

**THE CHALLENGES FACING THE IMPLEMENTATION OF OUTSOURCING
STRATEGY AT THE KENYATTA NATIONAL HOSPITAL**

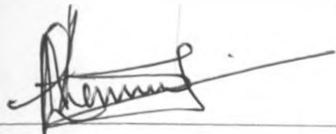
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**A Management Research Project Submitted in Partial Fulfillment of the Requirements for
the Degree of Master of Business Administration (MBA), School of Business,
University of Nairobi
September 2010**

DECLARATION

This management research project is my original work and has not been presented for a degree in any other university.

Signed: _____



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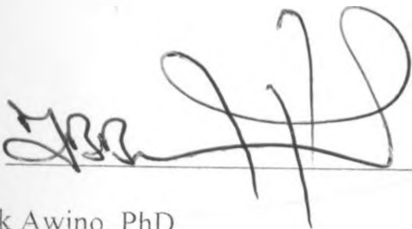
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This management research project has been submitted for examination with my approval as the university supervisor.

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DEDICATION

This study is dedicated to all those Kenyans who are custodians of change and are always in the front line to see systems work better for the sake of the country today, tomorrow and for the future of our children.

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LIST OF ABBREVIATIONS

CBD	-	Central Business District
CEO	-	Chief Executive Officer
IT	-	Information Technology
ICT	-	Information Communication Technology
KNH	-	Kenyatta National Hospital
KNHSP	-	Kenyatta National Hospital Strategic Plan
KMTC	-	Kenya Medical Training College
MOH	-	Ministry of Health
SPSS	-	Statistical Package for Social Science
SWOT	-	Strength, Weakness, Opportunity and Threats

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ABSTRACT

In recent years, outsourcing as a business strategy has brought dramatic change of fortunes in many organizations. Smart organizations focus on core competencies that provide high value, maximize return on internal resources, treat many services as strategic enablers and also have an internal customer/supplier orientation. They approach outsourcing in a strategic manner to bring predictability and reliability in the delivery of services as well as giving them a competitive advantage. KNH has experienced several challenges since the early 1980s in its endeavors to provide quality health care. These have included overcrowding, quality of care, poor attitudes, under-establishment in human resource and deterioration of medical equipment. This has been attributed to management weaknesses, both in structure and staffing, absence of good controls and system, and the slow bureaucratic decision process. In 2005, the K.N.H Board, in response to government policy guidelines, undertook a thorough situational analysis of all strategic sub-systems of the hospital. These included organizational structure, human resource and financial management, supplies and procurement procedures, institutional image, quality assurance and clinical governance, physical facilities and equipment and hospital policies and management practices. Essentially, from the national outlook Public and Private Organizations are shifting from providing non-core services to outsourcing them. A case in point is that there has been widespread outsourcing of cleaning services amongst government agencies to firms who are specialist in that field. Outsourcing as business management practice has many applications and facets. A variety of service delivery techniques can

be used to maximize efficiency and for service quality. Outsourcing is the most commonly used type of privatization. To remain competitive and improve services, public institutions K.N.H included as well as business and other Public utilities have increasingly employed a variety of popular management approaches including outsourcing. Through outsourcing institutions are forced to be more responsive to the needs of their clients and outsourcing can generate efficiencies that can enhance the institutions goals. This study was therefore to determine the services that can be outsourced at KNH and the challenges of introducing or implementing outsourcing as a strategy in the hospital. To achieve the stated objectives a case study research method was used where primary data was collected .A structured questionnaire was administered to twenty senior managers in the hospital including the CEO and his deputies. On the areas where outsourcing strategy should be implemented the study established that security services should be the priority area with 100% response. This may be explained by the verse knowledge of the respondent who understands the emerging trend within the smart organizations of need to cut operations cost and as well concentrate on the core business of the Institution. This was followed closely by cleaning and canteen& catering each with 70%, then maintenance 40%, laundry 35%, transport 20% and parking at 20%. All the managers were in agreement that improved service delivery will be promoted within the hospital if outsourcing strategy is implemented. Similarly, 95% of the respondents agree that focus on core business and improved hospital performance will be promoted once outsourcing strategy is implemented. Improved service quality was cited by all respondents as one of the advantages of outsourcing. Despite all the managers being in agreement that

outsourcing is of benefit to the hospital, the researcher had noted that the strategy has not been implemented in the hospital. Resistance to change ranked highest among the challenges facing implementation of outsourcing with 55% of the respondent being in agreement. Other challenges included lack of resources, conflict of interest, lack of management support and political interference among other reasons.

Key words: challenges, implementation, strategy, outsourcing, Kenyatta National Hospital.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

In recent years, outsourcing as a business strategy has brought dramatic change of fortunes in many organizations. Corbett (1999) observed that smart organizations focus on core competencies that provide high value, maximize return on internal resources, treat many services as strategic enablers and also have an internal customer/supplier orientation. They approach outsourcing in a strategic manner to bring predictability and reliability in the delivery of services as well as giving them a competitive advantage.

This chapter will provide a background of the study, a statement of the problem, the purpose of the study, objectives of the study, research questions, assumptions of the study, scope, limitations of the study, definition of the operational terms used in the study as well as the background of the organization of the study.

1.1.1 Outsourcing Strategy

Outsourcing is a strategic tool used by companies to improve their ability to concentrate on the core competencies, outsourcing non-core functions. Outsourcing is not contracting or fixing business processes. It is about creating value. It is about reengineering and being able to provide customers a greater value faster, at a lower cost and higher quality.

Outsourcing is a management strategy by which an organization delegates major, non-core functions to specialized and efficient service providers, or as Corbett (1999) President of Michael F. Corbett and Associates asserts, "Outsourcing is nothing less than the wholesale restructuring the corporation around our core competencies and outside relationships." The traditional outsourcing emphasis on tactical benefits like cost

reduction (for example, cheaper labor cost in low-cost countries), have more recently been replaced by productivity, flexibility, speed and innovation in developing business applications, and access to new technologies and skills (Greer, Youngblood, and Gary 1999; Bacon 1999 Ravishankar and Lilanthi 1998), highlighted that in the 1980s and early 1990s, intensifying market pressures forced businesses to look at new ways to gain efficiency.

After analyzing their structure and processes, many organizations concluded that high fixed costs were impeding their profitability. Determined to quickly shed some of those fixed costs, they reduced internal resources in what they deemed non-essential business functions. Where these business functions, including training, still needed to be performed, organizations looked to external providers to supply the services more cost effectively. Since then Outsourcing became a widely used strategic tool. In recent times, Outsourcing, or strategic resourcing, is becoming a widely used tool to boost an organization's competitiveness. It is no longer a short-term measure, instead, today's organizations view outsourcing as part of a planned strategy that enables them to focus on what they do best, while benefiting from outside expertise in areas that are not their strengths.

Heikkilä & Cordon (2002) point out that when making decision, both strategic as well as operational issues should be taken into account. McIvor (2000) also points out that outsourcing should be carried out from strategic perspective and integrated into overall strategy of the organization. According to Lonsdale & Cox (1998) outsourcing should not be considered as a short-term decision. Rather, all aspects of outsourcing decision should be taken into account. Although outsourcing is considered as a powerful management

tool (Johnson 1997, Laabs 1993), wrong outsourcing decisions are costly (Willcocks et al. 1995, p.62) and result in loss of competencies and capabilities and in exposure to unexpected risks and business failures (Ngwenyama & Bryson 1999, p.352). Changes within the Environment do affect the capability of the organization, as Aosa (1992) states that the strategy create a fit between internal capability and external conditions a mismatch of the two creates a problem and therefore even when adopting the outsourcing strategy, SWOT analysis must be explored. As part of a strategic plan, a cost-benefit analysis delineates those functions that can be performed as efficiently, if not more so, by outside suppliers.

Alexander & Young (1996b) divide outsourcing into two categories: strategic and nonstrategic. Strategic outsourcing has two main criteria. Outsourcing is considered strategic if a company has a strategic policy for outsourcing and it is prepared to consider outsourcing also activities which are traditionally considered core activities. They see outsourcing as strategy and a source of competitiveness in itself. Moreover, they challenge the traditional way of thinking that all core activities should be made internally. The point is that what is core depends on the company and companies should consider what activities to develop internally and what to outsource. Activities that provide competitive advantage are most likely to stay in-house. Consequently, such strategic outsourcing decisions not just involve operational managers. but top management as well (Quelin & Duhamel, 2003).

In today's world public sector and private sector organizations can hardly ignore the opportunities for cutting down costs. In fact to be more precise, as pressures mount on the heads of procurement and chief executives to contribute more to profitability they tend to

outsource non-core functions as a measure to cut down costs and increase profitability. This has led to an increase in discussion of the factors promoting the use of outsourcing as well as the advantages and disadvantages of outsourcing the non-core functions to the experts. The current attitude is that outsourcing is possible but care must be exercised not to outsource the core, the soul of what an organization does best. Outsourcing has been widely adopted by various parastatals as well as government ministries in the recent past. The trend has been outsourcing of non-core functions such as cleaning and provision of security services. It should be appreciated that various researchers have undertaken various studies although none of them have examined in detail the challenges of implementing outsourcing strategy. At K.N.H. outsourcing is still rudimentary and most of the departments rely on internal facilities and expertise and hence the need to explore on the challenges of introduction of outsourcing in order to see whether it can have an impact on efficiency of service delivery.

1.1.2 Implementation of Outsourcing Strategy

The term outsourcing refers to contracting out of non-core activities (Peter Baily et al 2005). The outsourcing Institute has defined outsourcing as the strategic use of outside resources to perform activities traditionally handled by internal staff and resources. Though this is not an indication that the activities to be outsourced are less important, Quelin and Duhamel (2003) states that outsourcing is concerned with the external provision of functional activity and thus outsourcing decisions are strategic in nature. Consequently outsourcing decision is not taken at the operational level or at the tactic level but at the top management level.

Johnson and Scholes (2003) define strategy as: "Strategy is the direction and scope of an organization over the long-term: which achieves advantage for the organization through its configuration of resources within a challenging environment, to meet the needs of markets and to fulfill stakeholder expectations". The success of the company is largely influenced by decision taken by strategic management.

The definition of business strategy is a long term plan of action designed to achieve a particular goal or set of goals or objectives. Strategy is management's game plan for strengthening the performance of the enterprise. It states how business should be conducted to achieve the desired goals. Without a strategy management has no roadmap to guide them. However having a good strategy is not synonymous with or a guarantee to success.

As Ogada (2007) puts it, whatever the definition, what is clear is that strategy is a unifying part of a decision that help in identifying purposes, goals, objectives and priorities of the organizations. Strategy also help the organization create competitive advantage as the organization needs to be aware of what the competitors do to effectively compete. Strategy helps in defining the obligations of the organization to its stakeholders as well as defining its specific business in terms of geographic scope. Johnson and Scholes (2003) further states that the success of any company or organization depends on how new strategies are crafted to enable countering of challenges that are thrown by environment.

1.1.3 Health sector in Kenya.

The development of healthcare system in Kenya goes back to the pre-colonial era. With the establishment of mission stations in Kenya in the 1890s and the arrival of the Imperial British East Africa Company (IBEAC) in 1888, western medicine entered the country. The Church Missionary Society (CMS), the Church of Scotland Mission (CSM) and the Catholic Missionary Holy Ghost Fathers began their activities in East Africa between 1898 and 1903. Simultaneously, the Church of Scotland set up a station in Kikuyu in 1898, which gave medical help.

After independence, the government continued to expand health facilities in the country as its main social concern at the time of independence was elimination of poverty, illiteracy and disease (Government of Kenya, 1965). In 1964, the pre-independence user fees on medical services were discontinued and free outpatient services and hospitalization for all children in public health facilities introduced. Subsequently, there was rapid growth in the number of public health facilities and medical personnel. Most of the expansion occurred in the first two decades after independence.

At independence, Kenya inherited a three-tier health system in which the central government provided services at district, provincial and national levels; missionaries provided health services at sub-district levels; and local government provided services in urban areas. This system operated until 1970 when the government established a system of comprehensive rural health services in which health centres became the focal points for comprehensive provision of preventive, promotive and curative services.

Today, alongside government services, missionaries and NGOs provide health services at delivery points that range from dispensaries to hospitals. The government's healthcare

delivery system is pyramidal, with the national referral facilities at Kenyatta National Hospital (Nairobi) and Moi Teaching and Referral Hospital (Eldoret) forming the peak, followed by provincial, district and sub-district hospitals, with health centres and dispensaries forming the base. The central government through the Ministry of Health is the largest provider of health services in Kenya.

1.1.4 Kenyatta National Hospital

Kenyatta National Hospital (KNH) is one of the six state corporations under the health sector, all being semi-autonomous institutions each governed by a Board of Management (BOM). KNH which was originally called the Native Civil Hospital, was built in 1901 with a two wards 40-bed capacity to serve Africans and the Asian communities (KNH, 2001). It was located at the junction of Government road (present day Moi Avenue) and Kingsway (present day University Way). It was later in 1922 relocated to a vacated military hospital originally built to take care of the Kings African Rifles off Ngong Road, the area currently occupied by the Kenya Medical Training College. This was meant to offer in-patient services only and had a capacity of 423 beds for Africans and 41 beds for Asians.

The idea of construction of a combined group hospital for Europeans, Asians and Africans in one area but with separate facilities for the three races was mooted about 1930 and construction started in 1937 for the group then called the Nairobi Group Hospital Scheme. The hospital was renamed King George VI in 1952. Following Kenya's independence in 1963, it was renamed Kenyatta National Hospital on 17th April 1964 in honour of the country's first President, the late Mzee Jomo Kenyatta, and was

designated a national teaching and research hospital (Collins, Njeru, Meme and Newbrander, 1999).

Up to 1987, KNH was under the direct control and management of the Ministry of Health (MOH) as were other government hospitals. A special committee appointed to review healthcare delivery in Kenya in 1985 under the chairmanship of Dr. Mohammed Abdallah found out that the KNH was far too large and complex to be managed from a small over-centralized administration at the MOH (Abdallah et al. 1985, as cited by Collins, Njeru and Meme, 1996, p. 10). Whereas KNH had its own budget allocated by the MOH, the Hospital relied on the Ministerial Tender Board for matters related to supplies and procurement while the Ministry of Works was responsible for maintenance works. KNH had a limited role in staff recruitment, deployment and discipline which were controlled by the MOH. This bureaucracy resulted in delays in decision making and implementation of programmes. Service delivery was characterized by inefficiency and significant losses through poor procurement and management of supplies. The Abdallah Committee recommended that a statutory board of management be established to manage KNH. The issue of managerial autonomy was also raised by the World Bank in 1986/1987 (World Bank, 1987). On 10th April, 1987, KNH was established as a state corporation under the State Corporations Act of 1986 as per Kenya Gazette Supplement No. 29 under Legal Notice No. 109 of 1987.

The Legal Notice vested the management of the Hospital in the Board of Management with the Director as Chief Executive. The hospital thus became semi-autonomous under the control of the Minister responsible for the matters relating to health. The Legal Notice further specified the mandate of KNH as follows: First, to receive patients on referral

from other hospitals or institutions within or outside Kenya for specialized health care. Secondly, to provide facilities for medical education for the University of Nairobi and for research either directly or through other co-operating health institutions. Thirdly, to provide facilities for education and training in nursing and other health and allied professions and lastly to participate, as a national referral hospital, in national health planning.

According to Collins et al (1996) despite more managerial autonomy being passed to the Board in April 1987 vide Legal Notice No. 109, KNH continued to be managed by the MOH and the Director during the early years following the granting of that autonomy. This was partly due to lack of preparation for the transfer of authority to the Board. The Board was not constituted until several months after April, 1987. Even after the Board was appointed, it was not until 1992 when it started to play a more significant role when a new Director set out to get the members more involved. KNH has experienced several challenges since the early 1980s in its endeavors to provide quality health care. These have included overcrowding, quality of care, poor attitudes, under-establishment in human resource and deterioration of medical equipment. This has been attributed to management weaknesses, both in structure and staffing, absence of good controls and system, and the slow bureaucratic decision process (Collins et al, 1996; KNH Strategic Plan, 2005).

To address the challenges identified above the hospital has undergone various strategic change initiatives. First there was the semi-autonomisation of the hospital in 1987. With increasing concern, about slow progress in achieving the desired improvements, in 1991 the government tried the services of a team of expatriates, the International Hospital

Group, to manage the hospital with the aim of improving the administrative skills of the local staff. A three year contract signed with this firm in 1991 was, however, rescinded in 1992. Considerable internal resistance to the management team was demonstrated by local clinicians due partly to the exclusion of the Board and Senior Management in the development of the contract and partly to perceived inexperience of some members of the contracted management team (Collins et al, 1996; KNH, 2001; Ongaro, 2004). A new director, Professor Julius Meme, was appointed in 1992 to replace the expatriate team. His approach to management of the hospital's affairs was more participatory and he involved the Board more in decision-making (Collins et al, 1996).

In 2005, the Board, in response to government policy guidelines, undertook a thorough situational analysis of all strategic sub-systems of the hospital. These included organizational structure, human resource and financial management, supplies and procurement procedures, institutional image, quality assurance and clinical governance, physical facilities and equipment and hospital policies and management practices. A critical review of these broad areas culminated in the development of the hospital's first five year strategic plan 2005-2010 (KNHSP I). This is the road map that provides a structured approach to planning and implementation of the activities and services of the hospital up to 2010.

Essentially, from the national outlook Public and Private Organizations are shifting from providing non-core services to outsourcing them. A case in point is that there has been widespread outsourcing of cleaning services amongst government agencies to firms who are specialist in that field.

1.2 Statement of the Research Problem

Outsourcing dates back to the 1970s. Initially it only involved Information Technology-related issues, but gradually more and more enterprises realized that they could not be experts in more than one or two fields. This conclusion made them get rid of various areas of activity and entrust them to specialists. According to a survey by Fortune magazine, over 90% of business organizations today take advantage of external service providers. Originally, outsourcing was only used by large corporations, but nowadays it is becoming more and more popular among small-sized enterprises. The broader use of outsourcing in the industrial market results from the build-up of competitive pressures and progressing globalization. As the environment becomes increasingly complex, faster and faster advancement of technology, with the consequent changes in the conditions in which any given enterprise functions, necessitate the search for more and newer methods which keep one ahead of one's competitors.

In the past the key to success was bulk; today the importance of high quality is growing. As the managerial paradigm shifts from "bigger is better" to "lean and mean", and from "high-volume" to "high-value" companies are being forced to identify exactly where they have the greatest competitive advantage, and to redefine their organizational structures to maximize that advantage. An increasingly common way for organizations to try and increase their flexibility and generate high value is through outsourcing. This situation requires precise identification of the line of business one wishes to follow (ensuring a competitive advantage) and a careful analysis of its weak and strong points. One important result of this process is a recognition and reassessment of those activities which

are not core in particular, whether these non-core activities should be carried out by the organization itself (make) or outsourced to a specialist third party.

While there a number of empirical research studies on outsourcing practices [Loh and Venkatraman (1992); Teng, Cheon and Grover (1995)], there are very few (unpublished) researches in Kenya. It should be appreciated that various researchers have undertaken various studies on outsourcing however none of them has examined in detail the challenges facing implementation of outsourcing strategy. None of the researches has zeroed on the outsourcing of services in the government health institution. Barako and Gatere (2008) explored outsourcing practices in the Kenya banking sectors. They examined the perceived benefits and risks associated with outsourcing activities in the sector. Nyarandi (2002) did a survey of implementation of outsourcing in private hospitals within Nairobi whereas Chanzu (2002) did a survey of business outsourcing practices among manufacturing companies in Nairobi. Only a few studies on management issues have been conducted in K.N.H; Ongayo (2005) explored human resources issues, Mutugi (2008) determined the challenges of strategy implementation at K.N.H and Obaga (2009) explored on performance contracting at K.N.H.

In today's world public sector and private sector organizations can hardly ignore the opportunities for cutting down costs. As pressures mount on the heads of procurement and chief executives to contribute more to profitability they tend to outsource non-core functions as a measure to cut down costs and increase profitability. This has led to an increase in discussion of the factors promoting the use of outsourcing as well as the advantages and disadvantages of outsourcing the non-core functions to the experts. The

current attitude is that outsourcing is possible but care must be exercised not to outsource the core, the soul of what an organization does best.

Outsourcing has been widely adopted by various parastatals as well as government ministries in the recent past. In the limelight of high pressure to reduce costs and improve service delivery, the hospitals as well have to be competitive enough and one way of attaining this desired state is through outsourcing. The trend has been outsourcing of non-core functions such as cleaning and provision of security services. Outsourcing, when properly structured and monitored, can have many benefits, such as reducing costs, improving service quality, and increasing efficiency and innovation.

At K.N.H. outsourcing is still rudimentary and most of the departments rely on internal facilities and expertise and hence the need to explore on the introduction of outsourcing in order to see whether it can have an impact on efficiency of health service delivery. In view of the progressing globalization, competitive pressures, benefits, risks and problems of outsourcing, this study seeks to identify the type of outsourcing strategy in the hospital and also determine the challenges facing K.N.H. management in their endeavor to adopt outsourcing as a strategy. No study has been done on challenges of facing outsourcing strategy in any industry in Kenya and such the study will provide a new aspect of knowledge. The study seeks to answer the following question; what are the outsourcing strategies at K.N.H? Secondly what are the challenges facing the implementation of outsourcing strategy at Kenyatta National Hospital?

1.3 Objectives of the Study

The objectives of this study are;

- (i).To determine the possible outsourcing strategies at Kenyatta National Hospital.
- (ii).To determine the challenges facing the implementation of outsourcing strategy at Kenyatta National Hospital.

1.4 Justification of the Study

Outsourcing as a service delivery technique can be used to maximize efficiency and increase service quality at the K.N.H. Outsourcing, when properly structured and monitored, can have many benefits, such as reducing costs, improving service quality, and increasing efficiency and innovation. Other identifiable benefits associated with outsourcing include, first, Added expertise: Contracts may be structured so that vendors bear the cost of acquiring new equipment and technology. In the same way, the hospital can bring new levels of expertise on board. The hospital can, in fact, gain access to higher-level capabilities in a variety of domains without having to hire personnel. Secondly Economies of scale: The hospital can take advantage of economies of scale achieved by vendors. Specifically, private vendors specialize in a particular service area, allowing them to purchase goods or services at a lower cost. Thirdly Reduced costs: Managers are forced to find the most cost-effective means to provide a service to ensure that a profit is realized, or services are delivered at affordable costs to the clients. Fourthly Risk avoidance: Risks, such as liability issues, can be transferred to the service provider, allowing the contracting agency to share or avoid risks associated with providing a service. Last but not least. Variable Staffing: Contracting for seasonal work, such as lawn cutting, can often be done on an as-needed basis. Using variable service

contracts will allow the hospital to pay only for the services needed without incurring the overhead associated with hiring permanent staff.

1.5 Value of the Study

K.N.H being a national referral hospital serves as a centre where specialized care is given by experts who have undergone the relevant training and have acquired experience over time. This expertise is mainly on clinical services; however the hospital still has to carry out other activities for example cleaning, security, procurement, laundry among others this tends to drain the hospital in terms of human resource and finances. If outsourcing of some of these services was carried out, it would leave the hospital with enough vigor to concentrate on the core business and hence improve the service delivery to its customers.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter will explore the available literature on outsourcing i.e., the definition of outsourcing, benefits, and reasons for outsourcing, opportunities in outsourcing and the gaps that exist in the field of outsourcing. The chapter will also define strategy and explore the link between strategy and outsourcing as well as defining outsourcing as a strategy.

2.2 Concept of Outsourcing

William, F (1999) defines outsourcing as the procurement of products or services from sources that are external to the organization. Outsourcing involves contracting for the provision of a service or good or execution of a task, previously undertaken in-house, to a third party to perform on the organization's behalf (Reilly and Tamkin, 1996). Firms should consider outsourcing when it is believed that certain support functions can be completed faster, cheaper or better by an outside organization. Tasks that are not core competencies are candidates for being contracted out. However any skill or knowledge that allows you to serve your customer base better whether dealing with product or service must remain in house. Today, the outsourcing of selected organic activities is an integral part of corporate strategy. For Corporations benefit of outsourcing are substantial and include reduced costs, experienced services and expertise. Outsourcing allows companies to refocus their resources on their core business. Outsourcing also referred to as contracting out, is a form of privatization that refers to an institutions decision to contract with an external organization to provide function or service to an institution. In the purest form outsourcing refers to the shifting of the provision of a service from public

to private sector. Public sector outsourcing is now a well-established mechanism for government service provision. Despite a great deal of practical experience by governments of all levels, in many countries, there is still relatively little agreement about whether outsourcing is uniformly beneficial or what the magnitude of reductions in government expenditure might be (Pollitt and Bouckaert 2000).

2.3 Reasons for Outsourcing

According to Rothman, J (2003) organizations that outsource are seeking to realize benefits as well as address various issues amongst them, cost saving thereby lowering of overall cost of the service to the organization. This involves reducing the scope, definition of quality levels, re-pricing, re-negotiation, cost re-structuring, and access to lower cost economies through cost re-structuring. Operating leverage is achieved and this is a measure that compares fixed costs to variable costs, outsourcing changes the balance of this ratio and hence making variable costs more predictable. Improve quality involves achieving a step change in quality through contracting out the service with a new service level agreement. In addition there is acquisition of operational expertise, access to operational best practice that would be too difficult or time consuming to develop in-house. Contract for services, which can be performed more economically or efficiently by private contractors with an aim of reducing costs, increasing productivity, and provide higher quality service is achieved.

Different researchers emphasize motives in different way. However, within the literature, there seems to be a wide acceptance of the most common motives for outsourcing. The review of literature reveals that many motives for outsourcing are overlapped. Moreover, each research is done from very different perspective varying from pure operational to

to private sector. Public sector outsourcing is now a well-established mechanism for government service provision. Despite a great deal of practical experience by governments of all levels, in many countries, there is still relatively little agreement about whether outsourcing is uniformly beneficial or what the magnitude of reductions in government expenditure might be (Pollitt and Bouckaert 2000).

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strategic. Lonsdale & Cox (1998) categorize five main reasons why companies outsource; focus resources on core activities, cost reduction, convert fixed costs to variable, benefit from supplier's investment and innovation and improve time to market. On the other hand, according to Quelin and Duhamel (2003) the most important criteria of outsourcing decision is to lower operational costs, the second important is to focus on core activities and the third is to gain flexibility.

According to Lacity et al (1994) the motive of outsourcing fall into four categories: financial, business, technical and political. Other similar categorization can also be found from different sources. According to Nicholas Beaumont and Amrik Sohal (2004) the paper reports that data pertaining to outsourcing collected from a survey administered in 2002 in Australia, the underlying assumption is that outsourcing is becoming popular for sound business reasons such as economics of scale and enabling the management and executives to concentrate on the core business activities of the organization. The main function of outsourcing is to access skills and resources not available in-house. Outsourcing emerged as a popular operational strategy in the 1990's and most of the current literature was developed during the same time.

Outsourcing as business management practice has many applications and facets. A variety of service delivery techniques can be used to maximize efficiency and for service quality. To remain competitive and improve services, public institutions K.N.H included as well as business and other Public utilities have increasingly employed a variety of popular management approaches including outsourcing. There are many reasons for public utilities for the use of outsourcing as a business model for delivering services some of them includes tighter budgets, increased competition for profit organizations, and

greater public emphasis on accountability. Services commonly outsourced are legal services, auctioneering, loan recovery services, cleaning, and catering and security services.

According to America School and University 6th Privatization contract services survey in 1999', only 5.3% of colleges do not outsource services, this translates to a more than 94% of colleges who outsource services. In addition, the percentage of higher education institutions that outsource services has remained relatively stable. Since 1993, institutions have been contracting for a greater number of services. In 1999 43.6% public sector entities contracted out five or more services compared to 35.11% in 1997 this is according to the National Association College Auxiliary Services (NACAS) survey'. The survey further supports the assessment role in institutions efforts to meet increased demands despite limited resources.

2.4 Benefits of Outsourcing

Management of logistics functions in modern organizations involves decision making for the complete distribution of goods and services with a view to maximizing value and minimizing cost (Razzaque and Sheng, 1998). The need for sustainable competitive advantage, the growing emphasis on providing good customer service effectively and efficiently and the strategic value of focusing on core business and re-engineering, resulted in the evolution of outsourcing logistics (Hill, 1994; Lieb and Randall, 1999; Reilly and Tamkin, 1996). The idea of outsourcing isolated logistics activities such as transportation to external services providers is not a new phenomenon but in today's business environment, outsourcing is one more approach that can lead to greater competitiveness (Bowersox, 1989) and competitive, reliable transportation enables

manufacturers to manage their distribution system with lower inventory in fewer locations and with increased confidence (Bardi and Tracey, 1991). Strategic literature often recommends that firms concentrate on their core competencies and outsource other activities. In most firms logistics is not considered to be a core activity (Bowman, 1994). Thus logistics decisions are often not provided in-house but outsourced (Razzaque and Sheng, 1998). However, as products are increasingly viewed as commodities with little difference in features from one to the next, distribution service has taken on greater strategic significance. Manufacturers focus on distribution service to compete on availability, delivery speed, and reliability (Candler, 1994; Goldsmith, 1989).

Outsourcing when properly structured and monitored can have numerous benefits such as reduction in operating costs; improve service delivery and increasing efficiency and innovation. Proper contract procedures and oversight are essential to ensure that resources are appropriately used and services are rendered satisfactorily. Through Outsourcing institutions are forced to be more responsive to the needs of their clients and outsourcing can generate efficiencies that can enhance the institutions goals. Outsourcing can reduce an institutions labour and benefit costs, provide a single point of accountability and provide predictable costs allowing an institution to use the savings on its core operations (Bowersox, 1989). Through outsourcing there is added expertise where contracts are structured so that vendors can bear the cost of acquiring new equipment and technology. In the same way, the institutions can bring new levels of expertise in an organization. Institutions can take advantage of economies of scale achieved by vendors specifically, private vendors who specialize in a particular service area allowing them to purchase goods or service at a lower cost. Competition can be

introduced into an institution services that are often isolated from the profit factor thus private managers are forced to find the most cost effective means to provide a service to ensure that a profit is realized.

Risk avoidance, risks such as liability issues can be transferred to the service provider allowing the contracting agency to share or avoid risks associated with providing a service. Variable staffing, contracting for seasonal work, such as lawn cutting can be done as and when need arises basis. Using variable service contracts allow an institution to pay only for the services needed without incurring the overhead associated with a permanent staff. Generally, outsourcing advantages include lower operating cost, improve competitiveness, low in capital investment, shift resources to focus on core functions, generate demand for new growth and market segment, access to world class capability, sharing risks and make capital funds available for core business investment.

2.5 Opportunities in Outsourcing

Outsourcing is a strategy that refers to taking some of the business functions outside the organization to be performed by others; reasons for outsourcing are varied and involve several issues such as taking the work to outside experts rather than developing that expertise within the company. Kenneth L (2004) recognized the fact that a business whose core business is to perform the outsourced function will most probably do it better and cheaper than the staff hired internally by the firm. Both big and small business outsource for different reasons. For small business they outsource since they do not have the internal capacity to handle the needed functions more so if the functions are non-core. Although large business may afford to build the needed capacity, competitive pressure and other economic realities of the digital age in the new millennium are forcing them to

re-examine their operations in order to separate their core functions from non-core functions and to exert all their energies towards the operations which are core in nature and outsource non-core operations to third parties.

Professor Atieno Ndede(2004) in the annual review of Kenya Kountry Business Incubator(KEKOBI) observed that business strategy demands that large corporations one way of gaining the necessary efficiency to compete effectively is through outsourcing of non-key functions. Due to digital economy, this change is forcing them to shed off non-core functions and to find ways to maximize profitability, which they can do in part by reducing their expenses, especially fixed expenses. In this context outsourcing therefore sheds off some of their fixed costs and to convert them to variable costs.

From a business development perspective, outsourcing by both small and large business represent an excellent opportunity for start up. This means that a startup business can develop an entire business model centered on providing services that are needed by small businesses or used to be in -house at large companies. Some good examples of outsourced functions include mail delivery, internal this is a historical function done by messengers and which is being entirely taken up by courier services that charge less and give guarantee for quality and timely service. Other areas that are being embraced by outsourcing include functions such as accounting, IT services, payroll and public relations, security, transport management, mail handling and cleaning services.

When launching a Survey on commercial bank performance in Kenya the Minister for Finance underscored the importance of outsourcing as an avenue of reducing costs (Central Bank of Kenya (2006). He cited various functions that local banks would outsource and these include customer service, human resource and payroll management.

and administration and infrastructure installation. Thus outsourcing holds great promise for the growth and development of not only Public Corporations but as well as Private entities such as banks. This is the only way to grow since it will enable the entities to concentrate on their core functions and leave the non-core functions to specialized firms. In outsourcing, cutting costs and passing the benefits to consumers should be the ultimate goal, thus the entity is tasked with delivery of a more efficient service thus freeing up resources to other task which are core in nature. Thus firms adopting outsourcing strategy are at a competitive advantage than their competitors in the same industry. Hence this concept is very valuable as it ensures that there is specialization and dedication of resources to core functions.

2.6 Outsourcing Issues

Outsourcing is a powerful strategy if handled well, however, expert's advice that, outsourcing will not always work and there are certain tenets that must be put in place and followed closely in order to guarantee success of the outsourcing strategy.

For example before making outsourcing decision it is important to analyze the internal expertise by taking a look at the value offered to customers and where to focus the efforts. From this analysis, if the outcome shows that the business is spending too much time on areas that are outside of its expertise then it might be more cost effective to have third parties undertake these non-core activities. Upon making the decision to outsource then it is prudent to research for various service providers and to ask for referrals.

Outsourcing is always a real way of helping both small and large business to cut costs as they deliver quality and timely service to their customers. Work to outsource does not stop when the business finds an outsourcing vendor but this makes the entry of another

era where the business must keep a watchful eye on the vendor to ensure that the vendor complies with the rules set in the outsourcing contract. This mostly involves overseeing timeliness and quality. This is achieved by setting up structures to monitor and manage the outsourced function through having regular reporting sessions to ensure accountability and effectiveness.

For both small and big corporations the criteria for outsourcing should include consideration for expertise in performing the function, confidence in the service provider, decent return on time invested, low risk for rewards received and peace of mind. Therefore it can be argued that by managing the outsourcing function well and putting in place tight controls outsourcing can be a practical way of ensuring corporations provide services more efficiently.

2.7 Challenges of Implementation of Outsourcing Strategy

A barrier or a challenge is an obstacle which prevents a given policy instrument being implemented, or limits the way in which it can be implemented. In the extreme, such barriers may lead to certain policy instruments being overlooked, and the resulting strategies being much less effective.

Management must make the commitment to stay focused on the agreed upon plans and should only make significant changes to the plan after careful consideration on the overall implications and consequences of the change. The organization should maintain a balance between ongoing business activities and working on new strategic initiatives. That is, the problems with implementation often occur when companies concentrate on new strategy development and in the process forget their main line of business that underlie within previously formulated business strategies.

Nickols (2000) argues that strategy is execution. He classified the strategy execution into four categories: flawed strategy and flawed execution, sound strategy and flawed execution, flawed strategy and sound execution, and sound strategy and sound execution. Only when the strategy and the execution are sound the organization has a pretty good chance for success, barring aside environmental and competitive influences. Further, he contends that executing the wrong strategy is one of the major problems leading to unsuccessful implementation of strategies. Similarly, Downes (2001) states that the kinds of execution obstacles most companies run into fall into two categories: problems internal to the company and problems generated by outside forces in its industry. These internal and external issues are affected by the extent of flexibility companies have to launch strategic initiatives successfully. Brannen's (2005) survey based study concluded that in order to improve execution certain issues have to be tackled. These include inadequate or unavailable resources, poor communication of the strategy to the organization, ill-defined action plans, ill-defined accountabilities, and organizational/cultural barriers. Brannen's survey unearthed another significant obstacle to effective strategy implementation namely, "failing to Empower or give people more freedom and authority to execute." This issues or factors do limit the outsourcing strategy implementation within an organization. the only thing that differs is the magnitude of each factor.

2.8 Empirical studies on outsourcing

Theories have been used to study, understand and describe activities within the phases of the outsourcing process in order to enrich the existing knowledge. According to Perunovic and Pedersen (2007) to understand these theories, outsourcing is considered as

a process consisting of several phases namely; preparation, vendor(s) selection, transmission, management of relationship, and reconsideration phases.

Outsourcing phenomenon has been grounded in many theories some of them complementary and the others contradictory. Some of the common theories include: Transaction Costs Economics theory (TCE), Core Competencies Theory, Knowledge – Based View theory, Resource Based View theory, Relational view theory, Evolutionary Economics theory, Agency theory, and Social exchange theory.

Transaction cost economics (TCE) has been the most utilized theory of outsourcing. TCE is perceived to provide the best decision making tools to help organizations to decide to outsource and to prepare themselves for forthcoming outsourcing arrangements. Cheon, Grover and Teng (1995) stated that TCE as an economic theory assume that , goods and services are most efficiently produced in specialized organizations that are able to achieve the economies of scale. The theory aims at explaining the characteristics of a structure such as contract or governance.

According to Barney and Hesterly (1996), the core principle of the resource-based view is that resources and capabilities can vary significantly across firms, and that these differences can be stable. If resources and capabilities of a firm are mixed and deployed in a proper way they can create competitive advantage for the firm. The resource-based view in outsourcing builds from an assumption that an organization that lacks valuable, rare, unique, organized resources and capabilities, shall seek for an external provider in order to overcome that weakness. Therefore the most prominent use of the theory is in the Preparation phase of the outsourcing process for defining the decision making framework and in the vendor selection phase for selecting an appropriate vendor.

Andersen 1994 states that this theory developed from Darwinism and includes some assumptions transposed to the economic “species”. These assumptions include that the agents (individuals and organizations) can never be perfectly informed and they have to optimize locally rather than globally, the decision-making of agents is normally bound to rules, norms and institutions, agents are to some extent able to imitate the rules of other agents, to learn for themselves and to create novelty, the processes of imitation and innovation are characterized by significant degrees of cumulativeness and path dependency but they may be interrupted by occasional discontinuities, the interaction between the agents are typically made in disequilibrium situations and the result is success and failures of commodity variants and method variants as well as agents, the processes of change occurring in a context described by the above assumptions and characteristics are non-deterministic, open-ended and irreversible.

The focus of the agency theory originally was on the relationship between managers and stakeholders (Jensen and Meckling, 1976), but has spread over the time on explaining the relationship between two inter-firm subjects. In that context, the agency theory is associated with understanding the relationship between outsourcer and vendor. Sources of the agency problem, moral hazards and adverse selection should be resolved by monitoring and bonding (Barney and Hesterly, 1996). Consequently, the application of the theory in the outsourcing process research is in the Preparation Phase (when screening for vendors and defining its own attitude towards the type of the relationship).

Prahalad and Hamel (1990) defined the core competencies as the collective learning in the organization, especially how to coordinate diverse production skills and integrate multiple streams technologies. The concept of core competences has been developed on

the basis of the resource-based theory. The concept has been predominantly use to develop and test various outsourcing decision frameworks arguing that the core activities shall remain in house. Learning and communication premises of the concept made it also applicable in the Managing relationship and Reconsideration phases. Vendor's competences are assumed to be one of the most important factors that influence success of an outsourcing arrangement (Levina and Ross, 2003; Feeney et al.,2005).

The knowledge-based view provides insight in understanding how individuals co-operate to produce goods and services. The knowledge-based view has been used in utilized in the outsourcing research to prove that knowledge sharing in the Managing relationship phase is positively related to the success of an outsourcing arrangement.

Relational view develops and explains how firms gain and sustain competitive advantage within inter-organizational relationships (McIvor, 2005). Its key principle is that the concept of relational rents has been explored to explain how firms choose their future outsourcing partners and preferred type of the relationship. It has been also utilized in studying the Transition, Managing relationship and Reconsideration phases. This makes the relational view to be the only theory that has been applied in the research of all the outsourcing process' phases.

The social exchange theory explains interpersonal relationships by positing the economical cost benefit analysis as precondition for social engagement and exchange. The theory presupposes that the exchange of resources (material or social) is a basic form of human interaction. Social exchange is an ongoing reciprocal process in which actions are contingent on rewarding reactions from others (Gottschalk and Solli-Sæther, 2005).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents research design and methodology in terms of, data collection method, data analysis and presentation techniques.

3.2 Research Design

For the purposes of this study, a case study was applied. Donald (2006) notes that a case study seeks to describe a unit in detail and it is a way of organizing educational data and looking at the object to be studied as a whole. Thus, this was a case study of K.N.H, a national referral hospital situated in Nairobi, upper hill area about five kilometers from the CBD. According to Young (1960), Kothari (1990), a case study is a powerful form of qualitative analysis that involves a careful and complete observation of a social unit. This design was appropriate for this study, since Kenyatta National Hospital is a case study which provided a natural setting on which data was collected.

3.3 Data Collection Method

In order to be able to address the objectives of the study, the research focused on one parastatal namely, KNH under the Ministry of Medical Services. This is due to the fact that; the organization is at the apex of referral system in providing specialized healthcare, the organization has been in existence for over 108 years through which it has undergone various changes especially in the last 10 years. however, among these changes outsourcing has not been considered as a strategy.

This study used both primary and secondary data. The documentary secondary data was obtained from the hospital strategic plan (2008-2012) and Kenyatta prime care centre strategic plan (draft) (2010-2015) which were addressing issues to do with outsourcing strategy at the Kenyatta National Hospital. The primary data was to determine the outsourcing strategy at K.N.H and the challenges of implementing outsourcing in the hospital. This information was acquired directly from the respondents. This was done using a well structured questionnaire that addressed the objectives of the study. The questionnaire had both open and closed-ended questions. The questionnaire was the most appropriate instrument for this type of a case analysis. The questionnaire comprised of three sections, section one addressed the details of the respondent, section two addressed the outsourcing strategies and its perceived benefits and section three addressed the challenges of implementing outsourcing at K.N.H.

The respondents included the Chief Executive Officer, the Deputy Directors in clinical services, finance and administrative services, Heads of Finance, Supplies and Procurement, Human resource, Planning, Engineering and Maintenance, Surgery, Medicine, medical social work, medical records, ICT and Pharmacy departments. They form part of the top management of the hospital and they are involved in policy formulation and overseeing the implementation and they are more conversant with management issues within the hospital. The researcher administered the questionnaire personally to the entire selected respondents within K.N.H top management. The researcher exercised care and control and ensured that all the questions in the questionnaire were understood and responded to by the respondents. The researcher maintained a register of the respondents.

3.4 The Pilot Study

The researcher carried out a pilot study to pretest and validates the questionnaire. According to Cooper and Schindler (2003), the pilot group can range from 25 to 100 subjects depending on the method to be tested but it does not need to be statistically selected. However in this case study, the respondents were the top management and hence the number does not apply. This was in line with a qualitative research design methodology that was employed in this research project. The researcher selected a pilot group of few individuals from the planning, finance, security, administration, supplies and clinical medicine department at Kenyatta National hospital. They helped in testing and validating the questionnaire as well as it was an opportunity for the researcher to practice on conducting the interview with the respondents for the main study.

3.5 Data Analysis

Data collected was analyzed using content analysis in combination with other statistical tools like measures of central tendencies such as the mean, and percentages. This is because the method transcribes interview data into information as per the response given in the list of the pre-designed questionnaire and the methodology did not restrict respondents on the answers. It also had a potential of generating new information with much details. The analysis objectively and systematically identified issues on strategies of outsourcing and the challenges of implementing outsourcing in K.N.H as was gathered from the respondents. It was a qualitative analysis that helped answer the questions; who? Why? How? What? To whom? And with what effect? In regard to outsourcing at the K.N.H.

CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION OF RESULTS

4.1 Introduction

This chapter details the findings of the study based on the analysis and interpretation of the primary and secondary data collected. The study was intended to achieve two objectives. The first objective was to determine the possible outsourcing strategies at Kenyatta National Hospital. The second objective was to determine the challenges facing the implementation of outsourcing strategy at K.N.H. The chapter analysis in details the findings of the study with regard to the two objectives.

4.2 Details of the Respondent

The following departments of the hospital were represented; clinical, administration, human resource, planning, medical social work, medical records, security, ICT, maintenance, finance supplies and catering. The respondents were well educated with 90% holding postgraduate qualification and 10% holding at least a diploma. This shows that all the respondents were well versed with the policies and operations of the hospital and are involved in the strategic management decisions which include outsourcing. The years of experience of the respondents ranged between one to twenty seven years. Among these, 90% of them have worked at the hospital for more than five years. This emphasizes that the respondents have vast knowledge and understanding of the hospitals operations. As shown in table 4.1, 20% of the respondents were female. This shows poor female representation in top management within K.N.H and the health Industry in general.

4.3 Areas Where Outsourcing Strategy can be implemented at K.N.H

Analysis on the section on the areas where outsourcing strategy can be implemented indicated that security services should be the priority area with 100% response as shown in table 4.2. This may be explained by the fact that all of the respondents understand the emerging trends in the business environment of the need to cut operations cost on non core activities and as well concentrate on the core business of the Institution. Security services if outsourced will enable the hospital free resources, save on costs and concentrate on core business.

Cleaning services, canteen and catering services were second with each at 70%. This can be attributed to the need for the hospital to cut on costs incurred on these services which currently incur huge amounts of costs. While maintenance services were at 40%, laundry services 35%, transport services and parking services were at 20% each. Other areas such as estate administration, payroll, telephone exchange, waste disposal, research, ICT, recruitments, public health, locum management and record management should be accorded least priority as shown in table 4.2.

Table 4.1: Respondents' background information

Details of the respondents	Proportion of the respondents %
Gender	
Male	80
Female	20
Total	100
Level of education	
Postgraduate	90
Degree	0
Diploma	10
Others	0
Total	100
Number of working years	
1 to 5	10
5 and above	90
Total	100

Table 4.2: Areas where outsourcing strategy can be implemented at K.N.H

Outsourcing area	Proportion of the respondents
	%
Security	100
Cleaning	70
Catering and Canteen	70
Maintenance	40
Laundry	35
Parking	20
Transport	20
Public health	10
Supplies and procurement	10
I.C.T.	10
Recruitment/ selection	10
Payroll administration	5
Research	5
Medical Records management	5
Waste disposal	5
Telephone exchange	5
Printing/locum management	5

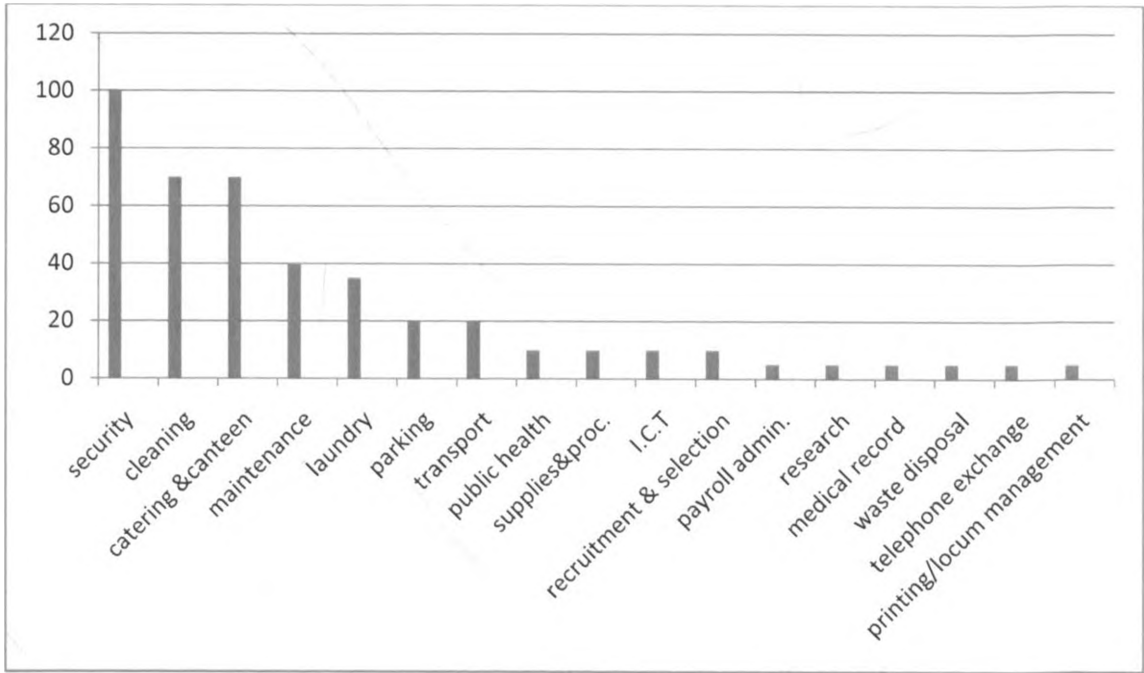


Figure 4.1: Areas where outsourcing strategy can be implemented at K.N.H

The same information on the areas to be outsourced is represented in the figure 4.1 above. The managers were categorical that some of the core services of the hospital like clinical consultancy nursing and pharmacy services should never be outsourced. They feared issues of redundancy, loss of control and matters to do with ethics and legal issues.

4.4 Perceived Benefits of Outsourcing

Managers were asked to state in their own opinion the perceived benefits of outsourcing strategy at the Kenyatta National Hospital. The results of the responses are shown on Table 4.3 below. The respondents are generally in agreement that outsourcing strategy would bring several benefits to the hospital. Improvement of service delivery was cited as the major expected benefit with 70% of the respondent in agreement. Reduction of cost and focus on core business were also positively identified as perceived benefits with 45% and 40% respectively. Reduction of waste, reduction of corruption and improvement of

and 40% respectively. Reduction of waste, reduction of corruption and improvement of corporate image were rated lowest with only 5% of the respondents citing them as perceived benefits that can be derived from outsourcing.

Table 4.3: Perceived benefits of outsourcing

Perceived benefits	Proportion of respondent
	%
Improvement of service delivery	70
Reduction of cost	45
Focus on core business	40
Access to specialized skills	25
Reduction of risk	20
Improved customer satisfaction	10
Increased competitive advantage	10
Reduction of waste	5
Reduction of corruption	5
Improved corporate image	5

On the same issue managers were asked to express their level of agreement or disagreement in the series of five statements on advantages of outsourcing on a 5 point likert type scale where 1 represents strongly agree and 5 signifies strong disagreement with the statements. The results are shown in table 4.4 and also illustrated in figure 4.2 below.

Table 4.4: Advantages of outsourcing

Benefits	Strongly Agree %	Agree %	Neither agree or disagree %	Do not agree %	Strongly disagree %
Improved service quality	50	50	0	0	0
Reduced cost of operation	45	45	10	0	0
Increased innovation	40	30	20	10	0
Improved production technique	30	55	15	5	0
Avoidance of risk	30	30	35	5	0

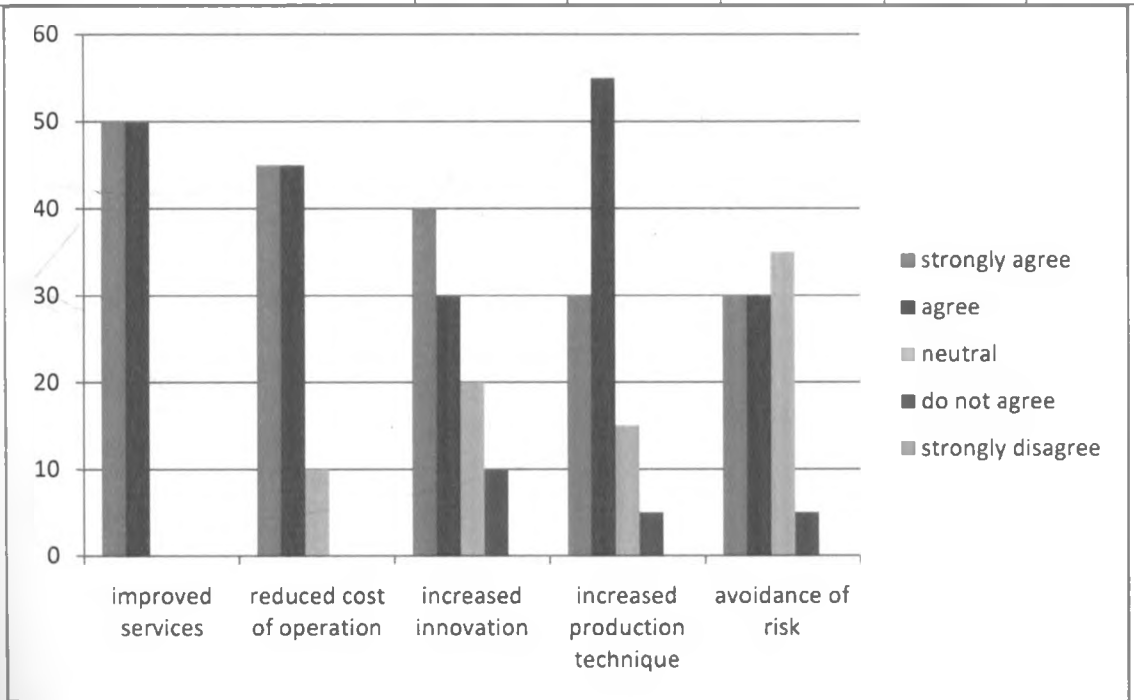


Figure 4. 2: Advantages of outsourcing

Improved service quality was cited by all respondents as one of the advantages of outsourcing. All the managers agreed that with outsourcing, the hospital would be able to improve the quality of service rendered to its customers and probably increase customer

satisfaction levels. Avoidance of risk was rated lowest with only 60% of the respondents citing it as an advantage. 35% of the respondents neither agreed nor disagreed with the statement that outsourcing could have an advantage of helping in avoidance of risk. It is assumed that these respondents were not able to understand how outsourcing strategy can aid in avoidance of risk .They felt that outsourcing strategy if implemented would be a risk to the hospital.

Cost reduction was rated second after improved service quality at 90% this confirms the suggestion of much earlier outsourcing literature (e.g. Blumberg, 1998; Elmuti & Kathawala, 2000; Harland et al., 2005; McIvor, 2005), which argues that cost saving is not the only or the most prominent benefit to conduct outsourcing.

4.5 Inhibitors of Outsourcing Implementation at K.N.H

The respondents were asked to state from their own opinion what they thought were factors that have been inhibiting the implementation of outsourcing strategy in the hospital. The managers gave their opinion and the findings as analyzed in table 4.5 and figure 4.3 below.

Table 4.5: Factors inhibiting outsourcing policy implementation

Inhibiting factors	Proportion of the respondents %
Government policies	60
Hospital governance	25
Resistance to change	20
Possibility reduced quality	15
Poor structure to manage outsourcing	15
Employment policy	15
Cost cutting policies	5
Ethical consideration policies	5
Organization culture	5
Lack of management commitment	5

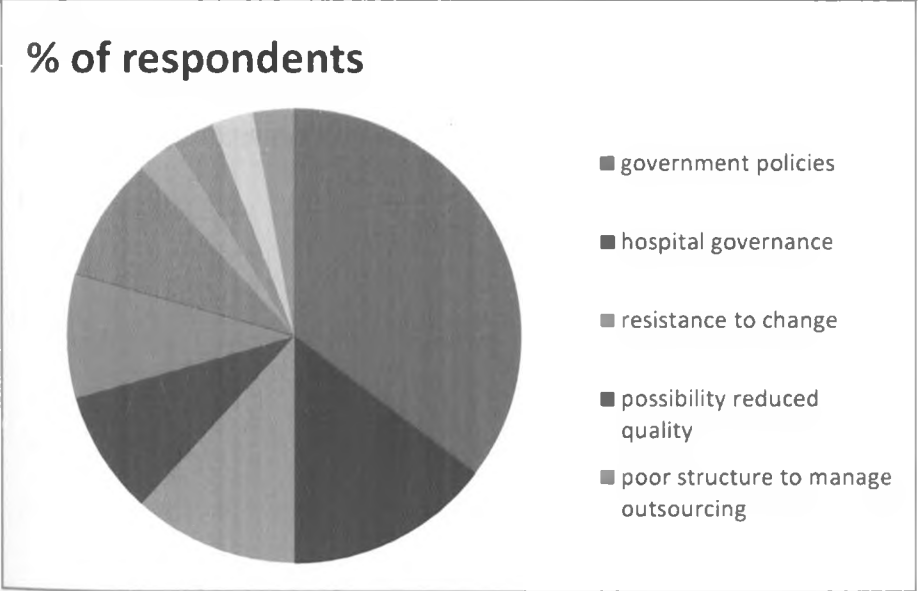


Figure 4.3: Factors inhibiting outsourcing policy implementation

From the analysis above, 60% of the respondents stated government policies as the main inhibitors of outsourcing. This is due to the fact that KNH is a public institution governed by Government policies and stipulated regulations. It is not yet an autonomous organization despite it having a governing Board of Directors and hence it relies on the Ministry of Health for any policy to be implemented. 25% of the respondents felt that governance structure within the hospital does not support outsourcing. This could be explained by the levels of political interference experienced in the management structures within Government bodies in Kenya. 5% of the respondents felt that the cost cutting measures including cost sharing policy, ethical issues and organizational culture of the hospital are against the implementation of outsourcing strategy.

4.6 Principles Promoted by Outsourcing

Similarly to the previous section the managers were asked to express their level of agreement or disagreement with a series of nine (9) statements about the principles to be promoted by implementing outsourcing strategy at the hospital. The analysis is shown below in table 4.6.

Table 4.6: Principles promoted by outsourcing strategy at K.N.H

Promoting factors	Strongly agree %	Agree %	Neutral %	Disagree %	Strongly disagree %
Improve on service delivery	55	45	0	0	0
Focus on core business of the hospital	75	20	5	0	0
Improve hospital performance	50	45	5	0	0
Desire to reduce operating cost	55	35	10	0	5
Permits the advanced production techniques provided by suppliers	30	60	10	0	0
Access to more qualified and experienced personnel	15	75	10	0	0
Access skills and resources not available in- house	30	50	15	5	0
Improved responsiveness to needs of clients	35	45	20	0	0
Gain competitive edge	30	50	20	0	0

All the managers were in agreement that improved service delivery will be promoted within the hospital if outsourcing strategy is implemented. 95% of the respondents agree

that focus on core business and improved hospital performance will be promoted once outsourcing strategy is implemented. Desire to reduce costs, advancement in production techniques provided by outsourcing suppliers and access to more qualified and experienced personnel had 90% of the respondents agreeing that they will also be promoted within the hospital after outsourcing is implemented. 20% of the managers did not agree neither did they disagree with the fact that implementation of outsourcing would promote improved responsiveness to needs of clients as well as promoting a competitive edge. This could be attributed to the fact that the health industry is a specialized and unique service industry in that it offers a necessity service to the market hence is not sensitive to competition as compared to other industries or service sectors.

4.7 Challenges of Outsourcing Implementation at K.N.H

Despite all the managers being in agreement that outsourcing is of benefit to the hospital, the researcher had noted that the strategy has not been implemented in the hospital. The managers were asked to state some of the challenges that may have inhibited the implementation of outsourcing strategy and at the same time to indicate the obstacle they expect to face if the strategy is to be implemented successfully. The responses are analyzed below in table 4.7 and table 4.8 respectively.

Table 4.7: Challenges of Implementation

Challenges	Proportion of the respondents
	%
Resistance to change	55
Lack of resources	25
Conflict of interest	20
Lack of management support	15
Political factors	15
Fear of loss of control	5
Cost of retrenchment	5
Size of the hospital	5

If outsourcing is to be implemented, 55% of the managers felt that the major challenge will be resistance to change from the workers and the policy makers. This will be attributed to the fact that most have worked with the status quo and would rather continue with the way things are instead of altering the already working system. 25% cited lack of resources both in finances and expertise as a major challenge to outsourcing implementation. Conflict of interest was ranked third with 20% of the respondent. This mainly was linked to the department of procurement and supplies where respondent felt that most of the people working in this department would prefer the status quo to remain in order to protect their self interests. Other challenges mentioned included lack of management support, political factors, fear of loss of control, cost of retrenchment and the size of the hospital. Managers felt that K.N.H is too big an institution to be able to manage outsourcing as a policy.

Table 4.8: Inhibiting factors to successful implementation of outsourcing

Inhibiting factors	Proportion of the respondents
	%
Resistance to change	40
Lack of funds to implement	25
Government policies	25
Loss of autonomy	25
Hospital governance structure	25
Poor structures to manage outsourcing	20
High costs of implementation	20
Loss of jobs	10
Lack of information on outsourcing	10
Bureaucracy	5
Lack of innovation	5
Employment policies	5
Size of the hospital	5
Security risk	5
I.T deficiency	5

The managers were asked to express their level of agreement or disagreement with a series of eight (8) statements about the factors that affect implementation of outsourcing strategy at the hospital. The analysis is shown below in table 4.9.

Table 4.9: Factors affecting outsourcing implementation

Inhibiting factor	Very strongly inhibits	Strongly inhibits	Average inhibits	Small inhibits	Does not inhibit at all
Increase in cost of administering the outsourcing function	10	40	20	25	5
High rate of redundancies	30	50	5	5	10
Dilution of control over quality	5	50	30	10	5
Leaking of information to competitors	15	35	25	20	5
Security threat	15	40	20	15	0
Poor structures to manage outsourcing	25	40	25	5	5
Loss of autonomy in decision taking	20	40	25	15	0
Possibility of harm to hospital resources and capabilities	30	20	25	20	5

4.8 Measures to Overcome Challenges of Outsourcing Implementation

The respondents were asked to indicate in their own words the measures that need to be put in place to overcome the effects of the inhibiting factors to outsourcing. These measures are summarized in the table 4.10 below. The managers felt that there is need to sensitize or create awareness among workers and the management at large in order to adopt outsourcing. These will entail enlightening them on the advantages of outsourcing and how it will affect the service delivery and quality of service that they provide. 25% of

the managers felt that government support and approval is paramount if outsourcing is to be implemented in the institution.

Table 4.10: Measures to overcome outsourcing implementation inhibiting factors

Measures	Proportion of the respondents %
Creating awareness (sensitization)	25
Seek government support/ approval	25
Proper planning	20
Educate on change management	15
Conduct cost- benefit analysis	15
Fundraising	10
Benchmarking with other organizations	10
Improve corporate governance	10
Empower decision makers	10
Coercion	5
Formulate clear strategic policies	5
Appreciate change management	5
Institute quality improvement team	5
Implement I.T systems	5

The hospital still relies on the government for its financial support and its policy approval and hence the need to seek the government approval if any policies like outsourcing is to be adopted. Resistance to change was recorded highly as one of the barriers to implementation of outsourcing these led to the managers suggesting that workers should be educated on change management. Other measures that were suggested to overcome

inhibitors of outsourcing implementation included need for proper planning, cost-benefit analysis, fundraising, benchmarking with other organizations, improve corporate governance, empower decision makers, coercion, formulate clear strategic policies, appreciate change management, institute quality improvement team and implement I.T systems.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The aim of the study was to determine the services that can be outsourced at KNH and the challenges of introducing or implementing outsourcing as a strategy in the hospital. To achieve the stated objectives a case study research method was used where primary data was collected. For the objective on the areas where outsourcing strategy can be implemented within the hospital, the study indicated that security services should be the priority area with 100% respondents being in agreement. This may be explained by the fact that all of the respondents understand the emerging trends in the business environment of the need to cut operations cost on non core activities and as well concentrate on the core business of the Institution. Security services if outsourced will enable the hospital free resources, save on costs as well as concentrate on core business. Cleaning services, canteen and catering services were second with each at 70%. This can be attributed to the need for the hospital to cut on costs incurred on these services which currently incur huge amounts of costs. While maintenance services were at 40%, laundry services 35%, transport services and parking services were at 20% each. Other areas such as estate administration, payroll, telephone exchange, waste disposal, research, ICT, recruitments, public health, locum management and record management should be accorded least priority. Most of the managers were categorical that core activities of the hospital like clinical services, nursing and pharmacy should never be outsourced. For the section of the perceived benefits of outsourcing, the respondents were generally in agreement that outsourcing strategy would bring several benefits to the hospital. Improvement of service delivery was cited as the major expected benefit with 70% of the

respondent in agreement. Reduction of cost and focus on core business were also positively identified as perceived benefits with 45% and 40% respectively. Reduction of waste, reduction of corruption and improvement of corporate image were rated lowest with only 5% of the respondents citing them as perceived benefits that can be derived from outsourcing. Similarly, on the advantages of outsourcing the study established that improved service quality was cited by all respondents as one of the advantages of outsourcing. All the managers agreed that with outsourcing, the hospital would be able to improve the quality of service rendered to its customers and probably increase customer satisfaction levels. Avoidance of risk was rated lowest with only 60% of the respondents citing it as an advantage. 35% of the respondents neither agreed nor disagreed with the statement that outsourcing could have an advantage of helping in avoidance of risk. It is assumed that these respondents were not able to understand how outsourcing strategy can aid in avoidance of risk.

On the section of the factors that inhibit the implementation of outsourcing at K.N.H, the analysis showed that 60% of the respondents stated government policies as the main inhibitors of outsourcing. This is due to the fact that KNH is a public institution governed by Government policies and stipulated regulations. It is not yet an autonomous organization despite it having a governing Board of Directors. 25% of the respondents felt that governance structure within the hospital does not support outsourcing. This could be explained by the levels of political interference experienced in the management structures within Government bodies in Kenya. 5% of the respondents felt that the cost cutting measures including cost sharing policy, ethical issues and organizational culture of the hospital are against the implementation of outsourcing strategy.

On principles that are promoted by outsourcing, all the managers were in agreement that improved service delivery will be promoted within the hospital if outsourcing strategy is implemented. 95% of the respondents agree that focus on core business and improved hospital performance will be promoted once outsourcing strategy is implemented. Desire to reduce costs, advancement in production techniques provided by outsourcing suppliers and access to more qualified and experienced personnel had 90% of the respondents agreeing that they will also be promoted within the hospital after outsourcing is implemented. 20% of the managers did not agree neither did they disagree with the fact that implementation of outsourcing would promote improved responsiveness to needs of clients as well as promoting a competitive edge. This could be attributed to the fact that the health industry is a specialized and unique service industry in that it offers a necessity service to the market hence is not sensitive to competition as compared to other industries or service sectors.

On measures to overcome inhibitors of outsourcing implementation, the managers felt that there is need to sensitize or create awareness among workers and the management at large in order to adopt outsourcing. These will entail enlightening them on the advantages of outsourcing and how it will affect the service delivery and quality of service that they provide. 25% of the managers felt that government support and approval is paramount if outsourcing is to be implemented in the institution. Other measures suggested included proper planning, making clear strategic policies, benchmarking with other organization, fundraising, educate on change management, improve on corporate governance just to mention a few.

5.2 Limitations for this Research

There were several limitations to this research study. First, the interpretation of the questionnaire was subjected to the respondents' understandings, perceptions on the subject matter and the honesty in responding to all the questions. The respondents' background and different set of manufacturing experience and exposure could have influenced their interpretation of the questionnaires. This might have lead to inconsistency of the produced results in this research. Secondly, the respondents might not have been good representation of supporting the factors influencing the outsourcing decision. Some respondents provided feedback of not having sufficient time to provide the response. Therefore, some questionnaires responses accuracy was in doubt. .Thirdly, as this research was done for academic purposes, some respondents who have no interest in the research subject might not bother to respond or responded with false feedback. Some were finding it a bother to fill the questionnaire. This could have also resulted in some degree of inaccuracy in the results.

5.3 Recommendations

Based on the key findings of this study, the result has shown that outsourcing will have a positive effect on improvement of quality of services delivered, reduce operation cost and more so the hospital will have ample resources to concentrate on core business and solve the unavailability of internal resources. Despite there being a number of challenges to implementation of outsourcing strategy, Kenyatta National Hospital should consider outsourcing of non- core activities especially security and catering and cleaning services.

5.4 Area for further research

An important extension of this study is to replicate this research to other health institutions, and more importantly conduct comparative studies within both private and public health Institutions. It would also be prudent to assess the actual impact of outsourcing on the health service delivery. In additions, given the changes that are taking place globally and enactment of rules and laws, on corporate governance, it would be necessary to carry out research on the role of board members in outsourcing. The K.N.H board is the key internal governance mechanism, and it would of interest to understand the board-room dynamics in making decisions to outsource of certain services within the hospital. The findings are useful to further refine the already existing Corporate Guidelines with respect to the role of the board in considering outsourcing of certain services in health industry from a third party.

5.5 Implication on policy and practice

The primary purpose of this study was to find out the challenges of implementation of outsourcing strategy at K.N.H. In particular the study sought to find out the services that can be outsourced and the factors that inhibit successful implementation of outsourcing strategy in the hospital. Despite the global popularity of outsourcing strategy, it's interesting to note that a good number of organizations such as K.N.H have not implemented outsourcing as a strategy in their operations. This fact prompted the need for a study to explore the factors that inhibit such implementation. From this study, challenges such as Government policies, resistance to change, lack of management commitment, lack of resources, conflict of interest and political factors were identified as the main challenges to successful outsourcing implementation .KNH being a prototype of

state owned enterprises, it is assumed that same challenges will be faced in other state owned enterprises in their endeavor to implement outsourcing strategy.

Therefore, there is a need for policymakers such as the Government, Boards of Directors and management to develop structures that could help in overcoming these challenges and hence successful implementation of outsourcing. This research will be useful to the policymakers as it gives details on these challenges. Though the research was more on challenges, it also explored aspects of the benefits of outsourcing and the principles promoted by outsourcing strategy as well as giving some measures to overcome the challenges identified. Thus the study will add to the existing knowledge on outsourcing strategy especially to those organizations that are facing challenges in their quest to implement outsourcing as a strategic move. This will be by giving new insights on the areas that can be outsourced as well as helping policy makers in relevant decision making on how, why and when to outsource. As it has been the tradition, the Board of Directors is the key internal governance mechanism in organizations with regard to corporate governance structures. Therefore, there is need for the board members to understand the intricate of outsourcing strategy in order to enable them develop policies and practices favouring outsourcing in line with the global trend. The findings from this research will therefore be useful in bringing in a new framework or policy guideline on outsourcing as a strategy to be adopted by the Board of Governors at K.N.H and any other State Corporation in Kenya.

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APPENDICES

Appendix 1: Questionnaire

Feedback on outsourcing strategies and challenges facing implementation of outsourcing strategy at Kenyatta National Hospital

Purpose

The researcher will appreciate your feedback on outsourcing strategies and the challenges facing implementation of outsourcing strategy at Kenyatta National Hospital. The information is useful for planning for outsourcing strategy at K.N.H. Please give your honest opinion as freely as possible.

SECTION 1: Details of respondent

- 1) Name/Employee No. (Optional).....
- 2) Department.....
- 3) Year Employed.....
- 4) No. of working years in K.N.H
.....
- 5) Gender
(Male/Female).....
- 6) Level of responsibility (title).....
- 7) Level of Education (choose the highest level attained).Please tick.

Postgraduate	()
Degree	()
Diploma	()
Others	()

SECTION II: Possible outsourcing strategies at K.N.H

1. In the space provided below, please suggest the areas where outsourcing strategy can be implemented.

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2. In your own opinion, please indicate the perceived benefits of outsourcing strategy.

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3. Outsourcing strategy if successfully implemented has several advantages, some of which are listed below.

On a scale of 1 to 5 where 1 is strongly agree, 2. Agree, 3. Neither Agree nor Disagree, 4. Do not agree, 5. Strongly do not agree. Please tick those that are relevant to the Hospital.

Benefits	Strongly Agree	Agree	Neither Agree or Disagree	Do not Agree	Strongly Disagree
	1	2	3	4	5
Reduced cost of operation					
Improved service quality					
Increased Innovation					
Improved production technique					
Avoidance of risk					

SECTION III: Challenges facing implementation of outsourcing strategy at K.N.H

1. In the space provided below, please indicate policies/ principles that do not support implementation of outsourcing strategy in the Hospital.

.....

.....

.....

2. The outsourcing strategy if implemented at K.N.H is meant to promote various policies/principles. Some of the Principles are listed below.

On a scale of 1 to 5 where 1 is strongly agree, 2. Agree, 3. Neither Agree nor Disagree, 4.Do not agree, 5.Strongly do not agree. Please tick those that are relevant to the Hospital.

Factors	Strongly Agree 1	Agree 2	Neither Agree or Disagree 3	Do not agree 4	Strongly don't agree 5
Desire to reduce operating cost e.g. salaries and wages.					
To focus on core business of the entity.					
Access skills and resources not available in-house.					
Improve on service delivery.					
Improve responsiveness to needs of clients.					
Gain competitive edge					
Improve hospital performance					
permits the advanced production technique provided by the outsourcing suppliers					
access to more qualified and experienced personnel					

3. Apart from policies what other challenges in your opinion may have inhibited implementation of outsourcing strategy in the Hospital. Please indicate them in the space provided below.

.....
.....
.....
.....

4. Certain factors are an obstacle toward ensuring the successful implementation of outsourcing strategy in the Hospital. These factors are referred to as the inhibiting factors. In the space provided below please indicate the inhibiting factors which are bound to retard implementation of outsourcing strategy in K.N.H.

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5. Please indicate to what extent each of the listed factors affect implementation of outsourcing strategy in K.N.H. Each factor is given a varied degree of measuring the rate of inhibition.

Where 1 is Very Strongly inhibits. 2.Strongly inhibits. 3.Average inhibits. 4. Small inhibits 5.Does not inhibit at all.

Factors	Very Strongly inhibits 1	Strongly Inhibits 2	Average Inhibits 3	Small Inhibits 4	Does not Inhibit at all. 5
Increase in costs of administering the outsourcing function.					
High rates of redundancies					
Dilution of control over quality.					
Leaking of information to competitors.					
Security threat e.g. the third parties may pose a threat to the operations of the hospital.					
Poor structures to manage the outsourcing function well.					
loss of autonomy in decision taking					
Possibility of harm to hospital resources and capabilities					

6. In your own words and in the space provided please indicate measures which need to be put in place to overcome the effects of the inhibiting factors.

.....

.....

.....

.....

Thank you for your valued input.

Appendix 2: Authorization Letter (K.N.H)

DR EVANSON N. KAMURI

20/6/2010

P.O BOX 2062- 00202

NAIROBI

TO,

THE CHIEF EXECUTIVE OFFICER
KENYATTA NATIONAL HOSPITAL

P.O. BOX 20723 – 00202

NAIROBI

Dear Sir,

**RE: PERMISSION TO CONDUCT A CASE STUDY AT THE KENYATTA
NATIONAL HOSPITAL ON OUTSOURCING**

I am a consultant dermatologist at K.N.H department of dermatology, currently am pursuing a master of business administration program me at the University of Nairobi. I am required to submit as part of course work assessment a research project on a management problem. I have chosen to do a case study on K.N.H. to determine the outsourcing strategy and the challenges the hospital face on implementing the same.

The purpose of this letter is to request the hospital to allow me to conduct the study within the Institution. The result of the report will be used solely for academic purposes and a copy will be availed to the hospital after completion. I will be glad if you consider my request.

Thank you.

Dr. Evanson N. Kamuri

P/NO. 532490

Appendix 3: Permission Letter (K.N.H)



KENYATTA NATIONAL HOSPITAL
P.O. BOX 20723, 00202 Nairobi

Tel.: 2726300/2726450/2726550
Fax: 2725272
Email: knhadmin@knh.or.ke

File No. KNH/532490

29th June, 2010

Dr. Evanson N. Kamuri
Consultant Dermatologist
KNH

RE: PERMISSION TO CONDUCT A CASE STUDY AT KENYATTA NATIONAL HOSPITAL

Reference is made to your letter dated 20th June 2010 requesting to conduct a study on *Outsourcing strategies and challenges facing implementation of outsourcing strategy at Kenyatta National Hospital*.

This is to inform you that your request has been approved. The study should be conducted in a way that the hospital operations will not be interrupted. In the event that the study is completed in time, you may wish to present the findings and recommendations in the coming 3rd Scientific Conference that will be held between 14th and 15th October 2010 at the College of Health Sciences, University of Nairobi. It is also expected that you will provide a copy of the final report to the Hospital.

I wish you all the luck and success in your study.

Dr. J. N. Micheni
CHIEF EXECUTIVE OFFICER

C.C. Deputy Director [CS]
Deputy Director [A&F]

Appendix 4: Authorization Letter (U.O.N)



UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAM - LOWER KABETE CAMPUS

Telephone: 020-2059162
Telegrams "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

DATE..... 16/6/2010

TO WHOM IT MAY CONCERN

The bearer of this letter..... Evanson N. Kamori

Registration No. 261/70525/2008

is a Master of Business Administration (MBA) student of the University of Nairobi.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate if you assist him/her by allowing him/her to collect data in your organization for the research.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA OFFICE
PO BOX 30197
NAIROBI

DR. W.N. IRAKI
CO-ORDINATOR, MBA PROGRAM

Appendix 5: Sample of a Filled Questionnaire

APPENDICES

APPENDIX 1: QUESTIONNAIRE

Feedback on outsourcing strategies and challenges facing implementation of outsourcing strategy at Kenyatta National Hospital

Purpose

The researcher will appreciate your feedback on outsourcing strategies and the challenges facing implementation of outsourcing strategy at Kenyatta National Hospital. The information is useful for planning for outsourcing strategy at K.N.H. Please give your honest opinion as freely as possible.

SECTION 1: Details of respondent

- 1) Name/Employee No. (Optional)..... J N
- 2) Department..... Finance
- 3) Year Employed..... 2017
- 4) No. of working years in K.N.H 6
- 5) Gender (Male/Female) Female
- 6) Level of responsibility (title)..... Assistant Manager
- 7) Level of Education (choose the highest level attained).Please tick.
 - Postgraduate
 - Degree
 - Diploma
 - Others

SECTION II: Possible outsourcing strategies at K.N.H

1. In the space provided below, please suggest the areas where outsourcing strategy can be implemented.

- (1) LAUNDRY SERVICE
- (2) CARPENTRY SERVICES
- (3) CLEANING SERVICES
- (4) INFORMATION TECHNOLOGY (IT)
- (5) MAINTENANCE SERVICES
- (6) FINANCIAL SERVICES
- (7) DAYCARE ADMINISTRATION
- (8) RECRUITMENT & SELECTION SERVICES

2. In your own opinion, please indicate the perceived benefits of outsourcing strategy.

- (1) CONCENTRATION ON CORE BUSINESS OF HOSPITAL
- (2) COST SAVING
- (3) IMPROVED EFFICIENCY OF OPERATIONS
- (4) IMPROVED QUALITY OF SERVICE DELIVERED
- (5) INCREASED LEVELS OF CUSTOMER SATISFACTION

SECTION II: Possible outsourcing strategies at K.N.H

1. In the space provided below, please suggest the areas where outsourcing strategy can be implemented.

- (1) LABOR SERVICE
- (2) ACCOUNTING SERVICES
- (3) CLEANING SERVICES
- (4) INFORMATION TECHNOLOGY (IT)
- (5) MAINTENANCE SERVICES
- (6) PATIENT SERVICES
- (7) PAYROLL ADMINISTRATION
- (8) RECRUITMENT & SELECTION SERVICES

2. In your own opinion, please indicate the perceived benefits of outsourcing strategy.

- (1) CONCENTRATION ON CORE BUSINESS OF HOSPITAL
- (2) COST SAVINGS
- (3) IMPROVED EFFICIENCY IN OPERATIONS
- (4) IMPROVED QUALITY OF SERVICE PROVIDED
- (5) INCREASED LEVELS OF CUSTOMER SATISFACTION

3. Outsourcing strategy if successfully implemented has several advantages, some of which are listed below.

On a scale of 1 to 5 where 1 is strongly agree, 2. Agree, 3. Neither Agree nor Disagree, 4. Do not agree, 5. Strongly do not agree. Please tick those that are relevant to the Hospital.

Benefits	Strongly Agree	Agree	Neither Agree or Disagree	Do not Agree	Strongly Disagree
	1	2	3	4	5
Reduced cost of operation	✓				
Improved service quality	✓				
Increased Innovation	✓				
Improved — production technique		✓			
Avoidance of risk		✓			

SECTION III: Challenges facing implementation of outsourcing strategy at K.N.H

1. In the space provided below, please indicate policies/ principles that do not support implementation of outsourcing strategy in the Hospital.

- (1) BUREAUCRACY IN OPERATION
- (2) ORGANIZATION CULTURE
- (3) MANAGEMENT SKILLS AND SKILL SETS
- (4) STRATEGY IN

2. The outsourcing strategy if implemented at K.N.H is meant to promote various policies/principles. Some of the Principles are listed below.

On a scale of 1 to 5 where 1 is strongly agree, 2, Agree, 3. Neither Agree nor Disagree, 4. Do not agree, 5. Strongly do not agree. Please tick those that are relevant to the Hospital.

Factors	Strongly Agree 1	Agree 2	Neither Agree or Disagree 3	Do not agree 4	Strongly don't agree 5
Desire to reduce operating cost e.g. salaries and wages.	<input checked="" type="checkbox"/>				
To focus on core business of the entity.		<input checked="" type="checkbox"/>			
Access skills and resources not available in-house.	<input checked="" type="checkbox"/>				
Improve on service delivery.	<input checked="" type="checkbox"/>				
Improve responsiveness to needs of clients.		<input checked="" type="checkbox"/>			
Gain competitive edge		<input checked="" type="checkbox"/>			
Improve hospital performance		<input checked="" type="checkbox"/>			
permits the advanced production technique provided by the outsourcing suppliers	<input checked="" type="checkbox"/>				
access to more qualified and experienced personnel					

3. Apart from policies what other challenges in your opinion may have inhibited implementation of outsourcing strategy in the Hospital. Please indicate them in the space provided below.

- (1) RESISTANCE TO CHANGE
- (2) LACK OF MANAGEMENT SUPPORT
- (3) CLOSURE OF CORPORATE SPONSORSHIP
- (4) POLITICAL FACTORS

4. Certain factors are an obstacle toward ensuring the successful implementation of outsourcing strategy in the Hospital. These factors are referred to as the inhibiting factors. In the space provided below please indicate the inhibiting factors which are bound to retard implementation of outsourcing strategy in K.N.H.

- (1) HIGH COSTS OF IMPLEMENTING OUTSOURCING
- (2) FINANCIAL STRUCTURE
- (3) COMMITMENT BY MANAGEMENT & STAFF
- (4) INFORMATION TECHNOLOGY DEFICIENCY
- (5) LACK OF INTEREST

5. Please indicate to what extent each of the listed factors affect implementation of outsourcing strategy in K.N.H. Each factor is given a varied degree of measuring the rate of inhibition.

Where 1 is Very Strongly inhibits, 2.Strongly inhibits, 3.Average inhibits, 4. Small inhibits
5.Does not inhibit at all.

Factors	Very Strongly inhibits 1	Strongly Inhibits 2	Average Inhibits 3	Small Inhibits 4	Does not Inhibit at all. 5
Increase in costs of administering the outsourcing function.	✓				
High rates of redundancies		✓			
Dilution of control over quality.			✓		
Leaking of information to competitors.		✓			
Security threat e.g. the third parties may pose a threat to the operations of the hospital.					
Poor structures to manage the outsourcing function well.	✓				
loss of autonomy in decision taking	✓				
Possibility of harm to hospital resources and capabilities					

6. In your own words and in the space provided please indicate measures which need to be put in place to overcome the effects of the inhibiting factors.

1) APPROPRIATE TRAINING OF STAFF
2) CLEAR COMMUNICATION
3) TAKE CARE OF EMPLOYEES' CONCERNS
4) EMPLOYEES' SUPPORT

Thank you for your valued input.

Appendix 6: KNH Current Organization Structure

