STRATEGIC MANAGEMENT BEST PRACTICES IN SMALL AND MEDIUM SIZE PRIVATE HOSPITALS IN NAIROBI

BY

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A MANAGEMENT RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION (MBA), SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

NOVEMBER 2010

DECLARATION

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

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

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DEDICATION

This project is dedicated to my daughter Coryne, my beloved mother and To God Almighty.

ACKNOWLEDGEMENT

My special thanks go to my supervisor, Dr Z. B Awino for his support and significant contribution that have enriched the results of this study. His vast knowledge of the discipline in strategic management, his uncompromising stance to quality and the details served to enrich the quality, scope and contents of this study.

Profound thanks and appreciation go to my family for their unfailing support. To Susan and Mum whose constant encouragement kept me focused. You were a true source of inspiration and moral support. Your patience for me was tremendous value and has borne the worthy fruits. I will eternally be grateful to you.

My appreciation is also extended to my friend Alphonse who provided me support at work.

To lecturers who were involved in the noble task of imparting knowledge and to all my colleagues in the MBA class, I sincerely thank each and every one of you.

I was privileged to know you, and share with you. To all those who assisted me in one way or the other during the programme thank you very much.

To God Almighty, Thank You Very Much

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LIST OF ABBREVIATIONS AND ACRONYMS

SME	-	Small and Medium Size Enterprises
GOK	-	Government of Kenya
GDP	-	Gross Domestic Product
IMF	-	International monetary fund
IT	-	Information technology

ABSTRACT

In the world of management, increasing numbers of senior managers are recognizing that one of the key routes to improved business performance is the Strategic management best practice. This applies even to the small and medium enterprises whose environment dynamism in the current times is posing many challenges and thus calling for effective strategic management best practice. All the attention paid to strategic management best practice in general is therefore testimony to its potentially pivotal role in influencing organizational performance and effectiveness.

The aim of this study was to determine the extent to which small and medium private hospitals have embraced strategic management best practices as well as establishing factors influencing best practices. The study was broad and hence the level of details given to the two objectives was limited, while a more comprehensive study was desirable, this could not is entirely possible in view of limited resources ant researchers disposal .the other limitation was the study was based on a sample limited to Nairobi and not the entire country. At the sometime references made are entirely based on studies done on other countries and industries since no previous research has been done on this topic in the Kenyan context. There is need to do a study in the entire country since the study was limited to Nairobi. There is also a need to research on large private and government hospitals in Kenya on strategic management best practices.

The study was a descriptive survey in nature where the researcher targeted all small and medium private hospitals in Nairobi and sampled out 25 private hospitals that were within Nairobi Province. Primary sources to collect the data was used which consisted of a semi structured questionnaire comprising of both open-ended and close-ended questions. Data collected from respondents was both quantitative and qualitative in nature. Quantitative data was analyzed using the descriptive tools frequencies, mean scores and the standard deviations.

From the findings, majority of the small and medium private hospitals are involved in strategic management best practices. In particular, most hospitals have a mission and vision statement and written objectives and they do prepare annual budgets for all activities. Outsourcing and chain value management however are practiced to a little extent. Based on the findings, the researcher recommends proper policies from the policy makers to ensure challenges that hurdle strategic management best practices in small and medium sized private hospitals are minimized including high administration cost, improved company focus and high operational cost were the main reasons for outsourcing in an organization. Employees should be motivated from time to time and encouraged to change their technology so as to meet the organizations needs while Political and legal development should not be considered when formulating strategies. Moreover, Organizations should be encouraged to outsource the functions which require a lot of administration cost and high operational cost.

Key words Strategic management, Best practices, Small and medium size hospital
Private hospitals, Nairobi

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Strategic management best practice is concerned with complexity arising out of ambiguous and non-routine situations with organization-wide implications (Johnson and Scholes, 1999). It includes strategic analysis, choice and implementation. It also provides basic direction and framework within which all organizational activities take place. Pearce and Robinson (1997) look at strategic management as the formulation, implementation, control and evaluation of business strategies to achieve further objectives. Strategic management arises out of the need for organizations to exploit existing or emerging opportunities and deal with threats in the market.

Strategic management best practice has continued to evolve. In less than three decades, issue management has become established as a distinct discipline to add value to organizations (Issue management council 2005). A strategic management best practice is designed to position issues management in the strategic planning and management effort by staff and executive (Heath, 2000). It entails understanding and achieving high standards of corporate responsibility by listening to and acknowledging the soundness of key public's opinions. It thus supports strategic management by getting the firm's "house" in order, engaging in tough defence and smart offence, and monitoring opinion changes that affect public policy (Heath, 2000).

Various reasons have been advanced as to why strategic management best practice is of great importance to small and medium size enterprises (SME's). Thus developing, articulating and sustaining the organization and its mission give it a sense of purpose, direction and focus; it enables an organization to adapt under conditions of externally imposed stress or crisis.

The practices assist in making decisions about future opportunities and threats faced by the medium and small enterprises. It also stimulates development of appropriate endeavours which serve as powerful motivators of people and enhances communication, coordination and participation in an organization. Throughout the industrialized countries, extra growth over the past several years has been largely due to growth of small and medium businesses sector. In the United States, as per statistics published by the Small Business Administration (2001), small businesses represent 79 percent of all employers and 52 percent of the private work force. They provide most of the new jobs contribute 51 percent of private sector output and 86 percent of all export of goods.

1.1.1 Strategic Management Best Practices

The evolution of strategic thinking and the move from strategic management to more of an emphasis on strategic management best practice has contributed to the heterogeneous nature of strategic thought. Even the most talented manager would no doubt agree that strategic management with no action plans normally renders strategic management in any organization ineffective. Strategic management practices involve deciding which customer to serve, with which products and services, and meeting those customers' legitimate needs and wants by allocating resources in the most advantageous way Cole, (2004:308). It is an organizational process designed to sustain, invigorate and direct the organizations human and other resources in the profitable fulfilment of the needs of customers and other principal stakeholders. The process is guided by the organization's value system, or culture, which is manifested not only in the organization's mission statement, policies, and strategic goals, but also in the behaviour of top management and other key managers in the organization.

Best practice is a technique, method, process, activity, incentive, or reward which conventional wisdom regards as more effective at delivering a particular outcome than any other technique, method, process, etc. when applied to a particular condition or circumstance. The idea is that with proper processes, checks, and testing, a desired outcome can be delivered with fewer problems and unforeseen complications. Best practices can also be defined as the most efficient (least amount of effort) and effective (best results) way of accomplishing a task, based on repeatable procedures that have proven themselves over time for large numbers of people. A given best practice is only applicable to particular condition or circumstance and may have to be modified or adapted for similar circumstances. In addition, a "best" practice can evolve to become better as improvements are discovered. Despite the need to improve on processes as the environment changes, best-practice is considered by some as a business buzzword used to describe the process of developing and following a standard way of doing things that multiple organizations can use for management, policy, and especially software systems. As the term has become more popular, some organizations have begun using the term "best practices" to refer to what are in fact merely 'rules', causing a linguistic drift in which a new term such as "good ideas" is needed to refer to what would previously have been called "best practices."

1.1.2 Small and Medium Size Enterprises

According to Waka G (1999), it's difficult to define SME because size is relative term. Definition differs accordingly to the type of study she is carrying out or the size of economy being studied. Criteria used in a given country also differ depending on the purpose of classifying the business into categories of small, medium and large.

According to Kosakinde (2001) SME are generally defined in terms of the characteristics which include size of capital structure, number of employees the turnover, the management style, and the locations and markets share. Country context play a major role in determining the nature of this characteristics, especially the size of investment in capital accumulated and number of employees. He argues that for a developed country small scale generally mean enterprise with less than 50 workers and medium scale enterprises would usually mean thus that have 50-99.

SME's have been defined by International Financial Corporations as firm with less than 300 employees and total assets less than US$ 15 million. The definition changes from country to country and in smaller economies. SME may be defined as firms with less than 25 employees. In Kenya context size of the SME has commonly been determined by number of employees. According to National Micro and Small Scale enterprises baseline survey, (1999) the micro and small scale sector employed between 0-50 people and has two clusters as micro-enterprises. Micros are regarded as small firms employing 0-10 people while small scale enterprise employee 11-50 people. Medium size enterprises on the other hand are larger firms employing 51-100 workers.

Vision or strategic intent is the desired future state of the organization. It is an aspiration around which a strategist, perhaps a chief executive may seek to focus the attention and energies of the members of the organization (Johnson and Scholes, 1999).

A company's mission is its reason for being. The mission often is expressed in the form of a mission statement, which conveys a sense of purpose to employees and projects a company image to customers. In the strategy formulation process, the mission statement sets the mood of where the company should go.

Objectives are concrete goals that the organization seeks to reach, for example, an earnings growth target. The objectives should be challenging but achievable. They also should be measurable so that the company can monitor its progress and make corrections as needed. Once a clear picture of the firm and its environment is in hand, specific strategic alternatives can be developed. While different firms have different alternatives depending on their situation, there also exist generic strategies that can be applied across a wide range of firms. Michael Porter identified cost leadership, differentiation, and focus as three generic strategies that may be considered when defining strategic alternatives. Porter advised against implementing a combination of these strategies for a given product; rather, he argued that only one of the generic strategy alternatives should be pursued Johnson and Scholes, (2008).

The strategy likely will be expressed in high-level conceptual terms and priorities. For effective implementation, it needs to be translated into more detailed policies that can be understood at the functional level of the organization. The expression of the strategy in terms of functional policies also serves to highlight any practical issues that might not have been visible at a higher level. The strategy should be translated into specific policies for functional areas such as: marketing, research and development, procurement, production, human resources, and information systems. In addition to developing functional policies, the implementation phase involves identifying the required resources and putting into place the necessary organizational changes.

Performance contacts creates a tight fit between strategy and the reward structure is generally accomplished by agreeing on performance objectives, fixing responsibilities and deadlines for achieving them, and treating their achievement as a contract. The contract for strategic management has to be the real basis for designing incentive; evaluating individual's efforts and handing out reward .to prevent undermining the "managing with objectives" approach of strategy implementation, a manager must insist that actual performance be judged against the contract for the target objective. Any deviation must be fully explored to determine whether the causes are poor performance or circumstances beyond the individual's control. Arthur A et al, (1992).

The formula for good strategic management is simple enough: develop a sound strategic plan, implement it, and execute it to the fullest, win! but it's easier said than done exerting take charge leadership, being a "spark plug", ramrod doing things through and getting things done by coaching others is a difficult task .moreover a strategic manager has different roles to play: chief entrepreneur and strategist, chief administrator and strategy implementer, crises solver, taskmaster, figurehead, spokesperson, resource allocator, negotiator, motivator. In generally the problem of strategic leader is one of diagnosing the situation and choosing from any of the several situations to handle it.

This occurs where an organization s decide to buy services or products that were previously produced in house. For example payroll, component manufacturing, IT services, two important principles are established when searching for candidates for outsourcing: first an outside supplier can provide better value for the money than in-house provision; secondly the core competence should not be outsourced since this activities critically underpin competitive advantage Johnson and Scholes, (2008).

Diagnostic analysis of the key strengths and weaknesses of any firm requires a disaggregation of the firm's structure. Porter's value chain accomplishes this while focusing on the cost structure and differentiation of the firm. A company's value chain of interdependent activities is connected by linkages which exist when the way in which one activity is performed affects the cost of effectiveness of other activities. Porter contends that, at the business unit level, there are nine strategic activities. How well these activities are performed may determine the firm's competitive advantage. By properly identifying these activities, relative strengths and weaknesses can be defined and addressed.

The nine strategic activities include five primary and four support activities. Primary activities include inbound logistics, operations, outbound logistics, marketing and sales, and service. Support activities are the firm's infrastructure; human resource management, technology development, and procurement. The value chain provides a view of the firm's internal bases for competitive advantage. From this point, the firm's status is compared to benchmark standards, which include: a comparison with the firm's past performance, the current stage of product/market evolution, a comparison against the competition, and a comparison with the key success factors within the industry. (Porter. E, 1985).

1.1.3 Private Hospitals in Kenya

The private healthcare sector comprises the activities of agents who are largely outside the control of government. This includes individuals who privately own health facilities and seek to make profit in the healthcare sector, clinics and hospitals owned by private employers and those operated by religious missions and other non-governmental organizations (NGO's). These agents play a significant role in provision of health services in Kenya. The impression in many countries is that private healthcare is expanding and this has made many countries to adopt a pluralistic health system.

Kenya has followed a strategy of pluralism in the health sector for a long time, allowing a large and diverse non-government healthcare sector to develop. The government, on realizing the potential that exists in the non-governmental sector, has tried to create an enabling environment for private investment in healthcare provision. Private healthcare providers are often assumed to be more efficient and provide a higher quality healthcare alternative than public sector providers. Nongovernmental healthcare providers include religious organizations, for profit private healthcare enterprises, pharmacies/chemists, and traditional practitioners.

The growth of private healthcare providers is attributed more to government reforms that took place in the 1980s on the Kenyan health sector. The government was facing a fiscal burden in provision of healthcare, which had to be transferred to private healthcare providers and individuals. The government initiated a cost-sharing program as part of reducing government burden, while it undertook to create a conducive environment for greater private sector involvement in healthcare. This created a two-tier health system in which some people are served by government facilities and others by the private sector.

The private healthcare sector has made a remarkable contribution in delivery of healthcare to the public. The sector is used by almost all socioeconomic groups, and appears to have relatively better distribution in both rural and urban areas. Nevertheless, there has not been proper policy formulation for this sector due to its diversity and nature. As Hanson and Berman (1994) note, failure to consider the diversity of private healthcare providers could lead to faulty policy advice because form, behaviour, and importance with respect to both size and range of activities is likely to differ significantly between types of providers.

1.1.4 Small and Medium Size Hospitals in Nairobi

Private hospitals like any other organization operate in a very turbulent environment (East and Central Africa Business Mirror, 2006). They depend on the environment to survive for example the patients and drugs and at the sometime the environment needs health services. Therefore cannot afford to ignore the environment (Ansoff & Mc Donnel, 1990). They operate under environment where they are affected by ecological, social, technological and legal factors.

In the year 2004 private hospitals were facing challenge on how to handle the proposed National social health insurance fund. Gakombe, (2004) studied the perceived implications planned response by private hospitals in Kenya facing the challenge to ensure they satisfy the patients at the sometime healthcare insurance providers. Patients insist on quality service, which to the hospital has a cost implication which on the other hand the insurance provider wants to spend the least amount of money possible to remain profitable. Thus hospitals have to ensure they maintain a balance, because all this stakeholders are important to their survival. Private hospitals in Nairobi operate in a very competitive environment (Gakombe, 2004); small and medium size private hospitals hence need to put their strategies into practice.

Hospitals are important in healthcare system because they not only deliver healthcare services but also influence the way service are delivered and type of service they deliver (Kent and Rushitsky,1998).Despite great difference in hospital systems worldwide hospitals in all areas have to cope with the raising cost and need to contain cost of healthcare Kamalu et al (2004) observed that healthcare indicators in Kenya are raising and the gap between supply and demand of healthcare services continue to widen therefore a problem to service quality. Healthcare sector has not been able to expand rapidly as the population to ensure adequate coverage, accessibility and acceptable quality of health services. Private hospitals in Kenya play a major role in supplementing government health services. Kamalu et al, (2004) reported that government hospitals operate above capacity.

1.2 Statement of the Problem

In the world of management, increasing numbers of senior managers are recognizing that one of the key routes to improved business performance is the Strategic management best practice. This applies even to the small and medium enterprises whose environment dynamism in the current times is posing many challenges and thus calling for effective strategic management best practice. All the attention paid to strategic management best practice in general is therefore testimony to its potentially pivotal role in influencing organizational performance and effectiveness.

Research indicates that organizations that use strategic management best practices concept are more profitable and successful than those that do not Schwenk and Schrander, (1993). Similar studies have been carried out by Ansoff et al, (1990) in the USA on manufacturing firms and find that formal planners who took strategic management approach out performed non planners in terms of financial criteria that measure sale, assets, sales price earnings per share. It also expected that only organization in Kenya who applies strategic management best practices will have favourable impact on performance as long as it not conducted haphazardly. In addition to financial benefits strategic management best practice affect s other tangible benefits such as enhanced awareness of external threats, improved understanding of competitors strategy, increase employee productivity and reduce resistance to change thus improve the effectiveness of the firm. The success of any firm depends heavily on quality and characteristic of strategic decision made at each level, corporate level decision tend to be value oriented conceptual and less concrete than those at business level and functional level of strategy. The size of the organization, predominant management style, complexity of its environment, its process, nature of its problems and purpose of planning determine the appropriate degree of formality adapted by firm.

Studies have also been carried out locally in public sector on strategic management practices in Kenya. Namely Kengoro, (1998) who looked at strategic management practices in public sector organizations. A number of studies have been carried out in private sector in Kenya, namely Aosa, (1992), Karemu, (1993), Mittra, (2001), Sagwa, (2002) among others. Though many studies have been carried out in private sector, very few have focused on health services providers. Some studies are generally in hospitals like Ongaro, (2004), Bend et al, (2002) reported that most Kenya's depend on none governmental organization for healthcare services and that private hospitals play a major role in Kenyans health sector. In private hospitals some studies have been carried out namely Njenga, (2006) and Kagiri, (2007) which looked at strategic management practices in Mater and Gertrude's Garden Children Hospital All these studies however concentrated on large firms and different context and had little to do with the small and medium enterprises or hospitals. Therefore the researcher sought to fill in this gap by answering the question; what are the strategic management best practices in small and medium size hospitals in Nairobi?

1.3 Research Objective

The research objectives of this study are as outlined below

i) To determine the extent to which small and medium private hospitals in Nairobi have embraced strategic management best practices.

ii) To establish factors influencing strategic management best practices in small and medium private hospitals in Nairobi.

1.4 Value of the Study

The study will provide information on strategic management best practices to potential and current scholars. This will expand their knowledge on strategic management best practice in medical sector and also identify areas of further Research. In the same vein, the researcher/scholars will benefit from this study, either in advancing in the same research problem or in any related research phenomenon. Other researchers, academicians and scholars shall use this study to debate on the findings and find possible areas for further research.

Although the emphasis in this project is on academic research, the hospitals in Nairobi management will benefit from the insights presented in this proposed study. Therefore, we hope that the mentioned company's management will pick up on some of the issues that have been presented and will begin to respond to these challenges. It is expected that the management team in the various small and medium hospitals in Nairobi will re examine their management position which will help them steer the company in the volatile SME sector in Kenya. Moreover, the study will identify the external environmental factors that affect strategic management best practice in Kenya especially in the private hospital industry.

The Ministry of Health will find this study useful in educating businessmen and businesswomen in applying strategic management best practice in their businesses hence ensuring that these businesses grow. To the policymakers, the study will act as guide for establishing the best policies to effect on strategic management best practices so as to enable the growth of SME's in Kenya.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter discusses the past studies on strategic management best practices. The concept, factors as well as the challenges affecting strategic management best practices are discussed. Variables discussed in the chapter are then consolidated through a conceptual framework in section 2.5

2.2 Strategic Management Best Practices

Strategic management best practices determine the organizational relations to its external environment, encompass the entire organization, depend on input from all of functional areas in the organization, have a direct influence on the administrative and operational activities, and are vitally important to long-term health of an organization (Shirley, 1982). Robbins and Coulter (1996) have taken into consideration that no matter how effectively a company has planned its strategies, it could not succeed if the strategies were not implemented properly. Harrison (1996) also clarified that the more ineffective the top management decisions, the more ineffective are the choices made at lower levels of management. Similarly, if top management's strategic choices tend to be successful, it reflects favourably on choices made in other parts of the organization.

Simons and Thompson (1998) refer to three categories of factors that affected strategic decision-making process: environmental factors; organizational factors; and decision-specific factors. Here, environmental factors mean external agents such as national culture, national economic conditions, and industry conditions. Organizational factors refer to organizational structure, organizational culture, structure of decision making bodies, impact of upward influence, and employee involvement. Decision-specific factors can be explained as time, risk, complexity, and politics. According to Porter (1979) strategists must assess the forces affecting competition in their industry and identify their company's strengths and weaknesses, then strategists can devise a plan of action that may include first, positioning the company so that its capabilities provide the best defence against the competitive force; and/or second, influencing the balance of the forces through strategic moves, thereby improving the company's position; and/or third, anticipating shifts in the factors underlying the forces and responding to them, with the hope of exploiting change by choosing a strategy appropriate for the new competitive balance before opponents recognize it.

Successful strategic management best practices, it is suggested, requires sound mechanisms for directing activity and behaviour Goold (1991), especially including effective communication systems as well as appropriate strategic and management controls. The balanced scorecard's four perspectives as manifested in Kaplan and Norton's (2004, p. 10) strategy maps provide "a level of granularity that improves clarity and focus" thereby creating clear direction and, potentially, through the development and publishing of the strategy map, facilitate understanding and coordination across the organisation.

The importance of enabling sound "two-way" communications within organizations is seen as fundamental to the effective implementation of strategy, with a particular emphasis on facilitating useful feedback and "bottom-up" messages. The process of creating an organizational balanced scorecard essentially commences with a full strategic appraisal and the clear articulation of the organization's strategic vision and objectives (Kaplan and Norton, 2004), this process can in it-self build consensus and engender learning which can be of enormous value.

Through this process of definition and communication of core values throughout an organisation, moreover, the Balanced Scorecard provides an effective "boundary" control system. Then, as the balanced scorecard approach makes explicit the "cause and effect" of a strategy, it also usefully converts strategic aims into tangible objectives and measures, (Kaplan and Norton, 2004). This stage, moreover, if the scorecard is implemented participative with measures identified and targets set cooperatively rather than imposed actively supports organizational learning and reflection, which encourages "interactive" control through the testing of "cause and effect" relationships (Mooraj et al., 1999). This also enables front line managers to have a "basis for selecting among the diverse opportunities they might face" resisting the distraction of other activities (Alexander, 1985).

2.3 Factors Influencing Strategic Management Best Practices

The fatal problem with strategic management best practices is the de facto success rate of intended strategies. In research studies it is as low at 10 percent (Judson, 1991). Despite this abysmal record, strategic management best practice does not seem to be a popular topic at all. In fact, some managers mistake implementation as a strategic afterthought and a pure top-down-approach. Instead, management spends most of its attention on strategy formulation. This can be documented by the focus on strategy formulation in strategic management literature. To resolve this, strategic management should accomplish its very own shift of emphasis by moving from a 90:10 concern with strategy formulation relative to implementation to a minimum 50:50 proportion with each (Grundy, 1998). To overcome and improve the difficulties in the implementation context, Rapa and Kauffman (2005) compiled the following checklist of ten critical points.

2.3.1 Commitment of Top Management

The most important thing when implementing a strategy is the top management's commitment to the strategic direction itself. This is undoubtedly a prerequisite for strategic management best practices. Therefore, top managers must demonstrate their willingness to give energy and loyalty to the implementation process. This demonstrable commitment becomes, at the same time, a positive signal for all the affected organizational members (Rapa and Kauffman, 2005).

To successfully improve the overall probability that the strategy is implemented as intended, senior executives must abandon the notion that lower-level managers have the same perceptions of the strategy and its implementation, of its underlying rationale, and its urgency. Instead, they must believe the exact opposite. They must not spare any effort to persuade the employees of their ideas (Rapa and Kauffman, 2005).

2.3.2 Supportive Strategic Management Instruments

To facilitate the strategic management best practices in general, strategic management instruments should be applied to support the processes adequately. Two managerial instruments are the balanced scorecard and supportive software solutions (Rapa and Kauffman, 2005).

The balanced scorecard is a popular and prevalent management system that considers financial as well as non-financial measures. It provides a functionality to translate a company's strategic objectives into a coherent set of performance measures (Kaplan and Norton, 1993). When it comes to meeting the criteria of a strategic management best practices instrument, there is an excellent fit. The individual character of each balanced scorecard assures that the company's strategic objectives are linked to adequate operative measures. As a consequence, it provides even more than a controlling instrument for the implementation process. It is a comprehensive management system, which can support the steering of the implementation process.

A strategic management system cannot achieve its full potential until it is integrated with other control systems like budgets, information and reward systems. The balanced scorecard provides a framework to integrate the strategic management and meets the requirements that the strategic management system itself can display (Rapa and Kauffman, 2005).

In the context of implementing strategies, the application of software solutions seems to be neglected. Recent experience has shown that IT-support is gaining more and more importance. Information tools must be available and adequate to allow strategic decision makers to monitor progress towards strategic goals and objectives, track actual performance, pinpoint accountability, and most important provide an early warning of any need to adjust or reformulate the strategy (Rapa and Kauffman, 2005).

Unfortunately, this seems to be limited to enterprise resource planning (ERP) systems, which are prevalent in the operative environment of a company's day-to-day business. The strategic management best practices perspective demands systems with different criteria than those of conventional systems. The supportive character in monitoring and tracking the implementation process should be in the canter of interest (Rapa and Kauffman, 2005).

In the past, these activities were tracked manually or launched on an ad hoc basis so that there was a lack in mandatory installed business processes. The supportive application of adequate software solutions can be more than helpful to improve the quality of strategic management best practices. In addition to that, a software solution is a starting point to define as mentioned above clear assignments of responsibilities throughout the organization's implementation processes (Rapa and Kauffman, 2005).

2.3.3 Time Horizon in Strategic Processes

One of the most critical points within strategic management best practices processes is the exceeding of time restrictions. This can be attributed to an underestimation on the part of many executives who do not have a clearly focused view on the complexities involved in implementing strategies and on the general process to deal with these multifaceted complexities (Rapa and Kauffman, 2005).

Basically, it is difficult to identify the necessary steps of the implementation. It is even more difficult to estimate an appropriate time frame. One has to find out the time-intense activities and harmonize them with the time capacity. One method for accomplishing this is to work with the affected divisions and the responsible managers. In addition to calculating the probable time frame an extra buffer should be calculated to account for unexpected incidents that might occur at any time (Rapa and Kauffman, 2005).

2.3.4 Clear Assignment of Responsibilities

One of the reasons why strategic management best practices frequently result in difficult and complex problems – or even fail at all – is the vagueness of the assignment of responsibilities. In addition, these responsibilities are diffused through numerous organizational units (Rapa and Kauffman, 2005).

Cross-functional relations are representative of an implementation effort. This is indeed a challenge, because as already mentioned before organizational members tend to think only in their "own" department structures. This may be worsened by over-bureaucracy and can thus end up in a disaster for the whole implementation.

To avoid power struggles between departments and within hierarchies, one should create a plan with clear assignments of responsibilities regarding detailed implementation activities. This is a preventive way of proceeding. Responsibilities are clear and potential problems are therefore avoided (Rapa and Kauffman, 2005).

2.3.5 Preventive Measures against Change Barriers

Change is part of the daily life within an organization. The ability to manage change has shown to be a core competency for corporations. A great challenge within strategic management best practices is to deal with potential barriers of the affected managers (Rapa and Kauffman, 2005).

Strategic efforts often fail when these barriers are underestimated and prevention methods are not adopted at the beginning. One has to be aware that barriers against the implementation of the strategy can lead to a complete breakdown of the formulated strategy. In psychology, much research is done about human barriers. The cause for these barriers is seen in affective and non-logical resistances, which are, in a way, incomprehensible because they come out of the subconscious of human beings.

Barriers to implementing a strategy range from delay to outright rejection. However, this psychological point of view is often downplayed during discussions of implementation issues, even though it is becoming more and more obvious that strategic management best practices consists, for the most part, of psychological aspects (Rapa and Kauffman, 2005). By changing the way they view and practice strategic management best practices, senior executives can effectively transform change barriers into gateways for a successful execution.

2.3.6 Teamwork

Teamwork plays an important role within the process of strategic management best practices. When it comes to implementation activities, it is often ignored. It is indisputable, that teams can play an important part to promote the implementation of a strategy (Rapa and Kauffman, 2005).

To build up effective teams within strategic management best practices the Myers-Briggs typology can be useful to ascertain person-to-person differences. Differences in personality can result in serious inconsistencies in how strategies are understood and acted upon. Recognizing different personality types and learning how to handle them effectively is a skill that can be acquired.

Over one million surveys are performed each year in corporate settings for team building and management development. More than any other field of activity, implementation is the area that benefits most from a trained and personality-sensitive management team (Noble, 1999).

2.3.7 Effective Communication

At first look, the suggestion that communication aspects should be emphasized in the strategic management best practices seems to be a very simple one. Even though studies point out that communication is a key success factor within strategic management best practices, communicating with employees concerning issues related to the strategic management best practices is frequently delayed until the changes have already crystallized.

In this context, it is recommended that an organization institute a two-way-communication program that permits and solicits questions from employees about issues regarding the formulated strategy. In addition to soliciting questions and feedback, the communications should tell employees about the new requirements, tasks and activities to be performed by the affected employees, and, furthermore, cover the reason ("the why") behind changed circumstances (Alexander, 1985).

It is essential both during and after an organizational change to communicate information about organizational developments to all levels in a timely fashion. However, one may not misunderstand communication, or the sharing of information, as engagement the direct dialogue that produces active participants in the change process. The way in which a change is presented to employees is of great influence to their acceptance of it. To deal with this critical situation, an integrated communications plan must be developed. Such a plan is an effective vehicle for focusing the employees' attention on the value of the selected strategy to be implemented (Rapa and Kauffman, 2005).

2.4 Challenges of Strategic Management Best Practices

Reed and Buckley (1988) discuss problems associated with strategic management best practices identifying four key areas for discussion. They acknowledge the challenge and the need for a clear fit between strategy and structure and claim the debate about which comes first is irrelevant providing there is congruence in the context of the operating environment. They warn that, although budgeting systems are a powerful tool for communication, they have limited use in the implementation of strategies as they are dominated by monetary based measures and due to their size and the game playing associated budget setting "it is possible for the planning intent of any resource redistribution to be ignored" (Reed and Buckley, 1988, p. 68). Another problem is when management style is not appropriate for the strategy being implemented, they cite the example of the "entrepreneurial risk taker may be an ideal candidate for a strategy involving growth, but may be wholly inappropriate for retrenchment" (Reed and Buckley, 1988, p. 68).

Al Ghamdi, (1998) replicated the work of Alexander, (1985) in the UK and found for 92 percent of firms implementation took more time that originally expected, that major problems surfaced in 88 percent of companies, again showing planning weaknesses. He found the effectiveness of coordination of activities as a problem in 75 percent and distractions from competing activities in 83 percent cases. In addition key tasks were not defined in enough detail and information systems were inadequate in 71 percent of respondents. What is interesting is that there is congruence between these findings, which implies that lessons have still not been learned; as Al Ghamdi states, "the drama still continues" (Al Ghamdi, 1998, p. 322).

Corboy and O'Corrbui (1999), meanwhile, identify the deadly sins of strategic management best practices which involve: a lack of understanding of how the strategy should be implemented; customers and staff not fully appreciating the strategy; unclear individual responsibilities in the change process; difficulties and obstacles not acknowledged, recognized or acted upon; and ignoring the day-to-day business imperatives. Overall though, it is increasingly acknowledged that the traditionally recognized problems of inappropriate organizational structure and lack of top management backing are not the main inhibiting factors to effective strategic management best practices (Aaltonen and Ikåvalko, 2002).

Rather, the major challenges to be overcome appear to be more cultural and behavioural in nature, including the impact of poor communication and diminished feelings of ownership and commitment (Aaltonen and Ikåvalko, 2002). Aaltonen and Ikåvalko recognize the role of middle managers, arguing they are the "key actors" "who have a pivotal role in strategic communication" (Aaltonen and Ikåvalko, 2002). Meanwhile about middle managers as threatened silent resistors, whose role needs to change more towards that of a "coach", building capabilities, providing support and guidance through the encouragement of entrepreneurial attributes.

2.4.1 Budget Constraints

Hewlett (1999) suggests that most strategic plans are hurdled by the financial constraints during the time of their implementation. It is important, particularly at the business level, to integrate non-financial measures such as market share or market growth in the budget, so that one can better assess the extent to which improved competitive strength is being achieved as well as the extent to which deviations are due to changes in the business attractiveness. Also, since most budgets will be based on operating departments, it is important to superimpose key non-dollar factors that would signal whether the strategic programs are proceeding on schedule. The concern for financial measurement accuracy in the budgets seems to have jeopardized the concern for relevance in some companies' budgets. The various program alternatives need to be economically evaluated in two respects. First, there are different ways to achieve a particular strategic implementation action and these alternatives should be compared. A cost/benefit analysis is needed, but unfortunately is done too often on narrow grounds. By only looking at the financial costs and benefits without taking a strategic risk-assessment into account one might easily pursue the less favourable project or fail to search for less risky alternatives (Porter 1985).

To assess risk in this strategic context three steps of analysis must be carried out: a specific assessment of which budgetary factors might significantly affect the strategic plan's success; an assessment of the degree of predictability of each factor; and an assessment of one's own potential for responding to a particular environmental development to ameliorate adverse effects or to take advantage of favourable developments. Thus, the choice of plan alternative should put major emphasis on maintaining strategic flexibility (Eisenstat 1993). Unfortunately, a too narrow financial analysis typically seems to take place which does not pay proper attention to maintaining strategic flexibility. The second aspect of the economic evaluation of the strategic planning activities relates to the aggregation of strategic programs into an overall "package" for the division. Many businesses do not take existing programs into account when choosing the overall "package" of strategic programs; thus, the continued relevance of existing strategic programs is not examined (Kaplan, 2005).

However, even if a "zero-base" approach has been taken to the program package evaluation, another problem seems to be that the package is chosen according to some cut-off point on a cost-benefit ranking, without paying proper attention to how the combination of strategic programs provides the direction agreed upon for the business during the objectives-setting stage. Too often, the strategic programming activities are left open-ended without proper assessment of overall business strategy impact and consistency with the business objectives. When a set of strategic programs has been decided upon it is implied that resource allocations have been made for these programs, often for several years into the future. Without providing for the necessary assets and strategic expenditures a strategic program cannot be implemented (Eisenstat 1993).

2.4.2 Incompetent Management and Leadership

Strategic decisions create a wave of sub-decisions that must be successfully implemented (Mintzberg et al., 1976). Typically, the manager-leader (middle managers and supervisors) is held accountable for the implementation of these sub-decisions. Sub-decision implementation is defined as a sequence of tasks carefully executed so that a favourable business outcome can be achieved in the medium to short term. It is clear that the particulars of such implementation vary widely from decision to decision, but virtually all decisions require efficient implementation to be successful. Or in other words, a brilliant decision can prove worthless without its efficient implementation. Even the best decisions fail to be implemented due to the inadequate supervision of subordinates, among other reasons. Kenny (1999) emphasizes that those who implement decisions to the best of their ability are usually those who have made them. The leadership expounded here has a bearing on the leadership.

The process defines the steps to take to formulate what will hopefully be the optimal strategy or solution results in the plan or solution that is to be implemented. To prevent these problems from occurring and maintain overall financial health in these economically difficult times, Organizations must establish a sound, tightly controlled Leadership process. Clearly, no single system is suitable for all banks. Each organization must tailor its own in light of its objectives and the economic environment it faces.

Basically, Leadership should consist of a recurring three-phase approach: planning, measurement and control, and interpretation, with total process no stronger than its weakest element. All levels of management should participate in each phase, and be totally committed to achieving the planned results. Firm should match its strengths to the opportunities that it has identified, while addressing its weaknesses and external threats. To attain superior profitability, the firm seeks to develop a competitive advantage over its rivals. A competitive advantage can be based on cost or differentiation.

It is critical that leadership follow these steps because the information gathered and decisions made in these phases are the foundation for strategy creation and selection. The statement of the organization's ultimate goal provides the direction to which the strategies should ultimately lead. The critical issues list serves as the specific focus and framework for the activities of the organization and the pattern of these activities (developing and selecting the strategies). External market data and program evaluation results provide critical data to support strategy development. The way in which the strategy is implemented can have a significant impact on whether it will be successful. In an implement the strategy likely will be different people from those who formulated it. For this reason, care must be taken to communicate the strategy and the reasoning behind it. Otherwise, the implementation might not succeed if the strategy is misunderstood or if lower-level managers resist its implementation because they do not understand why the particular strategy was selected.

2.4.3 Poor Strategic Monitoring and Evaluation of Performance

Monitoring and evaluation come into play at the shakedown phase in strategic management best practices. Poor monitoring and evaluation of strategic plan can easily bring down a strategic plan where it is at the threshold or the completion stage. Milestones and targets are important to keep track of progress. Achievements should be measured against strategic plan goals. The progress of the strategic plan should be monitored actively through set milestones and targets.

Two criteria may be used (Sekran, 1992). Strategic management best practices based criteria should be used to measure against completion dates, costs and quality. Then operational criteria should be used to measure against the production system. Monitoring and feedback include the exchange of information between the strategic plan team members and analysis of user feedback (Holland et a1., 1999).

There should be an early proof of success to manage scepticism. Reporting should be emphasized with custom report development, report generator use and user training in reporting applications. Management needs information on the effect of strategic plan on strategic plan performance. Reports or processes for assessing data need to be designed.

These reports should be produced based on established metrics. It must include effective measurable strategic plan goals that meet strategic plan needs and are reasonable. Additionally, performance should be tied to compensation.

2.4.4 Political Factors

The government, as an important institution, provides public goods and services and designs the rules and regulations of the society that allow markets to flourish. It also puts in place the necessary policies that will facilitate the efficient distribution and allocation of resources to enhance the welfare of the people. The government also provides important institutional infrastructure, such as laws that protect property rights, as well as maintaining public order, without which long term investment and sustainable socio-economic development are impossible.

The government promotes economic development through a number of channels. The government can undertake large-scale investment such as investment in industry and infrastructure projects that are beyond the scope of the private sector. The government also provides social goods such as education, public health, etc., and thus raises the stock of human capital and its productivity in the long run.

Because of this, developing countries, including many African countries, have until recently opted for a strategy of expanded public sector as the main development strategy. This state-dominated policy has increased the role of the public sector in the economic life of developing countries and thereby increased the share of their government expenditure in GDP from about 15 percent in 1960 to about 28 percent in 1990 (World Bank, 1997).

The issue of whether resources are channelled into productive or non-productive forms of government consumption has important policy implications because the economic development of a country partly depends on how the scarce resources are allocated and utilized among different economic sectors. Therefore, much controversy surrounds the basic nature of the relationship between public expenditure and economic development. Some scholars argue that non-productive government expenditures drain the meagre resources of African countries and thereby hamper economic development (Landau, 1986). For instance, available data show that in the 1960s income per capita in Africa and in most East Asian countries was at the same level. However, by the mid-1990s, the income levels in East Asian countries increased to more than five times that of African countries (World Bank, 1997).

A number of scholars and policymakers attribute this divergence partially to the growing non-productive public consumption and the weak institutional capability of African countries to design and implement effective and pragmatic development policies. A successful development policy, inter alia, requires a committed government with strong visionary leadership. It also requires effective legislation and its enforcement. The lack of effective institutions in Africa and the state's inability to enforce existing laws and rules often leads to corruption and mismanagement, thereby increasing the cost of conducting business in Africa.

Therefore, it is crucial to improve the planning and implementation capacity of the government by enhancing the capability of public institutions to design effective policies and rules that check arbitrary state actions and combat rampant corruption (World Bank, 1997). This is crucial because to the "degree that individuals believe in the rules, contracts, property rights, etc., of a society, they will be willing to forgo opportunities to cheat, steal or engage in opportunistic behaviour" (North, 1989, p. 1322). This, of course, is possible where there is what refers to as primary corruption where people fear official punishment and popular condemnation. However, where there is what calls secondary (chronic, rampant and uncontrollable) corruption, as in the case of Nigeria and Kenya, individuals will not fear punishment or reprisal because they are rarely punished for corruption. In this case, punitive measures may not be effective, and therefore a radical and fundamental political reform becomes necessary. Otherwise, secondary corruption will weaken government institutions, including the judicial system, and undermine the legitimacy of the whole political system (Werlin, 2000).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the research methodology of the study including the research design, target population and the sample size & techniques. In addition, data collection instruments and procedures as well as the data analysis are well elaborated in this chapter.

3.1 Research Design

This study was a cross- sectional survey in nature where the researcher investigated on strategic management best practices and challenges in selected private hospitals in Nairobi. Descriptive research according to Kothari (2004) is a powerful form of quantitative analysis. This design is preferred because it enables the researcher describe the area of research and explain the collected data in order to investigate the differences and similarities with our frame of reference within a given period of time (time of research).

In addition, the method permits gathering of data from the respondents in natural settings resulting in a description of the data, whether in words, pictures, charts, or tables. Moreover, much of the data to be collected from the respondents was be quantitative in nature. It also produces a comprehensive basis of analysis of data using descriptive statistics.

3.2 Target Population

The researcher targeted all small and medium private hospitals in Nairobi. According to Kenya Medical Association directory (2009/2010), there are 322 small and medium size private hospitals and nursing homes in Kenya out of which 68 are situated in Nairobi.

3.3 Sampling Design and Sample Size

The researcher sampled out 25 private hospitals that were within Nairobi Province. Systemic random sampling was be used to select the 25 private hospitals out of 78 in Nairobi. This gave all the hospitals in the sample frame probability of inclusion in the study hence reduce subjectivity and bias for a more credible generalization of the study.

3.4 Data Collection

The researcher used primary sources to collect the data. This consisted of a semi structured questionnaire comprising of both open-ended and close-ended questions. Open ended questions were addressing the essential concepts, processes, and skills that go beyond the specifics of instruction as well as those areas that the researcher would wish to get deeper explanation from the respondents. At the same time, these questions encouraged the respondents to give a full, meaningful answer using their own knowledge and/or feelings on strategic management.

Close ended questions on this study enabled the researcher to capture quick information from the respondents as well as those that are express in meaning and thus did not require explanations beyond what is stated. These set of questions also assisted the researcher in saving time for data collection. The targeted respondents from each of the respondent firm included the general managers or the head of strategy. Either of these respondents was in a position to give relevant responses on strategic management best practices in their respective firms.

3.5 Data Analysis

Data collected from respondents was both quantitative and qualitative in nature. Quantitative data was analyzed using the descriptive tools frequencies, mean scores and the standard deviations. The basis of using descriptive approach was to give a basis for determining the weights of the variables under the study. The findings were then presented using tables, pie charts, and bar graphs for easier interpretation.

On the other hand, qualitative data was analyzed using content analysis. This analysis enabled the researcher to analyze the data that was not quantitative in nature. At the same time the method allowed respondents to express their feelings on certain issues to the extent that they felt they are relevant to strategic management best practices as compared to the quantitative analysis.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter discusses the data analysis, findings, presentation and interpretation. The main objective of the study was to establish how strategies were formulated and implemented in hospitals in Nairobi and its surroundings. One set of questionnaire was used to collect the data. The respondents were the employees in the hospitals mostly in management, accounts and personnel department. The response rate was 92 percent. The chapter is organized into two sections, the first deals with demographic information, and then presentations based on the research questions. Frequency distribution tables were used to present data while percentages were used to discuss the findings. The presentations of the research findings of the study attempted to answer the research questions.

4.2 Research Findings

Small and medium size private hospitals in Nairobi were studied with an aim of identifying if they have employed strategic management best practices and the challenges they face in this institutions. The analysis looked at specific strategic management best practices and my research findings are contained in the following sections.

4.2.1 Demographic information

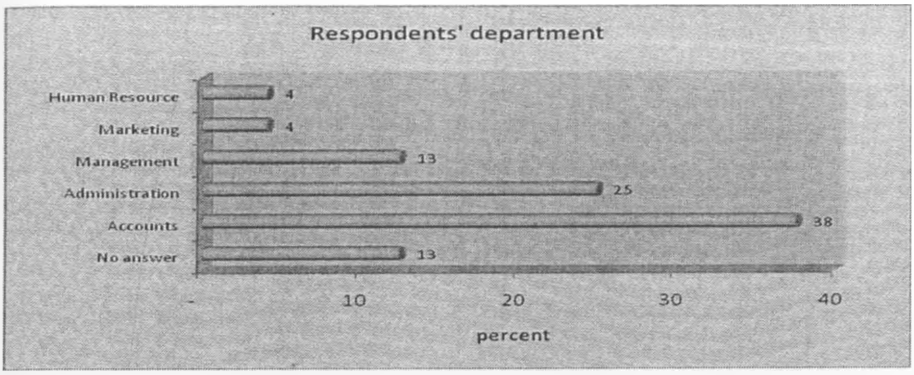

Figure 4.1 Illustrates respondents department

Source: Research data

Regarding the departments which the respondents worked in, majority (38 percent) of the respondents worked in accounts department, 25 percent worked in administration and 13 percent worked in management. In addition, 4 percent worked in human resource department and 4 percent in marketing department. Information on department of the respondent was important to verify that targets respondents had the relevant knowledge to answer the research questions.

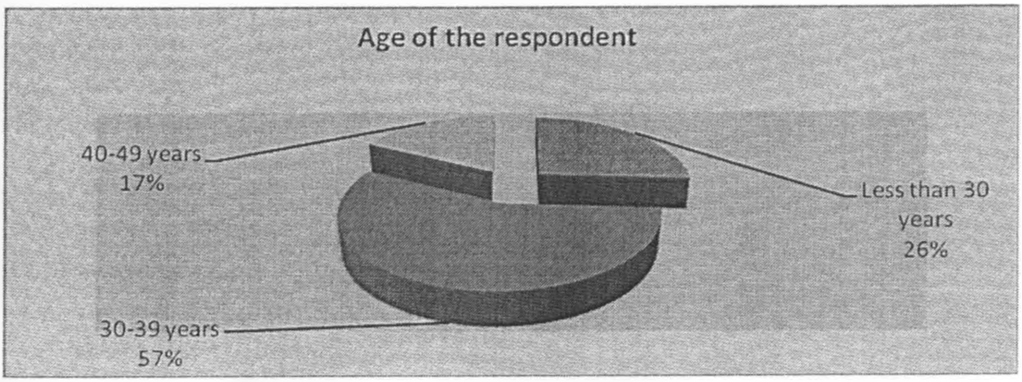

Figure 4.2 Illustrates age of the respondents

Source: Research data

The Research sought to know the age of the respondents. According to the findings, majorities (57 percent) of the respondents were aged between 30-39 years, 26 percent were aged less than 30 years and 17 percent were aged 40-49 years. This is an indication that, majority of the respondents were aged over 30 years, implying the most appropriate age brackets for personnel in the management.

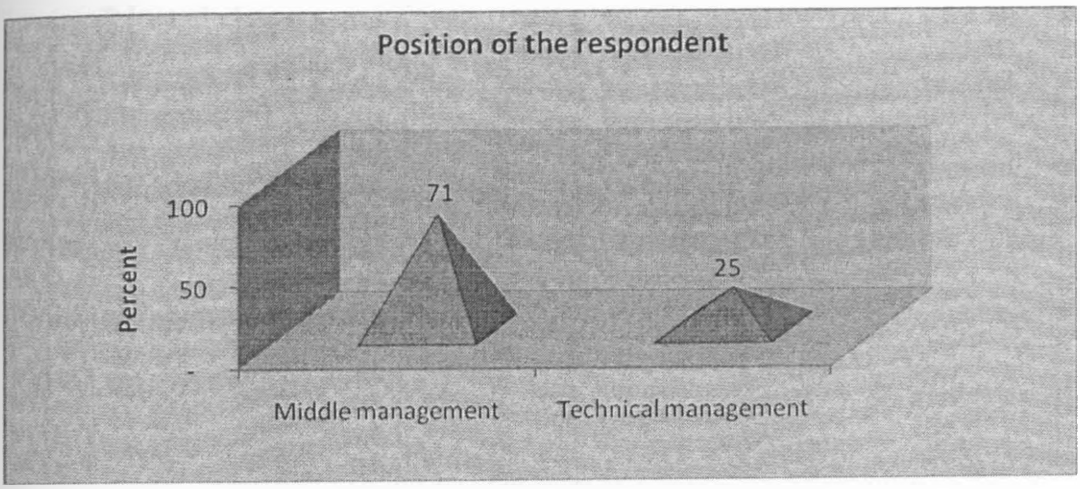

Figure 4.3 Illustrates position of the respondents

Source: Research data

Regarding the position which the respondents held, majorities (71 percent) of the respondents were in middle management while 25 percent of the respondents held technical management. This is an indication that majority of managers in small and medium hospitals are in the middle level of management.

Table 4.1 Illustrates the respondents' level of education

Level of education		
	Frequency	Percent
Diploma	14	58
Under graduate	9	38
Total	**23**	**100**

Source: Research data

The research sought to find out the respondents' level of education. According to the findings majorities (58 percent) of the respondents had achieved a diploma while 38 percent had achieved a degree. The results indicates that, majority of middle level management personnel in small and medium hospitals have at least diploma certificates

Table 4.2 Illustrates the period which the respondents had been working in their respective organizations

Period the respondent have been working in the organization		
	Frequency	Percent
Less than 3 years	7	29
3 to 5 years	3	13
6 to 8 years	10	42
9 to 11 years	3	13
Total	**23**	**100**

Source: Research data

Regarding the period which the respondents had been working in their respective organizations, majority (42 percent) of the respondents had worked for 6-8 years, 29 percent had worked for less than 3 years, 13 percent for 3-5 years and 13 percent for 9-11 years. This shows that the respondents chosen had the right information since they had worked in their respective organizations for a lengthy time. This is an indication that majority of managers in small and medium hospitals in Nairobi have served in their respective organizations for at least 6 years, a duration that had made them familiar enough with the strategic management best practices their organization were involved in.

4.2.2 Vision and mission of the organization

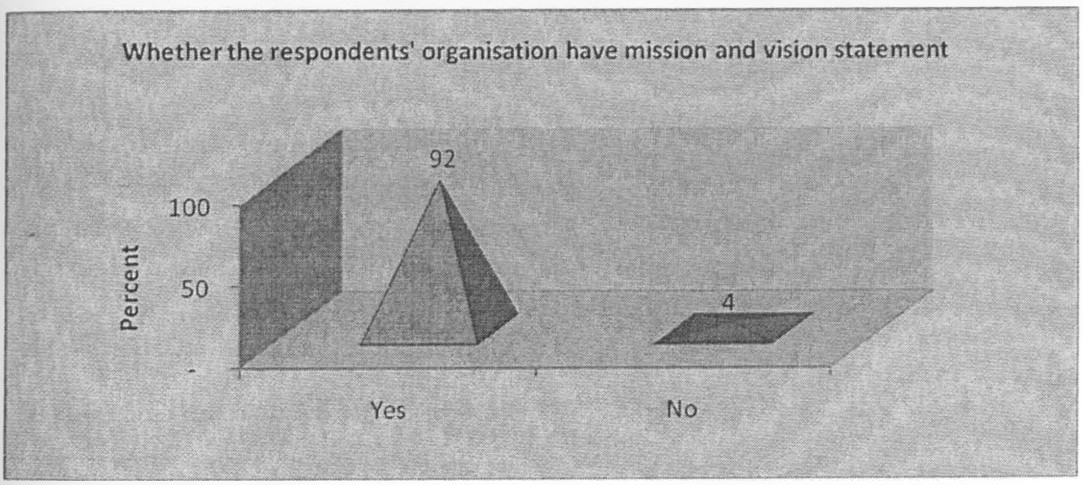

Figure 4.4 Illustrates whether the respondents' organizations have a mission and vision statement.

Source: Research data

The research sought to know if the respondents' organizations had a mission and vision statement. According to the findings, majority (92 percent) claimed that their organizations had a mission and vision statement while 4 percent did not have. This implies that most of the small and medium hospitals have established mission statements for their firms.

4.2.3 Organizations' objectives

Regarding if there were objectives set for the respondents' organization, all (100 percent) the respondents agreed that there were objectives set in their organizations. This clear indicates that every firm has to formulate its organization objectives regardless of the size for strategic management best practices.

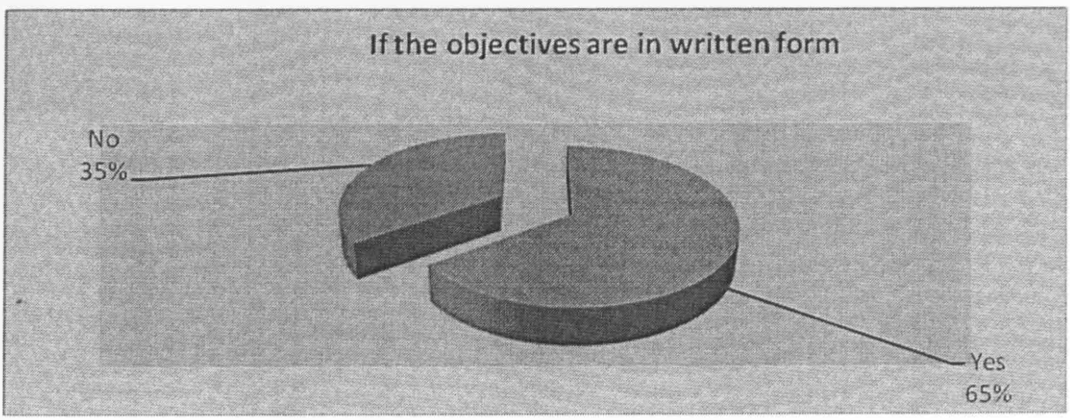

Figure 4.5 Illustrates if the objectives were written form

Source: Research data

Concerning if the objectives were written form, majority (65 percent) of the organizations had written objectives while 35 percent of the organizations, their objectives were not written. This is an emphasis that written objectives are enhanced more effectively than non-written objectives. Based on the arguments by Robbins and Coulter (1996), the main functions of strategic management are identifying the organization's current mission, objectives, and strategies, analyzing the environment, identifying the opportunities and threats, analyzing the organization's resources, identifying the strengths and weaknesses, formulating and implementing strategies as well as monitoring and evaluating results.

4.2.4 Strategy formulation

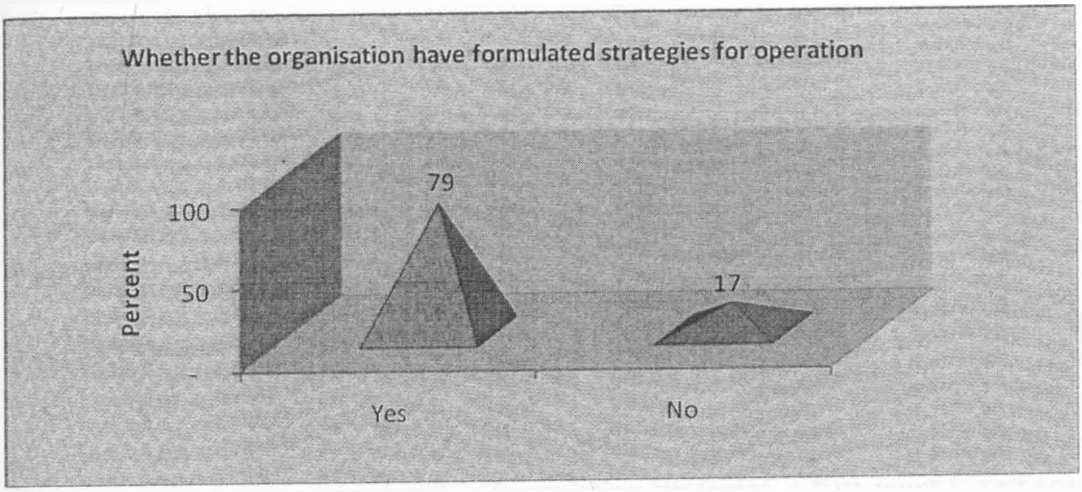

Figure 4.6 Illustrates whether the organizations had formulated strategies for operation

Source: Research data

Regarding if the organizations had formulated strategies for operation, majority (79 percent) of the organizations had formulated strategies for operation while 17 percent had not. This is an indication that majority of the small and medium private hospitals have moved to a step of formulating strategies.

Table 4.3: Factors considered in formulating strategies

Factors considered in formulating strategies							
	Never	Seldom	Occasionally	Frequently	Always	Mean	Std Dev
Political and legal development	50	29	4	8	4	1.75	1.16
General economics tread	21	-	38	4	33	3.17	1.60
Competitors	-	-	13	42	42	4.13	1.09
Market treads	-	-	17	38	42	4.08	1.11
Technological changes	-	8	42	25	21	3.46	1.15
Social and cultural treads	8	29	17	13	29	3.13	1.51
Organizations internal resources	8	-	21	29	38	3.75	1.39
Customer services	-	-	8	8	79	4.54	1.12
Marketing mix	8	13	-	38	38	3.71	1.49

Source: Research data

Concerning the factors considered in formulating strategies, a five-point Likert scale was used to analyze to which extent the factors were considered. There were five levels of extent where never was given 1 point, seldom was given 2 points and occasionally was given 3 points. In addition, frequently was given 4 points and always was given 5 points. The mean and standard deviation of the various factors was used.

Political and legal development with a mean of 1.75 and standard deviation of 1.16 was seldom considered in formulating strategies. General economics treads, social and cultural treads and technological changes with a mean of 3.17, 3.13, and 3.46, standard deviation of 1.60, 1.51 and 1.15 respectively were occasionally considered in formulating strategies. In addition, competitors, market treads, organizations internal resources and marketing mix with a mean of 4.13, 4.08, 3.75 and 3.71, standard deviation of 1.09, 1.11, 1.39 and 1.49 respectively were frequently considered in formulating strategies. The organizations always considered Customer services with a mean of 4.54 and standard deviation of 1.12 when formulating strategies.

4.2.5 Strategy implementation

Regarding if the organizations prepared annual budgets, all (100 percent) of the organizations confirmed that they prepared annual budgets. This is an indication that budgeting is an imperative to for strategic management practices. Nonetheless, budgeting tools have limited use in the implementation of strategies as they are dominated by monetary based measures and due to their size and the game playing associated budget setting although they are a powerful tool for communication (Reed and Buckley 1988).

Table 4.4 Illustrates if the organizations prepared budgets for all activities.

If budgets are prepared for all activities		
	Frequency	Percent
Yes	20	83
No	3	13
Total	23	100

Source: Research data

The research sought to find out if the organizations prepared budgets for all activities. According to the findings majority (83 percent) of the organizations prepared budgets for all activities while 13 percent did not.

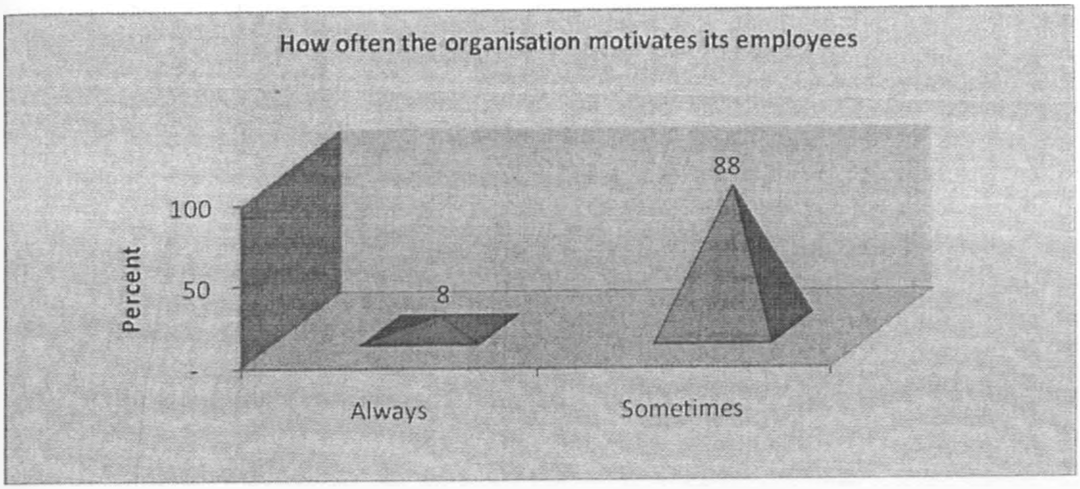

Figure 4.7: How often the organization motivates its employees

Source: Research data

Regarding how often the organizations motivated their employees, majority (88 percent) of the organizations motivated their employees sometimes while 8 percent motivated their employees always.

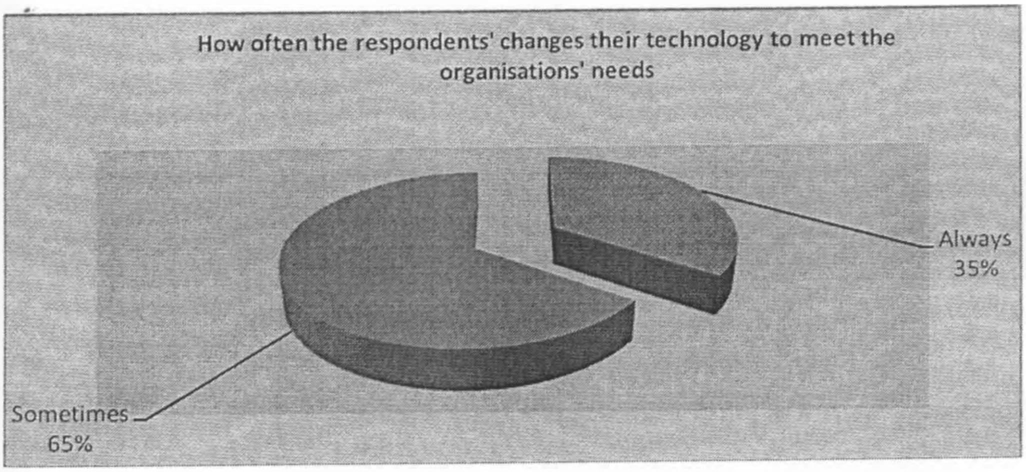

Figure 4.8 Illustrates how often the respondents changed their technology to meet the organizations needs

Source: Research Data

The research sought to know how often the respondents changed their technology to meet the organizations needs. According to the findings, majority (65 percent) of the respondents sometimes changed their technology to meet the organizations needs while 35 percent always changed their technology to meet the organizations needs. This is an indication that, majority of small and medium hospitals does adequately change their technology to meet the organizational needs. This is, however, contrary to Porter (1985) assertions that, technology as one of the four support strategic activities should be responded to always. Other imperative supportive activities are the firm's infrastructure; human resource management as well as procurement. The value chain provides a view of the firm's internal bases for competitive advantage. From this point, the firm's status is compared to benchmark standards, which include: a comparison with the firm's past performance, the current stage of product/market evolution, a comparison against the competition, and a comparison with the key success factors within the industry.

Table 4.5 Illustrates whether the respondents' organizations were changed to cater for new strategies

If the respondents' organizations were changed to cater for new strategies		
	Frequency	**Percent**
Yes	18	75
No	5	21
Total	**23**	**100**

Source: Research data

Regarding if the respondents' organizations were changed to cater for new strategies, majority (75 percent) were changed to cater for new strategies while 21 percent were not changed. This indicates that the majority of small and medium sized hospitals are changed to cater for new strategies

Table 4.6: Who champions the identification and implementation of strategic issue in the respondents' company?

Who champions the identification and implementation of strategic issue in the respondents' company							
	Least responsible	Less responsible	Responsible	More responsible	Most responsible	Mean	Std Dev
Chief Executive Officer	17	4	21	13	42	3.46	1.63
General Managers	-	8	42	17	29	3.54	1.22
Business Managers	13	-	46	21	17	3.17	1.31
Supervisors	13	4	25	17	38	3.50	1.53
Consultants	13	4	29	13	38	3.46	1.53

Source: Research data

Concerning who championed the identification and implementation of strategic issues in the respondents' organization, a five-point likert scale was used to analyze to which extent the factors were considered. There were five levels of the extent of being responsible where least responsible was given 1 point, less responsible was given 2 points and responsible was given 3 points. In addition, more responsible was given 4 points and most responsible was given 5 points. Chief executive officer, business managers and consultants with a mean of 3.46, 3.17 and 3.46, standard deviation of 1.63, 1.31 and 1.53

respectively were responsible in identification and implementation of strategic issues in the respondents' organization.

In addition, general managers and supervisors with a mean of 3.54 and 3.50, standard deviation of 1.22 and 1.53 respectively were more responsible in identification and implementation of strategic issues in the respondents' organizations.

Strategy formulation and implementation are said critical in strategic management best practices. Indeed, managers are advised to give the two a balanced space in their strategic practices. Grundy (1998) indicated the importance of strategic management best practices by asserting that, strategic management should accomplish its very own shift of emphasis by moving from a 90:10 concern with strategy formulation relative to implementation to a minimum 50:50 proportion with each.

4.2.6 Outsourcing

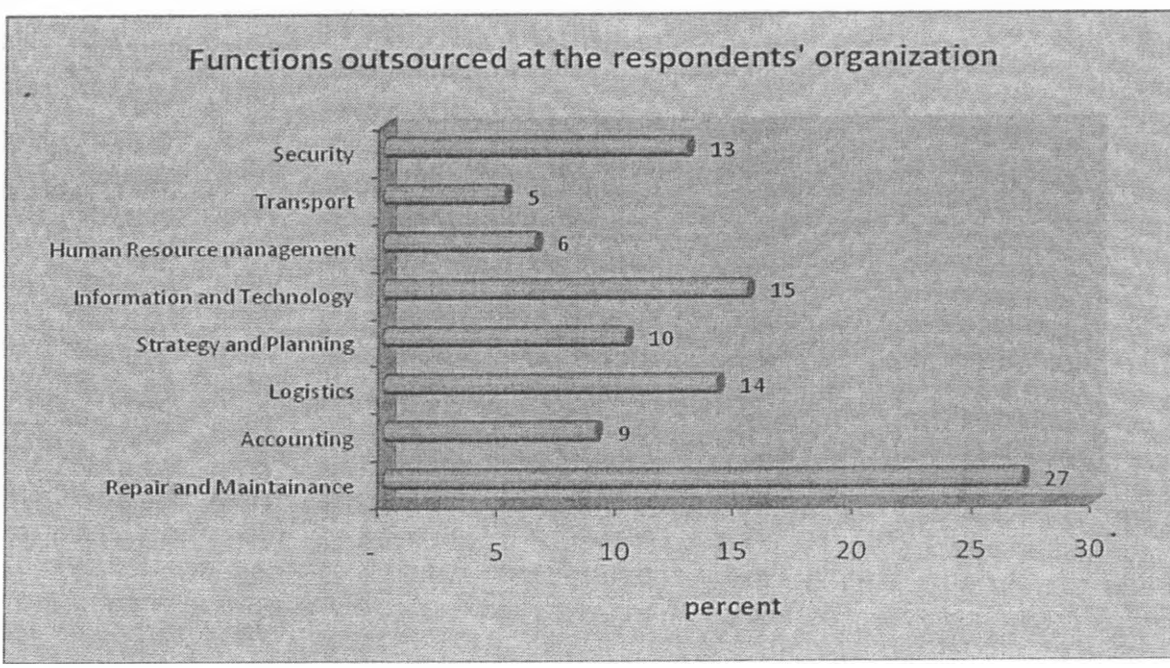

Figure 4.9 Illustrates the functions outsourced at the respondents' organizations

Source: Research data

Regarding the functions outsourced at the respondents' organizations, majority (27 percent) of the organizations outsourced repair and maintenance, 15 percent outsourced information and technology and 14 percent outsourced logistics. In addition, 5 percent outsourced transport, 6 percent outsourced human resource management and 9 percent outsourced accounting. This shows that repair and maintenance is outsourced most of small and medium hospitals while transport was outsourced least. This also designate that most of the strategic management best practices in small and medium hospitals are in-sourced.

Table 4.7 Illustrates the factors which influenced on outsourcing decisions

	Influence on outsourcing decisions						
	Not at all	**Less extent**	**Moderate extent**	**Great extent**	**Very great extent**	**Mean**	**Std Dev**
Increase productivity	25	8	42	21	-	2.50	1.19
Concentrate on core activity	8	33	29	13	13	2.75	1.27
Increase capacity	38	-	29	25	4	2.46	1.41
Cost	25	25	4	29	13	2.67	1.52
Technology	8	-	75	4	8	2.92	1.04
Lack of man power	50	21	21	-	4	1.75	1.09
Efficiency	8	-	50	21	17	3.25	1.23
Speed	21	4	29	17	25	3.08	1.55

Source: Research data

The research sought to know the factors which influenced on outsourcing decisions. To analyze the factors, a five-point likert scale was used to show to which extent the factors influenced on outsourcing decisions. The five levels of extent were, not at all which was given 1 point, less extent which was given 2 points and moderate extent which was given 3 points. In addition, great extent was given 4 points and very great extent was given 5 points.

Lack of man power and to increase capacity with a mean of 1.75 and 2.46, standard deviation of 1.09 and 1.41 respectively to a less extent influenced on outsourcing decisions. To increase productivity, to concentrate on core activity and cost with a mean of 2.50, 2.75 and 2.67, standard deviation of 1.19, 1.27 and 1.52 respectively to a moderate extent influenced on outsourcing decisions. In addition, technology, efficiency and speed with a mean of 2.92, 3.25 and 3.08, standard deviation of 1.04, 1.23 and 1.55 respectively to a moderate extent influenced on outsourcing decisions. This is an indication that, none of the strategic activities largely influence outsourcing decision, an affirmation that seldom is outsourcing practiced in small and medium hospitals.

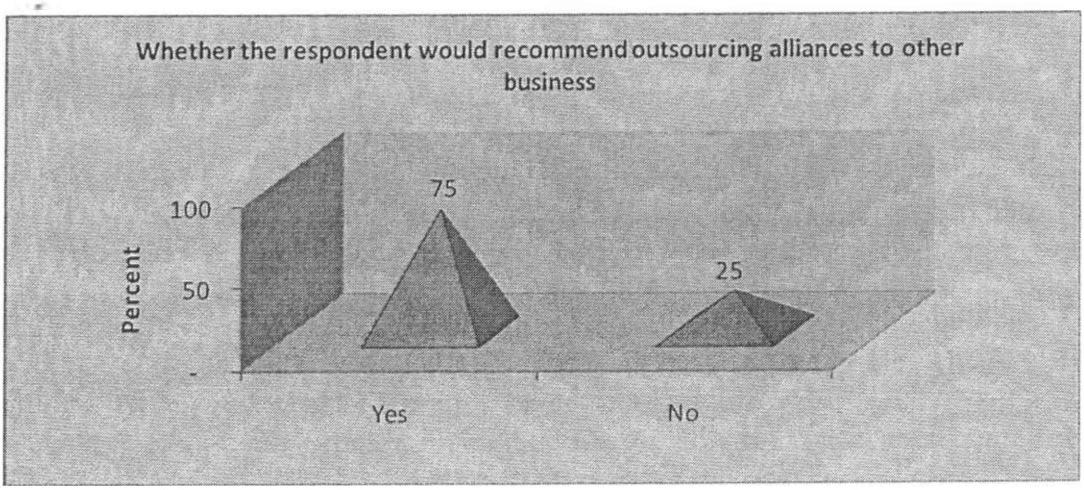

Figure 4.10: Whether the respondent would recommend outsourcing alliances to other business

Source: Research data

Concerning whether the respondent would recommend outsourcing alliances to other businesses, majority (75 percent) of the respondents said they would recommend while 25 percent said they would not recommend.

Table 4.8 Illustrates the reasons for outsourcing

Reasons for outsourcing							
	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Mean	Std Dev
Lack of in house expertise	13	17	25	25	17	3.04	1.40
High administration cost	21	33	21	17	4	2.38	1.22
Improved company focus	33	17	25	21	-	2.25	1.23
High operational cost	13	25	29	21	8	2.75	1.27
Lack of time	4	33	29	25	4	2.79	1.12
To improve efficiency	42	42	4	8	-	1.71	0.93
Management style	17	33	38	8	-	2.29	0.98
Business environment	17	21	42	17	-	2.50	1.08

Source: Research data

Regarding the reasons for outsourcing in different organizations, a five-point likert scale was used to analyze the reasons. There were five levels of agreement where strongly agree was given 1 point, agree was given 2 points and neutral was given 3 points. In addition, disagree was given 4 points and strongly disagree was given 5 points.

The respondents were neutral on lack of in house expertise with a mean of 3.04 and standard deviation of 1.40 as a reason for outsourcing. The respondents agreed that high administration cost, improved company focus and high operational cost with a mean of 2.38, 2.25 and 2.75, standard deviation of 1.22, 1.23 and 1.27 respectively were reasons for outsourcing in an organization. In addition, the respondents also agreed that lack of time, to improve efficiency, management style and business environment with a mean of 2.79, 1.71, 2.29 and 2.50, standard deviation of 1.12, 0.93, 0.98 and 1.08 respectively were reasons for outsourcing.

4.2.7 Performance contracting

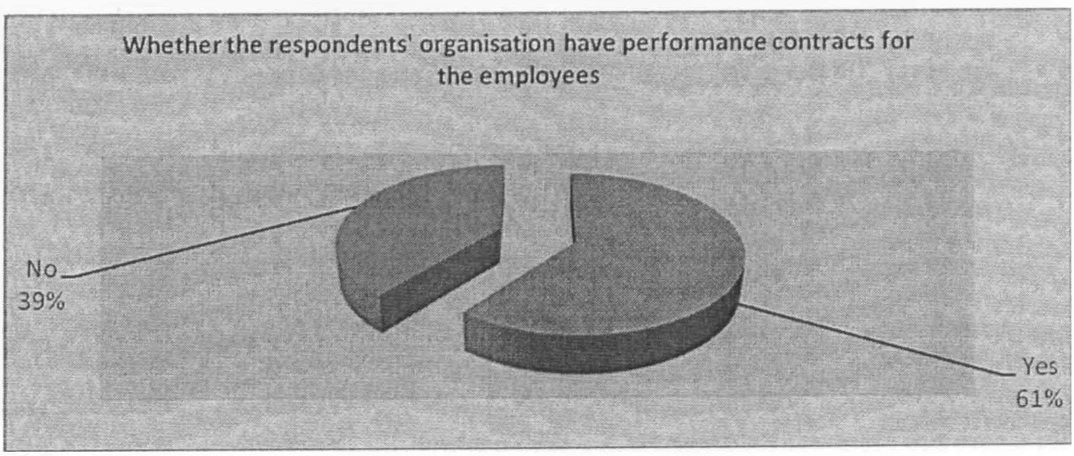

Figure 4.11: Whether the respondents' organization have performance contacts for the employees

Source: Research Data

The research sought to know if the organizations had performance contacts for their employees. According to the findings majority (61 percent) of the organizations had performance contacts while 39 percent did not have performance contacts. This indicates that performance contracts are practiced in small and medium hospitals.

Table 4.9 Illustrates the effectiveness of performance contacts in improving performance

Effectiveness of performance contacts in improving performance							
	Not effective	Mildly effective	Fairly effective	Very effective	Most effective	Mean	Std Dev
Productivity	-	13	46	29	8	3.21	1.04
Employees motivation	-	25	54	17	-	2.79	0.87
Teamwork	-	8	63	25	-	3.04	0.84
Training	-	13	38	46	-	3.21	0.96
Efficiency	-	13	38	46	-	3.21	0.96
Management style	-	4	54	38	-	3.21	0.87

Source: Research data

Regarding the effectiveness of performance contacts in improving performance, a five-point likert scale was used to analyze them. There were five levels of effectiveness, where not effective was given 1 point, mildly effective was given 2 points and fairly effective was given 3 points. In addition, very effective was given 4 points and most effective was given 5 points.

Productivity, employees' motivation and teamwork with a mean of 3.21, 2.79 and 3.04, standard deviation of 1.04, 0.87 and 0.84 respectively were mildly effective in improving performance. In addition, training, efficiency and management style with a mean of 3.21, 3.21 and 3.21, standard deviation of 0.96, 0.96 and 0.87 respectively were mildly effective in improving performance. The results indicate that productivity is improved to a large extent through performance contracting for strategic management best practices in small and medium hospitals.

Table 4.10: Measures that the respondents' department takes to ensure that all the staffs are motivated to meet the requirements of the performance contract

Measures that the respondents' department takes to ensure that all the staff are motivated to meet the requirements of the performance contract		
	Frequency	**Percent**
Provision of minimum supervision at work	5	21
Better remuneration and other incentives	13	54
Frequent promotion	5	21
Total	**23**	**100**

Source: Research

The research sought to know the measures that the respondents' department takes to ensure that all the staffs are motivated to meet the requirements of the performance contact. According to the findings, majority (54 percent) of the respondents' departments provided better remuneration, 21 percent provided minimum supervision at work and 21 percent provided frequent promotions. This implies that the best practice to motivate employees on performance contracts is better pay.

Performance contracts had been indicated as effective tools for strategic management best practices in organizations. According to Arthur *et al,* (1992), the contract for strategic management has to be the real basis for designing incentive; evaluating individual's efforts and handing out reward .to prevent undermining the "managing with objectives" approach of strategy implementation, a manager must insist that actual performance be judged against the contract for the target objective.

4.2.8 Value chain management

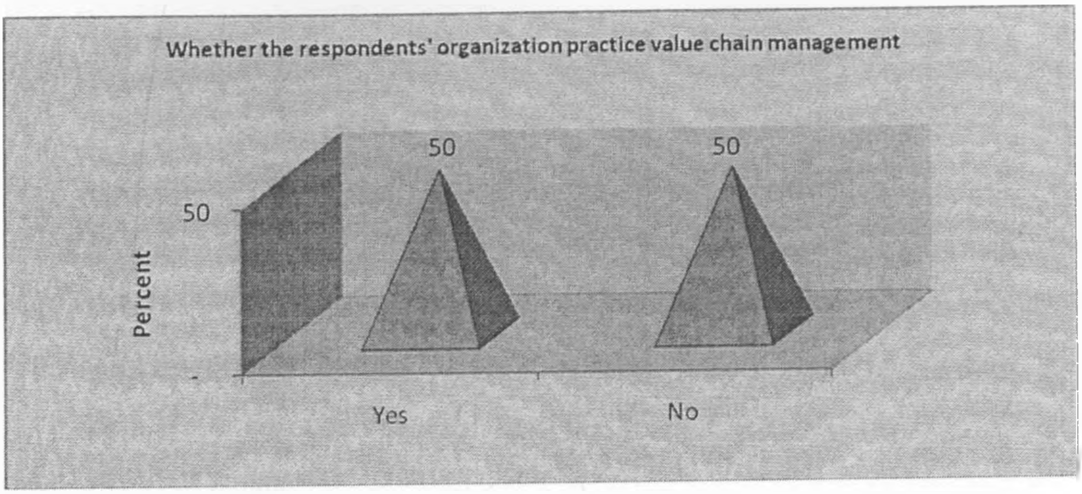

Figure 4.12: Whether the respondents' organization practice value chain management

Source: Research data

Regarding whether the organizations practiced value chain management, half (50 percent) of the respondents practiced value chain management while 50 percent did not. This is an indication that value chain management is practiced by half of the small and medium hospitals in Kenya.

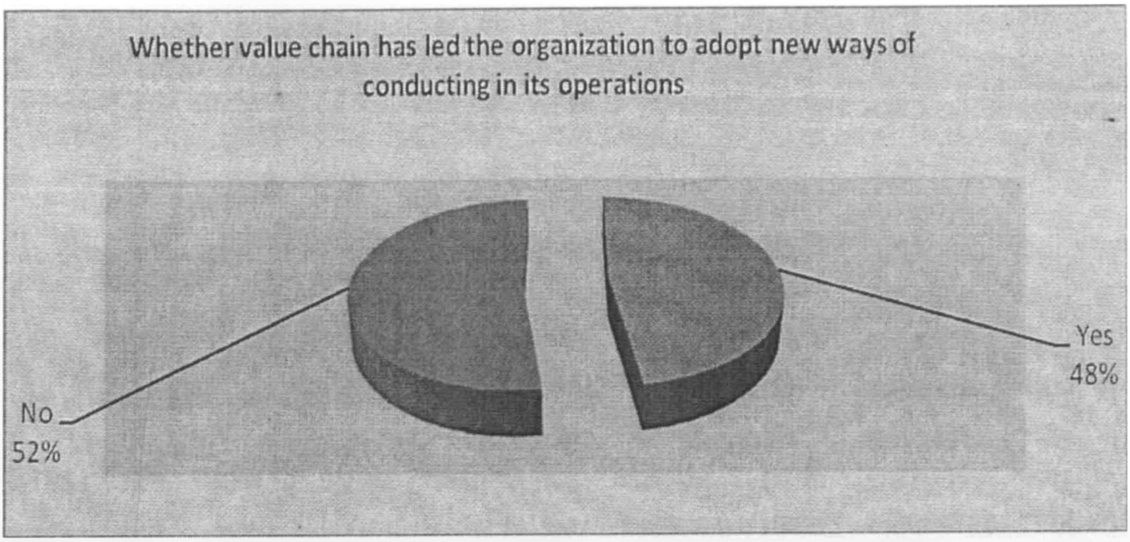

Figure 4.13: Whether value chain has led the organization to adopt new ways of conducting in its operation

Source: Research data

Concerning if the value chain management had led the organization to adopt new ways of conducting in its operations, majority (52 percent) of the organizations had adopted new ways of conducting in its operations while 48 percent had not adopted new ways. This implies that value chain has little influence on the small and medium hospitals practice to adopt new ways of conducting in its operation.

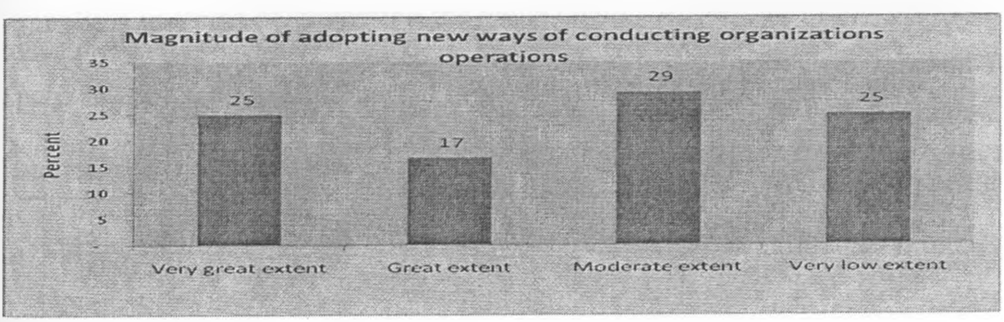

Figure 4.14 Illustrates the magnitude of adopting new ways of conducting operations in organizations

Source: Research data

Regarding the magnitude of adopting new ways of conducting operations in organizations, majority (29 percent) of the organizations to a moderate extent adopted new ways, 25 percent adopted new ways to a very great extent, 25 percent to very low extent adopted new ways and 17 percent to a great extent adopted new ways.

Table 4.11: The relationship of the respondents' organization and the suppliers in terms of governing the value chain

The relationship of the respondents' organization and the suppliers in terms of governing the value chain		
	Frequency	Percent
Balanced networks	10	42
Captive networks	1	4
Hierarchy	8	33
Market relations	4	17
Total	23	100

Source: Research data

The research sought to know the relationship of the respondents' organization and the suppliers in terms of governing the value chain. According to the findings, majority (42 percent) of the organizations had balanced networks, 33 percent had hierarchy, 17 percent had market relations and 4 percent had captive networks. This indicates that balanced networks relates the small and medium hospitals with their suppliers.

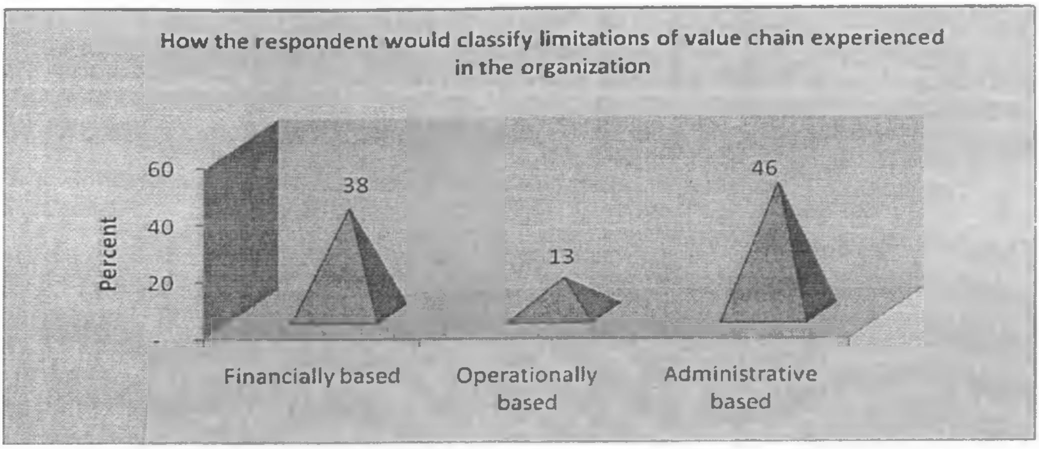

Figure 4.15 Illustrates how the respondents would classify limitations of value chain experienced in the organizations

Source: Research data

Regarding how the respondents would classify limitations of value chain experienced in the organizations, most (46 percent) of the respondents classified the limitations as administrative based, 38 percent were classified as financially based and 13 percent were classified as operationally based. This is an indication that, administrative factors crop out as the biggest challenge in practice of value chain in small and medium hospitals in Kenya.

Despite the little practice of value chain management in small and medium hospitals, the aspects remain a critical strategic management practice for an organization's survival. According to Porter (1985), company's value chain of interdependent activities is connected by linkages which exist when the way in which one activity is performed affects the cost of effectiveness of other activities. Porter (1985) contends that, at the business unit level, there are nine strategic activities including value chain. How well these activities are performed may determine the firm's competitive advantage.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of the Study and Findings

The purpose of this study was to establish how strategies were formulated and implemented in hospitals in Nairobi and its surroundings. The first research question sought to establish the mission and vision of the organizations. This showed the main purpose of existence of the organizations. Other research question sought to establish how the various hospitals formulated strategies for operation and the main factors which were considered by the management of the hospitals in formulation of the strategies. The findings revealed that competitors, market tread, organizations internal resources, customer services and marketing mix were the factors which were frequently considered while formulating strategies.

The findings also revealed that political and legal development was seldom considered while formulating the organizations' strategies. Descriptive research design was used. The sample consisted of 25 respondents from 78 different hospitals. The return rate was 98 percent. The instrument used was validated by conducting pre-test among 3 different hospitals. To ensure reliability test-retest was used for the likert type items. Data was analyzed using descriptive statistics then presented in tables and graphs.

The majority (38 percent) of the respondents worked in accounts department, 25 percent worked in administration. Majorities (57 percent) of the respondents were aged between 30-39 years, 26 percent were aged less than 30 years. 71 percent of the respondents were in middle management. Majorities (58 perc4ent) of the respondents had achieved a diploma while 38 percent had achieved a degree. 42 percent of the respondents had worked for 6-8 years, 29 percent had worked for less than 3 years.

Majority (92 percent) confirmed that their organizations had a mission and vision statement. All (100 percent) the respondents agreed that there were objectives set in their organizations. Majority (65 percent) of the organizations had written objectives.
Majority (79 percent) of the organizations had formulated strategies for operation. The organizations always considered Customer services with a mean of 4.54 and standard deviation of 1.12 when formulating strategies. General economics treads and technological changes with a mean of 3.17and 3.46, standard deviation of 1.60 and 1.15 respectively were occasionally considered in formulating strategies.

All (100 percent) of the organizations confirmed that they prepared annual budgets. Majority (83 percent) of the organizations prepared budgets for all activities. Majority (88 percent) of the organizations motivated their employees sometimes while 8 percent motivated their employees always. 65 percent of the respondents sometimes changed their technology to meet the organizations needs. 75 percent of the organizations were changed to cater for new strategies. General Managers with a mean of 3.54 and standard deviation of 1.22 was more responsible in identification and implementation of strategic issues in the respondents' organization.

27 percent of the organizations outsourced repair and maintenance and 9 percent outsourced accounting. Speed with a mean of 3.08 and standard deviation of 1.55 to a moderate extent influenced on outsourcing decisions. Majority (75 percent) of the respondents would recommend outsourcing alliances to other businesses. The respondents agreed that to improve efficiency with a mean of 1.71 and standard deviation of 0.93 was the main reason for outsourcing. 61 percent of the organizations had performance contacts for their employees. Management style with a mean of 3.21 and standard deviation of 0.87 was mildly effective in improving performance. 54 percent of the respondents' departments provided better remuneration to ensure that all the staffs were motivated to meet the requirements of the performance contact. Half (50 percent of the respondents practiced value chain management. 52 percent of the organizations had adopted new ways of conducting in its operations and 29 percent of the organizations to a moderate extent adopted the new ways. Majority (42 percent) of the organizations had balanced networks. 46 percent of the respondents classified the limitations of value chain experienced in the organizations as administrative based.

5.2 Conclusion

Based on the findings, it was concluded that most hospitals had a mission and vision statement and written objectives. In addition, most of the organizations had formulated strategies for operation. Competitors, market tread, organizations internal resources, marketing mix and customer services were the factors mostly considered when formulating strategies in the organizations.

Most of the organizations prepared annual budgets for all activities. Majority of the organizations motivated their employees. The respondents sometimes changed their technology to meet the organizations needs. Most organizations were changed to cater for new strategies. General Managers and supervisors were more responsible in identification and implementation of strategic issues in the organizations. The most outsourced activities included repair and maintenance. High administration cost, improved company focus and high operational cost were the main reasons for outsourcing in an organization.

Most organizations had performance contacts for their employees. Productivity, employees' motivation and teamwork were mildly effective in improving performance. Most of the departments provided better remuneration to ensure that all the staffs are motivated to meet the requirements of the performance contact. Most organizations practiced value chain management which had led them to adopt new ways of conducting their operations.

5.3 Recommendations

Hospitals operate in a very dynamic environment with conflicting needs from their customers, insurance companies, shareholders expectations and the government. In order to meet this challenge following recommendations have been suggested, Government and other policy makers should ensure that, all hospitals have a mission and vision statement and written objectives which helps them in achieving their mission. All organizations should have formulated strategies for operation.

Political and legal development should not be considered when formulating strategies. The organizations should be encouraged to prepare budgets for all activities. This can be done effectively if they seek professionalism of a cost accountant.

Employees should be motivated from time to time and encouraged to change their technology so as to meet the organizations needs. Organizations should be changed to cater for new strategies. All the stakeholders should be encouraged to identify and implement strategic issues in the organizations. Organizations should be encouraged to outsource the functions which require a lot of administration cost and high operational cost. Organizations should have performance contacts for their employees so as to improve on performance.

5.4 Limitation of the Study

The aim of the study was establish strategic management best practices in small and medium size private hospitals in Nairobi. Only such hospitals in Nairobi were targeted for data collection. At the same time reference and comparisons made were mainly from studies done in other countries since no previous research has been done exactly on this topic in Kenyan hospitals

5.5 Suggestion for Further Research

The study also suggested areas for further study; a study needs to be carried in other parts of the country to find out whether the same results will be obtained. A study should be carried out to find out if the Government has any programmes to empower hospitals on strategic management best practices.

5.6 Implication on Policy and Practice

This document should serve as a starting point for formulating or coming up with strategic management best practices specific to small and medium size private hospitals. On practices small and medium size private hospitals should engage in best practices activity again and again, for the purpose of improving or mastering them.

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Nairobi, Kenya

DATE 06/08/10

TO WHOM IT MAY CONCERN

The bearer of this letter George M. Kuria

Registration No: D61/70358/2007

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
P. O. Box 30197
NAIROBI

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

APPENDICES

Appendix I: Letter of Introduction

University of Nairobi

School of business

P.O. Box 301907

Nairobi

Dear Respondents,

RE: COLLECTION OF RESEARCH DATA

I am a post graduate student at University of Nairobi school of Business, in order to fulfil the MBA requirement I am undertaking a research on strategic management best practices in small and medium size hospital in Nairobi.

The research is purely for academic purposes the information given shall be kept strictly confidential. This study may come up with some suggestions which could be useful to your organization; a copy of the final study may be available to you on request once the study is complete.

Thanks

Yours faithfully,
Mwangi G. Kuria

University Supervisor
Dr. Z. B. Awino

Appendis II: Questionnaire

PART A: DEMOGRAPHIC INFORMATION

1) Respondents name (Optional)..
2) Name (Optional)..
3) Department of the respondent...

Age in years

Less than 30 years	[ ]	50 – 59	[ ]
30 – 39	[ ]	60 years and above	[ ]
40 – 49	[ ]		

4) Position

Top management	[ ]	Technical management	[ ]
Middle management	[ ]	Subordinate staff	[ ]

Any other (Kindly specify) ....

5) Level of education

Secondary Certificate	[ ]	Undergraduate	[ ]
Diploma	[ ]	Postgraduate	[ ]

Any other (Kindly specify) ....

6) For how long have you been working in your current organization?

Less than 3 years	[ ]	9 to 11 years	[ ]
3 to 5 years	[ ]	12 years and above	[ ]
6 to 8 years	[ ]		

PART B: VISION AND MISSION

7) Do you have a mission and vision statements (purpose of existence) for your organization?

Yes [ ] No [ ]

PART C: OBJECTIVES

8) Do you have objectives set for your organization?

Yes [ ] No [ ]

Are these objectives in written form?

Yes [ ] No [ ]

PART D: STRATEGY FORMULATION

9) Has your organization formulated strategies for operation?

Yes [ ] No [ ]

10) Indicate the extent to which the following factors are considered in formulation of strategies: Kindly tick where appropriate using the following 5 – point Likert scales

Never-1; Seldom-2; Occasionally-3; Frequently-4; Always-5

	Factors	Never	Seldom	Occasionally	Frequently	Always
(a)	Political and Legal developments					
(b)	General Economic trends					
(c)	Competitors					
(d)	Market trends					
(e)	Technological changes					
(f)	Social and Cultural trends					
(g)	Organizations internal resources					
(h)	Customer services					
(i)	Marketing mix					

PART E: STRATEGY IMPLEMENTATION

11) Do you prepare annual estimates of operation (budgets)?

Yes [ ] No [ ]

12) Do you prepare budgets for all activities?

Yes [ ] No [ ]

13) How often do you motivate your employees?

Always [ ] Sometimes [ ] Never [ ]

14) How often do you change your technology to meet your organization's needs?

Always [ ] Sometimes [ ] Never [ ]

15) Is your organization's structure changed to cater for new strategies?

Yes [ ] No [ ]

16) If yes, how often is your organization's structure changed to cater for new strategies

Always [ ] Sometimes [ ] Never [ ]

17) Who champions the identification and implementation of strategic issues in your company?

(NB: 1 denotes least responsible while 5 denotes most responsible)

	Statement	1	2	3	4	5
A	Chief Executive Officer (CEO)					
B	The General Managers					
C	Business Managers					
D	Supervisors					
E	Consultants					
F	Others (please specify)					

PART F: OUTSOURCING

18) What are the functions you have outsourced?

1) Repair and maintenance [ ]
2) Accounting [ ]
3) Logistics [ ]
4) Strategy and planning [ ]
5) Information & Technology [ ]
6) Human Resource Management [ ]
7) Transport [ ]
8) Security [ ]
9) Any other (kindly indicate below) ....

19) What is the influence on outsourcing decisions?

	Not at all	Less Extent	Moderate Extent	Great Extent	Very Great Extent
Increase Productivity					
Concentrate on Core Activity					
Increase Capacity					
Cost					
Technology					
Lack of manpower					
Efficiency					
Speed					

20) Would you recommend outsourcing alliances to other businesses or organizations?

Yes [ ] No [ ]

Kindly justify!

....

....

....

21) To what extent do you agree or disagree with each of the following statements, being the reasons for outsourcing?

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
Lack of in-house expertise					
High administration costs					
Improved company focus					
High operational costs					
Lack of time					
To improve efficiency					
Management style					
Business environment					

PART G PERFORMANCE CONTRACTING

22) Do you have performance contacts for your employees?

Yes [ ] No [ ]

23) If yes, how would you describe the effectiveness of performance contracts in improving performance of the organization in the following areas?

	Not effective	Mildly effective	Fairly effective	Very effective	Most effective
Productivity					
Employees motivation					
Teamwork/Synergy					
Training					
Efficiency					
Management style					

24) What measures does your department take to ensure that all the staff are motivated to meet the requirement of the performance contract?

a) Provision of minimum supervision at work [ ]

b) Better remunerations and other incentives [ ]

c) Frequent promotion [ ]

Any other measure? Kindly

....

....

PART H: VALUE CHAIN MANAGEMENT

25) Does your organization practice value chain management?

a) Yes [ ] No [ ]

26) Has value chain led the organization to adopt new ways of conducting in it operations?

a) Yes [ ] No [ ]

27) If yes, to what magnitude?

a) Very great extent [ ]

b) Great extent [ ]

c) Moderate extent [ ]

d) Low extent [ ]

e) Very low extent [ ]

28) What is the relationship between your organization and the suppliers in terms of governing of value chain?

a) Balanced networks [ ]

b) Captive networks [ ]

c) Hierarchy [ ]

d) (Arm's length) market relations [ ]

29) How would you classify limitations of value chain experienced in your company?

a) Financially based [ ]

b) Operationally based [ ]

c) Administratively based [ ]

d) Any other (specify) ....

30) Any other comment

....

....

....

Thank you very much for your co-operation