

**STRATEGIC OPTIONS FOR THE PHYSIOTHERAPY INDUSTRY IN THE CURRENT CONTEXT OF
PRIVATE HEALTHCARE IN SOUTH AFRICA**

A Working Paper

by T Rossouw, University of Stellenbosch Business School

2007

ACKNOWLEDGEMENT

Healthcare is a very sensitive topic, internationally as well as in South Africa. This can easily be gleaned from a multiplicity of local press reports which continually highlight the need to maintain and enhance both public and private healthcare in the face of huge pressures on resources and simultaneously increasing demand from the public for improved services.

This Working Paper is the outcome of an MBA Research Report entitled: "Strategic options for the physiotherapy industry in the current context of private healthcare in South Africa". It was completed during 2006 and was awarded a high distinction. Starting from the premise that the current quest for healthcare is historic in nature, it argues that humankind has an ongoing interest in the development of healthcare and the destructive potential of a lack thereof. Within this context it was the overall aim of the research to apply a model of strategic thinking to the South African healthcare industry with special reference to the physiotherapy sector. The findings challenge this sector to be more adaptive to a changing market environment in order to survive and prosper in the long term. In particular, it should accept a mindshift from treating a patient to providing a service to a client. It is recommended that the physiotherapy sector of the healthcare industry adopt a more sophisticated approach to the management and marketing of the profession. Its very image and place in the healthcare value chain needs to be enhanced in both the public and private sectors.

We wish to thank Tania Rossouw for a thought provoking Working Paper and wish her well in realising her dreams for the profession she so clearly carries close to her heart.

Prof Hein Oosthuizen

Head: Doctoral Programmes

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Abstract

South Africa's healthcare industry is at a crossroad as pressure in both the public and private sectors is increasing. Healthcare professionals must reconsider their position in the industry and adapt in this ever-changing environment. The physiotherapy profession forms a small part of the healthcare value chain, but it fulfils an important role in the healthcare system. Unfortunately the profession shows no clear direction and purpose. There also exists a mismatch between the current healthcare environment demands and the physiotherapy service delivery. The aim of this paper was then to do an in depth analysis of the private healthcare industry in which physiotherapy is operating, to analyse the external physiotherapy industry and an internal analysis of the profession so as to construct a generic strategy for the physiotherapy profession in the private healthcare sector in South Africa. Having completed the analysis, major strategic thrusts with a focussed differentiated approach for the profession could then be formulated:

- Define physiotherapy and the scope of practice.
- Reinstate physiotherapy in the healthcare system.
- Develop leadership.
- Cooperate within the profession.
- Maintain professional autonomy.
- Develop business skills

Introduction

Healthcare is a sensitive and much discussed topic in South Africa (SA) at the moment. The extent of changes is overwhelming and it is seen as a very turbulent and unstable environment, undergoing enormous changes with rising pressure in both the public and private sectors.

To understand healthcare in SA it is important to understand the structure and challenges of both the public and private sectors. The total expenditure on health as a percentage of gross domestic production (GDP) is 8,7 percent which consist of 5,1 percent for private healthcare and only 3,6 percent for public healthcare (Day and Gray, 2005:321-323). However, it is estimated that only seven million people are covered by medical aids, thus making the rest of the population of approximately 39 million dependent on public healthcare. Therefore 60 percent of health expenditure is accounted for by only 15 percent of the population of private healthcare.

Clearly the private sector is in for tough times as pressure from both the government and public health increase to eliminate these discrepancies. Adding to this pressure is the medical aids who are moving towards managed healthcare as a means to be more cost effective.

SA healthcare is at a crossroad. Changes from both local and global developments as well as changes from within the scope of professionalism are forcing healthcare professionals to reconsider their position. To survive, healthcare service providers must adapt in this environment and have a clear business strategy for the way forward. Unfortunately few service providers are geared for these changes and the problem is exacerbated by the fact that change is always difficult when an industry is very well established.

Physiotherapy forms a small part of the healthcare sector value chain, but it fulfils an important role in the healthcare system. Physiotherapy is an internationally recognised allied health profession with professional autonomy and first contact practitioner status in SA. Physiotherapists are independent practitioners and may offer their services in certain areas supplementary to medicine. They assess, diagnose, plan, treat and evaluate human movement impairments in order to restore normal function. As a profession integral to health promotion, prevention, acute care and rehabilitation, physiotherapy plays an essential role in the healthcare system.

Most physiotherapy students decide to study physiotherapy due to the humanistic, curative and perhaps the scientific side of it. After graduation and a compulsory year of community service, many of these physiotherapists find employment in private practice due to the lack of employment in the public sector. They embark on either setting up their own practice or find employment with an existing practice. Little are they prepared for the new challenges they face of managing a practice. Against popular/traditional belief in physiotherapy circles, a private physiotherapy practice is a business and must be run accordingly. Unfortunately most of these practitioners do not have the knowledge or skills in practice and business management (Bowman, 2001:167).

Richardson (1999) found in her study that there exists a lack of understanding of the physiotherapy profession's aims, values and mode of practice under final year students. This lack of clarity of goal and professional purpose is cumbersome, because if physiotherapists do not have a professional purpose, where are they going and how are they getting there? Parry (1995:310) goes even further by saying "I do not think that any other profession has a less certain grip on its own identity as physiotherapists".

"A huge problem for physiotherapy – as for other health professions – is that we are so restricted legally that we cannot move in dramatic ways, as some other professions can. However, it is clear that we are very obsessed with techniques and how to manage techniques, but do not pay as much attention to how to manage ourselves and our profession. We do not understand how to shift the profession from one era to the next", Pat Bowerbank (*Physioforum*, 2004:9).

"Maintaining the status quo is not (and cannot) be an option because it will progressively lead to loss of prestige and diminished national role for the profession. Loss of prestige will lead to lack of influence on important national issues and the inability to attract the young generation into the profession. We will miss a lot of opportunities if our profession is perceived as a profession that is not responsive to the challenges and changes that are taking place within the society" (Mbambo, 2005:6).

Through all the changes currently occurring, the physiotherapy profession is still stuck in its traditional, paternalistic way of thinking, focussing on patients rather than clients. As the private sector's value chain is under pressure, competition is increasing not only between therapists but also between therapists and other parts of the sector chain. In a healthcare system where all providers ideally work together for the benefit of the patient, everybody is now competing for the patient. If the physiotherapy profession does not adapt in this changing environment and have a clear strategy for the way forward, it will be pushed out of the sector value chain and become obsolete. Richardson (1999:462) states it the best by saying "Physiotherapists need a clear view of the purpose and intent of their profession and a conscious awareness of a professional identity which encompasses purposeful actions to pursue professional goals in changing practice contexts throughout the span of their careers".

Physiotherapists need not feel they are at the mercy of trends, but rather take advantage of the environment to establish a professional office that suits their expertise, their style of practice and their clients' needs. They must manage the future and not be managed by it. It is thus evident that physiotherapy as a profession needs a clear strategy for the way forward. In this ever-changing environment they can not afford to be without a clear understanding of the environment, the profession and a business strategy.

The aim of this paper will then be to do an analysis of the private healthcare industry in which physiotherapy is operating, to analyse the external physiotherapy industry and an internal analysis of the profession so as to construct a generic strategy for physiotherapy in the private sector in SA.

Research methodology

Primary research was conducted through qualitative research. According to LeRoux (2005: 7) "qualitative research is concerned with levels of meaning and developing explanations of social phenomena. It is rooted in the interpretivist paradigm, which aims to understand and describe the multiple realities held by human beings within the context of their being".

It was decided to conduct qualitative research as an in-depth understanding of the physiotherapy profession and of the healthcare industry in which physiotherapists operate. This is required as a means to construct a generic strategy for the profession. It is further anticipated that the descriptive and inductive analysis of the data will yield a fuller and better understanding of the current situation of the physiotherapy profession in the private healthcare industry in South Africa.

A purposive or judgemental sampling technique was used to identify a group of physiotherapists to be included in the sample. This method of non-probability sampling is not made with the aim to be statistically representative of the population, but rather to select experts with knowledge and insight into the current state of the physiotherapy industry.

Five physiotherapists were initially identified who are believed to have a good insight into the industry as they are regarded as leaders in different areas of physiotherapy. Two of these physiotherapists are owners of large (more than five employed physiotherapists) private practices and have expertise in practice management. The third physiotherapist is an educator and is the head of the physiotherapy department of a leading university. The fourth physiotherapist is a private practitioner, serves on the South African Society of Physiotherapy (SASP) board and is widely recognised as a physiotherapy leader and mentor. The last physiotherapist is also a private practitioner and serves on the Health Profession Council of South Africa's (HPCSA) Professional Board for Physiotherapy, Podiatry and Biokinetics.

From there more physiotherapists were included in the sample through a snowball technique where the previous identified and already interviewed physiotherapists identified and referred more possible respondents who would add value to the study. Five more physiotherapists were identified of which two declined the offer and the other three were included in the sample. These three physiotherapists included another owner of a large private practice and two researchers.

The secondary data were obtained by conducting an extensive literature review on relevant and related topics. Specific focus areas were the healthcare provision in SA, the public and private healthcare sectors, the medical scheme industry and the physiotherapy industry.

Healthcare in South Africa

The SA healthcare system is characterised by disparities and inequities. There exists a great divide between the private and public healthcare sectors illustrated by figure 1. Since 1994 government has taken up the

stewardship of healthcare services by creating the National Health System which firstly is the major provider of healthcare to the masses through public healthcare and secondly the regulating body of healthcare in both the public and private sectors.

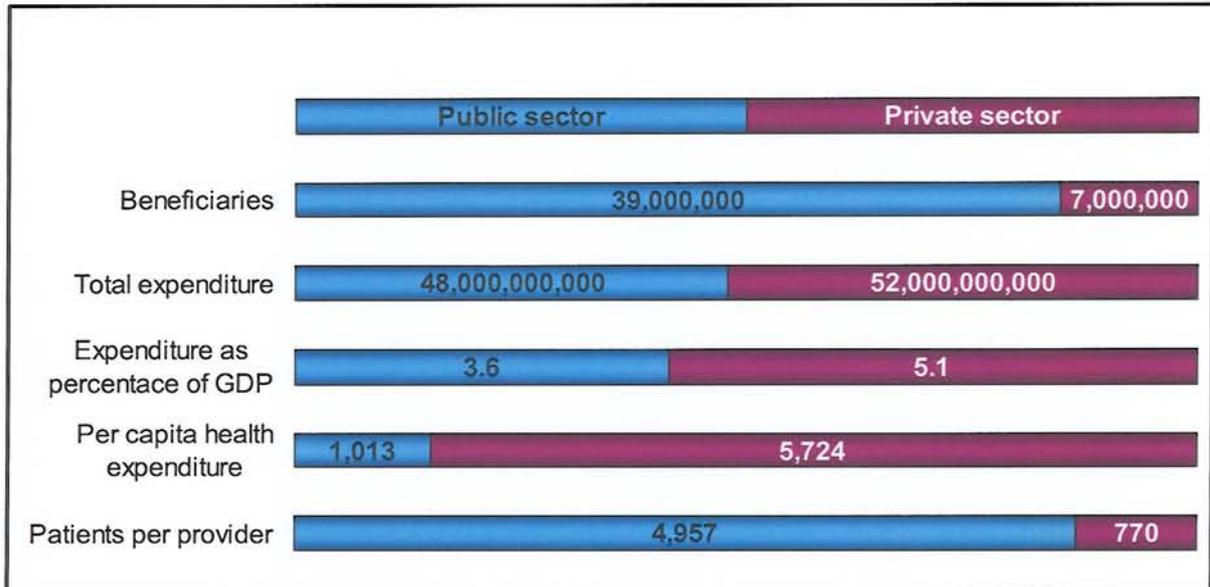


Figure 1: Disparities within healthcare provision

Source: Adapted from Hugo & Loubser (2005:77), Day & Gray (2005:322), Moodley (2005) and Statistics South Africa (2005).

A systemic approach to healthcare

According to Hugo and Loubser (2005:78) systems theory helps the individual sense as well as appreciate the connection to the wider whole. Systemic thinking is the discipline which highlights the interrelationship of role-player actions within a system rather than focussing on these actions as isolated events. It therefore gives a meaningful understanding of the whole of which one is a part of. Systems thinking can effectively be applied to the ideal healthcare model in SA as illustrated in Figure 2.

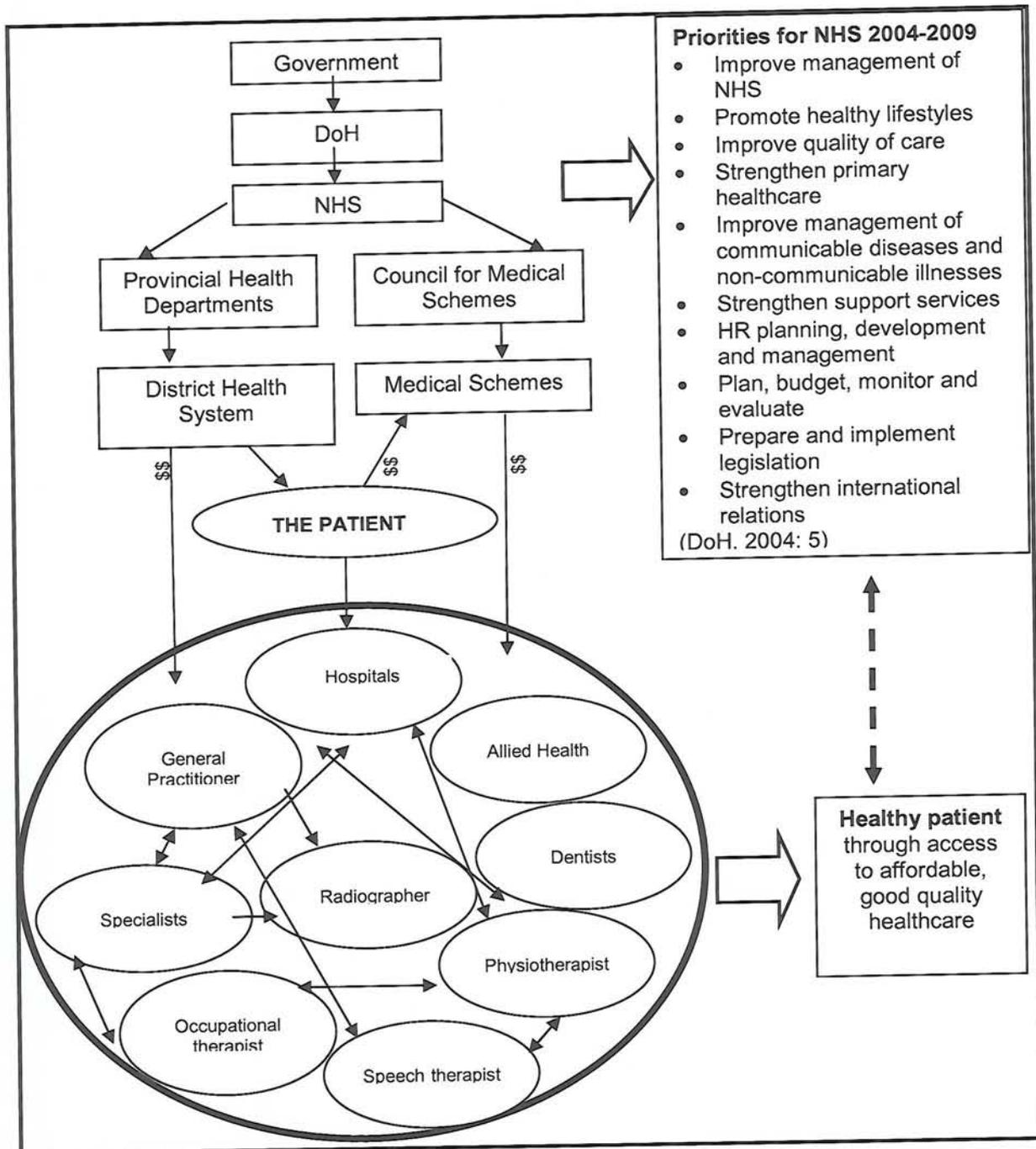


Figure 2: The South African healthcare system

Source: Rossouw, 2006:3.

The whole healthcare sector can be seen as a system consisting of different elements. Four dominant role-players are identified in this system, namely the provincial health departments, the medical schemes, the patient and the health service provider. This system as a whole as well as the individual role-players must have aligned goals and objectives which in turn should correspond to the health goals and objectives of the Department of Health (DoH).

It is clear that through interaction from the elements and role-players (multidisciplinary teams approach) the input (the patient, funding from provincial health and medical schemes) is transformed into a healthy functioning

person. Thus in this ideal setting, everybody in the system works toward the same goal for the benefit of the patient. Unfortunately this is not what happens in practice as will be illustrated by the separate value chains of the public and private sectors.

The public healthcare sector

The public sector is responsible for health services to the poor who can not afford to pay for medical insurance and/or private health service providers. The public sector's value chain can be illustrated in Figure 3 and corresponds to the ideal healthcare system in which all role players' goals are aligned to assist the patient back to health again in the fastest time with the minimum resources.

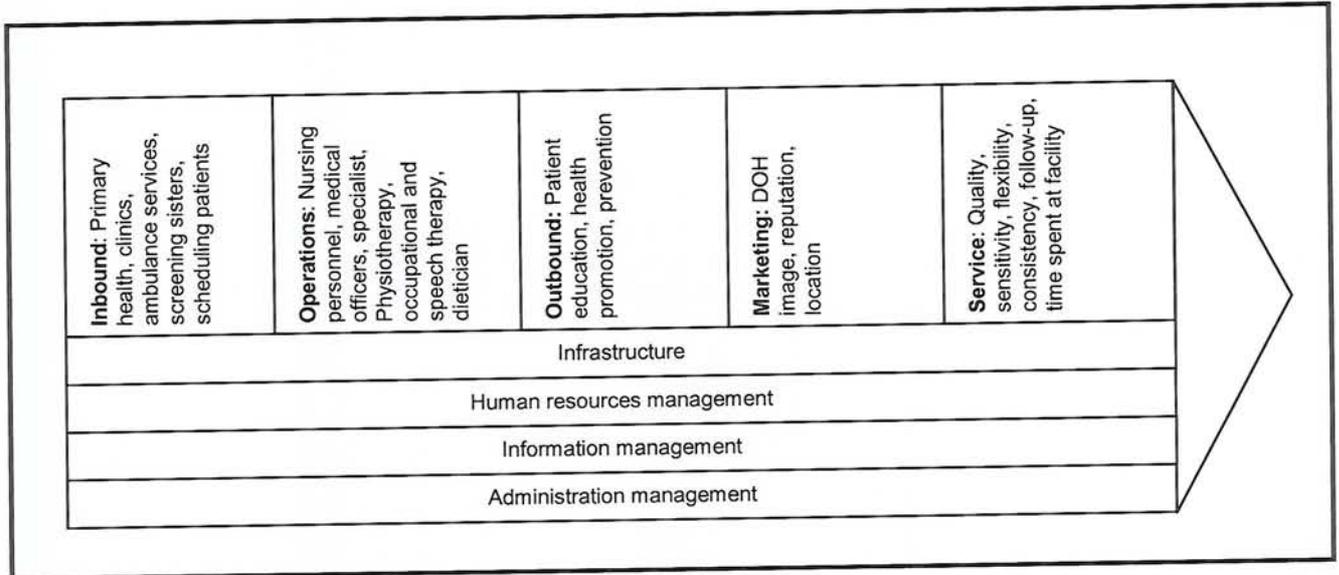


Figure 3: The public health sector value chain

Source: Adapted from Van Zyl, 1997:104.

Unfortunately the public sector has been plagued with a lack of resources which has led to poor quality healthcare provision as well as skewed distribution and access. In an attempt to improve healthcare services to the majority of the population, reorganise health services and provide better access to all South Africans, there has been a move to focus on primary healthcare.

The private healthcare sector

The standard of healthcare practised in the private health sector of SA is comparable to the best in the world. Benatar and Van Rensburg (1995:16) comment on the undisputed high standards of healthcare education, practice and policy in SA stemming from the Western tradition. The ability to perform the world's first heart transplant in 1967 illustrates this.

Havemann and Van der Berg (2003, 20-21) further found that private healthcare is the preferred choice of patients seeking medical treatment. Two reasons for this phenomenon are given. Firstly, the private sector has more resources in comparison to the public sector. These resources include financial and human resources. And secondly, in a study by Palmer as described by Havemann and Van der Berg (2003, 20-21), it is perceived that the private sector has better service delivery.

In the private healthcare sector service delivery is characterised by a third payer and fee-for-service system. Healthcare services are provided by professionals and private hospitals to clients who are either covered by medical schemes or to a lesser extent pay for the services out-of-pocket.

Multidisciplinary practices with a global fee structure are not yet allowed under legislation which forces healthcare providers, especially from different professions, to start their own practices. They may however practise in close proximity, but under different practices. As professionals focus on their core function of healthcare provision, they tend to outsource their administration and accounting practices.

Bresser, Heuskel and Nixon (2000:2-3) describe deconstruction as the process where companies in an industry either outsource portions of their value chain or expand horizontally at an individual layer of the value chain. And it is exactly what is happening in the private sector. Outsourcing takes place which results in different practices (doctors, specialists, physiotherapists etc.) coming into existence and other use the opportunity to expand horizontally in an individual layer.

As a result of the abovementioned practices, deconstruction occurs in the private sector and can be illustrated in Figure 4.

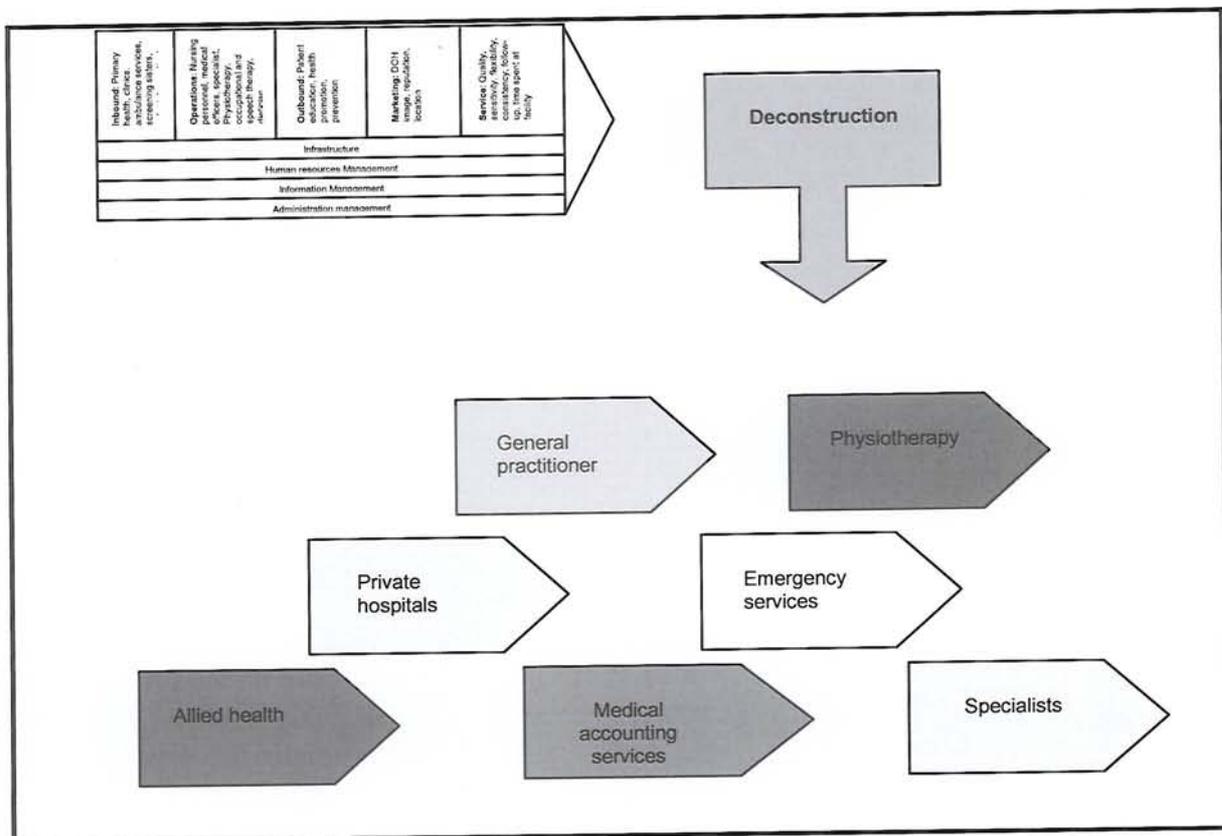


Figure 4: The deconstructed private sector

Source: Rossouw, 2006:6.

As a result of deconstruction the competitive forces within the sector are changing. As described earlier, ideally health professionals work together for the benefit of the patient and multidisciplinary care is provided with referrals between relevant professionals. In the deconstructed scenario however, competition for the patient between

professionals starts to surface, especially between professionals whose scope of practice overlaps in certain areas. The profit incentive comes into play and the professional wants to keep the patient as a client as long as possible and will only refer if it is absolutely necessary.

The medical scheme industry

The medical scheme industry is the major funder of the private healthcare sector. As medical schemes are under constant pressure to contain premium costs the industry has undergone a great deal of consolidation either by members migrating to larger more cost-efficient schemes or through mergers of smaller funds. This consolidation is welcomed in the hope that it brings efficiencies of scale and reduction in overheads (*Finance Week*, 2004:35).

There were 133 registered medical schemes operating during 2004/2005 of which 48 were open while 85 were restricted medical schemes. The number of principal members increased by 1.1 percent. However the ratio of dependants has declined, leaving the beneficiary figure unchanged at 6.9 million. The trend analysis shows that the number of beneficiaries has remained fairly steady around seven million since 1996. A further noticeable trend is the slight aging of members and an increase in the portion of pensioner members. These two figures are of great concern to the medical scheme industry. There has further been a decline in the utilisation of health services with a decrease in benefits paid to general practitioners and allied health professionals. Members are also making more use of their medical savings accounts (CMS, 2005).

Managed healthcare

In an attempt to control cost, medical schemes are starting to look at managed healthcare as an option for service delivery. Reekie (Luiz & Wessels, 2004:6) defines managed healthcare as the practice of evidence based medicine which is used as an approach in managing both the quality and cost of medical care. It essentially aims to create control systems so that the outcomes of medical care can be predicted with more certainty. It can also be seen as a further attempt by financiers to counteract the effects of cost unconscious demands which occur in the traditional third party payment system.

What this means in practice is that medical schemes can either negotiate terms and conditions regarding cost and quality with preferred service providers in the delivering of healthcare, the preferred provider organisations (PPO). Or medical schemes can form their own healthcare organisations through vertical integration by owning health professionals' practices, pharmacies and hospitals, namely the health maintenance organisations (HMO).

Traditionally managed healthcare focused on cost containment, limiting the choice of providers and limiting the options of the providers. This has been received with much negativity from the medical scheme members as well as the service providers. The new thinking is that managed healthcare should entail more than just controlling costs. It is envisaged that the member becomes the focal point and is given more freedom and decision making power. Gelman (1992:49) argues that the thrust of managed healthcare is to promote health as opposed to the current system which is designed to treat sickness. The new thinking is that the members become part of the system and are educated, informed and actively involved in their own health. According to Luiz and Wessels (2004:7) the population needs to have a general high level of education and sophistication before this active participation will occur and that SA still needs many years of sustained development before we reach that point.

Reforms and developments in South African healthcare

Recent reforms and developments in the healthcare sector which could influence physiotherapy service delivery include social health insurance (SHI), government employees medical scheme (GEMS), public-private interactions (PPI), the certificate of need (CoN) and the Health Charter.

The aim of SHI is to provide medical insurance for all formally employed people who will be obligated to contribute to this fund based on their ability. It focuses on providing healthcare to low and middle income workers and their families and thus bringing some relief to the public sector. Three groups of healthcare consumers will then be formed. Those who are uninsured would still make use of the service delivery in the public sector as they do now. Those who have SHI would be entitled to a range of health services that would be provided by adapted public sector service providers that would create special 'private facilities'. And private care will still be available to those who can afford additional medical insurance. As a result of this initiative it is expected that the number of people covered by some sort of medical insurance, including SHI, will increase from the current seven million to between 10 and 16 million (Mapley, 2005:5).

Government further wants to increase the number of people who are covered by medical insurance by launching its own scheme for its 380 000 employees. GEMS are still in the starting phase, but as government is the largest employer in the country, it can greatly influence the provision of private healthcare through this scheme by lowering costs due to its bargaining power. It is also expected to drive consolidation in the medical scheme industry (Kahn, 2006). Mapley (2005:6) suggests that such a large scheme will affect healthcare positively, especially by lowering costs due to its bargaining power.

PPI can be seen as an opportunity for both the public and private sectors if implemented correctly. PPI refer to a full range of interrelationships between the public and private sectors of which the service delivery model is most common. Although government says that PPI's are high on its list of priorities, little progress has been made in the implementation thereof. De Bruin (2005:14) states that very few of the private sector's tenders for joint projects have been accepted so far – in some cases only one out of 15 private sector tenders were accepted. However, deteriorating conditions at state hospitals could now force government to rely more heavily on PPI's and to involve the private sector to an increasing extent. If and when the pace of PPI's will accelerate in the future still remains uncertain, but hopefully the role-players will realise that PPI's could be seen as an opportunity for both sectors and if run appropriately end in a win-win situation.

Great concern and uncertainty lies with the certificate of need (CoN). The National Health Act No 61 of 2003 requires that every new and existing medical establishment obtains a CoN from government to be allowed to practice in a particular geographic area (Leon & Mabope, 2005:34). By influencing the distribution of private healthcare facilities government hopes to rectify the skewed distribution of healthcare delivery, resources and technology between the urban and rural areas. This means that a private hospital, general practitioner or physiotherapist can be prevented from opening a practice in areas of their choice if the DoH assesses this to be inappropriate.

According to Leon and Mabope (2005:35) the private sector response to the CoN has been largely negative. The main objection being that it interferes with the individual's constitutional right to live and work in a place of their choice. They also argue that it would not be economically viable to open medical practices in poor rural areas (Luiz & Wessels, 2004:2). When this Act will be signed into law is not yet known. But in the meantime the antagonism and mistrust from the private sector are increasing and are delaying transformation in the healthcare system.

Finally, the Health Charter aims to facilitate and effect transformation in the health sector by influencing access, equity and quality of healthcare as well as broad based black economic empowerment. Some suggested solutions and resolutions which may impact the physiotherapy industry include:

- Access: Entering into PPI; contacting independent practitioners; increase in health profession education, training and development.

- Equity: Developing a minimum defined basic package of care; developing a human capital programme to meet the human resource deficiencies.
- Quality: Implementation of quality assurance programmes; developing low cost health services that are accessible to middle and low income groups.
- Broad based black economic empowerment: Large group practices with more than 10 partners must progressively increase demographic representation in their partnerships.

Strategic analysis of external physiotherapy industry

Macro environment

All industries operate in a macro environment shaped by influences emanating from the economy at large, population demographics, societal lifestyles, governmental legislation and regulation, and technological factors. A business's macro environment includes all the relevant factors and influences outside the business's boundaries. These macro environment influences usually shape the edges of the business's direction and strategy. It can be analysed through the PEST regime which consists of political, economic, social and technological factors. Even though the strategy shaping impact of these influences may be low, there are enough strategically relevant trends and developments in the macro environment to justify a watchful eye (Thompson, Strickland & Gamble, 2005:45-46).

Political factors that are influencing the industry is the drive to increase the access of healthcare through the implementation of primary healthcare (PHC). There has been an increase in the initiatives to involve the community in healthcare. Promotion of health is also implemented at community level. The compulsory community service of newly graduated health professionals also increases the access to healthcare by increasing the number of service providers in the rural areas. Whether these initiatives are successful is still not clear.

Economically SA is following international trends of high medical inflation. Efforts are made by the medical schemes as well as the members to contain these costs. How they will achieve this is of critical importance to health professionals as they will likely be directly impacted by these changes. Discovery is using their bargaining power to develop their own tariff structures as opposed to the national price reference lists developed by the government and fear exists that other medical schemes will follow. There has been an increase in the usage of medical savings accounts compared to risk cover as well as an increase in out-of-pocket medical spending. In the future medical scheme members will have to be more informed of their medical scheme options and they will have to take more responsibility to manage their funds, as opposed to the traditional third party payer system where the members had no responsibility towards the service provider.

Social factors include the changing healthcare consumer profile. The population is aging and more chronic and complicated illnesses are increasing. As the pace of living is increasing and there is a higher demand on performance, there tends to be an increase in stress related conditions especially under the younger population. There is also a delay in the time it takes for clients to start looking for help regarding their health. In the past clients would immediately seek help if an illness emerges. The trend today however is to try and self treat as long as possible and if it fails only then do they consult a healthcare professional. This results in more complicated illness profiles. It is not clear if clients are taking more responsibility for their own healthcare, but there is more awareness for participation. There is an international trend of health awareness and a shift towards health promotion and healthy living is emerging.

Advances made in medical technology create better evaluation and treatment options as well as better practice management. The distribution and availability of information also lead to a more educated health professional

and client. As more research is done and is available through the Internet, healthcare professionals can make use of this evidence and most recent developments in their practice. The clients also become more educated in their conditions as they now have access to scientific literature and relevant healthcare topics through the Internet.

Industry and competitive analysis

Current economic features

When analysing the physiotherapy industry's dominant economic features the market is identified as private healthcare consumers who are referred to physiotherapy or seek their services out of own accord due to a pain related impairment. These private healthcare consumers include the stagnant medical scheme members as well as the growing out-of-pocket spenders. Two dominant segments are hospital and practice clients of which the hospital segment is more profitable. Three further treatment segments can be identified as neuro-musculoskeletal, neurological and respiratory physiotherapy. The overall industry profitability is moderate at an estimated 20 percent. Focus is on curative treatment, but growth prospects of this curative market are limited.

Clients require appropriate, professional, cost and time effective treatment. They are becoming more aware of treatment options available and demand to be educated in their conditions. The physiotherapy service is seen as a standardised service with little differentiation between physiotherapists. There is however an increase in postgraduate studies under physiotherapists perhaps as a means to differentiate themselves.

The physiotherapy industry is fragmented (practices are small and scattered) and the scope of competitive rivalry is mainly limited to local geographical areas. There are no large dominating physiotherapy practices in the industry, but large players in the healthcare industry include the hospital groups and managed care multidisciplinary practices. Vertical integration is starting to emerge as hospital groups and medical schemes are gradually integrating both forward and backwards in the healthcare industry.

Driving forces

Three driving forces were identified which will force change in the physiotherapy industry:

- Changes in client profile and services required: The client is becoming more informed and health conscious. He demands more options, services and wants to see results.
- Growing use of the Internet: The access to information is changing the informational asymmetries which have conventionally characterised the delivery of professional services.
- Regulating influences and government policy changes: Government's interference in the private sector through the SHI, CoN and medical scheme legislation may result in adverse effects such as a decline in the market size.

Porter's five forces

Through analysing the competitive forces with Porter's five forces model of competition it was concluded that the industry competitive forces are moderate to strong. Physiotherapists in the industry would still be able to practise and earn moderate profits, but the industry is becoming less attractive.

Main reasons for this include the high bargaining power of the clients. Switching costs from one physiotherapy practice to another is relatively low. The professional relationship evolves from a patient-professional to client-professional, the consumerism attitude comes forward and clients are more in control of this relationship. They will decide which healthcare professional to consult and loyalty toward a professional is based on previous

results. Clients are also more informed and aware of alternatives. The market is stagnating and the clients can choose whether and when they will make use of physiotherapy services.

The threat of substitutes is strong and increasing as alternative healthcare is emerging. Practices such as chiropractic, homeopathy, naturopathy, osteopathy, phytotherapy and reflexology are being recognised by the Department of Health and the Health Professions Council of South Africa (HPCSA). Even health spas and beauticians are starting to substitute certain areas of physiotherapy procedures. These occupations have the advantage that they can market themselves in the broad media. The service rate for these substitutes is usually lower than the traditional healthcare professionals and clients tend to pay out-of-pocket for these services. Healthcare professionals feel they are scientifically more correct and are better trained; therefore their fees should be higher. Evidently this is a much debated topic, but in the meantime healthcare professionals are losing clients to these substitutes.

Rivalry amongst physiotherapists is very strong. Physiotherapists are realising that their market is stagnating or even declining and are doing everything in their power to retain their clients. The influx of more physiotherapists in the private sector (not necessarily opening up their own practices, but who are employed by already established practices) increases the rivalry amongst practices. Rivalry in the healthcare provision is not just between similar professions anymore. In any profession where there is a degree of overlap in knowledge the rivalry for clients increases. Physiotherapists are experiencing an increase in competition from occupational therapists, biokineticists and general practitioners. As described earlier in the ideal healthcare system all the elements work together for the benefit of the client. Unfortunately the market size is decreasing and the demand for traditional healthcare consultation is growing very slowly if at all; which results in competing for the client. No longer does the client receive the benefit from a multidisciplinary approach, but each service provider through the system wants the client to only make use of their services.

The threat of new entrants is weak to moderate as entry barriers for physiotherapists is moderate and the threat exists mainly from multidisciplinary practices or vertical integration from healthcare insurers and hospital companies. The suppliers' bargaining power is weak.

Strategic group maps

Understanding which participants are strongly positioned and which are weakly positioned is an integral part of analysing an industry's competitive structure. The best technique for displaying the different market or competitive positions of industry competitors is strategic group mapping (Thompson, Strickland & Gamble, 2005:75). By dividing industry participants into strategic groups and mapping them onto a two dimensional diagramme, provides the analyst with a better understanding of the industry. The map illustrated in Figure 5 represents the private healthcare service providers. The horizontal axis represents the geographical coverage throughout SA while the vertical axis represents the level of vertical integration into the healthcare system.

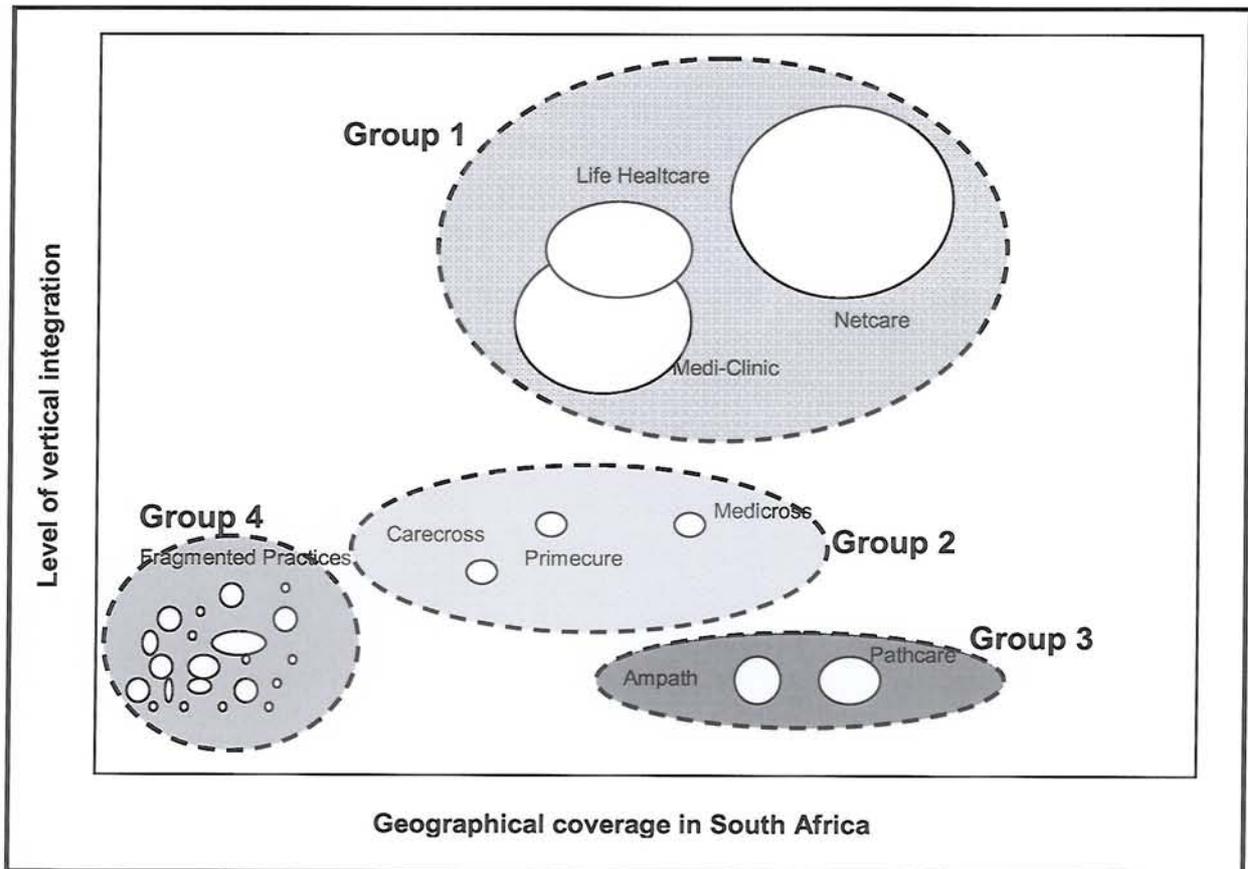


Figure 5: Strategic group map of private healthcare service providers

Source: Author's analysis.

Four groups could be identified:

- Group 1: The private hospitals.
- Group 2: The multidisciplinary managed healthcare practices.
- Group 3: Specific specialised medical practices.
- Group 4: Fragmented healthcare professional practices which include physiotherapy practices.

In consideration of previously mentioned driving forces and competitive forces, groups one and three are being favoured. These groups differentiate themselves by either providing a specialised service or a comprehensive service across SA. Rivalry in these groups is not as severe as there are only a limited number of players. From a profit potential, groups one, two and three are favourably situated. With little competition and defined markets these groups will have the potential to maximise their profits. Rivalry in group four will be fierce. As the scope of practice and geographical area overlaps rivalry will even increase. There may be a degree of rivalry between group two and four as they compete for the same market.

Industry key success factors

Five industry key success factors (IKSF) were identified as being crucial in the physiotherapy service delivery:

- Skills and intellectual capabilities

- Personality
- Image and reputation
- Client orientated practice management
- Service delivery

Skill, quality and service excellence are paramount in the physiotherapy profession. According to Parry (1995) physiotherapists' key success factor is the combination of the set of skills with the uniquely developed set of intellectual abilities and service capabilities that are important to the client. The physiotherapist must have the ability to learn from experience and utilise the skills taught at university. These skills can be seen as the hard side of the physiotherapy service. It must be scientifically correct, precise and based on evidence. It must be done accurately and within the scope of physiotherapy procedures. Whereas the softer side of physiotherapy consists of the interpersonal situation wherein these skills are delivered and which are discussed next.

High emotional intelligence is very important to have as a physiotherapist. She must be able to show empathy towards her clients. She must be able to sense what they are feeling, being able to take their perspective and act accordingly. The physiotherapist must have highly developed social skills. She must be able to handle emotions in relationships well and accurately read social situations and networks. She must interact smoothly and use these skills to persuade, lead, negotiate and gain cooperation; not only with the client but also in the healthcare team.

Image and reputation are paramount in the physiotherapy profession. Laing, *et al.* (2002:107) argues that clients who act as consumers of healthcare have three requirements when deciding which healthcare professional they shall go to:

- Information about the alternatives.
- Grounds for discrimination between alternatives.
- Motivation to make a choice.

In gathering information about the professional and the professional's ability to cure illness the consumers will look to personal sources of information such as asking friends, relatives or other respected individuals. Therefore this need for information prompts a reliance on word of mouth sources, as they are perceived by the client to be more credible and less biased (Laing, *et al.*, 2002:107).

This word of mouth reference is a very important marketing tool for the physiotherapist as marketing options towards clients are still regulated through the HPCSA and perceived as limited. Every client that walks out of the practice is an advertisement. Without the favour of the existing clients, the physiotherapist will not be successful in attracting new clients. It is therefore vital that she upholds a credible reputation and image not just under clients, but also in the healthcare team.

A client orientated or patient-centred practice as Gilligan and Lowe (1994:22) refers to it, is a practice developed against the background of a clear and detailed understanding of clients' expectations. Thus the need is established to look outside the practice and evaluate it from the clients' perspectives.

Finally, the service encounter is the heart of any professional service. Gilligan and Lowe (1994:93) divide the service in three dimensions, namely the core service, its benefits and the nature of the support services. This whole package must be taken into consideration at the point of service delivery.

Strategic analysis of internal physiotherapy profession environment

Bowerbank (2000:4) argues that the physiotherapy profession can be seen as an organisation. According to her, as organisations form one of the most fundamental characteristics of modern society and people pursue activities through organisations too broad in scope to be accomplished by individuals; major tasks such as healthcare, are not addressed by individuals or single organisations, but by sets of interdependent organisations which include medicine, physiotherapy, nursing, etc. From this viewpoint the internal physiotherapy profession environment can now be analysed.

Internal environment

The question that needs to be asked at this stage is "who is the profession?" As described earlier the physiotherapy profession can be seen as an organisation comprising of all practising physiotherapists. Physiotherapists as part of this social structure occupy three main employment roles in SA as described by Bowerbank (2000:5). The role of the state employee which involves making physiotherapy skills available to the public sector, the role of the educator involving the training and education of undergraduate and postgraduate students and thirdly, the role of the private practitioner which includes contracting an individual's skills directly to individual clients. Then finally there is also the professional association in this structure which has to balance the diverse needs expressed by the different coalition groups amongst its membership (Bowerbank, 2000:5).

Current strategy

To identify the current strategy of the profession all the role players were considered. It was however identified that there is generally a lack of strategic focus. After exploring the different focus areas of the various role players in the profession the profession's current strategy can be summarised:

- Physiotherapy delivers a curative service to clients with movement or functional impairments to alleviate their symptoms and cause of the impairment.
- Physiotherapy forms part of the healthcare system and team. Their service is delivered through correct assessment, diagnosis, planning, intervention and re-evaluation. This service is based upon scientific research and to maintain and uplift their skills and knowledge, further research is promoted.

Value chain

Satisfying clients' needs is a prerequisite for success in today's modern organisations, but in itself it is not sufficient. Capturing the value created for clients should also occur. According to Porter (Van Zyl, 1997:102) value is what clients are willing to pay for, and superior value stems from offering lower prices than competitors for equivalent benefits or providing unique benefits that more than offset a higher price. Value activities are the building blocks by which an organisation creates a product or service for clients. The value chain is a basic concept in management literature and is used by Porter as a tool for diagnosing problems in the creation of value and finding ways to create and sustain the production of value (Van Zyl, 1997:102).

Even though Lowendahl (2000:30) states it is not easy, if not impossible, to apply this model in a service environment where there is no linear production process with input, transformation and output, it could still be to the analyst's advantage to adapt this model in the physiotherapy profession in order to understand its value creation. Figure 6 illustrates the adaptation of the traditional value chain into the physiotherapy profession's value chain.

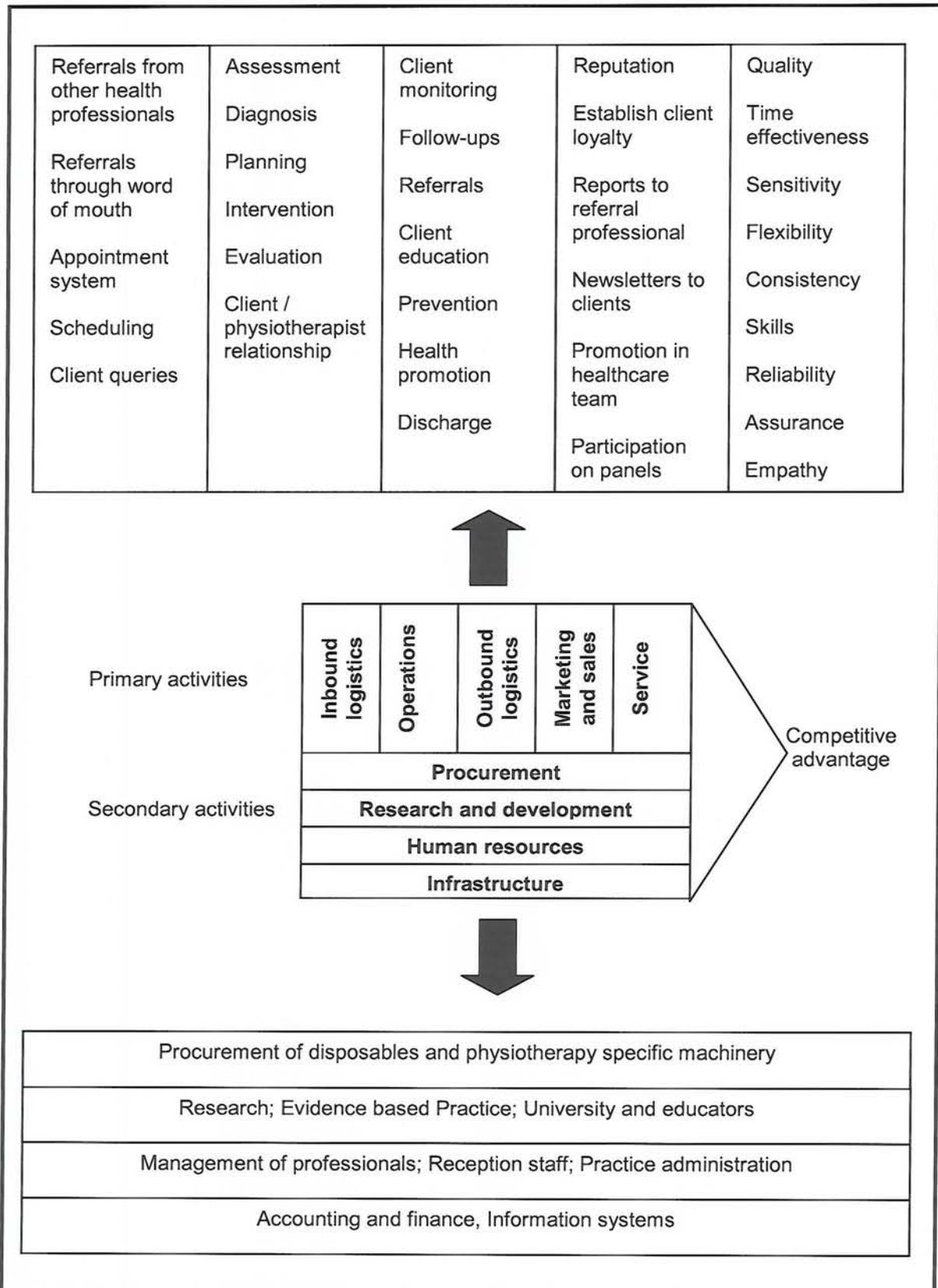


Figure 6: From the traditional value chain to the physiotherapy value chain

Source: Adapted from Van Zyl (1997: 104) and author's analysis.

It must be born in mind that these activities are not isolated in the functional silos, but they can stretch across these functional boundaries to reveal the different processes involved in physiotherapy service delivery. This process based view of the value chain constitutes the basis of the resource based view (RBV) (Oosthuizen, 2005:42). It is therefore important to analyse the profession's resources, that is their capabilities and competencies underlying these processes in delivering a physiotherapy service.

Competencies

From the value chain activities five processes in the physiotherapy profession are identified:

- Attracting clients – referral system, networking, marketing, healthcare team approach.
- Treating clients – evaluation and diagnosing skills, physiotherapy techniques and concepts, knowledge, experience, problem solving skills, interpersonal skills, time spent with client, client/physiotherapist relationship, empathy.
- Client administration – record keeping, medical reports, billing.
- Practice management – finance, people management, support activities.
- Research – scientifically based, evidence based practice.

According to Thompson, Strickland and Gamble (2005:90) it is important to distinguish the different levels of competencies underlying these processes. Three levels of competencies are identified as competence, core competence and distinctive competence.

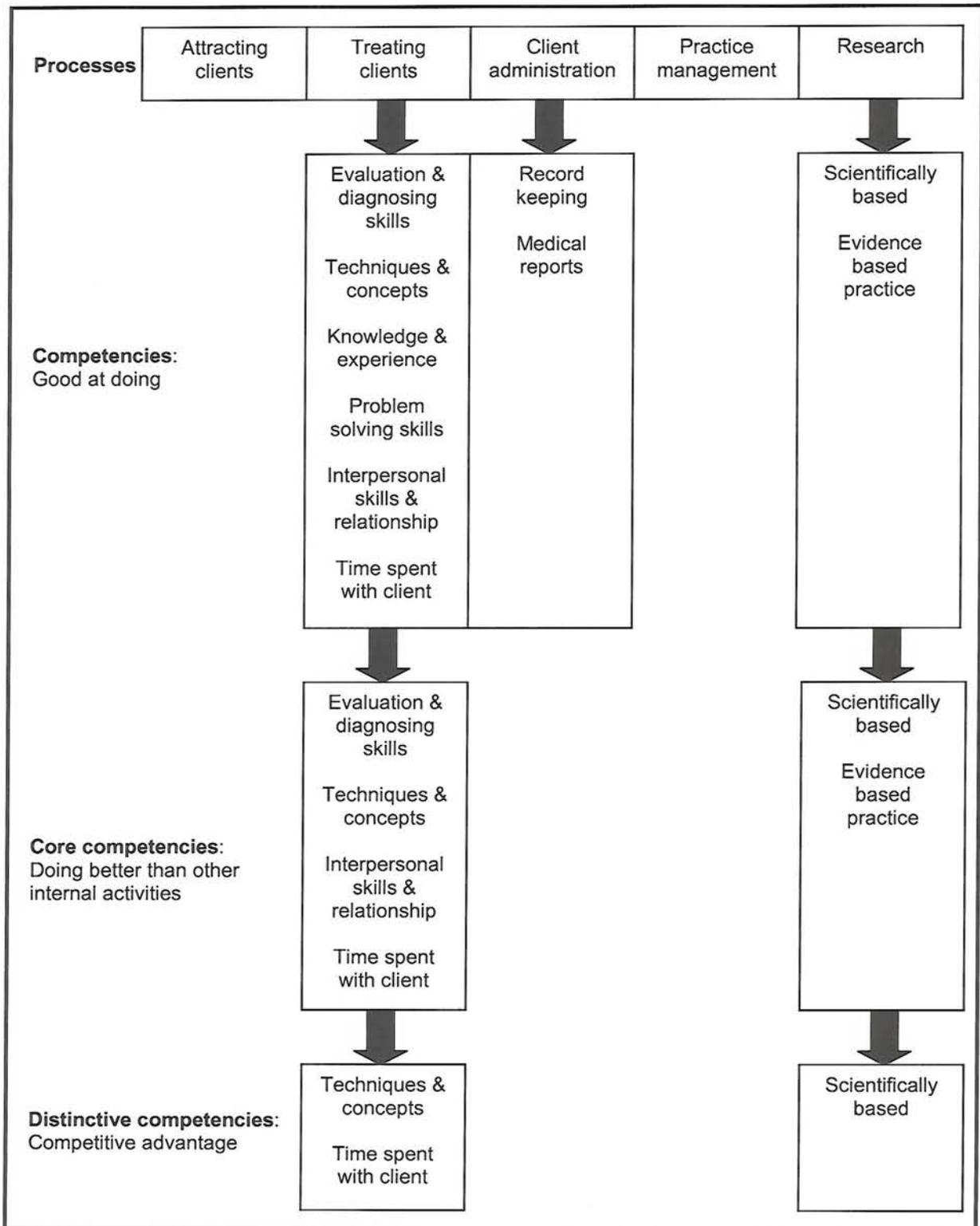


Figure 7: Physiotherapy profession competencies

Source: Author's analysis.

From Figure 7 it is clear that the current distinctive competencies of the profession lie within their treatment techniques and concepts. These techniques and concepts are based on scientific research which differentiates physiotherapists from alternative health practitioners. They also have the advantage of spending time with the

client, a resource which is considered to be very valuable today. During this time spent with the client the physiotherapist builds a relationship with the client and is taking a more holistic approach in treating the client.

Current issues in the profession

Physiotherapists seem to find it extremely hard to accept that marketing principles have become part and parcel of their lives. Concerns that surfaced regarding the new trend in advertising of professional services include that professional services are changing too rapidly, that medicine is deteriorating into a purely commercial transaction, that the small player cannot compete financially against the larger players, and that private, independent practices will be replaced with salaried practices, with the resultant loss of physical autonomy (Van der Linde, 1996:120).

According to Oosthuizen (1989:1-2) this resistance to marketing developed largely from the following:

- A denial of the relevance of marketing.
- Stringent rules of codes of conduct.
- Disdain for commercialism (the interest of clients are placed before selfish interest).
- The tendency to be technically trained and an orientated professional considering herself an expert in all the disciplines she may be involved in.
- The lack of time.
- The sales pitch attacks by sales representatives to which professionals are often subjected to.

It is argued that most of the above reasons result from a misconception of marketing equating it with advertising and hard selling (Burton & Freeman, 2005:158; Oosthuizen, 1989:2; Kotler & Conner, 1977:72). However, marketing can be a useful tool for improving the effectiveness of professionals by allowing them to better convey the benefits that they provide to their clients (Burton & Freeman, 2005:158).

Naturally there must be guidelines for making professional health services known as the HPCSA (SASP, 2006:66) states: "The health professions in this country have long accepted the convention that healthcare professionals should refrain from self-promotion, not least because the healthcare professional who is most successful at getting publicity may not necessarily be the most appropriate one to treat a patient. Furthermore, patients (and their families) experiencing health problems are often particularly vulnerable to persuasive influence such as unprofessional advertising. It is primarily to protect the fundamental rights of patients, and healthcare professionals themselves, that governance of notifications and advertisements is imperative." But even in this statement it seems that marketing is confused with advertising and the guidelines provided by the HPCSA are more aimed at advertising practices.

It may therefore be speculated that the problem does not lie in marketing, but rather the ignorance and lack of knowledge of the subject matter among healthcare professionals. If the physiotherapy profession wants to survive and adapt in the current changing healthcare environment, they need a wider and more lateral view (market-orientation) of the profession.

Strategic intent

In order to be in the best position to succeed, the profession must have a clear sense of its purpose and direction. Such direction is enforced by the external environment ("What should we be doing?") and the internal environment ("What can we do?"). A purpose without a means to fulfil it has little value. A strategic intent can help in identifying the means to achieve objectives. After considering the external as well as the internal

environments, a strategic intent can now be identified to help clarify the profession's purpose and direction and can be stated through a vision and mission statement.

- The vision statement

The physiotherapy profession wants to be the preferred and relevant healthcare service provider in prevention, management and rehabilitation of potential and actual movement impairments of individuals in order to obtain optimal quality of life.

- The mission statement

The physiotherapy profession believes in the sanctity of life and in the promotion, prevention and treatment of all individuals to obtain optimal quality of life. We, as healthcare service providers, will therefore provide a cost and time effective intervention in the prevention and treatment of clients with movement impairments through a high standard of physiotherapy practice based on scientific research.

In order to achieve the mission, goals and objectives must be set. Goals and objectives are operational metrics which underpin the strategic intent. Goals are usually broad and vague, whereas objectives are specific, measurable, achievable, realistic and time specific (SMART).

Broad goals:

- Evidence based practice through setting up professional clinical guidelines.
- Encourage research through tertiary institutions as well as in clinical practice.
- Encourage life long learning.
- Set standards of practice through appropriate accreditation methods.
- Develop new areas of practice and science in health and wellness.
- Ethically based marketing.
- Develop leadership, advocacy and skills to influence health and government policy regarding healthcare.
- Enhance communication in the profession.

SWOT analysis

The SWOT analysis revealed that the profession possesses many resource strengths including their high regard and profile, quality training, increased research and evidence, their service package and experience in PHC. Weaknesses include poor business, managerial and marketing skills, increased competition amongst physiotherapists and limited role models and leaders. Opportunities that were identified were expansion into new markets, involvement in other industries and broadening the scope of physiotherapy practice. Threats to the profession were governmental legislation and policies, vertical integration from the hospital industry, pressures from the medical scheme industry and the threat of substitutes.

According to Thompson, Strickland and Gamble (2005:94-96) the SWOT analysis involves more than making four lists and that the lists in themselves are worth little. The two most important parts of SWOT analysis are drawing conclusions from the SWOT listings about the organisation's overall situation, and acting on those conclusions to better match the organisation's strategy to its resource strengths and market opportunities, to correct the important weaknesses, and to defend against external threats.

Table 1 is an effort to summarise major actions stemming from the SWOT analysis that the profession needs to take.

Table 5.1: SO, WO, ST and WT Actions

	Strengths	Weaknesses
Opportunities	<ul style="list-style-type: none"> • Experience in PHC and effective and affordable service options can be used in exploration of new markets of PPI, SHI and out-of-pocket clients. • Use scientific research and high quality of education in extending the scope of practice. • Use knowledge of ergonomics and health promotion in penetrating manufacturing industries. • Other industries can be motivated to make use of physiotherapy through their superior physiotherapy techniques and concepts. 	<ul style="list-style-type: none"> • Leadership must be developed to have an influence in service delivery of new markets of PPI and SHI. • Management skills must be developed in order to effectively compete for new markets. • Better marketing should be done to better the profession's image amongst other industries to be targeted. • Extended scope of practice will lead to reduction in internal professional competition.

	Strengths	Weaknesses
Threats	<ul style="list-style-type: none"> • High profile of physiotherapy amongst healthcare professionals will decrease threat of vertical integration resulting in lost of autonomy. • Physiotherapy treatment options must be promoted as being effective and affordable to medical schemes. Appropriate evidence must support this claims. • The threat of substitutes will be eliminated if the profession sticks to their scientific, evidence based approach and maintain a high degree of education and training. • Close cooperation with doctors will also limit the threat of substitutes. 	<ul style="list-style-type: none"> • Leadership needs to be developed and physiotherapists need to move up the ranks in the DoH to have some influence regarding policies and regulations. • Business skills must be developed to have a better understanding of vertical integration and how it could be used to the profession's advantage. • Better marketing should be done towards the medical scheme industry.

Source: Author's analysis.

Conclusions

From the research conducted in this study it can be concluded that the physiotherapy industry is becoming less attractive as competitive forces in the physiotherapy and private healthcare industry are moderate to strong. Physiotherapists will still be able to practise and earn moderate profits, but the status quo cannot prevail if they wish to survive in the long run.

Deconstruction of the value chain in the private healthcare sector is increasing fragmentation of the industry. As a result intra-professional (between physiotherapists) and inter-professional (between different healthcare professionals) competition is increasing.

Pressure from government is also affecting the industry and competitive environment. Legislations and regulations that have been received with much disdain and negativity include the CoN and medical scheme legislation. Unfortunately these initiatives can have the opposite effect of what was intended as the private healthcare market size can decrease and the normal market forces of supply and demand are disturbed, making the industry even less appealing. Luckily not all initiatives are negative and the proposed SHI, GEMS and PPI could be to the private healthcare industry's advantage if it will lead to a substantial increase in market size.

The physiotherapy industry's current market is stagnating which also increases the intra- and inter-professional competition. As a means to combat this, physiotherapists must start exploring new market segments. This includes the growing markets of out-of-pocket spenders, preventative and health promotion, health and wellness programmes. They must also re-evaluate their current scope of practice and identify which segments, such as geriatrics, women's health and ergonomics are underutilised and can be reinstated in their repertoire. New scope of practice must be investigated. It could also be to their advantage to differentiate themselves and specialise in an area.

As the clients' needs and requirements are changing, physiotherapists must adapt and align their services according to these needs. Education and information must be a given during any physiotherapy intervention. The client must be provided with options and increased responsibility. Treatments must be cost and time effective and could be achieved by means of evidence based practice and clinical guidelines.

The physiotherapy profession must be proactive towards change in the healthcare industry. The strategic group map gave an indication of potential profitability and rivalry in different groups' positions. It was shown that the highest rivalry exists in the fragmented practices with limited vertical integration and reach in SA. Vertical integration through multidisciplinary practices could lead to a competitive advantage as competition is still limited at this stage. As long as physiotherapists keep their professional autonomy and independence, participation in managed healthcare through preferred provider organisations can be beneficial.

Ultimately, the survival of the physiotherapy profession depends on the profession's, as well as each individual physiotherapist's, ability to respond to the current healthcare environment. They must define who they are and what they do; they must have clear direction and purpose. Physiotherapists must work together to reinstate the profession in the healthcare system as the current intra-professional competition could be detrimental to the profession.

Recommendations

Having completed the foregoing analyses and understanding the implications thereof, strategic options for the physiotherapy profession can now be formulated. Stemming from the analysis, different actions were identified which the profession needs to undertake. These actions were grouped into relatively homogeneous groups constituting the major thrusts of the future strategy:

- Define physiotherapy and the scope of practice.
- Reinstate physiotherapy in the healthcare system.
- Develop leadership.
- Cooperate within the profession.
- Maintain professional autonomy.
- Develop business skills.

The overall strategic profile, thus the strategic pattern or approach to these groups, must be focussed and differentiated. Physiotherapists must focus on specific market segments and differentiate their services from other healthcare professionals in these segments.

Define physiotherapy and the scope of practice

Physiotherapists must define what they do, not only to themselves, but to the public, their clients, the medical schemes and the healthcare team. There must be a clear understanding of their scope of practice. They must identify their market, existing as well as potential new markets and pursue the opportunities. They must set standards of practice through quality assurance and appropriate accreditation programmes. Their services must be appropriate and relevant.

Reinstate physiotherapy in the healthcare system

The physiotherapy profession must re-establish themselves in the healthcare value chain. Their indispensable role in the healthcare system must be confirmed through research and evidence. Research must be promoted at tertiary institutions as well as in clinical practice. Evidence based practice and clinical guidelines must substantiate their practices. The profession must be marketed in the healthcare system.

Develop leadership

Leaders and mentors should give direction and drive the profession. As limited leaders exist, leadership qualities and skills must be developed in the profession. These leaders must originate from all the different role players in the profession. Leaders are also needed to move up the ranks of the Department of Health and have a degree of influence regarding rules and regulations affecting the profession.

Cooperate within the profession

Cooperation within the profession will decrease intra-professional competition. It could lead to better physiotherapy services, leading to a better external image of the profession and could thus be to the advantage of each physiotherapist. Communication must be improved between individual physiotherapists, the society and universities. As communication is the sending as well as receiving of information, both these aspects must be improved. Physiotherapists must be more aware of and integrate information received from the society.

Maintain professional autonomy

The profession must be proactive towards change in the environment. The different role players must contribute in their area of expertise. The role players could even be expanded from the current society, educator and clinical practitioner to include researchers and managers. Different physiotherapy practitioner levels could be developed and implemented. Life long learning must be encouraged.

Develop business skills

The profession must realise that they need business skills to exist in the turbulent environment. They must be aware of their competencies, strengths and weaknesses and build thereon. Opportunities and threats must be identified and acted on. Managerial and marketing skills are paramount to their survival. Physiotherapists must first be educated in the field of management and marketing. They must be able to understand market dynamics and be able to respond correctly. The profession as a whole must be marketed. The population must be made aware of physiotherapy, their practice and benefits thereof. Individual physiotherapists must also be aware of ethically responsible marketing methods and use them accordingly. Effective marketing must also be done in the healthcare system. Managerial skills will help to improve practice performance.

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