

A SYSTEMS APPROACH TO BUSINESS STRATEGY

"Cheshire Puss", she began rather timidly, "would you tell me, please, which way I ought to go from here?"

"That depends a great deal on where you want to go to", said the cat.

"I don't much care where..." said Alice.

"Then it doesn't matter which way you go", said the cat.

Lewis Carroll

Who are your clients? What are their needs? Does your work succeed in doing what it should do?

Do you set objectives for your departments or practices?

Do you ever reach those objectives?

Do you have a vision for the future or are you like Alice bumbling along not caring much about where you are going? If you are then you are going to be in trouble in the future. Or do you give time and effort working out where your practice or organisation should be heading in one, five, perhaps even ten years ahead? Are you expecting change and recognising that it may take many forms and accepting that as a real challenge? To deal with that challenge a leader needs a fair amount of vision, creativity and flexibility.

Physiotherapy services nowadays come in a bewildering variety of sizes and shapes, some are large state institutions and some are small practices. Some are concerned with disabled children, others with the elderly. However, they are all social structures which have been created by individuals to support specified goals which in the broadest sense could be said to be deliverance of health care using physiotherapy techniques.

PHYSIOTHERAPY PRACTICE AS AN OPEN SYSTEM

Physiotherapy can be seen as a subsystem of the greater suprasystem of health care. From an open system point of view there is a close connection between the condition of the environment and the characteristics of the systems within it. Indeed the survival of the system would not be possible without continuous inflow, transformation, and outflow from and to the environment. Thus the physiotherapy organisation will receive inputs (resources) from the external environment in the form of qualified staff, skills, information, equipment, professional education, money, space: it transforms these into outputs of service to its clients and staff satisfaction in sufficiently large rewards to maintain their continued participation. (Figure 1).

The environment is seen to be the ultimate source of materials, resources and information, all of which are vital to the continuation of the system. If you cannot attract new staff or cannot afford new equipment or never read a physiotherapy journal or attend lectures, it is likely your system will dry up or become a closed system. Undoubtedly there are such practices in South Africa.

Robinson⁸ sees strategy as the process of matching the

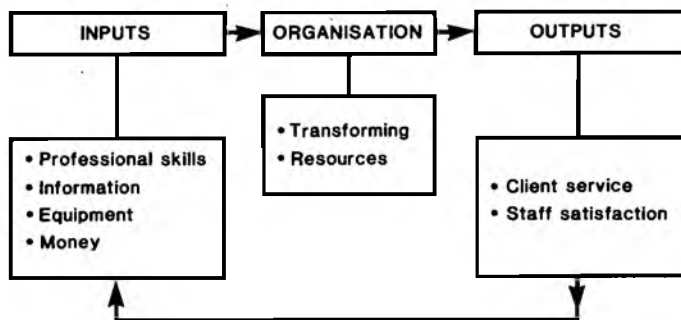


Figure 1: THE ORGANISATION AS A SYSTEM

organisation's or practice's

- resources and skills (abilities, strengths and weaknesses)
- with the environment (opportunities, threats and changes)
- in the face of competitive action in such a way that the organisation's objectives and mission are achieved.

Thus the definition by Robinson must be seen against the background of physiotherapy practice as an open system, ie transforming inputs to outputs. This is shown diagrammatically in Figure 2.

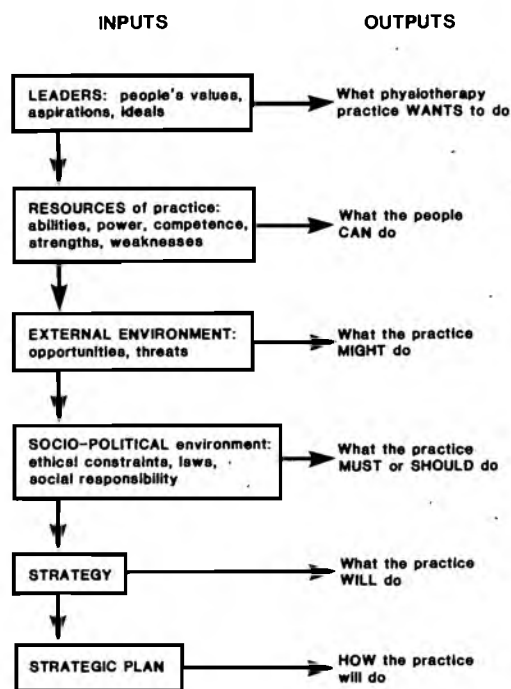


Figure 2: SOURCE: PREKEL, T. UNISA SCHOOL OF BUSINESS LEADERSHIP

Thus a strategy begins with a concept of how to use the resources of the practice effectively in a changing environment.

FIVE REASONS FOR CARRYING OUT STRATEGY PLANNING

- 1 To aid in the formulation of organisational goals and objectives.

- 2 To identify major problems and strategic issues.
- 3 To assist in the allocation of scarce strategic resources (people, skills, space, equipment).
- 4 To guide and integrate the administrative and operating activities of the organisation.
- 5 To assist in the development and training of staff in new skills including those of management and planning.

The late Steven Rose⁹ asked how physiotherapists could be distinguished from other health care practitioners and what the distinguishing characteristics of our practice are:

- do we complement others or do we compete?
- do we infringe on the practice of others or complement?

Added to these questions the following could also be asked:

- What services (skills, knowledge, information) will you offer to potential clients (patients, students, colleagues)?
- How will you promote these?
- How will you consistently manage your department, your practice or organisation to deliver a high quality service and be better than anyone else?
- What level of skills should you invest in or concentrate on?
- Which clients will you choose to serve and which skills to offer?
- How are you going to adjust your practice to the changing situation in the environment?

In order to answer these questions you must define the business you are in. Unfortunately it is extremely rare to find managers of practices or departments consciously and explicitly defining their business. Generally speaking this just happens by chance depending on experience and talents of staff, the skills available or the type of patient referred.

DEFINING THE BUSINESS

To define one's business requires a creative skill and a lot of honest self-appraisal. It is especially applicable for those in private practice but could completely revolutionise and give new direction to those in hospital practice if carried out in a positive and responsible manner. Defining the business forms the first step in strategic market planning.

Because defining the business is such a creative decision it can affect the whole strength of the practice. For example all practicing physiotherapists are in the health care business, however that would be same as saying all factories are in the manufacturing business. If you are working in private practice, are you in the back care business, the rugby business, the middle class business, the old age business, the soft tissue injuries business, floppy baby business? If you are hospital employed what is your business? If you are employed by a school for disabled children what is your business? Are you in the education business, paediatric business, rehabilitation business or perhaps some other business?

A business or practice may be defined both by the market it serves and in terms of the service it provides; these together encompass three dimensions:

- client group or WHO is being served
- client function or WHAT need is being satisfied
- technological dimension or HOW client function is

being satisfied.

Abell¹⁰ conceptualised these three dimensions using a three dimensional display (Figure 3).

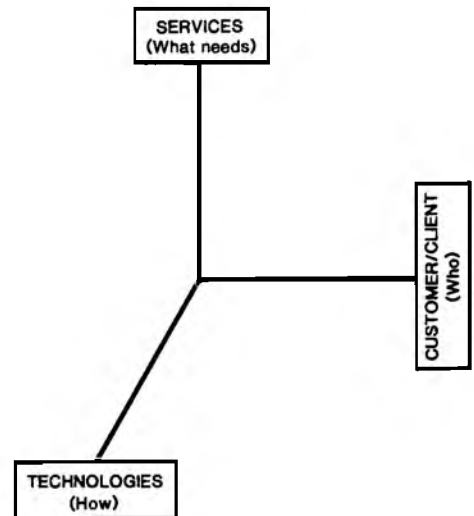


Figure 3: DEFINING THE BUSINESS

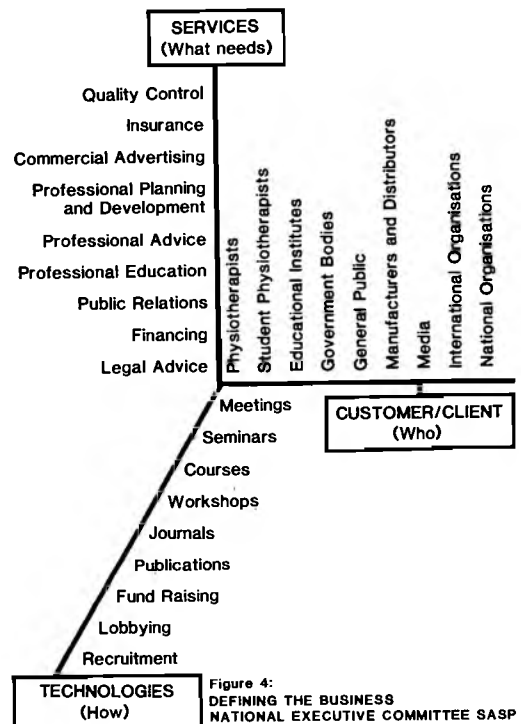


Figure 4: DEFINING THE BUSINESS NATIONAL EXECUTIVE COMMITTEE SASP

The National Executive Committee of the SASP defined its business in the above way (Figure 4).

Thus the Executive Committee sees itself as serving a broad cross-section of clients. As a physiotherapist you could ask "What needs do I as a professional have and how are those served? What needs do the general public have in relation to a professional body and how are these satisfied?"

From Figure 4 it would appear that the Executive Committee is in the information and planning business. If this is so then it would be imperative that the Executive Committee familiarise itself and become expert with efficient and effective information and planning systems.

The business definition is relatively large and diverse. As a model it requires further subsystems with more specific definition. In a complex and unpredictable environment it will be difficult to implement new strategy and control it.

A small clinic for children in an urban area defined its business thus:

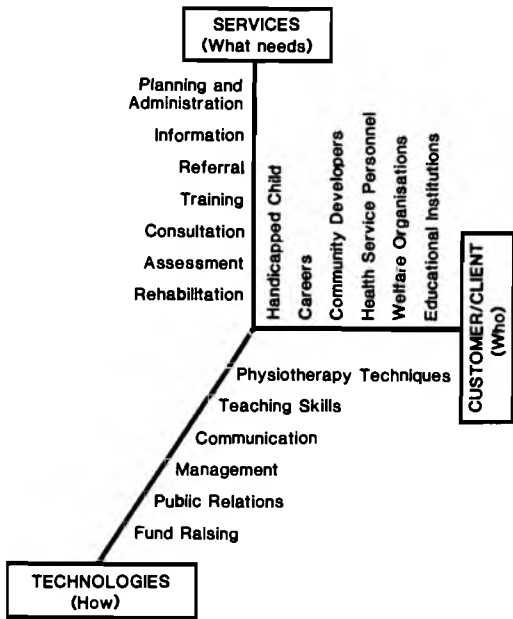


Figure 5: DEFINING THE BUSINESS URBAN CLINIC FOR HANDICAPPED CHILDREN

From this business definition the clinic would appear to be in the child rehabilitation business. This clinic serves a narrow group of clients with a few services but utilises a number of technologies. New strategies can easily be implemented and controlled. It is an ideal model in a complex and unpredictable environment.

From the 'business' definition an organisation can ask:

- are there other clients we could serve and are there some we could drop who would be served better elsewhere?
- are the services correct for the clients - are new services required and obsolete ones dropped?
- are we up to date with our technologies - should some be relinquished?
- are we in the correct business?

ENVIRONMENTAL ANALYSIS

Due to the rapidly changing environments new markets are developing and old ones falling away. When giving your

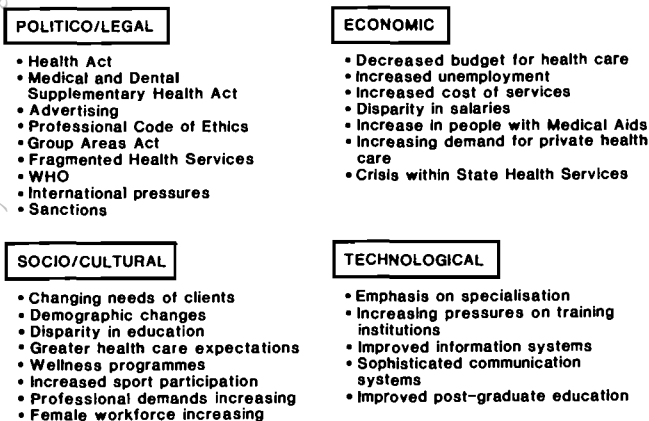


Figure 6: THE EXTERNAL ENVIRONMENT : ITS EFFECT ON SASP

practice a business definition it is important to project it into the future and ascertain that it is at least going to serve part of the needs of the future. Technological conditions are changing rapidly; population, major cultural and social changes are under way and the acceleration of change in our time will have considerable personal, psychological and sociological consequences on our scope of practice. (Figure 6).

A proactive approach to such change involves environmental scanning and analysis to determine those forces in society that will be most important to the physiotherapy profession. Figure 6 shows what impact the environment could make on the physiotherapy profession as a whole. This study was carried out in August 1989, (perhaps already this is out of date) demonstrating just how turbulent our environment really is.

The challenge for leaders is the complexity of the decision-making process for adjusting to environmental uncertainty and change and aligning oneself to these external forces, eg the function of teaching hospitals has changed in the last decade in so much that medical education is threatened Coetzee³. Another example is hospital practice which used to be the main source of employment for physiotherapists, whereas the swing is now towards private practice^{11,12}.

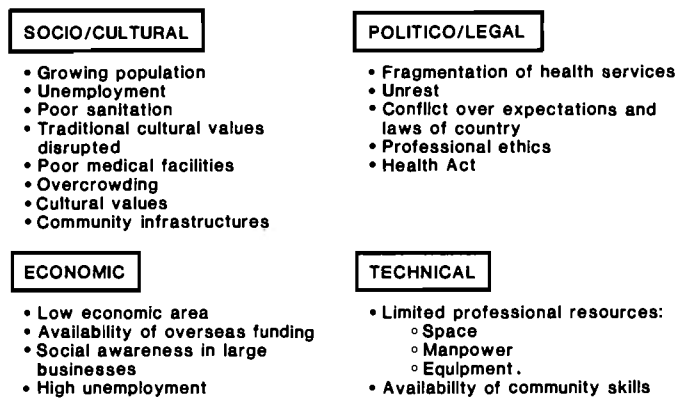


Figure 7: ENVIRONMENTAL ANALYSIS : URBAN CLINIC FOR HANDICAPPED CHILDREN

Figure 7 shows an environmental analysis for a small clinic for children. In turbulent times this small clinic will survive and adjust far more easily than the teaching hospital which is dependent on vast resources from the environment in terms of equipment, information, staff etc., whereas the clinic receives its inputs from the local community and is likely to thrive in times of conflict or complexity. This has an important message: that in times of stability and growth the large sophisticated hospitals are likely to flourish as clients demand high-tech whereas in times of conflict, crisis and depression, the small urban or rural clinics will flourish as local communities rally round and develop their own organisations.

Thus when setting up strategy planning it is necessary to project your plans into the future using different scenarios from the environment. Practices in many Western countries may not vary much from year to year, a technique may be added and a more focused approach adopted. In South Africa the situation is different with a future that is very uncertain. Growth is likely to be anything but "traditional" Drucker¹³. Traditional planning starts out with the

trends of the past which are projected into the future. This probably will not work for South Africa. In turbulent times fundamentals have to be managed well. These can deteriorate rapidly unless managed carefully and consistently. In terms of health care these fundamentals can be seen as:

- quality care
- cost effectiveness of service
- cost of future service

SWOT ANALYSIS

What are the key physical resources in a teaching hospital?; in the South African Society of Physiotherapy?; in a small urban clinic?; in a private practice?

A resource profile requires an assessment of the internal *strengths and weaknesses* of an organisation or practice. Primarily the internal analysis of resources should indicate what the practice is capable of doing. This might be different from what it is actually doing, what it might do or what it wishes to do. An assessment of the external environment leads to a search for *opportunities and threats*. It is vital to consider the pervasive influence of the environment on the organisation or practice and decide how well you are dealing with this set of forces, even though they may be beyond your control (Figure 8).

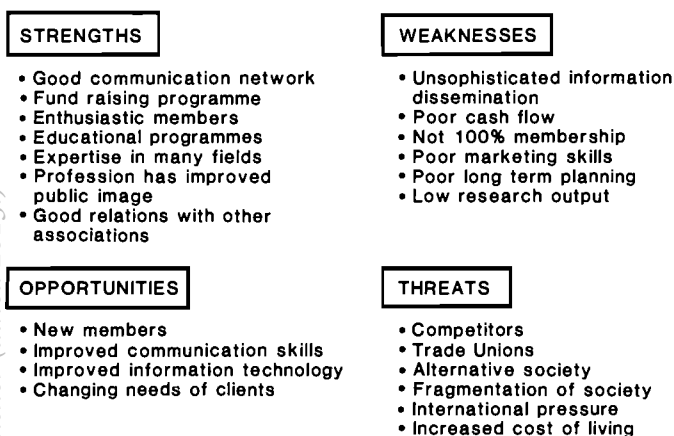


Figure 8: SWOT ANALYSIS : SASP EXECUTIVE COMMITTEE

In highly turbulent times the need to manage the productivity of physiotherapists who are highly qualified people but most expensive means that they must be assigned to tasks where their full potential, skills and knowledge will be utilised to produce results. This means they must be assigned to opportunities which will result in a need for continuous learning.

Service industries are not **WANT** orientated, they are concerned with contributions rather than returns and results. Whilst carrying out a SWOT analysis do we think through the changed circumstances in which we work or areas in which we are weak and have no growth? Are there some areas in which we can stop struggling and in which we are failing? Sometimes we need to rid ourselves of services which absorb very scarce resources and which have become almost obsolete or out of our scope. But abandonment of our weak areas or failures in service organisations is extremely difficult. We feel a "moral duty" to carry on whereas industry would have allowed a buy-out or dropped the product.

In turbulent times, growth shifts to different areas. The small clinics and physiotherapy organisations, the SASP, teaching hospitals and private practices will have to think through their strengths and shift to those areas which provide opportunity.

We must develop strategies for the future that anticipate the areas in which the greatest change is likely to occur. We must think strategically about what the various physiotherapy "businesses" are doing and what they should be doing.

- What do our clients pay for?
- What is "value" for our clients?
- What are our strengths?
- Are they the right strengths for the specific "business"?
- Are they adequate?

In service organisations "market leadership" is generally seen in terms of quality rather than quantity. What are our measuring sticks for this quality? How can this be termed a strength in a teaching hospital, SASP and urban clinic?

Drucker¹³ has pointed out that professionals by definition are people who see themselves as possessors of a distinct organised knowledge and are primarily accountable to it. However, society is now demanding that we think through what we should be accountable for and that we take responsibility for our contribution to the deliverance of health care. To the public this quality health care is an expensive commodity, therefore it is essential that the service delivered is one that satisfies the needs of the community it is serving.

MISSION AND OBJECTIVES

Many large organisations define the basic reason for their existence in terms of a mission statement. When it is carefully defined it provides an image of what the organisation stands for - its purpose and character. Part of the mission statement is the definition of the business itself - thus the mission statement of the SASP is as follows:

- 1 It does not discriminate on grounds of race, colour, creed, national origins, social status or sex in the practice of physiotherapy or in the administration of its organisation.
- 2 It strives to ensure the quality of physiotherapy services to all peoples throughout South Africa together with the Professional Board for Physiotherapy.
- 3 It safeguards the welfare of its members and makes representations against discrimination against any of its members.
- 4 It supports unequivocally the provision of a unitary health service and encourages the progress which has already been made in the integration of health services.
- 5 It defines itself as an information and planning & development resource to its members, to other health professionals, to Government and Local Authorities and to the general public.

McCarthy¹⁴ believes that although it is not always stated, a mission reflects the organisational intention to secure its survival through sustained growth. An organisation can grow in many ways and if it is not able to do so then it will be incapable of satisfying its clients' needs. Unfortunately

growth and survival is such an assumed goal it is usually neglected as the primary reason for strategic decision making.

Strategic objectives show what the practice wishes to achieve and to become. They therefore flow from the mission statement. A practice may pursue a variety of different objectives, some examples could include increased collection of funds, efficiency (cutting costs), staff satisfaction and development, quality of service.

Why are objectives necessary? Jauch and Glueck¹⁵ suggest four reasons:

- 1 Objectives help define the organisation in its environment.
- 2 Objectives help in co-ordinating decisions and decision makers.
- 3 Objectives provide standards for assessing organisational performance.
- 4 Objectives are more tangible targets than mission statements.

Thus the formulation of the mission and objective is a complex process which involves:

- an analysis of the gaps between desired and expected goal attainment;
- the realities of the external environment;
- the realities of the practice's resources;
- the value systems and goals of the leaders or managers;
- the past strategy and development of the organisation or practice.

This may be seen in Figure 9.



Figure 9: FACTORS INFLUENCING THE FORMULATION OF OBJECTIVES AND MISSION

Development of clear objectives is crucial to the effective development for the rest of the strategic planning process.

CONCLUSION

This article has introduced the concepts involved in the first steps of strategic management – that of a thorough business analysis. The whole thrust of the analysis has focused on the issues involved in growing and surviving in the very turbulent South African environment. Thus an organisation must integrate many ideas: that of business definition; the services, functions and technologies it performs; the environmental situation and distinctive competencies of the practice; the current mission, values, goals and objectives of the leader

or manager.

The manner in which the practice can manage, organise and implement these ideas to the full advantage of its resources in a creative and innovative fashion will be discussed in a future issue.

“Arnold Toynbee once described the rise and fall of nations in terms of challenge and response. A young nation, he said, is confronted with a challenge for which it finds a successful response. It then prospers and grows. But as time passes, the nature of the challenge changes. And if a nation continues to make the same once successful response to a new challenge, it inevitably suffers a decline and eventual failure.”

William S Anderson
Chairman NCR Corporation

As we begin the last decade of the 20th century, South Africa faces such a challenge.

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