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Value Creation: An Integrative Strategy for Performance Improvement

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Declaration:

Hereby I declare that this doctoral thesis, my original investigation and achievement, submitted for the doctoral degree at Tallinn University of Technology has not been submitted for any academic degree.

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MAJANDUS H54

Väärtuse loomine: organisatsiooni toimimise parendamise integratiivne strateegia

LEON MILLER

TTÜ KIRJASTUS

CONTENTS

LIST OF PUBLICATIONS

This doctoral dissertation is based on the following three consecutive scientific articles.

1. A Marketing Strategy for Democratizing Value Creation. (2015) *Research Journal of Economics, Business and ICT*. Vol. 10, No. 1, Article no. 4, pp. 17–24.

2. Measuring Intellectual Capital as a Value Asset in the Estonian, Finnish and Romanian Health Care Sectors. (2014) *Journal of Management and Change*. Vol. 1/2, No. 32/33, pp. 134–150.

3. E-health: Knowledge generation, value intangibles, and intellectual capital. (2014) *International Journal of Healthcare Management*. Vol. 7, No. 5.

The author's contribution to the articles:

Article 1. The author of this thesis is the sole author of this article which analyzes the role that marketing has played as a vanguard in initiating a new way of thinking about value creation. This article argues that marketing specialists heralded the new value concept upon realizing that the value in use industrial era with emphasis on the utility value of productions was giving way to a new marketing era that is no longer firm-centric and not a very clever way of disposing company goods but that marketing involves value distribution and resource integration to create value that satisfies the value in use interests of stakeholders.

Article 2. The author of this thesis is the sole author of the article 'Measuring Intellectual Capital as a Value Asset in the Estonian, Finnish and Romanian Health Care Sectors'. The article emphasizes the role that value intangibles play in professional, organizational, and economic performance. This article measures the extent to which public resources are used effectively and are being used in a way that is in line with realizing the stated goal of each state to become models of innovation and knowledge economies. The article analyzes the attempts of Estonian, Finnish, and Romanian public sector officials to adopt more innovative strategies in order to make better use of public resources and, at the same time, improve their effectiveness in contributing to Europe 2020 innovation goals (using the e-health care system as the sector for collecting data on the three countries). The aim of the article is to point out how the effective measurement of value intangibles contributes to better management of public resources.

Article 3. The author of this thesis is the sole author of this article that analyzes the role that effective management of intellectual capital (intangible value assets) plays in improving organizational performance. The focus is on how the three states measure intangible value assets (with an emphasis on intellectual capital). In addition, the article explains the significance of intellectual capital (a value intangible) as a factor in innovation—thus the role that intellectual capital plays in achieving Europe's 2020 vision. The article traces the development of techniques for measuring the role that value intangibles play in performance (emphasizing how the public sector was slow in recognizing the benefits of a more inclusive measurement strategy).

The publication arrangements for of all the articles listed above were made by the author of this thesis.

Other publications related to the topic written by the author of this thesis:

Democratizing Value Creation in Odisha: Sustainability, Conflict and Peace-building. (2016) *The Odisha Review*. Volume LXXII, Numbers 7-8, 63-69.

A methodological and theoretical framework for social economic value theory. (2016) *International Journal of Social Economics.*

A theoretical framework for value creation: a multi-dimensional strategy/model for improving social economic performance. (2016) *Journal of Creating Value*.

A marketing strategy for democratizing value creation. (2015) *Research Journal of Economics, Business and ICT*. Vol. 10, No. 1, pp. 17–24.

East-west cosmopolitan ethics: adding value to global social existence. (2015) *Research Journal of Economics, Business and ICT*. Vol. 10, No. 1, pp. 10–16.

Value creation: an integrative approach to improving organizational and economic performance. (2015) *Southeast Journal of Multidisciplinary Studies*. Vol. 1, No. 8, pp. 60–76.

Value creation: the role of values in improving organizational performance. (2015) *Eruditio*. Vol. 1, No. 6, pp. 55–67.

Values generation: turning values into wealth (2015) *Journal of Values-Based Leadership.* Vol. 8, No. 1, pp. 12–28.

The role of pedagogy in value creation (2014) *Journal of Educational Chronicle*. Vol. 5, No. 1, pp. 11–20.

A value-based approach to sustainability: the role of values and culture in the pursuit of wealth. (2014) *Development and Society*. Vol. 43, No. 1, pp. 143–161.

INTRODUCTION

Value creation has become a popular concept in the literature on organizational behavior. However, a careful analysis of the literature on value creation reveals the problem of a persistent discrepancy regarding which aspect of the value concept is best for improving performance. In other words, a comprehensive review of the literature on valuation reveals the fact that theorists propose one of several aspects of value creation: value in exchange (Smith, 2007), value added (Rappaport, 2006), value creation (Drucker, 1975; Prahalad & Ramaswamy, 2004; and Porter & Kramer, 2011), and the co-creation of value or value in use which is reintroduced as being in contrast to the value in exchange perspective (Vargo & Lusch, 2004). In addition, although the recent literature has popularized the value creation concept by asserting that it is a particularly beneficial new perspective on organizational and market activity, the literature has been inadequate in explaining the value creation concept in terms that are most important to practitioners—how the concept can be applied as an integrative organizational strategy or model to improve organizational performance.

The problem of a discrepancy results in a lack of clarity on whether the various value concepts are compatible and can be integrated into a framework for applying it as a knowledge age strategy or model for satisfying stakeholders. This lack of clarity on how to integrate the value interests of the stakeholders is resulting in ineffectiveness and inefficiency which decreases social capital (Freeman, 1984, pp. 129 & 105–107). This thesis demonstrates that the problem of not operating in accordance with knowledge age strategies or models for increasing effectiveness and efficiency is especially evident in the public sector. In other words, the novelty of this thesis is that it proposes a strategy for improving organizational performance based on reconciling the discrepancy between the variations of the value creation concept. The solution is an integrative theoretical framework which provides the means for applying the value concept in a way that is most beneficial for practitioners. The aim of this thesis is to explain the complementary connection between the value concepts, thus integrating them into a framework for researching the effectiveness of the value creation concept as a strategy or model for increasing the benefits for all stakeholders. The problem of a lack of complementarity between the value concepts and the gap in the literature on value creation gives rise to three research questions that this thesis addresses:

1. Is there a conceptual framework inherent within the value concept itself that contributes to integrating the firm-centric and client-centered perspectives?

2. How can the value in exchange and value in use economic value concepts be integrated to create a complementary connection between the firm-centric commitment to maximize profit (i.e. the shareholder's interest in

maximizing returns on investments) and the commitment to increase stakeholder satisfaction plus for the corporation to demonstrate a clear commitment to social responsibility?

4. Is the problem that the firm-centric and client-centric perspectives are necessarily in opposition or does the problem result from a failure to develop a theoretical model that demonstrates that these two seemingly contrasting interests can be complementary?

Grounded Theory was chosen as a framework for addressing the research questions because the goal of Grounded Theory is complementary with the aim of this thesis. “The goal of Grounded Theory is to generate a conceptual theory that accounts for a pattern of behavior which is relevant and problematic for those involved. The goal is not voluminous description, nor clever verification.” (Glaser, 1978, p. 93). The reliability of Grounded Theory is based on its effectiveness as a theoretical model for analyzing processes related to social action. Grounded theory is applicable because the theory proves to be an epistemologically sound approach when the answers to research questions are grounded in conceptual data thus must be determined by an exploratory investigation of texts. Thus, Grounded theory is a preferable theoretical approach when the research involves a content analysis of texts. In addition because the data is inclusive of an exploratory study, an analysis of historical and contemporary literature, and a content analysis of texts triangulation is used as a method of integrating the data so that it can be developed into a theoretical framework for applying the value creation concept and as a methodological framework for “Increasing the credibility of the findings of [the] study” (Cho, 2014, p. 14).

This thesis complements the body of literature by indicating that value creation is not only a significant new perspective on satisfying clients but that it can also be applied as a viable organizational strategy or model that is congruent with theories on improving knowledge age business operations. It extends the scope of the current literature by providing a theoretical framework that integrates the value creation concept thus adding to its ability to improve effectiveness and efficiency. The development of a theoretical framework for integrating the value creation concept is the basis of demonstrating that the discrepancy between the various views on value creation can be resolved. That is to say that value creation concept has the capability of reconciling the varying perspectives on what is best value-wise for shareholders, what is best for managers and workers, and what is in the best interest of the customers if it is developed into an integrated business strategy or model. Resolving the discrepancy is achieved by demonstrating how an integrative framework can be applied to organizational activity to satisfy the interests of owners, shareholders, managers and workers, as well as customers.

This thesis is also undertaken in order to test the validity of the popular claim regarding the significance of value intangibles. Because of the role intangibles play as important aspects of a company’s wealth-producing assets it is important to effectively account for their value. In this respect, the thesis contributes to the body of literature explaining the role that value intangibles play in expanding conceptualizations of resources and assets. This is done by pointing out the relationship between improved performance and accounting for value intangibles. Intangible value assets are comprised of factors like relational capital, intellectual capital, plus corporate values and culture. In addition, a contribution to the literature on valuation is made by emphasizing the drawbacks of a failure to effectively account for the role of value assets in addition to structural capital (Kaplan & Norton, 2001a, pp. 88 & 96).

The scope of the literature on the value-added, value creation, and the co-creation of value concepts is extended by exploring the possibility of their compatibility plus indicating that they can be integrated in such a way that the integrated version of the value concept contributes to overcoming the problem of the deficit in traditional financial measurements such as “residual income, economic value added, and shareholder value added” (Kaplan & Norton, 2001b, p. 156). The current literature on the value creation introduces it as a technological age approach to increasing an organization’s competitive advantage in economies that are increasingly networked. In this respect, the literature indicates that the knowledge-based organizational activities that accompany the technological age and networked economies initiate the need for re-conceptualizing the value concept. This is due to the fact that the knowledge-age notion of value is not only firm-centric but is inclusive of how organizational performance is improved when it increases its capability to integrate social-economic resources in order to maximize the value received by all stakeholders (Miller, 2015b, pp. 17–24). Thus, this thesis contributes to the body of literature on value creation by indicating how the concepts ‘value-added’, ‘value creation’, and the ‘co-creation of value’ can be complementary. The integrative framework proposes a means for increasing the value assets of an organization and, at the same time, it contributes to integrating the resources of society—in a way that satisfies the interests of the stakeholders and increases social capital.

There are three assumptions that shape the direction this thesis takes in regards to developing a conceptual framework for addressing the issue of a discrepancy between the value concepts. The first is that the historical method of analyzing the value concept is a viable source for determining the fundamental concepts that apply to valuation. The second is that the integrative systems model of organizational behavior is a viable source from which to derive the concepts and principles for developing a theoretical framework for an integrative business strategy or model (see Boulding, 1956, pp. 197–208; and 1966, pp. 1–13). The third assumption is that there is inherent in the value creation concept a conceptual framework that is viable for integrating the value-added, value creation, and the co-creation of value concepts into an effective theory for improving performance (Tanev *et al*., 2013; Johnson *et al*., 2008; Drucker, 1994, pp. 95–104).

The introductory section of the cover paper for this thesis proceeds with the following Chapter 1 explaining the relevance that the historical and current literature on valuation have as a source for determining concepts, principles, and factors that contribute to developing a theoretical framework for applying the value creation concept as an integrative business strategy or model. Chapter 2 explains the methodology, method for collecting data, and research design. Chapter 3 is an analysis of the data or, in other words, an explanation of what the data reveals concerning the applicability of the value creation concept as a strategy for improving performance. Chapter 4 is a discussion of the data analysis and Chapter 5 draws conclusions based on an analysis of the data and summarizes the contributions of this thesis to the body of scientific knowledge and research.

1. THEORETICAL FRAMEWORK

"Theory is a structure of general statements that explains some phenomena and permits predictions about them" (Risjord, 2014, pp. 38–40). Theory development involves determining and explicating a process by which a phenomenon will be analyzed in order to better understand and explain the general aspects of a phenomenon. This section of the thesis aims to fill the gap in the value creation literature by explaining the principles and concepts that are foundational to valuation in order to develop the concepts and principles related to valuation into a theoretical framework for guiding research. This section of the thesis also explains the rationale behind the assumption that a theoretical model for applying the value creation concept as a means of satisfying the interests of all stakeholders can be achieved by developing the information derived from the historical study into concepts and principles that provide the basis a framework for applying and testing theoretical model (Schmoller, 1894, pp. 2–5; see also Schumpeter, 1986, p. 3). This includes explaining the discrepancy regarding valuation and why it has presented a problem that renowned scholars have addressed and even tried to resolve: scholars of the Philosophy of Science and Philosophers of Social Science like Aristotle (2004), Max Weber (1964), and Talcott Parsons (1949).

A primary premise of this thesis is that although there is much literature pronouncing the significance of the value creation concept the literature does not provide a comprehensive explanation of a theoretical framework for applying the concept to research in order to determine its effectiveness for improving organizational performance. This section of the thesis contributes to filling that gap by analyzing the way in which the value concept has been conceptualized. Upon determining the concepts and principles that are foundational to value creation they will be developed into a theoretical framework for researching the effectiveness of the value creation concept. This section of the thesis also explains the theoretical strategy for conjoining the firm-centric (value in exchange) and client-centric (value in use) economic value theories thus reconciling the historical dichotomy. In addition, this section proposes a theoretical strategy for determining the factors involved in the successful application of the value creation concept which includes a theoretical framework for researching the consequences of a failure to effectively apply the value creation concept.

Section 1.1 explains the fundamental principles and concepts connected with value theory (based on an historical analysis of the concept). Section 1.2 explains the relevance of the integrative systems model as a conceptual framework for researching the effectiveness of the value creation concept as a model for integrating the organizational concern to manage internal resources with the concern for effectively managing external resources (see Boulding, 1956, pp. 197–208; 1966, pp. 1–13). The integrative systems model was developed by the one of co-founders of the general systems theory and has evolved into a basic theoretical model for organizational behavior. Section 1.3 explains the conceptual framework underlying the claim that the value-added, value creation, and the co-creation of value concepts can be integrated into an effective operational strategy or business model (Tanev *et al*., 2013; Johnson *et al*., 2008; Drucker, 1994, pp. 95–104). Thus, Section 1.3 indicates the conceptual framework for an integrative value creation theory.

1.1 The Concepts and Principles that are Foundational to the Value Creation Concept

This section of the thesis points out that the concept valuation has been part of management and economic theory since the inception of conceptualizations on managing wealth. Thus, this section portrays the development of the value concept in connection with how it evolved and became popularized. That is to say, this section explores the literature on the value concept and explains how it has evolved to have a major impact on organizational activity and on marketing theory. In other words, this section clarifies how the variations of the value creation concept have emerged to influence aspects of organizational behavior, management theory, marketing, and economic activity. In addition, this section explores how the historical and current literature are used as a source for determining the concepts and principles that can be applied when researching the effectiveness of the value creation concept. However, throughout the history of theoretical investigations into concepts related to valuation and social action, the literature on value theory has persistently indicated that there is a dichotomy between the value in exchange (profit-centric) and the value in use (stakeholder-centric) views on value. Although much of the literature indicates a discrepancy, it does not provide any prospect for integrating the two. Subsequently, there has been inadequate development of a strategy or model for integrating the value concept in order to establish a complementary connection between shareholder and stakeholder interest (Freeman, 1984, pp. 22–26).

From the very inception of Western civilization’s founding principles for managing economic resources, for social economics, for political economy, and ethical strategies for increasing social responsibility, there has been an indication of a dichotomy between the value in exchange and value in use economic value theories. Aristotle, for example, stressed that the two are incommensurate and, also (it is significant to point out that) he implied that value in exchange was less appropriate as a basis for social interactions and economic exchange than value in use (Aristotle, 2004, pp. 89–92). Aristotle proposed value in use as a preferred approach to economic exchange because he believed it has the greater chance of resulting in reciprocity and in mutually satisfactory outcomes. Thus, Aristotle is noted for emphasizing the discrepancy between the value in exchange and value in use economic value theories and he is also credited with being the first to establish theoretical and methodological concepts for analyzing valuation. He also contributes to researching valuation by having asserted that the integrative approach works best as a basis for the development of a theoretical framework for the value creation concept.

Aristotle is considered to be a pioneer in analyzing the value creation concept and he proposed a theoretical model that would "increase the capacity of individuals and organizations to think, act, and [relate] in value-rationality terms" (Flyvbjerg, 2001, p. 130). Aristotle is also regarded as being the first to introduce the concept of Action Theory as a framework for analyzing value-rationality. Aristotle claimed that Action Theory is especially useful when the endeavor is to analyze the effectiveness of the value creation concept, when it applies to social interactions, and when research involves deliberation about value ends (Aristotle, 2004, pp. 106–124). In terms of contributing to a pragmatic approach to researching the relationship between value creation and organizational performance, a historical analysis reveals that Social Action Theory continues to be a relevant theoretical model for researching valuation because it is inclusive of the normative aspects of human social relations (Weber, 1978a, pp. 212–216; 1978b, p. 138). In other words, Social Action Theory is basic to a conceptual framework for researching valuation (especially as it relates to organizational behavior and management theory) because it proves effective for gaining reliable knowledge regarding how human interactions can be organized to increase the likelihood of gaining a desired outcome.

Thus, an assumption that shapes the theoretical framework for this thesis is that Social Action Theory is an example of a conceptual model for research analyzing how value creating activities increase the likelihood of integrating and satisfying the interests of shareholders and stakeholders (Miller, 2015a, pp. 17–24). Social Action Theory has a history of being a viable theoretical model for researching valuation because it reduces the discrepancy between researching market behavior from the perspective of those who view consumers as basically utility maximizers—or business activity as primarily based on utilitarian ethics—and the theoretical proposition that companies create a competitive advantage by collaborating with stakeholders to help them fulfill their endeavor to experience more meaning and purpose in their lives (Porter & Kramer, 2011, pp. 1–4; also see Miller, 2015a, pp. 59 & 63–64).

In addition, the historical analysis of valuation reveals that when researching social action the integrative (or systems theory) perspective is an important framework from which to approach the research because it proves to be effective for determining the factors that are important to performance improvement. In other words, an integrative or systems perspective on increasing efficiency, reducing waste, and increasing profit proves viable because it is inclusive of sustainability and because the integrative approach is useful for analyzing the social psychological dynamics connected with valuation. The social psychological dynamics include the relationship between social psychological factors like mutuality, reciprocity, and integrity and social economic factors like increased beneficial outcomes for all stakeholders and social responsibility (Miller, 2016, p. 29).

Aristotle's management theory, his economic philosophy, and his theoretical approach continued to be the established view of political economy—with some slight modifications by the Scholastic Doctors, the School of Economic Thought at Salamanca, and with more clear alteration during the period of the Physiocrats until the establishment of classical economics by Adam Smith (Miller, 2015b). Smith also recognized that there is a dichotomy between the value in exchange and value in use economic value theories. However Smith, at the time of Western mercantilism, expansionism, colonialism, and the emergence of the industrial age, placed the emphasis on wealth generation, material assets, maximizing utility, and rational choice (rational self-interest). This change in emphasis regarding which aspect of the value theory is best for generating wealth prompted a pendulum swing of the economic value concept in the direction of emphasizing the profit aspect of economic exchange. "Smith's focus on nominal value and tangible exchange represented a departure from the previously accepted focus on use-value and has had critical implications for the development of economics and the understanding of market exchange" (Vargo & Lusch, 2004, p. 6; Vargo & Morgan, 2005, p. 44).

Although Smith's value theory and notion of wealth generation were ingenious contributions to Modernity and to the capability of nations to increase wealth, there were problems resulting from the unresolved discrepancy between the value concepts that became increasingly apparent as the industrial age evolved into the technological age. These problems were evident at the level of managing individual professionals in terms of the need for a shift from the Taylorian notion of power and control as the basis for managing knowledge workers to the humanistic approach to organizational behavior, motivation, and management, which takes intrinsic human values into account. At the organizational level there was an increasing need to account for and to more effectively manage the organization's intangible value assets. That is to say, there was the need for better methods for effectively managing knowledge generating value assets, accounting for value assets on financial reports, and there was a need to increase the organization's value creating capability. At the level of economies there were problems related to accountability, transparency, ethics, social responsibility, and sustainability. Problems evident at the macro level were also evident in regard to the contrast between the role of positive economics in economic planning and the emphasis of normative economics on protecting public interests by means of establishing a complementary connection between structures and agents (i.e. the value concept as a means of promoting *the democratization of value creation*).

Extensive recent contributions from Stephen Vargo (*Customer Integration and Value Creation*, 2008); collaborative developments between Vargo and Lusch (2004); and the collaborative work of Stephen Vargo, Paul Maglio, & Melissa Akaka *On value and value co-creation: A service systems and service logic perspective* (2008) caused a drastic change in the value creation pendulum swing. The service dominant—S-D logic (marketing-oriented view)—represented a change of emphasis from value in exchange to value in use and ultimately to the co-creation of value concept. This includes a complete swing away from an emphasis on an internal firm-centric (shareholder) focus toward an external (stakeholder) perspective on improving organizational performance and helping a company maintain its competitive advantage. In this respect, the current literature on value creation indicates that there is a discrepancy in the value theory and it popularizes the need for a new perspective on valuation but does not offer a solution to the dichotomy. Rather than resolving the dichotomy, recent literature on value creation proclaims that the pendulum has swung in the opposite direction.

However, the current literature on value creation does provide concepts and principles that can be used as a basis for developing a theoretical framework and for testing the effectiveness of the value creation concept for improving performance. The concepts introduced by the current popular literature on value creation includes increasing the value creating capacity of an organization, networking, interconnectivity, the importance of knowledge generating human interactions, the importance of human interactions that generate innovative activity, employing motivational strategies for aligning the internal value aims of the organization, employing marketing strategies for determining the value aims of the stakeholders, and Structuration as a model of organizational interactions. Structuration is a strategy for employing co-creational activities to integrate the value interests of the organization and its stakeholders (Senge 1990, 81-88).

The discrepancy and the dichotomy resulting from various usages of the value concept has led Christian Grönroos (one of the only non-North Americans selected as a legend of marketing) to assert that clarifying the connection between the value concepts would lend insight into the processes involved in value creation (Grönroos & Päivi, 2013, pp. 1–3). In fact, for several decades, the shift in emphasis to the stakeholder emphasis has increased the recognition of the need to resolve the discrepancy which includes acknowledging the need for a re-conceptualization of the value concept in order to bridge the divide and further develop the value concept in a way that is relevant to practice (Vargo & Lusch, 2006, pp. 53–55; see also Freeman, 1984, pp. 4–8).

1.2 An Integrative/Systems Model of Improving Organizational Performance

Employing the historical method for investigating the concepts and principles that apply to researching valuation revealed that the historical literature on value creation emphasizes the integrative or systems model and open and collaborative communication activity as the basis for developing a theoretical framework for researching valuation. In addition, the historical analysis revealed that due to the connection between the integrative model and general systems theory, sustainability is an important factor effecting the performance of organizations and is thus important as a conceptual factor for analyzing performance. The integrative system model emphasizes the impact of the environment on a system or, what this thesis consistently refers to, as external factors that influence performance. In addition, an integrative or systems framework emphasizes the concepts 'interdependence' and 'relationality', which are important for analyzing the social psychological dynamics of organizational activity. Finally, the historical literature stresses the fact that an organization exists as a subsystem within a larger environment in which it is embedded—which implies the necessity of having a concern for both social responsibility and sustainability (Katz & Kahn, 1978, pp. 17–68; Boulding, 1956, pp. 197–208).

In addition to the concepts and principles derived from an historical study of valuation and an analysis of recent literature supports the claim that, when applied to research regarding social action, organizational activity, and economic exchange, the fundamental concepts related to valuation (e.g., networking, cooperative collaboration, motivation, the learning organization, and Structuration) play a role in creating outcomes that are found to be beneficial and satisfactory for the agents involved in transactions and interactions. In other words, the concepts related to valuation, when applied to social action, improve professional performance, organizational performance, enhance social economic activity, and increase social capital.

1.3 Value Creation as an Integrated Business Strategy and Model

A theory of business has three parts. The first are assumptions about the environment of the organization: society and its structure, the market, the customer, and technology. The second are assumptions about the specific mission of the organization. And the third are assumptions about the business strategy or model needed to accomplish the organization's mission (Drucker, 1994, pp. 95–104). This thesis argues that a basic assumption of knowledge-based organizational concepts is that increasing its value creation capacity is the primary intention of the organization's activity. In this respect, organizations are seeking business strategies and models that are effective for increasing their capability to create value. To fulfill the organizational need for a framework that is effective for increasing the value creation capability, this thesis uses the concepts and principles derived from the historical analysis and the analysis of the current literature to design both a strategy and model for increasing the organization's capability to create the type of value that is deemed beneficial by all stakeholders.

The integrative or systems theoretical framework provides the basic concepts and principles for developing strategies and models for improving performance. In terms of an organizational strategy or model, the integrative or systems model begins with redirecting the accounting focus on short term tangibles toward focusing on *the market's valuation horizon* (i.e. strategic decisions that maximize value) (Rappaport, 2006, pp. 66–69).

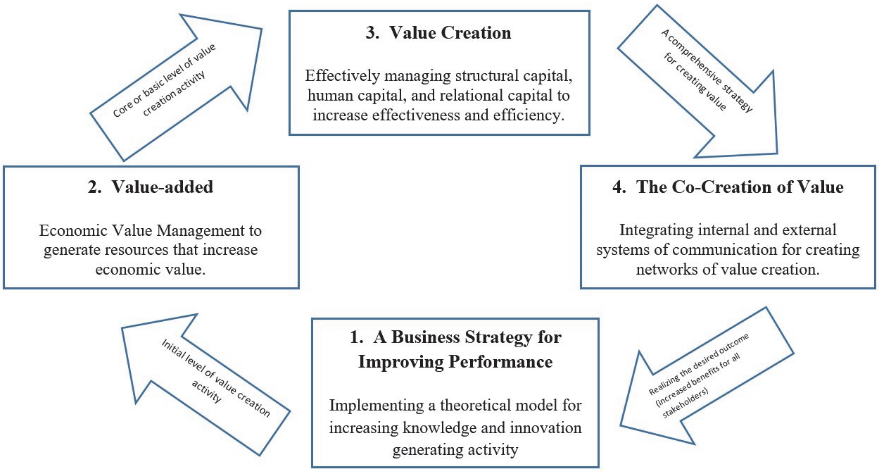

Figure 1. Value creation is the basic intention of value management thus becomes the fundamental core of the organization's strategy (illustration designed by author).

As depicted in the illustration above (see Fig. 1), the theoretical strategy for improving organizational performance proposed by this thesis is based on integrating four processes: financial and accounting measurement processes, operations management processes, innovation generating processes (e.g., especially the management of human capital, relational capital, and of the processes for increasing stakeholder capital**)**, and networking to more effectively manage the value creation network. Networking is the means to integrate economic resources for the benefit of participants in the value creation network. Integrating these four processes is tantamount to operating in accordance with the business' intention to increase its value creation capabilities.

1.4 Value Creation as an Integrative Business Model

To develop an integrative value creation business strategy, this thesis draws from the principles and concepts derived from the historical analysis and recent literature on the valuation concept to develop a theoretical framework that can be used as a method for researching the viability of the value creation concept as an integrative business model. As was true regarding the integrative business strategy, the assumption is that the integrative business model works best when a firm first makes a commitment to increase its capability for creating value and thus endeavors to develop a business model for increasing its value creating capability. The conceptualizations of value creation derived from the hermeneutic study were categorized as the basis for determining the factors and constructs that contribute to developing a theoretical framework. The concepts and factors were then used as the framework for developing a business model based on the conceptualizations of value creation (see Fig. 2 below). Thus, the historical and contemporary literature proved viable for providing concepts that could be shaped into a theoretical framework for building a value generating business model. The foundation of the theoretical model is the integrative systems theory (i.e. integrating internal and external value generating resources to establish value congruence).

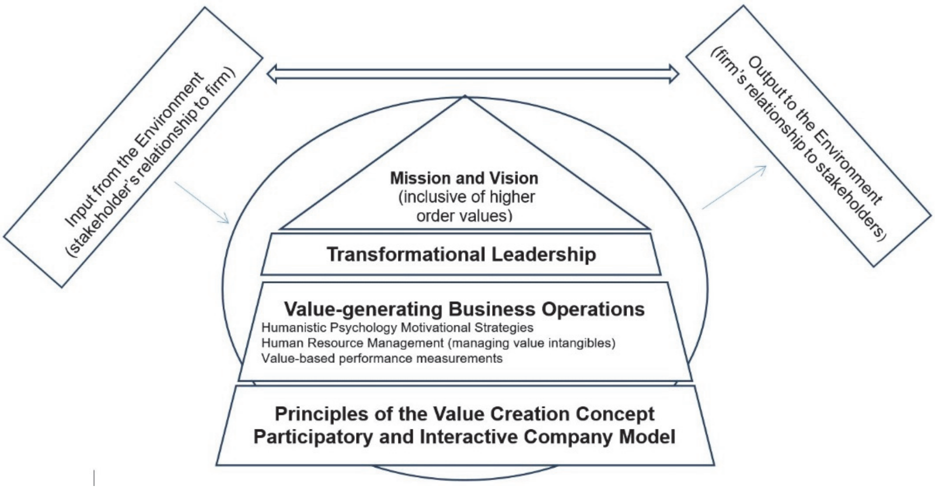

Figure 2. The figure illustrates the compatibility between the knowledge-based business model and the value creation concept (illustration designed by author).

The first aspect of the theoretical framework for an integrative value creation business model is determining if there is a correlation between applying its concepts/principles to performance and scores on performance measures. This means determining if the front-runners show evidence of operating according to such principles and concepts: like collaborative partnership, networking with all stakeholders, and enhancing the value creating capability by effectively accounting for its intangible value assets (i.e. accounting for the capability, the capital, the resources, and the ability the firm has for creating value) (Rappaport, 1998, pp. 10–11). The theoretical framework that was used for this research project—as a basis for determining the factors that play a part in value creation's impact on performance—was also employed as a framework for determining the factors involved in the effectiveness of the value creation concept as an integrative business model. The basic premise is that in order for the integrative framework to be an effective model for increasing the company's capital assets and improving its performance, the primary the intention to create value must be the foundational upon which the business is based.

The second aspect of the theoretical framework for a value creation business model involves determining the factors that play a role in applying the value creation concept toward generating processes that increase the internal value creating dynamics of the company. This primarily means establishing a value congruence between ownership, management, and workers. This can also be achieved by designing strategies for knowledge generation, increasing innovative activity, and increasing relational capital (Drucker, 1975, p. 77; Ulrich & Ulrich, 2010, pp. 55–73; Senge, 1990, pp. 190–208; see also Miller 2015d, pp. 16–17). Steps three and four (leadership style and the company's vision and mission statement) are a continuance of the endeavor to create a value congruence but at this point the emphasis is on aligning the values of the workers, managers, and leaders with the mission and vision of the organization. This, to some degree, involves human resource management (refers back to level two) because

> [w]hen the desired outcome is an increase in value and when value is intended to be co-created, then the relationship between leaders and workers must be mutual and allow each side to contribute to the stimulation and elevation of the other plus motivate each other to interact more authentically and with more integrity (Burns, 1979, p. 4; see also Miller, 2015a, p. 61).

The final aspect of the framework for an integrative business model is designed as a strategy for taking the whole process full circle plus is the primary step in tying the value-added intention together with the co-creation of value process. That is to say that in the final aspect the theoretical model for value creation is a framework for creating integrated networks of knowledge and innovation generating activity (e.g., connecting internal and external value creating networks plus engaging all stakeholders in an interactive process for co-creating value). This determines the input coming into the organization and the organization's capacity to capture value.

2. METHODOLOGY, METHOD, RESEARCH DESIGN FOR DATA COLLECTION

“Methodology refers to the ‘knowledge of how’ or the total set of ‘means’ that scientists employ in reaching their goal of valid knowledge” (Mouton, 1996, p. 35). The methodology for this thesis is a framework for establishing the means by which it is planned, structured, and executed to comply with the criteria of the demands of The Philosophy of Social Science and The Philosophy of Economics for producing reliable knowledge. Simply put, the methodology for this thesis is an explanation of the logic or rationale for approaching the analyses and investigations undertaken for this thesis in a certain way. Because organizational research in general and research related to the value creation concept in particular have an interface with so many disciplines a methodological framework for value research is more effective when it is inclusive of an integrative, interdisciplinary, and historical approach to analyzing the scope of the value concept. Furthermore, research that is focused specifically on valuation is most effective when based on a methodological framework that is inclusive of the social psychological and social economic dimensions of the concept as well as a methodological framework for analyzing the role that values play in organizational activity, market exchange, and economic performance (Miller, 2015b).

The methodology for this thesis must be inclusive enough to address the dual task of developing a theoretical framework for the value creation concept and indicating ways in which the validity of the claims proposed by the thesis can be verified. In this respect the methodology chosen must provide a means for devising theoretical knowledge from “data systematically obtained from social research” (Glasser and Strauss, 2006, p. 2). This was necessary given the fact that the problem this thesis addresses is the lack of a theoretical development of the value creation concept. “Generating a theory from data means that most hypotheses and concepts not only come from the data, but are systematically worked out in relation to the data during the course of the research” (Glasser and Strauss, 2006, p. 2).

Given the fact that the scope of this thesis encompasses an exploratory study of historical and contemporary literature, a case where the effectiveness of the value creation concept is analyzed, and particular texts that are analyzed to determine if there is a correlation between the measurement of value assets and improved scores on performance measures Grounded Theory is used as a methodology for obtaining accurate facts and reporting them in terms of a theory that can be rigorously tested by future researchers (Glasser and Strauss, 2006, p. 1). More importantly Grounded Theory is chosen as a methodological framework because it is a strategy for generating theory by comparing various types of data as the means for developing an integrated conceptual framework for the phenomenon under investigation (Glasser and Strauss, 2006, p. 21). Grounded Theory is the preferred methodological framework for this thesis because the integrative nature of the theory is compatible with the integrative aspects of the research undertaken for this thesis. Finally, Grounded Theory is applicable because it emphasizes three areas of focus for researching a topic which are also the focus of this thesis: how theory can be developed by systematically analyzing data, a comparative analysis of and the integration of various types of data, and it calls for a content analysis as one of its primary means of analyzing texts.

In addition, the conceptual, qualitative, and quantitative data collected—representing a wide scope and various disciplines—are conjoined by employing a triangulation methodology to provide the categorizations needed for theory development (which is also suggested as a method for comparing data by specialists of Grounded Theory). That is to say that triangulation was chosen as an essential aspect of a methodological framework for investigating the various conceptualizations of valuation and integrating the data collected from various quantitative and qualitative methods into a framework for applying the value creation concept as a business strategy or model and for testing the claim that an integrative value creation model improves performance. Triangulation is used as a methodological framework for this research in conjunction with Grounded Theory because some aspects of the data are of an intangible nature and triangulation allows for analyzing value creation from various perspectives and in multi-dimensions. Triangulation is especially relevant because this thesis is intended to test the validity of the claim that applying the value creation concept to organizational behavior increases benefits for the organization itself, its stakeholders, and the overall society (Harrison & Wicks, 2013, pp. 101–118). Because the particular focus of this research is valuation—which includes value intangibles, meaning, interpretation, and analysis of interdisciplinary perspectives—triangulation is necessarily used as a methodology because it is conducive to research employing a mixed method (Valach *et al*., 2002, pp. 79–81).

2.1 Methodology

Grounded Theory is an integrative methodological framework for researching social economic activity thus is used in this thesis in order to expand the scope of the possibilities for analyzing the phenomenon so as to generate more accurate results in regard to the effectiveness of the value creation concept for integrating the resources of society (Glaser, 2004, p. 9). Grounded Theory as an integrative approach for analyzing social action was also used because it is compatible with triangulation and together they increased the effectiveness of using mixed methods (Glasser and Strauss, 2006, pp. 40-43). Together they also provided an effective means of triangulating and integrating data regarding valuation and social action plus determining the social and economic factors that generate more benefit for more stakeholders. Because Grounded Theory is an integrative methodology it allows for the expanded scope necessary for researching the complexity of human behavior and for researching organizational and economic activity thus provides a means for researching the connection between subjective value choice and the rational choice theories of consumer and market behavior (Stiglitz *et al.*, 2008, pp. 11–16). Using Grounded Theory as an integrative methodological framework is used because it was necessary to analyze and triangulate information regarding the interface between social action, norms, values, and the social construction of reality. Analyzing the interface between these various dimensions of the value concept demands a methodological strategy for integrating data regarding the Constructivist, collaborative, and participative aspects of value creation (or, what this thesis refers to as *the democratization of value creation*) (Miller, 2015a, pp. 17–24).

In the context of this thesis—because it is a research project intended to contribute to the development of a theoretical framework for researching the effectiveness of the value creation concept for improving organizational performance—the assumption is that the integrative methodology is a viable framework for analyzing organizations through the lens of performance factors and measurements, the impact that individuals have on organizations (and vice versa), plus the impact that internal and external factors have on organizations and vice versa (Pfeffer, 1997, p. 4). Thus Grounded Theory is employed as an integrative methodology because it allows for a more inclusive approach to analyzing human choice and the connection between choice, rationality, interactions, and deliberation. "An integrative methodology is based on the conviction that there are societal value factors as well as economic factors weighing on a person's choice and his or her values" (Miller 2015a, pp. 17–24). This is due to the fact that "[v]alues are established or validated and recognized through discussion, an activity which is at once social, intellectual, and creative" (Knight, 1947, pp. 280; see also Sen, 1999, pp. 273).

2.2 Method

Researching the impact of the value creation concept on performance requires analyzing the interface between several disciplines: organizational behavior, social psychology, group dynamics, and social action. If added to this are aspects of value theory that are related to market exchange, economic activity, and consumer behavior (e.g., subjective value preferences and rational choice), then a comprehensive analysis of the impact of value theory on performance requires triangulating various types of data that are collected by mixed methods and from various disciplines. For the purpose of this thesis the collection of data ranges from data that has been quantified to qualitative data, historical data, and information that can be described as conceptual propositions. The assumption guiding the thesis was that because values are intangibles, qualitative data is essential for researching the value creation phenomenon. Without a comprehensive qualitative analysis of the value concept the research would have a narrow scope and would produce incomplete information because its focus would be limited to the instrumental, material, tangible, and structural aspects of organizational activity (Stiglitz *et al*. 2008, pp. 11–16). This is especially true given the fact that researching the value concept necessitates evaluating value perspectives of multi-levels of an organization and from multi-dimensions of society. An integrative method was the solution to this limitation because it is a method for analyzing and resolving the conceptual gap between subjective value choice, rational choice, and the social theory claim that norms and values are socially constructed—which demands a method for analyzing the participative approach to value creation (i.e. *the democratization of value creation*) (Miller, 2015a, pp. 17–24).

The researcher assumes that certain factors related to the value creation concept act as variables that potentially play a role in creating the desired effect of improved performance. These factors will become evident thus specified and/or explained—by means of exploratory research — in terms that can be both duplicated and tested by applying the factors to determine the effectiveness of the value creation theory. However, determining these factors first required developing the conceptual framework necessary for guiding the research in order to determine the conceptual aspects of the value creation that apply to an integrative business strategy or model. The conceptual framework and factors were derived by using Grounded Theory as the method for transforming various types of data into a theoretical framework (Turner, 2007, 334-335). Grounded theory was used as a method because determining the relevant conceptual terms for developing a theoretical framework for researching value creation required "A general methodology of analysis linked with data collection that uses a systematically applied set of methods to generate an inductive theory about a substantive area" (Evans, 2013, 37).

There are two types of methods for collecting the necessary data for this thesis. The first is used in conjunction with the methodological strategy applied to researching valuation because the chosen methodology proposes that an analysis of textual data is a viable means for determining conceptual categories. The exploratory study of texts includes an analysis of historical and contemporary literature and a content analysis of organizational reports as a means of determining if there is a correlation between accounting for value intangibles and improved scores on performance measures. That is to say that information was needed to form the conceptual basis for a theoretical framework for value creation. However, determining these factors first necessitated developing the conceptual framework necessary for guiding the research in order to determine the conceptual aspects of the value creation that apply to an integrative business strategy and model.

The second method for collecting data is an exploratory study of a case in order to determine the conceptual categories that are indicative of factors that significantly impact organizational and social economic performance. Sweden was used as a context for this exploratory study because economic performance indicators reveal that Sweden is an outstanding model of a country that has devised means for identifying the factors that are important for improving performance in multi-dimensions. An exploratory study of Sweden reveals that multi-level and nationwide strategies for promoting the co-creation of value concept were developed as a part of Sweden's multi-dimensional strategy for improving organizational and economic performance. Such measures have resulted in Sweden being ranked first in nations that implement policy drivers for improving business and economic activity, plus Sweden provides guidelines for integrating environmental and socio-economic performance into investment processes (Semenova *et al*., 2010, pp. 266 & 273).

2.3 Research Design and Data Collection

This thesis is designed to gather data that reveal the factors that act as dependent and independent variables and to determine the factors play a role in creating the desired outcome regarding performance. In addition, because of the initial lack of a value creation theoretical framework, the thesis is necessarily designed in such a way that aspects of the data collection are tantamount to an exploratory study of the phenomenon. However, the exploratory study reveals concepts and factors that can be tested by applying the value creation theoretical framework thus duplicated if the framework tested as a means of improving performance.

The thesis is designed as a process for collecting various types of data, comparing the information collected in order to establish conceptual categories, and expressing the generalized categories in terms of a theoretical framework for a value creation business strategy or model. This methodological approach is based on the assumption that the desired outcome of theory development is achieved by integrating or summarizing the data by means of triangulation. The integrated data is then expressed in terms of generalized conceptual categories. The generalized conceptual categories are indicative of factors that can influence performance (see Table 3 below).

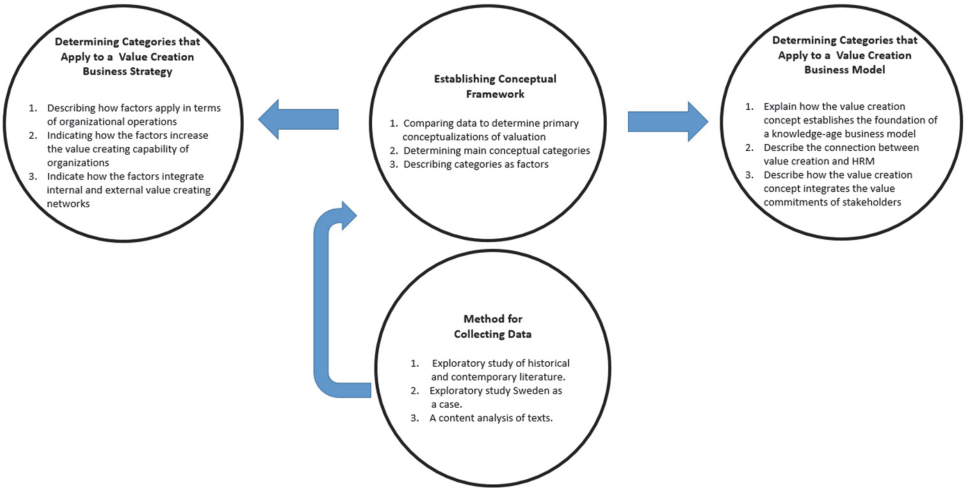

Figure 3. The process for analyzing the data and establishing conceptual categories. The figure is a modification of Cho's (2014, 9) diagram indicating how to use Grounded Theory as a process for determining conceptual categories.

Several types of data were needed to research the various aspects and dimensions of the value creation concept (e.g. data to determine what concepts and principles are basic to explanations of the value creation concept). This type of information was drawn from the historical texts as well as the contemporary literature heralding its significance. In this respect, the research was designed to explore the relationship between the historical terms connected with valuation coupled with the contemporary conceptualizations of the value creation concept. Thus, a hermeneutic study of the background of the value concept was chosen as the means for determining the fundamental principles that contribute to developing a theoretical framework for the value concept. A study of the literature was also important for determining the fundamental concepts and principles that apply to determining how the value creation concept could be developed into an integrative business strategy or model.

The data needed to verify the claim that the integrative value creation concept is a viable model for creating multi-dimensional benefits (e.g., individual, organizational, economic, and benefits to the overall society) was collected by an exploratory study of how the integrative systems model of organizational behavior and economic activity contributes to the performance of a social economic frontrunner. It is the intent of this research project to identity what those factors are. In addition Swedish companies hold three out of the top five positions and seven out of the top ten for best performing companies in the Nordic region according to a mix of four metrics: sales, profits, assets, and market value (see Forbes, 2012).

Sweden uses measures to evaluate performance which, for this thesis, is an effective means for analyzing how concepts and factors relate to scores on performance measurements that are relevant to this research. For example Sweden is a pioneer in developing and implementing techniques for accounting for intangible value assets and for employing concepts related to valuation to create multi-dimensional benefits. However, Sweden is also chosen for the context of an exploratory study because it is a good social economy for testing the claim that there is a correlation between concepts and constructs (i.e. there is a correlation between concepts related to the value creation and the factors that increase an organization's capability for generating innovative activity). In addition Sweden was chosen as the context for an exploratory study because of Sweden's annual position on the European Innovation Scoreboard Index (see Table 1 below).

Table 1. An illustration of the correlation between effective management of value intangibles and improved scores on performance measures. This table indicates the relationship between the scores of Estonia, Finland, Romania and Sweden on the 2011 edition of the European Innovation Scoreboard.

Lagging Behind in Innovation	**Moderate Innovators**	**Innovation Leaders**	
Romania (24th) Average score for accounting for value assets = 0.16%	Estonia (14th) Average score for accounting for value assets = 0.46%	Finland (4th) Average score for accounting for value assets = 0.69	Sweden (1st place) Average score for accounting for value assets = 1.86

3. RESULTS

The primary claim of this thesis is that there are gaps in the literature on the value creation
concept due to the fact that the literature does not contribute to resolving a longstanding discrepancy that it makes evident nor does it provide a comprehensive theoretical framework for testing the impact of the value creation concept on performance. The gap is filled by means of an exploratory investigation into the concepts and principles related to value creation. The investigation reveals that by applying Grounded Theory and triangulation the various conceptualizations of value creation (historical and contemporary) can be formulated as the factors that play a role in co-creating the means for satisfying stakeholders and improving social economic performance. The data reveals that application of the value creation theoretical framework becomes a means for establishing a "Relational and communication network model for improving performance which is made operable by transforming the external knowledge generated by communication networks into the fuel for the value creating dynamics of the internal operations, procedures, and communication networks" (see appendix 1, Miller, 2015f, 22).

In other words the results indicate that the value creation concept can be employed as a viable strategy for integrating the value assets available in relational capital, the value assets available in structural capital (i.e. the networking resources made available by advanced communication technologies), and the value assets made available by the co-creation processes in relationship with customers. The data supports the claim that there is a significant correlation between application of the factors connected with the theoretical framework for value creation that were made quantitatively evident in terms of scores on performance measures (see appendix 2, Miller, 2014, 140-144). Thus the data reveals that the conceptualizations of valuation are indicative of the aspects of the concept that can be applied as factors that positively influence organizational performance. Conjoining the variations of the value creation concept into an integrative business strategy or model resolves the dichotomy between the firm-centric and client-centric perspectives on increasing an organization's competitive advantage by generating value in four dimensions:

1. Benefit to shareholders (in terms of increased investments and profit) (Kay 1995: 19),

2. an increase in relational capital (internal and external),

3. benefit to stakeholders which are "Subjectively realized by a target user (or buyer) who are the
focus of value creation" (see Lepak et al. 2007, 182),

4. and overall social-economic benefit that is distributed throughout the society (Chakrabarti &
Ramaswamy 2013, 6).

The proposed strategy for reporting results when Grounded Theory is used in conjunction with triangulation as a methodological strategy is first identifying the conceptual categories that are to be refined, integrated, and expressed as factors that can be applied as a value creation theoretical model. Conceptual categories can be defined as the properties of the data that can be described as groups of instances (events, processes, occurrences) that share central features or characteristics with one another" (Glasser and Strauss, 2006, p. 23). That is to say that in discovering theory the conceptualizations identified as a result of categorizing the data is the means for determining how they can be described as factors, as well as the means for developing a hypothesis of how the designated factors influence performance. In this respect a Grounded Theory approach to generating theory subsumes establishing empirical generalizations, for the generalizations not only help delimit a grounded theory's boundaries of applicability; more important, they help broaden the theory so that it is more generally applicable and has greater explanatory and predictive power (Glasser and Strauss, 2006, p. 24).

The results from analyzing the data for this thesis reveal that the historical and contemporary literature on value creation provide rudiments of concepts and principles that can be applied as general categorizations that play a role in developing an integrative value creation theory. An overview of the literature addressing valuation reveals that the hermeneutic method does contribute to clarifying "the meaning and nature of value" (Ng *et al*., 2012). The results of the data collected for this thesis from the historical and contemporary literature, from the exploratory study of a case, and from the content analysis of texts reveal that the value creation concept can be generalized in terms of three conceptual categories that can apply when implementing value creation as a business strategy and, likewise, the data reveals three conceptual categories that indicate how value creation can be implemented as a business model. Section 3.1 reports the results in terms of explaining how the concepts integrative perspective on value creation, the integrative process, and integrated value networks were derived from the data to establish an integrative value creation business strategy. This is followed section 3.2 which explains how the concepts value creation as the foundation of an organization, integrative management focus, and integrated or congruent value networks were derived from the data to establish a theoretical framework for value creation as a business model.

3.1 The Conceptual Categories that apply to a Value Creation Business Strategy

The data collected for this thesis are of the nature of conceptual information, the results of an exploratory analysis of a case/context where value creation is effective, and a content analysis. Triangulating the information obtained from each aspect of the data indicates a correlation between establishing an integrative value creation strategy for enhancing business operations and improved scores on performance measures (Laamanen & Skålén, 2015, pp. 381–400). All three data collection strategies indicate that the integrative value creation framework proves to be a foundational aspect of enhanced social economic performance thus continues to be regarded as an effective knowledge age business strategy. The integrative framework as a theoretical strategy for effective management and improved social economic performance was especially evident in Aristotle's (2004) conceptualization of valuation and continues to be stressed in the contemporary literature on the value creation concept which is especially evident in the works of the economist Kenneth Boulding (1956 & 1966)—which includes the impact of his work on the integrative systems model on organizational behavior (also see Steven Vargo and Robert Lusch, 2004).

Most importantly, a review of the historical and current literature on valuation reveals that the value concept is most effective for improving organizational and social economic performance when organizational leaders and economic planners establish systems of integrated and interactive value creating networks and processes (Miller, 2015c, pp. 7–28). The data reveals that particular knowledge and innovation generating dynamics are created when the co-creation of value concept is applied as a strategy for interactions, communications, and networking. Such networks of cooperation to co-create value for individuals, organizations, and society can be defined as collaborative or Constructivist communicative processes. Thus, the data collected to test the first theoretical assumption reveals that an hermeneutic method is valid for determining the foundational concepts and principles plus does provide fundamental concepts upon which to base an integrative strategy for creating value. Thus the results of the data analysis indicate that the generalized concept *integrative value creation theoretical framework* does apply as a business strategy (Miller, 2015f, p. 21). That is to say that the results point to integrative value creation processes and networks as basic categorizations that can apply as factors that positively influence performance (Vargo & Lusch, 2011, p. 184).

The study of Sweden as an exploratory case reveals that performance is improved when organizations and the market operate in the basis of the integrative approach to value creation, the integrative approach to generating value creation processes, and establish integrated value creating networks. The information collected on the basis of the exploratory study of Sweden revealed that both the integrative processes and networks play a role in making the value creation concept effective. The exploratory study of Sweden indicates that the success of value theory in the Swedish context is connected with concepts or terms related to the integrative systems model of organizational behavior and social economic activity—the terms knowledge networks, interconnectivity, open and collaborative communication activity, learning organization, generating innovative activity, and Structuration. In addition, the data regarding Sweden reveals that the terms sustainability, environmentalism, external factors, and interdependence are all concepts connected with the effectiveness of the value creation concept in the Swedish context. Thus, an exploratory study of Sweden as a case confirms that there are concepts and principles related to the integrative systems model of organizational behavior and economic activity that can be used in order to develop a theoretical framework for explaining how the value creation concept increases effectiveness and efficiency. The exploratory study contributed to theory development by indicating the "specific attributes of the concept [that] are found in the observational evidence" (Risjord, 2014, p. 41). Thus, the exploratory study provided data in the form of information that clarified how value-based performance metrics can be applied within a value-based management system as a strategy for enhancing the firm's ability to generate improved tangible outcomes. That is to say that the exploratory study confirms the assumption that there is a strong correlation between putting the concepts related to value creation into practice and improved scores on performance measures.

The data collected from the comparative analysis of Estonia, Finland, and Romania indicate that a failure to operate knowledge-based organizations in accordance with integrative value creating strategies and processes plus a failure to implement value creating networks result in poorer scores on performance measures. That is to say that a failure to manage value assets in a way that is congruent with strategies for increasing the organization's value creating capacity results in poorer performance and, in addition, is an indication of a failure to operate in accordance with the stated intentions, goals, and vision of the organizations (see Table 2 below).

Table 2. Intellectual Capital Disclosure for the three states in three categories.

Country	**Internal Capital (IC) aa**	**External Capital (EC)**	**Human Capital (HC)**
Finland	0.69%	0.72%	0.66%
Estonia	0.34%	0.40%	0.64%
Romania	0.30%	0.20%	0%

Determining the effectiveness of accounting for value assets was done by a content analysis of institutional reports to determine the extent to which there is evidence of reference to value intangibles. The extent to which organizations effectively account for value assets was measured by quantifying reference to concepts that are considered specifically related to value generation: intellectual capital, relational capital, and knowledge generated on the basis of establishing networks with the external environment. A two-point scale for measuring disclosure was used to quantify the extent of content: 0-for no information related to value assets and 1-for information related to value intangibles that was either quantitative or qualitative (see Table 2 on page 25). The quantified scores of Estonia, Finland, and Romania were then compared to how Sweden scores on accounting for value intangibles. In addition a comparison was made of the positions of all four states on the European Innovation Scoreboard (see appendix 2, Miller, 2014, 140-144) to indicate the correlation between accounting for value assets and scores on performance measures. The conclusion from the research results of this thesis (which is congruent with the position of the European Commission) is that although there is clear recognition that measurement is essential for making the best policy decisions measurement remains one of the biggest challenges that needs to be more successfully managed to enable greater success (Doupi *et al.*, 2010, p. 32; see also Miller, 2015e, p. 102).

The results of the content analysis derived from textual analyses did in fact reveal that accounting for intangible assets can be applied by management to increase a corporation's tangible outcomes, while a failure to effectively manage value creating processes and networks is evident as comparatively poorer performance. Measuring the extent of effectively accounting for value intangibles was done by a content analysis of institutional reports to determine the extent to which there is evidence of reference to value intangibles. The extent to which organizations effectively account for value assets was measured by quantifying reference to concepts that are considered specifically related to value generation: intellectual capital, relational capital, and knowledge generated on the basis of establishing networks with the external environment.

The content analysis measuring the extent to which Estonia, Finland, and Romania account for value assets in their public sector reporting techniques provide empirical evidence that there is a significant correlation between effectively managing value assets and organizational performance. That is to say that the data collected from Estonia and Romania—moderate and low performers, respectively— revealed that a lack of effectiveness in accounting for value intangibles is evident in terms of moderate and low scores on performance measures. Effectively accounting for value assets improves scores on performance measures. The scores of Estonia and Romania were compared with Finland which indicated that Finland scores considerably higher than Estonia and Romania due to the fact that it does a better job of accounting for value intangibles. The correlation between accounting for intangibles and scoring high on performance measures is even more evident when comparing all three scores with Sweden (a top performer in multi-dimensions) (see Table 1 on page 22).

3.2 The Conceptual Categories that apply to a Value Creation Business Model

The desired result of this thesis is the development of a theoretical framework for value creation that can be applied for improving organizational and social economic performance. This section indicates how the results of the exploratory textual studies and of a case reveal that organizational performance improves when a company establishes value creation as the foundation of its business model and as a primary focus of management. For example the exploratory study of Sweden as a case or context from which to derive conceptual categories reveals that increasing the value creation capacity of organizations is the foundation of their organizational and social economic planning. "This is partially due to the fact that the Swedish management and social economic specialists who promote the value creation concept and who emphasize values management have also been pioneers in devising organizational and economic performance measures that both test and measure the effectiveness of the application of the value creation concept" (see appendix 1, Miller, 2015f, p. 21).

The significance of making value creation a foundational aspect of an organization's business model is also evident in the results of the content analysis comparing Estonia, Finland, and Romania. The data reveals that making value creation fundamental increases a corporation's tangible outcomes while a failure to effectively account for value intangibles is evident as comparatively poorer performance (see appendix 2, Miller, 2014). This means that the poorer scores indicate a persistence in operating on the basis of an outdated method which is resulting in poorer performance (Saluse *et al.*, 2010, p. 19). Thus, the results indicate that applying the first step of the integrative value concept to the organizations practice of accounting for and measuring intangible value assets would increase the organization's tangible capital.

The second conceptual category for applying value creation as a business model is the role of the internal value creating dynamics of the company. This conceptual categorization was derived from the exploratory study of Sweden as a case. The exploratory study of Sweden revealed that organizational performance improves as a result of "Value management (e.g. human resource management) which results in improving the performance of the organization when managers conscientiously motive an alignment between the value commitments of the workers and the organization's mission, vision, and values" (Pfeffer, 2003, p. 30; also see appendix 1, Miller, 2015f, p. 21). Sweden is also a pioneer in developing strategies to integrate internal and external relational assets which Sweden organizational leaders and economic planners also see as complementary with integrating internal and external communication networks.

The results that make evident the role of the third conceptualized category for developing a value creation business model — integrated or congruent value networks — is derived from the content analysis of Estonian, Finnish, and Romanian techniques for managing value intangibles. The content analysis of Estonia, Finland, and Romania revealed the significance of establishing congruence in the value commitments of the organization. That is to say that comparatively poorer performance is an indication of a failure to align mission with strategy and to operate on the basis of the three necessary parts of a business model: environmental (effectively managing external value assets), organizational mission, and establishing a model for creating value congruence. The data suggest that the poorer scores are an indication of a failure to manage organizational resources in a way that is congruent with strategies for improving knowledge age organizational performance and, in addition, it is an indication of a failure to operate in accordance with the stated intention of knowledge age organizations to increase their value creating capacity.

4. DISCUSSION

The underlying theme of this thesis is that the integrative value creation business strategy or model helps an organization fulfill its intention to make value creation the foundational aspect of their operational activities. The term value creation — especially due to its connection with generating innovative activity and entrepreneurship — has become a basic cliché in contemporary organizational literature and circles. Value creation, the co-creation of value, entrepreneurship, and innovation, have been tied together in a way that have made them a significant part of the social, organizational, and economic paradigm of the latter part of the 20th and early part of the 21st century (Foyelle 2011, 44-51; also see Miller 2015c, 63). In other words knowledge age organizational theorists and practitioners have recognized that there is a "Transformation of business thinking [that represents] a new way to achieve economic success [by] creating economic value in a way that also creates value for society by addressing its needs and challenges" (Porter & Kramer, 2011, 4). This thesis explains how the integrative strategy for creating value contributes to the organization's attempt to adopt to the knowledge age economy.

This thesis emphasizes the ineffectiveness and inefficiency that can result from a lack of adopting knowledge age management and organizational practices or, in other words, a failure to implement integrative value creation strategies. The integrative value creating strategy provides a means by which the company can balance value in exchange (the intention to increase profits) with the contemporary notion that the profit margin can be increased by emphasizing the value in use economic value theory. This is tantamount to initiating a strategy that integrates the profit intentions of the organization with its intention to increase its value creating capability. However, this outcome of the exploratory studies conducted for this thesis indicate that in order for an integrative business model to be viable for increasing the company's value assets the entire business must be based on the intention to operate in accordance with a business strategy or model that enhances the company's capability for creating value.

This literature and exploratory case studies conducted as the means of gathering date indicate that there can be a discrepancy between the stated goal of an organization to improve performance by means of generating the knowledge necessary for increasing innovative activity and the actual ability of the organization to adequately account for the intangible factors that contribute to achieving this goal. This thesis describes a means by which the basic intention of contemporary business enterprises to create value can be fulfilled by applying the integrated value creation concept. In this way the thesis contributes to the growing body of organizational and marketing literature on value creation by explaining the concept in terms that clarify how it can applied in a way most important to practitioners (as a theoretical model for improving organizational performance).

In addition this research points out that although an organization intends to operate as a model of a knowledge-based organization—unless it effectively accounts for and manages its value assets it will, in fact, operate on the basis of industrial age processes (e.g. financial and accounting measurement techniques). This is especially problematic in the case of a public systems that intend to be models of e-commerce and e-health (e.g. two areas that require a high degree technological knowledge generation and intellectual capital) (see Miller 2014, 134-150). In fact, the health care sector is the example chosen for this research because it is a knowledge intensive industry that depends on its intellectual capital to be able to live up to the intention to provide quality care and service.

5. CONCLUSIONS

This thesis argues that management theorists and specialists of economic strategizing have long recognized the problem of a discrepancy in the value concepts but in response have prompted a pendulum swing in one direction or the other: from value in use initially, to value in exchange during the industrial era, and now with most of the current literature on value creation focusing on value in use (see Vargo & Lusch, 2004, pp. 5–6; Porter & Kramer, 2011, p. 4; Chakrabarti & Ramaswamy, 2013, p. 3). Historical literature on economic value theory and the current literature heralding the significance of value creation in organizational performance persistently indicate that there is a problem that needs to be addressed due to the dichotomy between the value in exchange (profit-centric) and the value in use (stakeholder centric) views on value, however without providing any strategy for integrating the two in order to establish a complementary connection between the interests of the shareholder and those of the client (i.e. client also meaning stakeholder). This lack of a theoretical framework for integrating the two value concepts also has the drawback of inadequately describing how corporations can pursue wealth in a way that is socially responsible.

However, the integrative value creation theoretical framework shifts the intention of business activity from concentrating on selling concrete products to initiating internal and external relational processes/networks that maximize the benefits for shareholders and stakeholders (see appendix 1, Miller, 2015f, 17-24). Conjoining the variations of the value creation concept into an integrative business strategy or model resolves the dichotomy between the firm-centric and client-centric perspectives on increasing an organization's competitive advantage by generating value in way that increases benefits for all stakeholders.

An analysis of the triangulated data from the content analysis and the exploratory study of Sweden provides the answer to the first research question—there are factors inherent to the value creation concept that have the effect of integrating the firm-centric endeavor to increase profits (and the firm's competitive advantage) with the client-centered endeavor to increase stakeholder satisfaction. In addition, an analysis of all the data collected provides the information needed to fulfill one of the basic aims of the thesis—to develop a theoretical framework for resolving the discrepancy between the value in exchange and value in use economic value theories. The theoretical framework for an integrative value concept, developed on the basis of the information collected from this research project, reads:

> When applied to organizational activity and economic exchange, the fundamental concepts related to valuation (e.g., networking, cooperative collaboration, motivating value congruence, the learning organization, innovation, and Structuration) play a role in creating outcomes that are found to be beneficial and satisfactory for agents involved in transactions, and interactions. The concepts related to valuation—when applied to social

action—improve individual professional performance, organizational performance, enhance social economic activity, and increase social capital.

This aspect of the thesis answers the second research question of how the firm-centric value in exchange perspective (with an emphasis on the value-added aspect of the value concept) can be integrated with the value in use perspective (with its emphasis on the client's value needs or increasing external capital) to create improved scores on performance measures while, at the same time, satisfying the value interests of both the shareholder and the stakeholder. Thus, the results of this research indicate that the value creation concept has the effect of integrating the firm-centric (internal focus) with the interest the firm has in effectively managing its external capital (i.e. a focus on satisfying the value demands of clients). It is in this respect that this thesis contributes to establishing a complementary connection between theoretical and methodological strategies for social science research which complement those that are applicable for social economic theorizing (see appendix 1, Miller, 2015f, 17-24).

In terms of the third research question, the illustrations of the integrated value creation concept as a business strategy and model indicate that the discrepancy between the firm-centric and client-centric perspectives is not because they are necessarily in opposition to each other. The results of the research indicate that the problem of the seeming dichotomy lies in a failure to develop a theoretical model that demonstrates that these two seemingly contrasting interests can be complementary. Thus, a triangulation of the data collected from the content analysis and the exploratory study of Sweden indicate that there are particular factors that can be employed to enhance the applicability of the integrative approach to improving performance in multi-dimensions:

1. Accounting for value intangibles in financial reports;
2. Aligning the strategy, model, mission, and procedures of the organization with the endeavor to increase the organization's value creation capacity;
3. Creating a complementary connection between overall strategies for managing the organization's internal assets and strategies for managing external assets—by establishing value creation as foundational to organizational processes and as a core component in the organization's strategies;
4. Performance improves when strategies for managing internal and external relational capital (i.e. knowledge and innovation generating assets) are integrated with the
5. Management of internal and external communication networks (i.e. relational assets become the source for motivating internal value creation);
6. The knowledge generated by the internal and external communication networks is transformed into value driving

dynamics by internal operations, procedures, and communication networks;
7. Establishing performance indicators for potential investors: structuring multi-level incentives for more effective value management by developing performance measures that motivate companies to improve their stock market value by increasing their value creation capacity;
8. Implement policy drivers for improving business and economic activity

Thus, this thesis indicates that by applying the value creation theoretical framework to social-economic activity networks of cooperative and collaborative interactions are generated that serve to integrate all social economic resources for the benefit of other segments of the system (Vargo & Lusch, 2011, p. 184; see also Miller, 2015f, p. 21). It is in this respect that the exploratory study reveals that application of the integrative value creation concept creates multi-level and multi-dimensional benefits: benefits to individuals stakeholders, to the economy as a whole, thus to the overall society. This aspect of the research confirms the claim that the integrative value creation concept resolves the dichotomy between social value theory and economic value theory.

5.1 Contribution to Research on Organizational Theory and Performance

The integrative or systems theory of organizational behavior provides a conceptual basis for a theoretical framework for the value creation concept. The integrative model also contributes to resolving the discrepancy in various explanations of the relevance of the value concept in regard to organizational behavior, market exchanges, and economic performance. In this respect, this thesis provides an explanation of how the three value concepts can be integrated to increase the value-creating potency of an organization thus how the value creation concept is a viable business strategy or model. The thesis also contributes to the literature pertaining to the significance of the organization's intangible value assets as resources that potentially can be transformed into material assets. This thesis increases the understanding of the significance of the organization's intangibles, their significance as an aspect of business operations, and emphasizes the need to effectively manage and/or account for intangible value assets (see appendix 2, Miller 2014, 134-150).

A historical analysis of value theory (management theory and strategies for improving economic performance) reveals that there has been a long-standing dichotomy between the value in exchange and the value in use perspectives on value theory (i.e. they have been persistently juxtaposed but in many instances they even seem to be contrasting). This thesis proposes new insight into valuation that prompts a re-conceptualization of the value concept in light of the contemporary literature addressing value creation and the co-creation of value. Thus, this thesis contributes to integrating the value perspectives of the social science and economics by indicating how social value theory and economic value theory can be reconciled (from the perspective of an integrative approach to value creation).

The current thesis is also relevant to the body of literature on business ethics in that it establishes a complementary connection between the utilitarian endeavor to increase benefits by any means—which places the emphasis on instrumental means which is usually the perspective of business practitioners who are focused on increasing profits. Thus, the value creation concept is presented as a means of increasing social responsibility which is clearly demonstrated by the firm although it, at the same time, continues to operate with the intention of maximizing benefits. This thesis does this by demonstrating how the profit interest of the shareholders can be satisfied while performing in a way that is socially responsible (which is the concern of the stakeholders). In this sense, the thesis provides an explanation of how the value creation concept increases social capital.

This thesis contributes to the body of literature heralding a shift from the prior value capture perspective on business and economic activity to a value creation perspective by explaining how the value creation concept can be applied to create desirable results for all stakeholders. This thesis indicates that the agora (the public sphere in which market exchanges take place) is not an arena where value is determined solely on the basis of either the value in exchange or the value in use value perspectives. The market is a center of discourse and interaction where collaborative communication and interaction processes result in the co-creation of value which produces outcomes that are intended to have multi-dimensional benefit for society (Miller, 2015b).

5.2 Limitations

The data collected to determine how the concepts connected with the application of the value creation concept for improving organizational and economic performance in the Swedish context is largely of a macro nature. Further research is needed to compare organizations that have effective means of implementing the value creation concept—and those who do not—in order to better determine which particular factors impact performance at the micro level. More extensive research at the micro level will provide greater clarity on the factors that contribute to value creation as an effective business strategy or model. The research results validate the claim that the Estonian, Finnish, and Romanian public sectors fail to perform in a way consistent with their stated intention of operating as knowledge age service providers. However, there is the limitation of only accounting for one variable in the comparison of the reporting techniques for determining public sector value assets. More extensive research is needed to determine the role of value creation and the co-creation of concepts in the effective management of public assets and in increasing social capital.

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ABSTRACT

The purpose of this thesis is to explain how the concepts and principles related to value creation can be developed into the framework for an integrative strategy or model for improving organizational performance and enhancing social economic activity. In other words, this thesis explains how the value creation concept can developed into a theoretical strategy for integrating the interests of shareholders, managers and workers, and stakeholders. In this respect, the thesis also contributes to resolving the long-standing historical dichotomy between social value theory and economic value theory by indicating how the value creation concept contributes to integrating the two value theories. Although the value creation has been heralded as a significant concept for satisfying the interests of all stakeholders there is the problem of an inadequate explanation of the concept in terms most relevant to practitioners: an explanation of how the concept can be applied to gain desired results. The lack of a theoretical framework for the value creation concept also results in a long-standing discrepancy or dichotomy between various conceptualizations of the value concept. This thesis fills that void by both explicating a theoretical model for the value creation concept and explaining how an integrative approach to value creation resolves the long-standing discrepancy.

Developing a viable theoretical framework for applying the value creation concept in order to increase benefits for all stakeholders demands analyzing the interface between individuals, organizations, the market (i.e. the economy), and the overall society. Because of the fact that a value creation theoretical model addresses the concerns of organizational practitioners, management and marketing specialists, and those involved in social economics, a mixed method is necessarily used for integrating the valuation concepts and principles of various disciplines into a conceptual framework for integrating social value theory and economic value theory. The mixed method allows for collecting data that is conceptual in nature, information obtained as a result of an exploratory study of a case, and data gathered as a result of quantifying the extent to which organizations account for the value factor as an asset. The conceptual data, the information from the exploratory study of a case, and the quantified data are then triangulated to more accurately determine and list the factors that are related to the value creation concept that contribute to its being an effective integrative strategy for better management of value assets, for increasing capital resources, and for increasing stakeholder satisfaction. The knowledge provided as the outcome of the research conducted for this thesis is novel in that it extends the body of literature on value creation by offering a theoretical framework for value creation and by explaining the principles inherent in conceptualizations of valuation that contribute to developing an integrative model for increasing benefits for individuals, organizations, and economies.

KOKKUVÕTE (ESTONIAN TRANSLATION OF ABSTRACT)

Käesoleva väitekirja eesmärgiks on kirjeldada, kuidas väärtusloomega seonduvaid mõisteid ja põhimõtteid oleks integreeriva strateegia või mudeli raames võimalik edasi arendada nii, et paraneb organisatsiooni toimimine ning elavneb selle sotsiaalmajanduslik tegevus. Teisisõnu tutvustatakse teadustöös võimalusi, kuidas luua väärtusloome mõiste baasil teoreetiline strateegia, mis aitaks ühildada aktsionäride, juhtide ja töötajate ning huvigruppide huve. Sellest lähtuvalt pakub väitekiri lahenduse kaua püsinud ajaloolisele sotsiaalse väärtuse teooria ja majandusliku väärtuse teooria vahelisele dihhotoomiale, näidates samas, kuidas väärtusloome mõiste võimaldab neid kahte väärtuste teooriat ühildada. Ehkki väärtusloomet on peetud kõigi osapoolte huvide rahuldamise juures tähtsaks, on eriti praktikutele osutunud probleemiks selle mõiste ebapiisav lahtiseletamine, kuna sellest ei selgu, kuidas väärtusloomet soovitud tulemuste saavutamiseks rakendada. Väärtusloome mõistet ümbritseva teoreetilise raamistiku puudumise tulemuseks on olnud kauakestnud segadus väärtuse mõiste erinevate lahtimõtestamise osas. Siinne teadustöö püüab selle tühimiku täita pakkudes välja väärtusloome mõiste teoreetilise mudeli ning selgitades, kuidas integreeriv lähenemine väärtusloomele aitaks nimetatud kauakestnud lahknevuse ehk dihhotoomia lahendada.

Elujõulise teoreetilise raamistiku väljatöötamine väärtusloome mõiste rakendamiseks eesmärgiga suurendada selle kasulikkust kõikide huvigruppide jaoks eeldab üksikisikute, organisatsioonide, turu (st majanduse) ning kogu ühiskonna omavahelise toimimise analüüsi. Kuna väärtusloome teoreetiline mudel puudutab organisatsiooniga seotud praktikuid, juhtkondi ja turundusspetsialiste ning sotsiaalmajandusega tegelevaid inimesi, on selleks otstarbekas kasutada segameetodit, et ühendada erinevates distsipliinides kasutusel olevad väärtustamise mõisted ja põhimõtted ühte mõistelisse raamistikku, mille käigus integreerida sotsiaalse väärtuse teooriat ja majandusliku väärtuse teooriat. Segameetod võimaldab koguda andmeid, mis on oma olemuselt mõistelised; informatsiooni saadakse iga juhtumi ettevalmistava uurimise teel ning andmete kogumiseks hinnatakse, mis ulatuses arvestavad organisatsioonid väärtuskoefitsenti varana. Saadud mõistelised andmed, juhtumi ettevalmistava uurimuse andmed ning kvantifitseeritud andmed trianguleeritakse, et täpsustada ja loetleda väärtusloome mõistega seonduvad tegureid, mis teevad sellest tõhusa integreeriva strateegia varade paremaks juhtimiseks, kapitalivarude suurendamiseks ja huvigruppide rahulolu tõstmiseks. Teadustöös esitatud tulemused ning omandatud teadmised on uudsed – antud töö on heaks täienduseks väärtusloomet käsitlevale erialakirjandusele, pakub teoreetilise raamistiku väärtusloomele ning selgitab põhimõtteid, mis on omased väärtustamise mõistestamisele ja aitavad luua integreeriva mudeli, millest saavad kasu üksikisikud, organisatsioonid ja majandus.

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CURRICULUM VITAE

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Instructor	**Social and Community Service**
The Role of Values in Performance	Peace Research
Organizational Leadership	Peace and Social Concerns
Intercultural Communication	Performing Arts
Why Cultures Collide	IARF
Tai Chi, Yoga and Meditation	

Education

PhD	Candidate Ethics (Value Creation)	2012-
Doctoral Research	Philosophy of Religion	2003-2006
Chaplaincy (CPE)	University of Chicago Seminary	1993
Doctoral Research	Organizational Leadership (ACTS)	1990-1995
Peace Research	University of Chicago Seminary	non degree
M.Div.	Chicago Theological Seminary	1984
Teacher's Certification	Andrews University	1978
M.A.	Andrews University, Berrien Springs, Mi.	1974
B.A.	Oakwood College, Huntsville, Ala.	1971

Experience

Instructor of: Comparative Religion, Communications, Ethics, The History of Culture, Tai Chi, Meditation, and Hatha Yoga,

Peace Research: with the European and Asian-Pacific Peace Research Associations

Community Service: Neighborhood Care Coalition, The Montgomery County Community Project and The Opportunity Board of Montgomery County. Voluntary service for the International Association for Religious Freedom (in Estonia and India). Working in Behalf of the European and International Peace Research Associations.

Professional Experience

I Teaching

Tallinn University of Technology	Estonia	Values and Performance 2003-present Intercultural Communications Organizational Leadership Communication and Leadership Global Dialectics Why Cultures Collide
Audentes International University	Estonia	Business Ethics 1996-2003 Organizational Leadership Communication and Leadership Why Cultures Collide
Columbia College	Chicago	Race and Society 1980-1983
Andrews University Lab School	Michigan	Religion 1977-79
Lake Michigan Jr. College	Michigan	Race and Society 1975-77 Values Clarification
Swopes Performing Arts Studio	Chicago	Tai Chi and Yoga 1980-85
Northwestern Uni. Rec. Center	Chicago	Tai Chi 1984-1985

II Peace Research

EuPRA	Cyprus	Intrastate Conflict 2015-present

UNDP/IARF	The Baltic	Region Human Relations 1979-1980 Ethnic Relations
American Friends	Pennsylvania	Peace & Justice 1972-1975
Interfaith	Chicago	Ethnic Relation 1984-1993 Human Relations

III Community Organizing

Neighborhood Care Coalition	Director	Supervise Staff 1981-1982 Emergency Shelter Community Organizing
Montgomery Country Project	Director	Counseling 1972-1974 Staff Supervision Public Relations Fund Raising
Montgomery Co. Opportunities	Field Rep.	Counseling 1971-1972

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Appendix 1.

Research paper I

A Marketing Strategy for Democratizing Value Creation. (2015) *Research Journal of Economics, Business and ICT*. Volume 10, Issue 1, Article Number 4, Pages 17-24.

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MARKETING STRATEGY FOR DEMOCRATIZING VALUE CREATION

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ABSTRACT

Purpose: This article analyzes the role that marketing has played as a vanguard in initiating the democratization of value creation. In other words the article explains the how marketing strategists propose the value creation concept as a means of integrating the interests of shareholders, the workforce, and that of the stakeholders. Thus, this article claims that the marketing-oriented perspective on value creation proposes a re-conceptualization of the value in use and value in exchange theories, conceptions of the social responsibility of organizations, strategies for increasing social capital, and conceptions of the nature of the agora (initiating a resurgence of the classical notion that the marketplace is a forum for generating social and economic value).

Problem: The literature on value creation has been inadequate in providing a comprehensive explanation of how the value creation concept can be applied in a way that resolves the dichotomy between shareholder value and stakeholder value which is, as well, a reflection of the dichotomy between economic and social value theory. By explaining how the application of the concept (as a business strategy and/or business model) integrates the value-added, the value creation, and the co-creation of value concepts the article indicates how the value creation concept is a multi-dimensional strategy for satisfying all stakeholders.

Design: This article uses the Structuration model of social formation as the theoretical basis for explaining the value creation concept as an integration of the value in exchange (firm-centric) and value in use (customer-centric) perspectives on value theory. An exploratory study is used as a method for analyzing the social-economic impact of the marketing value creation concept (using Sweden - frontrunner in innovation generation and the home of pioneering literature in value creation - as a context for analysis).

Results: The democratization of the value creation concept portrays the market as a public platform where individuals interact to co-create the means for maximizing the satisfaction of material and higher order needs. Because culture itself is increasingly mediated by integrated global commercial networks (which include the impact of commercial media on culture) marketing specialists have undertaken the social responsibility of promoting a Structuration type structure-agent interaction as the means of co-creating social-economic reality.

Conclusions: Marketing has evolved from concentrating on selling concrete products to becoming a relational process for the construction of social reality. Marketing is an aspect of the infrastructure of society that facilitates value (benefit) being determined in the process of co-creation (i.e. shared notions of well-being, meaning, sustainability, survivability, and common goals for maximizing material satisfaction) which the marketing specialists believe is the key to holding social units together (including economic units).

JEL CLASSIFICATION & KEYWORDS

■ A13 ■ PERFORMATIVITY ■ DEMOCRATIZATION ■ THE AGORA ■ INFRASTRUCTURE ■ TRANSVECTION ■ INTRINSIC

INTRODUCTION

“A New Economy with No New Economics! (i.e. there was never a new economics to go along with the new economy” (Varian, 2002).

The technological age has brought about a shift in the industrial paradigm away from an internal, assembly-line, production-based approach to organizational operations with the external focus merely centered on selling what the company produced toward one where the external domain (e.g. the realm of the market and that of the stakeholder as a partner in value creation) becomes as essential to company success as internal operations. The increased significance placed on external capital accompanies the conviction that the added value that the shareholders desire, the value creation and knowledge generating dynamics that is desired by management, and the satisfaction of both material and higher order values desired by customers demand a market orientated approach to improving organizational and economic performance. The early marketing pioneers of the value creation concept recognized that there was an emerging transformation in the way organizational activity was conceived that was demanding value management. They realized that the emergence of electronic communications, telecommunications, and the knowledge-based economy were initiating a shift toward emphasizing value creation, value congruence, the core values of organizations (especially as they relate to the organization’s mission and vision), an emphasis on customer satisfaction, and a shift from marketing being the domain of the sales department to marketing encompassing a domain that permeates all aspects of internal and external operations (e.g. especially in terms of engaging with the general society as a part of the effort to effectively manage external capital). It was in this sense that early marketing pioneers began to conceive of marketing as a pervasive social activity whose aim is to create satisfaction and sustained positive interaction with individual customers and the general public (Kolter & Levy 1969, p. 10 & 12).

From the perspective of marketing strategies for the technological age value has two essential components: it can be perceived as the quality that a product or service has for satisfying the mind, heart, and spirit of stakeholders and the second component conceives of value as a quality of a relationship which is the basis of how value is produced. Thus, marketing specialists understood that increasing the value added dynamic demands internal and external relationship management (Kotler, Kartajaya, & Setiawan, 2010, p. 39-66). In short, throughout the second half of the

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last century and on into the first decade and a half of the 21st century marketing has had a profound revolutionary impact on theoretical conceptions for creating social-economic value which is tantamount to re-conceptualizing value theory. This article analyzes the vanguard role that marketing plays in the re-conceptualization of the value concept by proposing that the value creation concept is a means for satisfying individual interests, for accomplishing the mission of organizations, and for improving society as a whole. This article explains the insight that marketing demonstrated by envisioning value creation as "The future of the evolving economy, the evolution of value through individuated experiences, and a small step forward that can lead to a paradigmatic leap in economic thinking" (Chakrabarti & Ramaswamy, 2013, p. 3). In fact the new value concept proposed by marketing is a strategy for democratizing value creation and, in addition, as David Lichtenthal and David Wilson argue, the concept affirms Adam Smith's notion of a free market where a providential force prompts value creations that are beneficial for individuals and for the general society (Lichtenthal & Wilson, 1992, p. 191-207).

Britain's Prime Minister David Cameron describes the democratization of value creation as "A huge cultural change where people feel both free and powerful enough to help themselves and their own communities by unleashing community engagement so that decisions [are made by] people. It's about liberation - the biggest, most dramatic redistribution of power [and] it's about empowering [people so that they will be] in charge of their own destiny" (Cameron, 2010, p. 1-3). British society has initiated the co-creation of value concept with the anticipation that it will promote an interaction between the structure (the government) and the collective public body (agents) that will result in the government (policy-makers) and the market (business leaders and economists) collaborating with the public to collectively co-create The Big Society (Carmeron, 2010, p. 1-3; Clegg, Carter, Kornberger,& Schweitzer, 2011, p. 150).

However, the point is that Britain's social marketing projects (otherwise also referred to as The Good Society, One Nation, and People Powered Services) reflect various government parties of the British society who all propose that the co-creation of value concept integrates the forces of government, commerce, and the civil society: (1) by networking which is made possible by advances in information communication technology, (2) by employing a marketing approach to social-economic development, and (3) with Structuration as a model for social interaction (Lees-Marshment & Pettitt, 2010, p. 115- 125; Kippin & Lucas, 2010, p. 3-13; Finn, 2011, p. 138).

This article uses the Structuration model of social formation as the theoretical basis for explaining the value creation concept which is emerging as a dominant feature in recent marketing theory, research, and literature. The value creation concept is an integration of the value in exchange (firm-centric) and value in use (customer-centric) perspectives on value. This article also explains the value creation concept as a means of reconciling what had heretofore been a dichotomy between social value theory and economic value theory by explaining the role that the concept plays in the democratization of value creation (Edvardsson & Tronvoll, 2013, p. 20-24). The democratization of value creation is defined as individuals interacting within a social network to decide what values shape their social-economic reality (Edvardsson & Tronvoll, 2013, p. 20), is a profound decentralization of the forces that shape the impressions the public have regarding the popular trends that establish value preferences (Ramaswamy & Gouillar, 2010, p. 7), and is a social network forum in which agents interact to co-create the values they believe will satisfy their material and higher order interests plus, in addition, the socially contracted values that shape their existing social reality (Vargo, & Adaka, 2012, p. 213-215).

Marketing acts as an interdisciplinary discipline that intersects with media, organizational behavior, the social sciences, and political economics (thus increasingly political marketing). In this respect the scope of marketing has evolved to the point of having an interface with organizational theory, economics, the media, telecommunications, art, and social theory. Thus, analysts stress the need for new theoretical and methodological frameworks for researching marketing (i.e. for studies regarding the multi-stakeholder framework or, in other words, the value connection between the shareholder, the workforce, and the general society; for a new theoretical explanation of the connection between rational choice and humanity's pursuit of higher order values (the connection between rational calculations and value choices plus the role of knowledge generation in value creation; thus the interface between marketing value theory and economic value theory (Grandori, 2013, p. 3 & 9-17).

This article explains the factors connected with how marketing rose to become a mediator for the value pursuits of the public and the market. Furthermore, the article addresses the question of how marketing came to take charge of the organization's social responsibility, the role of marketing in sparking social entrepreneurial activity and social learning, and for social innovation (e.g. increasing social capital). Finally, there are two questions that are important to putting the marketing value concept into perspective. The first is how does the interface between the value theory espoused by both marketing and social value theory influence economic value theory and economic performance. Secondly, there is a question concerning how/why marketing has come to vanguard organizational notions of social responsibility, social entrepreneurial dynamics, and for social innovation (and again how this impacts economic performance). The following section explains the theoretical framework underlying the rise of marketing as a mediator between the value pursuits of the market and the public (also pointing out its implications for organizational performance). Section three is an exploratory study that analyzes the social-economic impact of marketing and how the value creation concept began to take a lead-role in social responsibility (using Sweden - frontrunner in innovation generation and the home of pioneering literature in value creation - as a context for analysis). The final section suggests the implications for future research and the contribution to science.

Marketing Mediates Market and Public Value Pursuits

"Companies that make steady gains in mind share and heart share will inevitably make gains in market share and profitability" (Kotler, Keller, Brady, Goodman, & Hansen, 2009, p. 311).

"Marketing is an organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders" (American Marketing Association, 2004).

As implied earlier in this article the concept of marketing dates back to the classical Greek "fountainhead" of Western

Civilization's intellectual heritage to the model of the agora. That is to say that the foundational principles of Western Civilization's social economic theory stem from the notion that the market (agora) is a cite where politike koinonia (civil society) engages in social interactions, commercial exchange, and deliberation regarding good governance (by means of persuasive rhetoric) as part of the endeavor to achieve politeia (the good life/society) (Powell, 2007, p. 35). In other words the founding principles upon which the Western conception of political economy, management (Aristotle, 1959; 2004), and democracy (Raaflaub, Ober,& Wallace, 2008) are based prescribe creating wealth by means of a process for co-creating value that is mediated by market forces and takes place in collaboration with the public in a public arena (social forum).

In fact the classical concept of value theory (established as an essential aspect of early Greek social- economic and management principles) continued to be the primary view on creating societal and economic value up to the era of classical economics, was clearly an influence on Adam Smith's value theory, and continues to be fundamental to the contemporary value creation concept (Aristotle, 1959, p. 9-13, [I. 1: 8-30]; Smith, 2007, p. 18; & Vargo, Maglio, & Adaka, 2008, p. 146-147). Adam Smith instituted classical economics with his claim that the wealth of a nation (e.g. societal flourishing, prosperity, satisfaction of individual interests, and achieving the common good) is generated by means of social-economic networks where individuals from diverse stations in the society - based on their freedom of association - add value to the value chain, increase knowledge, and generate innovations (Smith, 2007, p. 6-8). That is to say that Smith - in accordance with his understanding of pre-classical economic philosophy - introduced into classical economic theory the notion that satisfying intrinsic value needs, the development of one's inner self (morally and intellectually), plus individual and social flourishing, and wealth generation all "Have a social and external aspect, or rather a democratic sociopolitical locus and [that] our personal development and human flourishing require the dialogue at the agora of the polis" (Tassopoulos, 2014, p. 124).

Smith acknowledged that there is a wealth producing potential that naturally occurs when market forces operate on the basis of freedom of association and exchange. Smith proposed that providential forces work in a way that can only be described as an invisible hand - a natural force - that benefits both the interests of individuals and that of the general public when agents are allowed to freely interact in pursuit of their material and higher order interests (Howell & Pearce, 2001, p. 63-69). The genius of Smith lies in the fact that he conceived of a way in which the dynamics that occur as a result of public interactions, communications, and exchange creates "the market place of ideas" which generates outcomes that are in the best interest of individuals while, at the same time, increases what is most beneficial for society (Voltmer, 2013, p. 23-50). Thus, Smith envisioned the market as a center for interactive public engagement that results in social dynamics that would reduce the problem of heteronomy (natural, social-psychological, and/or political-economic forces directing one's actions) plus he conceived of a way of resolving the tension between self-interest and moral sentiments.

However, the question remains - which this section of the article addresses - what is the theoretical framework that social marketing specialists draw from to shape Western Civilization's social- economic principles into a social force that plays a dominate role in both reconciling and mediating the market and public's notions of value? This section of the article addresses this point by explaining the development of the theoretical framework for the marketing value creation concept; the theoretical connection between the value creation concept, organizational performance, and economic performance; plus how marketing has established a theoretical means for satisfying shareholder profit interests in a way that is compatible with stakeholder interests thus in a way that reflects social responsibility. In addition, this section explains the connection between the ancient agora (as a model for market activity and value creation) and the development of the theoretical framework upon which contemporary marketing emerged as a force to reconcile social value and economic value theory.

Marketing specialist Philip Kotler defines marketing as that aspect of organizational and economic activity that mediates the relationship between human needs and the available market resources for satisfying those needs (Kotler, 2003, p. 1). Kotler explains that "Marketing has evolved through three stages: in the first stage, marketing was transaction oriented, focused on how to make a sale; in the second stage, marketing became relationship oriented; in the third stage, marketing has shifted to inviting costumers to participate in the company development of products and communications" (Kotleret al., 2010, p. 3, 6& 11). In short Kotler describes the development of contemporary marketing practices as progressing through three periods: firm and product centric marketing, consumer-oriented marketing, and value-driven marketing (Kotler et al., 2010, p. 9).

The concepts upon which these practices are based reflect a compilation of a wide range of disciplines and theoretical perspectives that include theories on organizational behavior, theories on consumer behavior and consumer choice, insights from social psychology and behavioral psychology, from the theoretical framework that grounds economic philosophy, influences from neuro psychology (e.g. neuro psychological in regards to research concerning what are the individual's deepest longings, desires, and below conscious impulses which neuro marketing specialists believe are, in effect, powerful subliminal triggers that motivate human behavior), plus there is a significant aspect of the field that is based on aesthetics, creativity, communication theory, and media communications.

That is to say that, on the one hand, marketing specialists draw from a comprehensive frame of reference for the construction of the concepts and principles that make-up the scientific framework for explaining and predicting the aspects of human behavior that have to do with market exchange (Saren, 2010, p. 26-29). On the other hand, because of its interdisciplinary scope the field of marketing has been subject to paradigm debates that range from the role of the market in the social sciences; ethical concerns regarding the use of persuasion and/or propaganda and the ethical implications regarding marketing as a strategy for manipulation; epistemological truth and the significance of reliable information for effective market functioning; plus the connection between shareholder interests, those of the stakeholders, and social responsibility.

The first era of marketing was influenced by the work of the Wroe Alderson who stands out as out as one of the founders of the early 20th century functionalist approach to marketing. Alderson's theory of marketing was based on the interdisciplinary knowledge compiled from the various social sciences, business, economics, and philosophy - which includes ancient Greek value theory (Dixon, 1990, p. 337-338). Although he was influenced by the industrial age notion that increasing wealth is connected with increased production, accumulation, and consumption he also believed that marketing is a discipline that facilitates the "Meet[ing of] buyers and sellers in market transactions, each side having tentatively identified the other as the answer to its problem" (Alderson,1957; 2001, p. 42). Alderson highlighted the value concept in his theory by stressing that transvection (the process by which an end product is placed in the possession of a client) increases the value-added to the company which means that the company's performance is improved.

The first era of marketing was also influenced by Behaviorism Psychology's approach to human motivation and Frederick Taylor's introduction of scientific management (both of which dominated organizational theory during the first half of the 20th century). Taylor's notion of motivation coincided with Behaviorism's assumption that increased production could occur by increasing worker incentives or the manager could use threats and punishment to prevent undesired behavior. Early approaches to advertising were based on the notion that consumer choice is moldable (e.g. that people are determined to respond in a predictable way given the right stimulus). Thus, with the rise of mass communications ads were beginning to be strategies for shaping what is now called "the consumer culture" by mass producing marketing appeals that would stimulate mass consumption in a way that complemented the early 20th century organizational assumptions about mass production, the motivation underlying human actions, plus assumptions about social psychology, economic performance, and wealth production. "Advertising would become the centerpiece of a program to sell not only products but also a new way of life in which consumption erased differences and buying became the equivalent of a form of commitment to the democratic process" (Croteau & Hoynes, 2014, p. 180).

The second era of marketing occurred with paradigm changes in organizational theory in regards to human motivation (with Humanistic and Positive Psychology emerging to dominate during the second half of the 20th century), with the decline of the Taylorism hierarchy and control approach to organizational leadership, and with the rise of Peter Drucker's notion of the knowledge-based economy, the knowledge worker, and a market oriented approach to improving organizational and economic performance (which demanded adding the value creation aspect of value theory to its value-added counterpart) (Bontis, 1999, p. 436-437). The second era of marketing was based on the declaration that "Marketing is not the art of finding clever ways to dispose of what you make, it is the art of creating genuine customer value. It is the art of helping your customers become better off. The marketing watchwards are quality service and value" (Kotler, 2003, p. xii). Thus, marketing took a turn toward embracing social responsibility which was also manifest in terms of devising a theoretical strategy for generating improved organizational and economic performance in a way that creates better value outcomes for the overall society (Kotler & Levy, 1969, p. 10-15; Andreasen, 2002, p. 3-13).

The influence that prompted marketing specialists to take social responsibility as one of the core aspects of their task is connected with the extent to which there is a multidisciplinary scope to the practice of marketing. As the impact of Humanistic Psychology on organizational behavior began to heighten there was also a corresponding Humanistic influence on the practice of marketing (Kotler, 1987, p. 269-283). However, in addition there is the fact that the Humanistic influence in marketing was also connected with the way in which German Idealism influenced notions of the democratization of value creation (i.e. notions of a participatory liberal democracy that is constituted on the basis of an engaged civil society) that was expressed in scholastic works dealing with aesthetics/art, social criticism/critical marketing, communication theory, semiotics (signs), and social psychology (Fine, 1981, p. v & 193-194; Mick & Oswald, 2006, p. 31-43; Lévi-Strauss, 1963, p. 297).

The Humanistic Psychology impact on organizational behavior, on the theory and practice of marketing, and on the social sciences, thus on society as a whole prompted marketing specialists to have an identity change (which means they no longer merely saw themselves as salespersons nor as just scientists but there was an increased appreciation for the artistic and aesthetic sides of the profession). It was the artistic and aesthetic aspects of the identity that compelled marketing specialists to acknowledge "That marketing organizations design, produce, and promote the material, manifestations of culture and endeavor increasingly to influence the beliefs and attitudes, if not the values of the intended customers" (Martin & Schouten, 2014, p. 241). In this respect critical marketing strategists (e.g. marketing theorists who were concerned about social and cultural theory plus marketing's role in reconciling the power difference between the established elite and the general public) discerned a means for resolving a long-standing dichotomy in Western social theory that stems back to Immanuel Kant's attempt to rectify the shortcomings in Western society that inhibited the realization of the Enlightenment ideals. Marketing specialists believe that the creative and aesthetic aspects of their profession are expressed best when they promote a balance between the material value endeavors that dominate economic value theory (based on utility driven, quantitative, rational calculations) and the substantive value rationality that reflects what is considered to be of intrinsic and ultimate value (Weber, 1963, p. 85; Veblen, 2005, p. 64). Thus, to project a balance, to best portray the interdisciplinary input into its methodology, and to highlight a balance between science and aesthetics contemporary marketing specialists were convinced that marketing's theoretical strategy must reflect a balance between economic value theory and social value theory.

Marketing specialists realized that the established view of positive economics as standing distinct from other social sciences and the positivist economic assumption that it is the exclusive monarch over the social sciences hinders the attempt to reconcile the dichotomy between economic value theory and social value theory. If marketing is to balance its own scientific endeavors with its aesthetic and artistic endeavors its value theory must reflect a balance between positive economics (with its scientific rigor) and the normative aspects of economics (Weber, 1963, p. 22-26; Dirksmeier, 2014, p. 61-62). Thus, marketing offered an alternative perspective on the relationship between the market and the general public by proposing Structuration as a strategy for satisfying the interests of shareholders and the stakeholders (e.g. by means of the co-creation of value concept).

A primary feature of the contemporary value theory is that role designations become less pertinent as all social agents engaged in exchange play a part in integrating social-economic resources in the endeavor to co-create value. "We argue that these complimentary, reciprocal, generic roles of resource integration and service provision transcend the 'producer–consumer' divide or, more specifically render it meaningless. In this sense the market exists because we rely on one another, for mutual well being" (Vargo & Lusch, 2011, p. 181 & 184). Thus, the marketing value creation concept is a theoretical depiction of the reason we have interactions in society. In this respect the value creation concept challenges the established view of a differentiation between what is best value-wise for the company (and/or the economy) and what is best value-wise for individuals. That is to say that, "The concept of shared value, in contrast, recognizes that societal needs, not just conventional economic needs, define markets" (Porter & Kramer, 2011, p. 1-4). In fact contemporary marketing specialists began to accept the theoretical claim of social scientists who assert that organizations, institutions, and the economy are all embedded within a system that in liberal democracies is co-constructed on the basis of interaction between the structure and individual agents (Giddens, 1984, p. 26; Parsons, 1991, p. 3-4). Thus, the proponents of the marketing value theory claimed that if value creation was thought of in terms of the early Greek agora market model then exchange would not be a matter of "give and take" but the market would be a center where people interact to co-create mutually satisfactory and beneficial outcomes (Ramaswamy, 2011, p. 196).

Putting the marketing value concept to the test

This article claims that marketing strategists have initiated a means for co-creating value in a way that satisfies the value interests of individuals, is profitable for knowledge-based organizations, plus enhances the innovation and entrepreneurial activity of economies, thus improves economic performance. This claim is based on the proposition that organizations are embedded in economic systems thus any theoretical strategy proven to enhance the performance of the organizations in the system is tantamount to being a strategy for improving the performance of the overall economy. Thus, the value creation concept promoted by marketing strategists concurs with the systems theory perspective on social-economic activity in that they both assert that the economy is embedded in the overall social system and all aspects of the system are interactive networks for integrating all social resources for the benefit of other segments of the system (Vargo & Lusch, 2011, p. 184).

The question this section of the article addresses is how is the claim regarding the multi-dimensional and multi-level effectiveness of the value creation concept tested? The assumption is that by doing an exploratory study of the strategies Sweden uses to apply the value creation concept the factors that make it effective as a business strategy and model will become evident. Sweden is chosen as a model for demonstrating the desired results because Sweden continuously scores first place on the European

Innovation Scoreboard, has a highly respected standard of living, balances technological and economic development with environmentalism, and is noted for defining flourishing in Holistic terms. Sweden is also chosen because its position in innovation performance is connected with effectively applying the value creation concept in both private and public organizations as well as devising performance measurement devices in order to identify the indicators that are important for improving performance in multi dimensions: e.g. for structuring multi-level incentives for more effective value management, for developing performance measures that indicate how the stock market value of an organization is increased by accounting for value intangibles, for developing indicators for how to effectively manage human resources and increase relational capital, for increasing stakeholder capital, plus for effectively integrating market and economic resources.

Sweden is recognized as a social-economic system that employs an interactive and integrative strategy for co-creating value (which includes generating innovative knowledge, improving social relationships, enriching cultural life, enhancing the eco-aesthetic dimensions of culture, and improving the competencies of the members of the society) (Swedish Innovation Strategy, 2012, p. 9-11 & 30-51; European Cultural Parliament, 2006, p. 7 & 10). In this respect to gain insight into how Sweden enhances individual, organizational, economic, and social performance one must analyze how Sweden implements its society-wide strategy for marketing the value creating concept. An examination of Sweden's pioneering role in promoting the value creation concept reveals that Sweden employs a multi-dimension and multi-level strategy for improving performance that has resulted in being ranked first in the nations that implement policy drivers for improving business and economic activity plus Sweden provides guidelines for integrating environmental and social performance into investment processes (Semenova, Hassel, & Nilsson, 2010, p. 266 & 273). Thus, the Swedish model suggest that four levels of the value creation concept must be operable for the concept to have a society-wide impact:

1. "Value creation depends on the relative amount of value that is subjectively realized by a target user (or buyer) who is the focus of value creation" (Lepak, Smith, & Taylor, 2007, p. 182).
2. Value must be defined in terms of "The difference between the (comprehensively accounted) value of a firm's output and the (comprehensively accounted) cost of the firm's inputs" (Kay 1995, p. 19).
3. "Value creation as an outcome of value management (human resource management) which is proving to enhance the performance of the organization when managers conscientiously motive an alignment between the value commitments of the workers and organization's mission, vision, and values" (Pfeffer, 2003, p. 30).
4. Co-creation is thought of as interconnecting the economy with the overall society in such a way that "An enterprise can be seen as a nexus of engagement platforms and the economy as a nexus of enterprises, with competition centering on individuated co-creation experiences that yield unique value to each individual in space-time" (Chakrabarti & Ramaswamy,2013, p. 6).

This is partially due to the fact that the Swedish management and social economic scholars who promote the value creation concept and who emphasize values management have also been pioneers in devising organizational and economic performance measures that test the effectiveness of the application of the value creation concept: for increasing the triple bottom line, as a means for making the best use of public resources, for knowledge and innovation generation, plus for increasing stakeholder satisfaction and social capital. Outstanding examples are The Miljöcentrum Report, the application of the Balanced Score Card in the public sector in Sweden (Kollberg & Elg, 2006, p. 1-18), The Skandia Navigator (a prototype model for managing value intangibles), The European-wide Committee for Standards (The International Business Publication, 2011, p. 184), and The Swedish Environmental Protection Agency (the Swedish version of a premium management performance measure instrument developed by the European Commission's Eco-Management and Audit Scheme).

Swedish marketing principles function to effectively integrate the social and political-economic resources of the society in order to co-create an increase in quality, excellence, value, and the enjoyment of life by conceiving of marketing as a performative discourse that is inclusive of the normative, value-producing aspects of exchange (Kjellberg & Helgesson, 2007, p. 137, 141, & 155). That is to say that the term performativity is applied to Swedish marketing because its discourse is based on the Structuration model that calls for structures (i.e. the market in terms of a system of interaction and exchange) and agents to dialogically co-constitute the means for realizing a more satisfying and enriching life experience for individuals and society. "The performativity of value refers to the idea that exchange value does not represent the preexisting market value of material forms, but rather - like identity, value, and meaning - value is [co-created] as social actors use resources to construct social identities and to negotiate social values with others" (Sherlock, 2014, p. 5-6).

Swedish marketing specialists were amongst the first to implement values management as a means of creating the competitive advantage plus a sustained high level of organizational and economic performance. Consider, for example, Volvo' marketing strategy for The New VolvoV70 AWDCross Country, "Life, liberty, and the pursuit of just about everything you please - a car that can not only help save your life but save your soul" (Cincinnati Magazine, 1997, p. 15). It is clear that there are several dimensions of value that this marketing strategy appeals to: Holistic well-being, environmentalism, security, safety, peace of mind, freedom, and the experience of what pleases. Volvo's branding success is based on its assuring quality, safety, and security plus, in addition, the brand appeals to higher order values that are connected with what the customers find highly meaningful (Keller, 2013, p. 38-39, 72-73 & 92). The values that Volvo appeals to are consistent with values portrayed by Swedish ads.

However, the issue that this section of the article addresses is the connection between Swedish marketing principles and Swedish economic performance (i.e. the fact that Swedish companies have three out of the top five positions and seven out of the top ten for best performing companies in the Nordic region - based on a mix of four metrics: sales, profits, assets and market value (Forbes, 2012). In other words Volvo's strategies have been highly successful because they create a complementary connection between overall management of the organization's internal assets and strategies for managing external assets by placing marketing in a more central position in organizational processes and as a core component in the organization's strategies for value creation. Swedish organizations do this by wedding two aspects of their organizational activity (e.g. the endeavor to effectively manage internal and external relational capital is wedded to the endeavor to effectively manage internal and external communication networks) (Grönroos, 1994, p. 7-10; Achrol & Kotler, 1999, p. 147-154).

In this way the marketing function became a means for facilitating a profitable exchange between the structure and the agent (i.e. marketing became a core yet pervasive aspect of the knowledge-based organizational structure by emphasizing that internal values management is the basis of profitability, knowledge generation, innovation, and value creation, thus is the key to customer satisfaction and customer loyalty). Olsen et al. describe this marketing oriented approach to improving organizational performance as a means of creating superior quality by making strategy, mission, and procedures congruent (Olson, Slater, & Hult, 2005, p. 48). In other words marketing prompted an organizational shift to the relational and communication network model for improving performance which is made operable by transforming the external knowledge generated by marketing communication networks into the fuel for the value creating dynamics of the internal operations, procedures, and communication networks.

The assumption is that the shift in organizational focus from the exchange value and transaction orientation to a market orientation results in generating knowledge of how to increase effectiveness and efficiency (Olson et al., 2005, p. 49; Håkanson & Prenkert, 2004, p. 87-88). Improved performance results from relational capital becoming the source for motivating internal value creation. However this is coupled with consumer relations management which is also the means of generating the knowledge needed for innovation, improved service, creating products and services of higher quality, and the value creation needed to increase external value satisfaction. The outcome of cooperation and networking is that internal and external resources are more effectively integrated thus can be used more effectively and efficiently. "Hence, such resources are given economic value on the basis of how they are combined with other resources, and the overall effectiveness of the business unit is consequently enhanced by the realized outcome of co-operation; this means that through co-operation the use of resources of a focal business unit becomes closely related to some resources of a co-operating partner, which will improve their value" (Håkanson & Prenkert, 2004, p. 86-87).

CONCLUSION

Contemporary marketing theory promotes a democratic approach to value creation which includes the notion that social and economic value concepts are complementary. The current strategies for marketing reflect the classical Greek agora model of the market as a public platform where individuals interact to co-create the means for maximizing the satisfaction of material and higher order needs. In this sense the market is not only defined as the center of exchange of material items related to consumption but the agora is "the market of ideas" where the members of the society interact in generating knowledge that they consider will enrich their lives, make life more rewarding, and make life more meaningful. Because culture itself is increasingly mediated by integrated global commercial networks (which include the impact of commercial media on culture) marketing specialists have undertaken the social responsibility of promoting a Structuration type structure-agent interaction as the means of co-creating social-economic reality. Thus the concept of value creation has altered the traditional conception of the firm as the producer of value and the customer as the destroyer of value (i.e. in the prior business thinking the value the company creates immediately begins to deteriorate when the customer makes a purchase and eventually is destroyed when the customer consumes and/or disposes of the product) (Vargo & Lusch, 2012, p. 3). In the old way of thinking, the customer is a hindrance to value sustainability.

Leif Edvinsson - cited in the London Business Press list of the 50 most influential thinkers in the world - argues that the concept of value creation "In the knowledge economy, not only applies to organizations in the private or public sector but also to entire nations. If intangibles are important to organizations, they are also important to the productivity and competitiveness of nations as a whole" (Edvinsson & Bounfour, 2004, p. 55). Edvinsson points out that the traditional one-dimensional performance measurements (i.e. traditional financial reference points) overlook a far greater percentage of organizational value assets (internal as well as external) that represent a source of available capital that can be drawn upon for increasing profits. He asserts that the public sector seems to be even worst in terms of their persistence in maintaining a focus on the traditional "bottom line" perspective on assets. Edvinsson stresses: "we need to go further and focus on the organizational and dynamic dimension of socio-economic performance in terms of the organizational dimension, cities, communities and/or regions, as well as at macro-economic levels" (Edvinsson & Bounfour, 2004, p. 58; Miller, 2015).

In short marketing has evolved from concentrating on selling concrete products to becoming a relational process for the construction of social reality. According to Vargo & Lusch (2011, p. 184), marketing plays a role in social-formation in that it facilitates stakeholder participation in the process of co-creation value (i.e. shared notions of well-being, meaning, sustainability, survivability, and common goals for maximizing material satisfaction) which the marketing specialists believe the key that holding social units (including economic units) and society in general together. "That is, society is the result of the necessity of mutual value creation through mutual service provision, as implied by Plato (360 BCE/1930)" (Vargo & Lusch, 2011, p. 184).

This article is particularly relevant to resolving the gap between the value-added intentions of the shareholders (an increase in the bottom line) and the marketing emphasis on customer satisfaction. That is to say that the article illustrates how the marketing function has become the central feature of organizational strategy. The article indicates that the knowledge based economy - accompanied by a technology enhanced integration of social and economic resources - has enabled to customer to play a more vital role in the resource network. In other words when marketing takes on a central and strategic role in the company there is improvement in the firm's performance (Klaus, Edvardsson, & Kandampully, 2014, p. 2). This article contributes to body of scientific literature that theoretically explores the connection between economic value theory and social value. In this respect the article indicates how organizations can be devoted to increasing the value added aspect of their activities while at the same time acting in a way that is socially responsible. In that sense the article provides an explanation of how the marketing value creation concept increases benefits for individuals, organizations, and economies.

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Appendix 2.

Research paper II

Measuring Intellectual Capital as a Value Asset in the Estonian, Finnish and Romanian Health Care Sectors. (2014) *Journal of Management and Change*. No 1/2, 32/33, 134-150.

Measuring Intellectual Capital as a Value Asset in the Estonian, Finnish and Romanian health Care Sectors

Leon Miller

Abstract

This article analyzes the techniques for measuring and/or accounting for intellectual capital in the public sector of three economies— Estonia, Finland, and Romania. The analysis is intended to determine the extent to which the economic strategists of the three states have developed effective instruments for appraising knowledge and intangible value assets and the extent to which IC is considered an essential aspect of what improves performance (given their stated commitment to the knowledge-based economy). The analysis of their measurement techniques is also a means of determining the extent to which accounting for intellectual capital is considered important for decision-making (especially in regards to making the best use of public resources). The research uses a qualitative method (content analysis) to measure the extent to which the public sector (with an emphasis on the health care sector) of the three states assess intellectual capital as a value asset thus the extent to which what has heretofore been regarded as an intangible is now taken to be equated with the wealth producing assets of their health care organizations.

A content analysis of conventional accounting, financial, and management appraisal documents for public health indicate that their reporting techniques have been inadequate in terms of their capacity to capture (assess) key aspects of intangible value assets. This is primarily due to their emphasis on input-output (conventional financial and accounting) data and reflects a general problem of the public sector. The article highlights the significance of accurately assessing intellectual capital as an indicator of a company's intangible value assets and as an indication of how efficiently the organization operates in accordance with the knowledge generation and innovation demands of the knowledge age economy.

Keywords

Value-added intellectual coefficient, value creation, intangible assets, knowledge-generation

Introduction

Famed management and organizational consultant Peter Drucker is credited with being the first to herald the emergence of the knowledge worker (the knowledge worker emerges with the knowledge economy when the generation of knowledge and value becomes the key to organizational and economic performance). However, the concept of intellectual capital (IC) became increasingly acknowledged (in publications regarding organizational behavior and economic performance) as an interesting theoretical concept after the term was coined by the renowned economist John Kenneth Galbraith in 1969. Yet, it was not until the last decade of the 20th century that recognition of the significance of measuring intellectual capital rose to the forefront of organizational, management, and economic agendas follow-

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ing Tom Stewart's article *Brain Power - How Intellectual Capital Is Becoming America's Most Valuable Asset.* In his groundbreaking article Stewart defines intellectual capital as "Knowledge that exists in an organization that can be used to create differential advantage. In other words, it's the sum of everything your company knows that gives [it] a competitive edge in the marketplace" (1991, 44).

Leif Edvinsson (the world's first corporate director of intellectual capital) made pioneering contributions toward highlighting the significance of IC when he introduced the reporting model called the *Navigator* which contained five areas of focus: financial, customer, process, renewal and development, and human capital. Edvinsson then went on to develop the first Skandia supplementary report on intellectual capital in 1994 (by building on the earlier work of *Karl-Erik Sveiby* who was instrumental in developing the first prototype for measuring value intangibles called *The Invisible Balance Sheet* in 1989). Skandia became the first organization in the world to stress that "Competitive advantage lay less with the traditional accounting assets and more with a number of new factors such as individual talents, synergistic market relationships, and the ability to manage the flow of competence. The problem [these models were intended to solve] was how to identify and measure intangible factors [for increasing profitability and improving performance]" (Hettinger and Foil 2003, 28).

By the time Edvinsson and Sullivan wrote their article *Developing a Model for Managing Intellectual Capital* in 1996 recognition of the significance of IC reporting was becoming firmly established in the private sector. In their article Edvinsson and Sullivan defined IC as "*Knowledge that can be converted into value"* (1996, 358). They stressed that by adding techniques for evaluating IC a firm is able to access knowledge that can be converted into value (in terms of both improved performance and an ability to identify structural assets). In other words, according to Edvinsson and Sullivan the measurement of IC contributes to value creation and knowledge generation (1996, 361-362). Thus, by the turn of the century (at the initial stages of the 21st century) managing intangibles grew from initially being regarded as a form of human resource management to being recognized as inclusive of various forms of structural, relational, and stakeholder capital. The interest in intellectual capital was also heightened due to the realization that Drucker's prediction of a change in the nature of workers, organizations, and the economy was in fact in full swing. "In the knowledge economy, the focus is on the human mind and how knowledge is used to build a more productive and efficient economy" (Phillips and Phillips 2003, 3).

The private sector was quick to realize the necessity of implementing new systems for managing intellectual capital and knowledge. This was especially true after the 1996 announcement of the Organization for Economic Cooperation and Development that "The knowledge embodied by workers is gradually becoming a larger proportion of the overall production capacity of the organization relative to raw materials, fixed capital, and even managerial knowledge" (OECD, 1996, 15). Swedish companies were amongst the first to supplement traditional reporting methods with determinants for intellectual capital by using the Skandia Navigator. This immediately became a useful tool for private sector organizations because it indicated that organizational intellectual capital equals "*i*" (the present performance measures the company relies on) coupled with "*C*" (the factors the company believes are essential for improving future performance). In other words Organizational Intellectual Capital=iC) (Bontis 2001, 46).

Thus, as the 20th century was ending and the new millennium beginning "Intellectual capital and knowledge management emerged as core competencies for corporate growth and for protecting competitive advantage. The growth of service-based industries increased the emphasis on employees' knowledge and creativity as a means for adding value to a business, highlighting the imperative need for the measurement and management of IC" (Joshhi et al. 2013, 265). This prompted the development of new financial and accounting instruments for measuring the intellectual aspect of organizational assets. One such model instrument was the *Value-added Intellectual Coefficient* (VAIC) which was introduced by Ante Pubic (affiliated with both the University of Zagreb, Croatia and The University of Graz, Austria). "VAIC measures how much new value has been created per invested monetary unit in each resource. VAIC is obtained by adding intellectual capital efficiency (ICE)—(efficiencies of human and structural capital)—with the efficiency of the capital employed (CEE)" (Pubic 2004, 64-65). Thus, the value-added intellectual coefficient is described as VAIC = ICE + CEE. Researchers and organizational practitioners have found this strategy useful for determining the complementary connection between knowledge and value generating resources, financial resources, and work performance.

Public sector policy-makers, managers, and professionals began to note the increase in benefits the private sector was able to take advantage of by including knowledge and value generation assets as key aspects of what is measured in financial reports. In addition the public sector began to acknowledge how important these factors are to human resource management and increasing stakeholder satisfaction. In this regard the Swedish Health Care System was one of the first in Europe to stress that because of the knowledge intensive nature of health care intellectual capital is a prime value asset. Swedish hospitals (The Cardio Vascular Department at Lund University Hospital, The Karolinska University Hospital and The Karolinska Institute) developed pioneering prototype models in the early years of the 21st century (focusing on three levels, output, outcome, and impact). (Bounfour and Edvinsson 2005, 27).

The British National Health Service (NHS) as a part of its effort to usher-in a new century of health care efficiency implemented initiatives which concentrate on the effective management of knowledge such as the National Service Frameworks (an example of a knowledge codification strategy). "Codification means identifying, capturing, indexing and making available knowledge" (Wyatt 2001, 6). The knowledge can then be used to solve problems that decision-makers are challenged by. In other words the Swedish and British models reflect the understanding that the disclosure of additional relevant non-financial information ([especially in terms of] information on the strategy of the company in the form of key value drivers) facilitates a more precise valuation of the company (Bukh and Nielsen 2011, 9). Both the Swedish and the British models describe intellectual capital as encompassing structural, human/relational, and stakeholder components.

Thomas Ilves, (chairman of the EU Task Force on Health) announced the necessity of a re-organization of healthcare to make use of the value and knowledge generating potential of intellectual capital and the new measurement techniques needed to appraise knowledge and value assets (2012, 5). He believes this is needed because "In healthcare we lag at least 10 years behind virtually every other area in the implementation of [technological age] solutions" (Ilves 2012, 5). He was speaking particularly in terms of an evaluation of EU's effort to effectively implement E-health. Ilves stressed that the knowledge needed for avoiding an impending crisis in healthcare and improving quality of life already exist in Europe (models like Sweden and Britain). In this respect Estonia, Finland, and Romania have each indicated that they intend to make the best use of technological age resources for reforming their health care systems and improving their economies. This research is intended to contribute to their effort to adapt to knowledge age procedures by enhancing their measurement techniques.

Estonia has developed exemplary E-health systems and one of the most impressive e-commerce systems in Europe (if not the world). Finland has matched efforts (and in some areas taken the lead) in putting in place E-health programs as an example of their endeavor to improve the quality of life for their aging citizens, to better manage their health challenges, to enable more efficiency in terms of making use of public resources (health care is an area of the economy that consumes a significant portion of national and local budgets), and as an example of their model public welfare system. Romania has introduced policy statements indicating their intention to implement health reform, comply with EU guidelines, and apply advanced technologies toward their E-health projects. However, indications are that there is still considerable work to be done in terms of matching claims and intentions with results and performance.

This article aims to measure the extent to which the economic strategists and public policy-makers of the three states have put into place means for appraising the role of intellectual capital (and its measurement on financial and accounting reports) for assessing and better managing value assets. The research question is, to what extent do the Estonian, Finnish, and Romanian health care sectors account for value intangibles (with a particular focus on intellectual capital)? In this respect the research aims to indicate the extent to which each country is moving toward meeting its stated goal of making the best use of the potential that technological resources offer for improving the performance of their health care systems, generating knowledge and innovation, increasing value, improving economic performance, and making better use of public resources. Finally, the research aims to critically question the significance of content analysis as a means for evaluating the measurement techniques of the three health care systems.

The research uses a qualitative method (content analysis) to measure the degree to which the health care sector of these countries assess intellectual capital as a value asset and the degree to which intellectual capital (what has heretofore been regarded as an intangible) is now taken to be equated with the most valuable assets of the sector. The article proceeds as follows: the following section (section two) is a literature review tracing the theoretical development of the recognition that Intellectual Capital (IC) is an organizational value asset and an item needing to be accounted for in financial reporting. Organizational analysts point out that the significance that an organization places on IC can be deduced by the extent to which reference is made to IC elements in organizational appraisal reports. Thus, the literature review will emphasize the importance of content analysis as an indicator of the recognition that IC is an essential knowledge-generating asset. Section three describes the research method and design.

Literature Review

Recent intellectual capital literature indicates that the theoretical (especially empiric) area of IC research developed rapidly in the last two decades (with research on the economic impact of IC in public sector organizations, its role in the management of their value assets, and for making better use of public resources following a few years later). Also, both at the European and at international levels there is a tendency that is easy to spot: a movement from theoretical-methodological approaches to strategic-operational ones so that both micro and macro-economic strategies during the first decade of the 21st century included key-elements specific to intangible resources (knowledge factors that generate innovation and therefore are related to intellectual capital).

The concept of intellectual capital was initially regarded by organizational practitioners as a theoretical issue explored in the *utopia of academia*. However, its confirmed relevance to improving quality has resulted in it increasingly appearing as an item in professional literature. This section of the article will explore the evolution of published research on intellectual capital in accordance with the description by Chaminade and Catasús of the three stages that are essential to the development of research associated with intellectual capital: the generation of theoretical delimitations, the development of measurement models (meaning measurement of assets that generate knowledge), and contemporary IC theories (2007).

Chaminade and Catasús argue that the transformation to knowledge intensive operations prompted research and subsequent theoretic literature on the role of value drivers as resources for stimulating growth and competitiveness. According to Chaminade and Catasús, the first period or generation of IC involved early theoretical delimitations. Some examples of the literature that played a role in popularizing the term are: *Intellectual capital* (Brooking, 1997) and *Intellectual Capital: Realizing Your Company's True Value by Finding Its Hidden Brainpower'* (Edvinsson and Malone, 1997). Professor Leif Edvinsson was one of the first pioneers in the theory and practice of intellectual capital. Recognition of his outstanding contribution to the field dates back to 1991 when he became the world's first director of intellectual capital and holder of the world's first professorship in IC. Pioneering models for reporting and evaluating were also developed around the same time, such as *Calculated Intangible Value* (Stewart, 1997), *Value Added Intellectual Coefficient* (VAIC™) (Pulic, 1997), *Skandia Navigator*™ (Edvinsson and Malone, 1997), *HR statement* (Ahonen,1998), and *Accounting for the Future* (AFTF) (Nash, 1998) (Sveiby, 2000; Chaminade and Catasús, 2007). The main impetus prompting this research was the lack of financial instruments which could account for the potential for creating added value that is made possible by the new type of organizational dynamics (Nash, 1998).

Hermansson et al., in a study on *Intellectual Capital Reporting in Health Care Centers* argued that although there is a commitment to adopting advanced technology by financial and accounting analysts their measurement systems are still performed on the basis of traditional techniques which are geared to capture tangibles but have little or no capacity for measuring intangibles (2003, 10-12). Thus, during the early stages of the recognition of the significance of IC the public sector lagged behind in the development of measurement tools. The initial developments of IC—in terms of growing recognition that it is an item that needed to be assessed in organizational reporting—were the result of expressed concerns over the crucial issue of how organizations create and report value (so that the information produced leads to performance improvements).

Sveiby published an article in 1997 that outlined the main discrepancy that was prevalent at that time by pointing out why measurement instruments were missing a significant category of equity. He proposed that indication of the full scope of assets available to an organization requires new instruments for '*measuring the invisible'* and intangible. Sveiby stresses that although accountants have focused on measurement in terms of the company's performance on the stock market (information for investors) IC measurement can also tell a lot about how the company regards its knowledge producing and value creation assets (Sveiby, 2007). At that point there were very few, if any, studies of the public sector (and less on health care). This led Hermansson et. al. to conclude that "The limitations of the traditional measurement techniques are especially evident in the health care sector [resulting in the problem of] knowledge in the health care sector not [being] measured" (2003, 11). In other words, "The traditional financial performance measures worked well for the industrial era, but they are out of step with the skills and competencies companies are trying to master today" (Kaplan and Norton, 1992).

Kaplan and Norton argue that what is needed is a measurement system that indicates how the operational financial measures and operational measures complement each other. They propose that the Balanced Score Card (BSC) accomplishes this by providing a customer perspective (external perspective), internal perspective, an innovation and learning perspective, as well as a financial perspective (Kaplan and Norton, 1992). What is significant for this study is that such inclusive measurement devices have proven to be highly effective in national health care organizations in America and Canada including: the Federal Government of the USA, the US Military Health Services System; local and regional government departments of health (e.g. Washington, DC); long-term care institutions (such as psychiatric centers); The National Women's Health Quality Initiative, and as well, in various Canadian health care services and hospitals (Zelman et al., 2003).

McKee and Healy, in *Hospitals in a Changing Europe*, claim that the problem of measuring value intangibles in the health care sector has been complicated by the structure and ownership of European hospitals. That is to say that the private sector has the incentive of appealing to investors by clearly indicating the organization's value assets while public sector hospitals have not had the same incentive for improving their techniques for measuring value intangibles (because they can rely on public funding without having to appeal to investors). The difference between measuring for investment purposes (the private sector) as opposed to measurement for the sake of knowledge generation is particularly significant in the European health care sector for several reasons.

First, although most European hospitals do not rely on investors they do, non-the-less, rely on public resources that require accountability and some degree of transparency. Secondly, to meet the goal of becoming examples of advanced knowledge-based operations that make use of the most advanced technology European hospitals must realize that public resource policy makers have a strong preference for allocating resources where they will be most effective in helping the economy cut cost and increase efficiency (by taking advantage of technological age means for generating knowledge plus increasing value, quality and excellence). Model European health care systems (that have found it necessary to highlight measurement of the assets that contribute to knowledge generation and value-creation) acknowledge the fact that "Information on the strategy of the company, in the form of key value drivers, should form the basis for disclosure and therefore also for a dialogue with financial analysts" (Bukn and Nielsen, 2011).

Further complicating the problem is the wide range of professions and services that must be coordinated by decision-makers who must decide how to effectively invest in human capital, structural capital, technological systems, and intellectual capital (McKee and Healy 2002, 121-130). The decision-makers must discern how to integrate the various dimensions of this complicated system given the fact of extremely demanding budget restraints. Zigan et al. believe that the structural and intellectual capital assets get overlooked in European health care organizations because the focus tends to be on quality professional service (thus the focus is on human capital and above all the professionals upon whom the quality of care depends)."Therefore, a comprehensive view of the organization's intangibles is not given although it is highly significant for a deeper understanding of the interaction between all kinds of intangibles and tangibles within the organization" (Zigan et al. 2008, 59).

A significant contribution to *The Evolving Research on Intellectual Capital* written by Hong et al. 2008. Hong et al. report that OECD (Organization for Economic Development and Cooperation)—in their explanation of the significance of IC and IC measurements—point out that its value is connected with structural (organizational) and human (relational) capital which are internal to the organization plus stakeholder capital (which is external to the organization). Hong et al. assert that measurement that only focuses on tangibles and numbers reflect knowledge of a meager and unsatisfactory kind. Increasingly, managers are recognizing that the "Lack of a generally accepted methodology for valuing intangible assets hinders a more comprehensive picture of a company's health" (Hong et al., 2008). This has resulted in recent developments in IC models within the European Health care sector that are classified as pioneering or prototype advancements in the reporting methods of the European health care system. This is due to the fact that it was only recently (around the year 2000) that IC and its components were generally acknowledged as a significant factor in resource generation and allocation for the public health care sector. Therefore, within a short time the pioneering models have had a chance to develop and transform as IC reports became more than a communication instrument for different stakeholders but also a management tool—generating knowledge—and the results were integrated into the organization's strategies.

Edvinsson continues to be recognized as the IC expert who significantly contributes to some of the most outstanding advancements in recent research on intellectual capital and its significance to the public sector. Edvinsson implies (on the basis of research spanning the years of 1994-2005) that—especially in light of the recovery efforts from the 2007-2008 economic stagnation—the most successful public sector economies will be those who are able to identify the fundamental sources of wealth and progress. Wealth producing assets that contribute to sustainable progress are defined as: "Intellectual material– knowledge, information, intellectual property, experience – that can be put to use to create wealth; as human capital functioning together with elements of structural capital; plus the combination of human capital and the associated factors surrounding IC dimensions that have turned out to be a key source of wealth and the basis for future earning capabilities" (Lin and Edvinsson 2008, 526). In other words the hidden values in the public sector resources are a potential source for creating and/ increasing public wealth. (Lin and Edvinsson 2011, 348-369).

That is to say that Edvinsson's work proposes a "New research direction [that] has attracted attention not only from scientists around the world but various international institutions such as the World Bank, the International Monetary Fund, the European Commission, the Organization for Economic Cooperation and Development, etc." (Dzemyda and Jurgelevičius 2014, 814). Dzemyda and Jurgelevičius stress that the research results (indicating a strong correlation between intellectual capital—its assessment in public sector reports—and competitive economic advantage) leads researchers to conclude that there is a strong positive correlation between increased recognition of the significance of value intangibles and increased tangible material benefits (2014, 814-816).

Health, well-being, health care, and sustained economic performance are especially important in regards to the post 2007-2008 efforts to improve economic performance for Estonia, Finland, and Romania. Given the fact that hospitals consume nearly half of health care budgets they are under pressure to implement measures that are more cost effective. According to the Organization for Economic Cooperation and Development in spite of its impressive performance leading up to 2007 Estonia's weakness has been its reliance on a procyclical fiscal policy which tends not to be favorable to items like IC in times of economic downturn (e. g. items like Research and Development tend to get reduced resource allowance during downturns). In other words there is a decrease in spending on IC type assets (e.g.the intangibles that contribute to recovery) at a time when they are needed most to aid the economy in its recovery efforts and an increase in spending on value generating assets when it is needed least. (see OECD

2012, 5; and Themudo 2013, 161). "Whereas, reducing vulnerability and maintaining the health of social and cultural systems, and their ability to withstand economic shocks results from capital conversion" (Dzemyda and Jurgelevičius 2014, 815). Capital conversion is defined as intellectual capital (human capital and social capital) converted into quantitative (tangible) and qualitative (intangible) capital by means of knowledge generation, innovation, and value co-creation.

Research Design

The research is designed as a content analysis (a proven empirically reliable tool for measuring the extent of disclosure of intellectual capital in organizational reports). The documents for the health care systems of Estonia, Finland, and Romania, will be analyzed and the results interpreted on the basis of a pre-established coding system recommended for increasing the validity of the results. The coding framework identifies intellectual capital resource items as being in the internal capital category, the external capital resource category, or the human capital resource category (Abeysekera 2010, 511). "Internal capital includes the systems, policies, culture and other *organizational capabilities* developed to meet market requirements. External capital covers the connections that people outside the organization have with it, and human capital includes the know-how, capabilities, skills, and expertise of the employees" (Gutherie et al. 2004, 286).

The results of the interpretation will then be used to determine the extent to which the documents indicate that intellectual capital and intangibles are important aspects of what the organization values as important aspects of accounting for the organization's assets thus as items that need to be accounted for when reporting. This will not only indicate the capacity of the measuring instruments as a tool accounting for factors that generate knowledge and innovation but will also indicate the extent to which the reports are accurate in determining and presenting the full range of the firm's value assets.

Content Analysis

Vivien Beattie and Sarah Thomson point out that content analysis has become a "Widely used method of analysis in research in recent years [because it] quantifies the number of IC disclosures, it measures the extent to which different categories of IC information are disclosed, [and] it provides examples of [the organization's] attempts to understand and capture the IC concept" (Beattie and Thomson 2007, 131). Content analysis is proving to be a useful tool for research on intellectual capital because information conveyed in analyst reports clearly indicate the extent to which the company is operating in accordance with its own business model, the most advantageous performance model, plus stated goals and operating ambitions (Nielsen 2008, 66). In this case content analysis is used to indicate the extent to which the stated principles and goals of the three health care systems (in terms of knowledge management and application of knowledge age technology) is matched by indications of accounting for these knowledge, value, and innovation generators in organizational reports.

Ole Holsti—one of the earlier second wave proponents of the validity of content analysis— describes it as a "Technique for making inferences by objectively and systematically identifying specified characteristics of messages" (Holsti, 1968, 608). In other word Holsti believed that content analysis is a useful method for determining if certain concepts appear in a text in accordance with content categories and explicit coding rules. Content analysis is particularly useful if a researcher wants to determine the significance of specific categories if (or when) they appear in a text. However, to assure validity certain guidelines must be adhered to: "The response categories must be carefully defined, there must be a clear operational definition of terms, and the researcher must determine how extensively he or she will investigate a document by defining the unit of analysis" (Bordens and Aabbott 2001, 246-249; see also Holsti, 1969).

"The extent of IC disclosure [for Estonian, Finnish, and Romanian health care documents] is measured by a modified methodology of the 38 intellectual capital related terms collected by researchers in the World Congress on Intellectual Capital classified into three categories of intellectual capital—human, structural, and relational capital" (Brüggen et al. 2009, 238). Because of the particular focus of this research a fourth category is included to determine the presence of some general terms related to health care (see Brüggen et al. 2009, 238). To assure reliability of a content analysis the researcher must decide what units are best for analyzing the content of the document and determining how extensively it makes reference to particular terminology. "Sampling may occur at any or all of the following levels: words, phrases, sentences, paragraphs, sections, chapters, books, writers, or similar elements relevant to the context" (Berg 2001, 244).

The unit of analysis deserves careful consideration to assure that words or concepts are not misconstrued or taken out of context. In order to increase the empirical validity of the content analysis it is better for the researcher to collect a multitude of observational instances that collectively test a hypothesis with results that can be quantified (Krippendorf, 2004, 87). "This creates a multiplicity of observations, information bearing instances, or units, and readies that multiplicity for subsequent analysis" (Krippendorf, 2004, 87). In addition increasing the reliability of results requires implementing coding to categorize the items in the report, to make comparisons between sections, and to determine the significance of the frequency of terms in various sections and throughout the entire document.

This research uses Robert Weber's coding scheme which is based on unitizing terms with "Similar connotations in order for the classification to have semantic validity" (Weber 1990, 21). Weber's criteria for coding demands: defining the coding units, clarify categories, test for validity, compare test results with computer read-outs or the results of other content analysis, revise if necessary, code an entire document, and compare results with computer read-out (1990, 21-24).

The Average Disclosure for Estonia, Finland, and Romania

Finland's innovation capacity scores for making good use of intellectual capital increases the average rankings while Romania's scores pull the average down. The explanation of what this means for Estonia, Finland, and Romania will be discussed below (section 3.4). Here it is important to note that initial results indicate a correlation between intellectual capital, innovation performance, plus *resilience to* and *recovery from* economic downturns (notice on both charts the comparison with Sweden's rankings). In terms of an analysis of the data from this research proj-

Table 2. Intellectual Capital Disclosure Average for the Three States

Country	Internal Capital (IC)	External Capital (EC)	Human Capital (HC)	General IC Terms (GT)	IC Disclosure
Average for Estonia, Finland, and Romania	0.44%	0.44%	0.42%	-	1.3%
Similar study from Sweden	1.4%	1.8%	1.7%	-	4.9%

Compared with the results of similar research conducted in Sweden (Swedish measurements: Vandemaele et al. 2005, 421).

ect it appears that overall economic strength correlates positively with the extent to which intellectual capital is indicated in asset reporting. A comparison of Table two (above) and Table three (below) indicates that there is a need for further research on the role of intellectual capital and innovation generators in strengthening economic performance (especially in terms of making economies like Estonia and Romania more resilient in times of economic downturn). This is especially true in terms of researching the extent to which a procyclical fiscal policy makes IC related factors less available when needed most.

Intellectual Capital Disclosure Characterized by:

Where

A two point scale is used for measuring disclosure:

0 – no information on IC

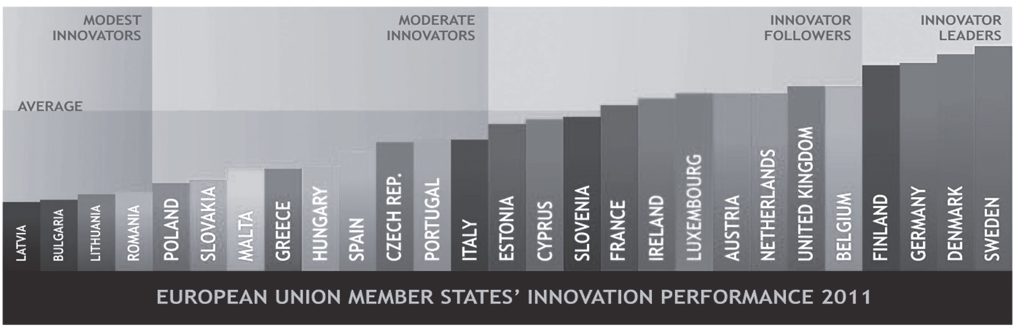
1 – information on IC (quantitative or qualitative)

The Implications of the Averages for Each State and for EU

Finland's Ministry of Social Affairs and Health reports that health care amounts for 25% of the budget of Finnish municipalities (with half or more of that going to hospitals). However Finnish researchers are proclaiming that the best way to manage cost (to effectively drive down cost) is to use [knowledge age] measurement and reporting techniques to create value, increase quality, and generate innovation (Teperi et al. 2009, 25-30). The point is that knowledge generators (identifying the intellectual assets that can be used as value creators) is essential to health care programs in that it maximizes value delivery while minimizing cost (by generating innovative approaches for increasing efficiency). The primary principle of a value-based approach to quality health care is that "The value created depends far less on their physical assets than on their intangible ones. This suggests causal relationships between intellectual capital and value creation, wealth, and growth [for the] economy primarily driven by intangible (intellectual) assets" (Cabrita and Vaz 2006, 11).

Finnish researchers Aki Jääskeläinen and Antti Lönnqvist performed a two year study of the Finnish public sector and concluded that resolving measurement challenges is the key to integrating tangible and intangible assets in such a way that they "Can be utilized in designing more sophisticated productivity measures (2011, 289). In their research—reporting on

Table 3. The 2011 Edition of the European Innovation Scoreboard (EIS)



Presents a comparative analysis of the innovation performance of European countries. Sweden scores highly in innovation plus scores highly in reporting intellectual capital assets (Romania pulls the average down and Finland up with Estonia average).

the measurement systems of child services and health services—they concluded that in the Finnish public sector (The Finnish Social Affairs and Health Ministry—with a research focus on child care and health care) "Productivity measurement has been carried out for years with a system that provides information on the productivity trend of a rather large organizational entity (e.g. the Social Services Department) based on output/input index (outputs/costs)" (Jääskeläinen and Lönnqvist 2011, 295).

Finnish researchers Myllärniemi et al. assert that research promoting a better understanding of the role of information and knowledge in healthcare processes contributes to creating a more viable basis for practices that would better support the actual service provision (Myllärniemi et al. 2012, 54). The health care industry is one of the most knowledge intensive industries in the society with professionals in decision-making capacities that include life-saving measures as well as operational measures. However, they found that although health care professionals are strong in generating lots of data they are weak in developing means for managing it so that it becomes integrated with the other aspects of the organization and health care sector (Myllärniemi et al. 2012, 55). Myllärniemi et al. found that often the knowledge resources of the system have not been effectively assessed and integrated to make the best use of the potential that is available. "Healthcare organizations record huge amounts of data but do not always have appropriate means for analyzing and processing it into relevant information to support management and development purposes" (Myllärniemi et al. 2012, 61). The researchers believe that the integration of information systems (e.g. the type of networking that makes information interoperable in E-health programs) would generate information that is useful at various levels of the health care system. Myllärniemi et al. ultimately affirm the Finnish vision of developing their knowledge assets in a way that they result in knowledge-based value creation (the stakeholder and human resource capital playing a role in the co-creation of value) (Myllärniemi et al. 2012, 56).

Dr. Ruth Sepper (award winning Director of the Institute of Clinical Medicine in Estonia) and Dr. Ruth Alas (Vice Rector of Scientific Affairs and Chair of Management Studies in Estonia) report that the "Estonian [health care program] has attempted to implement improvement in efficiency by taking advantage of new technologies" (2007, 60). In principle this means putting the emphasis on intellectual and human capital as principal resources for improving the efficiency of the Estonian health care program and making better use of public resources (Sepper and Alas 2007, 63). Still doctors Sepper and Alas acknowledge that to increase the effectiveness of the proposed reforms (improvements in quality care and treatment) the implementation of knowledge resources are essential for the satisfaction of stakeholders and professional health care workers plus tends to satisfy the demands imposed by the budget restraints of public sector policy-makers (2007, 77-79).

Persephone Doupi (senior researcher at the National Institute for Health and Welfare) reports (in a 2010 study of Estonia's E-health Program prepared in behalf of the European Commission, DG Information Society and Media) that "Evaluation is a key activity in the policy-cycle. It provides insights into the success or failure of a policy or project and leads to new policy goals and new methods of implementation. The need for evaluation of E-health policies and projects has been stressed time and again by the EC, not least in order to further the spread of E-health in the process of health care delivery" (Doupi et al. 2010, 32). Estonia, in an attempt to test the validity of the above mentioned research, conducted its own evaluation under the Ministry of Social Affairs of Estonia, the Estonian Health Insurance Fund, and in cooperation with the European Union in 2010. This study concluded that "If relevant potential benefits were not taken into account in an ex-ante analysis, the wrong project would be approved" (Saluse et al. 2010, 19).

Estonia, in principle, indicates a keen awareness of its potential in the area of ICT, E-health, and e-commerce. That is to say that on paper (and in many respects in practice) Estonia clearly reflects a technological savvy that in every way is technologically ingenious. However, the question is how, can the potential that Estonia enjoys become a means of fully recovering from the lingering effects of the global financial crisis and regaining its economic performance (that impressed the Western world as well as countries in many other parts of the world)? There is also the question of the role that knowledge generation and value creation plays in Estonia taking advantage of its potential. In answering these questions the article compares a content analysis evaluation of the Estonian public sector performed by Lea Roostalu (and confirmed in research conducted by Ülo Kaevets 2004). The results are similar to those of this research indicating that accounting and finance measurements tend to miss the very items that are crucial for economic resilience. According to Roostalu's content analysis (as demonstrated in table 3 below) "The acts of general and strategic tasks of local government have a satisfying level of sustainability orientation while that of the acts of accounting and reporting tasks and of ethical tasks are weak" (2012, 48).

Lea Roostalu performed a content analysis using a scale ranging from "0" (for no indication of IC or social capital content) to "1" (for clear indication of items related to knowledge, value, and social capital). Roostalu found that "The problem is that public sector accounting is accrual-based [and] its budgeting remains cash-based [tangibles]. The results of the study show that although the acts of strategic tasks support sustainable development, there is no integration of these principles in the acts of everyday reporting and motivation of officials" (2012, 50). Roostalu's research confirms the fact that although there is a commitment to demonstrate Estonia's IC potential and principles it is falling short of exemplifying this in the measurements of public value (intangible) assets.

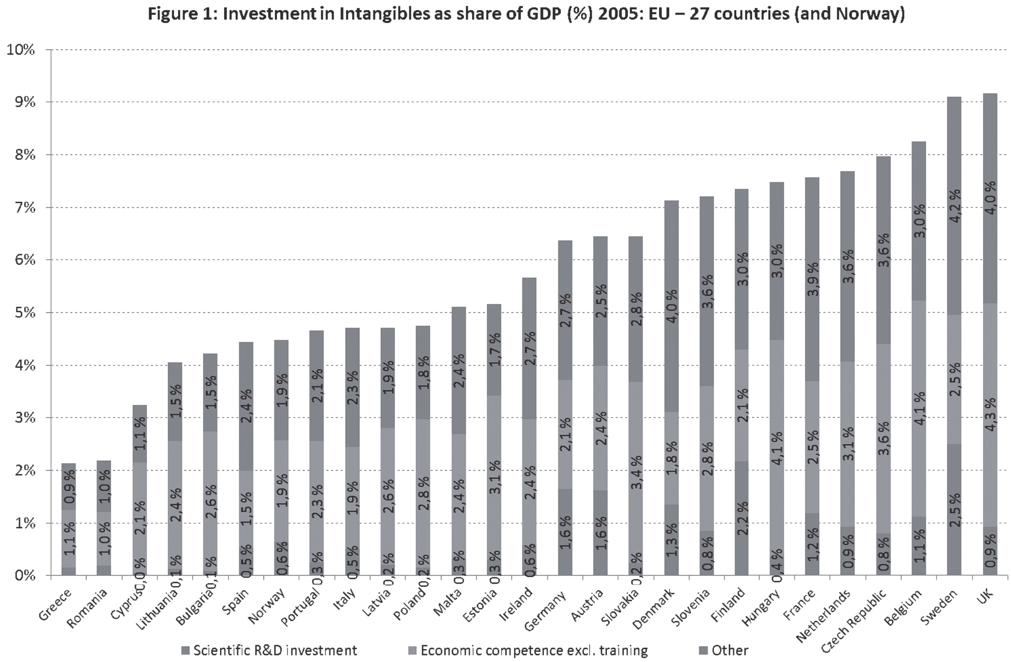
According to the data-base of the European research and statistics information program Innodrive Romania's inadequacy in accounting for value intangibles is having an impact on its economic performance (Romania is tied for the last place in Europe with results that pull the EU average down while Finland pulls it up with Estonia average) (see Table 4 below). The World Economic Forum published the results of similar research (2013) which places Romania at level 64 on their scale and Finland at level 3. On the World Economic Forum report Estonia once again scores somewhere in the middle. (see appendix for the Global Competitiveness Report 2009 – 2010).

The director of the National Center for Health Statistics in Romania states that the results are very much the same if analyzing the connection between knowledge and value generators (intellectual capital) and performance and successfully implementing E-health programs. Although Romania is participating in two international E-health projects for interoperability the disappointing results have only highlighted setbacks and weaknesses that cause Romania embarrassment (Farcaş 2010). The

Table 3. Results of Content Analysis by Lea Roostalu

Country	Stakeholder Capital	Capacity for Technological Innovation	Social Capital	measuring for intellectual assets, plus knowledge and value generators	Overall Average
Estonia	0.34	0.24	0.13	0.14	0.21

Table 4. INNODRIVE Intangibles Database 2011 (Investment in intangible as share of Gross domestic product in EU countries).



attempt to implement E-health in Romania is a further sign of Romania's difficulty managing the challenge of adjusting to the new technologically advanced stage of health care (see Farcaş 2011, 4 and 30). Simona Vasilache and Mihaela Prejmerean, in a study of Romanian hospitals found that the Romanian health care sector reforms were needed because "If the present rate of efficiency continues hospitals will grow even worse in the coming years" (2008, 99).

Conclusion

Researchers of intellectual capital argue that there is a clear connection between content analysis and the ability to "Quantify the knowledge, skills, relationships, processes, innovation, and other components of intangible assets, therefore [it] brings the right schema for presenting qualities and value creators [in quantitative terms]" (Papula and Volná 2012, 363). This study indicates that at this stage of research on IC and European health care systems there are several IC reporting and disclosing projects conducted in different types of health care organizations, public and nonprofit, in Europe. However, the fact remains that while in America the tradition of IC reporting is long and solid Europe has no national or regional models that could ensure consistency and comparable results between medical services of the various health care sectors throughout Europe. On the other hand, the need for transparency and budgetary pressure (accentuated by increasing spending demands for in public health care) requires a better and more transparent management of public funds. The research also confirms the claim that the established accounting and financial management techniques are inadequate for helping to improve the efficiency of health care systems.

The research reveals that one of Estonia's biggest challenges, in its effort to improve its health care system, is evaluating its information technology (IT), information systems

(IS), and intellectual capital (IC) assets. This researcher argues that evaluation of knowledge generating assets in the Estonian E-health program is essential in three important aspects: "Evaluation must be able to model the complex processes that are involved in the field; secondly, that the evaluators must be able to assume multiple viewpoints in mapping costs and benefits depending on the stakeholders involved; and thirdly, that the evaluators should be flexible and adapt to new situations (e.g. learning from past mistakes)" (Saluse et al. 2010, 21). Saluse et al. propose *The Peng Model* as a step toward reducing this problem because "It is a multi-dimensional framework that combines parts of various methods of project evaluation. This composite approach enables the evaluation not only of immediate financial gains and costs, but also the impact of intangible benefits" (2010, 23).

Finland is exemplary in terms of knowledge and innovation generators. However, Finnish research on their health care system stresses that the emphasis in the health care institutions tends to be on human capital. "Current management methods concentrate on specific resources, such as human resources or customer satisfaction but a more systematic way of assessing the impact of resources and operations on outcomes seem to be missing (Sillanpää et al. 2010, 117).

Romania drafted a plan by which it could improve its health care system, implement E-health and interoperable information networks, and bring their health program in line with European guidelines. In addition Romania enjoyed the support of planning and the benefit of resources from experts from World Bank. The World Bank contributed with analysis of the situation and with the aid of their specialists identifying necessary priorities. However, the situation in Romania, as of now, still shows signs of a huge "Gap between legislation and implementation that has yet to be breached" (Farcas et al. 2010, 30).

Summary

The increase in the attention paid to intellectual capital (its assessment and measurement) has become more important for the public health care sector because of the documented research indicating a correlation between: an overall improvement in the public's health and an overall improvement in the economy meaning that there is a clear correlation between the attention shown to knowledge generators plus value creation and overall improvement of the economy (this is especially true for the knowledge based economy where there is even a greater necessity to assess and measure IC for improved performance (organizational and economic).

The study provides insight into the role that intangible resources play in European public health care systems and the significance of accounting for human capital, internal capital and relational capital as part of organizational assets and as the key to value creation. The European public health care system is one sector where there has been painfully little research on the connection between reporting techniques (accounting, financial, and management) and determining the role that knowledge and intellectual factors play in improved performance (this includes the role that knowledge and intellectual resources play in managing structural, human/relational and stakeholder resources). The profit generating potential of knowledge and value generation resources makes the capacity to identity them as assets essential for increasing profit (organizational and for the economy). This article analysis of the benefits of measuring the knowledge and the intangible assets of an organization demonstrates a means by which intangible assets can be transformed so as to become evident in terms of tangible value assets.

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Appendix 1.

Table 1. List of Intellectual Capital categories and sub-categories

Internal Capital (IC) 7 sub-categories	External Capital (EC) 3 sub-categories	Human Capital (HC) 2 sub-categories	General IC Terms (GT)
1. Organizational culture (n=6): IC1 Organizational culture IC2 Organizational values IC3 Management philosophy IC4 Management processes IC5 Leadership Communication IC6 Financial relations	**1. Brand (n=1):** EC1 Trademark	**1. Competence (n=10):** HC1 Intelligence HC2 Knowledge HC3 Know-how HC4 Education HC5 Competence HC6 Motivation HC7 Expertise HC8 Intangible skills HC9 Specialist Training HC10 Training	**(n= 4)** G1 Intellectual Capital G2 Intellectual Asset G3 Knowledge Asset G4 Competitive intelligence

The Global Competitiveness Report 2009-2010

The Global Competitiveness Index 2009-2010 rankings and 2008-2009 comparisons				
	GCI 2009-2010		GCI 2008-2009	
Country/Economy	Rank	Score	Rank*	yr/yr change
Switzerland	1	5.60	2	1
United States	2	5.59	1	-1
Singapore	3	5.55	5	2
Sweden	4	5.51	4	0
Denmark	5	5.46	3	-2
Finland	6	5.43	6	0
Germany	7	5.37	7	0
Japan	8	5.37	9	1
Canada	9	5.33	10	1
Netherlands	10	5.32	8	-2
Austria	17	5.13	14	-3
Czech Republic	31	4.67	33	2
Estonia	35	4.56	32	-3
Slovenia	37	4.55	42	5
Poland	46	4.33	53	7
Slovak Republic	47	4.31	46	-1
Lithuania	53	4.30	44	-9
Hungary	58	4.22	62	4
Turkey	61	4.16	63	2
Russian Federation	63	4.15	51	-12
Romania	64	4.11	68	4
Kazakhstan	67	4.08	66	-1
Latvia	68	4.06	54	-14
Croatia	72	4.03	61	-11
Bulgaria	76	4.02	76	0
Ukraine	82	3.95	72	-10
Burundi	133	2.58	132	-1

*** The 2008-2009 rank is out of 134 countries. One country covered last year, Moldova, had to be excluded this year for lack of Survey. Source: World Economic Forum**

Appendix 3.

Research paper III

E-health: Knowledge generation, value intangibles, and intellectual capital. (2014) *International Journal of Healthcare Management*. Volume 7, Issue 5, 100-111.

E-health: Knowledge generation, value intangibles, and intellectual capital

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Abstract

Purpose: This article analyzes the effectiveness of three European healthcare systems – Finland, Estonia, and Romania – in terms of their capacity for generating knowledge and value (with an emphasis on E-Health). The article analyzes the extent to which their E-health program's measurement instruments are effectively contributing to achieving Europe's 2020 vision by generating increased knowledge, value, and innovation. The analysis focuses on the extent to which the financial and accounting techniques for measuring the value assets of the three states are effective for appraising the significance of knowledge generation as an essential value asset that plays a role in improving performance and increasing the ability to make the best use of public resources.
Design/methodology/approach: The research draws from an archive search (hermeneutical) method (as the basis for introducing the issue and for the literature review (tracing the development of recognition of the significance of measurement especially as it began to be recognized as significant by the European healthcare sector). The measurement techniques of the three states will be analyzed to determine how their healthcare systems assess value intangibles and the extent to which what heretofore had been regarded as an intangible asset is now taken to be essential for generating value thus equated with organizational value assets.
Findings: An analysis of conventional accounting and financial measurement techniques indicate that they are inadequate for generating the type of knowledge needed for improving the efficiency of healthcare systems. This is primarily due to the fact that from the financial, accounting, and economic perspectives value-intangibles are regarded as a management concern rather than an essential aspect of what must be analyzed for determining value assets and making the best use of public resources.
Research limitations/implications: One aspect of what the study reveals is that given the fact that the research is interstate more data must be provided in the primary language of the European Union. The language problem thwarted the attempt to establish a scientific analysis of international data. Eliminating the problem would allow for a more accurate analysis of the strengths and weaknesses of the European healthcare system, for determining which models are the most advantageous, plus would increase transparency.
Practical implications: The article highlights the significance of value intangibles as a factor in increasing the efficiency of E-health programs. The focus is on the role that value generation plays in operating in a way that meets the innovation and knowledge generating demands of the knowledge-based economy.
Originality/value: This study makes a theoretical contribution to research on the extent to which E-health programs are knowledge and value generators. The assumption is that the extent to which the three countries indicate a capacity for increasing value and improving quality by knowledge generation demonstrates how successful their programs are in adjusting to the knowledge-based economy and how successful they are in their attempt to contribute to realizing Europe's 2020 vision.

Keywords: Value-added intellectual coefficient, The co-creation of value, Value propositions, Integrated and networked knowledge generating systems, Content analysis

Introduction

The European Union has allocated a 80 billion euro budget for years 2014–2020 – in the form of the *Europe 2020 Strategy* – as a part of its endeavor to make the European Union 'The most dynamic and competitive knowledge-based economy in the world'. An important dimension of its Europe

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2020 vision is the use of advanced technology to ensure an improvement in the quality of life and health for its aging citizens. In this respect, the EU Task Force on Health announced that E-health is an important aspect of EU's 2020 vision. However, the EU Task Force on Health also stressed that the role of E-health in meeting EU's 2020 goals is important because (although it is certain that the implementation of IT solutions can radically revolutionize and improve healthcare services) the EU seems to be lagging at least 10 years behind in the application of medical technology and E-health (p. 5).[1]

The EU commission has made it clear that the success of the EU 2020 Strategy crucially depends on the role that each member state plays in generating increased value and quality by means of boosting innovation (especially in terms of the application of advanced technology to healthcare services thus in the areas of E-health). The European Health Policy Forum states that its expectation is that each EU member state will contribute to the 2020 vision by employing the advantages of technology to enhance the health and well-being of people and to help create a clean and protected environment (p. 3).[2] This article focuses on the effectiveness of Finland, Estonia, and Romania in meeting this challenge by analyzing how their techniques for reporting and evaluating E-health contributes to generating knowledge, value, and innovation which are all basic aspects of what increases quality and enhances performance in the knowledge-based economy.

Finland, Estonia, and Romania have each made it clear that they intend to make the knowledge-based economy the major driving force for their economic and social development. The three states share the belief that the knowledge-based economy is the way to the future plus will contribute to revitalizing their economies (there is some evidence – especially in Estonia and Romania – of lingering effects of the economic slump from the 2008 global financial crisis). In this respect, they are increasingly aware that the impact of the knowledge-based economy is shifting the economy from being goods based to an economy in which value creation and knowledge generation are the most essential aspects of wealth production for the future.

Finland has drafted an *Europe 2020 Strategy: Finland's National Program* that clearly states that in the coming years – leading up to 2020 – it will draw from its potential as a knowledge-based economy (as a knowledge generator, and as an innovator) to provide its citizens with a sustainably good life (pp. 11–12).[3] In addition, the Finnish report predicts that because of the aging European population wellness and health-related industries are expected to grow at a pace faster than that of general economic growth. This means that knowledge generation and innovation in this sector will be essential to Finland's contribution to improving the quality of life in Europe's near future.[4] Finland's *National Research and Development Center for Welfare and Health* reports that the E-health program is an effective means of generating and disseminating information by making the best use of knowledge-age technology for creating benefits for all stakeholders by allowing them to be 'Informed and participative agents in the healthcare delivery process' (including citizens and patients) (p. 4).[5]

Estonia has undertaken a broad initiative to improve and extend health services for patients and citizens in the form of its Estonian National Health Information System. The Ministry of Social Affairs established a separate administrative body (the Estonian E-Health Foundation) to implement increased digitized programs and in order to effectively manage the development of E-health projects. Along these lines Estonia has been one of the most impressive digitized systems in Europe (as a result of creating a nation-wide integral network of interoperable E-health services which make it possible to channel all types of health data). This article analyzes the extent to which the Social Ministry of Estonia clearly acknowledges the necessity for their financial and accounting sectors to accurately appraise knowledge-age value assets as a reflection of the announced commitment to advanced technology and the role IT plays in knowledge and value generation (in connection with healthcare in particular). Indeed a more accurate strategy for determining and evaluating value assets plays an essential role in the successful implementation of E-health programs.

The Romanian National Reform Program 2011–2013 outlines the national plan for contributing to the European 2020 goal with a priority of improving public efficiency (p. 5).[6] However, Romanian demographics, similar to that of Estonia, indicate that the financial setback of 2008 is still a dominate factor in the future plans for Romanian development. Romania's financial experts are certain that the successful implementation of 'Europe's 2020 Strategy' depends on the integration of the common EU goals with the national and sub-national goals of the people of Romania. In this respect – with financial support from The World Bank (18 + M$) – Romania was able to implement its Healthcare Management Information System (p. 33).[7] Romania is now proud of its integrated healthcare informational system installed by SIVECO (Romania's leading software company).

Model European institutions and organizations have found that to facilitate the adjustment to the knowledge age economy it is necessary to develop measurement strategies that improve an organization's ability to evaluate intangible value assets (these were not regarded as a factor of wealth generation until the end of the last century but knowledge and value generation have now been increasingly regarded as the primary drivers of wealth). Because of the recognition that knowledge is the key to increasing value and wealth 'Disclosure of information on strategies, business models, critical success factors, risk factors and value drivers in general has gained importance in recent years' (p. 257).[8]

In fact because of the increased recognition of the importance and need for valuation of the knowledge aspect of assets there are an increasing number of studies aimed at valuation and comparison of the value-added intellectual coefficient which are intended to provide organizational researchers with improved methods for understanding and evaluating the connection between value intangibles and performance (p. 265).[9] The private sector was quick to realize that maintaining the cutting edge (creativity, innovation, plus improved effectiveness and efficiency) in today's fast paced business world requires accurate measurement of 'know how'. During the closing decade of the 20th century, analysts realized that the pre-technological age financial and accounting measurement tools of material assets were insufficient for appraising value in the knowledge age (pp. 5–6).[10]

However, it has only been recently that the healthcare sector has realized the need to catch up with the example well established by the private sector. This has resulted in recent models being classified as pioneering or prototype advancements in the reporting systems of the European healthcare sector. This is due to the fact that it was only recently (around the year 2000) that intangible value assets and their components were generally acknowledged as a significant factor in resource generation and allocation. The Cardio Vascular Model (The Cardio Vascular Department at Lund University Hospital) and the CMM Model of the Center for Molecular Medicine (CMM) at the Karolinska University Hospital and the Karolinska Institute, Sweden, have used means for generating reports that measure knowledge and value assets since 2002. Therefore, the models have been developing and transforming with reports inclusive of the value of knowledge assets becoming more than a communication instrument for different stakeholders but, as well, a management tool – a knowledge generating tool – and the results generated by these sources are integrated into the organization's strategies.

The difference between the private sector and Europe's public healthcare services is due to the difference between measuring for investment purposes as opposed to measurement for the sake of knowledge and value generation. Although most of the European public health sector is not reliant on the stock market or investors the sector must, non-the-less, rely on reporting systems that indicate how to best allocate public resources. Because adjustment to the knowledge-based economy requires accurate knowledge and effective systems for generating that knowledge (including the intellectual aspect of finance and management) reporting value assets is important for meeting the demands of today's public resource providers.

This article analyzes the financial and accounting reporting systems of the healthcare sector of three states (Finland, Estonia, and Romania) to determine to what the extent the economic strategists of the three states have appraised the role of intangible value assets as an essential factor. Particular focus is placed on the healthcare sector because it is an industry where knowledge generation is an essential factor for meeting stated goals, for improving performance, and for channeling life-saving information thus, for success. The research will analyze data collected from a prior research project on the healthcare sector of Europe to determine to what extent the reporting systems (of the three states) highlight value assets (structural capital, human capital, and relational capital). This is partly an effort to reemphasize that knowledge and value factors, that were once taken to be immeasurable, are now considered to be essential for making the best use of public resources.

This article proceeds as follows: the following section (section two) of the article is a literature review of the theoretical development of the pioneering models for measuring knowledge and value assets. The literature review will trace the development of value and knowledge measurement tools, models used in the private sector, and then point out how the public healthcare sector was gradually influenced. Relevant organizational literature asserts that the significance an organization places on knowledge and value assets can be detected by the extent to which reference is made to these factors in organizational measurement instruments. Section three describes the research methodology, method, and design. Section four is a discussion of the results of the research and the final section draws conclusions, summarizes the implications of the results, and points out the possible contributions to the healthcare industry, organizational behavior, the economy, and science.

Literature review

A comprehensive (research) analysis of the impact of new technology on human interactions, organizational activities, and on economies begins with a brief summary of the role of technological communications on organizational behavior starting with one of the first scholars to recognize the impact of electronic communications – world famous social, educational, and communications expert John Dewey. Dewey's rise to influence coincided with the rise of electronic communications and Dewey immediately recognized the role it was playing in interconnecting people, homes and organizations globally. Dewey is admired for his perspective on the relationship between Liberalism, democracy, advanced technology, and his theory that details the role that advanced technology plays in *the democratization of value creation* (or the way it is put by some organizational specialists today *Democracy is, in fact, the Co-creation of Value*). Dewey argued that all human social, economic, and political activity 'Seems to be influenced, if not controlled, by estimates of value or worth of ends to be attained' (p. 2).[11] John Dewey's notion of the co-creation of value laid the foundation for theories related to the learning organization as 'planned efforts to engage workplace professionals in organizational development and creating organizations that are fruitful and productive seats of [knowledge generation]' (pp. 442 and 445).[12] Dewey envisioned that communication technology would contribute to – what today is called – a networking of knowledge entrepreneurs (a collaboration between business, the university, policy makers, and civil society) that would result in the co-creation of value (value defined in terms of mutually satisfactory outcomes resulting from constructivist processes occurring between all stakeholders).

Peeter Senge, of MIT (Massachusetts Institute of Technology/Sloan School of Management) believes that Dewey laid the foundation for the notion of 'The Learning Organization' that was later espoused by famed organizational theorist and consultant Peter Drucker. It was Drucker whose organizational consulting activity guided some of the most successful organizations of the latter part of the 20th century through an adjustment to the technological age. He emphasized that organizational learning requires a commitment to facilitating certain interactions and networks between knowledge workers. Without this commitment no organizational learning can occur (p. 11).[13]

Drucker envisioned that the organization of the emerging 21st century would be knowledge-based (or information-driven). He recognized that this change will primarily be brought about as a result of the impact of information communication technology. During the very early stages of the impact of the computer on organizational activity Drucker stressed that 'As soon as a company takes the first tentative steps from data to information, its decision processes, management structure, and even the way its work gets done begin to be transformed. What was once a budget exercise becomes an analysis of policy' (pp. 3–4).[14] He stressed that the most valuable assets of a 20th-century company were tangible material assets (the human resources were counted as expense) but, as Drucker went on to say, 'the most valuable asset of a 21st-century institution, whether business or non-business, will be its knowledge resources, human resources, and value intangibles (p. 135).[15]

Leaders of the Canadian Health Care system Neil Seeman (a healthcare policy authority who is also affiliated with The University of Toronto) along with Adalsteinn Brown (Director of the Institute of Health Policy, Management & Evaluation) declared a few years ago in the journal Health Quarterly that Peter Drucker contributed to increasing value and quality in healthcare with his theory of management by measurement (pp. 50–54).[16] As explained by Drucker himself, in his own words, 'in strategic planning, precisely because what we measure and how we measure determine what will be considered relevant, and, thereby, determine not just what we see, but what we – and others – do, measurements are all-important in the planning process' (p. 128).[17]

Chaminade and Catasús were one of the first to trace the development of efforts to apply Drucker's admonition to the measurement of value intangibles. They emphasized that accounting for intangible value assets increasingly became important as a tool for facilitating the transformation to knowledge intensive operations and the knowledge economy's demand for increasing the capability to account for the wealth producing significance and the value generating capacity of knowledge. They point out that as the 20th century was winding down (to the last decade) there was an avalanche of literature on how to account for values and how to address the problem of their invisibility (pp. 2–3).[18]

According to Chaminade and Catasús during this stage a lack of ability to account for the profitability of value creation prompted several theoretical delimitations of the issue: *Intangible Asset Monitor*[10], *Skandia Navigator*™[19], and *Accounting for the Future* (AFTF)[20]. 'Much of the research has concentrated mainly on the private sector and only few researchers have investigated what impact intellectual capital management might have in public sector service organizations. Even fewer have given attention to the role and value of intellectual capital in healthcare organizations' (p. 58).[21]

Sveiby's article in 1997 outlined the main discrepancy that was prevalent at that time by pointing out why measurement instruments were missing a significant category of equity. He proposed that indication of the full range of assets available to an organization requires new instruments for '*measuring the invisible*' and intangible. Sveiby stresses that although accountants have focused on measurement in terms of the company's performance on the stock market (information for investors) measurement of intangibles can also tell a lot about how the company regards its knowledge producing and value creation assets.[22] Kaplan and Norton proposed solution was a reporting technique that produces results indicating how financial measures and operational measures complement each other. They argued that 'The traditional financial performance measures worked well for the industrial era, but they are out of step with the skills and competencies companies are trying to master today' (p. 71).[23]

Kaplan and Norton were amongst the first to devise a standard of measurement that gives leadership a 'Comprehensive view of the business' (p. 71).[23] Their proposed solution to this management need, 'The Balanced Score Card,' 'Indicates whether the company's strategy, implementation, and execution are contributing to bottom-line improvement, customer satisfaction, plus contributes to innovation and learning' (pp. 71–77).[23] Afterwards the balance score card was chosen as a measurement technique for Canadian and USA healthcare systems because of its effectiveness as a communication tool, as a strategic management tool thus, as an effective overall measurement technique (p. 2).[24]

The benefits derived from measuring value intangibles and intellectual capital (that the private sector had been enjoying) sparked the attention of public sector policy makers, managers, and financial accountants. It has also prompted research into the public sector's effectiveness in making the best use of public resources by taking advantage of the performance enhancing benefits of knowledge and value generation. Studies conducted in Europe on knowledge management as a basis for value creation and for generating innovation indicated that knowledge is apparently lying dormant within healthcare organizations due to a lack of tools and techniques for managing intangibles.[21,25,26]

Michael Habersam and Martin Piper, based on research conducted in healthcare sectors in Europe, identified intangibles as falling within the categories of human, structural, and relationship capital (p. 753).[27] They argue that accounting for value intangibles is especially important in the European healthcare sector because of the fact that European social welfare consumes on average over 8% of the GDP in all OECD countries (p. 757; their original reference was from OECD 2003).[27] 'Hospitals consume about 50% of the [health care] budget in most Western European countries therefore, hospitals are under heavy political pressure to reorganize' (p. 757).[27]

Martin McKee and Judith Healy report that the reason why research on the public sector healthcare industry had been slow in matching the advancements made in the general private sector was due to the complicated structure of accountability and ownership in healthcare systems (especially in Europe) (p. 121).[28] For example, according to the American Medical Association out of 5815 hospitals approximately 1317 are owned by some level of government. The rest are either privately owned (for profit) or have gained tax exemption thus are listed as non-profit[29]. McKee and Healy describe Europe as even more complicated. Although European healthcare is broadly defined public sector there can be non-governmental bodies who manage the government's interests and from whom they often receive a considerable proportion of their capital funding.

Thus, in Europe a hospital can be 'classified according to five dimensions: autonomy, market exposure, degree of financial responsibility, accountability, and social functions. A hospital might be located at a different point along the continuum for each of these dimensions, and might be classified as a budgetary, autonomized, corporatized, or privatized hospital' (p. 121).[28] Seetharama Hariharan *et al.* point out that 'Health care services have too many dimensions to be fitted into a simple singular unit and it is therefore essentially very difficult to approach the measurement of the performance of healthcare services by using [conventional measurement methods]' (p. 302).[30]

The Financial Accounting Standards Board reported that measurement has to do with the *Qualitative Characteristics of Accounting Information.* Measurement is essential in order 'to determine what information will be useful in particular situations, [how to] understand the significance of new information, [measurement] makes it possible to view relevance as a *quality* that information has in relation to a situation or a decision, [and it enhances the] reliability that can be achieved in a particular situation' (p. 34).[31] In this respect, due to the influence of Drucker, Americans and Canadians were among the first healthcare systems to make attempts to analyze the significance of intangibles in order to make more efficient use of resources, to better manage the future profitability of the enterprise, to do a better job of improving the quality and value the hospital could offer, and to make a better contribution to overall stakeholder satisfaction.

The earliest EU literature on the economic impact of E-health (EU attempts to develop an economic assessment and evaluation framework for E-health applications) pointed out that measurement is essential to EU achieving its E-health goals. 'The impact is potentially enormous, but has been difficult to measure, especially some of the benefits. Evaluations often have only one perspective (such as financial or the view of a single stakeholder)' (p. ii).[32] George Demiris[33] in a study points out that because E-health has the potential to 'revolutionize the healthcare field and support a paradigm shift, namely the shift from institution-centric to' a networked and stakeholder perspective on service analysts are increasingly recognizing that there is a need to research and define *value propositions* (especially in regards to how measurement of value assets can increase the social and economic benefits of E-health (p. 186). What Demiris stresses is that just as private business has been revolutionized by the value proposition the success of E-health is clearly based on researching the social and economic benefit of resource integration (all demanding that the *value proposition* be looked at in a new light).

Initial research indicates that in spite of the issue of the highly sensitive concern of making hospital and medical records transparent – in regard to personal/private data being made available on integrated systems – the networking of resources seems to contribute to improved efficiency and reduced cost. Above all because health and well-being have been proven to correlate with improved economic conditions there is increased interest in the ability of E-health to contribute to a complementary connection between social and economic value theories. The knowledge and value generation shift is resulting in a type of empowerment (social and economic) that is referred to as the co-creation of value. 'Although the topic of value creation is increasingly discussed in health care literature 'Studies on the supporting processes, methods, and tools to enable value co-creation are often missing' (p. 338).[34]

Research design

The research is basically designed as an analysis of the extent to which organizations take value intangibles into account as an important aspect of their financial reports. A qualitative research technique (content analysis) was used to measure the reporting patterns of the three European public healthcare systems. The results of the content analysis will be used to determine the patterns of the representative public healthcare institutions with regard to determining their recognition of the value of internal, external, and human capital. 'Internal capital includes the systems, policies, culture and other *organizational capabilities* developed to meet market requirements. External capital covers the connections that people outside the organization have with it, and human capital includes the know-how, capabilities, skills, and expertise of the employees' (p. 286).[35] The contents of the reporting forms will be analyzed to determine their capacity for measuring intangible assets (thus accurately reporting the firm's assets). The article presents a content analysis (intangible values disclosure analysis) for Finland, Estonia, and Romania.

Content analysis

Most of the literature on the extent to which the financial reports of European healthcare systems are disclosing (or failing to disclose) value intangibles indicate that content analysis serves two purposes. 'First, it measures the extent to which different categories of IC information are disclosed. Second, reporting in practice provides valuable examples of [the extent to which an organization] attempts to understand and capture the IC concept' (p. 131).[36] Content analysis is particularly useful when researchers are attempting to determine the significance of specific categories if (or when) they appear in a record[37] (p. 246; see also ref. 38).

Determining the extent of recognition of value intangibles (for this article) was done by employing Abdolmohammadi's[39] framework for analyzing the components of institutional reports (to determine their reference to value intangibles). The extent of disclosure is measured by means of a modified version of Abdolmohammadi's model that includes identifying items specific to healthcare (p. 238)[40]:

(1) Human capital: the tacit knowledge embedded in the minds of the employees;
(2) Structural capital: the organizational routines of the business; and
(3) Relational capital: the knowledge embedded in the relationships established with the outside environment.

(4) Because of the presence of some general terms related specifically to values, intangibles, and knowledge generation Brüggen *et al.* established a fourth category called general terms.

When using content analysis to assess documents the researcher must decide at which level to focus the sampling and what units of analysis will be counted. Sampling may occur at any or all of various levels ranging from words, chapters, themes, or even to the works of particular writers (p. 244).[41] Guthrie and Abeysekera argue that the decision about the unit of analysis deserves careful consideration because prior research indicates that words, phrases, and even pages can be taken out of context thus suggesting that by including sections and chapters the researcher can gain a better indication of meaning (pp. 120–121).[42] The space allocated to a concept and/or term – with regard to how extensively a topic is covered within the entire text – is also significant for determining the extent to which a particular concept is included or covered in a document. In other words 'unitizing is characterizing units by length, duration, size, and by their location in the continuum (p. 220).[43]

Once the unit of analysis has been determined a criteria for coding must be established for acquiring, categorizing, and quantifying the information. An established and reliable guideline for coding is Weber's method for creating and testing a coding scheme (p. 21)[44]:

1. *Define categories*: By classifying the unit of analysis into categories, limiting the scope of the categories, and clarifying variables the reliability of the data will be increased.
2. *Test coding on a sample text*: Code a small sample of the text to test the clarity of category definitions.
3. *Assess accuracy and reliable*: Compare the results with a computer measurement to test reliability and accuracy.
4. Revise if necessary.
5. Once reliability and accuracy are established code an entire document.
6. Repeat the accuracy and reliability test for the entire document.

This article applies Abdolmohammadi's[39] synthesis of the coding strategies of Sveiby[10] and Guthrie *et al.*[35] which contains 10 categories and 58 components as a reliable guideline for coding. A simple two-point scale is used to measure disclosure (based on prior research by Cormier & Magnan, Walden and Schwartz).[45,46]

Two-point scale for measuring disclosure:

0 – no information on IC
1 – information on IC (quantitative or qualitative)

Roberto Franzosi points out that the quantitative value of content analyses is increased when the researcher is sure that the application of content analysis is done in a way that allows for objectively, systematically, and quantitatively inferring meaning from communication[47] (p. xxii also see refs 38 and 43). Krippendorf proposes that to make sure results of content analysis are reliable data must be independent of the 'Measuring event, instrument, or person. Reliable data, by definition, are data that remain constant throughout variations in the measuring process' (p. 211).[48] Basically reliable data are those that are duplicable under various conditions: 'Reproducibility is a far stronger measure of reliability' (p. 215).[48]

According to Krippendorf,[48] reliability is assured by

(a) employ coding guidelines,
(b) employ a criteria for analysts and/or coders, and
(c) assure that covert consensus is ruled out.

Finally, the hallmark of good scientific research is that its inferences go beyond particular observations or application solely to particular cases. Validity is increased when the results apply generally – meaning the knowledge produced is transferable. In this particular case (regarding Finland, Estonia, and Romania) the results are believed to be relevant (although the results apply to a particular sample; $N = 3$) in that the qualitative analysis of the three states reflect the extent to which Europe is on target for meeting is innovation goal by strengthening its value and knowledge-generating capacity.

The sampling process focused on the disclosure patterns and a comparative analysis of the European public healthcare systems of Finland, Estonia, and Romania. 'Atlas' software (that supports text, graphic, audio or video formats) was used for the analysis of data and as a means of testing the coding choice.

Findings and final discussions

This section of the article presents the results of the content analysis for the three states. This is followed by a summary of the implications of the measurements of value intangibles for the public healthcare sector of Finland, Estonia, and Romania but in terms of how it reflects the European public healthcare system as a whole.

Table 1: Countries included in the sample, source documents, the code associated to each country within the study

Country	Document type	Time interval	Country code
Estonia	Estonian national health strategy (ERTA)	2009–2020	EE
Finland	Health 2015 public health programme	2001–2015	FI
Romania	National strategy for the rationalization of hospitals national strategy of public health care (to be delivered in the autumn of 2013)	2011–2013; 2013–2023	RO

Extent of intellectual capital disclosure

The results of the content analysis are detailed in turn for each of the four categories used in the framework – internal capital, external capital, human capital, and general terms. Table 2 displays the results for the IC disclosure in total:

Intellectual capital disclosure in total:

$$\mathrm{ICQ}_j = \sum_{i=1}^{n} \frac{X_{ij}}{n_j}$$

where $X_{ij} = 0$ if the *ij* item is not disclosed;
$X_{ij} = 1$ if the *ij* item is disclosed;
n_j = no. of terms.

Differences in practice and reporting

Finland's Ministry of Social Affairs and Health reports that Finland's social welfare and health expenditures are higher than the EU average and expected to rise. Thus, there is increasing pressure for Finnish public sector organizations to improve their performance and demonstrate progress by creating more effective performance measures (p. 289).[49] For example, recent research on the Finnish public sector reveals a need to improve measurement strategies in the public sector of Finland. A two-year study (focused on Helsinki) reports that the problem is the limited scope of the measurement techniques in that 'Productivity measurement has been carried out for years with a system that provides information on the productivity trend of a rather large organizational entity (e.g. the Social Services Department) based on output/input index (outputs/costs)' (p. 295).[49]

In a 2010 research project consisting of 32 thematic interviews measuring knowledge management in Finnish healthcare Myllärniemi *et al.* reports that healthcare professionals rely on knowledge which falls into two categories (explicit and/or tacit). What they found is that healthcare professionals are good at providing needed data (e.g. patient information) but weak in 'developing means for analyzing and processing it into relevant information that supports the management and development processes'. Therefore, there is a need for practices and tools that help refine the data so that it is transformed into valid information that could be utilized in decision-making at different levels of the healthcare system (i.e. in individual professional cases as well as at the system-level of decision making) (p. 61).[50] Myllärniemi *et al.* believe that in addition to the reliable knowledge that is generated through the professional (human) relational aspect of the knowledge capacity of Finnish hospitals Finnish healthcare organizations would benefit by integrating their human and structural capital by means of synthesizing, integrating, and disseminating data (e.g. as is being attempted with E-health programs) in order to facilitate an increase in cross-functional capabilities. In other words their study indicates that improvement in making the best use of value intangibles occurs by combining professional expertise, experience, and knowledge (human capital) with supportive networks and

Table 2: Intellectual Capital Disclosure Average for the three states compared with the results of similar research conducted in Sweden (Swedish measurements: Vandemaele *et al.* 2005, 421).

Comparison of the three countries	Internal capital (IC) $\mathrm{ICD_{IC}} = \sum_{i=1}^{m} \frac{X_i}{m}$	External capital (EC) $\mathrm{ICD_{EC}} = \sum_{i=1}^{m} \frac{X_i}{m}$	Human capital (HC) $\mathrm{ICD_{HC}} = \sum_{i=1}^{m} \frac{X_i}{m}$	General IC terms (GT) $\mathrm{ICD_{GT}} = \sum_{i=1}^{m} \frac{X_i}{m}$	IC disclosure
Average for Estonia, Finland, and Romania	0.44%	0.44%	0.42%	-	1.3%
Similar study from Sweden	1.4%	1.8%	1.7%	-	4.9%

Table 3: List of intellectual capital categories and sub-categories

Internal capital (IC) 7 sub-categories	External capital (EC) 3 sub-categories	Human capital (HC) 2 sub-categories	General IC terms (GT)
Organizational culture ($n = 6$): IC1 Organizational culture IC2 Organizational values IC3 Management philosophy IC4 Management processes IC5 Leadership Communication IC6 Financial relations	Brand ($n = 1$): EC1 Trademark	Competence ($n = 10$): HC1 Intelligence HC2 Knowledge HC3 Know-how HC4 Education HC5 Competence HC6 Motivation HC7 Expertise HC8 Intangible skills HC9 Specialist training HC10 Training	($n = 4$) G1 Intellectual capital G2 Intellectual asset G3 Knowledge asset G4 Competitive intelligence

information systems (structural capital), and with managerial practices so as to make a stronger appeal to what customers value most (stakeholder capital)(p. 62).[50]

The Estonia E-health program has been carefully planned and structured to reflect Estonia's technological savvy. Estonia's program is a technologically advanced system based on the principle that value creation is brought about by effectively managing knowledge resources (p. 63).[51] A 2010 study of Estonia's E-health Program prepared in behalf of the European Commission, DG Information Society and Media reports that although there is clear recognition that measurement is essential to making the best policy decisions measurement remains one of the biggest challenges that needs to be more successfully managed to enable greater success (p. 32).[52]

An assessment of Estonia's E-health program conducted by the Ministry of Social Affairs of Estonia and the Estonian Health Insurance Fund in cooperation with the European Union (in 2010) states that there is recognition that value intangibles must be accounted for to make the best use of public resources and to make the E-health program more successful. However, the researchers add – based on a 2008 study – that conventional accounting-based methods of evaluating IT/IS investments easily lead to wrong conclusions (p. 19).[53] That is to say, without improving measurement techniques decision-makers have only a partial view on the matter. Saluse *et al.* 'concluded that if relevant potential benefits were not taken into account in an ex-ante analysis, the wrong project would be approved' (p. 19)[54].

The situation in Romania is considerably harder to access due to difficulty in finding evaluations; difficulty finding research on E-health, public healthcare, and the Romanian public sector in general; and there is a greater language problem. The European Union proves to be one of the best sources for information concerning Romania. To this end the Directive of the European Economic Community and the EU Innodrive Program (Intangibles Database consists of the National Intangibles Database and the Company Intangibles Database) have been most helpful in identifying information that is assessable regarding Romania.

According to the Innodrive data base Romania falls far behind the rest of Europe in its ability to make the best use of value intangibles (tied for the last place in Europe). A similar study conducted by The World Economic Forum and published in a Global Competitiveness Report 2009–2010 places Romania nearly at the bottom (24th in a European ranking) in measurement of social and intangible assets but completely at the bottom when it comes to human resource management (p. 161)[55]. The situation is even worse if the focus is on E-health with Romanian health officials reporting that although policy makers recognize the importance of interoperability and integrated information systems the poor results on implementing E-health is a further sign of Romania's difficulty managing the challenge of adjusting to the new technologically advanced stage of healthcare (see ref. 49). In addition to the setbacks, embarrassment, and disappointments Romanian results still show evidence of several apparent weaknesses (p. 34).[7] According to an EU evaluation the Romania Health Reform Law 95/2006 is intended to create reforms that would put Romania in line with the European Health Actions Plan and E-health Strategies however there remains a 'Gap between legislation and implementation that has yet to be breached' (pp. 4 and 30).[55]

Finland's Ministry of Social Affairs (along with the Public Health Committee and two sub-committees especially created to monitor and evaluate the degree to which there is completion of the objectives) takes the main responsibility for providing evaluation and making it publically available. In Estonia the Ministry of Social Affairs discloses on its webpage the summaries of actions carried out since 2009, plans of action, including the 2013–2016 phase, and periodical performance reports. Apparently the most reliable information on Romania can be found on EU reports and European-wide evaluation reports/research. There apparently are no documents stressing knowledge generation, value creation, nor the co-creation of value for the public healthcare sector of three states.

Conclusion

The research points out that concern about the measurement of value intangibles and intellectual capital only rose to the forefront of organizational research and practice toward the end of the last century. However, there has been rapid development (in both research and practice) of techniques for accounting for the intangible wealth producing assets of an organization. In spite of the fact that the public healthcare sector of the European economy lagged behind the private sector in developing is capability in accounting for intangible value assets there have been several pioneering models.

The results of the research indicate that Europe is still in the process of learning how to make the best use of the advances in technology that contribute to transparency and consistency throughout the EU (e.g. with regard to strategies for integrating informational systems and extending the possibility that E-health could contribute to co-creating stakeholder value). With hospitals consuming such a large percentage of national healthcare budgets budgetary pressure accentuate the demand for better allocation of public resources (pp. 79–101).[56]

The study reveals that there is a wide gap between the use of measurement techniques in the private sector and their use in public health systems. It is also noted that there is some difference between using value analysis for internal purposes, for external purposes, or as a means of organizational development. Of course corporations are concerned about their 'bottom line' but this study indicates that improved performance is tied to gaining insight into the connection between the aspects of a corporation that are typically measured, those that are hard to measure, as well as the intangible dimension.

The empiric aspect of the research had several limitations that must be better managed if similar research strategies are used by future researcher. One obstacle is the lack of objectivity and comparability when analyzing data (especially when doing a comparative analysis of different countries and cultures) (see ref. 57, p. 5.2). In this respect it is difficult to account for the difference between semantics (meaning given to specific terms in different cultures) and the frequency in which terms appear in a document. That is to say that a term could appear less frequently but carry much more meaning than terms that are repeated more often. Researchers analyzing documents that require translation (or that have been translated) rely on meaning being accurately carried over into the new language. In other words language is a barrier to accurate analysis even when documents have been translated into English (but even moreso if translation is lacking).

Summary

The European Union has committed itself to becoming the most competitive and dynamic knowledge-based economy in the world. Research on organizational and economic performance indicates that to reach this goal there must be a corresponding advancement in techniques for calculating value assets. This article's research results support the claim that the established method of accounting and financial reporting is inadequate for the 21st-century knowledge-based economy. In today's organizational structures value assets are not only the tangible things that are left when the people leave but include the tacit knowledge in the heads of the knowledge worker as well as the potential innovative knowledge generated by human interactions. This sphere of knowledge requires new measurement techniques.

Analyzing both the visible and the invisible assets within an organization increases the ability to account for the difference between what shows up on the financial and accounting reports and the true value of a company (invisible equity). Intellectual capital – one of the ways of defining intangible value assets for some analysts and regarded as a primary example of intangible value assets for others – is an aspect of human capital that can play role in creating the value-added dimension of organizational performance if properly appraised and managed.

The research revealed that inclusion of the measurement of value intangibles in organizational reporting provides a means for more accurately assessing value. Thus, the research has proven the wealth producing significance of identifying the organization's knowledge resources and how intangible value assets can be a source for generating profit. It must be kept in mind that the ability to identify the full scope of resources has become even more complicated given the vast differences in the way measurement is appraised (from the perspective of how measurement is done by different countries and from the perspective of how value is designated by different cultures). In other words, as a result of this research it is evident that indices are becoming even more varied which demands international comparisons (depending on the extent to which one believes that science does apply universally).

Because organizational specialists are increasingly realizing how important knowledge and value generation are to improved performance theorists are undertaking the immense challenge of devising techniques for measuring the illusive intangible. The private sector has made tremendous advancement in creating measurement techniques that highlight both tangible and intangible assets. However, although there are a few models that have contributed to improving measurement techniques for European Health Care much of the European healthcare sector is still lagging behind. This article measures the extent to which Finland, Estonia, and Romania have developed effective measurement systems (with a particular focus on their E-health program). The results reveal that although the three countries surveyed all indicate a commitment to technological strategies (e.g. E-health) for better integrating their information systems, for providing better service, and for making better use of the public resources their instruments are inadequate for effectively measuring intangible value assets.

This study reveals that more effective management of value intangibles would contribute to improving European E-health programs. In addition, such improvement measure plays a part in realizing Europe's vision for the future. To date that vision not only includes the Lisbon Agenda but the co-creation of value and smart cities. The potential to co-create value 'is of particular importance to knowledge based economies, such as those in Europe, that rely on innovation, human, relational, and intellectual capital' (p. 11).[58] This article stressed intangible resources for the public healthcare sector as a means of increasing quality and improving performance but also as a basis of the E-health program's ability to co-create value for stakeholders. Robert Halkes, of Better Health Consult, believes that value generation is a part of a larger European vision that calls for co-creating value as the basis of creating a better life (by means of what he calls innovating the way we care). 'Co-creation is an effective method to innovate value to patients in a personalized way, in collaboration with all relevant stakeholders. The resulting platform functions as an E-health ecosystem to the patient. [Thus] the health care industry may specifically add value to their customers through co-creating health care' (pp. 10–13).[59]

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