

# Questions on strategic perspective netcares international expansion



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Expansion of the business at the international level requires an analysis of various environmental issues, so that the firm can implement effective strategies and remove all the obstacles. At both micro and Macro level, there are numerous environmental issues that affect the performance of Netcare in Medicare Industry, which are as followed:

Issues in the Micro Environmental:

In order to understand the various issues at the micro level, the SWOT analysis would be fruitful:

**Strengths of the Company:** Netcare has a wide range of patent over the medicines generally in mental health. Due to this, company has established itself as a strong brand name in Medicare industry, which is one of the strongest points that influence its performance in the international market. The company has created a good reputation among the customers through its services. Additionally the services provided by Netcare are of low cost in compare to its competitors and provides a wide range of services at a same place. Netcare provides its employees better facility to retain them. The shareholders are being satisfied with constant reputation in the market.

**Weaknesses of the Company:** At the micro level, one of the biggest issues for the company that influences company is the lack of adequate ways for the patent protection. The Company is facing problems to protect its patent products from being duplicating in the market. Although the company has worldwide presences, but due to the limitations of resources, it has mainly concentrated in Africa and Europe. The company highly concentrates on the

area of mental health, which restricted the management to focus on the other areas of Medicare industry.

**Opportunity for the Company:** The Company can further go for R&D to explore the future needs of medicine in the field of mental health.

Implementation of advances technologies would help the organization to satisfy their patients well. The company should also focus on the international market along with Africa and Europe.

**Threats for the Company:** At the micro environment, some other important issues are substitute medicines and highly competitive environment. The business of Netcare is being affected by the substitute products available in the market. The performance of the company also stressed due to the high competitive pressure.

**Issues in the Macro Environmental:**

In order to understand the various issues at the macro level, the PESTLE analysis and Porter's five forces analysis would be fruitful:

**Political, Legal and Economic Condition:** Economic slowdown and highly restrict policies of the global countries is one of the biggest problem for the company to expand globally. According to the Porter five forces analysis, enter of new entrants in Medicare industry in some countries is restricted due to the high legal and political regulations, which affects its global image. The economic slowdown has created a major problem in front of the company. Funds are not coming for the company and to give a tough competition to its competitors, it requires a huge amount. Additionally, there

are many restrictions on trade performing within a country itself that badly affect the firm. The interest rate of the government of different countries also affects the organization.

**Technological and Social Conditions:** At the technological and social level, Netcare faces many obstacles. With the growing population it has become difficult to provide better services to everyone. People are generally not serious about their health and take this quite lightly. This affects the company in promoting themselves. Additionally, further work on R&D can improve the firm's product in order to provide better services.

**Key Drivers of Change in the Industry:**

On the basis of above SWOT, PEST and Porter's Five Force analysis there are many drivers of change in the industry. These drivers are political, ecumenical, regulatory, and technological changes. Innovative technology and information systems, has changed the perspective of Medicare industry. High political restrictions and high authenticity of the medicines restrict the new players to enter in the industry.

All the companies have to follow transparency and integrity with its suppliers and customers to retain for long term. The bargaining power of suppliers is high because of limited resources that also shape the growth of the industry. On the other hand, bargaining power of consumers are low because they wants highly authenticates medical services for their good health and effective treatment. Customer consciousness towards health is also a key driver for the changes in the industry.

Additionally, satisfied shareholders and the employees are the key elements in the development of an organization and industry. Some other important drivers of the industry are consolidation, intense global competition for market share, lack of researcher, global competition for high skilled employees and availability of venture capital.

Answer 2: Evaluation of Competitive Environment of Netcare through porter's Five Forces Analysis

According to the strategic framework, in this competitive and changing world, there are various forces in the external environment of an organization that are more powerful than the organization itself and are beyond their control. These external industry environment forces influence the operations of the organization in various ways and these also help the firm to evaluate the competitive environment. In order to understand the competitive environment of Netcare, Porter's five force analysis model is one of the best techniques. Porter's five forces contribute and shape the competition in the Medicare industry to which Netcare belongs, in the following manner:

Threat of New Entrants: Netcare is a well established company and expanding its business in South Africa, Saudi Arabia, Canada, UK, Australia, etc. Threat from the new entrants is very low for the company. In order to enter in the Medicare industry, the firm should have a huge amount of capital with the licensing and patent of particular medicines. This is one of the strongest points for Netcare that it has many patents that cannot be

gained by new players. It also poses economies of scales to manage economic slowdown.

In which markets the company operates, the political and legal restrictions of these markets are also barriers for the entry of new players. Therefore, new companies have no threat for Netcare and also there are high entry barrier for the new companies that are planning to enter the Medicare.

**Bargaining Power of Customers:** This is another force that influences the competitive condition of the Medicare Industry. Its influence depends upon the possibilities of the buyers forming the groups or cartels. The bargaining power of the customers influences not only the prices that a company charge from them but also the cost and investments because powerful customers usually bargain for better services. In this industry the bargaining power of customer is average. The rival companies are serving consumers with innovative health care facilities, thus, it is a serious situation for the development of Netcare.

**Bargaining Power of Suppliers:** Quite often, suppliers too exercise considerable bargaining power over companies. The more specialized the offering from the supplier, greater is his clout and if the suppliers are also limited in number, they stand a still better chance to exhibit their bargaining power, which determines the cost of raw materials and other inputs of the industry. In the Medicare Industry, the suppliers of the raw material usually have high bargaining power because of the limited numbers. The company has a limitation to use authenticate products and services of health care,

thus the bargaining power of suppliers is high and competition is intensive for Netcare.

**Threats from Substitutes:** Substitute products are a potential source of competition in the Medicare Industry. Substitute products offering a price advantage and performance improvement to the patients can drastically alter the competitive character of the industry. Although there are many problems for the growth of company, but the medicines and health care facilities which have company's patents cannot be provided by any other company. Additionally, in the international market of the company such as South Africa, Europe, UK, etc, the health care and Medicare facilities are at low ground. Thus, threat from substitute products is quite low for Netcare.

**Rivalry among Current Players:** The rivalry among current or existing players is an idea that can be normally understood as competition. For any player, competitors influence prices as well as the costs of competing in the industry, production facilities, product development, advertising, sales force, etc. In this Medicare industry the competition is intensified because there are many players with innovative facilities and health care services they are equally balanced. Netcare has lack of effective communication tools, CRM system, and Information technologies, which provide a competitive advantage to its competitors. Inadequate funds, lack of proper staff, low morale among employees, etc, are also a problem for the company to increase strengths of competitors.

**Strategies used by Netcare to Manage Competition:**

In order to manage the competitive environment of Global Medicare industry, the company has focused on three strategic approaches operational excellence, Physicians partnership, and Best and Safest patient care. All these three approaches are used by the company to manage competitive environment and create competitive advantage over its competitors.

In order to maintain operational excellence, the company has implemented a program of System Application and Product (SAP) to drive the share service centers of its all hospitals. Additionally, the company has also utilized the IT enabled services of UK's 28 hospitals to improve its services and communicate with patients and staff effectively.

Apart from this, in order to improve the abilities of staff members and retain doctors and physicians for long time, the company has focused on partnership deals with the physicians and doctors of private hospitals. The company has invested a huge amount in Africa and UK to implement the training session for the physicians and staff members. Additionally, the company has also invested to execute innovative technologies for nursing training.

By using all these technologies and training programs, the company wants to improve the skills and features of the nursing staff so that the company can provide better services to the patients as per their expectation as well as create competitive advantage over its competition to be a long term player of global Medicare industry.

**Answer 3: Key Issues of Netcare and Recommendations**

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As Netcare is one of biggest company in Global Medicare Industry. Expansion of a firm in the international market is a very critical because of unpredictable and changing environment. Although it is a successful company, but it has also some issues and problem related to external and internal environment. These key issues and the recommendations are as follow:

**Patient complaints:** One of the main issues of Netcare is the complaints of the patients. Patient's complaints are not taken seriously by the nursing staff and management of the company and they feel difficulty to register their complaints. This issue de-motivates patients and diverse them towards the other medical facilities provides by the competitors. This may affect the financial position and profitability of the firm. In this concern, it is necessary for Netcare to implement a CRM program, to resolve the queries of Patients and effectively address their complaints.

**Lack of Facilities for Patient Care:** Another major issue of Netcare is the lack of adequate resources and facilities for the caring of patients. Patient's cares have not been upgraded since many times which need to be enhanced. Although the technologies have been upgraded but many facilities that are needs to be provided to patients are not available in the organization. On the other hand, the competitors of the firm are providing latest and innovative health care facilities. In order to resolve this problem, it is essential for the company to implement latest technologies and health care services and the number of physician should be increased.

**Inadequate information of Patients:** The management of Netcare is focused only on the development of medicine, mainly in mental health care, and it has avoid other aspects like implementation of Innovative technologies, information and communication system, CRM process, etc. The management and staff have not any adequate system to collect adequate information about patients. Patients always roam here and there in lack of information about where to go. It is essential for the company to implement a IS and CRM system to communicate with patients effectively. Notice board should be there to place duty chart and Doctor's locations so that the patients can find out their locations easily. Different cells have to be made to provide the information regarding different facilities of the organization.

**Lack of Proper strategies to implement new facilities and enhance the existing Services:** The Company also faces the problem in the introduction of new health care facilities because of limited resources and lack of innovative technologies. Additionally, lack of effective technologies also restricted the firm to enhance its existing services and facilities for the current and future patients. With the advancement in technology, it would become quite easy to introduce new facilities to the patients. It is being expected from such a big organization like Netcare to have these facilities. The health care facilities currently provided by the firm are also not in well condition.

**Financial Position:** Maintaining a strong financial position is also a key challenge for the company. As the company is running on no profit basis and providing free services to some patients, the profitability of the company is not very good. The company can charge a nominal amount from the patients not to make them habituated of this practice. This would also be beneficial

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for the firm to collect funds and implement new information technologies.

The company can also get make deal with non-profit organizations, government health care institutions and other health care agencies to

**Lack of Effective Nursing Programs for the Staff Members:** The Company is also suffering with the problem of effective training and development program for the employees. In this highly changing and diversified environment, It is really difficult for the staff and management of a hospital to fulfill the needs and requirements of each patients. The organization has failed to provide highly qualified nursing staff because of the lack of nursing staffs technologies. . The company should encourage new person and trained them in order to satisfy the lacking of qualified nursing staff.

**Issue related to the Retaining of Doctors in Africa:** The foremost issue of the company is that due to the lack of basic facilities in African health care industry, employee turnover of medical staff mainly doctors is high. The company has not any proper solution to retain them for long time. The basic facilities in Africa are not up to the standard, so the doctors are not willing to stay there. In order to resolve this problem, the company should motivate doctors by providing their appraisal and additional facilities in both monetary and non-monetary terms.

**Lack of Innovative Systems that are required for the Global Development:** Another key issue related to the development and growth of Netcare is the lack of effective and innovative information systems to collect data and analyze the demands and needs of the customers. The information system and communication facilities through online and offline media sources would

allow the firm to understand the requirements of the patients. With the lack of efficient data the efficiency of the company is also being affected. The company should introduce a strong MIS system to support its work efficiently.

#### Answer 4: Internal Environment Analysis through Resource Based View

The framework of resource based view model is mainly used to identify the strengths of internal strategic resources of a company. According to this RBV model, the resources of the company are analyzed on the basis of following factors: Values, Rarity, Inimitability and Non-substitutable. As in this model, main focus is given on these four attributes of internal resources to sustain a competitive advantage. In this RBV framework of internal analysis, all the elements are directly linked with each other and contribute in the success of the company. It is so, as valuable, rare, inimitable and Non-substitutable resources assist the organization in maintaining its competitive advantage.

This RBV analysis would be beneficial for Netcare to identify what resources are creating competitive advantage and how the company can improve its strengths.

Value: According to this element all the resources of the company should create value for the company. If the resources do not deliver value return to the company, they are worthless and increases operating cost of the company. According to this element, all the resources of an organization have their own value to achieve the goals and targets of the company.

Company has valuable resources through which it has become possible for the management to manage profitability.

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According to the given case study, Netcare, It has more than 75 medical and dental centers across South Africa. Additionally, company has more than 18,877 employees with professional skills and capabilities to manage high quality services for the patients. The company treats it HR and customers as an important strategic asset to develop value for the firm. The facilities in South African Medicare industry are not well established, which is a biggest problem for the company. The doctors and other clinical employees do not produce efficiency for the company because of lack of innovative facilities.

Rarity: This is the second element of the framework of this model. If the valuable resource is already owned by the other organization, the business firm cannot consider it as the source of creating competitive advantage. The meaning of rarity can be explained as the critical resources of the firm that cannot be sustained by others. According to this case study, company's resources are not matched the criteria defined by Rarity. Company has not innovative facilities, IS system, CRM process, etc. but its competitors have all these system, which is problem for the future growth of the firm.

One of the main strength of the company is the high number of Patents. Company has many patents and licensed in comparison to its competitors and it also provides low cost services with a good reputation. Although the company have professionals and capable employee to manage with emergence situation in comparison to its competitors, but it is really very difficult to match the level of competitors due to the lack of latest and innovative information technologies.

Inimitability: It means distinctiveness, which is one of the most important elements to create value of the strategic resources of an organization.

Inimitable or unique resources of the company assist the firm to generate long-term profits. Achievement of value and rarity in the strategic resources of organization eventually differentiate the resources of the firm and put them into the lost of unique resources.

According to Netcare case study the distinct resources and strengths of the company is its patents and trademarks for the medical facilities. The unique resources that distinct its services and facilities from the competitors are the availability of mental treatment and medicines. Lack of management information system and enterprise resources planning is one of the weaknesses of the company to create uniqueness and development inimitability among resources. These elements are a good source to manage the changing climate of the economy. Due to the innovations and unpredictable business environment, development of inimitability is a complicated task for the business firms.

It is very difficult for Netcare to attain inimitability in the organizations, but uses of high quality practices and knowledge of experts can help to achieve a sustainable competitive advantage.

Non-substitutable: This element of the resource based view model is mainly dependent upon the achievement of the sustainable competitive advantage for the firms and the resources that are non-substitutable. If the company have non-substitutable resources, it would be difficult for the competitors to cope with the strategic performance of the firm. The effective approach of

company in mental health care sectors and patents and trademark of medicines are the non-substitutable products for the firm.

The medicines and health facilities, which have company's patent are non-substitutable products and services to create competitive advantage. Apart from this, in the European, African and UK markets, where the health care facilities are at low ground the medical services of mental health provide by Netcare are really appreciable and advantageous for the growth of the company. These non-substitutable resources will also assist the organization in fulfilling the requirements of the work force and providing support to them for effectively performing in the work environment.

#### Answer 5: Strategic Approach of Netcare

As Netcare is operating at the international level, it has decided to use different strategic approaches to become successful. Netcare has adopted mainly three strategies to support its business like HR strategy, transformational strategy and expansion strategy. These three strategic approaches of the business firm have greatly influenced the overall business performance of the company. According to the given case study, Netcare is suffering with the problems like ineffective management of HR and other tangible resources.

As its business is settled in South Africa and it is really very difficult to retain the skilled persons and doctors in this industry for long time, due to the lack of effective facilities and higher wages. All these three strategic approaches are also given in the module.

## Strategic Approach to manage HR:

Netcare was facing problem with the lack of nursing staff as the skilled nursing staff do not want to work in South Africa. Thus, it is essential of Netcare to adopt different HR strategy and provide training and development programs to support its business in South Africa as well as become successful in UK. These training and development programs would allow the company to motivate employees to be the part of company for long term.

To handle this situation Netcare has used its HR strategy quite efficiently to overcome this problem. Netcare has started giving training to the nursing staff and as well as it has increased their number also in order to overcome this situation. In 2007 only Netcare has trained more than 3700 nurses under this strategy. Netcare has developed special packages for nurses to retain them with the company as well.

The company has also wisely adopted its HR strategy in order to retain doctors in South Africa. As the country is not well developed so the doctors from other countries do not want to stay there. With the help of this strategy, the company has become able to retain doctors and established the company as employer of choice.

As a part of its HR strategy Netcare has launched partnership schemes with the doctors in UK and expanded more than 60 practice development groups across their hospitals. Netcare has provided state-of-the-art facilities to its doctors. This has helped the company to attract additional 162 medical specialists in the year 2007.



### Approach of Transformation Strategy:

Netcare has successfully implemented the transformation strategy throughout its operations and the society in which it operates. As a part of this strategy Netcare has invested R 37 million on corporate social investment. The transformational strategy of the company is based on the moral perspective that includes the clear and the goal to be achieved. These strategies of the company generally focus employment equity and enterprise development basically in South Africa.

As a part of this strategy company has entered in a partnership with the government to improve the healthcare sector in the country. Netcare has also provided holistic solution to those families as a part of this strategy who cannot afford the private healthcare. Netcare has developed different solutions to cater the need of its shareholder in order to support their return. As Netcare has been the leader in the industry though it has to take further action to serve the rest of the society in Africa as competition is highly developing in the sector.

Company has given emphasis to its social responsibility as a part of its strategy. The strategy has helped the company to be rated among the top in the industry. The strategy has helped the company to come up with new and advanced technology to serve the society better.

### Approach of Expansion Strategy:

Expansion strategy is another strategy that company adopted in order to internationalize itself. Netcare has also begun its operations outside Africa in

the year 1997. In the year 2002 Netcare first entered the UK with the partnership with NHS and viewed the opportunity to explore there. Netcare has greatly adopted its acquisition strategy to generate high revenue instead of low growth rate of the industry in UK. The company has also grown through PPP strategy that has been popularized in the surrounding markets of South Africa.

As a part of this strategy company has opened 91 bed hospitals with the help of Nalithemba Hospital. These initiatives have provided company with strong presence in PPP and allowed the management to expand globally. Netcare has successfully implemented the penetration strategy in UK because of the similar nature of market. In order to meet its expansion strategy the company has gone through various acquisitions.

The company has takeover BMI Healthcare one of the largest private hospital in UK to support its business outside. This acquisition has provided company with strong great infrastructure, property and facilities. This acquisition has established company as a leading international health care-solution.

As a part of its internationalization the company entered in a high profile joint venture with Rwanda government to open a world class hospital. This has helped company to get familiar with the social and cultural trend of the country to further expand. Netcare also look for the opportunities in other countries and it has developed an international division to look for opportunities. The division has contributed nearly R 80 million to the revenue of the company mainly through patient referral. Netcare is now looking for

further expansion either by acquisition or by public private partnership to support its internationalization.

#### Answer 6: Identification and Evaluation of Various Options to Continue Competitive Advantage in Netcare

In order to become successful and remain competitive in this highly changing and competitive environment, Netcare is approaching middle age. It is necessary for Netcare to maintain its competitive advantage by utilizing its core competencies and minimize its weaknesses. In order to cope with the competitors in the international market and remain profitable it is essential to implement some strategies to maintain competitive advantage and utilize the opportunities available in the international market.

Netcare is continuously expanding its market in both South Africa and UK. The Medicare industry of South Africa and UK is not so developed and well established, thus it is a challenging tasks for Netcare to be competitive for long term. Netcare should consider different options that ensure it about continuous competitive advantage and long term success. Some options and recommendations for Netcare to retail long term competitive advantage are as follows:

**Low Cost & High Volume Service:** Netcare provides low cost service to its customers with a wide range of services. Although the Medicare industry of South Africa and UK is highly critical but the still company serve with good quality services and wide range of medicines within low cost, so that the patients can get excellence services.

It enables Netcare to deal with different private patients because these patients easily afford Netcare's services. So, it is recommended to Netcare that it should maintain its low cost for customer by reducing its service cost. It should also maintain the wide range of services at lower rate. It can reduce its service cost by reducing the wages cost for its employees and by purchasing the necessary equipment at lower cost. At the same time it is also important for Netcare to maintain the quality of services. In order to improve its profitability, the firm should deal with the non-profit organizations and other government health institutions to provide innovative machineries and techniques for the speedy check up of patients.

Use of Practice Physician: In private hospital businesses general practice physician plays an important role to enhance the operational excellence and improve quality of services. Thus, it is essential for the company to Hire practitioner and professionals in different medical filed. Additionally, the company should hire assistants and nursing staff for these practitioners and physicians, so that they can serve patients patiently within minimum time. Innovative information system and other medical technology would also help the physicians to serve the patients in a better way.

Netcare also provides high level of training program to these physicians. It helps Netcare to attract large number of physicians for its service. According to this case, in the UK, Netcare launched a partnership schemes with doctor and established practice development group that provides their services across all the hospitals. So, it is recommended to Netcare that it should start those partnership schemes in South Africa also that help it in several ways.

Combination of Experience Senior Team: Netcare should combine the experienced senior team from both South Africa and UK to maintain its competitive advantage in both markets. Combination of senior teams with fresher practitioners will reduce the additional cost of recruitment. It is because if combination doesn't take place then it will increase this cost. Thus, it will help Netcare to expand its business and maintain competitive advantage.

Implementation of various IT and MIS systems: In order to improve the operational excellence the firm should implement various IS system and CRM programs to maintain patient database. As the company has executed SAP system in South Africa, it should also implement this facility in UK industry. It provides efficiency in the business operation. Netcare should try to integrate all its hospitals from both South Africa and the UK through the use of IT system.

It is because with the help of IT system important information is easily transferred from one place to another and helps in saving both time and cost for Netcare. With the use of IT and communication systems, senior managers and senior staff can easily transfer their experience with other inexperienced staff in a short time period.

Clinical Governance Program: Netcar