

# **ORGANISATIONAL FLEXIBILITY AND HUMAN RESOURCE UTILISATION WITH REFERENCE TO THE HEALTH SECTOR IN SOUTH AFRICA**

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## **ABSTRACT**

**W**orldwide, health care costs are spiralling upwards, forcing health sectors to find alternative organisational structures. Increased global competition and rapid technological and environmental changes are forcing organisations to restructure themselves from rigid bureaucracies towards leaner, more flexible and responsive structures. Aligning traditional health care systems with current transformational needs in South Africa is becoming more and more difficult. This is exacerbated by the growing number of people who live in poverty, the increase in HIV/AIDS cases and their growing dependence on government funding for service delivery.

This article explores future prospects for more flexible structures that encourage government “to cope with” and “create change” within the South African health sector. Important drivers in creating the change process are linked to the strategic and policy objectives of the organisation and is supported by effective internal staffing decisions that promote the achievement of organisational and employee goals. This includes performance management techniques, partnerships for service delivery and improved human resource utilisation. A hypothetical model offers the reader alternatives in creating change through flexible horizontal structures and relationships. The theoretical underpinnings of this model are based on the formation of partnerships and its interaction with network and process based structures. By drawing a comparison between the continuum of a classical hierarchical organisation and the networked organisation, the authors attempt to provide valuable insight into the contrasts that exists between both structures and their impact on service outcomes.

## INTRODUCTION

The transformational needs in South Africa are delineated by the *Constitution of the Republic of South Africa*, 1996 (Act 108 of 1996) and are tied to a changing political environment, legislative changes to the labour laws and their subsequent impact on the arrangement of the workforce, and technological changes. All of these changing needs have a major impact on South Africa's competitive position within the global markets (externally) and on government's service delivery outcomes (internally). Additional to these challenges, government is engaged in an effort to develop greater public trust and confidence within the health sector by attempting to become more productive, efficient and effective.

In order to effectively implement these challenges, government must move away from the traditional ways of dividing the organisation's overall work structures, such as functional, self-contained-units and matrix structures towards more integrative and flexible systems and forms. These innovative and flexible systems and forms include process-based structures that focus on designing subunits around the organisations core work processes and network-based structures that link the government to other interdependent organisations. The network-based structures are described in literature as sophisticated innovations that require different configurations fusing experts drawn from different disciplines (interdependent organisations) into smoothly functioning teams. This highly organic structure, with little formalisation of behaviour, high horizontal job specialisation and a tendency to group specialists in functional units is also described, as adhocracies. Adhocracies, or network-based organisations are the newest organisational structure or form.

The transformational needs surrounding health matters, proved to have an impact on policy formulation and its ability to adapt to the workforce as well as its capacity to govern and manage this line function effectively. In the case of health the cost of expanded entitlements are drawn of systems of compulsory medical aid schemes that extract the costs from workers and employers. Unfortunately, these resource commitments have a tendency to build up momentum in which demographic factors, ageing of the population, HIV, advances in medicine and the rising expectations of population health care all combine to increase the costs of resource demands (e.g. escalating medical and institutional costs). For this reason, social security is closely integrated in the success or failure of organisational structures for health policies.

Additionally, issues of coordination and power emerge out of the sharing of responsibilities across the functions of different spheres of government (intergovernmental relations). Their influence on the micro- and macro-economic policies and the approach management takes to ensure effective execution of their strategies, form the basis for all-operational planning within health departments. It is therefore critical to find innovative alternatives that match structures to strategies and provide management with mechanisms to react immediately to environmental (political, economic and social) and technological challenges. The aim of this article is to present a hypothetical model that will enhance organisational flexibility and address the transformational needs within the South African environment.

## FORMAL (CLASSICAL APPROACH) VERSUS FLEXIBLE ORGANISATION STRUCTURE (CONTEMPORARY APPROACH): BUILDING BLOCKS TOWARDS FUTURE ALTERNATIVES

**A**lthough more recent organisational theories have not been able to keep pace with the industrial and technological achievements, many of the basic theories remain the same. Theories of Fayol, Taylor and Barnard have not changed with intellectual fashions or technological advances. Although these theories serve as the basic elements of an organisation, one finds that the elements of an organisation have remained constant while the purpose, structures, way of performing duties and the methods for coordinating activities vary substantially. These variations reflect an organisation's ability to adapt to the changing needs of its environment. Changing the structure of an organisation affects the behaviour of the organisation as a whole as well as the individual's who are part of it. Therefore, it is imperative to gain insight and understanding of the theory and practice of academic disciplines that support knowledge and phenomena by means of the utilisation of models. Models are instruments used to study environmental phenomena systematically and according to a particular method of approach. The choice of a particular model is the prerogative of the researcher, and is in part a reflection of the inevitable subjectivity present in any scientific research. Models are often regarded as synonymous with theories (Gregor, 1971:179).

In more understandable terms a model could be seen as a symbolic representation (example/image) of a particular phenomenon (Hoos, 1972:125). Where models are more concrete and physically discernable in the natural sciences for example a scale model of a spacecraft, this is not necessarily the case in the human or social sciences. In the case of presenting a hypothetical model towards more flexible organisation structures, a more abstract presentation or framework of particular events becomes necessary to explain a particular phenomenon.

This is supported by Quade (1975:143) who expresses himself as follows in describing a model:

A model ... is a substitute for reality ... A representation of reality that is, hopefully, adequate for the problem at hand. It is made up of factors relevant to a particular situation and to the relationship between them. We ask questions of the model and from the answers we hope to get some clues to guide us in dealing with the part of the real world to which the model corresponds.

In this regard a model is thus an idealisation or abstraction of the real world, and in the words of Quade (1975:142): "... an incomplete representation of the real thing ... an imitation of reality". A differentiation between models, which are descriptive and prescriptive in character may be made. In this article the focus is placed on descriptive models that analyse inputs and outcomes through a systems model.

In the light of the aforementioned description it should be borne in mind that models are only aids or instruments. It is the choice of the analyst in respect of the type of model he/she intends to use. Circumstantial factors will exercise a decisive role in the pursuit of

this choice. Although the choice factor of a model partly reflects subjectivity, one should endeavour to maintain the greatest degree of objectivity during the analysis.

## FORCES OF CHANGE INFLUENCING GOVERNMENTAL STRUCTURES AND GOVERNANCE

Weber's bureaucratic model has been a guiding force in the development of governmental structures and research. However, as both Wilson and Malik (1995) and Huges (2003:259) point out, there has been considerable criticism towards this type of mechanistic design, which focused mostly on creating stable and specific goals characterised by high degrees of formal definitions and written rules.

Worldwide, public institutions seem slow and unable to adapt to the rapid pace of change due to rigid and formal organisational structures that kept them defensive and unable to use their human resources effectively (Antonsen and Greve, 1999; Cummings and Worley, 2001; Benton 2002; Rosenbloom and Kravchuk, 2002). Much of the current literature on New Public Management emphasise that the contemporary public administration models are rapidly becoming outmoded.

Government plays a determining role within health care provision in which they are seen as the promoters of innovation in medical care and as regulators of medical technology in the interest of safety, medical efficacy, cost containment and the promotion of domestic medical technology. Central to this, health care institutions and government are bound together in a symbiotic relationship across the advanced industrial world (Bovens, Hart, Peters, 2001). Changes within the health sector are focused on containing health care costs, intervening in institutional arrangements consisting of intricate networks of professional medical associations, medical aid schemes, hospitals and clinics as well as the change of norms and values (Antonsen and Greve, 1999; Bovens, Hart *et al.*, 2001). In such settings, reforms require a certain amount of de-institutionalisation. Hence, the New Public Management strongly advocates a market-like public administration at its core, with the belief that market-like competition leads to organisational efficiency and responsiveness to customer needs (Rosenbloom and Kravchuk, 2002:207). Instead of describing bureaucratic failures and planning disasters literature moved to a normative-prescriptive mode in which one is given insight into "best practices", "innovative leaders" and "exemplary administrators" (Bovens, Hart *et al.*, 2001).

As Bovens, Hart, *et al.*, (2001) state, a number of forces are driving the changes that have an impact not only on health service outcomes within the public sector, but also on how health policies are aligned with social security in order to address issues such as aging of populations, advances in medical technology and the rising expectations about what health care should deliver. These needs inexorably combine to increase the demand for resources. The increased demand for resources shift the focus towards creating changes that influenced the relationships within the private and not-for-profit sectors.

A main driving force behind such change in South Africa is attributed to the growth of South Africa's policy strategies that stretch beyond the three spheres of government towards linkages with international organisations and partnerships with sub national for-

profit and not-for-profit organisations. The impact of these relationships and sub-national partnerships is clearly visible in the transformation of the roles of the national, provincial and local governments (O'Neill, 2000).

Interaction, in which powerful professional networks are central to the solution of the challenges in developmental objectives of the health services, are perhaps the clearest and strongest influenced by these changes due to a shift towards decentralisation (Tushman, 1997; Levy and Tapscott, 2001, Bovens, Hart *et al.* 2001). The constitutional responsibilities of the provinces in South Africa for overseeing the effective delivery of primary health care require innovative institutions for intergovernmental relations (Levy and Tapscott, 2001). Due to the asymmetric development of instruments for smooth interaction between the spheres of government, the health care system has been less effective on the operational level based within the local sphere, than within the national sphere. The 1996 *Constitution, supra*, delineates the intergovernmental relations and provides a framework in which government builds its organisational structures for service delivery. The effect of the above forces on government structures is becoming more and more apparent in the speed at which the traditional organisational bureaucracies are becoming irrelevant and these structures actually impedes service performance outcomes (O'Neill, 2000).

O'Neill (2000) argues that the improvement of education, health services and welfare reform does not rest with a single organisation or structure, but the pressure to successfully achieve the desired performance outcomes lies with complex multi-disciplinary teams (process-based structures) and network-based structures. As these relationships and partnerships develop the distinction between the public private and non-profit sectors are becoming more and more blurred. Thus raising questions about the role and responsibility of each sector, especially in policy development and accountability (Tushman, 1997; O'Neill, 2000; Levy and Tapscott, 2001).

Given the complexities involved around the strategy, work, people, structures and culture of a single organisation, it becomes even more daunting when faced by the issues of each of the partner organisations. Each partner organisation should be given clear roles with strict accountability for supervision of the project (Tushman, 1997). The design of a management structure for partnerships is by their definition a matrix organisation, further complicated by legal issues that dictate the shared responsibility (Tushman, 1997). Tushman (1997) describes the two alternative designs for structuring the reporting relationships within the networks as collaborative structures and collective structures (Tushman, 1997). He states that the more complex these relationships become, the more emphasis is placed on innovation. Tushman (1997:122) believes that the value chain offers management a source for the implementing innovation the most effectively.

Technology and innovation challenges the basic framework of democratic organisations. This is highlighted by the role Internet and rapidly merging information technologies play in the transformation of all institutions (O'Neill, 2000). Government is pressured to perform at the speed of Internet and adopt a mass customisation approach to public services (O'Neill, 2000). Together with this, one sees a growing dissatisfaction within communities towards public service outcomes, which forces government to rede-

fine their relationships with their citizens. It also necessitates redefining the nature in which public services are financed and made accountable for their actions (Mintzberg, 1993; O'Neill, 2000). As Bertelsmann-Scott, Mills, Sidiropoulos (2000) highlight, changing perceptions further shape views in that it has become an article of faith that free trade equals economic growth through the importation of technology and improvements in competitiveness and productivity (Bretton Wood system).

Knowledge is becoming a key source of organisational competence. It implies that organisations will need to structure themselves around knowledge processes rather than functions, products or geography (Cummings and Worley, 2001:618). As Rosenbloom and Kravchuk, (2002:203) point out:

... the times are gone when a "great leader", dominated by a single idea, can effectively manage an organisation over a long period.

Similarly, traditional recruitment and retention strategies are becoming obsolete due to increased competition for talent from both the private and not-for-profit sectors (O'Neill, 2000). Only by means of implementing radical changes to the public personnel systems in order to attract and retain talent, will the public sector be able to effectively conduct their business (Grobler, Warnich, Carrell, Elbert, Hatfield, 2002). Employers are now forced to anticipate future economic changes and design more realistic strategic plans that determine the manner in which employees are managed and how their needs are aligned with the organisational strategies (See Figure 1, *infra*). Grobler, Warnich *et al.* (2002:229) emphasise the need for flexibility and the maintenance of a stable workforce by means of designing formal staffing programs that enable managers to manage the internal deployment of their employees more effectively.

As Kettl, Ingraham, Sanders, Horner (1996) accentuate, government is trying to use early steam-engine-era administration technology to govern a knowledge age. The performance can only be as good as the people that do the work. The key to successful performance in the health sector is people-based. One can thus conclude that the above forces of change have created two key determinants that have a major impact on the development and design of the organisational structure of health services as we see it today:

- On the one hand, transformational needs have strained the traditional roles of all roleplayers forcing government to move away from traditional hierarchical structures towards more flexible and responsive structures that enhanced knowledge work (Turban, McLean, Wetherbe, 2001).
- On the other hand, the transformational needs have limited the capacity of the health sector to deliver primary health care services effectively and efficiently through properly controlled governance structures. This has happened due to inadequate health care structures that define and control responsibilities of all role players, an inability to match individual skills with organisational design and an inability to integrate process-based structures and network-based structures (Kettl, 2000; Cummings and Worley, 2001:287; Grobler, Warnich, *et al.*, 2002:230). Boven, Hart, Peters (2001) emphasise that the main effect which each of the discussed forces have on service delivery and good governance is based on risk prevention and compre-

hensive planning and highlight that management should focus on risk management practices. This embraces a “flexible response” that creates institutions and governance styles where unforeseen problems are not seen as occasions for political defensiveness and blaming, but instead offers challenges for rapid learning.

## GOVERNMENT FAVOURS EMPLOYEE EMPOWERMENT AND DIS-FAVOURS HIERARCHY

Weber's bureaucratic organisational model sanctioned communication channels that were in accordance with the traditional and formal vertical chains of command (Wilson and Malik, 1995). One sees that hierarchy tends to overemphasise authority and the abilities of those at the top. The mechanistic hierarchical designs maintain control through concrete measures and systems that minimises risk and reduces management's fear for taking on responsibility (Kettl, 2000; Robey, 1991:93). Unfortunately, the hierarchical type of structure offers little encouragement for horizontal or diagonal interaction among organisational members and for this reason there is a movement away from the traditional hierarchal organisations towards the network-based organisational structures (Wilson and Malik, 1995; Turban, McLean *et al.*, 2001).

As Wilson and Malik (1995) indicate, for public institutions to cope with the risks (threats and opportunities) of changing environments, it should have a more flexible, or organic structure that allows for communication across various organisational departments and hierarchical levels (Mintzberg, 1993; Wilson and Malik, 1995). The changing needs were brought about by the evolution of an industrial-based economy to an information-based economy (Turban, McLean *et al.*, 2001:146). Today, most people do knowledge work in which the intellectual context of the work increases to the point where the subordinate often has more expertise than the hierarchical supervisor (Turban, McLean *et al.*, 2001; Robey, 1991). It is becoming impossible for supervisors to know everything. Supervisors can therefore use hierarchical methods to communicate and delegate work. This becomes more complicated in the health sector where physicians, therapists and nurses cannot become cogs in a hierarchical machine due to their own expertise (Turban, McLean *et al.*, 2001). It is this expertise and knowledge that adds value to the organisation (Turban, McLean *et al.*, 2001).

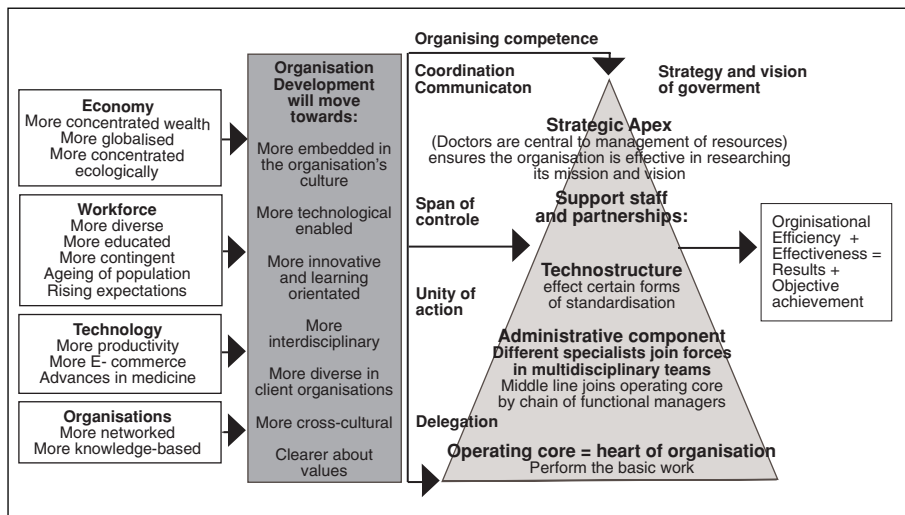
Cummings and Worley (2001) highlights that in order for governments to cope with these issues, they are bringing in strategic planning, encourage greater employee involvement, make use of performance management and use public-private partnerships as a form of trans-organisational development. A milestone in forging partnership relations was highlighted by the European Union – South African Trade, Development and Cooperation Agreement (EU-SA TDCA) which send a positive statement about South Africa to the international community, wishing to be seen as a state that is more developed than developing and is able to hold its own trade and investment terms (Bertelsmann-Scott, Mills *et al.*, 2000:29). This has placed South Africa in an environment where labour and access to capital are key determinants of economic growth, having major impacts on

policies, structures and the strategic focus applied within organisations. From these developments, the trans-organisational development processes and network structures have important applications for the public sector of the future (Cummings and Worley, 2001:623).

Figure 1, *infra*, highlights four aspects: economic, technological, workforce and organisational structures as those forces that will have a significant impact on strategic planning and decision-making. It also identifies that organisational development must move towards organisations that are more technological enabled, more interdisciplinary, more diverse in client organisation, more cross-cultural, clearer on what their values are and must become more embedded in an organisation's culture(s). Ignoring these factors will complicate policymaking and reduce the efficiency of service delivery outcomes in the future.

In order to achieve organisational efficiency and effectiveness, organisations must focus on results and the achievement of objectives. Management's ability to organise the span of control, unity of action, communication, delegation, decentralisation and coordination between the operating core and the strategic apex linked through the administrative component, becomes a key success factor in this whole scenario.

**Figure 1: Trends and their effect on future organisational development in Government structures for health care systems**



*Own interpretation and adapted (2003) from (Cummings and Worley 2001:614), (Roux, Brynard, Botes, Fourie, 1997:74) and (Mintzberg, 1993:9-19; 245-257)*

What clearly stands out in Figure 1 is that future organisational development will require that governments make use of highly trained support staff and technocrats who have the knowledge, power and flexible working arrangements to cope with the administrative



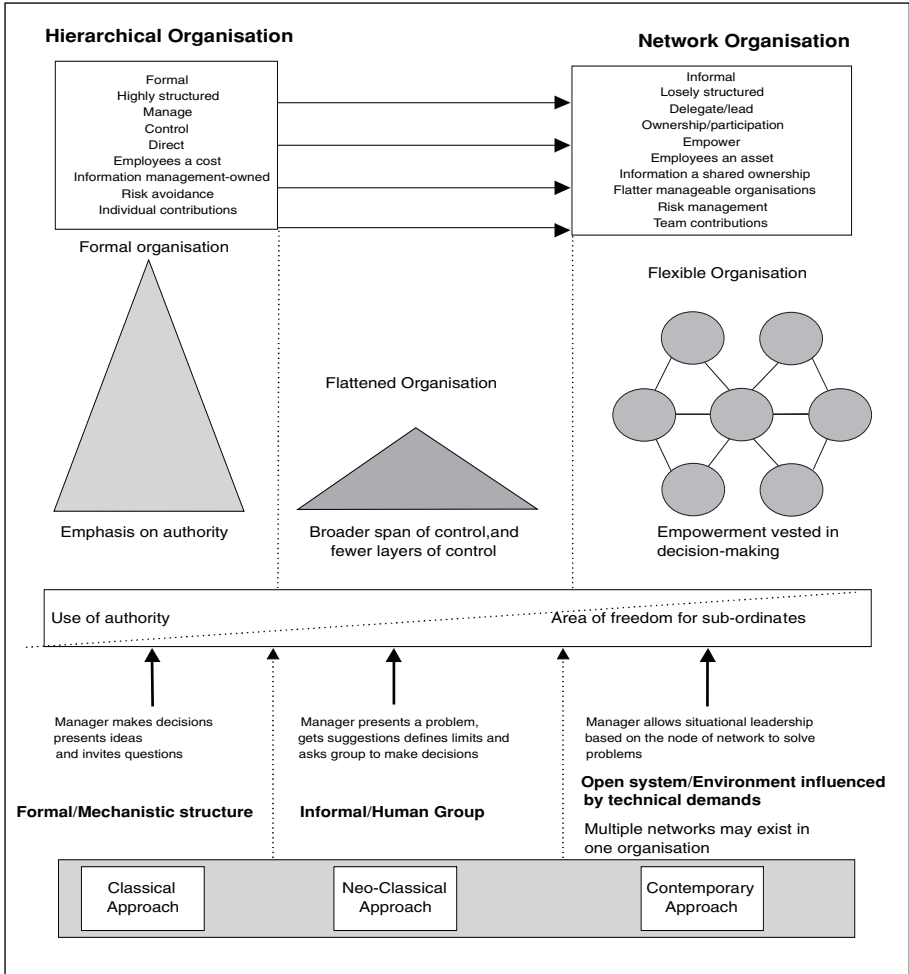
adhocracies (networks and processes) supported by sophisticated technical systems to manage partnerships and internal processes (Mintzberg, 1993:237).

In order to explain the continuum from a hierarchical approach (formal) to the network approach (flexible) Figure 2, *infra*, aims to elaborate and compare the characteristics against each other. Two opposing forms of organisation developed: bureaucracy and markets. Hughes (2003:262) emphasises that the key difference between these two forms of organisation lies between choice and compulsion thus allowing the market to find an agreed result (competition and wealth creation) or having it imposed by a bureaucratic hierarchy.

As is evident in Figure 1, the new public service paradigm emphasises results in terms of value for money achieved through management by objectives, the use of markets and market type mechanisms, competition and choice and devolution to staff through better matching of authority (span of control), responsibility and accountability (Hughes, 2003:262).

In the place of the old paradigm, which is largely process and rules driven with the emphasis on hierarchical decision-making and control, Figure 2, illustrates the shift to the New Public Management environment. Here the focus is on fewer rules with the freedom and authority to solve complex problems caused by task uncertainty through more dispersed communication systems (Robey, 1991:99). The organistic approach to a problem is to hold subordinates responsible for meeting specific outputs and performance is evaluated in comparison to established cost goals (Robey, 1991:99).

**Figure 2: The roles of management in the different types of organisations**



*Own interpretation of (Turban, McLean et al., 2001:146 and 147) and (Roux, Brynard et al., 1997:74)*

The movement towards adhocracies and network based structures empower employees and shift management towards a philosophy and set of behavioural practices that allow teams to manage themselves (Turban, McLean et al., 2001). The main reason is the belief that from an operational point of view the empowered employees are expected to perform better within clusters provided in an *ad hoc* environment (Tushman, 1997).

## THE PRACTICAL EXECUTION OF ORGANISING

Gibson, Ivancevich, Donnelly (1994) mention that structural changes within an organisation affect all aspects of formal tasks and how authority is defined within the organisation. The organisational structure thus creates the bases for relative stable human and social relationships (Gibson, Ivancevich *et al.*, 1994). These relationships are underscored by the choices made between centralisation and decentralisation, and determine how organisational structure and power over decision-making are applied within service delivery (Mintzberg, 1993; Gibson, Ivancevich *et al.*, 1994).

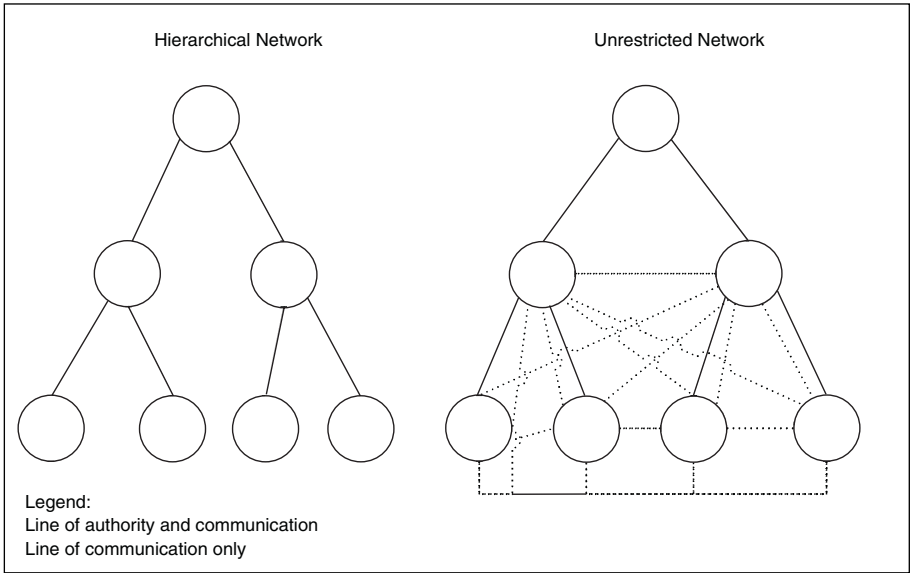
Decentralised governance is embodied in the 1996 Constitution (Section 40 and 41(1)), *supra*, and lays down the powers and functions of the three spheres of government (Department of Health, 2001; Kuye, *et al.*, 2002:35). The concurrent function of health, set out under Schedule 4 of the 1996 Constitution, provides the basis for a system of intergovernmental relations and decentralisation (Kuye, *et al.*, 2002:36). The health sector has adopted decentralisation as the model for governance and management. Decentralised management is very different from the rigid bureaucratic hierarchy (Hughes, 2003:263). It has a greater client focus and allows choice and competition and the use of market instruments. Applying accountability for results as a manager within a decentralised environment is considerably different from following instructions and rules set down within a hierarchical environment (Hughes, 2003:263). The World Bank views the decentralisation of public health services as the force for improving efficiency and responsiveness to local health conditions and demands (Department of Health, 2001). However, decentralisation of the health system must be seen as a gradual process and not without its own unique problems. De-concentration and devolution are used to strengthen the public sector within South Africa. However, more creative ways of using resources within the private sector and the ability to generate a more coherent and useful public-private mix within the health system are necessary within the health system to achieve the desired objectives (Department of Health, 2001).

Unfortunately, the efficiency of service delivery roles within the health system is hampered by duplication of services within the provincial and local spheres of government, which is a direct result of the complexities of the health structures (Tushman, 1997; Department of Health, 2001). Only by matching individual skills with different organisational designs can these constraints be improved (Wilson and Malik, 1995; Benton, 2002). Hence, the ability to tie organisational designs with strategy depends largely on primary organisational structures and management's ability to focus holistically on structure, systems, shared values (culture), skills, style and staff (Pearce and Robinson, 2000). The primary organisational structure refers to the way work is organised within a department or entity (Pearce and Robinson, 2000). Cummings and Worley (2001:280), Mintzberg (1993:2) and Pearce and Robinson (2000) define organisational structure as the sum total of ways how the overall work of the organisation is differentiated and integrated into subunits and how these subunits are coordinated for task completion. Mintzberg (1993) and Cummings and Worley (2001) elaborate on this phenomena, adding that elements of structure combined with the processes involved should be selected to achieve an internal consistency or harmony with the current external opportunities.

The growth within the health sector focuses on partnerships, which replace vertical organisational structures with horizontal structures and relationships. The horizontal relationships now take the place of hierarchical authority within networks that are formally constructed through contracts and other legal agreements or are drawn up through pragmatic working relationships (Kettl, 2000). The complexities and multiple perspectives associated with the creation of an integrative and flexible organisational form such as process-based and network-based structures require different sets of skills to manage these horizontal relationships effectively (Cummings and Worley, 2001). The spread of horizontal relationships within the multi-disciplinary teams also complicate accountability and transparency (Kettl, 2000). This becomes evident in the shared assumptions about what is important, how functions need to be performed and how people behave within an organisation. The organisational culture implies concrete behavioural issues. By means of the deep assumption approach, (by analysing each assumption that influences and frames decision-making within the institution) it is possible to assess the organisation's culture and to bring together the values and norms that form the basis for the strategic vision (Cummings and Worley, 2001).

From an operational standpoint one should look at both the network and process based structures as they are both integrated and support each other towards building sound structural foundations within an organisation. Figure 3, *infra*, illustrates the complexities and highlights the difference between a hierarchy where communication and cooperation is applied through the direct line of authority against unrestricted communication networks within organisations that are applied through all the available mechanisms.

**Figure 3: Hierarchical and Unrestricted Communication Networks in Organisations**



(Robey, 1991:99)

As is evident from the above figure, the communication networks in unrestricted organisations are much more complex in nature. The complex network of communication opens the door for misunderstanding, distortions, ambiguities and incongruities which all increase uncertainty and have an impact on task performance. Though the extensive use of the vertical, lateral and informal channels will increase communication flow and reduce uncertainty (Robbins, Odendaal, Roodt, 2001:236). Robbins, Odendaal *et al.* (2001) emphasise that the goal of perfect communication is unattainable. Yet, they state that there is evidence that demonstrates a positive relationship between effective communication and the workers' productivity. Factors such as trust, perceived accuracy, top-management's receptiveness and upward communication influence the multiplicities associated with network structures and the development of functions.

Because one sees an uneven development of functions among the three spheres of government within South Africa, the complexities within the health sector are increased due to the uneven developments of organisation structures. These uneven developments are emphasised as the organisation of institutions evolved into sharing hierarchical structures for particular types of services while also implementing network structures to implement services, depending on the proficiency of top management to apply network structures effectively.

Before one is able to build alternative and more flexible organisational structures it is necessary to take a closer look at what exactly is meant with a network and process-based structure and how it differs in function.

## NETWORK-BASED STRUCTURES

Cummings and Worley (2001:291) define network-based structures as a complex and dynamic relationship among multiple organisations or units, each specialising in a particular business function or task (see Figure 3, *supra*). Due to the complex nature of network-based structures and the diverse relationships amongst government and non-governmental organisations involved a particular function such as health, management is moved into uncertain environments (high risk areas) where multiple competencies and flexible responses are needed (Kickert, Klijn, Koppenjan, 1997:167; Cummings and Worley, 2001:293) Network structures are also described in the literature as matrix organisations extending beyond the boundaries of a single firm (*adhocracies*), but lacks the ability to appeal to higher authority to resolve conflict (Tushman, 1997; Cummings and Worley, 2001).

Because government is managed hierarchically, difficulties are experienced in the management of various lateral relations (Cummings and Worley, 2001:293). Network structures make use of strategic alliances, joint ventures and the development of new technologies. As Kickert, Klijn *et al.* (1997:167) highlights:

...management in networks is about creating a strategic consensus for joint action within a given setting.

Network structures fit with goals that emphasise organisational specialisation and have the following characteristics:

- Coordinating mechanisms exist in the forms of informal relationships, contracts and market mechanisms. Coordination patterns depend heavily on interpersonal relationships among individuals who have a well-developed partnership (Cummings and Worley, 2001:292). Conflicts are resolved through reciprocity. This means that members recognise that they have to compromise at some point. Trust is built over time and nurtured through reciprocal agreements. Coordination is also achieved through formal contracts that specify ownership, control mechanisms, licensing arrangements and purchase agreements (Cummings and Worley, 2001). The market mechanisms such as spot payments, performance accountability and information systems ensure that all involved parties are aware of each other's activities.
- Brokers are used to manage and locate network organisations and play a central role in linking equal partners into the network (Cummings and Worley, 2001:292).
- Vertical disaggregation refers to the breaking up of the organisation's functions in performing specialised work units. As was highlighted in this article the value chain offers management a source of implementing innovation the most effectively (Tushman, 1997:122; Cummings and Worley, 2001:292).

## PROCESS-BASED STRUCTURES

Process-based structures emphasise lateral rather than vertical relationships and all the functions that are necessary to provide the services that are placed in a common unit. This is clearly evident in the health sector in their product development

of the paramedical services such as occupational therapy, physiotherapy, and speech therapy. One thus sees the structuring of institutions in forming multi-disciplinary teams around core-processes. The process-based structures eliminate many of the hierarchical and departmental boundaries that impede task coordination and flexibility, slow decision-making as well as performance outcomes. The process-based structures enable institutions to focus resources on serving the needs of their customers in the most effective and efficient way (Cummings and Worley, 2001:288).

By combining the process-based and network-based structures one offers the public sector as well as the health sector management mechanisms towards implementing a new public administration model, described by Hughes (2003:281) as the "new contractual model".

## A HYPOTHETICAL MODEL FOR MORE FLEXIBLE ORGANISATIONAL STRUCTURING

**A**n alternative organisational system that utilises a greater degree of flexibility and adaptability for government's activities may offer benefits in cost, service delivery and responsiveness (Hughes, 2003). As literature only provides a short descriptive text on how future prospects might be structured, it became imperative to prove that the model presented in this article can integrate the various views by finding patterns and trends guiding the interpretation of the authors.

By means of a schematic diagram, Figure 4, *infra*, provides a descriptive hypothetical model that sets out an organic system for the health sector framed within the 1996 Constitution, *supra*, and directed by the transformational as well as the developmental needs in South Africa. The hypothetical model provides an instrument to gain insight and an understanding of the theory and practice of both the academic discipline that support the formulation of this model and also to study the environmental phenomena systematically. One has to keep in mind that the elements of an organisation are constant while the purpose, structures, way of performing functions and the methods for coordinating activities vary substantially. These variations reflect an organisation's ability to adapt to the changing needs of their environment by focussing on their strategies (Cummings and Worley, 2001). Important drivers in the process of change within the health sector are directly tied to the strategic objectives and the ability to utilise human resources effectively. This implies reducing task uncertainty through the knowledge and skills of the employees (technocrats).

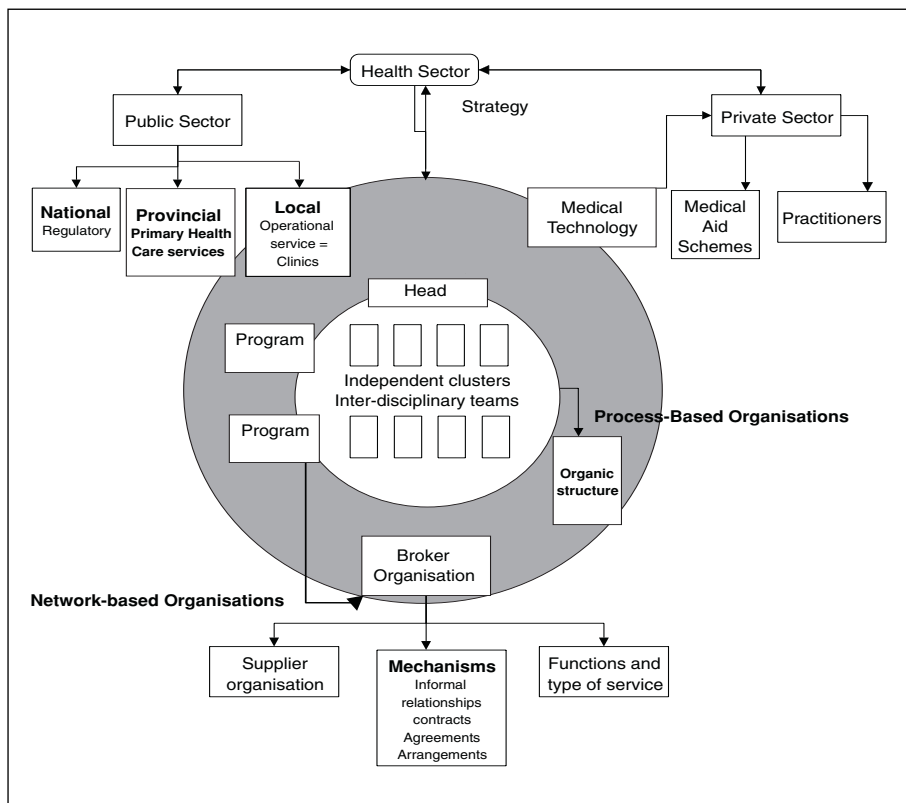
In the comparison that Robey (1991:96) draws between the mechanistic hierarchy and the organic system, he argues that the bureaucratic adjustments implemented to cope with task uncertainty bring with them rather high costs due to rigid and tall structures. The rigid and tall structures present themselves in the following two ways:

- Few managerial positions with complex and large operational units characterised by a wide span of control with multiple hierarchic levels in which rules and procedures guide activities. These hierarchical structures are tall structures and difficult to control.
- Though the span of control is reduced and staff specialists advise managers on technical questions this results in a structure that is complex and extensive at the top with a small operational section. These structures are still in essence tall.

Only by moving away from the complex and tall (sharp) pyramidal structures towards leaner or flatter pyramidal structures are health services able to become cost-effective and sustainable and able to cope with the transformational needs. These actions include public-private partnerships (network-based structures and process-based structures) and the decentralisation of services that empower employees to use their own discretion in reacting to uncertainty.

The network-based structure is framed by contractual agreements to formalise control mechanisms, accountability and transparency towards good governance between the various roleplayers. Figure 4 sets out the complexities involved in designing such a system and offers a hypothetical model for future organisational structures. (This model is derived from the work of Hughes but is specifically adapted to address the current unique transformational needs in the health sector in South Africa).

**Figure 4: An adapted hypothetical “Contractual Model”: Future alternatives for a more flexible organisational structure applied within the health sector**



*Own interpretation (2003) and partially based on views obtained from Turban, McLean, et al., 2001:148)*



The organisation operates within an open system in which the network-based organisational structure or *ad hoc* becomes a highly organic structure with little formalisation of behaviour and high job specialisation based on the principles applied within a matrix structure to form a “contractual model” for the future in a primary health care system in South Africa. As stated previously, the growth within the health sector depends largely on the formation of partnerships among private, public and the non-governmental organisations. It also implies the decentralisation of services within the public sector that empower employees through the combined strengths of both network and process-based structures as mechanisms in building structures that enhance positive outcomes among all stakeholders involved.

## CONCLUSION

Organisational structures of the future will be characterised by becoming leaner and meaner, decentralised and entrepreneurial, and international. Because the transformational needs in South Africa are delineated by the 1996 Constitution, *supra*, the changes from the traditional to the New Public Management involve more than mere public service reforms. It implies the implementation of changes to the ways that the public service and health sector operate the scope of governmental activity and commitment and changes to time-honoured processes of accountability. As explained throughout the article a clear contest between “bureaucracy and markets” can be seen within the field of public administration underscored within the health sector.

One can conclude that alternative models will include E-governance and focus on the formation of contractual relationships. The adapted “contractual model” can be seen as a new (innovative) kind of public sector management addressing a more extreme version of managerialism or New Public Management. The difference between “bureaucracy and markets” and between “authority and choice” lies within the formulation of the contractual relationships and how individualistic choice is applied in this model.

The developmental approach that shapes decision-making within the health sector is highlighted within the public sector through decentralisation of powers and functions that allow for more flexible organisational structures. These structures support creative ways of using resources within the private sector and the ability to create a more coherent and useful public-private mix. The complexities associated with this model accentuate the need for effective human resource strategies, recruiting, retaining and rewarding the deserving employees through effective performance management strategies.

Finding the correct balance between discretion and control is the key to effective governance. This should include lasting values that shape the operation of the health sector and provide for sufficient flexibility to match the rapidly changing world in which government must operate.

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