

Relief for a profession in spasm

Is there hope for the physiotherapy profession as it loses touch with its strategic role and becomes cramped for space in a fast-changing healthcare industry?

By TANIA ROSSOUW and HEIN OOSTHUIZEN



Understanding one's own business, and more particularly the industry it competes in, is crucial to sustaining competitiveness. If one fails to discern the place of one's business in the bigger scheme of things, aches and pains may develop – and this is exactly what seems to be happening in the South African physiotherapy profession.

The physiotherapy profession in South Africa is largely represented by a collection of private, autonomous physiotherapist practices. Beyond the profession's perimeters lies the greater private healthcare industry, which is currently undergoing sporadic but major changes that affect its attractiveness as a business industry. What influence do these industry trends have on the physiotherapy profession?

The general feeling of uncertainty in the profession served to motivate research by the University of Stellenbosch Business School. After a thorough analysis, the study was unable to give the physiotherapy profession a clean bill of health. The diagnosis confirmed that the profession operates within

an industry where profit margins are declining steadily. The emergence of powerful forces in the industry has also made it more difficult for independent professionals to maintain the comfortable position they previously enjoyed. A more worrying finding is that the profession is not in touch with these changing circumstances, nor does it have any strategic plans in place to

Symptoms of discomfort

Physiotherapists have for some time sensed that the profession is gradually losing its identity and purpose in the provision of private healthcare services.

The overall healthcare system in South Africa has since 1994 been an area of reform. Government, in its quest to spread health services to the poor, is responsible for many of the changes

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overcome the ills that threaten it.

The prognosis is therefore gloomy. The likelihood exists that independent physiotherapists may become absorbed – as employed professionals – by the larger role players in the industry, such as government hospitals, private hospitals and large multi-disciplinary health practices. The study offers a number of recommendations to pull the profession back into shape again.

that have taken place in the industry.

The private health sector has felt the pressure from both government and the medical aid schemes. At a time when medical input costs are escalating above inflation, the private health sector has first to deal with government's insistence on more affordable medical services, and to put up with a diminishing flow of patients as a result of the cost-consciousness of medical aid schemes.

Other factors, too, have an impact on private health practitioners, and certainly also on physiotherapists. Newer products, equipment and techniques are changing the locus of some medical treatments. It has also become permissible for people with fewer qualifications, even no qualifications, to carry out procedures previously restricted to health professionals. Such changes put pressure on the reward structures, and make it hard to justify the years of training and experience required to build up a professional physiotherapy practice.

Moreover, the less than sympathetic business-world mentality has spread to the health sector. Physiotherapists, like all other health practitioners, are now compelled to manage their practices as businesses, but their education does not provide a business management component. Additionally, the switch to a business emphasis conflicts with the traditional bedside values upheld by many in physiotherapy circles.

It is clear that the profession is in discomfort. Physiotherapists as a community are not visibly confronting the issues, and appear to lack long-term direction. Physiotherapists, so skilful in bringing relief to their patients' sore limbs, are presently failing to get their hands on the trigger points of their own pains. Observations like these convinced the University of Stellenbosch Business School to investigate.

A clinical examination

The study examined the evolving situation in a systematic way. In view of the macro nature of the problems, and the general business mindset that has become entrenched in the health industry, the problem was approached as a strategic management matter. Two complementary diagnostic models were used: the **positioning-based view** (PBV) and the **resource-based view** (RBV).

Positioning-based analyses focus on the *external industry* in which a business competes. The analyses address questions about the attractiveness of the

industry as a whole and how well the business is positioned to capitalise on the opportunities in the industry. Resource-based analyses, on the other hand, take an internal view of the *business* and determine what resources it has at its disposal, especially those that are comparatively rare and difficult to imitate – resources that can be exploited for competitive advantage.

The objects of the investigation were *private healthcare* as the external industry, and the *physiotherapy profession* as the business.

A Positioning-based view (PBV) diagnostics	
1	Economic features: market size and growth, buyer needs, rivalry, product differentiation (as opposed to commodity-type products)
2	Driving forces of change and their impact on e.g. profitability
3	Porter's five-forces analysis of industry competitive forces
4	Strategic market positions occupied by industry rivals
5	Industry key success factors for future competitiveness
B Resource-based view (RBV) diagnostics	
1	Evaluation of current strategy and value chain components
2	Evaluation of strategic intent: the present and future positions desired
3	Situation analysis of the business (SWOT analysis)

These two theoretical models were used to structure the information gathered. Primary data were obtained by interviewing a selected sample of nine individuals in the profession. The interviewees were: owners of large physiotherapy practices, private practitioners, academics in the field, a board member of the South African Society of Physiotherapy, and a member of the Professional Board for Physiotherapy, Podiatry, and Biokinetics. Secondary data were sourced

from literature on the healthcare industry and the physiotherapy profession.

The results

The results of the examination are displayed in the five PBV industry analyses and the three RBV profession analyses (see pages 14-15).

The PBV results (A) reveal clear signs of an industry that is becoming less attractive and of forces in the industry that will continue to impact negatively on profit margins.

The A1 results portray an industry with a stagnating market size, price sensitivity and intense rivalry.

The A2 results expose three forces that will tend to drive margins down, and only one area that may potentially act as a counterforce.

The Porter's five-forces analysis (A3) shows that the bargaining power of buyers, especially with the backing of medical aid schemes, is strong to very strong. It also highlights the moderate to strong threat of alternative practices, and confirms the strong rivalry within the industry.

The strategic map (A4) depicts the positioning of rivals. The rival groups are: private hospitals (nationally represented; vertically integrated supply chains); multi-disciplinary practices (local; vertically integrated); large practices (national; specialised, e.g. physiotherapy); and small practices (local; specialised). The first three larger rival groups are neatly positioned to control their sectors of the market, but collectively they erode the market that is left for the small practices group. Hence the competition among small practices is strong, particularly in urban areas where they face competition from neighbouring practices and the larger rivals.

Table A5 warns that the profession is not adequately adapting to a client-orientation, and that it is not attending to the importance of building a strong reputation in the industry.

The RBV results (B), reporting on the internal examination of the profession, reveal equally disquieting findings. The current strategy (A1) is sterile and

inwardly focused; and carries no real intent (B2) or vision regarding the profession's position in the industry.

In the situation (SWOT) analysis (B3), weaknesses are listed that have a straining effect on the profession. The profession lacks leadership, especially at legislative level. Therefore the threats of government interventions and further cost-reduction strategies by medical aid schemes will be difficult to cope with. The real threat is that physiotherapists will be absorbed by the bigger rivals.

Diagnosis

The study found that practising physiotherapy is becoming less attractive in an industry where profits generally are on the decline. Moreover, the profession does not clearly comprehend the extent of its dilemma. Although it possesses unique strengths, the profession, collectively, lacks the

leadership and strategic vision to respond decisively to the total predicament. The shortage of business and entrepreneurial skills prevents physiotherapy practitioners from realising that they are strategic rivals in a tough business industry.

The competition they face comes both from their bigger rivals in the industry (hospital groups, multi-disciplinary practices and health centres) and from intrapractice rivalry, caused by the shrinking market space. The overall situation makes it more attractive for physiotherapists to accept employment.

Getting the profession on its feet again

The research has revealed some painful truths about the profession. The path to recovery is in the hands of the profession itself, and the preventative measures recommended in this study may be a good place to start.

- Remedial measures for the physiotherapy profession**
- Redefine the profession for physiotherapists, as well as for the constituent partners in the healthcare industry and the public.
 - Re-establish the physiotherapists' role in the healthcare value chain by strengthening their expertise through research.
 - Acquire business and entrepreneurial skills in order to survive in a competitive industry. This includes strengthening the marketing abilities and strategic management insight of both individuals and the profession collectively. Business training must be included in the curricula of physiotherapists.
 - Develop mechanisms for better cooperation within the profession to reduce the intra-professional rivalry between physiotherapy practices.
 - Protect the autonomy of the profession, by becoming proactive in responding to changes in the healthcare environment, by further developing expertise, and by differentiating the services offered in the profession.
 - Build a strong corps of internal leaders with the ability to direct the profession. These leaders must include management-competent people, as well as those that can move up the ranks of the Department of Health and influence issues that affect the profession. ■

A

A1 Economic features of the industry

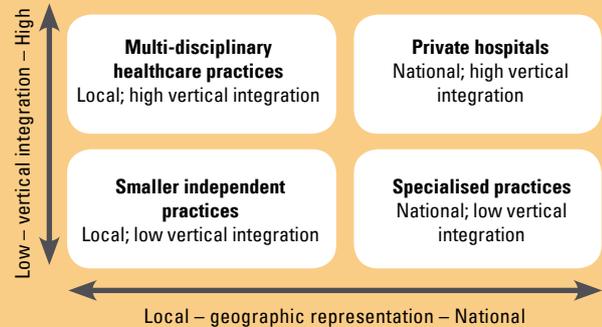
Market size and growth: The market in the private health sector has stagnated. Referrals from other medical practitioners are decreasing, which necessitates more marketing by physiotherapists to attract patients. Cost-escalation is squeezing profitability. Medical aid scheme tariffs cause consumers to be much more price-sensitive.

Buyer needs: The internet has made consumers (patients) better educated about their needs. Consumers are more health conscious and adopt healthier lifestyles as preventative measures. They also insist on value for money and will opt for alternative, more cost-effective solutions.

Competitive rivalry: The rivalry, especially between practices in urban areas, is increasing in intensity; and even more so as larger rivals (hospitals and health centres) have started to employ physiotherapists.

Degree of differentiation: Physiotherapy has till now been seen as a 'commodity'-type service with little differentiation between practices. Regulations in the health sector, in a sense, restrict practices from freely differentiating their services by specialisation. In regular business, differentiation offers avenues for renewed growth.

A4 Strategic market positions



B

B1 Current strategy

The investigation found the current strategy to be a mere description of the range of services that the profession delivers and the standards of service delivery. Specific weaknesses in the strategy were detected. It ignores crucial matters such as attracting clients and becoming more marketing-oriented.

B2 Strategic intent

The investigation found that the strategy is devoid of any intent, or central vision, to guide the profession in either its present or future role.



POSITIONING-BASED VIEW (PBV) RESULTS

A2 The driving forces of change

Medical aid schemes will continue to introduce strategies to curb their own costs by reducing their members' medical expenses.

The internet is changing the superior status of the professional in relation to the patient. Clients are becoming empowered to challenge the customary dominance of health professionals and will be increasingly selective about type of treatment and where to find it.

DOWNWARD PRESSURE

PROFITABILITY

Government is increasingly intervening in the health sector and, through legislation and policies, is restricting competitive market forces and limiting profit margins.

UPWARD PRESSURE

More and more patients want to be treated like clients with their own preferences, including a wider choice of treatments. If carefully exploited, this may bring opportunities for differentiation and new income streams.

A3 Porter's 5-forces analysis

Suppliers' bargaining power (suppliers to physiotherapists)

Since procurement of supplies is not a major input cost, the effect of price-bargaining by suppliers is not significant.

LOW

Threat of new entrants (new physiotherapists)

Because limited numbers of physiotherapists are trained, the threat of new entrants is not significant.

LOW

Internal competitive rivalry (the physiotherapy profession)

The declining market intensifies the rivalry between practices. The overlapping nature of the healthcare industry causes rivalry with adjacent services (e.g. general practitioners and biokineticists). Vertical integration by bigger players escalates rivalry.

STRONG

MODERATE TO STRONG

STRONG TO VERY STRONG

Buyers' bargaining power (patients)

The negotiating power of medical aid schemes has become a strong, to very strong factor. Even individual patients have the ability to bargain: services are standard from practice to practice and it costs very little to switch from one to another.

A5 Industry key success factors

The investigation found that the physiotherapy profession is dealing competently with many of the factors associated with success in the healthcare industry. Two factors, deemed important for success in the changing healthcare industry, have been noted as a concern for the physiotherapy profession:

- The need for *client-oriented practice management* (replacing the doctor-patient mentality of the past)
- The need for a strong *reputation*, not only among clients, but also as a member of multi-specialist healthcare teams.

RESOURCE-BASED VIEW (RBV) RESULTS

B3 Situation analysis

Strengths:

- The profession fills an indispensable gap in the healthcare value chain.
- Physiotherapy is highly regarded by other health services.

Weaknesses:

- The profession lacks assertiveness and has an inadequate self-image.
- The profession lacks central leadership and is not strongly represented at the Department of Health level.
- Physiotherapists generally lack sufficient business and managerial skills.

Threats:

- Government regulations and interventions are expected to lay further restrictions.
- More cost-reduction measures are expected from the medical schemes.

- Vertical integration of other healthcare providers may turn physiotherapy into an employed profession (causing loss of autonomy).

Opportunities:

- The profession can expand its market by proactively negotiating delivery models on behalf of the public sector.
- The profession can become involved in other industries, such as delivering occupational health services in the manufacturing sector.
- Advantage can be taken of new, under-exploited areas of physiotherapy in specialist healthcare services.

This study was conducted by physiotherapist **TANIA ROSSOUW** (pictured) as her MBA research project at the USB, under the supervision of **PROF HEIN OOSTHUIZEN**. The research report, titled *Strategic options for the physiotherapy industry in the current context of private healthcare in South Africa*, was presented in December 2006 and attained a distinction.