

**APPLYING MCKINSEY'S 7S MODEL WITHIN MANAGED HEALTHCARE  
SYSTEMS (MHS) TO ASSESS THE ORGANISATION'S EFFECTIVENESS  
AND ABILITY TO ADAPT**

by

Adèle Malan

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## CONDENSED TABLE OF CONTENTS

---

	<u>Page</u>
CHAPTER 1: INTRODUCTION TO, PURPOSE OF AND MOTIVATION FOR THE STUDY.....	1
CHAPTER 2: MCKINSEY'S 7S MODEL, ORGANISATIONAL EFFECTIVENESS AND CHANGE MANAGEMENT IN PERSPECTIVE.....	17
CHAPTER 3: THE COMPANY: MANAGED HEALTHCARE SYSTEMS.....	60
CHAPTER 4: APPLICATION OF MCKINSEY'S 7S'S ON MANAGED HEALTHCARE SYSTEMS.....	96
CHAPTER 5: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS.....	114
BIBLIOGRAPHY.....	126
ANNEXURES.....	133

# TABLE OF CONTENTS

---

	<u>Page</u>
<b>CHAPTER 1: INTRODUCTION TO, PURPOSE OF AND MOTIVATION FOR THE STUDY</b>	
1.1 Introduction and background to the study.....	1
1.2 Problem statement.....	5
1.2.1 Research problem.....	5
1.2.2 Research questions.....	7
1.3 Motivation for the study.....	7
1.4 Purpose and benefits of the study.....	8
1.5 Hypotheses.....	11
1.6 Research objectives.....	11
1.6.1 Primary objective.....	11
1.6.2 Secondary objectives.....	11
1.7 Research Methodology.....	11
1.7.1 Research strategy.....	12
1.7.2 Sampling strategy.....	12
1.7.3 Data collection method.....	12
1.7.3.1 Technique.....	13
1.7.3.2 Measurement Instrument.....	13
1.7.3.3 Logistics.....	13
1.7.4 Data analysis method.....	14
1.7.5 Ethical requirements.....	14
1.8 Division of the study.....	14

**CHAPTER 2: MCKINSEY'S 7S MODEL, ORGANISATIONAL EFFECTIVENESS AND CHANGE MANAGEMENT IN PERSPECTIVE**

2.1	Introduction.....	17
2.2	The McKinsey 7S model.....	18
2.2.1	A description of the McKinsey 7S model.....	21
2.3	Creating organisational effectiveness with the McKinsey 7S model .....	24
2.3.1	Structure.....	26
2.3.2	Strategy.....	29
2.3.3	Systems.....	34
2.3.4	Style.....	37
2.3.5	Staff.....	44
2.3.5.1	Employee recruitment, selection and assessment.....	45
2.3.5.2	Induction, coaching and training.....	46
2.3.5.3	Performance appraisal.....	46
2.3.5.4	Personnel motivation.....	47
2.3.5.5	Workplace design, health and safety and human-machine interaction (ergonomics).....	48
2.3.5.6	Personal, career and organisational development.....	49

2.3.6	Skills.....	50
2.3.7	Shared values.....	51
2.4	Management of change.....	53
2.5	Conclusion.....	58

### **CHAPTER 3: THE COMPANY: MANAGED HEALTHCARE SYSTEMS**

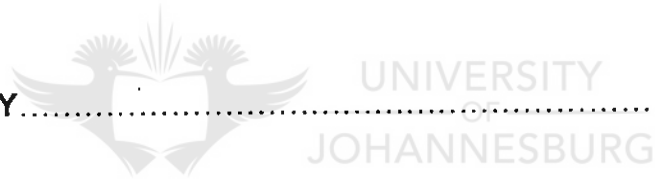
3.1	Introduction.....	60
3.2	The history of Managed Healthcare Systems.....	60
3.3	Managed Healthcare Systems' recent history and mission.....	62
3.3.1	Recent history.....	62
3.3.2	The MHS mission.....	64
3.4	An analysis of the organisation utilising the McKinsey 7S's.....	65
3.4.1	Strategy.....	65
3.4.1.1	Situation analysis: macro-environment analysis.....	65
3.4.1.2	Industry analysis.....	73
3.4.1.3	Strategic options: past and current strategies.....	78
3.4.1.4	SWOT analysis.....	81
3.4.1.5	Performance- Importance Index.....	84
3.4.2	Structure.....	85
3.4.3	Systems.....	87
3.4.4	Style.....	89
3.4.5	Skills.....	90

3.4.6 Staff.....	93
3.4.7 Shared values.....	94
3.5 Conclusion.....	95

**CHAPTER 4: APPLICATION OF MCKINSEY'S 7S'S ON MANAGED HEALTHCARE SYSTEMS**

4.1 Background theory.....	96
4.2 Description of the instrument.....	97
4.3 Administration of the instrument.....	98
4.4 Response rate.....	99
4.5 Reliability .....	99
4.6 Data analysis and interpretations.....	100
4.6.1 Analysis of background questionnaire.....	101
4.6.1.1 Age.....	101
4.6.1.2 Gender.....	102
4.6.1.3 Department/Strategic Business Unit.....	103
4.6.1.4 Number of years at MHS.....	104
4.6.1.5 Number of years at current job level.....	105
4.6.1.6 Member of management committee.....	105
4.6.2 Item analysis of survey questions.....	106
4.6.3 Inter group analysis.....	110
4.6.3.1 Age.....	110
4.6.3.2 Gender.....	111
4.6.3.3 Departments/Strategic Business Units....	111
4.6.3.4 Number of years at MHS.....	111
4.6.3.5 Number of years at current job level.....	111

4.6.3.6 Members of MHS management committee.....	112
4.7 Conclusion.....	112
 <b>CHAPTER 5: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS</b>	
5.1 Summary.....	114
5.2 Conclusions.....	116
5.3 Recommendations.....	119
5.3.1 Interpretation of the profile sheet.....	119
5.3.2 Recommendations in terms of the McKinsey 7S model.....	120
5.4 Closing remarks.....	124
 <b>BIBLIOGRAPHY</b> .....	 126
 <b>ANNEXURES</b>	
Annexure 1: Survey cover letter.....	133
Annexure 2: Background questionnaire.....	135
Annexure 3: McKinsey 7S strategic readiness survey.....	136
Annexure 4: McKinsey 7S strategic readiness survey: Scoring sheet.....	140
Annexure 5: McKinsey 7S strategic readiness survey: Profile Sheet.....	143
Annexure 6: McKinsey 7S strategic readiness survey: Interpretation Sheet.....	144





## LIST OF TABLES

---

	<u>Page</u>
Table 2.1: Leadership versus Management.....	38
3.1: Application of Porter's five forces model to MHS.....	78
3.2: Organisational constraints and capabilities.....	80
3.3: Organisation strengths and weaknesses.....	82
3.4: MHS capabilities and skills.....	91
4.1: Agreement Rating.....	97
4.2: Response rate for the individual McKinsey 7S factors.....	99
4.3: Reliability Analysis.....	100
4.4: Age frequencies.....	101
4.5: Gender frequencies.....	102
4.6: Department/Strategic Business Unit frequencies.....	103
4.7: Frequency of number of years at MHS.....	104
4.8: Number of years at current job level.....	105
4.9: Representation of management committee.....	106
4.10: Item analysis of survey questions.....	106
5.1: Profile sheet scores.....	119
5.2: Recommendations in terms of the McKinsey 7S model.....	121

## LIST OF FIGURES

---

	<u>Page</u>
Figure 2.1: The McKinsey 7S Model.....	20
2.2: The Strategic Management Process.....	31
2.3: Three levels of strategy.....	34
2.4: Strategic leadership and cultural perspective continuum.....	41
2.5: The Motivation process.....	48
2.6: Reasons for resistance to change.....	55
2.7: Leading change.....	57
2.8: Overcoming barriers to change in strategy implementation.....	58
3.1: The external environment.....	66
3.2: Competitive structure of the industry.....	74
3.3: Participants and structures in the delivery of managed care in S.A. ....	77
3.4: The event/ intervention feedback loop.....	75
3.5: Performance Importance Index.....	84
3.6: Strategic Business Units.....	85
3.7: MHS products and business units.....	86
3.8: Sources of power in healthcare.....	88
3.9: Culture as cause and effect.....	89
3.10: The MHS group.....	91
3.11: The business system diamond.....	95
4.1: Age frequencies.....	102
4.2: Gender frequencies.....	102

4.3: Department/Strategic Business Unit frequencies.....103  
4.4: Frequency of number of years at MHS.....104  
4.5 Number of years at current job level.....105  
4.6: Item analysis of survey questions.....109  
4.7: Profile sheet.....110



## OPSOMMING

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Min organisasies is so gesond dat hulle nie kan verbeter (Amelio, 1996: 1). In 'n kompeterende en dikwels onstuimige besigheidsongewing, waar almal mik na 'n mededingende voordeel en globalisasie, is dit noodsaaklik vir alle organisasies om doeltreffend te funksioneer en oor die noodsaaklike vaardighede te beskik om aan die behoeftes van die dag te voldoen.

Tydens die studie is die organisasie "Managed Healthcare Systems" (MHS) gebruik as toepassingsveld. MHS lewer hoofsaaklik 'n konsultasiediens in die bestuur van gesondheidsorg aan mediese skemas, mediese administrateurs en die gesondheidsdiens in die breë. Die McKinsey 7S model is gebruik as die teoretiese raamwerk waarop die studie gebaseer is.

Die studie is tweeledig. Eerstens is dit daarop gemik, om MHS (Managed Healthcare Systems) se doeltreffendheid en vermoë om aan te pas te bepaal deur gebruik te maak van die McKinsey 7S diagnostiese model. Tweedens sal die diagnostiese prosedure die verskillende persepsies van die populasie waarop dit aangewend word uitlig en dit vir die ontwikkeling van nuwe besigheidsproses aksieplanne of strategieë gebruik.

Doelgerigte, doeltreffende organisasie ontwikkeling kan nie plaasvind indien daar 'n teenstrydigheid bestaan tussen die elemente van die diagnostiese model nie. Dit is noodsaaklik dat bestuurders om suksesvolle implementering van enige strategie te verseker, al sewe die faktore van die model in aanmerking neem, omdat al die faktore onderling afhanklik is van mekaar.

Die McKinsey 7S model verskaf 'n nuttige raamwerk om die impak van verandering te bepaal. Die model word dus eerstens in die gegewe organisasie toegepas om organisasie doeltreffendheid te bepaal en dan word die resultate toegepas om vir die organisasie 'n aksieplan voor te stel deur afleidings te maak vanaf die resultate van die beplande meningsopname.

Om te verseker dat 'n organisasie aanhou presteer is dit nodig dat die bestaande bates optimaal benut word en dat die organisasie se onderdele vaartbelyng en geïntegreerd is. Sou dit nie die geval wees nie, is dit noodsaaklik dat toepaslike verandering aangewend word om enige versteuring in die "balans" uit te wis. Tydens die studie word die interafhanklikheid tussen die McKinsey model se sewe faktore beklemtoon. Enige versteuring in een van die sewe faktore sal 'n direkte impak op enige van die ander faktore hê.



Die studie beoog om die huidige situasie in MHS te ondersoek en aanbevelings te maak ten opsigte van waar daar leemtes bestaan, asook ten opsigte van wat moontlik gedoen kan word om die leemtes aan te vul. Die uitdaging is om verandering voor te stel om doeltreffendheid te verbeter.

Volgens Beinhocker (2000: 5) sal organisasies wat bereid is om die uitdaging te aanvaar beloon word. Beinhocker onderskraag die feit dat besigheid nie blinde, passiewe spelers in 'n evolusionêre spel is nie. Deur die kompleksiteit van wetenskap kan daar verstaan word hoe die evolusie werk, watter uitdagings dit mag voorhou en die vaardighede wat benodig word sodoende te bekom om in 'n komplekse wêreld te bly voortbestaan.

## CHAPTER 1

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# INTRODUCTION TO, PURPOSE OF AND MOTIVATION FOR THE STUDY

### 1.1. INTRODUCTION AND BACKGROUND TO THE STUDY

“Think about driving a car that is out of alignment. The car consistently pulls to one side, and you subtly compensate for this with the steering wheel. You can get so used to the car being out of alignment you don’t even recognise the problem. The car still goes down the road and gets you where you want to go, but over time the tires wear out, the ride may get bumpy, and may even lead to an accident. When the alignment is really off, the driver has to exert force to keep the car straight on the road. Eventually you’ll get where you need to go but the tires are shot and your nerves are shattered” (Crew, 2002:1).



An organisation that is not in alignment cannot be effective and would also not be able to “drive” straight, as different parts in the organisation would be pulling in different directions, thus also making it impossible for the organisation to adapt to the demands of expected change to ensure effectiveness and survival.

This metaphorical ride could become extremely bumpy, as complaints would be received from employees and from clients. Client relationships could even be at an all time low.

Even though the manager or owner of the process may not like to micro-manage, it may become essential in order to pull the organisation back on track and in this process a very firm grip will constantly be maintained on personnel. As in the

metaphor of the car that is out of alignment, the organisation will eventually get to where it would like to go, but the ride is much bumpier, expensive and all consuming. The main problem or fear is that the organisation may not get where it would like to go at all (Crew, 2002: 1).

According to Harvey (1988: 199), any strategy implementation within the organisation is more likely to succeed when the organisation's elements are in alignment. He is of the opinion that successful managers are to attain a fit between organisational strategy and the internal factors available to achieve strategic goals. The closer the alignment or fit amongst these variables the more likely that the strategy will be effective.

Manning (1998: 210) describes effective strategy as a product of integrity. He is of the opinion that performance in each area of the strategy process is a direct reflection of how committed the entity is to its own reality, to finding its own truth, to carving its own niche and to placing its own stamp on things. This then would certainly encompass the realm of this study.

This study is aimed at applying a diagnostic model to, Managed Healthcare Systems (MHS), to assess the organisation's effectiveness and its ability to adapt to change. It is thus essential to diagnose whether all the parts in the organisation is in alignment in order to ascertain which areas require additional work to ensure effectiveness. It is deemed that an effective organisation will be more geared and able to adapt to and meet the demands and challenges that may be required in the future.

There are many measurements that can be applied when the car is out of alignment

e.g. measurements for toe in, toe out, camber and caster. With an organisation this is however not that easy, one would need a diagnostic model with some indicators to measure alignment (Crew, 2002: 1).

A detailed diagnostic model, the McKinsey 7S framework, is to be used to uncover what provides a specific organisation, in this case MHS, with its inherent specialities or competitive advantages.

Applying McKinsey 7S's within the organisational context, the seven factors are: Strategy, Structure and Systems, which is considered to be the "hardware" of success, whilst Style, Staff, Skills and Shared values are deemed to be the "software" (Fox, 2001: 1).

The study is further aimed at describing the realm of organisation. This will according to Day (2003: 1) describe the design of structure, systems and mechanisms that will guide and motivate the actions of employees and also assist with the critical task of implementing new organisational systems. Strategy will also remain all-important throughout the study, as strategy is deciding about what to do and the execution about getting it done.

The task of organisation is particularly challenging where today's answer may not lie in any of the traditional models, but may rather be resolved by applying novel hybrid designs from a range of different sectors. Hybrid designs would most probably require complex coordination as depicted above in the metaphor that was used in respect of car alignment. It would further be promoted by advanced information technology and corporate cultures that foster cooperation (Day, 2003: 1).



It is important to stress that the study revolves around the McKinsey 7S's diagnostic model and its factors or dimensions. The results of the survey that is based on this model, assists in depicting just how effective the organisation is and whether it will be able to adapt to the future.

Adapting relates to change, where the key element to long-term success is the ability of the workforce to change quickly and accurately amid many uncertainties in the business environment of today (Jaffe & Scott, 1999: 1).

Changes that are desired by organisations today can only come about if personnel are involved as partners of the organisation. If personnel are to step up to these new roles and responsibilities they will have to be provided with and involved in vast educational and redesign processes, that requires extensive learning in a coordinated way. Irrespective of the form that is desired by the organisation in terms of the changes that are required, there are certain human foundations and human relationship values that underlie all of these changes (Jaffe & Scott, 1999: 239).

According to Jaffe & Scott (1999: 239) every organisation will pursue change differently. The organisation in question will probably emphasise different elements, according to its own needs and have its own inner and external imperatives that it will respond to.

This study aims to provide a roadmap to guide the organisation (MHS) and to ensure that it completes its journey, although it should be stressed that no roadmap can detail all the sights, events and experiences of any journey.

According to Bateman & Snell (1999: 16) effectiveness is the degree to which the organisation's outputs correspond to the outputs desired by organisations and individuals in the external environment. Efficiency is the ratio of outputs to inputs.

Change on the other hand refers both to the shift which occurs in the organisation's external environment as well as the response, thus the ability to adapt to this shift on the inside of the organisation (Jaffe & Scott, 1999: 2).

As already mentioned, this study will be applied to Managed Healthcare Systems (MHS), a company that mainly renders service as a managed healthcare consultant, to medical schemes, medical administrators and the larger healthcare industry of South Africa. The company renders appropriate specialist services to its clients and healthcare providers. It is also a supplier of computer software and supplies and the necessary maintenance and support services thereof. They are also involved in the delivery of other healthcare products, services and resources for the development, design and continuous monitoring of managed healthcare (Alport: 2001: 1- 3).

## **1.2 PROBLEM STATEMENT**

### **1.2.1. Research problem**

Persons often perceive effectiveness differently. Once the term effectiveness is used, every person in an audience would probably have a different point of view of what is meant by effectiveness. The aim of this study is to provide a survey to the personnel of MHS, to obtain a diverse audience that is familiar with the organisation and through analysis to establish what is required to ensure the effectiveness of MHS as an organisation.

An organisation's management will often identify that a problem exists within the organisation. They are however unable to diagnose exactly what the problem is and may even have much different perceptions of the management problem than employees working at the ground level.

This study is meant to guide management decision making, by providing recommendations to resolve identified problems during transformation planning in the organisation and before any changes are implemented. The study will assist in diagnosing the organisation's ability to adapt to the future.

The model can also be applied to establish which of the links that exist between each of the S's can be used to identify the strengths and weaknesses of the organisation. No S on it's own is a strength or a weakness; it is only relevant to the degree that it supports the other S's. Any of the S's that harmonise with all the other S's will be deemed strengths. Any dissonances are weaknesses (Enock, 2001a: 3).

The model will highlight how changes made in any one of the S's will have an impact on all the other S's. Therefore if planned change is to be effective, then changes in one S must be accompanied by complementary changes in the others (Enock, 2001a: 3).

The crux of the study lies therein that: "The 7S framework provides a way of understanding how interrelated elements fit together in trying to implement a strategy. It is the degree of difference between what a firm does well and the requirements of a new strategy that determine the degree of difficulty of implementation" (Harvey, 1988: 199).

The key to implementing reengineering strategies is to ensure that all the elements are in alignment, or fit, with the proposed strategy (Harvey, 1988: 199).

### **1.2.2. Research questions**

The research questions that are to be addressed in this study is to:

- determine the requirements of making MHS into a more effective organisation by identifying the organisational problems that exist;
- establish how effective MHS is in terms of the business environment in which it functions, by comparing its performance to the benchmarks that are to be set according to the underlying theory of the McKinsey's 7S model;
- determine whether MHS will be able to adapt to meet the demands and challenges of the business environment in which it functions by evaluating what change interventions are required; and
- establish the differences that exist in terms of management and personnel's perceptions of how effective MHS is.

### **1.3 MOTIVATION FOR THE STUDY**

The McKinsey 7'S model has been deemed a model of organisational capability. It is suggested that these seven factors or dimensions within the organisation will need to harmonise with each other and point in the same direction, if each aspect supports the others, then the organisation can be said to be "effective" (Iles & Sutherland, 2000: 27).

The consideration of each of these seven factors will identify some of the critical questions that MHS will have to address as it considers the implications of attempting to become a national and even global player within the managed care industry.

The MHS management team will have to take account of all seven of these factors to be sure of successful implementation of any strategy – large or small. The seven factors are all interdependent, should it happen that not enough attention is given to any one of these factors; it can bring the other factors crashing down. The relevant importance of each of the factors will vary over time (Chimaera Consulting, 1999: 1).

Another aspect within the model that is to be considered is that it provides a systematic way for the organisation to assess itself based on the seven factors. The strengths of the model would most probably be reflected in that it assists individuals to assess their organisation in easy terms that people can relate to and easily understand. It allows these individuals to explore the importance of integrating their different insights.

The “voice” of the organisation is comprised of an amalgam of thoughts of both the junior and senior members of the organisation. The “voice” reflects what these individuals may feel and believe internally, as their verbal opinions are often shaded by fear, work politics and group influences (Biech, 2000: 118-119).

#### **1.4 PURPOSE AND BENEFITS OF THE STUDY**

This dissertation describes a study that is aimed at assisting MHS paint a picture of its future, the organisation's optimum state, by the application of McKinsey 7'S as a

diagnostic model. This portrait of the organisation is however only half the picture. A clear snapshot of what the organisation looks like now is necessary in order to have something to compare with and prescribe towards gaining an optimum future for this organisation (Biech, 2000: 117).

This study is dichotomous, firstly it is directed to measuring effectiveness by using this well known, tried and tested diagnostic model, the McKinsey 7S's model to measure the effectiveness of MHS and its ability to adapt. To ascertain whether the organisation is effective or not, would be to diagnose organisational problems through quantitative analysis, and to identify key organisational problems or strategic deficiencies during this process.

Secondly this diagnosing procedure would uncover different perceptions and feed them into the development of new business process action plans or strategies. Purposeful, efficient organisational action cannot be taken if the elements of the diagnostic model are at cross-purposes with one another. Managers are to take account of all seven of the factors to ensure successful implementation of a strategy- however large or small. They are all interdependent, and thus it is stressed that proper attention be provided to all the factors or dimensions to ensure that the organisation is able to adapt to expected change (Chimaera Consulting, 1999: 1).

The McKinsey 7S Model provides a useful framework for reviewing the impact of change. It is thus first applied within the given organisation to determine effectiveness; the results are then applied to determine a business action plans by providing recommendations according to the deductions that are made from the results of the planned survey.

In order that the company is agile and responsive to the customer, it is secondly necessary for business processes to be transformed and the new mediums or recommendations to be exploited to the full. The diagnostic model should indicate whether the organisation is ready to adapt to change or whether the organisation can be reengineered or not.

Next, shared values and beliefs will assist the senior management to formulate and on a constant basis re-iterate values and beliefs, but at the same time also provide assistance in adhering to them so that they are able to shape peoples behaviour in a lasting manner.

In the fourth place, information pertaining to strategy can assist management to attain information and respond to the opportunities and threats that exist within the environment in respect of marketing the organisation, distribution of the products, product and service development, business requirements and creation of management alliances and partnerships.

The research will also assist in indicating what management styles are required for self-management and when facing customer activities task management solutions can be given. After completion of the study the organisation may require adapting their structure to support a responsive and results orientated organisation.

The study can lastly assist in identifying what changes need to be made to create a learning environment for staff in order for them to develop appropriate new skills (Managing Change, 1997: 2-6).

## **1.5. HYPOTHESES**

Application of the McKinsey 7S's diagnostic model will assist the management of MHS in ascertaining its ability to adapt to the future and what is required for Business Process reengineering to ensure the effectiveness of the company.

## **1.6. RESEARCH OBJECTIVES**

Both primary and secondary objectives have been determined for the study they will be discussed next.

### **1.6.1. Primary objective**

The primary objective of the study is to ascertain whether MHS is an effective organisation. The objective is expanded to include compilation of a business process-reengineering plan.



### **1.6.2. Secondary objectives**

The secondary objectives are to:

- identify of organisational problems;
- Provide the industry with benchmarks for organisational performance;
- Evaluate change interventions; and
- Establish the differences that exist between management and employees perceptions in respect of the organisation's effectiveness.

## **1.7. RESEARCH METHODOLOGY**

A description of the research methodology is provided next.



### **1.7.1. Research strategy**

A quantitative, deductive study will be done, as a hypothesis has already been determined. The research objective is to describe the findings of the study. A quantitative data gathering method will be used in order that inferential or statistical data analysis methods are applied to the data. It is hoped that the outcome of the study will test the hypothesis.

### **1.7.2. Sampling strategy**

A 35-statement survey will be applied to all full-time employees working at MHS; this will ensure that all the strata of the management echelon and employees are represented in the groups selected. The groups have been selected to be homogenous, this method although not necessarily the most efficient statistically, is economical and is useful when a practical sampling frame for individual elements is frequently unavailable (Cooper & Schindler, 2001:187).

The size of the sample is determined by the population, which is all the full-time people employed by MHS, consisting of 93 people.

To ensure that as many personnel respond to the survey as possible a two-week period is to be given for completion of the survey. Reminders to complete the survey will be posted on e-mail from time to time.

### **1.7.3. Data collection method**

The data collection method is discussed in terms of the technique used, the measurement instrument and the logistics thereof.

### 1.7.3.1 Technique

A survey method of data collection is to be used. As cost saving measures was to be built into the survey, it was decided that a printed closed-end questionnaire was to be provided to personnel.

### 1.7.3.2 Measurement Instrument

James L. Mosely and Douglas J. Swaitkowski's Organizational Readiness Inventory (ORI) as published in "The 2000 Annual: Volume 2 Consulting" (Biech, 2000: 117) is to be utilised as the main source for the compilation of the survey questionnaire.

This instrument will make use of a thirty-five statement inventory, five for each of the seven categories of the McKinsey 7S's Model. It also has an interpretation and scoring sheet.



The respondents are to read the statements and compare to what extent it pertains to the organisation. They are then to choose which of the five responses, from strongly disagree to strongly agree, best fit the way that the organisation is doing things currently (Biech, 2000: 119).

### 1.7.3.3 Logistics

The mail survey in this setting is quite safe, as it will be handed to personnel individually thus excluding the risk of the mail being lost. As the survey is done anonymously, personnel will be asked to post their completed surveys in a box that is to be provided. The expense of postage for mailing questionnaires is cut out.

#### **1.7.4. Data analysis method**

Data analysis will include the reduction of the accumulated data to a manageable size, after that summaries can be developed on the Survey Profile sheet, which is to be completed. A composite score for each of the categories is determined by simply averaging the numeric values of all the respondents.

The information is plotted on the Profile sheet to reflect the rating of the respondents that completed the survey. The sheet will show how each of the five categories was scored. The Survey Interpretation Sheet will assist to clarify what each of the five ratings indicates about the organisation (Biech, 2001: 120).

Patterns concerning strategic differences will be identified and lastly these will be indicative for the setting up of the recommendations that will be made.



#### **1.7.5. Ethical requirements**

The following ethical considerations will be applied during the course of this study:

- The benefits of the study will be explained to the respondent;
- The respondent will be informed of his/her rights and protections throughout the study;
- Consent to complete the questionnaire will be obtained from the respondent;
- The respondent further has the right to safety; and
- The respondent's anonymity will be protected.

### **1.8. DIVISION OF THE STUDY**

This research study's theme revolves around the use of McKinsey 7S's as a strategic

diagnostic tool in establishing the effectiveness of the company, MHS and its ability to adapt to the future.

**Chapter 1** provides an introduction and background to the theme of the dissertation. It explains the research problem and indicates which questions are relevant to proving the hypotheses. A description to the motivation, purpose and benefits, as well as the research methodology follows.

**Chapter 2** provides an in depth discussion and analysis of the theory, which encompasses the study. This chapter mainly depicts the theory on which the McKinsey 7S's diagnostic model is based, and that of company or strategic effectiveness and change management.

In **Chapter 3** a description is given of the area of application. This chapter explains what the company: Managed Healthcare Systems entails. It includes a brief discussion of its history, its mission, vision and culture. Clarification is also provided in terms of its current strategies and position in the health industry.

The following chapter, **Chapter 4**, is where the practical application of McKinsey 7S's strategic diagnostic model takes place. A detailed description of the study, the analysis and interpretation of the results is given during this chapter. It is followed by a discussion where the strategic deficiencies that exist in the organisation are identified.

**Chapter 5**, as the final chapter, contains a summary with the conclusions and recommendations forthcoming from the study. It will further highlight the strategic

deficiencies identified in chapter 4. It is then followed with recommendations on how MHS can adapt to transform into becoming an effective organisation and how it can address the identified deficiencies.



### MCKINSEY'S 7S MODEL, ORGANISATIONAL EFFECTIVENESS AND CHANGE MANAGEMENT IN PERSPECTIVE

*"Unfortunately, hundreds of organizational muddles of much greater consequence take place every day in even the largest and best-managed companies. The causes are a failure to define who does what, who has what authority, and who reports to whom. The consequence of the mix-ups and conflicts are duplication, wasted effort, delay, frustration, angry words, or relaxing and letting the other fellow do it. And countless mix-ups and conflicts throughout a company combine to bring about ineffective performance, needlessly high costs, a loss of competitive position, low morale, reduced profits, and lost opportunities to develop executives..." (Bower, 2003:1)*

#### 2.1 INTRODUCTION

Throughout the literature countless renditions are given to illustrate what an ineffective organisation is all about, as illustrated in the above excerpt from Bower. It is however not always that easy to portray the effective, well-adapted and reactive organisation in today's volatile and often changing business environment.

During the late 1800's and early 1900's organisational theorists like Taylor, Fayol and Weber were all defining "one best way" to ensure organisational structure and thus organisational effectiveness and the organisations ability to adapt to change. This was probably an easy deduction to make, as the environment was stable and organisations were relatively simple.

The 20<sup>th</sup> century and especially this new century have however shown to be much more complex: a period of diversity and change. Within the organisational context

this rapid change has manifested itself in diverse and more interwoven markets, the widespread use of specialists due to the use of advanced technologies and much more complicated organisational structures (De Rooij & Van der Pijl: 1995: 1-2).

D'Aveni (1995: 1) is further of the opinion that the reason that it is difficult to determine what is required to make an organisation effective and ready to adapt to change, is because business has entered an age of new realities of dynamic motion and flux of global markets and technological breakthroughs.

In Shrivastava (1994: 916), Waterman et al. asserts that productive organisational change is not simply a matter of structure, nor is it as simple as the interaction between strategy and structure, although both these factors are deemed to be extremely important. Their claim is that both effectiveness and organisational change stems from the relationship between structure, strategy, systems, style, skills, staff and superordinate goals.

The central idea underlying this study and for providing the supporting theory utilised to describe organisational effectiveness and the organisation's ability to adapt, stems from the above theoretical framework. It is believed that several factors have to interact as depicted above, to ensure effectiveness and change, which will be the basis for the discussion in this chapter.

## **2.2 THE MCKINSEY 7S MODEL**

In the previous chapter effectiveness was defined as being: "*The degree to which the outputs of the organization correspond to the outputs desired by organizations and*

*individuals in the external environment*" (Bateman & Snell, 1999: 16). In the same source efficiency is defined as being the ratio of inputs to outputs.

The challenge lies therein for the manager to organise better; his goal is organisational effectiveness. In order to do just this a framework for organisational thought was formulated. This Framework, the McKinsey 7S model, has according to its creators, repeatedly demonstrated its usefulness both in diagnosing organisational malaise and in formulating programmes for improvement (Shrivastava, 1994: 916).

The 7S model was born at a meeting of four authors in 1978: Tom Peters, Robert Waterman, Richard Pascale and Anthony Athos. The framework first appeared in "The Art of Japanese Management" by Pascale and Athos in 1981, who had been investigating why the Japanese industry had been so successful (Chimera Consulting, 1999: 1).

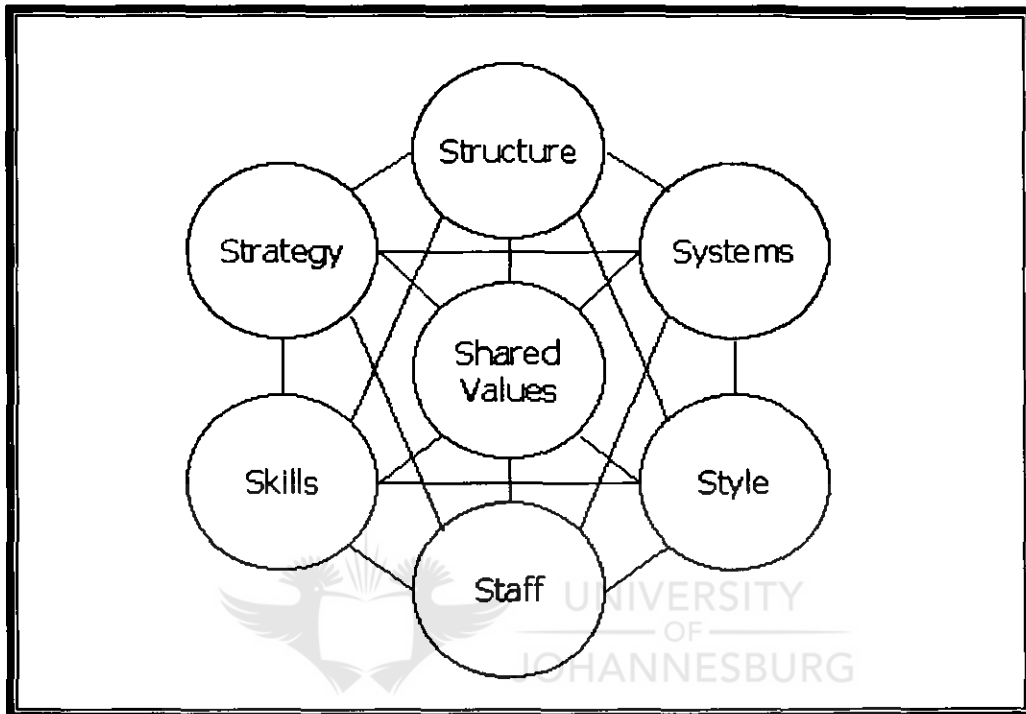
At around the same time Peters and Waterman were busy exploring the reasons of what made a company excellent, they published the framework in their book: "In Search of Excellence". It was at this time McKinsey consultancy took the framework up as a basic tool for global management and it became known as the McKinsey's 7S Framework (Chimera Consulting, 1999: 1).

This planning paradigm has the appearance of an atom, as illustrated in the diagram below, with seven factors all beginning with the letter "S" (Carter et al, 1994). The "S" falls into two basic categories of hard and soft attributes.



The combination of these “S” factors or attributes, lead to each organisation’s unique network of which the central idea is that it is possible for a competitor to replicate a single factor, but much more difficult to copy the organisation’s entire network of S’s (GCA, 2001: 3).

Figure 2.1 The McKinsey 7S Model



Source: Recklies (2001: 1)

The central idea to this framework is that of organisational effectiveness, which stems from the interaction of several factors and not just one factor. Some of these factors may not be especially obvious, others may be under analysed. The framework for organisational change will however suggest several important ideas:

- Firstly, the idea of a multiplicity of factors that influence the organisation’s ability to change, as well as its proper mode of change is underscored. This idea further highlights the complexity of the organisation as already emphasised in the previous section allowing thus for segmenting of it into manageable parts.

- Secondly, as illustrated in the above diagram, the framework is intended to convey the interconnectedness of the variables. The idea is that significant progress in one area is difficult, if not impossible without making progress in other areas as well. The creators deemed any suggestions for organisational change that ignore the frameworks and thus the many aspects of its interconnectedness as dangerous.
- *Fortune Magazine* commented that as many as 90 percent of carefully planned strategies do not work. According to Waterman et al. (Shrivastava, 1994: 917) it is thought to be due to the failure of execution, which is a direct result from the inattention afforded to the other S's in the framework.
- The shape of the diagram is as important, as it is significant. It has no starting point or any implied hierarchy. It is thus not possible to establish which of these seven factors will be the driving force in changing a particular organisation at any particular point in time (Shrivastava, 1994: 916 – 917).

### **2.2.1 A description of the McKinsey 7S model:**

The following is a description of the seven factors of the McKinsey 7S model.

*Shared Values:* Shared is what the organisation stands for, its overarching purpose and higher order. It further means that the employees share the same guiding values.

Values are aspirations to which the organisation and its members commit themselves to, things that they would strive for even if they were demonstrably not profitable. They often act as the organisation's conscience, providing guidance in times of crisis.

Identifying corporate values is thus deemed to be the first essential step in defining what the organisation's role is within the larger community in which it exists and functions (Crew, 2002: 2; Fox, 2002: 1-2).

*Strategy:* is the integrated vision and direction, which the organisation takes. It is the way in which the organisation derives, articulates, implements and communicates that vision and direction.

Strategy is also the "how", for allocating the organisation's resources to achieve its goals. The plan would illustrate the aims to improve the organisation's position and how it plans to respond to its external environment, where it needs to position itself to maximise its strengths and gain success (Crew, 2002: 2; Fox, 2002: 2).

*Structure:* is the way the organisation's different departments or units relate to each other, as illustrated through the organisation chart and group and ownership structure. It is furthermore the policies and procedures, which govern the way in which the organisation will act within it and within its environment (Crew, 2002: 2; Fox, 2002: 2).

*Systems:* are the procedures and routines that characterise important work that is to be performed. These decision-making systems utilised within organisational context can range from management intuition, to very structured computer systems and complex expert systems and even artificial intelligence.

According to Crew (2002: 2) and Fox (2002: 2), it would include some of the following systems:

- Operational Systems
- Computer Systems
- Human Resource Systems
- Financial Systems

*Style:* refers to the employees' common and shared way of behaving and thinking. It is often referred to as the unwritten norms of thought and behaviour.

Style is often symbolic; it would include the organisation's culture, the distinctive styles of its managers and executives. It would furthermore include aspects such as how managers spend their time, what they measure, how open they are to creativity, input and mistakes and how they recognise success and quality (Crew, 2002: 2; Fox, 2002: 2).

*Skills:* are the distinctive capabilities of the organisation and its key staff that are required to carry out the organisation's strategy. Training and development would be essential in ensuring that personnel know how to do their jobs and at the same time keep up to date with the latest techniques and technology (Crew, 2002: 2; Fox, 2002: 2).

*Staff:* refers to the type of people the organisation will need in terms of their different backgrounds, orientation towards clients, values and

technology, which will make the organisation successful. The organisation thus has to hire able people, train them well and assign them to the correct jobs. Key issues would be selection, training, recognition and reward, retention, motivation and correct assignment to appropriate jobs (Crew, 2002: 2; Fox, 2002: 2-3).

This is then the theoretical model that is to be adopted for the foundation of this dissertation as applied to the company Managed Healthcare Systems, better known as MHS.

The underlying theory in terms of these seven factors will be discussed in the following section.



### **2.3 CREATING ORGANISATIONAL EFFECTIVENESS WITH THE MCKINSEY 7S MODEL**

According to Iles & Sutherland (2000: 27) all seven aspects of the McKinsey framework as applied within the organisation need to harmonise with each other and point in the same direction like the needles of seven compasses. The organisation will be deemed to be organised or effective, if each aspect supports the others.

Peters and Waterman (Enock, 2001a: 4) whilst applying the 7S model identified eight common features in successful US organisations common to excellent performance that could probably be related to organisational effectiveness:

- *A bias for action:* is the propensity to act, even in situations where incomplete information existed, rather than engaging in extensive dialogue and analysis.

- *Close to the customer*: by listening to the client, learning from them and providing them with an exemplary service.
- *Autonomy and entrepreneurship*: leaders and innovators are fostered throughout the organisation. Practical risk taking is encouraged and failure is thus tolerated.
- *Productivity through people*: staff are respected and validated, they are recognised as a source of quality and productivity gain.
- *Hands-on, value driven*: executives that are in touch with essential aspects within the organisation lead the organisation. They pay explicit attention towards promulgating the organisations core values.
- *Stick to the knitting*: the organisation primarily operates in the field of established expertise.
- *Simple form, lean staff*: the organisation is characterised by few administrative layers and uncomplicated systems.
- *Simultaneous loose tight properties*: a combination of centralisation and decentralisation is utilised, promoting individual autonomy within the boundaries of the organisation's core values.

During the following discussion many of these aspects will be highlighted in the underlying theory of the McKinsey 7S model.

According to Enock (2001c: 1) organisations are systems of behaviour that enable humans and their machines to accomplish their goals. Organisations are complex systems of people, tasks and technology. Organisational theory will attempt to explain how organisations work, by determining and defining the common features that exist in organisations, or those that are shared by groups of organisations, by collecting data about them and lastly by analysing the data collected.

Organisational theory assists managers by explaining what is happening in the organisation and to possibly identify solutions to its problems. According to Drucker in Enock (2001c: 1) three criteria exist for the organisation namely:

- it must be organised for business performance;
- the structure should contain the least number of management levels; and
- the organisation structure should facilitate training and testing of future organisation leaders.

As we get to learn about the organisation and organisational effectiveness by exploring its theory, it will become possible to add to these criteria. Exploring the meaning of structure will open the following discussion.

### **2.3.1 Structure**

Structure is defined as the pattern of relationships and work roles amongst positions in the organisation and among members of the organisation through the provision of channels of communication. The purpose of structure is to divide work: tasks and responsibilities, amongst the members of the organisation and thus organising the co-ordination of their activities so that they are all directed towards achieving the same goals and objectives (Enock, 2001c: 1-2).

According to Enock (2001c: 2), the objectives of the organisational structure are to:

- coordinate different parts of the organisation and different areas of work;
- provide flexibility in order to respond to changing environmental demands;
- monitor the activities of the organisation;
- provide social satisfaction to members of the organisation;

- ensure effective and efficient organisational performance, including the utilisation of resources; and
- provide accountability for areas of work undertaken by groups and individual members of the organisation.

Child in Enock (2001c: 2) suggests six major dimensions as components of organisational structure, namely:

- formal reporting relationships, levels of authority and span of control;
- motivation of employees through systems of performance appraisal;
- systems for communication of information, integration of effort and participation in organisational activities;
- delegation of authority and providing procedures for monitoring and evaluating the action;
- allocation of individual tasks and responsibilities, job specialisation and definition; and
- grouping together of sections, departments, divisions and larger units.

Child in Enock (2001c: 2) also describes the consequences of structural deficiencies, namely:

- conflict and lack of cooperation;
- late and inappropriate decisions;
- low motivation and morale;
- rising costs e.g. diseconomies of scale; and
- poor response to new opportunities and external change.



Enock (2001c: 3) is of the opinion that the process of determining the type of organisational structure is essentially done by dividing the description of the organisation's mission into discrete roles and tasks of the individuals within the organisation. Different ways exist for doing this, but all are essentially directed towards initially grouping the key activities of the organisation and then allocating roles/ tasks to individuals. These can fall into the following categories (Enock, 2001c: 3-4):

- *Functional* - grouping of major functions e.g. information, personnel and finance;
- *Product/ Service* – grouping by product or service e.g. orthopaedic, surgical, psychiatric rather than medical, nursing, paramedical which is functional;
- *Geographical* - a service that is nationalised develops regions, areas or district health authorities;
- *Divisional* – grouping of services and/or geography and functionality and
- *Matrix* – grouping of projects and functions e.g. NASA

There are basically three other important concepts relating to the theory of structure that should be mentioned:

The first of these for discussion is centralisation and decentralisation. *Centralisation* is when all the power for decision-making rests at a single point within the organisation, ultimately in the control of one person. *Decentralisation* is when power is dispersed amongst many people. Centralisation and decentralisation should not be viewed as absolutes, rather as the two ends of a continuum (Bateman & Snell, 1999: 286).

Secondly according to Drucker in Enock (2001c: 5-6) organisations can be layered into three main levels:

- *Technical Level*, which is concerned with specific operations and defined tasks, it depicts the actual jobs that are to be done. It stresses the importance of the technical function and interrelates with the managerial level;
- *Managerial Level*, is mainly concerned with the co-ordination and integration of work, at the technical level e.g. administration, control of operations and resource allocation;
- *Community Level*, is concerned with the broad objectives and the work of the organisation as a whole.

The third and last concept relating to structure that deserves mentioning is the formal organisational relationships of which there are three (Bateman & Snell, 1999: 287):

- *Line*, the vertical flow of authority;
- *Functional*, is between the line management teams and specialists in advisory positions; and
- *Staff*, which refers to personal assistants to senior members.

This concludes the discussion of the theory of structures.

### **2.3.2 Strategy**

While definitions abound for the concept strategy, the meaning of this concept, according to Douglass (1995: 1-2) is basically:

- knowing where you are;
- knowing where you want to go; and
- knowing how you are going to get there and having the capabilities to respond to the required change on the way.

According to Manning (1998: 170) strategy is: "...a *value-creating process*" it would mean making and acting on certain choices and then learning and reacting on the results. He feels that the starting point for any strategy would be to understand the world that you operate in and then to shape the required response through internal innovation. It would further require the alignment, accumulation and mobilisation of capabilities and resources.

Strategy on its own is such an extensive subject, in fact a separate study on its own, that the scope of this study does not allow for a detailed description, thus the subject will only be broached in broad terms as far as it impacts on the effectiveness of the organisation.

According to Hitt et al. (2001: 5), the organisation is able to attain a sustainable competitive advantage through the implementation of a "*value-creating strategy*", where competition would be unable to duplicate the benefits or find it too expensive to imitate.

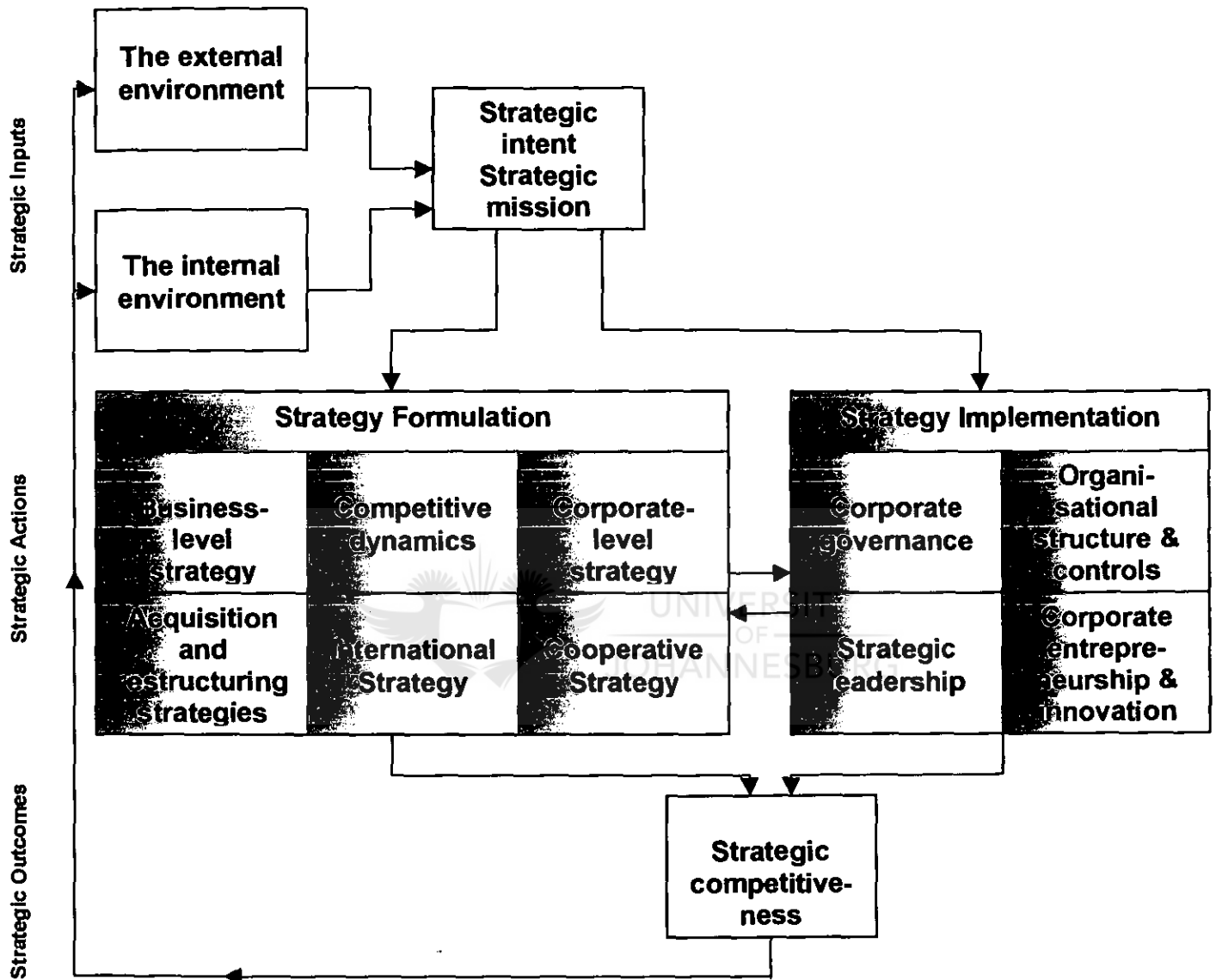
The strategic management process, dynamic in nature "...is the full set of commitments, decisions, and actions..." (Hitt et al, 2001: 7) required for the organisation to be effective and thus to achieve the required strategic competitiveness to earn above-average returns.

Figure 2.2 illustrates the strategic management process. The figure is clearly divided into three main sections that can be compared to a systems model namely:

- strategic inputs;
- strategic actions; and

- strategic outcomes.

Figure 2.2: The Strategic Management Process



Source: Adapted from Hitt et al. (2001: 6)

According to Douglass (1995: 2) strategy has a long-term focus, which comes first from understanding and then analysing the environment in which the organisation operates. Strategy should not be confused with planning, which is all about co-ordinating and organising the present. Strategy considers change and the deliberate

intervention and action, within certain boundaries. It is proposed by Douglass that strategy is essentially the means by which an organisation will devise its future.

According to Harvey (1988:110) strategic alternatives involves three elements:

- *Corporate strategy*: Examination of where the organisation has to be to achieve its goals of growth, profitability and market leadership;
- *Business level strategy*: On this level it is determined how to compete within a strategic business unit (SBU); and
- *Multinational strategy*: Global expansion strategies are considered in order to expand potential markets and therefore increasing possible options open to the firm.

Harvey (1988: 110) is of the opinion that there are four main reasons for the use of strategy, namely to:

- provide long-term direction;
- gain competitive advantage in a high-risk business environment;
- adapt to an increasing rate of change; and
- achieve a more effective organisation.

According to Harvey (1988: 12) every organisation has a strategy, it may be implicit and informal or it may be explicit and formal. He is of the opinion that there may be at least three approaches that may be used:

- *Strategic thinking* provides the opportunity for creative entrepreneurial insights into the organisation, its industry and the environment in general;
- *Opportunistic decision making*, which makes use of habits, experience or gut intuition to respond to the demands of the environment; and

- *Strategic planning* is the comprehensive and systematic approach to strategy formulation. During this process the strategist may make use of many different frameworks or tools to assist in the development of strategy.

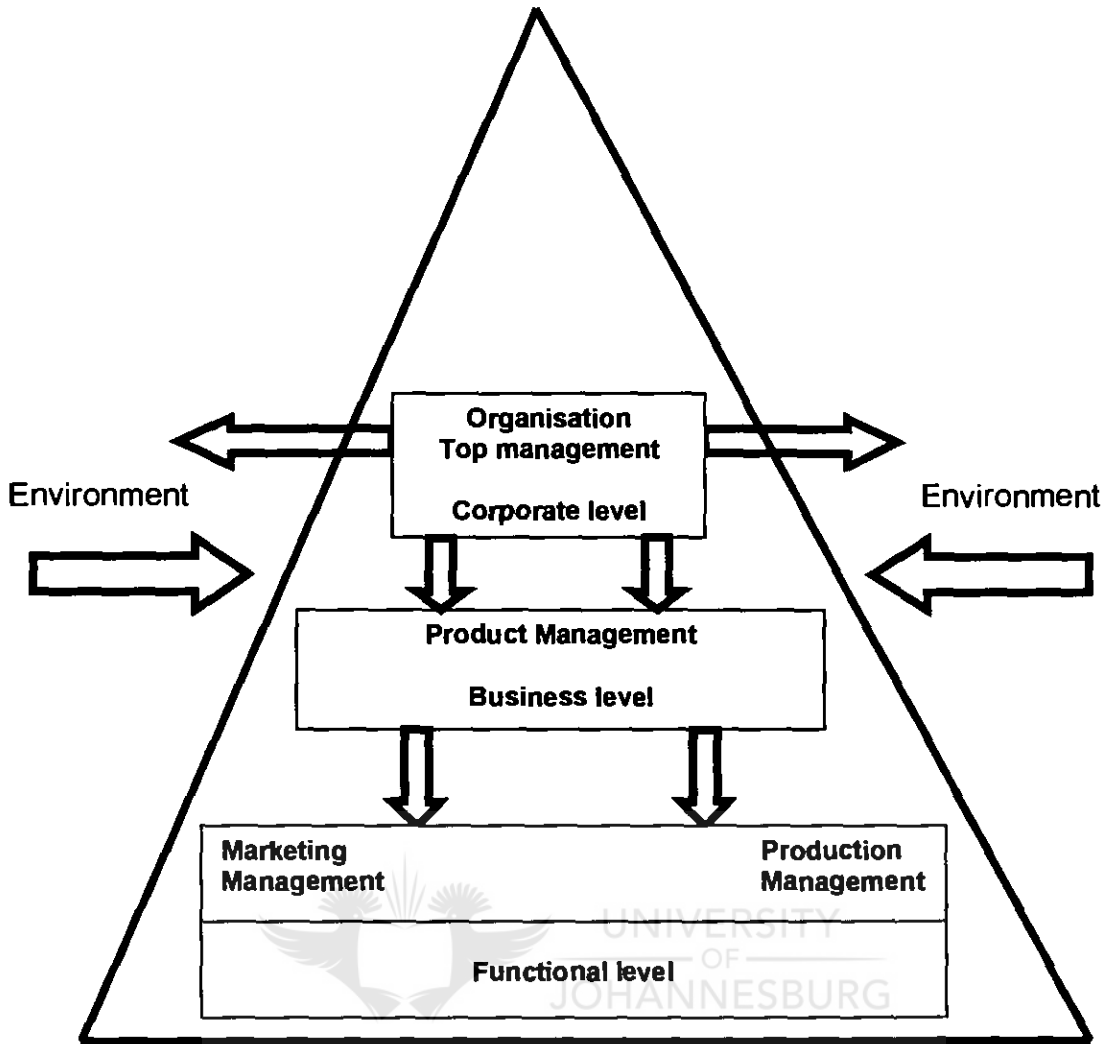
The main tools, such as PEST analysis, Porter's five forces, Key Success Factors (KSF) and others prompt answers to the following type of questions (Douglass, 1995: 5):

- What is the macro-economic environment?
- What should be our strategic focus and strategy?
- What is the present nature of our organisation and what will it require in order to succeed?
- What are the external drivers to change that may have a likely impact on the organisation?
- How is one to succeed in your chosen business?
- What business are you in and how attractive is it?

Lastly strategy is basically applied on three levels within the organisation (Harvey, 1988: 13 – 14), as depicted in Figure 2.3:

- *Corporate level of strategy* develops long range plans for the whole organisation;
- On the *business level* strategic decisions are made pertaining to the competitive position of a specific product, market or business segment within a division or Strategic Business Unit (SBU);
- The *functional level* is mostly concerned with management of a product, functional or geographic areas and the actual operations, thus the production and marketing of services and goods.

Figure 2.3: Three levels of strategy



Source: Harvey (1988: 14)

To complete this section it can be surmised that strategy entails the mixture of analysis, research and intuition. Douglass (1995: 5) is of the opinion that strategy development requires lateral rather than linear thinking, common sense and not just specialist knowledge, dialogue and probably most importantly the ability to distil the important, whilst not losing sight of the whole.

### 2.3.3 Systems

*"Everyone is part of a system, whether a family, work team, or social group. A system consists of separate parts that are arranged in a particular order or design to make a*

*whole. Changing one part of the system often produces unexpected changes in other parts” (Biech, 2000: 303).*

If your starting point were the organisation again, it would be described as being a managed system that was designed and operates to achieve a certain set of objectives. Systems theory states that the organisation is a set of interdependent elements known as systems, which in turn are interdependent with the external environment (Bateman & Snell, 1999: 15).

Bateman & Snell (1999: 15) go further to define a system as being: “A set of interdependent parts that processes inputs and outputs.” Waterman et al. in Shrivastava (1994: 919), describes systems as being the procedures, both formal and formal that make the organisation go on a daily basis: budgeting systems, training systems, cost accounting procedures, information systems and many more.

Henley in Hammer & Champy (1994: 3) provides a broader definition of systems. He describes systems as being codified knowledge that is organised in a logical sequence. They go further to describe systems as being methods, processes, rules, procedures technology, techniques, manuals and anything else that ensures that work is undertaken accurately and efficiently. They conclude that systems are instructions that guide personnel and management in performing their daily tasks.

Fox (2002: 4) feels that “Systems do not only refer to hard copy reports and procedures but also to informal mechanisms such as meetings and conflict management routines.” He feels that although it is very important that systems



emphasise key themes, they should also allow for discretion and exceptions. Systems often act as powerful influences of behaviour.

Peniwati (2002: 4) is of the opinion that this element of the 7S model dominates all the others, as the success of the other elements or dimensions would depend on how well operational systems are designed and implemented. Poor design and implementation of systems could result in a situation within the organisation that is far from consistent to the original intention of designing and developing a system.

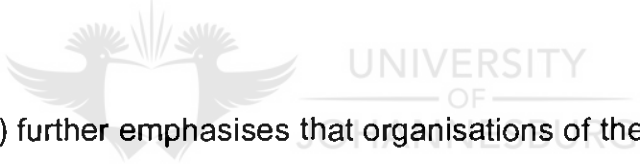
The most vital systems that are in place within the organisation, besides information systems are probably operational control systems. Three types of operational control systems are:

- *Budgets*, of which budgetary processes are usually the forerunner for strategic planning. The budget can be deemed to be a resource allocation plan, which will assist managers to coordinate operations, as well as facilitating managerial control of performance. The three types of budgets that are mostly employed by organisations are: - *Profit and loss budgets, capital budgets and cash flow budgets* (Pearce & Robinson, 1997: 389).
- *Scheduling*, is often the key to successful strategy implementation, as it offers a mechanism to plan, monitor and control dependencies. It is utilised in allocating time-constrained resources and for sequencing interdependent activities (Pearce & Robinson, 1997: 389).
- *Key success factors* must have measurable performance indicators, as these factors identify performance areas that are of vital importance during implementation of the organisation's strategies. It is thus very important that

operational control systems are put in place for continuous management attention (Pearce & Robinson, 1997: 390).

Operational control systems is thus utilised to guide, monitor and evaluate progress in meeting short-term objectives within the organisation, where strategic control systems attempt to steer the organisation over an extended period. Pearce and Robinson (1997: 388) express the need for operational systems to take four steps during post action controls to ensure that they are effective:

- Set standards of performance.
- Identify any deviations from the set standards.
- Measure actual performance.
- Initiate corrective action when required.



Biech (2000: 303) further emphasises that organisations of the future, who would like to adjust to new realities, demands and expectations, as part of a larger global system, will have to be able to extract information and feedback from their external environments and subsystems, process it and utilise it in full.

In summary it should be said, operational systems should be designed to ensure the fair allocation of tasks and at the same time make use of individual competencies and talents of personnel to ensure speed of response (Peniwati, 2002: 4).


#### **2.3.4 Style**

Earlier style was described as being symbolic, including aspects such as leadership styles, the organisation's culture and the general way in which managers behave in

terms of how they spend their time, how they measure success and quality and how open they are to inputs, mistakes and creativity (Crew, 2002: 2; Fox, 2002: 2).

Peniwati (2002: 4) describes style as patterns of action that are more decisive than words. He supports the idea of management by example, as he asserts that personnel may listen to what managers say, but believe what managers do. Patterns of action are thus more decisive than words; therefore the power of style is essentially manageable (Shrivastava, 1994: 920).

These aspects concerning style cover a wide range of theory, and can constitute a complete study on its own, which the scope of this dissertation does not allow for. Style will basically be discussed in terms of leadership/management styles and organisational culture.



In the next part of this section leadership/management styles will be discussed. Nel et al. (2001: 349) defines leadership as: "...the process whereby one individual influences others to willingly and enthusiastically direct their efforts and abilities towards attaining defined group or organisational goals". Leadership is further described as being a two-way relationship, where both the leader and followers exert influence on one another.

Pascale in Fox (2002: 4) on the other hand defines managerial, as being an administrative orientation whose focus is more project than process, the aim being to get the "maximum" out of the organisation. Although leader and manager are often used interchangeably, there is a clear distinction between the two concepts.

The following table adapted from Nel et al. (2001: 350) clearly illustrates the important differences between leadership and management.

Table 2.1: Leadership versus Management

<b>Leadership versus Management</b>		
<b>Criteria</b>	<b>Leadership</b>	<b>Management</b>
<i>Task</i>	Do the right things	Do things right
<i>Power derived from:</i>	Ability to influence others	Authority
<i>Commitment to goal</i>	Passionate	Impersonal
<i>Change</i>	Provide a vision and initiate change	Implement changes as suggested by leader
<i>People</i>	Inspire and develop	Control

Source: Adapted from Nel et al. (2001: 350)

Richardson (1994: 27) has synthesized a number of leadership types/styles from management literature. These bring a certain style, perspective to their jobs and skill-base to each leader type. Although Richardson (1994: 39) discusses the different leadership styles separately, he is of the opinion that a range of leadership styles should be employed simultaneously in order to meet the demands of the modern organisation. He asserts that the modern environments that organisations function in require strategists who have the necessary skills, knowledge and attitudes to do their jobs.

House in Enock (2001b: 1) basically also supports the idea of a contingency approach to leadership. House is of the opinion that leaders are more influential and effective if they can adapt their style to complement specific contexts in which they are to perform.

Vroom and Yeton in Enock (2001b: 2) describe five decision styles, which they group under three headings:

– *Autocratic styles:*

- The manager using information available at the time resolves the problem.
- Information may be obtained from subordinates, who are treated as information-givers, but the manager makes the final decision.

– *Consultative Styles:*

- Problems are shared with subordinates on an individual basis. The manager, based on their ideas and suggestions and their influence, makes the decisions.
- Subordinates are brought together as a group, where together with the manager they generate alternatives and suggest solutions. The manager makes the decision.

– *Collective or group style:*

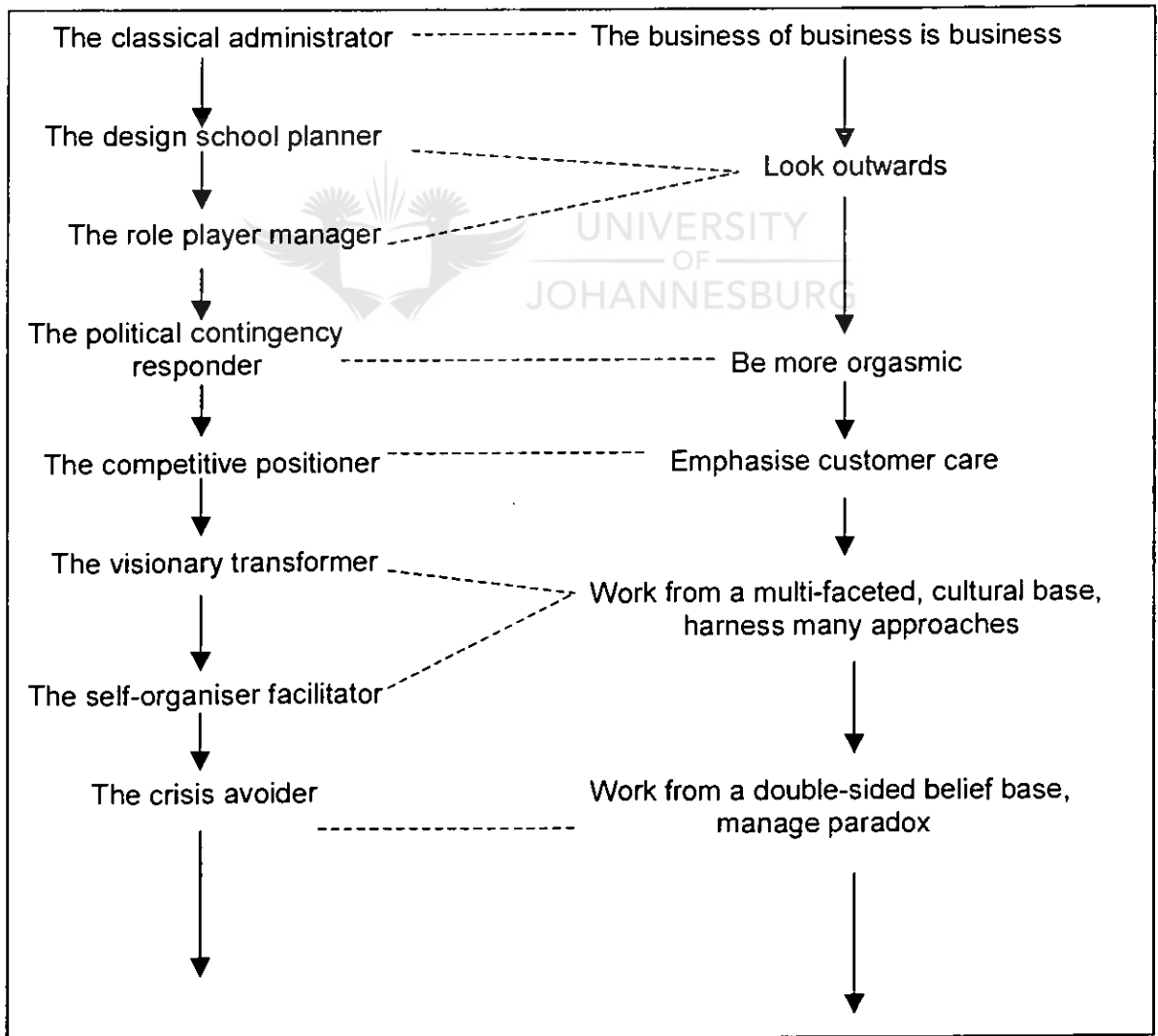
- Problems are shared with subordinates, where the group tries to reach consensus on the possible solutions for the identified problem. The manager will only provide guidance, without influencing the group and finally the manager will be willing to implement any solution, which has the support of the whole group.

Management of conflict should be mentioned, as it is everywhere and often guides management style. Conflict should not always be perceived as negative, but rather be utilised productively, by discussing and resolving conflict, then moving forward learning from the experience (Enock, 2001b: 2-3).

To highlight the importance of effective, transitional leadership this section is concluded by quoting Nel et al. (2001: 367): “Transformational leadership is imperative in a changing and dynamic business environment”.

Figure 2.4 will provide the transition in the discussion from leadership styles to that of organisational culture, as it poses to show the relationships posed between strategic leadership and cultural perspectives.

Figure 2.4: Strategic leadership and cultural perspective continuums



Source: Adapted from Richardson (1994: 37).

Schein (Organisational solutions, 2001: 4) defines culture as: "...a pattern of basic assumptions, invented, discovered or developed by a given group as it learns to cope with its problems of external adaptation and internal integration, that has worked well enough to be considered valid and, therefore is to be taught to new members as the correct way to perceive, think and feel in relation to those problems"

Gaia Consulting (1999: 1) describes organisational culture as being created by those within the organisation, through their relationships, commitments and conversations.

Culture contains the following elements (Chittenden, 1999: 1-2):

- *Symbols*; are deemed to be the traditions and rituals that exemplify powerful messages about what is imprinted in the organisation.
- *Values*; are the principles that are considered meaningful it would include aspects like innovativeness and creativity.
- *Philosophy*; lies within the organisation's stated ideologies and policies that guide the actions of all the stakeholders within the organisation.
- *Norms*; are deemed to be the standards that are generally accepted and apply to the organisation, such as the dress code and how hard people work.
- *Beliefs*; generate the organisational paradigms, in that they are based on the assumptions and the business model that are valid for those within the organisation. These are normally the stories that last within the organisation; they provide a type of cohesion about the way that things are done.
- *Climate*; indicates the organisational mood. The mood is usually fundamental to the functioning of the organisation. It predisposes that personnel will act in certain ways and not others. It may influence the mood of the clients or outsiders that come into the organisation.

Combined these six factors basically create the environment on which each of the members of the organisation acts. They impact directly on the decisions and behaviour of the personnel and therefore have a direct bearing on performance.

Shrivastava (1994: 147) is of the opinion that there are no organisations with a single homogenous culture, that organisations are multicultural entities. Organisations are described as having different cultures in different departments and at different hierarchical levels.

Shrivastava (1994: 147) adds an extra dimension to the factors described above in terms of physical objects, even mundane physical objects such as; location of offices, reserved parking spots, décor, and norms for dressing, convey important meanings and cultural values.



Jarvis (2001: 1-2) ascribes social/behavioural manifestations in a whole range of issues in relation to organisational culture, namely:

- how authority is exercised and distributed within the organisation;
- differential status;
- the value that is placed on aspects such as analysis, planning, logic and fairness;
- the values and work orientation of staff;
- expectations and rules concerning aspects such as dress, personal eccentricity and informality in interpersonal relations;
- emphasis that is placed on certain rules and procedures, team or individual working and performance specifications and results;
- the way that work is organised and experienced by staff; and
- the degree of formalisation, standardisation and control through systems.



Jarvis (2001: 2) feels that the organisation's culture may be imperceptible, assumed and even taken for granted, but is visible in terms of the buildings, offices and shops of the organisation, those physical objects referred to by Shrivastava (1994: 147). Jarvis is also of the opinion that the culture may be visible through the image and public relations of the organisation.

In conclusion Silverman in Willmott (2000: 1-2) will be quoted as it probably summarises the nature of organisational culture best: *"The explanation of why people act as they do may lie not in a combination of "objective" and "subjective" factors, but in a network of meanings which constitute a "world taken for granted" by the participants"*.

By style the organisation is thus to provide the corporate "glue" that is to hold the globally disparate modern organisation together. Strong leadership from the centre is to convince people anywhere in the world that they belong to a global organisation that has consistent standards and operating practices (Wallace-Walker, 2000: 6).

### **2.3.5 Staff**

The staff factor concerns the human or people resource management function within the organisation. Processes are utilised to recruit, select and develop personnel, methods for introducing new recruits to the company, ways of helping to manage the careers of personnel and their basic values (Recklies, 2001: 1-2).

Peniwati (2002: 4) emphasises that staff is considered as a pool of resources to be nurtured, developed, guarded and allocated. The following activities would probably best describe the staff-planning factor (Organisational Solutions, 2001: 1):

- Employee recruitment, selection and assessment;

- Induction, coaching and training;
- Performance appraisal;
- Personnel motivation;
- Workplace design, health and safety;
- Human-machine interaction (ergonomics); and
- Personal development, career development and organisational development.

Human Resource or Staff planning is conducted by the organisation, according to the nature and composition of the labour market, but most importantly according to the particular needs of the organisation itself. It can thus be surmised that human resource planning is aimed at obtaining the required human resources of the desired calibre. Staffing is also meant to ensure that personnel are appointed to positions that correspond to their abilities. This would however entail the processes described in the previous section. A short description will be given of what each process basically entails.

#### 2.3.5.1 Employee recruitment, selection and assessment

Nel et al. (2001: 65) describes this process as being "...aimed at providing a pool of potential employees from which the organisation can select the required number in accordance with job requirements". He goes further to describe the importance of assessment and correct selection, in that it provides a group of suitable employees, with the correct abilities, aptitude, experience and knowledge required to meet the demands of the particular job and of the organisation.

### 2.3.5.2 Induction, coaching and training

Honey (1994: 110) is of the opinion that the long-term objective for induction is to fully integrate the new employee into the organisation, its ways and means and culture, so that they are able to understand the general method and the context in which they are to perform their work and how they are to make a wider contribution to the organisation.

According to Honey (1994: 54) coaching makes a direct contribution to getting the job done, and at the same time it will contribute to the person's development and learning. He describes coaching as being any discussion between employees where the aim is to help maintain and improve performance. It takes place on the job and is about helping, encouraging, guiding and at the same time allowing space to perform and do things differently.



Training on the other hand is more applicable to the job content environment. It provides an opportunity for the employee to extend and improve their skills in order to be more productive (Nel et al., 2001: 65).

### 2.3.5.3 Performance appraisal

Honey (1994: 24) describes performance appraisals as being an honest attempt at reviewing an employee's current performance and thereby assisting them to identify how best to improve.

Robbins (1991: 544) expands on this description by listing a number of other purposes for performance appraisal:

- it is used by management for general personnel decisions, e.g. promotions, transfers and terminations;
- it is used to identify training and development needs;
- it can be used as a criterion against which selection and development programmes are validated;
- it provides feedback to personnel regarding their performance; and
- it is used for the basis of reward allocation.

#### 2.3.5.4 Personnel motivation

Motivation is defined by Robbins (1991: 192) as *“The willingness to exert high levels of effort toward organizational goals, conditioned by the effort’s ability to satisfy some individual need”*.

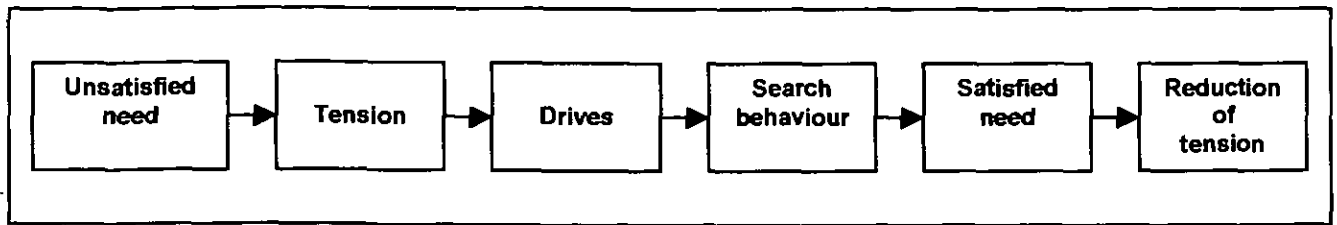


Ivancevich & Matteson (1996: 157) break motivation up into three components:

- *Direction*: the choice the individual makes when presented with a number of alternatives;
- *Intensity*: refers to the strength of the response once the individual has made a choice (direction); and
- *Persistence*: is how long the person will continue to devote their effort or in other words their staying power.

Figure 2.5 describes the steps in the motivation process; it illustrates motivation as being a need-satisfying process (Robbins, 1991: 192).

Figure 2.5: The Motivation process



Source: Robbins (1991: 192)

Ivancevich & Matteson (1996: 163-164), describes intrinsic and extrinsic motivators in Herzberg's two-factor motivation theory. Extrinsic motivators are determined by job context e.g. salary, job security, working conditions, status, company procedures, quality of technical supervision and quality of interpersonal relationships.

Intrinsic motivators have to do with job content, which would include aspects such as achievement, recognition, responsibility, advancement, the work itself and the possibility for growth.



At this stage it should be mentioned that the literature abounds with information pertaining to the different motivational theories, reward and recognition systems, which all tie up and are part of motivation, it will however not be explored further in this section of the study, but may become important in terms of the results of the survey that is done as part of this study and the consequent recommendations that will be made.

#### 2.3.5.5 Workplace design, health and safety and Human-machine interaction (ergonomics)

Ergonomics encompasses all of the above. Viljoen et al. (1987: 200) describes ergonomics as the reversed trend of adapting the worker to the workstation, now the

environment, furnishing and equipment is designed to suit the needs of the particular employee. This is done for safety, to optimise employee health, efficiency and general well being.

Ergonomics in the workplace is perceived as a system involving the employee, task/s (job), equipment, furniture, and the workspace and work environment. Its function is aimed at determining the range of human limitations and after having done so to order the component parts of this system, to which the employee is most sensitive, in such a way as to minimise the adverse effects of those human limitations (Viljoen et al., 1987: 200).

2.3.5.6 Personal development, career development and organisational development  
Nel et al. (2001: 509) ascribes such factors as the socio-economic challenges and global competition as bringing new dimensions to the workplace and especially to the training and development of staff. He is of the opinion that should the organisation want to survive in a highly competitive marketplace they are to invest, as part of a business decision in their staff. He describes development as aimed towards preparing employees for further career development and progress.

Nel et al. emphasises (2001: 510) that there is a close relationship between training and development and career development, as it can be used as the means for staff to achieve their own ambitions and career goals. He feels that one of the most vital aspects of career development is for the employee to gain maximum benefit from his endeavours. At the same time it should be broad enough to meet specific career needs of individuals, but specific enough to provide flexible job experience to employees.

To conclude this section Wallace-Walker (2000: 4) will be quoted. This consultancy firm is of the opinion that the people and thus the staff are the organisation. Success can only be ascribed to them, as it is they who individually and collectively contribute to the successful (or not) implementation of the organisation's strategies.

### **2.3.6 Skills**

According to Peniwati (2002: 5) skills describe the organisation and its key staff's crucial capabilities and attributes, that, that they do best. It is important for organisations that face discontinuity in their environment in terms of techniques and technology to change old capabilities and to add new capabilities in order to guarantee survival. The survival of the organisation can be based on its ability to shift its dominating skill, which will require the training and developing staff in terms of the demands of the environment.



Organisational skills are often ascribed to "human capital", which Hitt et al. (2001: 501) describes as being the knowledge and skills of the organisation's entire workforce, they suggest that it may be the organisation's only truly sustainable source of competitive advantage.

Development of staff, which includes skills development has been explored in the previous section, but will be mentioned again as it is critical if the organisation would like to remain competitive.

Management skills or competencies are broken up into three types by Robbins (1991: 6), this could however also be translated to any staff member, who will require

some measure of these different types of skills prescribed by and according to the job that they do. The types of management skills or competencies are:

- *Technical skills*, which is the ability to apply specialised knowledge or expertise to the requirements of the job.
- *Human skills*, which is the ability that staff require to enable them to work with, motivate and understand other personnel and people such as clients, both individually and within a group context.
- *Conceptual skills*, is the mental capacity and ability required to diagnose and analyse appropriate situations, some more complex than others. It would include functions like decision making, recognising problems and identifying alternatives for correcting the problem and finally choosing the correct solution to the problem.
- *Physical skills*, is a fourth dimension that can be added to this list, as tasks often require a certain amount of stamina, dexterity and in certain cases strength.

Waterman et al. in Shrivastava (1994: 922) is of the opinion that the most important and perhaps difficult problem in trying to maintain the efficiency of the organisation and to organise effectively is to “weed out” old skills, with their their supporting systems and structures. They emphasise the importance of new skills taking root and growing.

The last factor, pertaining to the McKinsey 7S model, shared values or superordinate goals as it is sometimes referred to, will be discussed next.

### **2.3.7 Shared values**

The terms shared value and superordinate goal will be used interchangeably in this section. Both refer to the seventh factor or dimension in the McKinsey 7S model.



Bateman & Snell (1999: 489) define superordinate goals as “higher level goals taking priority over specific individual or group goals”. They are of the opinion that collaboration is an important technique to invoke superordinate goals, due to the fact that it offers the best chance of being able to reach mutually satisfactory solutions based on the ideas and interests of all the parties. At the same time it maintains and strengthens work relationships.


According to Peniwati (2002: 5) superordinate goals are guiding concepts. Shared values are aspirations that are often unwritten, that go beyond the formal, conventional statement ascribed to corporate objectives. They are often utilised as starting points on system development and often work, if the organisational drive for their accomplishment is so strong that it provides the necessary spark for achievement and at the same time pulls the organisation together to provide stability to organisational dynamics.

According to Fox (2002: 1) shared values often act as the organisation’s conscience, they are things that would be strived for even if they were deemed to be non-profitable. They also provide guidance during crisis periods, and define what the organisation’s role is in the larger community in which it exists and functions.

Waterman et al. in Shrivastava (1994: 922) describe superordinate goals as being the fundamental ideas on which the organisation is built, being its main values. It is emphasised however that they are even more, because they are also the broad notions of the future direction of the organisation, which the top management would like to infuse throughout the organisation. They are also deemed to be the way in which the team would like to express itself and thereby leave its own mark.

According to Peniwati (2002: 5) shared values do not even appear to be present in most organisations. According to Minzberg & Quinn in Peniwati (2002: 5) they are however evident in the superior performing organisations. It is described that ideally, shared values should be the ones that are based on stakeholder philosophy, which will promote aspects of greater importance such as; ethics, professionalism and organisational learning.

Waterman et al. in Shrivastava (1994: 922) equates superordinate goals to the basic postulates of a mathematical system, by being the starting points, as already mentioned, on which a system is logically built and expanded upon, although they are not logically derived. They emphasise that that the ultimate test of their value is not in their logic, but rather in the usefulness of the system that ensues.



In conclusion it can be said, for superordinate goals to be readily communicated, they need to be succinct, and are thus as a result typically expressed at high levels of abstraction, meaning very little if anything to outsiders who do not know the organisation that well. They are however rich in significance and meaning to those on the inside of the organisation, which is important, as it is deemed to be one of the main functions of leadership (Shrivastava, 1994: 923).

## **2.4 MANAGEMENT OF CHANGE**

According to Jaffe & Scott (1999: 2) the word change, refers both to the shift that occurs in the external environment of the organisation, as well as the change that takes place inside the organisation in response to this external shift.

Managers should understand exactly how to manage change effectively. Bateman & Snell (1999: 608) is of the opinion that organisational change is managed effectively when:

- the organisation is moved from its current state to a planned future state that will manage to exist after the change has occurred;
- the change works according to how it was planned thus ensuring the functioning of the organisation in the future state to meet expectations;
- the transition can be accomplished without excessive cost to the organisation;
- and
- without excessive cost to the individual organisational member.

Change is deemed to be inevitable, it is a nagging constant, but at the same time an opportunity. Organisations exposed to change on a continual basis, yet being able to retain their underlying culture and structure are operating on the edge of flexibility, otherwise called dynamic equilibrium. It is evident that expertise in analysing and changing strategy, business processes and management techniques will become more essential in all change efforts (Biech, 2000: 303).

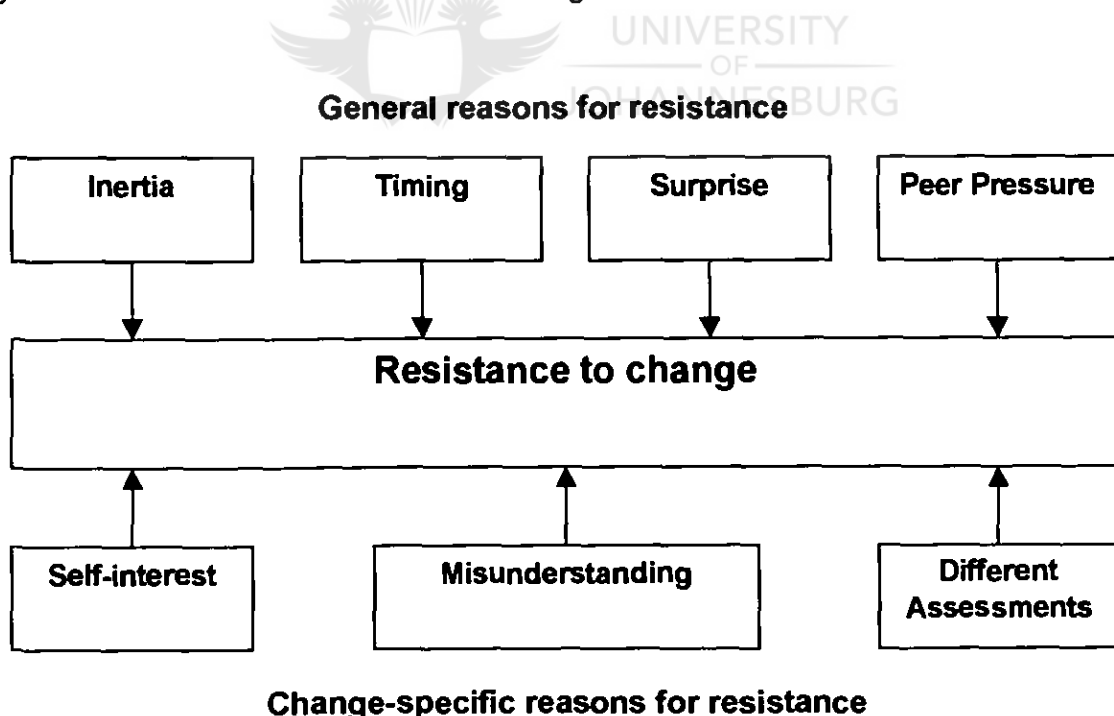
Jaffe & Scott (1999: 2) provide a list of key tasks required in the infrastructure of the organisation to support change:

- A persuasive explanation of why the change is required.
- A shared vision of where the organisation is going.
- The total involvement of every section and part of the organisation.
- Consultation and input from all people that are affected by the change.
- Continual two-way communication on all levels.
- Fair and clear policies are to be implemented to ensure workforce transition.

- Investment should be made in the resources to support the transition.
- Personnel should receive training in terms of their new roles and in the skills that are to be acquired.
- Transition structures are to be put in place to manage design and implementation.
- People should be challenged to question their old ways and so that they are able to consider new directions.
- Personnel and the organisation as a whole should learn the new ways.
- Personal support should be provided to deal with the stress of change.

A major problem experienced by organisations is resistance to change. The reasons for resistance to change are illustrated in figure 2.6.

Figure 2.6: Reasons for resistance to change



Source: Adapted from Bateman & Snell (1999: 610)

De Rooij & Van der Pijl (1994: 5) is of the opinion that resistance to change or even the opposite to that, readiness to change is influenced by four factors:

- *Staff*: resistance to change is increased especially if staff are not willing to change, nor do they have the correct attitude and quality awareness in order to change.
- *Style*: resistance to change is increased when the management style does not stimulate commitment and involvement and especially if the management does not exhibit a positive attitude to change.
- *Skills*: should workers lack the skills to change resistance to change will increase. They are also not well informed about the consequences of change.
- *Shared values*: should the organisation have a closed, autocratic and mechanistic culture where there is a lack of team spirit, resistance to change will increase.

Lawson & Price (2003: 1-2) describe four conditions for changing mindsets:

- If they see a point to the change and agree with it to the extent that they are willing to give it a try.
- The surrounding structures, which include reward and recognition systems, should be in tune with the new expected behaviours.
- Employees should have the skills in order to cope with the changes.
- They should be able to see people that they respect role modelling the changes actively.

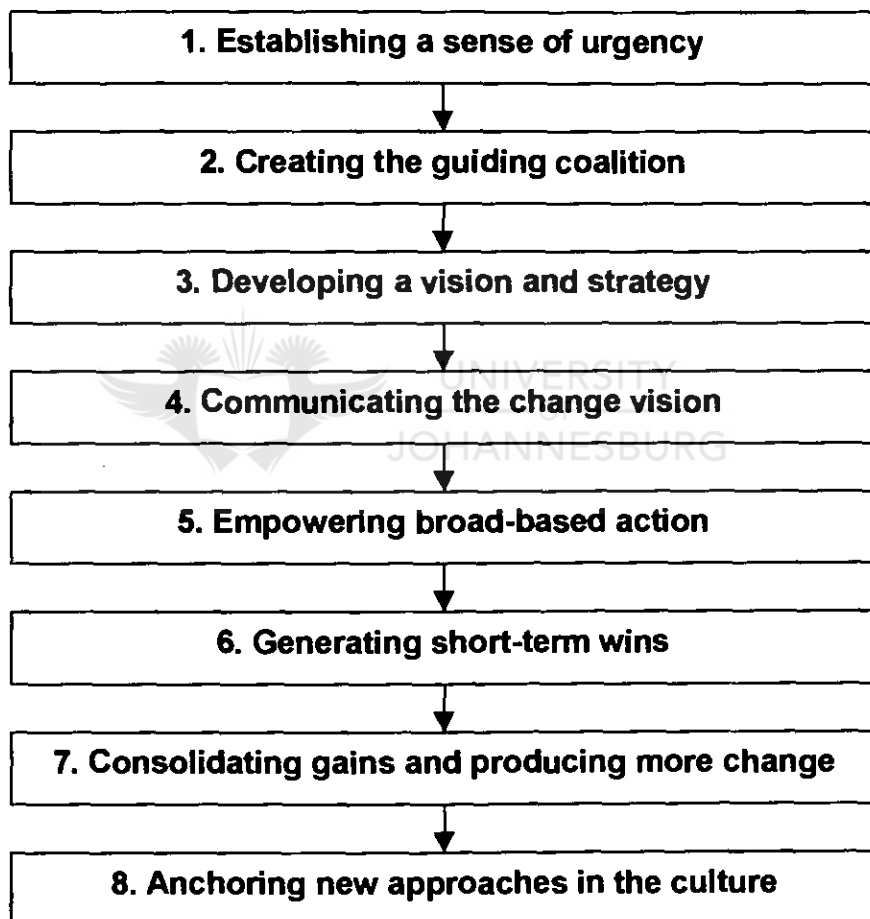
Bateman & Snell (1999: 618) describe two types of change:

- *Reactive change*: is problem-driven change. "A response that occurs when events in the environment have already affected the firm's performance".

- *Proactive change*: “A response that is initiated before a performance gap has occurred”. This type of change implies being a leader and creating the desired future.

Change requires managers to actively lead it. Figure 2.7 summarises the essential activities of leading change:

Figure 2.7: Leading change



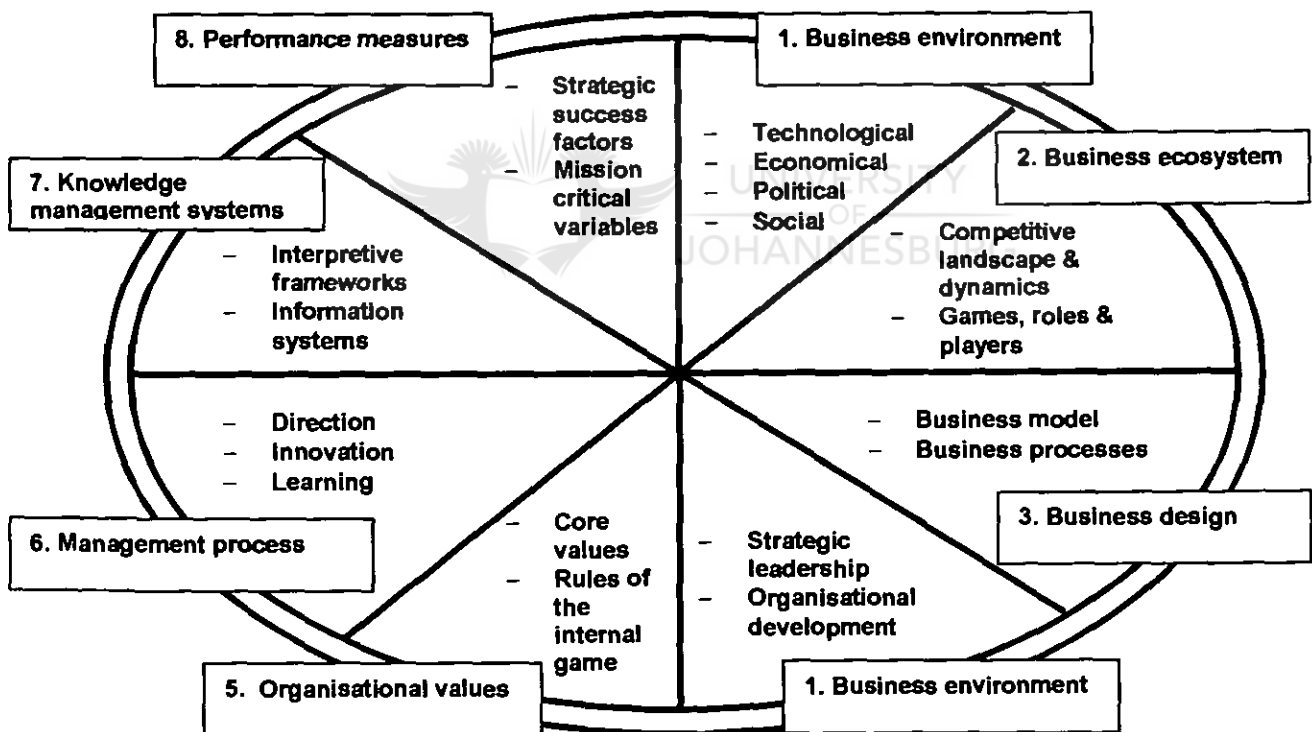
Source: Bateman & Snell (1999: 616)

To conclude this section it should be stressed that managers are central figures in organisational change. They have to be pro-active in anticipating and also shaping the environment and as a result be able to chart the organisations course. Strategic alignment is thus essential between the organisation and its environment.

Strategic management is thus very important to change management, because without it, it is difficult to legitimise change and to assess whether its impact had a positive or negative effect on the organisation (Nel et al., 2001: 405).

The following figure (figure 2.8) illustrates the complexity that exists in terms of strategic change management and the barriers that need to be overcome in order to implement strategies. These barriers are often evident in terms of internal skills and capabilities and external opportunities and trends in the environment, which are available to the organisation (Wood, 2003: 16).

Figure 2.8: Overcoming barriers to change in strategy implementation



Source: Adapted from Wood (2003: 17)

## 2.5 CONCLUSION

The organisation has become all-important due to its size, global spread and complexity. To be effective it is necessary that accountability and authority be

distributed amongst key personnel, systems of control and inspection are to be implemented and incentives to encourage desired behaviour constructed. Meaning must be infused in all levels of the organisation's work, to ensure that working environments are created where the individual can figure out exactly what it is they must do, cooperate with others to get it done and at the end of the day experience it as personally fulfilling (Day, 2003: 1-2).

Strategy is required to decide what is to be done and execution is about getting it done, both are deemed to be essential skills or requisites for a modern-day leader. Another, even more important skill lies between these two skills in the realm of the effective organisation: the design of systems, structures and mechanisms that will assist the leader in guiding and motivating the actions of personnel as well as assisting in the critical task of implementing new organisational systems (Day, 2003: 1-2).

Organisational effectiveness and management of change have always challenged and confronted top corporate leaders. Today, even more so, in a business world rapid change, continuing, but erratic globalisation marks that, and the complex objectives prescribed by shareholder value, social responsibility, and corporate stability, the task of getting organisation "right" becomes more important than ever before (Day, 2003: 1-2).



### THE COMPANY: MANAGED HEALTHCARE SYSTEMS

#### 3.1 INTRODUCTION

“From cottage industry to world class performer?” This is a statement that would require careful consideration; it is also not really the question that this dissertation is aimed at addressing. It can however without any uncertainty be declared that Managed Healthcare Systems (MHS) had a very humble beginning in 1986. At this time the business was started with only two members, which provided ad hoc consultation work for medical schemes (Boyce, 2002: 1).

It is thus easy to describe MHS in these early years as a cottage industry. It is however much more difficult to state with conviction that MHS is a world-class performer. With this study an effort is made to ascertain with the help of the McKinsey 7S's model whether MHS is an effective company and whether it has the capabilities to adapt to the demands of the future, which may lead towards becoming a world class performer.

In this section a portrayal will be provided of the company's history and evolvement, its competitive dynamics, corporative levels and current business strategies. The current situation will be analysed and described on a perceptual level and in terms of the available company literature, whilst at the same time utilising the dimensions of McKinsey 7S's.

#### 3.2 THE HISTORY OF MANAGED HEALTHCARE SYSTEMS

Managed Healthcare Systems was established as a private company during 1992

when Medscheme approached David Boyce and Graham Hukins to do specific managed care consultancy work for them.

The firm operated from a few offices in Braamfontein, Johannesburg. This was a very small beginning, with the entire staff establishment consisting of only three people. During the first few years the growth of the company was reasonably conservative, and focussed mainly on General Practitioner Networks and Profiles.

The year, 1995, produced two highlights; the company obtains the New Zealand Government as client and the first AS400 technology is purchased which enables the company to compete at a higher level (Boyce, 2002: 1-2).

During 1996 property is acquired in Hans Strijdom Drive in Linden and the company moves out of Braamfontein. The Hospital Utilisation Management (HUM) programme is launched in 1997 and in 1998 a joint venture is agreed upon between Bay Union and MHS.

This joint venture enables the company to establish satellite offices in Durban and to implement the MHM (Monitored Healthrisk Management) programme. At this stage MHS had already acquired a few clients, they had been able to globalise and had three reasonably strong products with information technology backup (Boyce, 2002: 2).

From 1999 things started happening much faster for MHS, this will however be discussed in the section dealing with the company's recent history.

### **3.3 MANAGED HEALTHCARE SYSTEMS' RECENT HISTORY AND MISSION**

MHS as a company mainly renders service as a managed healthcare consultant, to medical schemes, medical administrators and the larger healthcare industry of South Africa. The company has, as already been mentioned, overseas interests in New Zealand (MHS, 2002).

The company renders appropriate specialist services as well as computer software and the necessary support services to its clients and healthcare providers. In general the company is focussed on the delivery of healthcare products, services and resources for the development, design and continuous monitoring of managed healthcare.

#### **3.3.1 Recent history**

What is most evident from MHS's most recent history, is that tremendous growth has taken place in this organisation over the last few years. Mr. David Boyce the Managing Director of MHS completed his contract with Medikredit during 1999 to become involved with MHS on a fulltime basis.

Over the next three years the following successful ventures took place:

- A separate company is formed during 1999 for Information Technology called "Medsys Technologies". MHS however remains the parent company
- The MHS head office is moved to much larger premises in Bryanston.

During 2000 four new products are developed and introduced to the medical schemes/ managed care industry (Boyce: 2002), namely:

- “Disease Management” for the education and counselling of patients with chronic diseases e.g. Asthma;
- Managed pathology services;
- Managed dental services; and
- Hospiclear (now Hospi-CHEQ) a service supplier that does electronic account auditing.

During 2001 even more strategic developments take place (Boyce: 2002), that include:

- The “Pro Care Trust” is established as a joint venture with Bankmed one of South Africa’s largest closed medical schemes;
- “Insight Medicines”, amalgamates with MHS, but continues to render a service under this name;
- “Optimax”, a company that develops and maintains software for optometrists is taken over with all personnel; and
- “Disease Management” initiates the handling of an additional two chronic diseases: Diabetes Mellitus en Cardio Vascular Diseases.

The year 2002 started at a tremendous pace, the following further developments take place:

- the HUM programme acquired an additional three clients, the implication is that an additional 290 000 insured lives are serviced in terms of hospital admissions and events;
- two new software programmes are specially developed for and released to HUM;
- “Disease Management” acquires an additional client and renders a service to an

additional 75 000 insured lives, only in terms of those members affected with chronic diseases;

- A total of 35 additional professional nurses are employed to render the above-mentioned services. Four groups of personnel are recruited, appointed and trained to start rendering these services from the beginning of 2002;
- MHS's premises are extended to another three additional blocks to accommodate the new personnel and departments (SBU's); and
- A Call Centre is implemented. This allows MHS to compete with the biggest and the best out there.

According to Boyce (2002), it is thus very clear that should the most recent history of MHS be taken into consideration, the organisation has had to adapt very quickly to the changes and growth in its direct environment. Whether this has been optimal and beneficial for the organisation will perhaps become clear during this study. It will also demonstrate how adept the organisation will be to adapt to the future should this trend continue.

### **3.3.2 The MHS mission**

The MHS mission is probably a good explanation of what managed care entails, seeing that this question is often asked. The mission is as follows (Boyce, 2002: 2):  
*"To facilitate a process of rational, appropriate and cost effective healthcare in cooperation or on behalf of our medical scheme and – administrative clients".*

### **3.4 AN ANALYSIS OF THE ORGANISATION UTILISING THE MCKINSEY 7S'S**

In this section the current status of MHS is described in terms of the McKinsey 7S model. Although not many sources are available that describe the organisations position, the company website and client brochures and presentations were utilised for this purpose.

#### **3.4.1 Strategy**

In this section the MHS vision and direction is described, it is aimed at describing the direction in which the organisation is moving. It is the way in which MHS derives, articulates, implements and communicates their vision and direction.

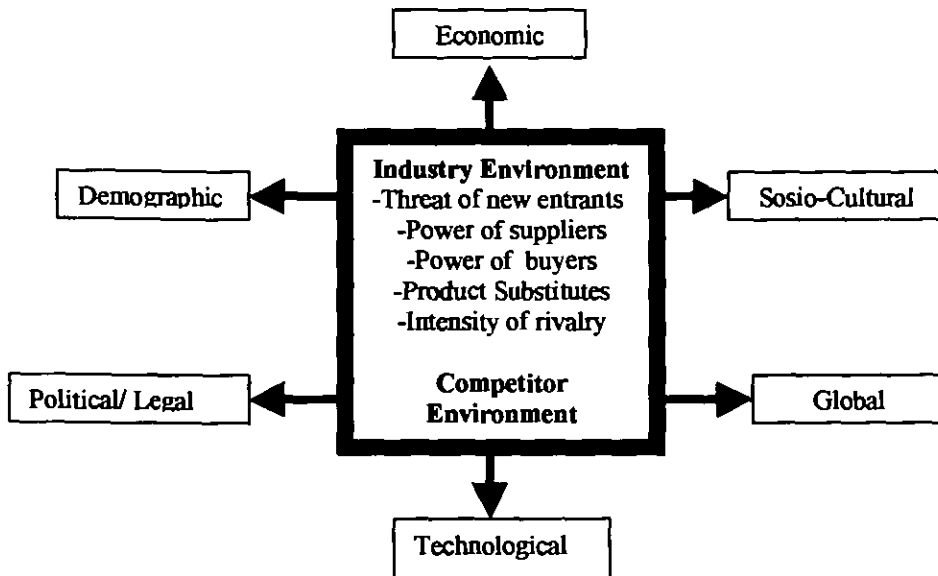
Recent strategies have basically been referred to in the preceding section. It is clear that one would need to do a careful situation analysis in order to establish the general direction that the company would be required to follow in order to stay ahead of the competition.

##### **3.4.1.1 Situation analysis: macro-environment analysis**

The general environment, in which MHS operates, is made up of elements of the broader community that may have an influence on the healthcare industry and the company within it. It is basically made up out of six segments, which is depicted in figure 3.1.

In the following section the six external environmental segments are described in terms of the trends in the external environment and the impact that they have on the organisation's activities. The discussion on each environmental segment is concluded with the implications that the trends have on the organisation.

Figure 3.1: The external environment



Source: Adapted from Hitt et al (2001: 50)

– The technological environment

The health industry has been saturated with technological innovations, changes and knowledge and thus the technological environment can probably be deemed as the most important element in the environment (Boyce, 1998: 4).

o Trends

Medical care has become much more technical and advanced. There is a trend towards continuous research and development for the treatment of cancer, AIDS and the improved quality of life.

More complex diagnostic equipment is being utilised on a daily basis in the healthcare industry, an example is the challenges of microscopic and endoscopic surgery. Healthcare providers are using the complexity of equipment such as the CAT scanners, MRI, lasers and other equipment on

a daily basis. Product innovations and application of knowledge are essential requirements in an industry where it has become essential that everything should be done faster, easier and more effectively and efficiently.

There have been enormous strides in communication technology in the industry, for example it is doubtful that managed care can be done without having a well-organised call centre. The need for being on-line with the medical schemes is imperative and thus every healthcare provider within the managed care industry will probably have a computer as part of their essential equipment requirements.

o Impact

The implication is that new products, processes, material and knowledge require thorough research and development before being used on human beings. This in itself has created the need for bigger budgets and therefore more taxes in this multi billion-dollar industry.

As most of the innovations and designs come from overseas countries, South Africa has been in the unfortunate position of having to pay for them at exchange rate prices.

With the fast pace that equipment and product innovation has occurred it has lead to the unfortunate problem of redundancy. Thus the designers had to come up with new ideas on how to avoid this by using disposables. This has created major problems in the South African Health Industry, in that it has to a



large extent caused the very fast increase of medical scheme contributions or tariffs, at 25,1% per annum since 1978 (Boyce, 2002: 2) and in terms of the public sector a total lag exists, where it is impossible to keep up.

- Implications

The implications of technological advances has created opportunities for MHS as a managed care company to research and form guidelines and protocols for the use of any new technology to try and curb unnecessary expenditure, by ensuring that it is used cost-effectively, appropriately and rationally.

This is done in order that stability may be obtained in the medical scheme industry, which has come under tremendous pressure during the last couple of years to keep medical scheme contributions at an affordable level.

MHS also has a high level of technological involvement in terms of the IT and communication systems that have been designed for the products rendered and the technology that has been applied for it (Boyce, 2000: 52). Technology is also changing at a tremendous pace; it becomes redundant very quickly and is often very expensive.

- Governmental and legal environment

- Trends

Legislation in terms of medical schemes has changed dramatically over the last few years, especially from 1998 (CMS, 2002b).

- Impact:

Medical schemes have been forced to take more risks. They are no longer able to subsidise the elderly from younger and healthier members. Medical schemes have been forced to cover a long list of healthcare problems under prescribed minimum benefits, which was previously not covered as part of medical scheme benefits. In many cases waiting periods are no longer included, unless the member has not belonged to a scheme for a period. The schemes have further been forced through legislation to provide an option to persons belonging to lower income groups (CMS, 2002a).

- Implications

The implication of the changes that have occurred in legislation is that the medical schemes options, rules and regulations have become extremely complex. Managed care providers with different clients have to keep abreast of the political, legal environment as they often act in an advisory capacity for medical schemes.

New packages and options have had to be created for lower income groups to make provision for changes in legislation.

It is essential that members' consumer rights be protected at all times. At the same time the medical schemes have had unavoidable sharp increases in member contributions, as a result of the changes to legislation, to keep abreast of the upward spiral in healthcare expenses. Careful management of scheme funds remains essential, as a substantial reserve is required for

medical schemes to keep their doors open, as demonstrated in the Discovery debacle during 2002 (CMS, 2002b).

– Economic environment

The economy of South Africa has not been performing as well as expected over the past few years, with rising interest rates and a poor exchange rate and even though there is an upward spiral in the economy, it has yet to be demonstrated in the provision of health services. Positives have been in the positive growth in the GDP, lower personal tax rates and recently a drop in interest rates.

○ Trends

South Africa has a high unemployment rate.

○ Impact

It impacts on the economic environment in the sense that it is causing poverty and thus that by implication about 80% of the population has to utilise public health services that only have about 20% of the total health budget. The remaining 20% of the population utilise private health services.

○ Implications

Managed care is usually focussed on the high spending private sector group. The main concern for the economy is however the impact that HIV is having and to a greater extent will have in the future on the countries economy. Questions on how managed care should manage the debilitating effects of this disease and other chronic illnesses in terms of the country's economy is being debated (Barker, 1999: 56 – 58).



- Socio-cultural environment

The socio-cultural environment is plagued by a general negativity in respect of medical schemes.

- Trends

Members and even service providers have not realised to what extent healthcare costs have risen. As previously mentioned most user items are imported and has thus contributed to the impending disaster that is waiting to occur due to the poor performance of the Rand as opposed to other monetary units.

- Impact:

Healthcare providers are very negative in terms of managed care. They have experienced it as a threat and feels that their integrity is being questioned.

- Implications

Especially MHS and managed care in general can avail itself of the opportunity to find solutions and co-operate with service providers to establish a high level of commitment and quality service provision.

- Demographic environment

The demographic segment is made up of aspects such as population size, age structure, geographical structure, ethnic mix and income distribution (CMS, 2002a).

- Trends

There is a population of approximately 46 million people in South Africa today. The population of South Africa is very diverse and is concentrated around the bigger cities (54%) with the highest population density in Gauteng. With the general improvement in the average quality of life and health services there is definitely an older population (Barker, 1999: 50).

- Impact

This has a direct impact on medical schemes, as the older generation costs more in terms of health care.

- Implications

Managed care has had to design new products to deal with chronic illnesses and high costing members such as the hospital utilisation programme and disease management programmes.

- International environment

Most of the managed care industry is concentrated in South Africa. There is very little global participation.

- Trends:

Software applications that have been brought to South Africa in terms of managed care and managed care approaches have not been successful as was demonstrated in the following example. The company, Southern JV, had to close their doors for business after only a few years, because they tried to

apply American software programmes to the South African healthcare environment, without adapting them first.

- o Impact:

Many managed care ventures and health care administrators, such as Fedhealth, Southern and Qualsa, have failed in an ever changing and recently very turbulent health environment. Aspects that have not been taken into consideration by many is that the South African environment is unique, as a developing country, with first world medicine and primary healthcare that cohabitates together.

- o Implications

This has provided MHS with the opportunity to design and create products and programmes made for own consumption. Being an information system development company this has allowed that MHS also be a global player. MHS is always searching for further expansion in the global market.

As MHS has a foot in the global market other opportunities may arise in other parts of the world and especially in other developing countries. (Du Plessis et al, 2001: 23- 33) & (Hitt et al, 2001: 55-66)

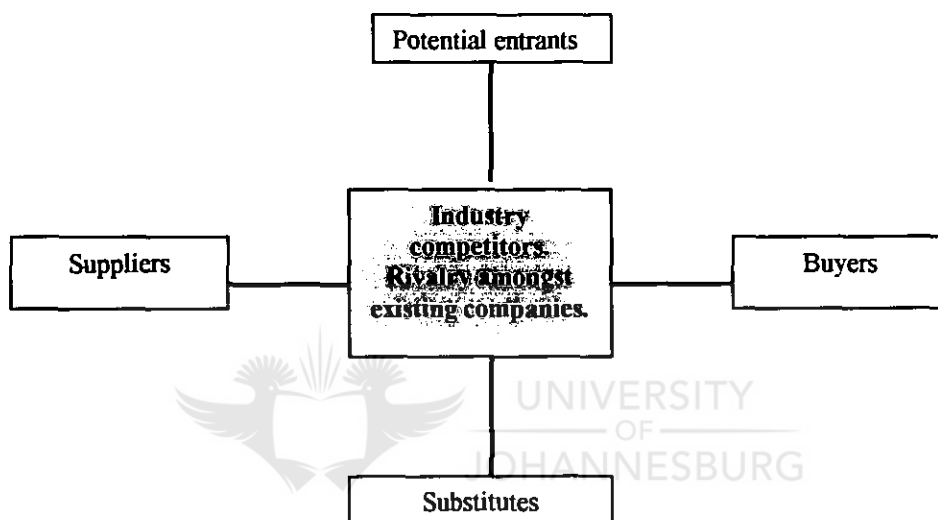
#### 3.4.1.2 Industry analysis

According to Du Plessis et al. industry analysis is deemed to be extremely important as it assists the organisation in determining two important elements namely:

- the attractiveness of markets; and
- the dynamics of the market.

The latter will assist in determining MHS's future course in the market. The competitive structure of the industry is determined by a group of companies that perform the same or near substitute services as illustrated in figure 3.2, which depicts the Porter's model of competitive forces. During competition the companies will influence one another, as rivalry exists between the industry competitors and existing organisations (Du Plessis et al, 2001: 45).

Figure 3.2: Competitive structure of the industry



Source: Adapted from Du Plessis et al. (2001: 45)

The dynamics of the industry is described in terms of the Porter's five forces model.

– Direct rivals

There is a history of companies that went under in this industry e.g. Southern and Fedhealth. Many of the medical schemes and administrators are rendering these services in-house e.g. Medscheme, Discovery and Cammaf (Alport, 2001: 1-3).

There are thus quite a lot of rivals in terms of MHS's many different products. An example to illustrate this is when MHS offered its HUM programme to a client for substantially less than the competition last year, one of its rivals (Qualsa) dropped

their price with as much as R4.00 per main member. MHG went even a step further and was prepared to lose money to acquire the client, and quoted even lower than MHS (Alport, 2001: 1-3).

– Potential entrants

MHS is quite unique in the industry that it is competing in, in that it is the only completely integrated managed care company. MHS is not a medical scheme or medical scheme administrator (Boyce, 2002: 3).

Most of MHS's present competition renders at the most, three of the products that MHS is providing and often not on an integrated basis. As MHS has extended technological and support services, the economy of scale is high; as a result it is difficult for a new entrant to duplicate these services, as it would require extensive capital investment.

Because it is a service industry, there is always a certain amount of switching costs involved, as most companies potentially experience problems when starting to render a service initially. This could cause client dissatisfaction.

MHS has already proven another advantage to new clients that came on board. The company can provide quality services at a lower cost to clients, by using a different approach, namely the 80:20 principle and an integrated work method.

– Substitutes

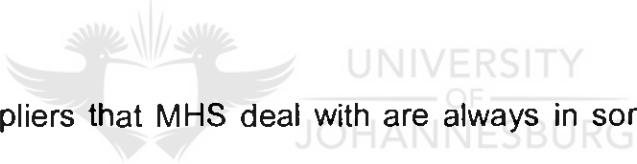
There is always the possibility of developing substitute products in the industry. Systems that have been developed are not always replicable as illustrated in the



example where MHS sold software with consultation services to the Protector group. They then approached another company to develop software for them. Although the programme that was developed is almost identical to the MHS software, the rival company was unable to replicate the reports and statistics that is an essential component of the programme and as a result a large component of their data was lost.

– Power of suppliers

As MHS is a service company, they do not have much to do with suppliers. The company that provides data and hard- and software to MHS is Medsys, a subsidiary of MHS. It is thus not in their interest to become involved in power play with MHS (Boyce, 2000: 38).



The other suppliers that MHS deal with are always in some form of negotiation with the service providers to members, which are hospitals, doctors, medical supply companies and other health practitioners. This can certainly amount to a major power struggle, as these providers will not always act in the best interest of the member in terms of cost-effective, appropriate and rational health service provision, which is of course the main goal of a managed care company.

Other suppliers that MHS deal with are the stationery and computer companies, as well as other diverse service companies who may render services at MHS on an irregular basis.

– Power of buyers

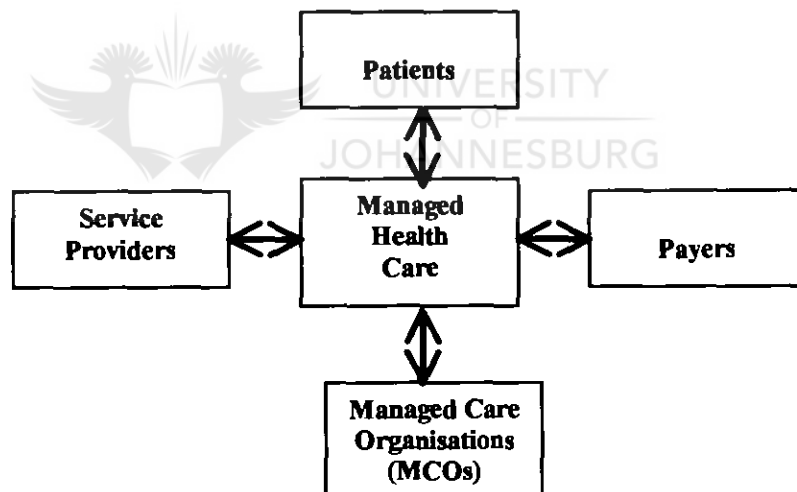
The clients have a tremendous amount of negotiation power in terms of whom they

are going to use to render the service. This is one of the main reasons why MHS's contract periods have been extended and why they have investigated the possibility of joint ventures with their bigger clients.

There is always the risk that clients may move to other service providers, thus the company is always obliged to render a high and measurable service level (Du Plessis et al, 2001: 45-47).

Figure 3.3 illustrates the different participants in the healthcare industry that is deemed to be relevant in terms of the suppliers and buyers of healthcare.

Figure 3.3: Participants and structures in the delivery of managed care in S.A.



Source: Boyce (2002: 1)

The following table provides a short analysis of the Porter's five forces model as applied to MHS. The evaluation can fall into one of the following four categories, namely: low, medium, high or intense. The evaluation is followed by providing the rationale of the analysis in the last column of the table.

Table 3.1: Application of Porter's five forces model to MHS

<b>Force</b>	<b>Evaluation</b>	<b>Rationale</b>
Direct Competition	High	Structure of competition, Structure of costs
New Entrants	Low	Product differentiation, High switching costs
Substitutes	Low	Old technology, difficulty in replicating
Buyer Power	Intense	Large buyers, Expects increased features and reduced prices
Supplier Power	Low	Industry not key customer group

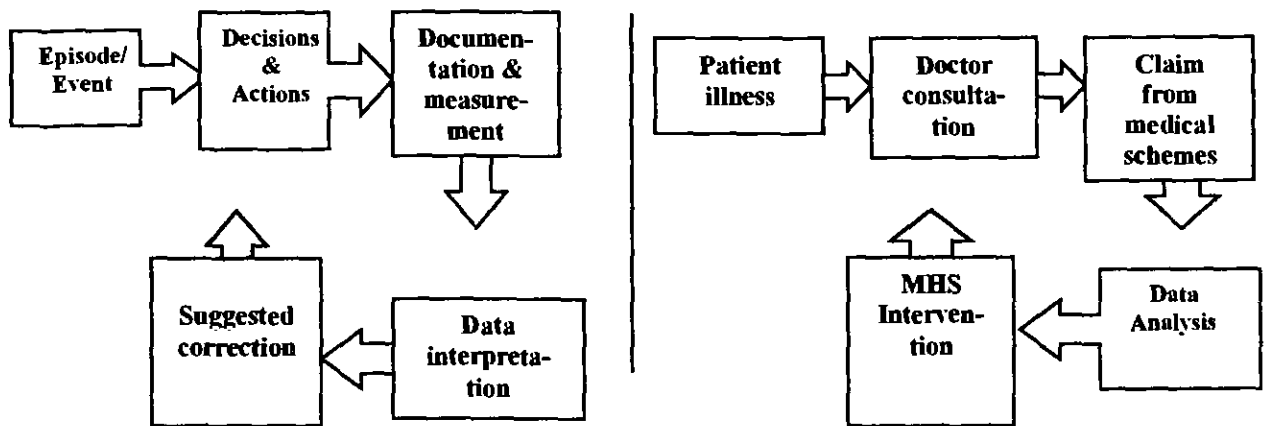
Source: Adapted from Jooste (2002)

#### 3.4.1.3 Strategic options: Past and current strategies

As depicted in figure 3.4 it is clear that MHS market strategies in the past have been aimed at particular outcomes and interventions. The figure explains the events and interventions made by MHS in the form of a feedback loop.

Strategies have been focussed on the marketing mix, but that does not mean that individual programmes were not promoted, because most sales were in terms of individual modules/products.

Figure 3.4: The event/ intervention feedback loop



The following strategic problems have been experienced according to Alport (2001: 1-3):

- The CSN strategy entails that clients are managed by the MHS Group and addressing client risk is therefore not part of the précis of the MHS Business Plan. Refusal to co-operate is likely to be as a result of ignorance about the proposed process, distrust, and politics and politicking. Specialist services both academically and operationally is a closely knit closed unit, hence the dn to exclude some disciplines from the CSN process and to manage others separately hich compromises the CSN strategy and introduces moderate to high risk that the initiative may ultimately fail.

The following table summarises some of the other strategic problems identified within MHS, but also highlights the organisation’s capabilities.

Table 3.2: Organisational constraints and capabilities

<u>Organisational Capabilities</u>	<u>Organisational Constraints</u>
– Human Capital	– Not enough nurturing of staff e.g. exposure and reward systems
– Excellent IT systems	– HR systems still need to be developed further
– Productive and efficient staff	– Communication (management & staff)
– SBU's (Organisation structure)	– Profit margin reasonably small
– Low cost strategy	
– Diversification	

Source: Adapted from Du Plessis et al.(2001: 270-271).

Control as a strategic action deserves mentioning in the following context. The MHS control is situated therein that it is contracted to reduce the costs of medical schemes by controlling the behaviour of patients and healthcare providers. Control functions manage the interfaces between healthcare services, thus through this, a continuum of internal control to transactional control is exercised and is established between:

- medical schemes and patients;
- medical schemes and healthcare providers;
- medical schemes and paramedical professionals;
- medical schemes and hospitals;
- physicians and patients; and
- physicians and hospitals.

Since differentiation of a high extent is provided by the organisation, one could probably ascribe the control function as being a mix of horizontal and vertical activities.

MHS especially owns strategic value in terms of their technological resources: computer soft- and hardware and also in the financial and organisational resources that have been put in place.

#### 3.4.1.4 SWOT Analysis

The SWOT analysis is according to Bateman & Snell (1999: 137), a comparison of the organisation's strengths, weaknesses, opportunities and threats. The SWOT analysis summarises the major facts and forecasts derived from the external and internal analyses that have already been done. Another reason why it has been done in this context is that it assists in the formulation of organisational strategy.

The analysis starts by identifying the key trends in the healthcare industry. Key trends in the healthcare industry (Alport, 2001, 1:3) include:

- capitation through low-cost products for the employed but uninsured;
- technology driven cost increases;
- a looming Social Health Insurance fund;
- affordability/cost and a healthcare cost spiral out of control;
- intense industry rivalry;
- competition to the CPN product;
- primary healthcare focus; and
- bargaining power of administrators and medical scheme buyers.

Table 3.3 summarises the organisation's strengths and weaknesses as the second step in the SWOT analysis.

Table 3.3: Organisation strengths and weaknesses

<u>Organisation Strengths</u>	<u>Organisation Weaknesses</u>
<ul style="list-style-type: none"> <li>- MHS has a comprehensive, integrated service that can be broken up into various modular products.</li> <li>- MHS has cost-effective prices in relation to the competition.</li> <li>- Human capital, diverse and very talented.</li> <li>- Innovation and strategic decision making that ensures fast growth and survival.</li> <li>- The organisation is financially sound;</li> <li>- A lot of experience is centred around the CPN product.</li> <li>- Goodwill is experienced in terms of the marketplace and especially from healthcare providers associated with the CPN product.</li> <li>- Information technology, MHS is able to provide and develop software programmes for MHS, by MHS.</li> </ul>	<ul style="list-style-type: none"> <li>- Has not been able to go into a joint venture with a medical scheme administrator to acquire lives and thus has been unable to compete with the competition on this level.</li> <li>- Has aimed at being a listed company, but has not been successful.</li> <li>- Should strive towards a greater market share, vulnerable, should a big client be lost.</li> <li>- Needs more active marketing</li> <li>- Marketing still has to be done especially in terms of the Fastrac product, that has cost a lot to develop, but has not shown return on investment as yet.</li> </ul>

Source: Adapted from Alport (2001, 1-3)

The term opportunity explains exactly what it entails, but should also be viewed as potential. Du Plessis et al. (2001: 364- 365) is of the opinion that threats can often be converted to opportunities if the correct resources are available. Opportunities also exist in the environment, it is important that key strengths be matched up with them in order to become organisational capabilities.

The changing market remains an opportunity for MHS and through alternative fee structures one can create new opportunities and in so doing acquire potential new clients.

Threats, as an integral part of the SWOT analysis are identified, so that the organisation can be vigilant and to be able to convert these threats into potential opportunities. The following threats have been identified in terms of the analysis done for MHS (Alport, 2001, 1-3):

- It appears as if the market will remain stagnant over the short to medium term with little growth opportunity, with the possibility of shrinkage on the medium to long run.
- The National Health market appears to be collapsing under the weight of unaffordability or by its own inefficiency. This is a distinct possibility in the longer term (5 year time frame).
- The possibility that there will be little growth in the managed care market is strong, and whatever growth occurs will at the expense of other competitors or by expanding current portfolios by adding existing managed care products. Little or no new product development will probably take place due to this factor.
- Intense competition is likely from medical scheme administrators seeking to vertically integrate in order that they are able to achieve growth, economies of scale, and control over the value chain. The major competitors to the MHS Group in future will probably still be Medscheme and Metropolitan Health Group via its managed care arm, MSO and QUALSA.
- Customers will most likely experience increasing financial constraints and will demand more for less and also irrefutable proof that managed care interventions



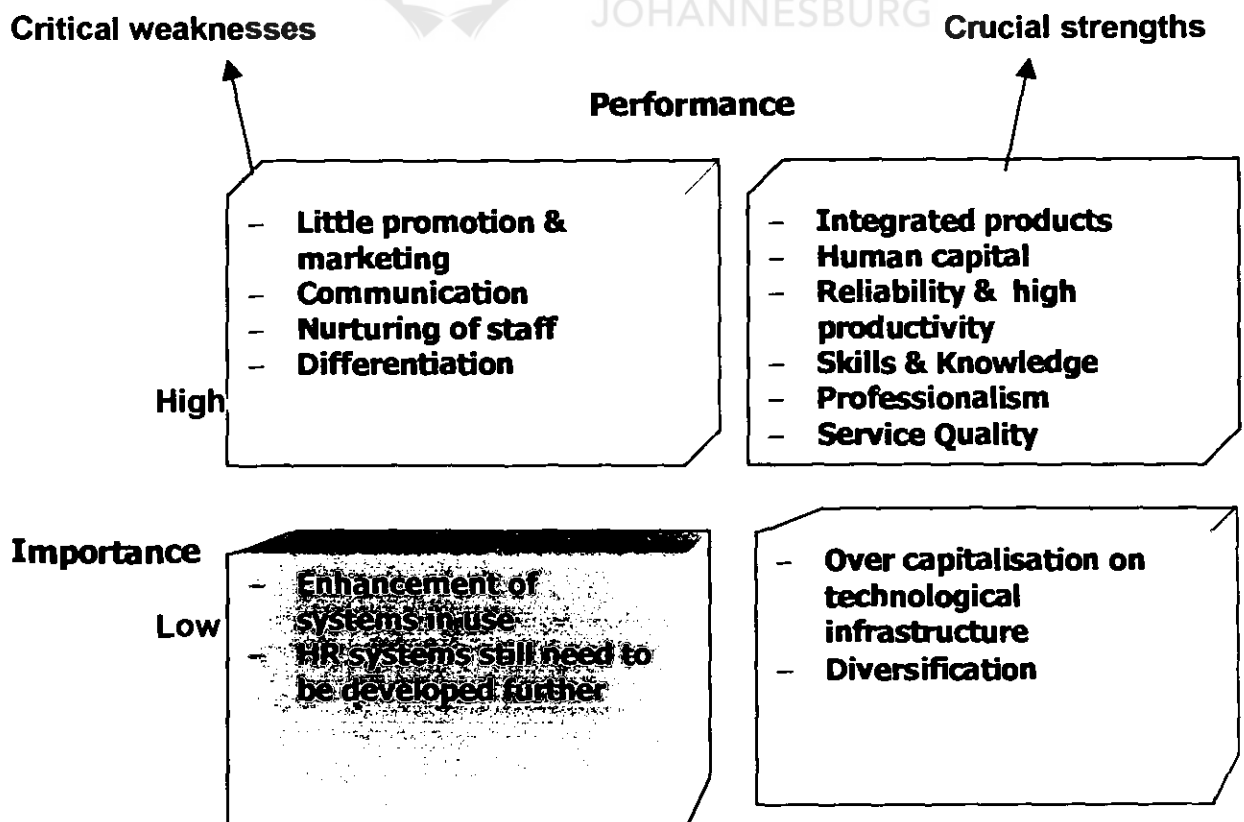
is actually achieving sustainable cost savings. Future demand for managed care products will be probably be low.

- Two further threats can be identified, namely the loss of client medical schemes, and the refusal of specialist providers to participate in the venture. CSN contributes approximately 37% to the revenues of Medical Advisers; hence the company will be severely crippled if the CSN strategy should fail. Revenues from the CSN product are also a significant source of income for the MHS Group, and failure will therefore negatively impact on the profitability of the company as well.

### 3.4.1.5 Performance-Importance Index

This section on the MHS strategy is concluded by providing a summary of the performance-Importance index in a diagrammatical format as illustrated in figure 3.5.

Figure 3. 5: Performance-Importance Index



Source: Adapted from Jooste (2002: 9)

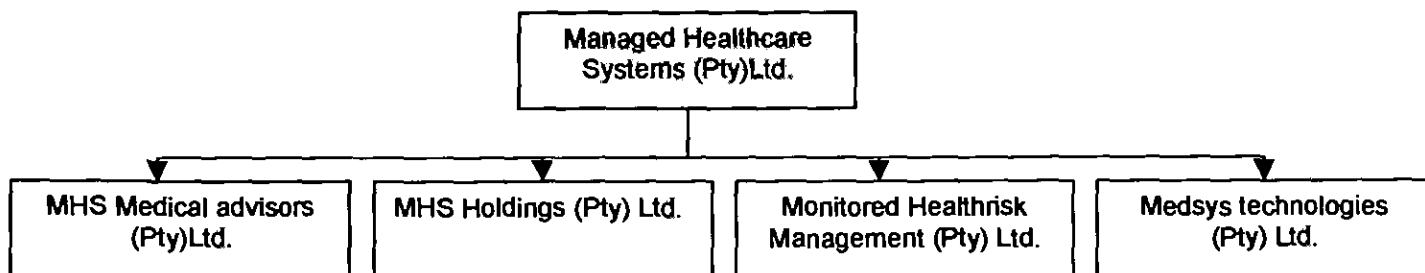
The strategy of MHS has been explained by analysing the internal and external environment of the organisation. It is thus how; the organisation's resources are allocated optimally by considering the analyses done, to achieve its goals. The plan devised as part of strategy illustrates the aims to improve the organisation's position and how it plans to respond to its external environment and where it needs to position itself to maximise its strengths and gain success in doing so.

### 3.4.2 Structure

The MHS structure describes the way the organisation's different departments or units relate to each other, as illustrated through the organisation chart and group and ownership structure. The policies and procedures, which govern the way in which the organisation will act within it and within its environment forms part of the discussion, but will not be discussed in detail in this section.

MHS has been divided in four main functions: MHS Medical Advisers, MHS Holdings, MHM and Medsys. The four companies are regarded and function as independent profit centres as illustrated in figure 3.6, which depicts the MHS strategic business units.

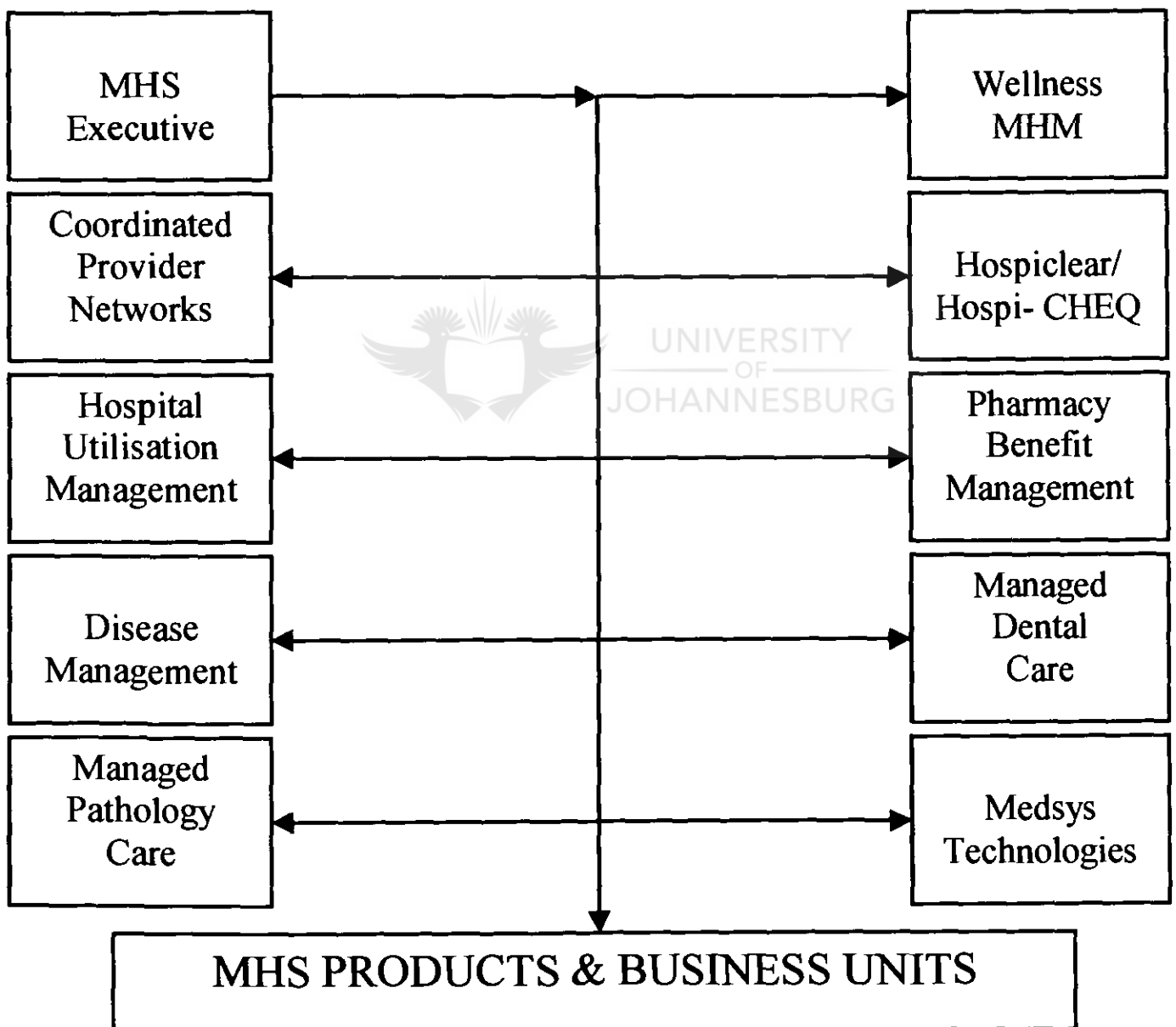
Figure 3.6: Strategic Business Units



Source: Adapted from Boyce (2000: 43)

According to figure 3.6 the MHS Strategic Business Units (SBU's) form is part of a multidivisional structure, which consists of the top level being corporate headquarters, Managed Healthcare Systems (Pty)Ltd. The next level describes the four SBU groups and the final level divisions are grouped by relatedness , through either a product or a geographic market within each SBU (Hitt et al., 2001: 458). Figure 3.7 provides a combination of the last two levels.

Figure 3.7: MHS products and business units

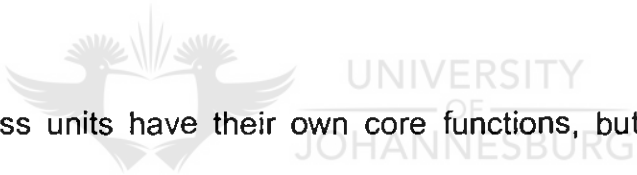


Source: Boyce (2002: 1-4)

The MHS strategic business units are in line with the corporative objectives. They are at all times to be up to date with any business trends, changes and other marketing issues that are relevant to the individual SBU's and importantly the integrated whole.

The units function as profit centres and are thus responsible for their own budgets. They are to continuously follow through on their own objectives and strategies and at the same time implement performance measures (Loewen, 1997: 49-50).

The organisational chart or structure of the company is quite flat, it basically consists of the owners and management (Exco), has a small middle management that consists of a few operational managers and then a slightly larger supervisory group (Boyce, 2002: 4-5).



The MHS business units have their own core functions, but share common MHS business-, financial-, administrative- and human resource policies. Medsys provides a service to all the SBU's. There is however a coordinated integrated strategy and although the units perform separate operational functions they will not be separate competing entities and they make use of a formalised referral structure to further enhance the total product offering. Support services such as marketing, finances and human resources are shared.

### **3.4.3 Systems**

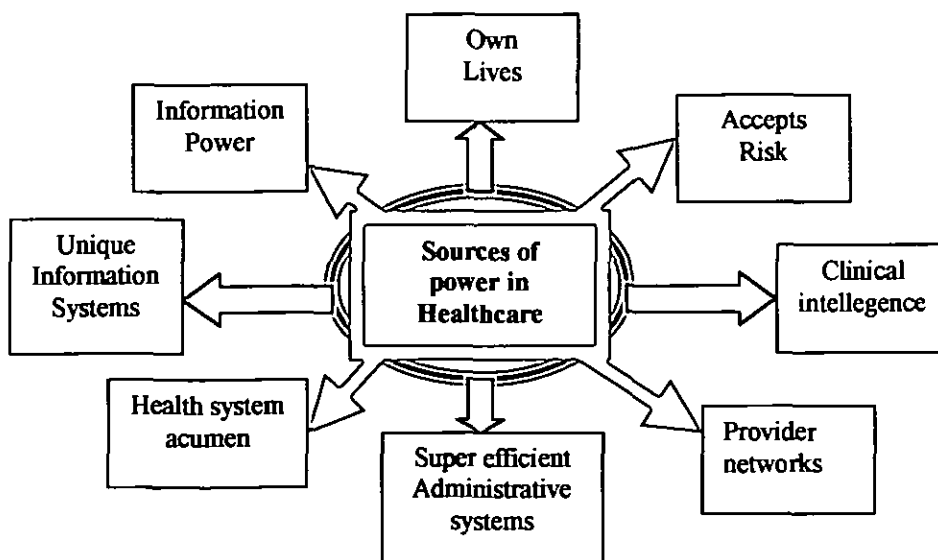
Important work in MHS is described in the procedures and routines of the organisation. These decision-making systems in MHS are utilised within the organisational context, they range from budget and financial systems, to very structured computer systems and even complex expert systems.

The following systems all play a significant role in the management of MHS:

- operational systems;
- computer systems;
- human resource systems;
- administrative systems;
- financial systems; and
- budget systems.

MHS's resource allocation, form an integral part of its systems, where resources can be seen as those inputs into a company's production and or service provision system, where they are processed into service outputs.

In figure 3.8 it is clearly illustrated that systems make out a very important part of power sources within the healthcare industry.



Source: Boyce (1998: 2)

Systems are also ascribed to being part of the tangible resources owned by MHS, in

that it is being increased on a daily basis in terms of financial resources, such as capital assets in the form of equipment and other assets, using the information technology system as an example. The strategic value that has been added by these acquisitions is that it has contributed to the development of staff skills and abilities and thus to the company's competitive advantage.

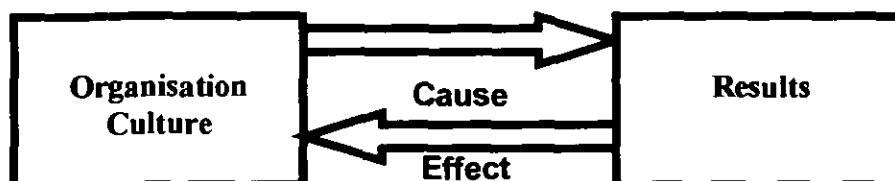
#### 3.4.4 Style

In The MHS context style refers to the employees' common and shared way of behaving and thinking, as the set of unwritten norms of thought and behaviour that guides organisational behaviour.

According to Boyce (2002: 2) the MHS corporate values and culture has been built on a foundation of absolute honesty, professional integrity, capability and quality. The company is very supportive in terms of its human capital and thus personal growth and learning with special appreciation in terms of innovation and new ideas. Any partnerships that are entered into are for shared advantage and to create a winning recipe.

Figure 3.9 illustrates that organisational culture often contributes to the service level results of the organisation, even though they may not necessarily be clearly defined.

Figure 3.9: Culture as cause and effect



Source: Adapted from Manning (1998: 16)

The company makes a point of focussing all new staff towards a client and results orientation. Another very important, almost critical element of MHS is the management and warehousing of data, as well as the leverage of information technology as can be deduced from the company's name (Boyce, 2002: 3-4).

MHS has ingrained in its culture the belief that service quality is extremely important and that a high service level and service quality is to be maintained all the time.

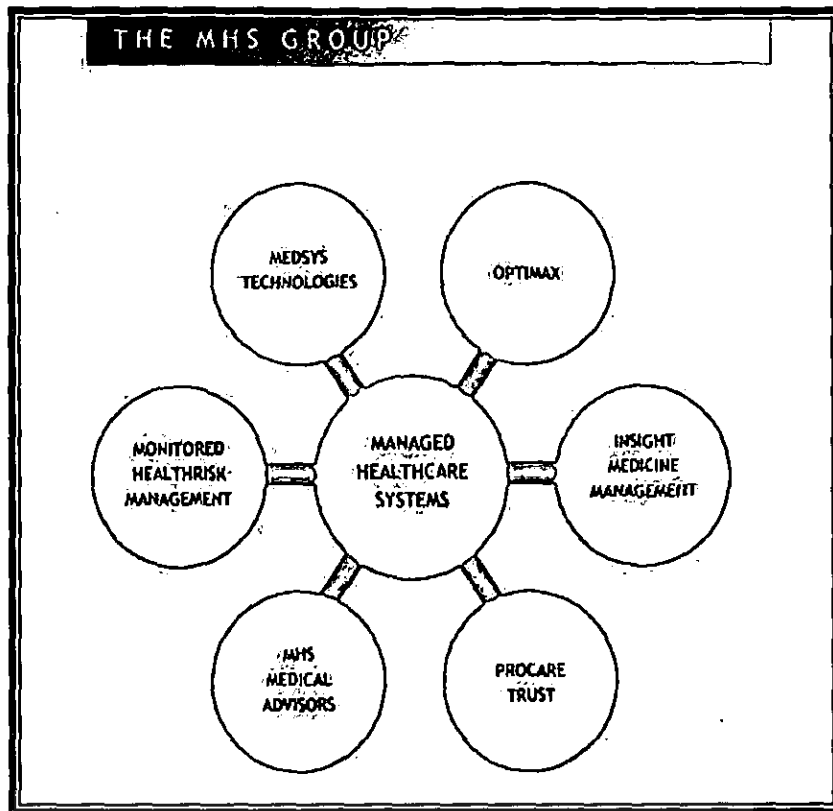
Style, according to this description is to be perceived as symbolic; as the norms and the values of the organisation, as it includes the MHS culture, it can also provide more details about the distinctive styles of its managers and executives. This section does not allow for the description of these management styles, nor aspects such as how the managers spend their time, what they measure, how open they are to creativity, input and mistakes and how they recognise success and quality.

#### **3.4.5 Skills**

The MHS skills are described in the distinctive capabilities of the organisation and its key staff that are required to carry out the organisation's strategy.

The organisation's various capabilities are illustrated in figure 3.10, which to a certain extent also describes the skills that are required for the different capabilities. The main skills required according to MHS capabilities are as listed in table 3.4. Healthcare professionals refer to doctors and professional nurses.

Figure 3.10: The MHS group



Source: MHS(2002)

As mentioned in the previous paragraph, table 3.4 provides insight in the MHS capabilities and especially in terms of the type of skills required to render high-level performance.

Table 3.4: MHS capabilities and skills

<b>MHS Capabilities</b>	<b>Skills of key staff</b>
Managed Healthcare Systems	Executives and support staff
Medsys Technologies	Information technology professionals
Optimax	Optician, sales and IT professionals
Monitored Healthrisk Management	Healthcare Professionals
Insight Medicine Management	Pharmacists
MHS Medical Advisors	Healthcare Professionals
Procure Trust	Executives from scheme and MHS

Source: Adapted from MHS (2002)



Management and employee performance is illustrated in that MHS has employed many skilled and capable staff. Unfortunately it has not made provision for the rapid growth that has taken place in the organisation.

A further problem that has been identified is that the staff component has not been nurtured as well as it could be. Recognition and growth opportunities appear to be the greatest problems experienced at this time. There is also no reward system for excellence.

There are however well motivated, challenged and fulfilled individuals working for the company, so perhaps some incentive scheme should be considered as part of the reward system and job enrichment and enlargement should be considered to provide growth opportunities.



The development of human capital is deemed to be part of the management of knowledge, which is an essential requisite for a successful organisation. Human Capital goes a step further; it refers to the knowledge and skill of all the employees. MHS has in the past invested in the training and further development of personnel, as training and development is essential to ensure that personnel know how to do their jobs and at the same time keep up to date with the latest techniques and technology (Fox, 2002: 2).

Separate budgeting was done for development and training purposes. The organisation will also apply for funds and benefits from SETA's or from the National skills fund.

Skills should be developed and knowledge is to be acquired to meet the requirements that will be set by future strategic plans.

MHS's human capital is especially of importance in terms of the innovative behaviour of information specialists that design unique programmes and systems for MHS in cooperation with clinical specialists. MHS personnel are in general a diverse and professional team (MHS, 2002).

#### **3.4.6 Staff**

MHS staff refers to the type of people employed in the organisation with their different backgrounds, orientation towards clients, values and technology that makes the organisation successful. The organisation has to hire able people, train them well and assign them to the correct jobs. Key issues for MHS in terms of reaching this goal is selection, training, recognition and reward, retention, motivation and correct assignment to appropriate jobs (Fox, 2002: 3).

MHS staff is made up mostly of healthcare professionals, information technology staff and office support staff, as was depicted in table 3.4. Staff members become major stakeholders in the organisation, as their employment provides job security, financial reward and job satisfaction.

Intangible resources, such as staff are more difficult to describe and observe. It is proposed that especially in terms of human and innovation resources MHS has acquired a diverse professional team (Boyce, 2002: 3).

MHS has always maintained an excellent reputation in the healthcare industry also in terms of their knowledge resources; they have been known to be non-confrontational and rather to negotiate. Joint Ventures that they have entered into supports the brand name further, as well as the good name of both Bankmed and MHS.

### **3.4.7 Shared values**

MHS shared values are what the organisation stands for, its overarching purpose and higher order. It further means that the employees share the same guiding values, as described by Boyce (2002: 2):

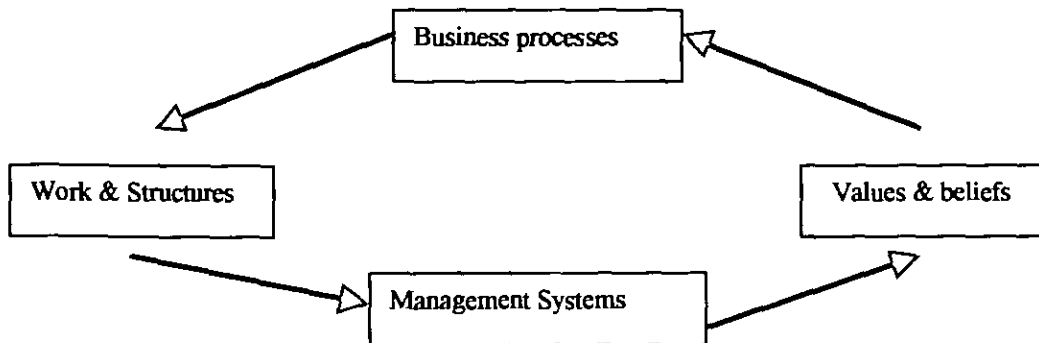
- “Ethics and honesty, even if it costs;
- Leveraging information technology;
- Professional integrity, skills and quality;
- Data management: always start with the facts;
- Innovation and learning: growing people;
- Results orientation: delivering value for money;
- Customer orientation: our raison d’etre; and
- Partnering for mutual benefit: creating winners”.

These values are the aspirations to which MHS and its members commit themselves, they are the things that they would strive for even if they were demonstrably not profitable. They often act as the organisation’s conscience, providing guidance in times of crisis.

Identifying corporate values is thus deemed to be the first essential step in defining what the organisation’s role is within the larger community, namely the healthcare industry, in which it exists and functions (Fox, 2002: 1).

Figure 3.11 illustrates the importance of values and beliefs in the business today.

Figure 3.11: The business system diamond



Source: Hammer & Champy (1994: 80)

### 3.5 CONCLUSION

We have now come full circle and provided a glimpse in the daily activities of the organisation MHS. This brings us back to the two concepts of efficiency and management of change, thus the organisation's ability to adapt. It could also probably relate to our previous discussion related to worldclass performance in the introduction. To be efficient and in this case worldclass it would mean that the organisation must be able to compete with the best in the world in a credible manner.

Should one evaluate MHS on these terms; efficiency and adaptability, it appears as if MHS has been successful to some extent, but still require reaching further objectives towards making the organisation efficient and adaptable, as it cannot at this stage be compared to world-class companies such as Microsoft, Merck or Disney.

The results of the survey may provide some more answers in terms of what is to be done and how far the organisation has come in its endeavours to move from cottage industry to an efficient and adaptable organisation.

### APPLICATION OF THE MCKINSEY'S 7S MODEL ON MHS

#### 4.1 BACKGROUND THEORY

According to Biech (2000: 117) business models abound today and are seen to serve a valuable purpose as they assist to help the organisation paint a picture of its future and its perceived optimum state. It does however require a measurement or as they describe it, a clear snapshot of the organisation's current state to be used as a comparison to the optimum future.

The McKinsey 7S's model, as described in previous chapters, was utilised to serve as a basis in compiling the "McKinsey 7S's Strategic Readiness Survey". This model provides seven dimensions by which the organisation's current status is measured and defines the requirements of an optimal future. The survey is completed by the organisation's staff and serves to provide the means of how the organisation is perceived by them currently.

The survey should further provide a systemic way to ascertain how the organisation by way of its personnel, through their thoughts and opinions, assesses itself based on these seven dimensions. The survey is meant to be administered in an environment of trust where the respondents' anonymity is protected, as the main purpose for the application of this survey is meant to "...bring out the internal voice of the organization" (Biech, 2000: 119).

## 4.2. DESCRIPTION OF THE INSTRUMENT

The McKinsey 7S's Strategic Readiness Survey consists of a 35 statement inventory, five for each of the seven dimensions of the McKinsey 7S's model, a scoring sheet and an interpretation sheet (Annexures 3 – 6).

Respondents are to read each statement and then decide how it applies to MHS. They are then to apply the following agreement rating in terms of how they perceive the current status of the organisation.

Table 4.1: Agreement Rating

AGREEMENT RATING	
RATING	HOW MUCH YOU AGREE WITH EACH STATEMENT
5	Strongly agree
4	Agree
3	Neither agree nor disagree
2	Disagree
1	Strongly disagree

Source: Adapted from Biech (2000: 119)

The administrator of the survey does the scoring. The scoring can be done by an item analysis or by obtaining a composite score for each of the seven dimensions as scored on the profile sheet and dividing the numeric values thus obtained by the number of respondents that completed the survey.

Plotting the group rating on the sheet for each dimension completes an overall Profile sheet. The profile sheet will show in which of the five rating categories each dimension falls. The interpretation sheet will assist to clarify what the overall rating category per dimension indicates in terms of the organisation.

#### **4.3 ADMINISTRATION OF THE INSTRUMENT**

The instrument was handed to all permanent, full-time employees of MHS on an individual basis, with a covering letter explaining the purpose and intention of the survey. Clear instructions accompanied the survey, as well as the date for handing in the completed instrument. A two-week period was given for completion of the survey.

Anonymity is a crucial element of the survey, to ensure that unbiased data was received from the respondents. This assurance was provided in the covering letter (see Annexure 1) and unmarked envelopes were provided for the respondent to place the entire instrument in once completed. The respondents placed the completed questionnaire in a marked box for receipt by the administrator.

Feedback will be provided to the organisation in terms of the published result of the research. The feedback will suggest possible courses of action by providing recommendations and suggestions for moving forward towards the optimum perceived state.

The instrument should not have taken longer than 15 to 20 minutes to complete and at the same time provided background information for analysis (see Annexures 2 – 6).

#### 4.4 RESPONSE RATE

A total of 93 questionnaires were handed out individually to all full-time, on-site personnel at the MHS head office in Bryanston, Johannesburg.

At the cut-off date, a total of 63 questionnaires were returned, which indicates a response rate of 67,74%. Each factor's reliability was calculated in terms of the maximum survey questions that were completed. The lowest rating was in terms of Strategy, where eight questionnaires were incomplete. The highest rating was for Systems, only two questionnaires were incomplete insofar as the response rate for this factor. The response rate and reliability of the survey questions for the different factors were thus calculated on a separate basis as represented in table 4.2.

Table 4.2: Response rate for the individual McKinsey 7S factors

<b>McKinsey 7S factor</b>	<b>Total number of responses per grouping</b>	<b>Response rate (%)</b>
Structure	59	63,44
Strategy	55	59,14
Systems	61	65,59
Shared values	59	63,44
Skills	59	63,44
Staffing	57	61,29
Style	59	63,44

#### 4.5 RELIABILITY

A reliability analysis was done in terms of the seven factor groupings. All the factors showed high Alpha reliability coefficients, except for Structure. Question 6 had an



item correlation of  $-.0211$ , which proved to be a problem. It was decided to invert the question, as the wording: "destabilisation" may have caused confusion as a negative, which resulted in a  $.0211$  correlation, and raised the alpha coefficient from  $.4651$  to  $.4858$ .

Table 4.3 illustrates the reliability analysis for the complete survey as per 5-item McKinsey 7S factor. An alpha reliability coefficient of  $0.7$  (reliability expressed in percentage:  $70\%$ ) indicates good reliability.

Table 4.3: Reliability Analysis

McKinsey 7S factor	Alpha Reliability Coefficient	Reliability (%)
Structure	0.4858 (inverted)	48,58
Strategy	0.7955	79,55
Systems	0.6956	69,56
Shared values	0.8629	86,29
Skills	0.7578	75,78
Staffing	0.7198	71,98
Style	0.7540	75,40

#### 4.6 DATA ANALYSIS AND INTERPRETATIONS

An analysis and interpretation was done of the survey, in respect of its total relevance to the study. Several dimensions have been investigated in terms of the groups within the organisation, an item analysis of the questionnaire, with completion of the profile sheet.

#### 4.6.1 Analysis of background questionnaire

A background questionnaire was provided to the respondents (Annexure 2), in order to establish groups and to establish significant differences within and between groups. The questionnaire consisted of six closed-end question groups in terms of; age, gender, department/ strategic business unit, number of years, number of years at current job level and whether the respondent was part of the MHS management team.

As the groups showed large differences in terms of the number of frequencies, all except for department/ strategic business and whether the respondent was part of the MHS management team, were reorganised in more representative group sizes.

The following figures and tables provide a descriptive analysis of the background questionnaire. Only significant information will be commented on at this point.

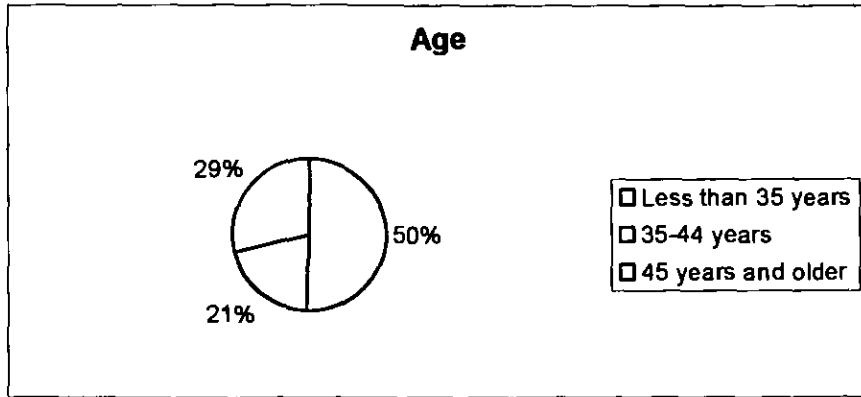
##### 4.6.1.1 Age

The age groups were reduced from four groups to three, combining the last two groups to 45 years and older. Table 4.4 and figure 4.1 illustrate the different age frequencies obtained.

Table 4.4: Age frequencies

	Age	
	Count	%
Less than 35 years	32	50.8%
35 - 44 years	13	20.6%
45 years and older	18	28.6%
<b>Total</b>	<b>63</b>	<b>100.0%</b>

Figure 4.1: Age frequencies



The largest representation came from the “less than 35-year group”.

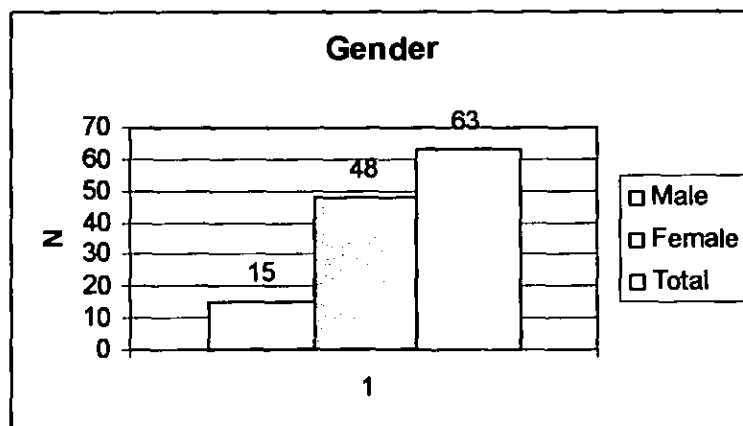
#### 4.6.1.2 Gender

Table 4.5 and figure 4.2 illustrate the distribution of male and female respondents.

Table 4.5: Gender frequencies

	Gender	
	Count	%
Male	15	23.8%
Female	48	76.2%
Total	63	100.0%

Figure 4.2: Gender frequencies



Females constituted a much larger representative group than males. Males are mostly allocated to the Medsys and Optimax groups, which will be discussed next.

#### 4.6.1.3 Department/Strategic Business Unit

The personnel allocated to the SBU groups are as follows:

The first group, MHS/Medical Advisors/HUM/DM, constituted a much larger group

This group consists mostly out of healthcare professionals.

- The second group, Medsys consists of IT practitioners.
- The third group, Optimax/Hospi CHEQ/Others is a more mixed group that consists mostly of healthcare practitioners and sales and IT support staff.

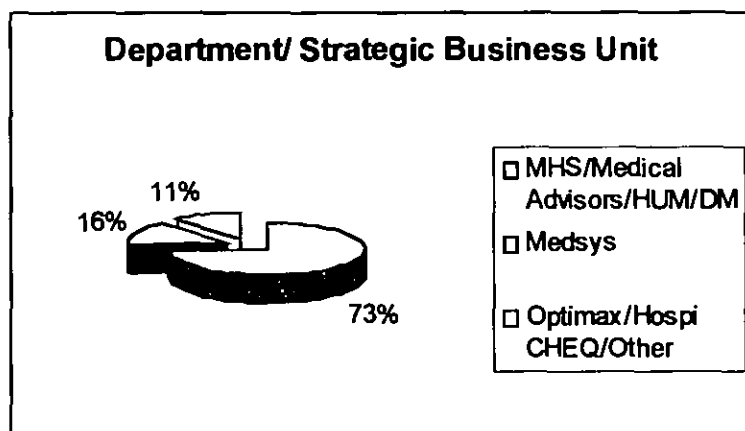
The following table explains the frequency distribution of the staff of MHS in terms of the Strategig Business Units (SBU's) that they work in.

Table 4.6: Department/ Strategic Business Unit frequencies

	Department/ Strategic Business Unit	
	Count	%
<b>MHS/Medical Advisors/HUM/DM</b>	46	73.0%
<b>Medsys</b>	10	15.9%
<b>Optimax/Hospi CHEQ/Other</b>	7	11.1%
<b>Total</b>	63	100.0%

The above frequency distributions are illustrated in a pie diagram in figure 4.3.

Figure 4.3: Department/ Strategic Business Unit frequencies



#### 4.6.1.4 Number of years at MHS

The last two groups namely 4-10 years and 11 or more years were combined to one interval: 4 years and more, so that group sizes were more equal.

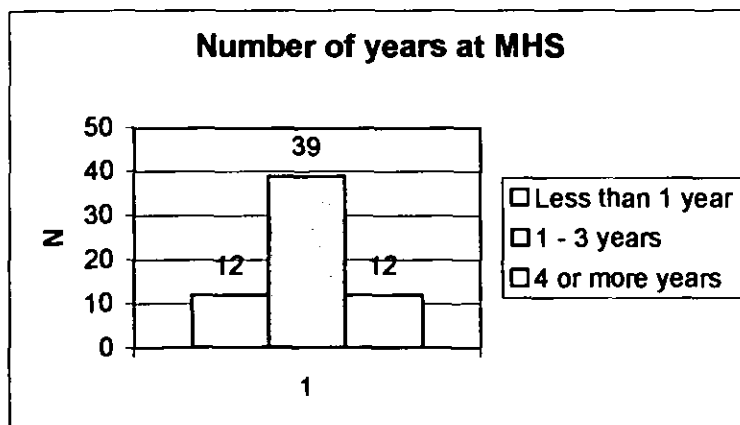
The following table provides the frequency distribution of the number of years staff have worked for MHS.

Table 4.7: Frequency of number of years at MHS

	Number of years at MHS	
	Count	%
Less than 1 year	12	19.0%
1 - 3 years	39	61.9%
4 or more years	12	19.0%
Total	63	100.0%

The largest representative group was personnel working at MHS between 1 to 3 years, as illustrated in figure 4.4. The other two groups are equal in size. Looking at the previous section, where the MHS history is described the large group of personnel falling into the second interval of 1- 3 years, makes perfect sense, as these staff members were employed during the period that the organisation experienced rapid growth.

Figure 4.4: Frequency of number of years at MHS



#### 4.6.1.5 Number of years at current job level

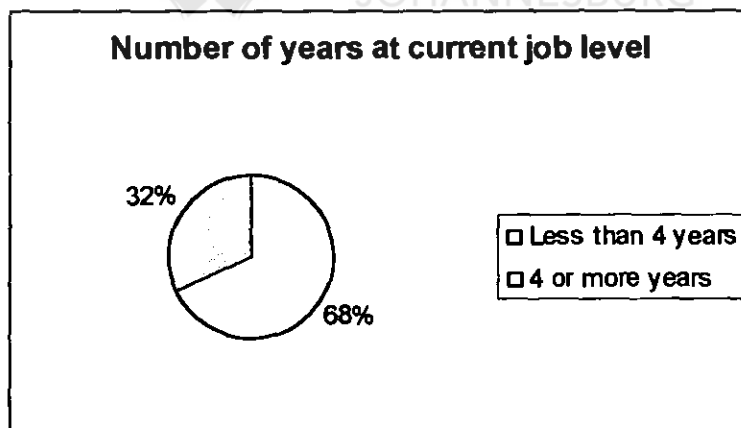
Groups were reduced from 4 to two in this category, combining the first two and last two groups. Table 4.8 and figure 4.5 explain the information obtained in terms of this question.

Table 4.8 Number of years at current job level

	Number of years at current job level	
	Count	%
Less than 4 years	43	68.3%
4 or more years	20	31.7%
Total	63	100.0%

Figure 4.5 illustrates that the most of the respondents (68%) have been at their current job level for less than 4 years.

Figure 4.5 Number of years at current job level



#### 4.6.1.6 Member of management committee

Although the management committee only shows a small representation in terms of the total number of respondents, they were well represented, as 7 of a possible 11 completed and handed in the survey, which indicates a representation rate of 63,64%.

Table: 4.9 Representation of management committee

	Member of MHS Management Committee?	
	Count	%
Yes	7	11.1%
No	56	88.9%
Total	63	100.0%

#### 4.6.2 Item analysis of survey questions

An item analysis was completed in terms of every question as illustrated in Table 4.10. This information has only been provided in terms of the analysis, further comparisons have been made later in this section in respect of the relevance in terms of the completion of the questionnaire as opposed to the groups already provided

Table 4.10: Item analysis of survey questions

Question		Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree	Total
1.MHS maintains high ethical standards in its business pursuits.	Count		1	17		13	61
	%		1.6%	27.9%		21.3%	100.0%
2.My manager provides regular feedback to me in respect of my general performance.	Count	2	11	13		4	61
	%	3.3%	18.0%	21.3%		6.6%	100.0%
3.MHS has a low personnel turnover rate.	Count	17	17	19		2	61
	%	27.9%	27.9%	31.1%		3.3%	100.0%
4.There are opportunities for career development within MHS.	Count	10	21	13			62
	%	16.1%	33.9%	21.0%			100.0%
5. Business goals guide the personnel development activities of MHS.	Count	4	6	29		3	60
	%	6.7%	10.0%	48.3%		5.0%	100.0%
6. Recent changes in MHS have resulted in destabilisation.	Count	4	16	22		3	63
	%	6.3%	25.4%	34.9%		4.8%	100.0%
7. The input of personnel is valued during decision-making.	Count	4	16	22		3	63
	%	17.5%	28.6%	25.4%		1.6%	100.0%

8. There is trust in MHS.	Count	10	14	15		2	61
	%	16.4%	23.0%	24.6%		3.3%	100.0%
9. Personnel skills are enhanced through training.	Count	6	15	9		7	63
	%	9.5%	23.8%	14.3%		11.1%	100.0%
10. I understand the impact of my decisions on organisational processes.	Count	2	8	15		7	61
	%	3.3%	13.1%	24.6%		11.5%	100.0%
11. A climate of supportiveness rather than being judgemental exists in MHS.	Count	15	14	15		1	63
	%	23.8%	22.2%	23.8%		1.6%	100.0%
12. There are clear guidelines on how tasks should be performed.	Count	4	8	17		5	63
	%	6.3%	12.7%	27.0%		7.9%	100.0%
13. MHS appoints personnel from diverse backgrounds.	Count	1	6	6		6	61
	%	1.6%	9.8%	9.8%		9.8%	100.0%
14. If MHS is to be successful a consistent plan of action is required.	Count		1			21	62
	%		1.6%			33.9%	100.0%
15. There are quality improvement programmes running in MHS	Count	7	10	19		7	63
	%	11.1%	15.9%	30.2%		11.1%	100.0%
16. At MHS personnel appointments are based on the outcome of a structured interview.	Count	1	2	17		10	62
	%	1.6%	3.2%	27.4%		16.1%	100.0%
17. Skill development is rewarded at MHS.	Count	8	16	30			63
	%	12.7%	25.4%	47.6%			100.0%
18. Only skilled personnel are employed by MHS.	Count	1	8	20		6	63
	%	1.6%	12.7%	31.7%		9.5%	100.0%
19. MHS's strategic planning process is driven by the beliefs, values and norms of its stakeholders.	Count	2		26		6	63
	%	3.2%		41.3%		9.5%	100.0%
20. The atmosphere at MHS is conducive to teamwork.	Count	12	8	19		2	62
	%	19.4%	12.9%	30.6%		3.2%	100.0%
21. Sufficient resources are allocated for personnel development programmes.	Count	12	21	17			61
	%	19.7%	34.4%	27.9%			100.0%
22. Internal organisational analysis is done on a regular basis in MHS.	Count	7	11	25		2	62
	%	11.3%	17.7%	40.3%		3.2%	100.0%
23. All the processes in MHS are documented (e.g. policies, flow charts, standard operating procedures, protocols etc.).	Count	1	7	12		8	63
	%	1.6%	11.1%	19.0%		12.7%	100.0%
24. There is transparency in MHS.	Count	10	15	21		1	62
	%	16.1%	24.2%	33.9%		1.6%	100.0%
25. Experience is valued in MHS.	Count	8	8	17		2	61
	%	13.1%	13.1%	27.9%		3.3%	100.0%



<b>26. Information obtained improves the quality of organisational programmes.</b>	<b>Count</b>	1	5	22		2	62
	<b>%</b>	1.6%	8.1%	35.5%		3.2%	100.0%
<b>27. Human resource development policies and procedures shape the manner in which work is performed in MHS.</b>	<b>Count</b>	5	7	24		2	62
	<b>%</b>	8.1%	11.3%	38.7%		3.2%	100.0%
<b>28. Organisational goals are supported by financially sound decision-making.</b>	<b>Count</b>	3	6	29		2	60
	<b>%</b>	5.0%	10.0%	48.3%		3.3%	100.0%
<b>29. There is room for innovation and creativity in MHS.</b>	<b>Count</b>	5	12	6		3	61
	<b>%</b>	8.2%	19.7%	9.8%		4.9%	100.0%
<b>30. The tasks performed by personnel forms an integral part of the improvement of MHS.</b>	<b>Count</b>	2	1	17		5	61
	<b>%</b>	3.3%	1.6%	27.9%		8.2%	100.0%
<b>31. There are opportunities for advancement in MHS.</b>	<b>Count</b>	8	19	12			61
	<b>%</b>	13.1%	31.1%	19.7%			100.0%
<b>32. MHS has a clear plan of action.</b>	<b>Count</b>	3	7	29		2	60
	<b>%</b>	5.0%	11.7%	48.3%		3.3%	100.0%
<b>33. Mistakes are tolerated as part of the learning curve.</b>	<b>Count</b>	1	15	14		3	62
	<b>%</b>	1.6%	24.2%	22.6%		4.8%	100.0%
<b>34. MHS's needs are reflected in the skills of its personnel.</b>	<b>Count</b>		4	19		5	60
	<b>%</b>		6.7%	31.7%		8.3%	100.0%
<b>35. MHS has a "flat" organisational structure (organisational chart).</b>	<b>Count</b>	7	4	25		4	60
	<b>%</b>	11.7%	6.7%	41.7%		6.7%	100.0%

The following graph (figure 4.6) provides a representation of the data summarised in table

4.10.

Figure 4.6: Item analysis of survey questions

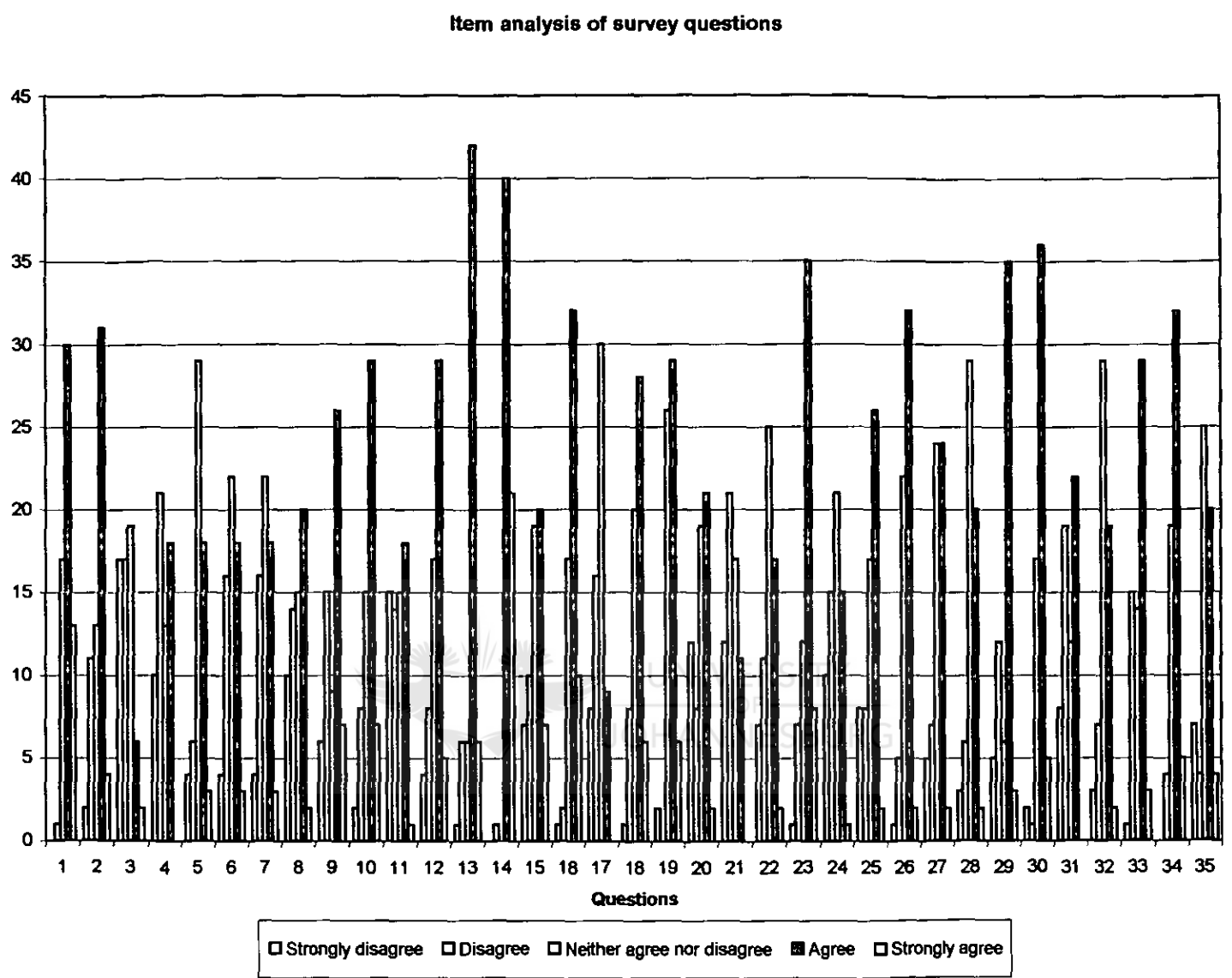


Figure 4.6 illustrates on an item for item basis how questions were rated. At this stage it does not relate to the McKinsey 7S factors as yet. In order to interpret the ratings for the five questions relating to a particular factor a composite score is calculated in terms of the values ascribed to the questions. Totalling all the scores for each factor and then dividing it by the number of respondents obtain the average score per factor (annexures 4 and 5) . This is plotted on the profile sheet (figure 4.7)

Figure 4.7: Profile sheet

<b>Structure</b>					
	-22-20-18-16	-14-12-10-8 -6	-4 -2 0 2 4	6 8 10 12 14	16 18 20 22
<b>Strategy</b>					
	-22-20-18-16	-14-12-10-8 -6	-4 -2 0 2 4	6 8 10 12 14	16 18 20 22
<b>Systems</b>					
	-22-20-18-16	-14-12-10-8 -6	-4 -2 0 2 4	6 8 10 12 14	16 18 20 22
<b>Shared Values</b>					
	-22-20-18-16	-14-12-10-8 -6	-4 -2 0 2 4	6 8 10 12 14	16 18 20 22
<b>Skills</b>					
	-22-20-18-16	-14-12-10-8 -6	-4 -2 0 2 4	6 8 10 12 14	16 18 20 22
<b>Staffing</b>					
	-22-20-18-16	-14-12-10-8 -6	-4 -2 0 2 4	6 8 10 12 14	16 18 20 22
<b>Style</b>					
	-22-20-18-16	-14-12-10-8 -6	-4 -2 0 2 4	6 8 10 12 14	16 18 20 22
<b>According to the Agreement Rating</b>	<b>Has not even recognised this as a problem. Requires urgent attention.</b>	<b>Requires some attention.</b>	<b>Has been recognised as a problem, initiated some action plans.</b>	<b>Action plans have been implemented to try and resolve these issues.</b>	<b>Results in terms of these issues are being realised.</b>

### 4.6.3 Intergroup analysis

Intergroup analysis was done in terms of each of the McKinsey 7S factors. This was done to determine whether there were any significant differences between the groups, as discussed in item 4.6.1.

#### 4.6.3.1 Age

No significant differences were found in respect of any of the McKinsey 7S factors

between the different age groups.

#### 4.6.3.2 Gender

In terms of the gender groups significant differences with medium effect was found in terms of three of the factors, namely: shared values, staffing and style.

#### 4.6.3.3 Departments/ Strategic Business Units

It was found that Medsys differs significantly from both the other groups that are relatively homogenous. Medsys differs from the other groups in terms of structure with large effect and strategy with medium effect. The differences may be ascribed to the experience and background of the three groups, as Medsys is mostly made up of information technology professionals, as opposed to mostly healthcare professionals in the other two groups.



More significant to this analysis is, that almost 40% of the total male population are allocated in this department and as seen in 4.6.1.2 there are also a number of significant differences in terms of gender. This may however not be significantly related at all, as no comparisons have been made.

#### 4.6.3.4 Number of years at MHS

In terms of staffing a medium effect difference was found that probably relates well in terms of this particular factor.

#### 4.6.3.5 Number of years at current job level

No significant differences are present between groups.

#### 4.6.3.6 Members of MHS management committee

The most significant differences of medium to large effect is found between these two groups on all factors, except systems, which indicates huge perceptual differences between the management and rest of the personnel. This may be ascribed to a lack of communication or even false sense of security in terms of the management. Perhaps personnel are not aware of action plans that exist. This will however be discussed in greater detail in the next section.

### 4.7 CONCLUSION

The reliability of the questionnaire was found to be high in terms of all the factors except structure; this has however not impacted significantly in terms of any of the results obtained, as it has correlated well with the rest of the findings.

Overall it was significant that all seven factors' average scores on the profile sheet fell in the -4 to 4 interval group, which indicates that there is no single factor that has performed better or worse than the other, as all differences were marginal.

The most significant result was found in terms of the intergroup analysis were it was found that Medsys differs significantly from the other two groups, perhaps due to the high number of males allocated in this department. The other difference that it can be ascribed to is that the other two groups are mostly made up out of health professionals as opposed to information technology professionals in Medsys. It could also be relative in terms of perceptual differences that exist between male and female personnel.

The most significant result was that there are significant differences in the management and personnel groups, in all factors except systems. This result will be explored in greater detail in the next section, which will provide a summary, recommendations and a conclusion.



### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

#### 5.1 SUMMARY

According to Hamel in Lawrence (1997: 6) "If you want to create a point of view about the future, if you want to create a meaningful strategy, you have to create in your company a hierarchy of imagination. And that means giving a disproportionate share of voice to the people who have until now been disenfranchised from the strategy".

As the future has no place to come from but the past, it is imperative that the predictive power of the past be utilised in order to ascertain what is important for the future, by departing from that, that requires alterations or changes in the present. This is to be done through continuous comparison and then to limit, counter, guide and accept what is suggested in terms of the comparison (Lawrence, 1997: 7).

To be agile and responsive to the customer, the business processes need to be re-engineered and the new mediums exploited to the full. All parts of the organisation will need to make adjustments, with departments and individuals reviewing their capabilities in the light of the new commitments to customers" (Managing change, 1997: 1). The McKinsey 7S's model has been useful in reviewing what is required to review the impact of change.

In this research an eclectic approach was utilised, in that both qualitative and quantitative data was investigated from an interpretative as well as subjectivist point of view. Analysis was done in terms of the quantitative data and interpreted through comparison, interpretation and integration of the underlying theory and practice of the

study field. The McKinsey 7S's model transcribes to the theories and practice of various subject matters, but predominantly general and strategic management, but there is certainly also some overlap in terms of the following other study fields: human resource management, strategic marketing and organisational behaviour.

The study was approached by first examining the approach that was to be taken in terms of this study and the background of why it was deemed necessary. What followed from this discussion was the broader theory of the McKinsey 7S model that has been applied throughout this study. Organisational effectiveness was examined in terms of each one of the 7 factors of the model. The theory of change management and what it entails was discussed shortly.

Although very difficult due to the limited resources available an organisational analysis was done in terms of the current situation of MHS that was utilised as the applied study field.

The growing interest in the study of this model and its underlying theory is a response to the belief that due to the present turbulence and fast changing business environment, organisations have to look to the future, by analysing the present in order to equip themselves for the future, to be effective and to remain effective.

Both management and employees need to alter their behaviour and perceptions in terms of the 7 factors of the model. It would be wise for management to obtain input from the employees in terms of any action plans or transformation that is to take place in the organisation. The reason for that is that they have to take ownership to "buy into" whatever may be required. It is only then that they will be committed and



supportive towards any changes that are required. This type of behavioural approach to change will on the other hand also lend itself towards managerial intervention, as any change process also requires strategic managerial intervention.

The overriding aim of this study has been to provide a “voice” to the personnel of MHS by allowing participation in the study and utilising the results of the survey in what is to follow in terms of the conclusions and recommendations that will be made.

## **5.2 CONCLUSIONS**

Organisations have reached the point where the process of modifying the organisation, which implies management of change, requires not only the concentrated management attention, but also as previously stated competent, committed, knowledgeable and overall well organised project teams to assist with the change process.

Irrespective of what the action plans are, or the strategic focus of the organisation to make it work effectively an integrated and holistic approach is required, which will involve the following (Butler, 2002: 2):

- assign responsibilities so that it is ensured that that the planning and implementation of actions are planned, implemented and effectively completed;
- continuously transfer and capture knowledge, especially in terms of the strategies that are to be implemented;
- ensure clear and planned communication to all levels of staff;
- involve both line and functional managers;
- improved collaboration and knowledge sharing in the workplace;

- measure progress regularly in terms of desired goals; and
- apply the contingency approach, necessary, that that will ensure that the required strategic objectives are achieved.

The fact that all business of the twenty first century will be logistics, is a given. More than the integrated, organisation were activities are completed in-house, increasingly business will be equated to knowledge plus relationships, as business is more and more about making the correct decisions, about what your focus areas should be and who your strategic business alliances should be (Buckingham, 1999: 8).

One of the most important, yet underrated issues in the business environment, and in transforming business performance is changing values and beliefs. It is deemed to be one of the most “intractable aspects of successful business process management”( Corrigan, 1996: 7).

Structural advantages and tailored value delivery systems with skills and knowledge are just some of the “buzz” words that are used when referring to competitive advantage (Coyne & Subramaniam, 2000: 7-8) other aspects that deserve mention in terms of sustaining a competitive advantage and that is relevant to the study are as follows (Butler, 1997: 13-14):

- strategy and business planning;
- business improvement programmes and systems;
- information and knowledge management;
- training and development of human capital;
- technology specification and selection;
- account management;

- excellent communications;
- project management (decentralisation and matrix structure); and
- new market development and facilitation.

Many change initiatives do not deliver what they intend to due to the fact that there is not enough top management involvement, there is a lack of staying power and lack of focus. Focus is the most difficult to get right and to sustain. Most of all, striking the right balance in terms of what is to be included into the change programme and selecting the processes for transformation or redesign requires being moderate in order to be successful and to ensure efficient performance (Heygate, 1993: 1-2).

The differences in perception between the personnel and management are significant and should be a concern. Communication, training and development, as well as some of the other recommendations made in table 5.2 could possibly alleviate this problem.

Strategic Business Units should not operate in isolation and should be integrated through project management or matrix structures, which would ensure cooperation and extinction of present differences that could have a negative impact on the organisation.

The last conclusion that can be made is that transformation or in this context change management isn't just something that happens, it is not just a matter of luck or even management theory. It is deemed to be (Amelio, 1996: 1) a process of well-understood principles and processes that instil new structures, disciplines and

systems, in order that long-term solutions can be found to regain organisational health and to grow to new heights in terms of performance.

### 5.3 RECOMMENDATIONS

As part of this section the profile sheet (Annexure 5) utilised for the study needs to be interpreted see Annexure 6 in order to make the necessary recommendations relating to the survey. Table 5.1 summarises the results from the scoring and profile sheet.

This will be followed by providing a table with recommendations, structured according to the 7 factors of the McKinsey 7S model. It has been noted in conclusions that selectivity is a major concern in terms of any recommendations that are made in respect of change programmes, it is thus from this perspective and angle that table 5.2 will provide recommendations.

#### 5.3.1 Interpretation of the profile sheet

Table 5.1 provides a summary of the average scores from the profile sheet in terms of the seven factors.

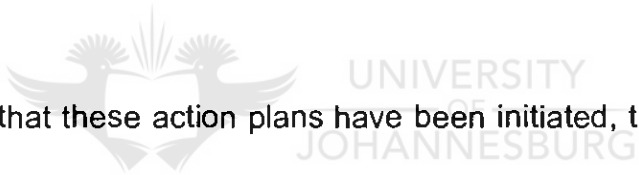
Table 5.1: Profile sheet scores

McKinsey 7S factor	Average score as per profile sheet
Structure	0,27
Strategy	1,28
Systems	2,76
Shared values	0,65
Skills	0,96
Staffing	0,98
Style	0,87

A summary of the interpretation of the survey results in terms of all seven the factors from the McKinsey 7S's model is as follows:

All seven factors scored in the –4 to 4 range, the personnel have recognised, in terms of all seven factors, that the issues addressed in the survey and in particular by the seven factors, has been recognised as problems and that some goals and action plans have been initiated towards resolving these issues.

It is essential that resources be allocated towards these action plans, in terms of both finances and personnel. It seems that there is some communication in terms of what is being done to resolve problems, as personnel are aware of what the organisations plans are.



Of importance is that these action plans have been initiated, the organisation should thus not become complacent and be satisfied with the current status. It is important for personnel to buy into what is being done, so that they are able to support these actions, which will provide momentum towards the actual activities, in terms of the actual action plans.

### **5.3.2 Recommendations in terms of the McKinsey 7S model**

The following table (5.2) provides the recommendations made in respect of the changes that need to be considered in terms of improving performance. Some of these recommendations may already have been implemented, but require attention as no factor can be changed in isolation without affecting the other factors. Some of the recommendations described may already have been considered, discussed or are being worked on. It may have not been communicated to the personnel yet.

Table 5.2: Recommendations in terms of the McKinsey 7S model

McKinsey factor	General descriptors	Recommendation	Recommended strategies
<i>Shared values</i>	<ul style="list-style-type: none"> <li>- Creating future concepts.</li> <li>- Distilling essential values.</li> <li>- Identifying future direction.</li> <li>- Provide a basis for creating "meaning" for personnel.</li> </ul>	<ul style="list-style-type: none"> <li>- Provide structured opportunities for presenting concepts in relation to all stakeholder groups;</li> <li>- A consistent set of values is to be identified utilising recognised principles of quality management in doing so;</li> <li>- Clear mission, vision and values are to be determined according to the requirements of the day. In doing so all stakeholder groups should be identified, as well as their particular needs and performance expectations (outcomes);</li> <li>- A organisational context should be provided and maintained that is conducive to performance measurement and planning.</li> </ul>	<ul style="list-style-type: none"> <li>- Innovation and creativeness are encouraged;</li> <li>- Norms can include: <ul style="list-style-type: none"> <li>o risk-taking;</li> <li>o belief in action;</li> <li>o autonomy;</li> <li>o rewards for change;</li> <li>o common goals;</li> <li>o openness; and</li> <li>o two-way interaction</li> </ul> </li> <li>- An open and integrative organisation.</li> <li>- Senior management must formulate and constantly re-iterate values and beliefs, but should lead by example, if they are to shape the personnel's behaviour in a lasting way.</li> </ul>
<i>Strategies</i>	<ul style="list-style-type: none"> <li>- Respond to changes in the environment</li> <li>- Improve the organisations competitive position.</li> <li>- Provide a route for sustainable success.</li> </ul>	<ul style="list-style-type: none"> <li>- Structure should be provided in terms of completing an environmental assessment. Structure is also to be provided to distinguish the required tactical strategic responses.</li> <li>- Strategic measurement is to be based on comparative and competitive performance.</li> <li>- Alignment must be driven from a strategic perspective. A basis for comprehensive stakeholder strategy development is to be provided.</li> </ul>	<ul style="list-style-type: none"> <li>- Market research: <ul style="list-style-type: none"> <li>o customer research;</li> <li>o data analysis.</li> </ul> </li> <li>- Promotional management.</li> <li>- Media management.</li> <li>- Consumer management</li> <li>- Sales management.</li> <li>- Product and service development.</li> <li>- Business requirements analysis.</li> <li>- Creation of alliances and partnerships.</li> </ul>
<i>Skills</i>	<ul style="list-style-type: none"> <li>- What we are best</li> </ul>	<ul style="list-style-type: none"> <li>- Current performances</li> </ul>	<ul style="list-style-type: none"> <li>- Enhancement of</li> </ul>

	<p>at doing.</p> <ul style="list-style-type: none"> <li>- The dominating attributes of the organisation.</li> <li>- Organisational capabilities in relation to creating and delivering products &amp; services efficiently.</li> </ul>	<p>including perceived current strengths are to be diagnosed.</p> <ul style="list-style-type: none"> <li>- The validity of current measurements is to be questioned.</li> <li>- Performance measurement must be done according to a disciplined approach, from the selection of measurements/ criteria to reporting.</li> </ul>	<p>managerial skills in:</p> <ul style="list-style-type: none"> <li>o leveraging resources; and</li> <li>o translating strategic intent into work group action.</li> <li>- provide multidiscipline skills.</li> <li>- Create learning environment by: <ul style="list-style-type: none"> <li>o providing space, time and resources for learning;</li> <li>o tolerate failure as part of the learning process;</li> <li>o allow risk; and</li> <li>o visible recognition for success.</li> </ul> </li> </ul>
<i>Systems</i>	<ul style="list-style-type: none"> <li>- The procedures for doing the work.</li> <li>- The way things are done.</li> </ul>	<ul style="list-style-type: none"> <li>- Strategic, operational and tactical measurements are to be provided in terms of the systems perspective. Improvement management is to be ensured through providing a focus on core processes.</li> <li>- Provide the basis for a process view of the organisation.</li> </ul>	<ul style="list-style-type: none"> <li>- Retention systems.</li> <li>- Reward systems.</li> <li>- Recognition systems.</li> <li>- Control systems.</li> <li>- Recruitment and selection systems.</li> <li>- Innovation management information systems.</li> <li>- Probable product/service line extension analysis.</li> <li>- Competitor analysis.</li> <li>- Provide legal and actuarial services.</li> <li>- Appraisal, training and development systems.</li> </ul>
<i>Structures</i>	<ul style="list-style-type: none"> <li>- How work is formally segmented.</li> <li>- How authorities and responsibilities are assigned.</li> </ul>	<ul style="list-style-type: none"> <li>- A core process view of the organisation is to be promoted.</li> <li>- Provide a basis where authorities and responsibilities are identified that is consistent with a core process view.</li> </ul>	<ul style="list-style-type: none"> <li>- Simple and flexible.</li> <li>- Skunkworks.</li> <li>- Minimal hierarchical layers.</li> <li>- Free-flowing communication channels.</li> <li>- Decentralised decision-making.</li> <li>- Cross-functional &amp;</li> </ul>

			customer/ supplier teams. <ul style="list-style-type: none"> <li>- Closely integrated Research and Development, marketing and manufacturing or service delivery.</li> </ul>
<i>Style</i>	<ul style="list-style-type: none"> <li>- Organisational patterns of behaviour.</li> <li>- Management of relationships.</li> </ul>	<ul style="list-style-type: none"> <li>- Explicit data and an information-based approach based on sound measurement practices as the basis for control and improvement of organisational performance is to be promoted.</li> <li>- Continuous improvement based on valid measurement of regular processes, products and services is to be promoted.</li> </ul>	<ul style="list-style-type: none"> <li>- Management style: <ul style="list-style-type: none"> <li>o reflects flexibility;</li> <li>o is consistent with the competencies of strategy and situational factors; and</li> <li>o is consistent with steering and self-organisation.</li> </ul> </li> </ul>
<i>Staff</i>	<ul style="list-style-type: none"> <li>- Approach to managing people, including motivation and morale.</li> </ul>	Staff are a key stakeholder group. Their needs & expectations are to be included during formulation of strategy and goals.	<ul style="list-style-type: none"> <li>- Personnel must have the freedom to act creatively.</li> <li>- Time for introspection and reflection.</li> <li>- Accommodate both "boat rockers" and "doers".</li> </ul>

Sources: Adapted from Dransfield (2002: 1-5); Jacobs (1998: 108) & Managing Change (1997: 2-5).

Future research into any one of the seven factors of the McKinsey 7S model is possible as this is such a wide study field, that could evolve further along several paths or applied in terms of a much broader study field, an example being the entire managed care industry. Several new research questions may evolve in terms of the recommendations provided in table 5.2 and are open for further discussion and deliberation.

It is hoped that the recommendations and theoretical framework supported by this study will provide a guideline to organisations in need of change and that it will



provide assistance in terms of better performance and moving towards an optimal state.

#### **5.4 CLOSING REMARKS**

Having come full circle, it should be said that the complexities that is faced by the organisation in today's business world, should not be underestimated. The organisation is to be vigilant not only in terms of its expectations of the management team, but of that of the organisation as a whole, as the sum of the parts is deemed to be greater than the whole, by creating synergy and providing a "voice" to the organisation.

The importance of outstanding leaders and strategists cannot be over emphasised in terms of the creation of an efficient, agile and adaptable organisation. It would probably require a certain amount of risk, creativity, inventiveness and open-mindedness, to reinvent the future of the organisation. Lawrence (1997: 9) is of the opinion that one of the eleven deadliest sins of knowledge management, is to have a predisposition of focussing on the past and present rather on the future.

It does not imply that one should not utilise and build upon that, which has been acquired from the past and the present, with a view to the future. The model utilised in this study is but one example of the many business models that abound in the business environment today that utilises current information in order to build on and plan activities for the enhancement of the organisation in the future. It should be emphasised that this is an essential requisite for the organisation to adapt to the changing demands of the business environment.

Finally, Heracleos in Lawrence (1997: 9) will be quoted to conclude this study: *“It all comes down to the ability to go up and down the ladder of abstraction, and being able to see both the big picture and the operational implications, which are signs of outstanding leaders and strategists”*.



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## ANNEXURES

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### ANNEXURE 1: SURVEY COVER LETTER

Managed Healthcare Systems  
Block D1  
Knightsbridge Manor  
33 Sloane Street  
Bryanston

Dear MHS Employee,

The attached questionnaire called the "McKinsey 7S's Strategic Readiness Survey" has been designed as a diagnostic tool to assess and provide feedback on the organisation's (MHS) effectiveness and ability to adapt to the future.

It is to be utilised as in part towards completion of my dissertation and towards the requirements for completion of my M Com. Business Management degree.

Participation is on an anonymous basis, however please complete the background questionnaire as this will assist in the interpretation and analysis of data collected. Please find included instructions on how to complete the questionnaire.

It would be appreciated if the questionnaire could be completed and handed to Erika Brink (HUM) by the 14<sup>th</sup> October 2003.

Your participation and assistance in completion of this questionnaire is much appreciated.

Kind Regards,

Adèle Malan.

01/10/2003



ANNEXURE 2: BACKGROUND QUESTIONNAIRE

<b>Background Information:</b>	
<p><b>Age:</b> (Please tick appropriate block)</p>	<p>Less than 25 years: <input type="checkbox"/></p> <p>25 – 34 years: <input type="checkbox"/></p> <p>35 – 44 years: <input type="checkbox"/></p> <p>45 – 54 years: <input type="checkbox"/></p> <p>55 years and older: <input type="checkbox"/></p>
<p><b>Gender:</b> (Please tick appropriate block)</p>	<p>Male: <input type="checkbox"/></p> <p>Female: <input type="checkbox"/></p>
<p><b>Department/ Strategic Business Unit</b> (Please tick appropriate block)</p>	<p>MHS/ Medical Advisors/ HUM/ DM <input type="checkbox"/></p> <p>Medsys <input type="checkbox"/></p> <p>Optimax/ Hospi CHEQ/ Insight/ <input type="checkbox"/></p> <p>MHM/ Other <input type="checkbox"/></p>
<p><b>Number of years at MHS:</b> (Please tick appropriate block)</p>	<p>Less than 1 year: <input type="checkbox"/></p> <p>1 –3 years: <input type="checkbox"/></p> <p>4 –10 years: <input type="checkbox"/></p> <p>11 or more years <input type="checkbox"/></p>
<p><b>Number of years at current job level:</b> (Please tick appropriate block)</p>	<p>Less than 1 year: <input type="checkbox"/></p> <p>1 –3 years: <input type="checkbox"/></p> <p>4 –10 years: <input type="checkbox"/></p> <p>11 or more years <input type="checkbox"/></p>
<p><b>Are you a member of the MHS Management Committee?</b> (Please tick appropriate block)</p>	<p>Yes: <input type="checkbox"/></p> <p>No: <input type="checkbox"/></p>

## ANNEXURE 3: MCKINSEY 7S'S STRATEGIC READINESS SURVEY

### *Instructions for completion of the Strategic Readiness Survey*

The McKinsey 7S's Strategic Readiness Survey has been designed as a diagnostic tool to assess and provide feedback on the organisation's (MHS) effectiveness and ability to adapt to the future.

The survey has a selection of 35 statements that you will be asked to respond to by indicating your view of the present state of the organisation.

When responding to the statements you are to rate the statement according to the current state of the organisation and not on how it should be or according to what your perception of the perfect state would be.

Do not spend too much time selecting your response, as your initial reaction to the statement is best, as there are no correct or wrong answers to this survey.

Each statement is to be read carefully. Rate how much you agree with each statement, using the 5-point scale immediately below, recording your rating with a X in the appropriate block provided to the right of the statement.

AGREEMENT RATING	
RATING	HOW MUCH YOU AGREE WITH EACH STATEMENT
5	Strongly agree
4	Agree
3	Neither agree nor disagree
2	Disagree
1	Strongly disagree

## MCKINSEY 7S'S STRATEGIC READINESS SURVEY

No.	Statement	Agreement Rating				
		Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
		1	2	3	4	5
1.	MHS maintains high ethical standards in its business pursuits.					
2.	My managers provide regular feedback to me in respect of my general performance.					
3.	MHS has a low personnel turnover rate.					
4.	There are opportunities for career development within MHS.					
5.	Business goals guide the personnel development activities of MHS.					
6.	Recent changes in MHS have resulted in destabilisation.					
7.	The input of personnel is valued during decision-making.					
8.	There is trust in MHS.					
9.	Personnel skills are enhanced through training.					
10.	I understand the impact of my decisions on organisational processes.					
11.	A climate of supportiveness rather than being judgemental exists in MHS.					
12.	There are clear guidelines on how tasks should be performed.					
13.	MHS appoints personnel from diverse backgrounds.					
14.	If MHS is to be successful a consistent plan of action is required.					
15.	There are quality improvement programmes running in MHS					

No.	Statement	Agreement Rating				
		Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
		1	2	3	4	5
16.	At MHS personnel appointments are based on the outcome of a structured interview.					
17.	Skill development is rewarded at MHS.					
18.	Only skilled personnel are employed by MHS.					
19.	MHS's strategic planning process is driven by the beliefs, values and norms of its stakeholders.					
20.	The atmosphere at MHS is conducive to teamwork.					
21.	Sufficient resources are allocated for personnel development programmes.					
22.	Internal organisational analysis is done on a regular basis in MHS.					
23.	All the processes in MHS are documented (e.g. policies, flow charts, standard operating procedures, protocols etc.).					
24.	There is transparency in MHS.					
25.	Experience is valued in MHS.					
26.	Information obtained improves the quality of organisational programmes.					
27.	Human resource development policies and procedures shape the manner in which work is performed in MHS.					

No.	Statement	Agreement Rating				
		Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
		1	2	3	4	5
28.	Organisational goals are supported by financially sound decision-making.					
29.	There is room for innovation and creativity in MHS.					
30.	The tasks performed by personnel forms an integral part of the improvement of MHS.					
31.	There are opportunities for advancement in MHS.					
32.	MHS has a clear plan of action.					
33.	Mistakes are tolerated as part of the learning curve.					
34.	MHS's needs are reflected in the skills of its personnel.					
35.	MHS has a "flat" organisational structure (organisational chart).					

(Biech, 2000: 124-130).



**ANNEXURE 4: MCKINSEY 7S'S STRATEGIC READINESS SURVEY - SCORING SHEET**

*The directions for the scoring sheet is as follows:*

- Each dimension of the McKinsey 7S's has a chart with statement numbers that are applicable to the particular dimension.
- The agreement rating for each statement is to be placed in the box beneath the statement number.
- Once this has been done on all seven charts, the appropriate numerical value is to be assigned to each statement, according to the agreement rating given using the following scale:

<b>Agreement Rating:</b>	<b>Value:</b>
1 (Strongly Disagree) =	-2
2 (Disagree) =	-1
3 (Neither agree or disagree) =	0
4 (Agree) =	1
5 (Strongly Agree) =	2

**Example Chart:**

<b>Statement No.</b>	<b>6</b>	<b>13</b>	<b>19</b>	<b>29</b>	<b>32</b>	
<b>Agreement Rating:</b>	1	3	2	5	4	
<b>Value:</b>	-2	0	-1	2	1	
<b>Score:</b>						0

**Structure:**

<b>Statement No.</b>	<b>6</b>	<b>15</b>	<b>22</b>	<b>27</b>	<b>35</b>
<b>Agreement Rating:</b>					
<b>Value:</b>					
<b>Score:</b>					

**Strategy:**

<b>Statement No.</b>	<b>5</b>	<b>14</b>	<b>21</b>	<b>28</b>	<b>32</b>
<b>Agreement Rating:</b>					
<b>Value:</b>					
<b>Score:</b>					

**Systems:**

<b>Statement No.</b>	<b>10</b>	<b>12</b>	<b>16</b>	<b>23</b>	<b>26</b>
<b>Agreement Rating:</b>					
<b>Value:</b>					
<b>Score:</b>					

**Shared Values:**

<b>Statement No.</b>	<b>1</b>	<b>8</b>	<b>11</b>	<b>19</b>	<b>24</b>
<b>Agreement Rating:</b>					
<b>Value:</b>					
<b>Score:</b>					

**Skills:**

<b>Statement No.</b>	<b>4</b>	<b>9</b>	<b>17</b>	<b>25</b>	<b>30</b>
<b>Agreement Rating:</b>					
<b>Value:</b>					

**Score:**



ANNEXURE 5: MCKINSEY 7S'S STRATEGIC READINESS SURVEY - PROFILE

SHEET

The directions for the profile sheet is as follows:

- The average score of each statement is to be calculated by totalling all the scores and dividing it by the number of respondents.
- The results are then to be plotted on the following graph:

<b>Structure</b>					
	-22-20-18-16	-14-12-10-8 -6	-4 -2 0 2 4	6 8 10 12 14	16 18 20 22
<b>Strategy</b>					
	-22-20-18-16	-14-12-10-8 -6	-4 -2 0 2 4	6 8 10 12 14	16 18 20 22
<b>Systems</b>					
	-22-20-18-16	-14-12-10-8 -6	-4 -2 0 2 4	6 8 10 12 14	16 18 20 22
<b>Shared Values</b>					
	-22-20-18-16	-14-12-10-8 -6	-4 -2 0 2 4	6 8 10 12 14	16 18 20 22
<b>Skills</b>					
	-22-20-18-16	-14-12-10-8 -6	-4 -2 0 2 4	6 8 10 12 14	16 18 20 22
<b>Staffing</b>					
	-22-20-18-16	-14-12-10-8 -6	-4 -2 0 2 4	6 8 10 12 14	16 18 20 22
<b>Style</b>					
	-22-20-18-16	-14-12-10-8 -6	-4 -2 0 2 4	6 8 10 12 14	16 18 20 22
<b>According to the Agreement Rating</b>	<b>Has not even recognised this as a problem. Requires urgent attention.</b>	<b>Requires some attention.</b>	<b>Has been recognised as a problem, initiated some action plans.</b>	<b>Action plans have been implemented to try and resolve these issues.</b>	<b>Results in terms of these issues are being realised.</b>

(Biech, 2000: 134).

## ANNEXURE 6: MCKINSEY 7S'S STRATEGIC READINESS SURVEY - INTERPRETATION SHEET

After the completion of the profile sheet and graph the mean of each dimension will fall into a certain rating category. General conclusions can be drawn according to this, but an item analysis can be done according to the same principles.

The following are short explanations of what this analysis would mean in terms of the organisation.

*Has not even recognised this as a problem. Requires urgent attention.*

*Rating: -16 to -22*

This issue has not even been recognised as a problem in the organisation, personnel feel this issue of the 7S Model has definitely not been addressed by the organisation. The fact that the personnel have identified this dimension as a problem could point to many underlying problems, but at the same time to an equal amount of solutions.

This does not mean that the organisation does not deem this problem to be significant and willing to work towards resolving the problem. Work in initiating and implementing goals and action plans towards resolving these issues may in fact already have been addressed, but not widely or clearly communicated to the rest of the organisation.

Should the organisation's rating fall in this rating category, in any of the seven dimensions, regardless of what the cause may be, this should signal a warning to the organisation's management and should be investigated and resolved in terms of the reengineering plan to be suggested.

This is further where an item analysis is very useful, as it will point to where the personnel experience the most or severest problems.

*Requires some attention. Rating: -6 to -14.*

In all likelihood the organisation has identified this issue as being a problem and have started talking about this problem. The fact that this dimension falls in this rating

indicates that the personnel at least perceive this problem as being discussed. Unfortunately as this rating is still very low the perception may be that management is only giving this problem some lip service and not actually started addressing the problem with appropriate goals and action plans.

Once again this may not altogether be the case and the actual problem could actually be poor communication in terms of the organisational direction. The management may in fact actually have put something towards resolving problems surrounding this dimension into place, but have made a poor job of informing personnel about this.

Falling into this rating category should however still serve as a warning to management, as it may be found that personnel may not commit themselves to any initiative implemented in resolving these problems as the perception of "all talk and no action" exists.

It is suggested that should any dimension fall into this category, every item should also be analysed and be discussed in terms of the suggested reengineering plan.

*Has been recognised as a problem, initiated some action plans.*

*Rating: -4 to 4*

Should the particular dimension fall into this rating category, personnel probably recognise that the organisation has identified this issue as being a problem and that some goals and action plans have been initiated towards resolving these issues.

Any work or action plans directed towards resolving any problem would require that resources be allocated, in terms of money and personnel.

In this case it may also mean that the communication in terms of what is being done to resolve problems have been better communicated and that personnel are actually aware of what the organisations plans are.

Of greater importance is that these action plans are actually implemented and that the organisation does not allow for complacency and be satisfied with the current situation. Personnel should "buy into" what is being done so that they may offer support and provide momentum towards the actual activities derived from the actual action plans.

*Action plans have been implemented to try and resolve these issues.*

*Rating: 6 to 14.*

Goals and action plans have been formulated and actually been implemented towards the se issues. Personnel actually have experienced and see that work is being done to assist the organisation achieve its goals in respect of these particular dimensions.

The personnel have probably taken “ownership” of this and are offering support and a willingness to participate in any action towards realising these goals. It is evident that they probably feel that the management has gone beyond the talking and philosophising stage and really moved towards the actual resolving of issues surrounding this dimension.

On the other hand this may be indicative of a good communication system as personnel know about and are aware of what work is being done within the organisation.

*Results in terms of these issues are being realised. Rating: 16 to 22.*

Results have actually been noted by personnel in terms of the work that has been done around these issues. Personnel have thus heard about, observed and noted the work being done and now actually experiencing its results.

When a rating in this category is acquired it is indicative of a strong communication system and that success has been obtained in respect of the connections that have been made by personnel in terms of the plans, efforts and results obtained by the organisation.

Reengineering suggestions may also revolve around items that fall into these last three categories in order that a comprehensive and holistic plan may be put forward (Biech, 2000: 135 –136).