

# BEHAVIOURAL ASPECTS OF COST MANAGEMENT ORGANISATIONS SHIFTING EMPHASIS FROM COST TO VALUE

## Abstract

Healthcare organisations are shifting from a narrow cost-control mindset to a broader value-creation perspective. Traditional approaches that reduce expenses or standardize protocols often overlook intangible benefits such as patient trust, clinical excellence, and brand reputation.

This article explores how management accountants can lead this transformation by reframing expenditures on technologies like AI and robotic surgery as strategic investments rather than service costs. Behavioural insights reveal that clinicians, patients, regulators, and investors evaluate costs differently, often through perceptions of risk, trust, and outcomes.

By positioning themselves as “value architects,” management accountants can design innovative metrics, counter short-term decision biases, and communicate long-term benefits effectively. The profession thus plays a pivotal role in ensuring that healthcare investments deliver not only efficiency but also enduring value.

This article follows a four-step roadmap:

1. Contrast cost-control with value creation.
2. Examine behavioural dimensions shaping perceptions.
3. Explore strategic cost classification with AI and robotic surgery illustrations.
4. Link value creation to brand, payer support, and organisational valuation.



**CMA N. Ramaskanda**

Practicing Cost Accountant  
Bengaluru

[skanda@rma.co.in](mailto:skanda@rma.co.in)



**CMA K. R. Murali Krishna**

Practicing Cost Accountant  
Bengaluru

[murali@rma.co.in](mailto:murali@rma.co.in)

## INTRODUCTION

Today, revolutionary changes in the economy, global markets, and rapid technological advancement have led to **huge investment costs** for organisations. The challenge is how these costs should be evaluated: they cannot simply be absorbed into product or service costs in the traditional sense. Instead, they must be assessed from the perspective of **value benefits** delivered to the organization, employees, government, stakeholders, and, most importantly investors.

Healthcare systems worldwide are under increasing scrutiny to balance financial sustainability with quality outcomes. Traditionally, the focus

has been on controlling costs, measuring inputs, reducing waste, and achieving efficiency. While cost control remains important, the conversation is evolving. This cost centric mindset often fosters risk aversion, siloed thinking, and resist change.

For example, in the case of healthcare sector, investments in **Artificial Intelligence (AI)** and **robot-assisted surgery** may appear burdensome if treated as service costs. However, when reframed through a value lens, they emerge as strategic enablers — enhancing clinical outcomes, building trust, strengthening brand reputation, and ensuring long-term competitiveness.

This article explores the **behavioural aspects of cost management in healthcare**, examining how perceptions, decision-making biases, and stakeholder expectations shape the shift from cost to value. For management accountants, this shift demands a new mindset: **from cost controllers to value architects**. Their role is to reframe expenditures as strategic investments, design innovative value metrics, and guide decision-makers to look beyond immediate costs toward sustainable, long-term benefits, **brand equity, and valuation of the company**.

## FROM COST CONTROL TO VALUE CREATION

Cost management in healthcare has historically been transactional, reducing the price of consumables, negotiating with suppliers, minimizing staff costs, and standardizing treatment protocols. This approach, while necessary, often ignores broader implications for patient well-being and long-term competitiveness.

**Value-based healthcare** expands the lens. According to Michael Porter's seminal definition, value in healthcare is the health outcomes achieved per dollar spent. This moves the debate beyond "how much does a procedure cost?" to "what impact does the expenditure deliver in terms of patient recovery, quality of life, and systemic efficiency?"

For management accountants, this requires a **paradigm shift**:

- ⊙ Moving from a narrow focus on **cost versus selling price** toward a broader evaluation of

the company's long-term value.

- ⊙ Reframing **strategic investment as value creation activity**, not just as expenditure.
- ⊙ Incorporating **intangible benefits** such as patient trust, brand reputation, and clinical excellence into decision-making frameworks.
- ⊙ Recognizing that the **behaviours of clinicians, managers, patients, regulators, and investors** play a critical role in shaping cost–value dynamics.

## BEHAVIOURAL DIMENSIONS OF COST MANAGEMENT

### ⊙ Clinician Behaviour and Cost–Value Alignment

Clinicians often resist cost containment initiatives if they perceive them as compromising care. However, the management accountant can frame this as a **value enhancement**, initiatives such as adopting AI diagnostics or minimally invasive robotic surgery gain acceptance. The behavioural insight here is that healthcare professionals align more readily with initiatives framed around **better outcomes** than **lower costs**.

### ⊙ Patient Perceptions of Value

Patients do not evaluate healthcare services solely on price. Their perception of value depends on confidence in technology, trust in the provider, convenience, and recovery experience. A **hospital investing in robotic surgery**, for example, **signals commitment to innovative care**, which enhances its brand and patient loyalty even if the immediate cost per surgery is higher.

### ⊙ Management and Investment Decisions

Healthcare executives often face behavioural biases such as **short-termism** (avoiding large upfront investments) or **anchoring** (benchmarking modern technology against outdated cost norms). Management accountants must counter these biases

by framing costs as **strategic enablers**: investments in visibility, credibility, and long-term efficiency.

### ⊙ Regulators and Payers

Regulators and insurance companies increasingly reward providers that demonstrate value through measurable outcomes. Behaviourally, they favour transparent reporting and innovations that reduce systemic costs, even if the provider's direct costs increase. Management accountants play a crucial role in **evidence-based communication** to these stakeholders.

**Table: Behavioural Factors in Indian Healthcare**

| Stakeholder       | Behavioural Bias                 | Value Alignment                                                       |
|-------------------|----------------------------------|-----------------------------------------------------------------------|
| Clinicians        | Fear of cost-driven restrictions | Position AI/robots as tools for prestige & precision                  |
| Patients          | Focused on affordability         | Communicate faster recovery & quality of life improvements            |
| Management        | Short-term ROI bias              | Emphasize brand visibility, long-term patient inflow, and brand value |
| Regulators/Payers | Reluctant to reimburse high-tech | Show outcome-linked benefits, reduced readmissions                    |

## STRATEGIC COSTS VS SERVICE COSTS

One of the **most significant behavioural shifts required** in healthcare cost management is in **classifying expenditures**. Traditional costing methods often allocate the costs of AI systems, robotic equipment, or digital health platforms directly to service lines. This makes each procedure appear disproportionately expensive, discouraging adoption.

However, such investments are not merely service

costs. They are **strategic costs** — akin to **brand-building expenditure** in consumer industries. The benefits include:

- ⊙ Enhancing **market visibility** and brand reputation.
- ⊙ Attracting top clinical talent who want to work with advanced technologies.
- ⊙ Differentiating the organization in competitive healthcare markets.
- ⊙ Creating patient confidence and willingness to pay for premium services.

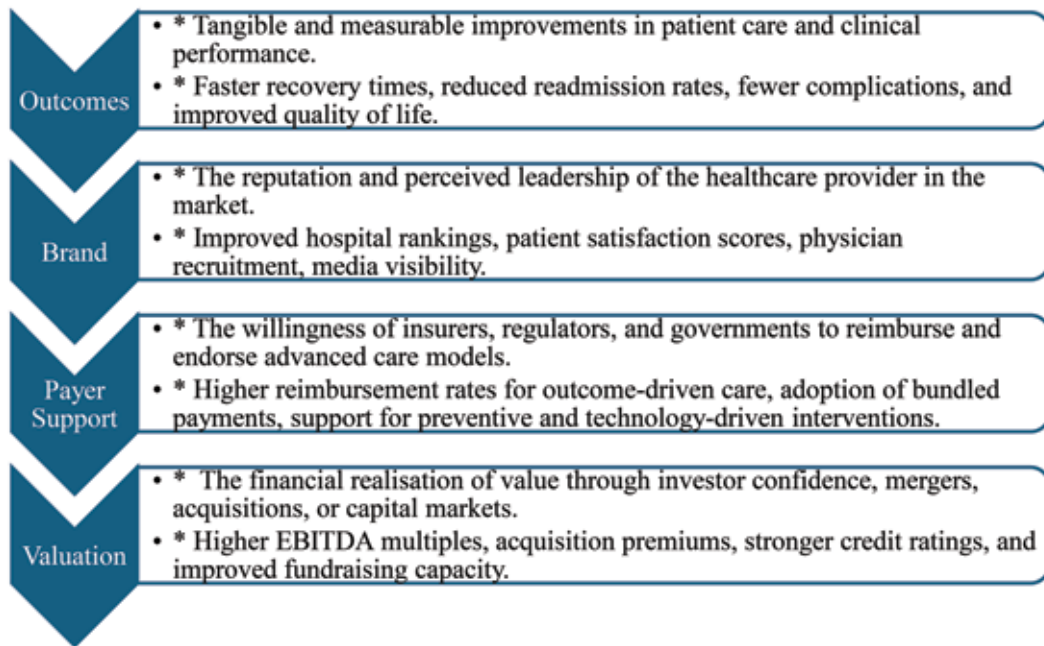
**Table: Costing Approaches and Their Impact on Value in Healthcare**

| Dimension                     | Cost Focused View                   | Value Focused View                          |
|-------------------------------|-------------------------------------|---------------------------------------------|
| Classification of AI/Robotics | Treated as service-level cost       | Treated as strategic investment             |
| Impact on Service Pricing     | Increases per-procedure cost        | Keeps procedure affordable                  |
| Behavioural Impact            | Resistance from patients & insurers | Seen as value creation, improves acceptance |
| Long-Term Effect              | Limits adoption of innovation       | Enhances brand, attracts patients & talent  |

By reclassifying these investments as **strategic value-creation costs**, management accountants can prevent distortions in service costing and support more informed decision-making.

## VALUE-REALIZATION PATHWAY

Shifting from a cost-centric to a value-centric paradigm requires a structured and communicable framework. The **Value-Realization Pathway** provides such a model, enabling management accountants to articulate how strategic healthcare investments translate into sustainable organisational advantage. The pathway progresses through four interlinked stages: **Outcomes, Brand, Payer Support, and Valuation**.



## AI IN HEALTHCARE: BEYOND COST REDUCTION

Artificial Intelligence in healthcare is justified often on efficiency grounds. Faster diagnostics, automated reporting, and reduced manpower needs. While these benefits are real, the **value narrative** is far broader:

- ⊙ **Clinical Accuracy:** AI systems reduce diagnostic errors, directly impacting patient outcomes.
- ⊙ **Scalability:** AI allows smaller hospitals to access expertise once confined to tertiary centres, expanding reach and equity.
- ⊙ **Brand Differentiation:** Early adopters of AI gain reputational advantages as “technology-driven institutions,” attracting patients and funding.
- ⊙ **Data as an Asset:** AI platforms generate vast clinical datasets, which, if ethically managed, become strategic resources for research and partnerships.

From a behavioural perspective, physicians may resist, AI, as replacing their expertise. However, if presented as an **augmented intelligence tool** that enhances their clinical judgment, acceptance increases significantly. Management accountants can frame the investment narrative around

**empowerment and prestige, not just cost efficiency.**

**Table: Value vs Cost Matrix**

|           | Low Value Created                                                         | High Value Created                                                                               |
|-----------|---------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|
| Low Cost  | Routine procedures (basic lab tests, X-rays)<br>Compete on efficiency     | Preventive healthcare packages<br>Low cost, but high perceived trust                             |
| High Cost | Over-investment in underutilized technology<br>Risk of patient resistance | AI diagnostics, robotic surgery<br>Strategic costs creating long-term brand & patient confidence |

Management accountants must move hospital strategy into the “High Cost–High Value” quadrant where investments build reputation, trust, and differentiation.

## ROBOTIC SURGERY: VALUE-DRIVEN JUSTIFICATION

Robotic-assisted surgery is a clear example of the tension between cost and value. The upfront capital expenditure and ongoing maintenance costs

are substantial. Allocating these costs directly to each procedure makes robotic surgery appear prohibitively expensive.

However, from a value perspective:

- ⊙ Patients benefit from **smaller incisions, reduced blood loss, shorter hospital stays, and faster recovery.**
- ⊙ Hospitals gain **differentiation in the market** as centres of excellence.
- ⊙ Clinicians experience **greater precision and less fatigue**, enhancing long-term productivity.
- ⊙ The organization develops a reputation for **innovation leadership.**
- ⊙ For investors, robotic surgery signals innovation leadership, diversifies revenue streams, and enhances long-term valuation multiples.

Treating robotic surgery as a **strategic cost** rather than a per-procedure service cost ensures that the broader organizational value is recognized. **Behaviourally, this requires shifting both managerial and patient mindsets away from narrow cost comparisons toward outcome-based valuation.**

### CASE ILLUSTRATION: STRATEGIC COSTING IN A HEALTHCARE SECTOR

Consider a tertiary care hospital in India that invests in a **robot-assisted surgical suite** costing ₹25 crores, with annual maintenance of ₹2 crores. Under traditional costing, these expenses would be spread across robotic procedures, inflating the cost per surgery by ₹1–2 lakhs. Patients and insurance companies may then resist paying, limiting adoption.

Instead, by classifying the investment as a **strategic brand-building cost**, the hospital reframes the narrative:

- ⊙ The technology signals leadership in advanced care, increasing overall patient inflow by 20%.
- ⊙ International collaborations and research

grants flow in, adding ₹10 crores annually in non-patient revenues.

- ⊙ Surgeons attracted by the technology bring their patient base to the hospital.
- ⊙ Patient satisfaction scores increase, raising the institution's rankings and visibility.

Thus, the hospital gains **system-wide value** that far exceeds the incremental service cost allocation. Behaviourally, this requires accountants to communicate with stakeholders in language that emphasizes outcomes, trust, and prestige.

### CAPITALISING BRAND VALUE IN STRATEGIC TRANSACTIONS

An often-overlooked dimension of cost and value management is the capitalization of **brand equity** during mergers, acquisitions, or sell-offs. For healthcare organizations, investments in advanced technology, clinical excellence, and patient trust are not only operational enablers but also **brand-building assets.**

When such an organization is sold, the intangible brand value, derived from reputation, trust, and differentiation significantly enhances the valuation multiple. Investors and buyers are willing to pay premiums not just for physical assets and cash flows, but for the perceived market leadership the brand commands.

These premiums represent the profitability impact of past strategic investments. Rather than the individual service costs, such investments create enduring value that is realised through higher transaction returns and stronger financial positioning.

### VALUE-REALISATION CHECKLIST FOR HEALTHCARE INVESTMENTS

This checklist translates the Value-Realization Pathway into a structured decision-support tool. It provides management accountants with a set of outcome, brand, payer, and valuation indicators that can be embedded into performance dashboards, strategic cost evaluations, and board-level communication.

| Dimension                            | Key Questions                                                                | Example Metrics                                                                             |
|--------------------------------------|------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|
| <b>Clinical Outcomes</b>             | Are we delivering measurable improvements in patient care?                   | Recovery times; readmission rates; patient safety indicators; complication rates            |
| <b>Brand &amp; Reputation</b>        | Are we strengthening trust, visibility, and competitive differentiation?     | Patient satisfaction scores; Net Promoter Score; hospital ranking indices; media visibility |
| <b>Payer &amp; Regulator Support</b> | Do payers and regulators recognise and reward the value created?             | Reimbursement approvals; bundled payment adoption; coverage endorsements                    |
| <b>Financial Valuation</b>           | Is the organisation realising value in financial markets and capital access? | EBITDA multiples; valuation premiums in M&A; investor ratings; fundraising success          |

### Conclusion: Leading Through Value Creation

The behavioural aspects of cost management are critical in evolving from a narrow focus on cost containment to a holistic focus on value creation. Organisations that succeed in this transition not only improve efficiency but also enhance service quality, innovation, and sustainability. The Indian healthcare sector's experience illustrates that well-designed cost frameworks combined with behavioural alignment can transform challenges into opportunities for adding lasting value.

This paradigm shift represents a fundamental evolution in organisational thinking and is essential for thriving in today's complex and competitive environment.

The **true measure of cost management** in healthcare lies not in how much strategic cost saved, but in how **value created for patients, professionals, investors, and society at large.** MA

### Reference

1. Porter, M. E. (2010). *What Is Value in Health Care?* *New England Journal of Medicine*, 363(26), 2477–2481

## NOTES FOR AUTHORS

Referencing is a crucial aspect of writing a journal article to avoid plagiarism. 'Plagiarism' refers to the act of using someone else's work or ideas without giving proper credit to the original source. To avoid plagiarism in your writing, you must properly reference all the sources that you use in your research.

- ⊙ **Choose a referencing style:** There are many different referencing styles, such as APA, MLA, Chicago, and Harvard, each with its own specific format and rules. Choose the style that is most appropriate for your field and stick to it consistently throughout your paper.
- ⊙ **Cite your sources:** Cite the sources of information you use in your text by giving the author's name, publication date, and page number(s) for direct quotes or paraphrased material.
- ⊙ **Use a reference list:** At the end of your paper, include a reference list that lists all the sources you have used in alphabetical order. This will give your readers a complete list of the sources you consulted in your research.
- ⊙ **Be accurate:** Ensure that the information you provide in your references is accurate and complete. This includes the author's name, publication date, title, and source of the information.
- ⊙ **Paraphrase carefully:** When paraphrasing, make sure to put the information into your own words, but still give proper credit to the original source.

By following these tips, you can effectively reference your sources in your journal article and avoid plagiarism. Remember that proper referencing is not only important for avoiding plagiarism, but it also helps to support your arguments and show the depth of your research.