, friendliness, attentiveness, and other behaviour patterns. It is personal and professional qualities of the organization's personnel that influence the formation of the patient's overall impression of staying in the Wellness & Spa organization.

In the context of digitization, the main goal of effective management is to hire, to train, and to retain highly motivated, qualified (having the skills to use modern advanced technologies and owning skills focused on the application of the digital economy elements), and customer-oriented personnel. Nevertheless, management should not be considered as an integral function of the enterprise, but it should be viewed from the point of view of philosophy, the leading idea, and the way of thinking that managers and employees should adhere to while working inside and outside the organization.

An example of such management, in our opinion, is the Mayo Clinic, which is one of the largest private medical and research centers in the world, which uses advanced digital technologies in the treatment and rehabilitation of people. It is located in Rochester, Minnesota (USA), and it is considered to be the main employer and city-forming enterprise in the region. As of December 2018, the staff of doctors and scientists is 4,878 people; the administrative and related medical staff (clinics and hospitals) is 60,336 (Mayo Foundation for Medical Education and Research, 2020).

So, the key elements of effective management that are revealed in the corporate culture of the Mayo Clinic have been identified:

- the desire for high quality services and its further improvement;
- compliance by clinic personnel with non-commercial principles;
- the desire of the organization's employees to help each patient;
- the organization is interested in the continuous professional development of each employee;
- the desire to change under transformation and implementation of technologies, as well as to meet the needs of society;
- be guided by the desire to achieve superior results, no matter what you do;
- absolute honesty in all actions (R.C. Roesler, 1984).

Modern research confirms that the effectiveness of organizations working in the service sector depends on the employees who serve customers. Thus, the direct relationship between the public good and the financial profit of the organization has been defined. Undoubtedly, the public good lies in the process of investing financial and non-financial resources in improving the quality of life (L.L. Berry, 1999).

It should be noted that the healthcare sector (including Wellness & Spa activities) is significantly different from other types of services, according to the following criteria:

- health care is a service of more "needs" than "desires"; Wellness & Spa activity is a sphere of prevention, health care for citizens;
- consumers not only receive medical and Wellness & Spa services in the institution, but also live a certain time in it;
- medical and Wellness & Spa services are exclusively individually;
- an integrated and personal approach in comparison with other types of services: services should correspond not only to the nature of the patient's disease, but also to his/her age, mental state, individual characteristics, preferences, financial situation, etc. (L.L. Berry, N. Bendapudi, 2007).

Certainly, similar criteria can be attributed to many institutions of the Wellness & Spa complex, since the main direction of such organizations is the provision of services related to Spa medicine. Currently, there are three main areas in resort medicine: Wellness & Spa treatment, rehabilitation and health improvement, or prophylaxis.

It is generally accepted that many enterprises in the service sector fully or partially correspond to the characteristics of services that are used in medical institutions. L.L. Berry determined such characteristics his research works:

- the benefits that the service brings are intangible; it is ensured by the work of employees, and in this case, consumers bear the costs and do not acquire anything tangible;
- the provision of services requires a variety of professional skills and the participation of a large number of personnel;

- customer service requires his/her physical presence, time, and synchronized actions of several employees;
- services should be timely; if physical and human resources are used late, their value becomes zero;
- consumers need services that are unevenly distributed and, in some cases, should be provided urgently;
- patients' needs are diverse, therefore, it is required that employees possess multiple skills and resources;
- reliability of service, accuracy, and infallibility—each employee should be guided by such principles;
- the provision of the service requires the participation of many specialists whose actions should be coordinated;
- the service chain is complex and some of its links are interdependent (L.L. Berry, 2004).

Undoubtedly, the main goal of the organizations of the Wellness & Spa sector is to make a profit by constantly increasing customer satisfaction through the provision of services that will meet consumer quality expectations. At the same time, employees of the Wellness & Spa institutions have the strongest direct impact on the quality of services perceived by consumers, since the latter depends on qualified and competent personnel, on their ability and motivation to provide services in accordance with established standards. This implies the critical importance of a high level of personnel motivation to provide quality service. For this, enterprises need to form the corporate culture of the organization, which reveals a set of behaviors based on fundamental values shared by employees of the organization.

The formation of a corporate culture is a powerful strategic tool to achieve the long-term goals of the Wellness & Spa organization, a way to increase its competitiveness, and the quality of services provided (A.M. Vetitnev, Y.A. Voinova, 2014).

3. RESEARCH RESULTS AND DISCUSSION

At the end of the 20th century, the concept of strategic management was replaced by the resource theory of the enterprise, which concentrated its research on the analysis of the strengths and weaknesses of the company, as well as the search for core competencies that make up its competitive advantage. Representatives of this approach saw the main factor in making a profit in developing the uniqueness of the enterprise and not in repeating the behavior of other organizations.

Within the framework of the resource approach, the *Resource Interpretation of the Company* published by B. Wernerfelt, in which the author first pointed out "...the usefulness of analyzing an organization in terms of its resources rather than products" (B. Wernerfelt, 2006) and suggested that this approach can represent an independent paradigm of the theory of strategic management. The followers of this direction were scientists, representatives

of the resource theory of the organization, K.K. Prahalad and G. Hamel, in their paper *Key Competence of the Corporation* (K.K. Prahalad, G. Hamel, 2003). The authors noted that the ability of management is to consolidate the technologies dispersed throughout the corporation, as well as production skills in competencies that endow individual businesses with the potential to quickly adapt to changing market conditions. In this case, the main asset of the company, according to the authors, is the “key competency”.

Gary Hamel, K.K. Prahalad defines key competencies as “a set of interconnected skills and technologies, not a single skill or technology that creates exceptional customer value” (G. Hamel, K.K. Prahalad, 2002). Other authors define competencies as a property or a series of properties specific to a particular organization, which allow it to produce goods with a quality higher than the average accepted in this industry (D. Campbell, J. Stonehouse, B. Houston, 2003). In our opinion, the core competencies of an organization are a combination of the use of resources and internal potential, which are unique in a particular organization and which give rise to its competitive advantage, creating a unique value estimated by the client.

Another contribution of G. Hamel and K.K. Prahalad is the replacement of the traditional concept of “strategic planning” with an introduction to economic terminology of such concepts, as “industry foresight”, “strategic architecture”, and “migration paths”, which indicate the processes necessary for the transformation and formation of a new industry, effective competition in future markets. Thus, the main provisions of the theory of G. Hamel and K.K. Prahalad are based on several stages of the organization’s strategic development process:

The first stage: competition for industry foresight, this stage determines the direction of the organization’s development in the future, that is, it allows predicting and taking the position of the organization as an intellectual leader, influencing the direction and form of transformation in the industry in the future.

The second stage: the definition of strategic architecture—the master plan for the deployment of the new functionality of the organization, that is, it allows to identify the organization’s abilities, the possibilities of their configuration in various fields of activity both within the organization and beyond (E.A. Neretina, 2011, p. 112).

The third stage: competition for the formation and definition of “migration paths” or “road maps” is the organization’s management process, which is necessary for designing the stages of development of an object and determining the time for making managerial decisions, in other words, it is competition for market position and market share of the organization.

Notice that the fact that Wellness & Spa organizations provide a socially oriented product, so their main goal is not to maximize profits, but to satisfy social demand, and therefore reducing costs allow to achieve the desired result with the highest possible efficiency.

In our opinion, in order to achieve economic efficiency in the long term, Wellness & Spa organizations need to develop an economic development strategy in combination with marketing planning, which will increase the resource potential of the organization.

We would also like to note that in order to implement a long-term business strategy, an organization should have sufficient funding for its resources, however, due to many internal and external factors, most organizations of Wellness & Spa complex do not have such an opportunity. Therefore, in our opinion, it is advisable for the Wellness & Spa organization to use such a financing method as leasing, which has certain advantages over attracting a loan to purchase new equipment and to replace worn out equipment. Leasing of the Wellness & Spa sphere in the Russian Federation is practically not developed. Nevertheless, the main role in the implementation of leasing methods should be assigned to the State, since the development of the Wellness & Spa complex of the Russian Federation is strategic in nature, performing important social functions.

We note that the core concept of the resource theory, along with resources and dynamic abilities, is a core competency. The definition of core competencies is the basis of the strategic success of the organization in modern conditions and ensuring the sustainability of competitive advantages.

However, K.K. Prahalad and G. Hamel in their study note that key competency has the following features:

- the key competency provides potential access to a wide range of markets;
- the key competency should make a significant contribution to the customer experience of the end product;
- the key competency should be sophisticated enough to be simulated by competitors (K.K. Prahalad, G. Hamel, 2003, p. 31).

Thus, based on the foregoing and taking into account the main provisions of the resource theory of K.K. Prahalad and G. Hamel, we have developed a map of the core competencies of the Wellness & Spa organization competitiveness (Fig. 1).

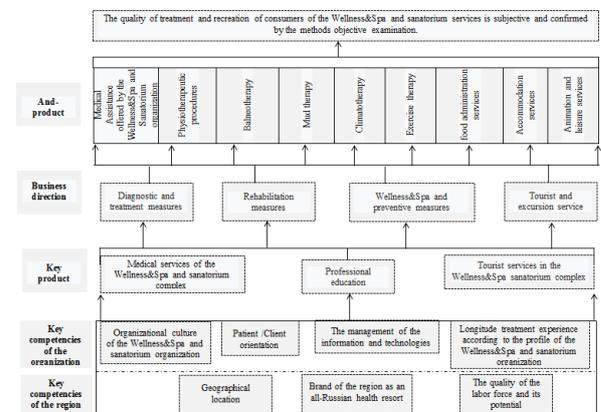


Figure 1 – Map of the core competencies of the Wellness & Spa organization competitiveness

According to the theory of K.K. Prahalad and G. Hamel, “...a diversified corporation is presented in the form of a large tree. Its trunk and main branches are similar to the key products of the corporation, small branches—to business units, leaves and fruits—to the final products...” (K.K. Prahalad, G. Hamel, 2003, p. 23).

The essence of the map of the core competencies of the Wellness & Spa organization competitiveness is to determine the set of unique competitive advantages of the economic system object: the basis of our authoring is the distribution of competitive advantages into two levels:

- mesolevel—the core competencies of the region;
- microlevel—the core competencies of the organization, in our case, the competitive advantages of the Wellness & Spa organizations (WSO) were considered.

The combination of two-level competitive advantages that form the core competencies of the Wellness & Spa organization are:

- geographic location with unique resources and climatic conditions, the formed image of the territory (for example, for the Republic of Crimea and the Black Sea coast of the Russian Federation, the image is the status of an all-Russian health resort), which plays an important role in attracting investment, as well as the quality of the workforce and its potential;
- the Wellness & Spa organization has a unique formed organizational culture, which has developed due to many years of treatment experience, according to the medical profile of the organization;
- the competence of patient and customer focus, which is achieved through digital technology—the effective management of information and technological support of the organization—is an integral part of the Wellness & Spa organization as a producer of social services.

The combination with the regional and organizational infrastructure, the system of modern professional education, focused on obtaining knowledge of the digital economy and technologies, makes the region attractive both in terms of obtaining educational services and in terms of importing business models and educational technologies. These competencies contribute to the development of such business areas of the Wellness & Spa organization as diagnostic and treatment, rehabilitation, wellness, and preventive measures, as well as tourist and excursion activities.

Thus, a set of core competencies and business areas form the end product of the Wellness & Spa organization, which consists of the following services: medical, physiotherapy, balneotherapy, mud and climate treatment, physiotherapy exercises, catering, accommodation, animation, and leisure services. At the same time, the advantage or benefit received by the consumer of Wellness & Spa services will be a criterion for the quality of treatment and recreation, which is felt by the consumer subjectively and confirmed by objective examination methods.

4. CONCLUSION

The Wellness & Spa industry is traditionally considered to be an integral part of public policy and an important section of the public health system. Russia has a variety of healing resources, many of which are unique: narzans, radon waters, thermal waters, hot gases, therapeutic muds, hydrogen sulfide thermal springs, and many others.

The variety of natural resources has allowed us to create a multifaceted system of Wellness & Spa treatment and relaxation in our country. This sector of the economy of the service sector performs important social tasks, the main of which are:

- strengthening the health of the population (individual and public) based on the rational use of natural and recreational resources and the domestic resort complex (Wellness & Spa infrastructure and human resources);
- restoration of workforce, employment, and the development of resorts.

In the context of creating a digital economy for the strategic development of Wellness & Spa organizations in accordance with the core competence—information management—the formation of a data system on consumers of medical and Wellness & Spa services in the system of electronic health care programs (for example, electronic medical records), as well as the use of modern technological equipment, which allows improving the quality of diagnostic, medical, and health-improving procedures provided by organizations of the Wellness & Spa complex (Lapao Luis, 2019). It is also necessary to strengthen the choice of the Wellness & Spa services via the Internet, differentiating various online operations.

The advantages of implementing the Wellness & Spa services via the global network are obvious: firstly, it allows covering a wide range of potential consumers; secondly, the relatively low overhead costs and efforts for suppliers of the Wellness & Spa services and consumers (for example, the cost of booking via the Internet is much less than through operators); thirdly, it allows round-the-clock access to the network for private users.

These advantages, as well as the ability to update information in a matter of time, are used by many foreign service companies. Therefore, it is important that Wellness & Spa organizations, as providers of social services, use the opportunities of online operations, because this opens up significant opportunities for online sales of the Wellness & Spa products and their advertising, as well as for sales promotion.

Consequently, the innovative product of the Wellness & Spa complex will look as follows: the combination of a personalized approach, modern diagnostic methods and technologies with treatment and diagnostic, rehabilitation, wellness, and preventive measures in combination with tourist and excursion services will form a sustainable and cost-effective organization of the Wellness & Spa complex. In our opinion, with the right positioning of the services of the Wellness & Spa market and the promotion of this

innovative product, it is possible to increase the demand for the services of modern Russian health resorts.

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