



Management Strategies and Health Services Provision at Machakos Level Five Hospital, Machakos County, Kenya

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Abstract

On a global dimension, the health sector in every country has a huge number of players hence increased level of competition in this sector. In Africa, much of the health service provision has been decentralized in the recent decade. In Kenya, the health sector is devolved since 2010. The main objective of this study was to determine the management strategies and health service provision at Machakos Level 5 Hospital in Kenya. This study was based on the Michael Porter's theory, fully considering his Five Forces of Competitive Position Analysis. This research study adopted a cross sectional survey research design and targeted the senior management staff of the Hospital. Out of a sample size of 83 respondents that was initially projected to participate in the study, a total of 44 respondents finally took part, with a Questionnaire being the instrument used for data collection. A proportional random sampling technique within a predetermined stratum was used to achieve the most representative sample as possible. Quantitative data collected using the questionnaire was analyzed using descriptive statistics while the qualitative data was analyzed using content analysis. One major finding is that the Hospital is employing all the three generic strategies simultaneously to gain competitive advantage, with cost leadership having the highest influence on performance. The key recommendation is that policy makers should make policies that enhance the managements' level of power and authority, facilitate the establishment of a strategic plan, develop a favorable management structure and hospital's chain of command. One major conclusion of the study is that hospitals tend to gain competitive advantage by process efficiency, unique access to low cost products, and vertical integration decisions on some costs. This leads to one statistical significance of this study that if a hospital aspires to succeed with cost leadership strategy, then it must have the capital required to invest in large array of health services and products to the clients, offer high expertise in service provision and establish more robust and efficient communication channels

Key words: Management, Strategy, Service Provision, Competitive Position

Background

The health of citizens is inextricably linked to a country's productivity and economic development. Many countries have embarked on a process to decentralize their health systems as a means to improve their responsiveness and performance, as evidenced in Thailand in 1999, Norway 1987 and Sweden 1995 (Wester, 2016). In Africa, over 70% of the countries have decentralized the health service provision (CHS, 2013). Decentralization is argued to promote community participation, accountability, technical efficiency, and

equity in the management of resources, and has been a recurring theme in health system reforms for several decades in the continent. Once decentralized, these health units are expected to compete to survive the local competition, and gain competitive advantage over their rivals by either providing comparable value to the customer and perform activities more efficiently than their competitors (lower cost), or perform activities in a unique way that creates greater buyer value to the customer and commands a premium price (Gareth, 2012). However, the decentralization of health systems in Africa has generally failed as evidenced in Ethiopia 1996, Ghana 1993, and Uganda 1997 (Ndubai, 2013). This failure is mainly attributed to lack of political will to fully let the devolved units shoulder the functions, coupled by lack of adequate technical capacity (by devolved units) to handle the transferred responsibilities.

Health systems have been unable to obtain sustainable competitive advantage by implementing strategies that exploit their internal strengths through responding to environmental opportunities, while neutralizing external threats and avoiding internal weaknesses (Adongo, 2008). In Kenya, the rationale for devolving the health sector in the 2010 constitutional change was to allow the county governments to design innovative models and interventions that suited the unique health needs in their contexts, encourage effective citizen participation and make autonomous, quick decisions on resource mobilization. However, the current situation is that the health sector in nearly all counties is faced with monumental challenges ranging from capacity gaps, human resource deficiency, lack of critical legal and institutional infrastructure, rampant corruption and a conflicting relationship with the national government (Murage, 2013). The transition process from centrally managed health care services to devolution at county levels was envisaged to be a gradual one as power and functions increasingly shifted from the national to county governments. This was intended to allow for the creation of requisite capacities at the county level. In practice, however, this did not happen, and devolution process was skewed and rushed. The newly formed county structures were in a hurry to consolidate their power and hold over the lucrative health sector.

As a result, transition from the national to county government has been marred by inconsistency, poor staffing of the system, management challenges and lack of coordination between the national and county governments. The sector, however, in nearly all counties is currently faced with a myriad of challenges ranging from capacity gaps, human resource deficiency, lack of critical legal and institutional infrastructure, rampant corruption and a conflictual relationship with the national government (COG Report, 2013). The net effect of these challenges is the stagnation of healthcare and even a reversal of some gains according to health indicators. But in the midst of this turbulence, Machakos Level 5 Hospital seems to be adopting survival strategies to remain sustainably competitive. It is arguably the first level 5 referral hospital in the Country to undertake a brain surgery on a patient, open a cancer research and diagnosis center and currently forming learning and research partnerships with leading universities and medical training colleges in the Country. This study therefore sought to assess the management strategies and service provision at Machakos Level 5 Hospital in Machakos County, Kenya. This was occasioned by the fact that decentralization of health service provision has failed in many parts of Africa, and Kenya is an example, yet Machakos Level 5 Hospital seems to have weathered the storms to survive the competition. For Machakos levels 5 hospital to succeed in navigating the turbulence in this decentralized environment, the hospital is likely to have developed management strategies that are responsive to its external environment.

Machakos County is made up of eight sub-counties that include Athi River, Kangundo, Kathiani, Machakos, Masinga, Matungulu, Mwala and Yatta. The KNBS (2019) report revealed that the County is 6,208 square kms and has a population of 1,098,584 of which 49% were male and 51% were female. The report further indicated that the annual population growth rate for the county is 1.7% with an estimated 264,500 households. Only one-third of the County's population uses water from safe and improved sources and better sanitation facilities.

The CHS (2013) established that Machakos County operates on a number of social pillars that generally target at investing in the people within the county that include health care provision; education; water and sanitation; environment and gender, youth and vulnerability groups. The health care provision specifically seeks to enhance the health care system to lower its current disease burden. Currently, the county has 1 level 5 referral general hospital, 3 district hospitals, 1 sub-district hospital, 86 dispensaries, 22 health centers, 2 maternity homes, 34 medical clinics and 2 nursing homes. The report also established that the average distance to a facility is 5 kilometers with the most prevalent diseases being malaria and skin infections.

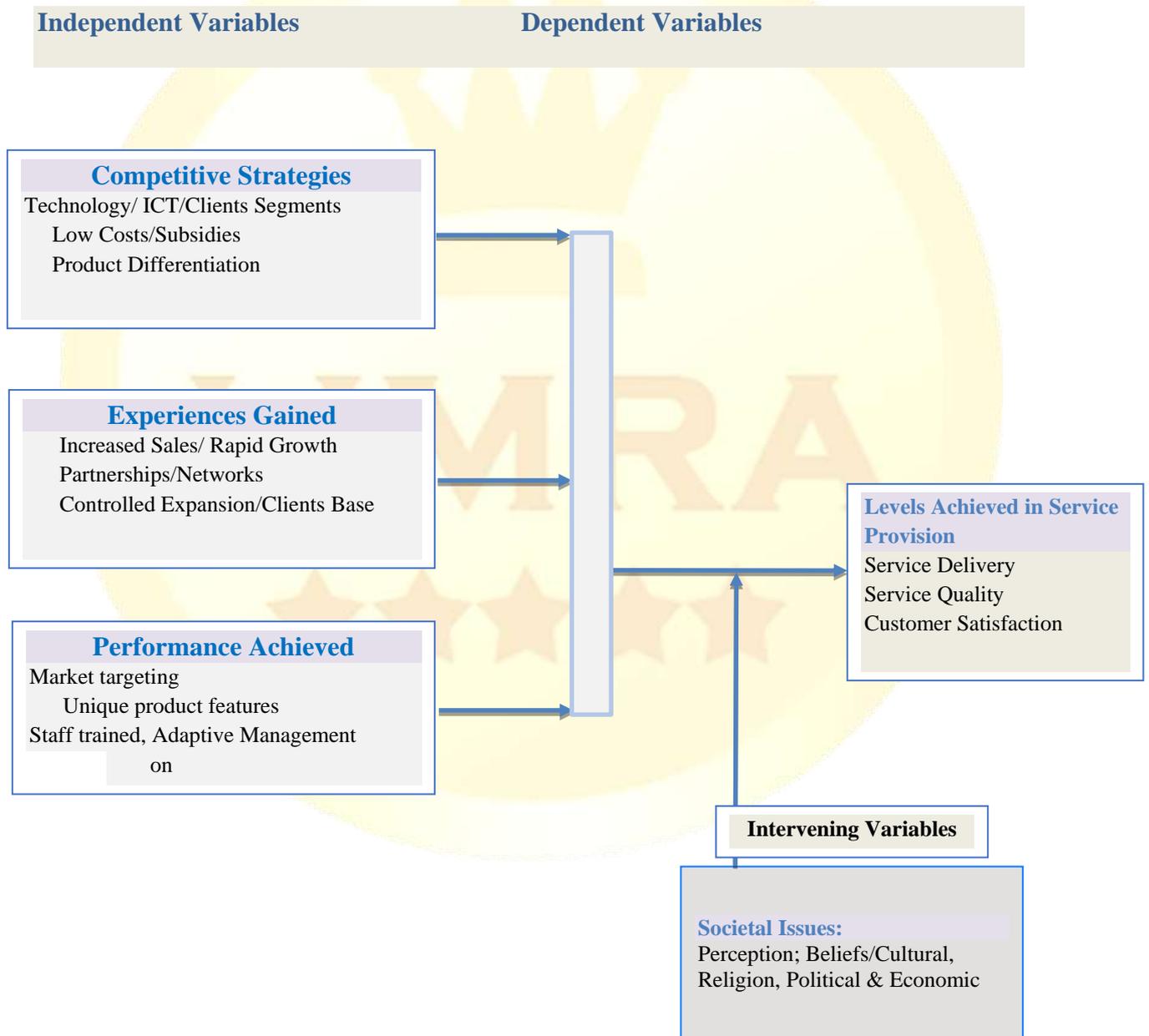
This study took place at Machakos Level 5 Hospital in Machakos County which boasts one of the most comprehensive hospitals in Kenya with leading specialists in every field of medicine. It is equipped with dedicated staff, modern facilities, state-of-the-art technology, commitment to quality care, and a unique role in training medical students from leading learning and research institutions. However, just like in any industry, the hospital is not immune to the effect of the changing external environment. The hospital itself operates in the changing environment, and its management is expected to be reassessing their mode of operations if they are to succeed and survive in the dynamic environment. The hospital must therefore develop effective responses to enable it secure or improve its position in the future.

The Vision 2030 is a long-term strategic plan intended to guide Kenya towards the achievement of the stated goal to create “a globally competitive and prosperous country with a high quality of life by 2030.” (Kenya Vision 2030). The Vision 2030 therefore includes the component of healthcare in view of the need to address the livelihood of the population through the development of an efficient integrated and high-quality affordable health care system. This is in line with the Kenya's big four agendas which includes affordable health care through universal health care for all to be rolled out in public and private health facilities in the country. This means that the crucial role that referral health facilities play in the provision of health care in Kenya cannot be underestimated; their total contribution in health care is estimated at 40% with a nationwide distribution often serving rural underserved areas according to Christian Health Association of Kenya (CHAK, 2018).

The health sector in Kenya, as many other countries in the world (Daniel, 2017) has in the recent past been among the most competitive sector of the economy. Initially there were just a few players but the entry of many other operators (owing to increased population and hence a higher demand for quality health care services) made the sector very competitive. Competition among health care providers is equally intense as alternative delivery systems grow and compete with public referral healthcare service providers. This has forced health

care service providers to lower their costs, retrench personnel, including specialists, downsize, or in some extreme cases, close down facilities. This presupposes the need to adopt strategic management practices in public referral healthcare service provision. Whether these strategies facilitate the hospitals in having improved performance and even making them more effective is an area that this study explores. The projected outcome of this study was to determine the management strategies and service provision at Machakos Level 5 Hospital, identify possible key drivers of gaining sustainable competitive advantage and how they contribute towards the perceived profitability of the Hospital, and lastly, abridgment of the knowledge gap by focusing on any competitive strategies employed by the Hospital and their sustainability.

Figure 1: Conceptual Framework



Source: Researcher, 2020

The main objective of the study was to determine the management strategies and health service provision at Machakos Level 5 Hospital in Machakos County, Kenya. The following were the specific objectives: To examine the competitive strategies adopted by the Machakos Level 5 Hospital towards service provision; To assess experiences gained by the Machakos Level 5 Hospital in implementing its competitive strategies towards service provision; and, to evaluate the relationship between the competitive strategies used and the level of service provision achieved at the Machakos Level 5 Hospital.

1.1 Theory Framework

This study is based on the Porter's theory. Porter's Five Forces of Competitive Position Analysis were developed in 1979 by Michael E Porter of Harvard Business School as a simple framework for assessing and evaluating the competitive strength and position of a business organization. The theory is based on the concept that there are five forces that determine the competitive intensity and attractiveness of a market. Porter's five forces help to identify where power lies in a business situation.

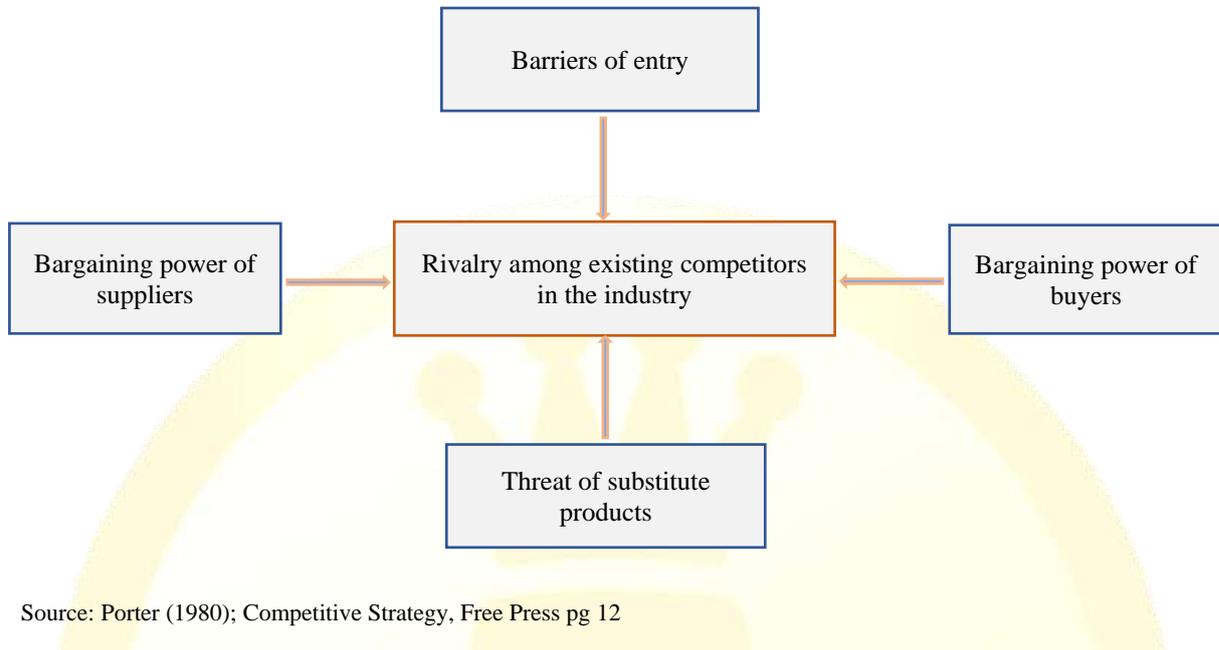
This Theory is chosen for this study since it can potentially help health organizations to understand the factors affecting their profitability in the health care industry and supports to inform decisions relating to: whether to increase capacity in a specific health service provision line and further developing competitive strategies.

For the Machakos Level 5 Hospital scenario, this tool is useful both in understanding the strength of the hospital's current competitive position, and the strength of a position that the hospital may look to move into. Strategic analysts often use Porter's five forces to understand whether new products or services are potentially profitable. By understanding where power lies, the theory can also be used to identify areas of strength, to improve weaknesses and to avoid mistakes.

However, one of the limitations of this theory is that it is designed for use on an industry basis. The theory has the tendency to try to use the five forces to analyze an individual company, versus a broad industry, which is how the framework was intended. Business owners are better off using a SWOT analysis for their specific business and Porter's five forces as data input, if at all. The model is also backward-looking, making its findings mostly relevant only in the short term; that limitation is compounded by the impact of globalization. The framework is also structured so that each company is placed in one industry group while it is an emerging reality in the business world that most companies straddle on several fields.

1.1.1 Porter's five forces of competitive position analysis:

Figure 2: Graphical Presentation of Porter's Five Forces Model



The five forces are Supplier Power, Buyer Power, Competitive Rivalry, Supplier Power and Competitive Rivalry:

Supplier Power: This involves assessment of how easy it is for suppliers to drive up prices. In a health care environment, the fewer the number of suppliers to the hospital, the more the hospital would depend on a supplier. As a result, the supplier will have more power and can drive up input costs and push for other advantages in trade. On the other hand, when there are many suppliers or low switching costs between rival suppliers, the hospital can keep its input costs lower and enhance its profits (Mbogo, 2009).

Buyer Power: This is an assessment of how easy it is for buyers to drive prices down. This is driven by the number of buyers in the market; importance of each individual buyer to the organization; and cost to the buyer of switching from one supplier to another. The ability that hospital clients have to drive prices lower or their level of power is strong. It is affected by how many clients a hospital has, how significant each client is, and how much it would cost a hospital to find new clients or markets for its health care services. A smaller and more powerful client base means that each client has more power to negotiate for lower prices and better deals. A hospital that has many, smaller, independent clients will have an easier time charging higher prices to increase profitability (Ndubai, 2013).

Competitive Rivalry: The main driver is the number and capability of competitors in the market. Many competitors, offering undifferentiated products and services, will reduce market attractiveness. The rivalry among competitors includes price competition, advertisement and product extensions. Competition is considered intense in the health industry if the growth is slow, the health care services are not well differentiated, and the switching costs are low. When the exit costs for specialized health care services are high, they reduce the intensity of competition and translate to higher profits (Adongo, 2008).

Threat of Substitution: Where close substitute products exist in a market, it increases the likelihood of customers switching to alternatives in response to price increases. This reduces both the power of suppliers and the attractiveness of the market. Johnson (2012) observes that a competitive strategy needs to give attention to a product that gives a higher return and therefore reduces price sensitivity in the industry. He opines that there are different types of substitution. A smaller and more powerful client base means that each client has more power to negotiate for lower prices and better deals. A hospital that has many, smaller, independent customers will have an easier time charging higher prices to increase profitability.

Threat of a new entry. Profitable markets attract new entrants, which erodes profitability. Unless incumbents have strong and durable barriers to entry, for example, patents, economies of scale, capital requirements or government policies, then profitability will decline to a competitive rate. The success depends on how well the new firm can anticipate barriers of entry and possible reaction of existing firms. The barriers of entry may include economies of scale, product differentiation as the firm must spend heavily to overcome customer loyalty from competition. Other barriers may include access to distribution channels, cost disadvantage due to size and the learning curve. The government limitation of entry to an industry is also an important factor to consider (Miller, 1992). A health care industry with strong barriers to entry is ideal for existing hospitals within that market since the existing hospitals would be able to charge higher prices and negotiate better terms with clients.

1.2 Health Care Industry Competition: The five forces model assumes that the five competitive forces determine the attractiveness of an Industry. These forces are competitive factors which determine intensity of Industry competition. The strength of each of these forces varies from Industry to Industry, but when they are considered together, they determine long term profitability within an Industry sector (Porter, 1980). These forces affect prices of goods, the required investments, market share, potential profit margins and Industry volume. Ndubai (2013) argues that a firm must consider how these forces affect it and the Industry. When formulating a competitive strategy in a health care environment, the hospital adjusts its strategy so that it can have an advantage. The forces determine the strengths and the weaknesses of the hospital, its position within the health sector and clarify strategic changes that may yield the greatest pay-off.

1.3 Generic Strategies: As discussed, Porter (1985) observes that strategies help a firm to a gain competitive advantage from three main sources which include overall cost leadership, differentiation and focus strategies. In the health care sector, a hospital that does not use the differentiation strategy or the overall cost leadership strategy gets stuck in the middle. The ideal situation is for a hospital to take a tradeoff between the two. The differentiation strategy incurs higher costs in efforts to produce health care services of high value, while the cost leader lowers the costs by reducing investment in value of health care services. A low-cost leader produces standard products or services.

1. Review of Literature

a. *Competitive Strategies Adopted by Hospitals Towards Service Provision.*

On a global dimension, health units are expected to compete to survive the local competition, and gain competitive advantage over their rivals by either providing comparable value to the customer and perform activities more efficiently than their

competitors (lower cost), or perform activities in a unique way that creates greater buyer value to the customer and commands a premium price. In Africa, this has generally failed. Health systems have been unable to obtain sustainable competitive advantage by implementing strategies that exploit their internal strengths through responding to environmental opportunities, while neutralizing external threats and avoiding internal weaknesses. According to Adongo (2008), on the Challenges to Strategy Implementation in Health Focused NGOS in Nairobi, unpublished MBA Thesis, University of Nairobi, he concluded that strategy implementation is a very important aspect in health focused Non-Governmental organizations and has an imperative influence on their efficiency and effectiveness. Employees as well as management commitment overcomes the many bottlenecks of strategy implementation. The scope of his study was limited to health focused Non-Governmental organizations in Nairobi. However, because of the small sample size used for this study (N= 202), the conclusions were therefore limited, and the study recommended further research to examine the challenges of strategy implementation on organizational performance. The researcher has not authoritatively demonstrated how strategies like financing of healthcare services, management style, adoption of ICT and staff training strategies may positively impact the success in strategic healthcare service provision. These are some of the most common strategic choices and they positively affect the performance of the hospital if well entrenched in the wider hospital management system, and therefore the researcher ought to have adequately illustrated them.

Matheka (2014) also did a study on Strategy Implementation at Kenyatta National Hospital, Kenya, an unpublished MBA from the University of Nairobi. He opined that the basis of strategy implementation is the cascading of objectives of the organization from the top-level management to the individual level and the coordination of goals and tasks, resources and control to achieve the organizational goal and vision. He noted that culture and politics interconnect in many cases since both are wide and abstract concepts. He further observed that goal setting is a systemic practice very often associated with strategy in many real-life organizations, and that resources such as human resources, financing and information technology are very important aspect of strategy implementation, especially in the health care industry where the experience of the client is important for repeat business. From his study, he revealed that the board and top management's support and commitment are crucial for success in strategy implementation which can help the hospital improve its relationship with its stakeholders. This has enabled the hospital to clarify the vision and mission and translate them into tangible actions for each of the staff members as well as helped the hospital to align strategy with individual staff activities.

This study however was done four years after the devolution of the health sector in Kenya (which happened in 2010) and therefore the findings from this research may not give a very vivid picture of the experiences gained since not much may have happened within these public health institutions within four years to warrant a more conclusive finding. Nevertheless, his findings remain relevant to the Machakos Levels 5 Hospital study as indeed Kenya has been treated to scenarios where inhouse boardroom politics have negatively slowed down effects on project implementation and even administrative matters. The researcher has not strongly demonstrated the hypothesis that strategies which public referral hospitals tend to use to compete can provide significant insight into broader health care market developments since a hospital strategy is shaped by a variety of external forces. Some of the major external factors healthcare institutions have to grapple with include: economic and demographic trends; regulation; public and private purchaser behavior; hospital market characteristics (i.e., number and type of competitors); payment

methods; medical technology; labor supply, among other factors. The International Journal of Academics & Research, IJARKE Journals (2018) published a study on the Effects of Competitive Intelligence Practices on Organizational Performance: A Case Study of The Aga Khan Hospital in Mombasa, Kenya. This study was to establish the competitive intelligence practices adopted by private hospitals in Mombasa and their effect on organizational performance by analyzing the effect of strategic alliance intelligence practice, market intelligence practice, technological intelligence practice and product differentiation practice on organizational performance of The Aga Khan hospital in Mombasa.

This study found out that the hospital employed new market intelligence as a competitive intelligence. Product intelligence influenced the performance of the hospital to a great extent. The hospital widely initiated activities to obtain information on technology advancement in the industry. It was noted that mergers in the industry and strategic alliance also enhanced the performance of the company. The study concluded that the hospital employed new market intelligence as a competitive intelligence and product intelligence significantly influenced the performance of the hospital. The study was insightful as it recommended that the Aga Khan Hospital should continuously invest in marketing research to gather as much information as possible in order to remain competitive, and make use of technology intelligence among other intelligences to increase their competitiveness in terms of innovation, customer satisfaction and market orientation.

The above studies generally reveal that today, the emerging hospital management domain is highly competitive, and hospitals incur relative costs in response to competitive actions. Hospitals undertake multiple actions when faced with environmental challenges and apply competitive dynamic strategies to examine their own actions as well as those of their competitors. It can also be noted that the management of health sector is majorly characterized by emphasis on effective performance and enhancing quality of healthcare. Efficient management of resources and quality outcome being the emphasis, it is turning out to be important for healthcare institutions to establish to and execute good strategies that provide efficient care that further appeals to patients and focuses on managing operational costs.

b. Experiences Gained by Hospitals in Implementing Competitive Strategies

Mbugua (2012) argued that the evolution of business strategy was driven by the practical needs of the businesses and strategic planning process was associated with the problems faced by the managers in the 1950's and 1960's. Given the rapidly changing environment, he opines that organizations employ various competitive strategies to survive, and that the health care system in Kenya comprises of two sectors, one that is official and another that is unofficial. The official sector falls within the regulatory purview of the Ministry of Health; while the unofficial one comprises of those health institutions and providers who the Ministry of Health has no control, i.e. the traditional healers. His research focused on the official system specifically targeting the private hospitals in Nairobi, where he noted that the hospitals in Kenya operate in an environment that has seen dramatic changes in the last two decades. He identified environmental changes that have affected the private hospitals to establish the competitive strategies adopted and pointed out the challenges faced in implementing their competitive strategies. He revealed that economic and technological factors have to a large extent been a determinant in the actions that the hospitals have taken. On the other hand, he noted that the political – legal and socio-cultural factors have been a determinant to a moderate extent. He concluded that service

differentiation strategy was largely used by most players in this industry. The differentiation strategies/activities that were scored highly included those aimed at enhancing of the meeting of the customer needs that were scored followed by employment of high skilled staff, offering unique services at investment in special technologies and development of unique physical appearance and attention to physical infrastructure. Patient diagnostic and treatment costs and remuneration of doctors and other supportive staff were found to a large extent posing a challenge to the implementation of strategy in the private hospitals. From his study, it is evident that the hospital industry weighs on various strategies and tends to consider them as they re-align themselves so as to be competitive in the healthcare industry. The ownership of strategy formulation and implementation in the hospital requires the consideration of a wider value system. Besides the customers and the shareholders, other stakeholders are becoming increasingly important.

The internal systems of the hospitals need to be stable but flexible to respond quickly to major environmental changes in the health care industry. Hospitals do not have an exclusive market, instead they compete with others. A competitive strategy focuses on how a hospital competes successfully in each of the products or business line that the hospital has chosen to engage in. Competitive strategies help the hospitals to build sustainable competitive advantages. A hospital has a competitive advantage if it can attract customers and define itself against competitive forces better than its rivals. The gap in his study is that it focused on private hospitals in Nairobi, and thus the findings might not apply to the private or public hospitals that are located outside Nairobi. Further, the researcher has not provided information on how the actions or policy changes will be implemented (by who or which agencies to handle them).

The researcher has not provided a firm argument to demonstrate the proposition that to enhance healthcare service provision in the health facilities within the country, policy makers must seek to make policies that enhance the managements' level of power and authority, facilitate the establishment of a strategic plan, and develop a favorable management structure and hospitals' chain of command. The study on Machakos Level 5 Hospital tends to bridge some of these gaps by focusing on a public referral hospital that is based outside Nairobi, noting that these hospitals operate under different geographic environment and have a different customer base in terms of their characteristics.

c. Relationship Between Hospitals' Competitive Strategies and the Level achieved in service provision

Today, the global hospital management domain is highly competitive, and hospitals incur relative costs in response to competitive actions. Managers of hospitals continuously re-examine their strategic actions and determine how other hospitals adopt appropriate strategies in order to survive in the competitive market. Mburu (2009) did a study on the competitive strategies adopted for performance by Kisii Level 5 hospital, Kenya. He noted that public and private institutions operate in competitive environments, and this forces them to use appropriate strategies to enhance their performance. He revealed that adequate studies have not been done in the private sector hospitals concerning the competitive strategies that they apply in order to improve their performance especially in Kisii County. His study specifically explored the competitive strategies adopted on performance by private hospitals in Kisii County and targeted all the sixteen registered Private Hospitals in Kisii County. The findings of his study agreed with Michael Porter's contention that there are three fundamental selling strategies: cost leadership, differentiation and focus strategy and a firm or an industry performs better by choosing one. Further, the study revealed that

there is a positive correlation between the competitive strategies and performance of private hospitals in Kisii County.

The study concludes that the strategies adopted improve the overall private hospitals' performance in Kisii County and recommends that private hospitals in Kisii County should strive to implement and invest more on focus strategy. It can be noted that the pace of change in hospitality industry is dramatic. Frequently reported trends are blurring off industry boundaries; deregulation and globalization; pressures from new and existing competitors; rapidly advancing information technology; and increased customer sophistication. The hospitality industry worldwide is becoming increasingly interrelated, and that hospitals adopt competitive strategies in various ways which include offering of quality services, distribution, positioning and product strategies. The concept of strategy is also turning out to be multi –dimensional with the intention to improve the overall performance of the hospital against that of competitors in their healthcare industry.

Hospitals are seen undertaking strategy formulation and implementation amidst many challenges (with the most critical being competition). Today's managers in the health sector are under pressure to improve productivity, quality and speed in their organizations. Therefore, hospitals are choosing unique and valuable competitive strategies rooted in the systems and activities that are much more difficult to match, and that the competences must be distinct. Okore (2017) is however of a divergent view that public hospitals should not fully adopt competitive strategies since they are government owned institutions which are not involved in profit making businesses. The essence of hospital strategy is therefore to match the strengths and distinctive competencies within the hospital in a way that it enjoys a competitive advantage over rivals competing on the same terrain. This in turn improves the overall performance of the hospital. The current operational set-up in Kenya's health sector is a turbulent one and highly competitive market condition. To ensure survival and sustainability in the marketplace, the hospitals require adopting a competitive strategy. Public hospitals which have adopted competitive strategies have realized a performance advantage over their competitors in the health care industry.

In summary, hospitals are therefore changing their strategy in line with the changes in the dynamic health care environment. Strategy implementation in the health care environment has several challenges and a good strategy formulation can be rendered useless by poor strategy implementation. Nevertheless, successful strategy should be driven by the possibilities of the future rather than the restrictions of the past. Many hospitals face a lot of challenges in strategy implementation. These challenges include leadership, organizational structure, culture, policies and the reward system. Strategic managers in the health care sector are sometimes very optimistic at the planning stage and do not consider how crucial it is for the coordination of all-important tasks for the strategy to be effective. Distraction from competing activities and the ability of the people implementing the strategy can also be a challenge to strategy implementation. Once a strategy has been developed, it needs to be implemented, as it is of no use to the organization unless it is translated into an action plan (Hill, 2012).

Competitive strategies are employed by hospitals within the healthcare industry. These strategies adopted are expected to relate to performance of the hospitals. Long term strategy should derive from a hospital's attempt to seek a competitive advantage based on one of three generic strategies. The lack of involvement of stakeholders may also lead to serious challenges in hospital strategy implementation, including not believing in the

strategy and lack of proper communication to those implementing it. This is because successful strategy formulation does not guarantee successful strategy implementation. The challenge of strategy implementation process in hospitals is an important area of research as even the best competitive strategy will be ineffective if not implemented successfully. Lack of co-ordination and support from other levels of management and resistance from lower levels, coupled by poor planning activities are serious challenges to strategy implementation. It is important to overcome the resistance of powerful groups as they may regard the change of strategy as a threat to their positions.

2. Methodology

This study adopted a cross sectional survey design which involves observing multiple variables at the time of a data snapshot. A qualitative data collection approach was used to enable collection of data in the form of words rather than numbers. This method was appropriate as it allowed a deep understanding of the competitive strategies adopted Machakos Level 5 Hospital. The study population were the employees of the Machakos Level 5 Hospital, while the target population was drawn from the senior leadership team (SLT) of the hospital who are charged with strategy formulation, planning and implementation. The SLT were initially projected at 83 officers and distributed various categories: The sample size for the administrators was determined in accordance with the formula recommended by Yamane (1967) as quoted in Philips (2002). The formula being:

$$n = N / [1 + N(e^2)]$$

Where: n = the projected sample size

N = is the whole population

e = is the level of precision, set at 0.05

And, thus, the sample size of the administrators and leadership team is calculated as shown:

$$n = 105 / [1 + 105(0.05)^2] = 83 \text{ top administrators and the SLT}$$

The research used a proportional random sampling technique within the predetermined strata to be able to achieve the most representative sample as possible. The criterion was that the level of management seniority was put in predetermined strata. Proportional random sampling was used to select the respondents from the above predetermined strata. The study used the primary data and secondary data collection methods. A total of 83 SLTs were initially projected as the sample size with 44 being the final sample size. The group was stratified into sub-groups in a pre-determined manner mainly based on managerial seniority. The information collected from the respondents was cleaned, recorded and analyzed. The qualitative data was manually analyzed through content, discourse and thematic analyses.

3. Findings

a. Competitive Strategies adopted by Machakos Level 5 Hospital

The study sought to establish the extent to which the hospital practiced strategic management in its business operations. The respondents were asked about their knowledge regarding the existence of Mission Statements, Vision and Strategic plans, with 93% confirming that they were aware of these strategic documents, and that hospital has

had a formal Mission Statement of *Providing Quality, Efficient and Caring Health Services*, and that it had it right from its inception. It was revealed that the hospital is practicing Porters' generic strategies, namely: the differentiation, low cost and focus strategies. Low Cost strategy was the most mentioned (39%) as the adopted strategy. It is notable that the Hospital employs several strategies at any one given time. These findings agree with Ndubai (2013) position that when formulating a competitive strategy in a competitive health care environment, a hospital must adjust its strategy so that it can have an advantage. For the case of Machakos Level 5 Hospital, differentiation has enabled the hospital to develop products and services that bring unique attributes that are valued by its clients and that its customers perceive to be better than or different from the products of the competitors in the wider Machakos County. This is why the Hospital seems to be charging premium price for some of its products, such as elementary cancer diagnosis. The Clients here feel that the additional cost to pay for these services is well below what the product or service is worth compared to the other available alternatives. Differentiation strategies adopted by the hospital included: offering a wide range of specialist services, attracting better-known physicians, physical infrastructure (i.e. consultants offices, wards, theatres), Specialist/diagnostic equipment, efficient service provision and ambience of the hospital. It is noted that the employees work hard to create a unique image for the hospital around the elements listed.

One of the most cited differentiation strategies employed by the hospital (30%) involves providing their patients and general clientele with individual physicians with efficient services the hospital finds desirable and of high quality. These services include highly specialized, inpatient clinical services that utilize the latest technology and amenities such as private consultation rooms, better meals, shorter waiting times, special considerations/queues for the elderly and disabled. 100% of the respondents indicated that the Hospital has undertaken major physical infrastructure improvement works within the last three years to improve the ambience of their facility and increase capacity of their amenities.

Having specialist/diagnostic equipment at 25% was the second-most cited differentiation strategy. According to one nursing officer, the hospital has heavily invested in specialist and diagnostic equipment including those for specialist theatres, anesthetic breathing system and adequate lighting, among others. She further elaborated that by introducing free maternal health care plans, the hospital sought to encourage women to abandon the services of traditional birth attendants in favour of birth attendants trained in modern medical techniques.

Orthopedics Care was the most cited (30%) specialist service among the respondents. This is a branch of medicine concerned with the correction or prevention of deformities, disorders, or injuries of the skeleton and associated structures (such as tendons and ligaments). According to one respondent from the hospital's pharmacy department, this treatment is more associated with increased accidents from motorcycle riders locally referred to as *asbodabodas*. On the lower end of the spectrum, it was noticed that only a few of the respondents indicated that the hospital provides specialized services like radiotherapy for advanced level of cancer management for which they refer the patients to Kenyatta National Hospital in Nairobi. Such services require large human and financial resources and the hospital has just recently introduced them. Most of the clients have been going to the private sector to get such specialized services. "Our clients pay attention to ambience, tranquility and quiet environment of the hospital, and this is exemplified through spacious

and en-suite wards for the hospital, including the provision of digital satellite TV; big and exciting posters with health information for the patients; well-stocked tag shop; a long and well ventilated waiting bay; and a large vehicle parking lot”, remarks a respondent from the administration department.

The hospital’s aim of low-cost leadership strategy here was to open up a sustainable cost advantage over competitors and then use the hospital’s lower cost edge as a basis for either underpricing competitors and gaining market share at their expense or earning a higher profit margin selling at the prevailing market.

The low cost strategy rated at 39% was the most cited generic strategy by the respondents for this hospital. In fact, the two generic strategies (differentiation and focus strategies) the hospital adopted were partly driven by the low-cost strategies. Services based on the latest technology such as energy efficient machines or increased amenities were viewed also as cost reduction initiatives in addition to being seen as revenue generators. The hospital adopts low cost strategies as it seeks to provide services attractive to corporate clients, health management organizations and insurance companies. Through selective contracting, these clients have greater leverage to negotiate better hospital charges. Focus strategies adopted by Machakos Level 5 Hospital included: accreditation by health management organizations, strengthening relationship with specialists, creating niche services and communication strategies that actively promotes the existing specialist services.

b. Experiences gained by the Machakos Level 5 Hospital in implementing its competitive strategies

The second objective of the study was to assess any experiences gained by the Machakos Level 5 Hospital in implementing its competitive strategies. The factors that determine the strategy to be adopted by an organization will depend among other factors the environment under which it operates. The respondents were asked to indicate their experiences regarding the extent to which environmental factors had influenced adoption of their strategies. The responses were put on a Likert scale with the least influencing factor at level 1 and the most influencing factor at level 5. “Competition in healthcare sector in Machakos County is rising due to similarity in the products or services aimed at the same customer group”, remarked a respondent from the HR department. It was further revealed that the Hospital’s principle product is providing medical services to its clients, and that they not only consider other private hospitals as competitors, but they also consider the neighboring level 5 hospitals (such as Makueni, Kitui and Kajiado) as strong competitors since they offer relatively cheap alternatives for some specialist services. It is noted that the respondents rated ownership and economic orientation as the second most influencing factor on the strategies the hospital has adopted.

Based on their experience, the respondents also ranked influence of clients as the third most influencing factor on the strategies the hospital adopts. It was realized that private purchasers of medicare have increasingly organized and turned to managed care plans and products to reduce costs while maintaining or improving quality. Presence of healthcare insurance or management care experts has impacted on increasing customer power. The above have worked to maintain healthcare costs at manageable levels while ensuring quality and efficiency is not compromised. Through selective contracting by means of pre-authorized hospitals, major health management organizations, corporate clients and

insurance providers have greater leverage than individual physicians and patients to negotiate better hospital prices. As one respondent from the finance department indicated, some specialized inpatient services were selectively added to achieve “must-have” status by providing “one-stop-shopping” as way of attracting the influential service buyers and clients, noting that Machakos Town is increasingly becoming a major urban centre due to its proximity to Nairobi City.

According to one senior nursing officer that support the public health and community outreach operations, she indicated that a key influencing factor on strategies adopted by the Machakos Level 5 Hospital is the scramble for “physician allegiance” as a means to patients, which they consider more effective. These findings support Varmah (2013) assertion that healthcare provision systems involve a variety of actors, including physicians, nurses, hospital administrators, and pharmacists, many of whom interact with each other and with patients, and that they can influence the nature, quantities, and quality of healthcare goods and services delivered and consumed. Physicians’ routine practice of making appointments, diagnosing illness, recommending and administering treatment, offering counseling and health information, charging for services and materials, and referring patients to hospitals greatly affects utilization, efficiency, and quality of healthcare services in the hospital.

All the respondents (100%) revealed that the hospital has undertaken major facility improvement works within the last three years to improve the ambiance of their facility. From their experience, they indicated that many clients relate the ambiance of the hospital to the quality of service being offered. These findings generally point towards Kitua (2014) argument that a hospital has a competitive advantage if it can attract customers and define itself against competitive forces better than its rivals, and that a hospital that pursues a clear strategy will likely perform well and make the best profits within the health care industry. In the health care sector, the concept of strategy is multi-dimensional. The competition as well should be viewed as multi – dimensional because the health care environment is very uncertain. Hospitals are competitive if they maintain a balance of the different dimensions that affect competitiveness and include the customers, shareholders and the hospital’s ability to react.

c. The relationship between the competitive strategies used and the performance achieved at Machakos Level 5 Hospital

The researcher used inferential statistical data analysis to explore the relationship between the competitive strategies used and the performance achieved at Machakos Level 5 Hospital. Pearson’s coefficient (r) was used to explore the correlation between the research variables of interest, with the analysis done at 90 percent confidence interval. The results reveal that a combination strategy is strongly and positively correlated to the Machakos Level 5 Hospital’s performance with a correlation coefficient of 0.692, Cost leadership strategies is strongly and positively correlated to the hospital performance with a coefficient of 0.798, there is a positive correlation between Focus Strategies and the hospital’s performance with a coefficient of 0.598 and there is a positive correlation between differentiation strategies and the hospital performance with a correlation coefficient of 0.597. Cost leadership strategies has the highest correlation hence influences the firm performance to the greatest extent than the rest of the strategies. These results further reveal that the Hospital is practicing Porters’ generic strategies, namely: Differentiation, Low Cost and Focus strategies; with Low Cost strategy being the most

mentioned as the adopted strategy. It is thus notable that the hospital employs several strategies at any one given time, as summarized in the correlations analysis results below:

Table 1: Correlations Analysis Results

No.	Strategies	Combination Strategies	Cost Leadership Strategies	Focus Strategies	Product Differentiation Strategies	Performance of Hospital
1	Combination Strategies	1				
2	Cost Leadership Strategies	0.699	1			
3	Focus Strategies	0.626	0.495	1		
4	Product Differentiation Strategies	0.791	0.642	0.587	1	
5	Performance of Hospital	0.692	0.798	0.598	0.597	1

Researcher, 2020

These findings are corroborated by all 44 (100% of the) respondents who indicated that product differentiation strategies and low cost leadership strategies are implemented to a very great extent by the hospital. It was further revealed that the strategic management and leadership are inter-related, but not completely identical concepts, and stressed that that strategic management involves planning and using resources efficiently to produce intended results. This is what has happened at Machakos Level 5 Hospital. Most of the respondents opined that the hospital has ensured that the frontline worker motivation is maintained high to facilitate quality health care provision. It was revealed that the management supports departmental heads to meet frontline workers and hospital's needs. These observations confirm Matheka (2014) findings that the board and top management's support and commitment are always crucial for success in any strategy implementation and that can help hospitals improve their relationship with its stakeholders.

From the study, 75% of the respondents revealed that Machakos Level 5 Hospital has survived the unpredictable external environment due to its ability to rapidly respond to the changing external environment. The hospital has accommodated and adapted to change with ease due to the fact that its management has encouraged a learning culture within the organization. It was noted that the hospital's strategies are not meant to resist or avoid the changes in the external environment, but rather to help the organization adapt to the external environment. The hospital has taken advantage of the opportunities posed by the environment e.g. the technological advancement while shielding itself from the threats such as legal problems through adhering strictly to the strategic guidelines and regulations set by the government through the Ministry of Health. These observations are linked to Varmah (2013) conclusion that the external environment in which a hospital operates is changing and is largely uncontrollable and hence the need for hospitals to react to the changes by adapting to them through product/market changes, process changes, culture changes and leadership changes. All these are dependent on the specific changes in the external environment, the firm's capability and the level of environmental turbulence.

Continuous training and learning for managers and other staff were also evident from the respondents. The management of Machakos Level 5 Hospital has realized the need for

special skills for managing the continuous changes in the business environment that calls for adaptive management. The respondents were also quick to reveal that different hospitals in the wider Machakos County are coming up with different strategies in order to survive the stiff competition in the health care sector. They revealed that each medical facility is unique and thus it does not mean that the strategies that have been successful at Machakos Level 5 Hospital will automatically be successful in another. The respondents indicated that factors such as the size of the hospital, resource base, technological orientation, management skill sets, and ownership will come into play in deciding which strategy will be successful in each hospital. These observations agree with Mburu (2009) who did a study on the competitive strategies adopted for performance by Kisii Level 5 hospital in Kenya where he noted that public and private institutions operate in competitive environments, and this forces them to use appropriate strategies to enhance their performance.

It is evident that the Machakos Level 5 Hospital is quite aware of the competitive environment under which it is operating, and it is continuously developing strategies to exploit any emerging opportunities while at the same time putting in measures to mitigate adverse impacts arising from any external threats. The major factors from the external environment that have impacted Machakos Level 5 Hospital include changes in technology, social, political, and economic factors. Other factors included having to deal with the stiff competition from the ever-increasing number of private clinics, and other major players that include the neighboring Makueni Level 5 Hospital and Kitui Level 5 Hospital that have taken the competition to another level.

The increasing competition from other players in the health care industry has rapidly grown in the recent decade, with patients having a variety of options to seek medical care from. Private clinics were cited as some of the options that have sprung up more rapidly, and they tend to offer unique services to the patients, personalized treatment and privacy which most patients consider very important. These findings fit into Porter (1980) assertion that organizations are constantly faced by strategic choices that involve the evaluation of different strategic alternatives and selection of the best strategy in the industry. Hospitals have strategies that are specific to the health care sector and supplement the generic strategies introduced by Porter (1980).

There was also a feeling that the social-cultural environment has been constantly changing, with the customs and traditions being influenced by modern education that enlightens the patients. It was noted that the today's patient knows his /her rights as compared to the 'traditional' cadre, and therefore the hospital is continuously keeping its ears quite open to listen to any complaints arising from the public, and exploring avenues to speedily and satisfactorily address those concerns. These feedback from the clients were noted to be part of the key items for discussions during the hospital's strategic review processes.

Technological advancements were reported to be one of the factors that affect the hospital's operations. It was pointed out that the health care industry thrives on utilizing the most appropriate technology in order to survive the stiff competition, noting that patients are demanding faster and more accurate diagnosis and treatment. The Machakos Level 5 Hospital has thus invested in advanced machines and contracted qualified technicians to run these equipment.

4. Conclusions and Recommendations

The researcher concludes that strategies that public referral hospitals use to compete provide significant insight into broader health care market developments because a hospital's strategy is shaped by a variety of external forces. Some of the major external factors healthcare institutions have to grapple with include: economic and demographic trends; regulation; public and private purchaser behavior; hospital market characteristics; payment methods; medical technology; labor supply, among other factors. This study concludes that Machakos Level 5 Hospital has been using competitive strategies such as product differentiation and technological intelligence to help it acquire competitive edge and be a one stop shop for medical solutions for its clients in Machakos County. Technology combined with innovation also reduces costs and improves service quality. Another conclusion is that the financing of healthcare services, management style, adoption of ICT and staff training strategies strongly and positively impact the success in strategic healthcare service provision. These are strategic choices and they positively affect the performance of the hospital if well entrenched in the wider hospital management system. These aspects explain why there is a general perception that the hospital has attained success in the provision of healthcare services to its clients in Machakos County in this complex devolved environment.

It is recommended that, in order to enhance healthcare service provision in the public referral facilities within the country, the Ministry of Health policy makers should seek to make policies that enhance the managements' level of power and authority, facilitate the establishment of a strategic plan, develop a favorable management structure and hospitals' chain of command. Secondly, public referral institutions should deliberately and consistently organize for trainings for their staff and impartation of skills, knowledge and abilities through the use of new technologies. A lot of market research need to be continuously done so that the facilities keep pace with the ever-evolving technological developments and taste/preferences of the clients. This implies that the hospitals should continuously put budgetary allocations in marketing research to gather as much information as possible in order to remain competitive. Lastly, the study recommends that the Kenya government should seek to match the utilization of the public health services in the institutions with financial and/or other required resources. This will enable the public health facilities to avoid finding themselves being understaffed or suffer resource strains such as drug stock-outs or frequent strikes. Steady funding inflows coupled with strong management and leadership system will lead to implementation of robust and effective strategies that will ultimately result in enhanced and sustainable health care service delivery.

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