

**FACTORS INFLUENCING COMPETITIVENESS OF THE AGA KHAN
UNIVERSITY HOSPITAL, NAIROBI**

BY

ESTHER NABIFWO GIMOI



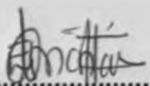
**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF
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DECLARATION

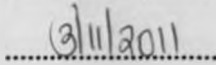
This research project is my original work and to the best of my knowledge has not been submitted for award of a degree in any other university

Signature



ESTHER NABIFWO GIMOI

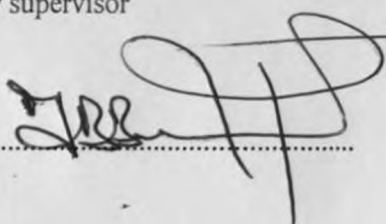
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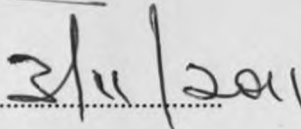
REG NO.D61/70237/2007

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

Signature.....



Date.....



DR.ZACK BOLO AWINO, PhD

SENIOR LECTURER

DEPARTMENT OF BUSINESS ADMINISTRATION

UNIVERSITY OF NAIROBI

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DEDICATION

This work is dedicated to my parents Mr. Wycliffe Shitoshe Gimoi and Mrs. Florence Nekesa Gimoi who instilled in me the value of education and to my loving Husband Moses and my son Manuel for their support and patience during the entire period of my study. I cannot overstate their encouragement and continued prayers towards successful completion of this course

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ABBREVIATIONS AND ACRONYMS

AKUHN	-	Aga Khan University Hospital Nairobi
AKDN	-	Aga Khan Development Network
SLT	-	Senior leadership team
CEO	-	Chief Executive officer
COO	-	Chief Operations Officer
CFO	-	Chief financial Officer
MDGs	-	Millennium Development Goals
SANAs	-	South African National Accreditation System
JCIA	-	Joint Commission International Accreditation
ISO	-	International Organization of Certification

ABSTRACT

The world is now changing and according to Onyango (2005), all organizations lend themselves to the external environment which is highly dynamic and continually presents opportunities and challenges. Organizations being environment dependent have to constantly adopt activities and internal configurations to reflect the new external realities failure to which may put the organizations future success in jeopardy (Aosa, 1998). The above writings signify competitive advantage as the ability to stay ahead of present or potential competition, thus superior performance reached through competitive advantage will ensure market leadership. It also provides the understanding that resources held by a firm and the business strategy will have a profound impact on generating competitive advantage. The study focussed on factors affecting competitiveness of the Aga Khan University Hospital Nairobi. The study Justification arose from the fact that to date no study has been conducted to study the factors affecting competitiveness of the Aga Khan University Hospital. The Research utilized Both Primary and secondary Data. The interviewees in this study were the members of the organizations senior leadership team and a total of ten senior leadership team members were interviewed. The raw data was edited and content analysis employed. The study concluded that there were several factors affecting competitiveness of the Aga Khan University Hospital this includes core competencies like a strong brand name, highly skilled human resource and incumbent capabilities that had been developed over time. The study also concluded that the organization had made major investments in technology and infrastructural development that had significantly influenced its competitiveness. The study also found out that the organization had highly differentiated their services and were offering highly specialized care at a premium price that their customers were willing to pay. This is

alongside rapid and expansion and marketing strategies that had an overall influence on the organizations competitiveness. The study recommends that AKUH N embarks on formulation of strategies and that will ensure sustainability of the competitive advantage. Data for this study was collected via personalized interviews with members of the organizations senior leadership team. The report for this study is presented in five chapters. Chapter one deals with introducing the concept and context of the study as well as the purpose of the study. Chapter two gives the literature review while chapter three explains how the research was designed. Chapter four gives the findings and their interpretations. Chapter five gives recommendations ,in depth analysis and puts forward the limitations of the study and suggestions for future research.

Key words: Aga Khan University Hospital, competitiveness, Strategy

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The world is now changing and according to Onyango (2005), all organizations lend themselves to the external environment which is highly dynamic and continually presents opportunities and challenges. Organizations being environment dependent have to constantly adopt activities and internal configurations to reflect the new external realities failure to which may put the organizations future success in jeopardy (Aosa,1998). Today's customers are becoming more knowledgeable, their tastes and preferences and quality expectations continue to change and this puts pressure on organizations which seek to meet this changing customer needs (mukule,2006).in a country like Kenya which has limited resources ,market share and new competitive challenges, implementation of strategies in organizations is important. In order for firms to survive the growing competitiveness brought by the dynamic environment in which they operate, they have to adopt strategies that give them a competitive advantage.

The above writings signify competitive advantage as the ability to stay ahead of present or potential competition, thus superior performance reached through competitive advantage will ensure market leadership. It also provides the understanding that resources held by a firm and the business strategy will have a profound impact on generating competitive advantage. Powell (2001, p. 132) views business strategy as the tool that manipulates the resources and create competitive advantage, hence, viable business strategy may not be adequate unless it possess control over unique resources that has the ability to create such a unique advantage. Summarizing the view points, competitive advantage is a key determinant of superior performance and it will ensure survival, growth and prominence in the market.

1.1.1 Strategy and Competitive Advantage

A competitive strategy consists of all the moves and approaches a firm has taken and is taking to attract buyers and to withstand competitive pressure and improve its market position (Thompson and Strickland, 1993). It reflects the choices of key services that the organization will perform and the primary basis for distinctiveness in creating and delivering such services (Newman et al 1989).

Competitive advantage is attained through either cost leadership or differentiation. To gain competitive advantage over its rivals, a firm must either provide comparable value to the customer, but perform activities more efficiently than its competitors (lower cost), or perform activities in a unique way that creates greater buyer value to the customer and commands a premium price (Porter, 1996). The common function in either of the strategies therefore is value creation.

Customer satisfaction leads to repeat business. Kotler (1999) contends that satisfaction is a function of performance and expectations. If the performance falls short of expectations, the customer is dissatisfied. If performance matches the expectations the customer is satisfied, if performance exceeds expectation, the customer is highly satisfied or delighted. Value therefore reflects the growing customer concern of getting more money, time and effort as invested. It becomes paramount then for companies to maintain a closer touch with their customers and adjusting their offerings to feature value.

1.1.2 The Kenyan Health Sector

The health sector comprises the public system, with major players including the ministry of health and parastatal organisations, and the private sector, which includes private for-profit and not for profit organizations, NGO Faith Based Organization facilities. Health services are provided through a network of over 4,700 health facilities countrywide, with the public sector system accounting for about 51 percent of these facilities. The public health system consists of the following levels of health facilities: national referral hospitals, provincial general hospitals, district hospitals, health centres, and dispensaries. National referral hospitals are at the apex of the health care system, providing sophisticated diagnostic, therapeutic, and rehabilitative services. The two national referral hospitals are Kenyatta National Hospital in Nairobi and Moi Referral and Teaching Hospital in Eldoret. The equivalent private referral hospitals are Nairobi Hospital and Aga Khan Hospital in Nairobi. Provincial hospitals act as referral hospitals to their district hospitals. They also provide very specialized care. The provincial level acts as an intermediary between the national central level and the districts. Overview of health systems in Kenya, Muga (2004)

The private health sector has grown dramatically over the last two decades. Possible factors contributing to its growth include: lack of adequate and quality public health care services; the introduction of user fees in public facilities; and health sector reforms in the 1980s and 1990s that relaxed licensing and regulation of private health care providers and allowed public sector personnel to work in private practice (Muthaka 2004). This growth has resulted in fierce competition among the players necessitating adoption of strategic responses in order to remain competitive.

1.1.3. Aga Khan University Hospital

Established in 1958, Aga Khan University Hospital, Nairobi (AKUH, N) is a private, not-for-profit institution that provides tertiary and secondary level health care services. It is part of Aga Khan Health Services, which is an organization providing community health services in East Africa.

Aga Khan Health Services belongs to the Aga Khan Development Network (AKDN). The network was founded and guided by Prince Karim Aga Khan IV, and consists of a group of private, non-denominational development agencies and institutions working together to improve living conditions and opportunities in over 20 of the poorest countries in the developing world. In East Africa, campuses and program have been established in Kenya, Tanzania and Uganda for studies in health and education. An Advanced Nursing Studies program provides continuing education and undergraduate courses for practicing nurses, and Professional Development Centres in the three countries offer continuing and graduate education for teachers. In Nairobi Kenya and Dar es Salaam in Tanzania, a Postgraduate Medical Education program for physicians commenced in 2004. Through ongoing partnerships with prestigious overseas institutions, AKU brings international expertise to bear upon the establishment and enhancement of its current and future program and services (Aga Khan University website www.aku.edu/AKUHN). The decision to upgrade the Hospital to a tertiary level teaching hospital was taken in order to respond to the health care needs of the people of East Africa.

1.2 Research Problem

Organizations being environment dependent have to constantly adopt activities and internal configurations to reflect the new external realities failure to which may put the organizations future success in jeopardy (Aosa,1998). Today's customers are becoming more knowledgeable, their tastes and preferences and quality expectations continue to change and this puts pressure on organizations which seek to meet this changing customer needs (mukule,2006).in a country like Kenya which has limited resources, market share and new competitive challenges, implementation of strategies in organizations is important. In order for firms to survive the growing competitiveness brought by the dynamic environment in which they operate, they have to adopt strategies that give them a competitive advantage.

The Kenyan private health sector has progressively grown over time with an increasing number of players. This has in turn increased the competition among the players hence a need to become competitive. Aga Khan University Hospital has adopted many strategies in response to the changing competitive environment and has grown from a community hospital to a tertiary teaching and referral hospital. It has made a lot of technological and infrastructural advancements and attained international certifications in a quest to remain competitive.

Locally, a number of studies have been conducted which are related to effects competitive strategies on performance by private firms in Kenya. Studies in the health care industry include, Omwenga (2006) did a study on the extent to which private hospitals in Nairobi have adopted service differentiation strategies, Gakombe (2001) Analysis of the industry forces and strategic choices adopted by private hospitals in

Kenya. Nyarandi (2002) A survey of implementation of outsourcing in private hospitals in Kenya , Maina (2004),A survey of the business challenges of private hospitals in Nairobi in response to HIV AIDS . The above review demonstrates that limited information exists regarding strategic positioning of private hospitals in Kenya yet it's a very competitive section in the health sector. Hence this research seeks to answer the question what are the factors influencing competitiveness of the Aga Khan University Hospital Nairobi?

1.3 Objective of the Study

The objective of the study is to investigate factors influencing competitiveness of the Aga Khan University Hospital

1.4 Value of the Study

There are different factors that affect the competitiveness of organizations in the health care industry and different factors would give different organizations a competitive edge depending on the environment in which they operate and the customers they serve. Understanding the factors that have given The Aga Khan University Hospital a competitive edge would help the management of many hospitals understand how they can position themselves to remain competitive in .The findings of the study will also help the management of other Aga Khan Hospitals to re look at the strategies they have so as to also become competitive.

On the other hand the study will add to the pool of knowledge in the area of gaining competitiveness in the health care industry and provide future researchers and scholars with suggestions and basis for further research.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction -

According to Porter (1985) competitive advantage grows out of value a firm is able to create for its buyers that exceeds the firm's cost of creating it. Value is what buyers are willing to pay, and superior value stems from offering lower prices than competitors for equivalent benefits or providing unique benefits that more than offset a higher price. There are two basic types of competitive advantage: Cost leadership and differentiation (Porter, 1985). A firm's relative position within an industry is given by its choice of competitive advantage (cost leadership vs. differentiation) and its choice of competitive scope. Competitive scope distinguishes between firms targeting broad industry segments and firms focusing on a narrow segment. Generic strategies are useful because they characterize strategic positions at the simplest and broadest level. Porter maintains that achieving competitive advantage requires a firm to make a choice about the type and scope of its competitive advantage. Treacy and Wiersema (1995) offer another popular generic framework for gaining competitive advantage. In their framework, a firm typically will choose to emphasize one of three "value disciplines": product leadership, operational excellence, and customer intimacy.

In this chapter the study will review available literature on how that firms adopt competitive strategies that helps them gain competitive advantage in the market. The chapter will start reviewing theories relating to competitive advantage, then it move to empirical review of earlier conducted studies on competitive strategies and finally culminate this chapter by developing a conceptual framework that will act as a guide to our research study

2.2 Porter's 5 Forces & Industry Structure Theory

Industry structure and positioning within the industry are the basis for models of competitive strategy promoted by Michael Porter. The Five Forces define the rules of competition in any industry. Competitive strategy must grow out of a sophisticated understanding of the rules of competition that determine an industry's attractiveness. Porter (1985) claims, "The ultimate aim of competitive strategy is to cope with and, ideally, to change those rules in the firm's behaviour." The five forces determine industry profitability, and some industries may be more attractive than others. The crucial question in determining profitability is how much value firms can create for their buyers, and how much of this value will be captured or competed away.

Industry structure determines who will capture the value. But a firm is not a complete prisoner of industry structure - firms can influence the five forces through their own strategies. The five-force framework highlights what is important, and directs manager's towards those aspects most important to long-term advantage. He cautions that composing a long list of forces in the competitive environment will not get an organization far therefore his advices that it's up to the management to do the analysis and identify the few driving factors that really define the industry.

According to Porter (1985) at the most fundamental level, firms create competitive advantage by perceiving or discovering new and better ways to compete in an industry and bringing them to market, which is ultimately an act of innovation. Innovations shift competitive advantage when rivals either fail to perceive the new way of competing or are unwilling or unable to respond. There can be significant advantages to early movers responding to innovations, particularly in industries with

significant economies of scale or when customers are more concerned about switching suppliers. The most typical causes of innovations that shift competitive advantage are the following: new technologies, new or shifting buyer needs, the emergence of a new industry segment, shifting input costs or availability, changes in government regulations

Porter (1990) outlines three conditions for the sustainability of competitive advantage: Hierarchy of source (durability and imitability) - lower-order advantages such as low labour cost may be easily imitated, while higher order advantages like proprietary technology, brand reputation, or customer relationships require sustained and cumulative investment and are more difficult to imitate. Number of distinct sources - many are harder to imitate than few, then constant improvement and upgrading where a firm must be "running scared," creating new advantages at least as fast as competitors replicate old ones.

Game Theory in Strategy

According to Brandenburger et al, (1995), game theory helps analyze dynamic and sequential decisions at the tactical level. The main value of game theory in strategy is to emphasize the importance of thinking ahead, thinking of the alternatives, and anticipating the reactions of other players in your "game." Key concepts relevant to strategy are the payoff matrix, extensive form games, and the core of a game. Application areas in strategy are: new product introduction, Licensing versus production, pricing, R&D, advertising, regulation.

According to Brandenburger et al, (1995) game theory, successful strategy cannot depend just on one firm's position in industry, capabilities, activities, or what have you. It depends on how others react to your moves, and how others think you will react to theirs. By fully understanding the dynamic with others, you can recognize win-win strategies that make you better off in the long term, and signalling tactics that avoid lose-lose outcomes. Moreover, if you understand the game, you can take actions to change the rules or players of the game in your favour. Brandenburger et al, (1995) give some good examples of this. One way a company can change the game and capture more value is by changing the value other players can bring to it, as the Nintendo example illustrated.

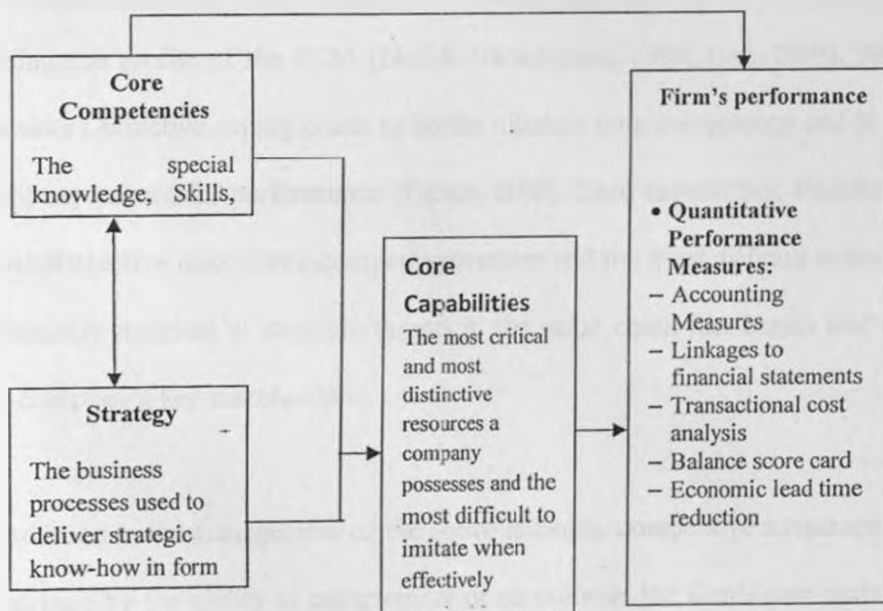
In summary, companies can change their game of business in their favour by changing Players ("Value Net") i.e. customers, suppliers, substitutors, and complementors (not just the competitors). Added values i.e. the value that each player brings to the collective game rules - laws, customs, contracts, etc. that give a game its structure. Tactics i.e. moves used to shape the way players perceive the game and hence how they play Scope i.e. boundaries of the game. Game theory has been a burgeoning branch of economics in recent years. It is a complex subject that spans games of static (one-time) and dynamic (repeated) nature under perfect or imperfect information. For strategy, though, it can often be a major step just to recognize certain situations as games, and thinking about how a player can set out to change the game.

2.3 Effect of Competitive Strategy Variables on Firms Performance

The independent effect of core competencies, strategies and strategy implementation process and core capabilities on firm's performance may also create

competitive advantage for a firm, but nevertheless, over time may be imitated by competitors. They may be more robust and difficult to imitate if they relate to the firm's value chain and supply and distribution chains (Johnson & Scholes, 1999). It is the management of these linkages which provide leverage and levels of performance that is difficult to match. The major variables of competitive advantage that affects firm's performance independently are core competencies, strategy, strategy implementation and core capabilities. Stalk et al (1992) underscore the importance of this linkage. They observe that competencies and capabilities represent two different but complementary dimensions of an emerging paradigm for firm's strategy.

Figure 1: Competencies, Strategy, Capabilities and Performance Framework



Source: George Stalk, Philips Evans and Lawrence Shulman (1992). Harvard Business Review, March-April issue.



Competencies relate to skills, knowledge and technological know-how that give a special advantage at specific points of the value chain, which in combination with strategy, form core capability of a firm. This in turn enhances firms performance, creates synergy and competitive advantage. Indeed, increased outsourcing to fewer suppliers managed using collaborative techniques can be characterized as a means of achieving the adventures of supply chain management without owning the means of production and the inherent risks of advances in technology or changes in law (Rich & Hines, 1997). The pressure from customers and financial markets has increased managerial recognition that companies cannot be effective by trying to be all things to all customers and should focus on limited set of core competencies (Fine, 1999; Cox, 1999). The more a company concentrates on core competencies, the more it believes that other firms are better placed to manage some parts of the company thereby raising the profile of the SCM (Das & Narasimhan, 1999, Cox, 1999). Fine (1999) considers effective supply chain to be the ultimate core competence and is critical to company successful performance (Quinn, 2000). Core capabilities, therefore, are the most distinctive resources a company possesses and the most difficult to imitate when effectively matched to strategic targets in the value chain that begins and ends with the company's key stakeholders.

In addition to the management of the above linkages, competitive advantage may also be gained by the ability to complement or co-ordinate the firm's own activities with those of suppliers, channels or customers through supply chain management best practices (Porter, 1985). This attempts to improve performance through ownership of more parts of the value system, making more linkages external to the organization. The linkage between core competencies and performance is widespread and is not

specific to any industry. The force of core competencies is felt as decisively in service as in manufacturing industry. Prahalad and Hamel (1990) posit that competencies are the roots of competitiveness. They observe that in the short run, a company's competitiveness derives from the price/performance attributes of current products. In the long run, competitiveness derives from an ability to build, at lower cost and more speedily than competitors, the core competencies that spawn unanticipated products. The real sources of competitive advantages are to be found in management's ability to consolidate corporate-wide technologies and production skills into competencies that empower individual businesses to adapt quickly to changing opportunities thus enhancing corporate performance.

Johnson and Scholes (1999) observe that the ability of an organization to co-ordinate the activities of specialist teams or departments may create competitive advantage and improve performance by improving value of money in the product or service industry. Specialization of roles and responsibilities in most organizations is one way in which high levels of competence in separate activities and divisions is guaranteed.

The management of strategy independently in the value chain could enhance performance in a number of ways. For instance, there may be important linkages between a primary activity and a support activity and between different support activities. Porter (1985) describes how selected strategy variables in the value chain link together to enhance corporate performance by creating value and customers satisfaction.

Porter (1980) presents an approach to strategy, combined with a tool-kit for practitioners. He describes five forces that drive industry competition: potential entrants, suppliers, buyers, industry competitors, and substitutes. He reports entry barriers to be scale, differentiation, capacity requirements, switching costs, distribution channel access, raw material access, government policy, and retaliations. He describes exit barriers as being economic, strategic and emotional. All these factors should be considered in evaluating strategic choices. He imparts three generic strategies for competition: low-cost, differentiation, and focus. He warns firms against getting “stuck in the middle” with a half-hearted mix of options, not emphasizing one of the three strategies. He states that the strategic choices cannot be pursued simultaneously, but they can be pursued sequentially, as opportunities dictate. Porter (1980) describes four diagnostic components to developing strategy: future goals that drive it, current strategy (or what the firm is doing and can do), assumptions about itself and the industry and capabilities. Porter (1980) recommends a strategy to seek the most favorable buyer; build up buyer switching costs; and reduce costs to switch from suppliers.

Other studies which have been examined in this study have also discussed the effect of selected strategy variables on gaining competitive advantage, and a number of conclusions drawn. Caeldries and van Dierdonck (1988) did a study on effect of strategy and performance of 82 Belgian firms. They established the relationship between strategy and performance. They concluded that strategy enables the firm to strengthen its competitive position externally; they further observed that for the internal functioning of the organization, strategy facilitates the linkage and coordination of members' behavior.

According to Prahalad and Hamel (1990) and Barney (1991) they define core capabilities as complex bundles of skills and collective learning, exercised through organizational processes that ensure co-ordination of functional activities. In their study they concluded that strategic importance of core capabilities lies in their demonstrated contribution to sustainable competitive advantage and superior profitability.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the approach that was used to gather the data that was used to achieve the solutions to the objectives of the study. It outlines how the research was designed, how data was collected, and analyzed to come up with the findings, interpretations and conclusions of the study.

3.2 Research Design

The research was conducted via a case study. A case study allows a researcher to reveal the multiplicity of factors, which have interacted to produce the unique character of the entity that is subject of study (Yin, 2009). This means that case studies place more emphasis on a full contextual analysis of fewer event or conditions. Case studies also provide the benefit to observe and record non-verbal as well as verbal behaviour (Cooper & Schindler, 2003). The role of strategy formulation and implementation is vested in the hands of the Senior Leadership Team (SLT) of the Aga Khan University Hospital. There are 12 members of the SLT who head different departments and all of them were interviewed.

3.3 Data Collection

Both primary and secondary data was collected. Primary data was collected through personal interviews. An interview guide (Appendix I) was used to guide the interviewer in collecting the data from the respondents. The guide had both closed and open ended questions.

Structured interviews are best suited for engaging in respondent or focus group studies in which it would be beneficial to compare/contrast participant responses in order to answer a research question (Lindlof & Taylor, 2002).

The target group were members of the hospitals SLT in the positions of the division head, director of programme. This brought the total number of interviewees to 12. These are the officers who are in-charge of either a department/division. These are also the responsible officers seeing the strategic plan implemented in their own departments. They are therefore capable of providing the information necessary for this study. They included the chief executive officer (CEO), Chief Operations Officer (COO), Chief Of Financial Officer (CFO) Director of utilization and facilities, directors of Human Resources, Marketing ,Nursing services, Medical services and programme administrators of the maternal and child health programme and the medical and surgical Programme using the Interview guide annexed in appendix I. Secondary data was also collected from the Aga Khan university hospitals strategic plan.

3.4 Data Analysis

The data collected for this study was qualitative. Content analysis was used for the data analysis. Qualitative researchers aim to gather an in-depth understanding of human behaviour and the reasons that govern such behaviour. The qualitative method investigates the why and how of decision making, not just what, where, when (Denzin & Lincoln, 2005). Therefore the data that was collected from the respondents was compared and contrasted to get the deeper insight about the factors that have influenced the competitiveness of the Aga Khan University hospital using content analysis techniques.

CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION OF RESULTS

4.1 Introduction

This chapter presents the data analysis, findings, presentation and interpretation. The main objective of the study was to examine the factors that have influenced the competitiveness of the Aga Khan University Hospital Nairobi. One set of questionnaires was used to collect data. To enhance the quality of the data obtained unstructured questions were used whereby interviewees indicated their views and opinions about the factors that have influenced the competitiveness of the Aga Khan University Hospital. The respondents were employees of the hospital in the senior leadership team and out of the targeted 12 officers 10 were interviewed giving a response rate of 83%.

4.2 General Information

The study sought to establish the positions of the interviewees in the organization, how long they had worked for the organization, their total years of experience and how much they had been involved in the strategic management process of the organization. All the officers interviewed were in the senior leadership team of the hospital which means they were aware of the organizations strategy and therefore well placed in explaining the factors influencing competitiveness of the organization. The SLT members interviewed had all worked for the organization for a period of not less than 5 years indicating that they were very knowledgeable on the strategic responses the organization had so far undertaken and the direction and measures the organization had undertaken that contributed to its competitiveness.

4.3 Environmental Changes

The study sought to find out what environmental changes had taken place in the health care industry and how they had affected the organizations strategic intent. The study found out that as a result of the adoption of the Millennium Development Goals (MDGs), specifically MDG 4 which focuses on reducing child mortality rates by 2015 and MDG 5 whose aim is to improve maternal health by reducing maternal mortality rates and providing universal access to reproductive health ,there has been increased World Health Organization (WHO) and government support towards programmes geared towards achieving this Goals. The Organization has since re focussed on the two goals and invested in expanding their maternal and child health services. The organization has renovated their paediatric ward and put up a new maternity wing both which have increased the capacity and number of patients .the organization has also moved to providing baby services and in 2005 the hospital won the WHO award for being the most baby friendly hosp ital in the country. The department of Maternal and Child health has since won many local awards and been recognized for exemplary service in this area. The organization is now working on becoming a regional centre of excellence in maternal and child health services.

The interviewees also indicated that there was an increased awareness by clients that patronize the private health care facilities of their rights and an increased demand for quality health care. In this regard the organization has made major investments in training their staff in to ensure that high standards of patient safety are maintained and that patients get high quality care. The training has been in both technical areas and in service excellence. This is also for the purposes of avoiding litigation.

Due to the fact that the cost of living in the country has gone up, there are fewer people who are able to afford services in the private health sector and most are paid for by co-operates and Health Management Organizations (HMOs) because of this the organization has created a department which specifically deals with co-operate and insurance clients who form the bulk of patients seen in the hospitals. This is for the purpose of ensuring that these clients are satisfied and good business relations are maintained with these organizations. Some co-operates whose employees receive medical care in the institution have down sized their companies as a way of mitigating economic challenges and this has translated into reduced number of clients for the hospital and in turn reduced income.

The increased demand for health care professionals abroad has led to a massive exit of especially nurses and doctors for greener pastures abroad. In this regard the organization has improved the remunerations for these professionals and created such conducive work environments that the health professionals are comfortable working in the organization.

The study sought to find out what the effects of competition were on the business. The study revealed that due to the fact that there was a relatively small market in which all private health care facilities tapped there are significant cuts in the profit margins and low patient volumes. This is largely due to the fact that competition is based on price and not health service provision which is the core business of health care facilities. The interviewees indicated that because of this AKUHN has shifted its focus to provision of high quality care so that their clients get value for their money and in turn make the institution their ultimate choice.

The study found out that there were several limitations to entry in the private health care industry including that the initial capital required for investments was very high. Existing hospitals have established relationships with HMOs who are the major payers for private health care and they have formed memorandums of understanding out of the long relationships and trust that has developed over time. It is therefore difficult for a new hospital to get into a relationship with a HMOs because they would take time to prove their credibility and earn trust.

The other limitation is the fact that different health care facilities over time have developed their staff especially doctors and nurses. These two categories of medical staff are very few in the country and a new health care organization will have to do a lot to attract this staff e.g. pay very high salaries and provide extra incentives which would really cut into profit margins.

4.4 Factors Influencing Competitiveness of AKUH N

The study sought to find out what distinctive competencies AKUH N held that gave it a competitive edge. AKUH N is associated with AKDN which is a very strong brand name. AKDN is a network of organizations that operates a group of private, non-denominational development agencies and institutions working together to improve living conditions and opportunities in over 20 of the poorest countries in the developing world. AKUH N is a brand associated with quality therefore all patients coming to the organization know that they are going to receive quality.

By being associated with this brand AKUH N is able to tap into the resources of other organizations affiliated to the organization including insurance companies, financial

institutions, training institutions abroad .Because of this network the organization is also able to get professional volunteers e.g. Mc Kinsley market research consultants at no cost there by reducing the cost of operation for the organization.

Over time AKUH N has developed incumbent capabilities .The organization has become self sufficient with in house pharmacy, diagnostic facilities in radiology, laboratory services therefore it operates completely independent .The processes have been streamlined across the board so that the process runs smoothly and any medical services the patients may require are gotten within the hospital and they do not have to go elsewhere. This is unlike many other organizations who do not have all facilities therefore have to send their patients outside for other services.

The organization has overtime established a very strong Human resource team. The organization recruits very highly qualified individual from the international platform therefore it has the best specialists in the country with regards to medical care. This ensures that their clients get the best of expertise available. A lot of resources have been put in to build this capacity that cannot be matched. The organization is the only health care facility where the patients by virtue of being in the hospital have access to a radiation oncologist, interventional cardiologist. These are the only practitioners in the country not working on private basis.

AKUH N is the only private hospital that is a university hospital. World over university hospitals are associated with high quality care because there is on going research which results in evidence based care for the patients therefore patient care is standardized and patient safety standards are maintained across.

As a result of being a university hospital the teaching staff who are usually highly specialized clinicians mostly at PHD level also take care of patients in the wards and the patients have a choice of getting medical care from private doctors or from the faculty by a patient choosing to be taken care of by the faculty the patient has access to a multidisciplinary team of specialists as opposed to just one doctor unilaterally making decisions about the patient. This model of care ensures that the patients get high quality care at no extra cost.

As a result of the fact that AKUH N has its own faculty doctors who are resident in the hospital and are directly paid by the hospital as opposed to being paid by the patient ,AKUH N has been able to come up with standardized prices for procedures done in the hospital called packages. This are in the areas of maternity ,medical and surgical care .For instance in the maternity unit, a patient is offered a standard price for delivering in the hospital and spending 3 days which is the average length of stay in the hospital post delivery. Because of this many co-operates, HMOs, and clients find it more affordable as opposed to instances where in the same case the doctors would charge variable prices to patients depending on their perception of the patients and the patients bargaining power.

The study also found out that by being a university ,AKUHN trains medical and allied health practitioners in the university who after graduating come back to work for the organization. This has worked to solve the perennial problem of medical staff shortage and created a big pool of medical and allied health workers that AKUHN can tap into .the study further revealed that AKUH N while being a not for profit organization had is partnering with GOK hospitals like Gatundu District Hospital

where they use the facility for training while at the same time building the capacity for local staff and helping to improve the infrastructure of the institution .This is a way of ensuring that they continuously build capacity in the region where they operate.

In the same regard AKUH N has a welfare programme where they treat deserving patients who cannot afford their services at a cheaper prices or at completely no cost. The economic and social status of such patients is assessed by officers from AKUH N welfare department and if it is noted that their chances of survival can only be guaranteed if they receive care in the institution and not in any other health care facility then go ahead and get the care. This programme is only possible because AKUH N is associated with the wider AKDN network which has donors that contribute to the programme that ensures increased access to premium services by people of low income in the country.

The study also sought to find out how the organization had deployed its resources to ensure that it remained competitive .The interviewees stated that the organization had made major investments in developing its human resource capacity. For specialty trainings where the institution had inadequate or limited expertise, AKUH N has sent their staff for training abroad at their own cost for the sake of getting expertise in certain fields of specialization.

The study also found out that in view of the fact that the trends in health care were towards the management of non communicable diseases. This are diseases that result from lifestyle changes as a result of improved earnings for urban dwellers and

sedentary lifestyles e.g. hypertension ,heart diseases and cancers .AKUH N has made major investments in the management of this diseases. The organization has put up a new ultramodern heart and cancer centre worth 4 billion US dollars. The centre has the latest state of the heart equipment, will be run by already trained highly specialized clinicians and will offer the best services in the two specialization in the whole of the east and central Africa region.

The study also sought to find out how the organization was ensuring that it was meeting its clients needs more efficiently and effectively in comparison to its competitors. The interviewees stated that AKUH N was the only institution in the region which was credentialing the doctors working in the hospital. Meaning before any doctors were allowed to work in the hospital, their credentials would be checked including licensure and scope of practice within which they were allowed to operate. The doctors would then only perform those procedures they are privileged to perform .since doctors are the primary care givers in the hospital this ensures that patients get the best care and patient safety is kept at its best. In this regard therefore the institution can confidently justify to their clients that they are receiving good quality care.

The interviewers also stated that the organization conducts both internal and external customer satisfaction surveys on a quarterly basis which gives the organization information on what their clients want in terms of quality and this has helped the organization to continuously improve on their services and deliver better value to their customers. The interviewees indicated that according to their marketing intelligence reports their competitors do not undertake this kind of activities hence AKUH N is perceived to have their clients best interest at heart.

The organization has also done major investments in remuneration for their staffs in terms of salaries and other benefits. The interviewees indicated that their salaries and benefits were the most competitive in the region. This therefore translated into more satisfied employees who in turn delivered better quality care for their patients and served the institution with a lot of dedication.

The study also sought to find out what role technology had played in making the institution competitive. The study found out that the organization had made major investments in technology. The organization had acquired the latest machines for use in the hospital e.g. new radiation machines called linear accelerators that are able to treat using intensity modulated radiation therapy that radiates only the cancerous cells without affecting normal body tissues therefore providing better patient outcomes. The institution has also invested in the latest technology diagnostic facilities such that a doctor in any part of the work can review patients results from the hospital network once given access. This means that patients do not have to physically fly abroad for management but instead can have their doctors abroad review them with results and only travel when its absolutely necessary.

The study also found out that the hospital had invested in an IT system called care 2000 where all patients records are kept online therefore eliminating the need for physical records. This has created better record access and more efficient management of clients record.

Finally the study sought to find out if there were any other factors that the interviewees considered had influenced the organizations competitiveness and had not

been mentioned earlier. The study found out that the organization has gotten several certification in quality i.e. ISO certification and South Africa National accreditation System (SANAS).SANAS is an internationally recognized accreditation for laboratories and institutions which get this accreditation are only those that comply with certain specified international standards. AKUH N is the only institution in the region with this accreditation. The institution is also in the process of getting Joint Commission International Accreditation (JCIA) certification. JCIA is also an international accreditation for hospital that focuses on patient safety. At the moment AKUH N is the only institution in the region working on this accreditation.

The study also found out that the institution was engaged in a rapid expansion plan in the region where it was setting up outreach facilities in different parts of the country and the east and central African region. These facilities are branches of the hospital where minimal health care is given to patients where they are and they only come to the main hospital for major issues .This facilities increase access to the institution and increase the patient numbers. The study also established the organization was undertaking a serious marketing drive and was advertising in both print and audio visual media.

CHAPTER FIVE : SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides the summary of the finding from chapter four and it also gives conclusions and recommendations drawn in quest of addressing the research question or arriving at the research objective which was to establish the factors affecting competitiveness of the AKUH N.

5.2 Summary of Findings

AKUH N has adopted various strategies that have over time influenced its competitive edge. The organization holds several core competencies and it has made major technological and infrastructural advancements that have given it a competitive edge. It has invested in cutting edge technology in the area of diagnostic services and made major investments in acquisition and training of highly skilled personnel.

The organization has also adopted a rapid expansion plan and has made several mergers and acquisitions in the quest to remain competitive. AKUH N has certain core competencies that have given it a competitive edge in the private health care industry. AKUH N is associated with AKDN which is a strong brand associated with quality and alleviation of human suffering thereby giving it unmatched advantage as a result of this it has been able to tap into financial, human and other resources in the wider AKDN network. The organization has a very strong human resource capacity base due to the facts that it recruits highly specialised employees internationally and adequately remunerates them to keep them in the organization. AKUH N has also

significantly invested in strengthening local capacity therefore developed and overall highly skilled and motivated workforce that delivers top end quality care to its clients. In the same regard the organization has a structured approach to management of the medical staff through the credentialing process that ensures quality care is delivered to its clients. Because the organization has very specialized staff it is able to provide highly specialized care and has since become a referral centre in the whole east and central Africa region. Most patients who used to travel to the western countries now come to the organization for specialized medical care.

The organization has transformed into a university that is undertaking ground breaking research that positively influences patient outcomes not only within but also without the organization. The organization is managing patients based on the evidence based model that has given it a lead in the quality patient care. The study also found out that AKUH N had plans of expanding the university and starting an undergraduate programme for health and allied health workers. It has also started the first graduate media school in Kenya and has branches in Dar es salaam.

The interviewees indicated that recruiting the best talent had changed the organizations strategic model, and had increased customer confidence in leadership since it has shown the organizations commitment to positive patient outcomes. The organization has made major investments in technology and has acquired highly specialized equipment that have transformed the whole approach to patient management. As a result the patient health outcomes and customer satisfaction levels have significantly gone up. The organization has also invested in highly efficient patient IT systems that have increased efficiency in management of patient

information and records. Access and storage of patient records has been significantly improved with a system put in place where movement of patient files can be tracked. This has also improved the confidentiality in the sense that patient records are only accessible by authorised individuals and only with the permission of the records officer.

The organization has embarked on an aggressive expansion plan and set up a multi billion Heart and Cancer centre, and is establishing centres of excellence in maternal and child health, medical and surgical specialties. The organization is also setting up outreach centres in very strategic places around the country and in the region .from only one centre in 2005 it has already opened another 42 centres and the target is 100 by 2015.

The organization has acquired many diagnostic facilities in the region and merged with some health care institutions and this has contributed to it become dominant in the market in which it operates. The study also found out that the organization had adopted some strategic responses such as marketing strategies and specifically promotional strategies that have resulted in success in the organization customer acquisition endeavour. The marketing department and public relations departments have been allocated huge budgets and they are currently engaged in aggressive marketing of the institutions services and creating awareness of the institution both locally and abroad.

5.3 Limitations of the Study

The major limitations to this study were difficulty in getting adequate time to engage the respondents. The interviewees were busy most of the time since they are members of the senior leadership team and have many responsibilities. Even securing time for the interviews was an up hill task for the researcher. As a result the researcher was not able to get in depth on some of the issues during the interview.

Being that this was a case study and data was only collected in one organization the data gathered may not be generalized to all organizations in the private health care industry hence may not necessarily be adopted by other organizations to gain the same degree of competitiveness.

5.4 Recommendations for Further Study

The study recommends that further research should be done in other organizations in the both the private and public health sectors so as to get comprehensive information on factors affecting competitiveness of other players in the sector.

The research only focused on factors affecting competitiveness .There are many other specific areas like strategy formulation, evaluation and implementations that have a major role in competitiveness of organizations that could be explored.

5.5 Implications on Policy and Practice

This findings imply that AKUH N has adopted various strategies that have made it gain a competitive edge .Some of the core competencies like a strong brand name are very critical and have to be protected by consistency in delivery of high quality

services to clients so as to maintain high levels of client satisfaction. There was however there is no clear demonstration on how the organizations plans to sustain the gains made and continue to stay ahead of the competition. The organization hence needs to develop clear policies and strategies on how to go about this. The organization needs to educate its employees on the importance of sustaining the gain made and what needs to be done so that the organization remains competitive in the long run.

The study also found out that although the senior leadership team of the organization was well versed with the organizations strategy the line staff of the organization were not adequately informed on the direction that the organization was taking therefore did not fully understand the vision and mission of the organization despite being the ones at the front line. The organization therefore has to device ways of communicating their strategic direction to members of the organization.

The study also established that there are instances where the organization appeared to be reacting to changes in their external environment as opposed to being pro active and .The interviewees indicating that this was because the organization had a very long procedure for approval and new ideas sometimes took too long to be implemented and in the mean time their competitors had acted. The organization in this regard therefore requires to relook their market intelligence and decision making process so that that they can promptly respond to changes in the environment in which they operate. By doing this they will be able to capture many customers and increase their client base. For instance it took the organization almost three years to put up a modern cancer centre and in the meantime their competitor established the service and

got a big pool of clients. The organization is now spending a lot of money in advertising so as to attract some of the clients who are already loyal to their competitor. It was also noted that while a lot of emphasis and investment were focussed on getting the organizations clinical staff highly competent, there was minimal effort put in developing the support staff. This was noted as a gap because the client satisfaction surveys reviewed revealed that a lot of the customer complaints were on hospitality issues. The target markets for the institution are individuals in the high and middle class who are not only concerned about the basic medical care but also hospitality service. The institution therefore has to put more focus on the support staff to develop them so that they also grow with the institution.

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APPENDIX 1: INTRODUCTION LETTER

Ms. Esther Nabitwa Ginoi
Aga Khan University Hospital,
P.O. BOX 30270 00100
Nairobi.

Dear Respondent,

RE: MBA RESEARCH PROJECT

I am a student at the University of Nairobi Pursuing a Master of Business Administration Programme, strategic management

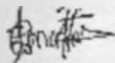
Pursuant to the pre-requisite course work, i would like to conduct a research on factors affecting competitiveness of the Aga Khan university Hospital Nairobi. The focus of my research will involve interview with members of the senior management team

The findings of this research will only be used for academic purposes and no part of the study will be published without written permission from the Aga Khan University

Hospital, Nairobi

Your assistance is highly valued.

Yours faithfully



Esther Nabitwa

APPENDIX2: AUTHORITY TO CONDUCT RESEARCH



The Aga Khan University Hospital, Nairobi

P.O. Box 30779 - 00100 G.P.O., Nairobi, Kenya
Tel: (254 20) 3740900 / 3662000 / 3742531 / 330969
Fax: (254 20) 3741749

October 14, 2011

Ms. Esther Nabikivu Gimoi
Aga Khan University Hospital
Nairobi

Dear Ms. Gimoi

Re: Request to undertake a research at Aga Khan University Hospital, Nairobi

We are in receipt of your letter dated 12th October 2011 requesting for permission to use the Aga Khan University Hospital's for your research.

Please note that your request has been approved and permission granted to carry out the study on "*Factors affecting competitiveness of the Aga Khan University Hospital, Nairobi*" for your Masters degree in Business Administration, Strategic Management.

The following are the terms and conditions of the study: -

1. This hospital will in no way be responsible for funding of this project.
2. No material belonging to the hospital e.g. files, CDs, etc may be taken out of the hospital premises.
3. On completion of the study, a copy of the report will be presented to the Hospital or the result of the study may be given in a lecture form to the medical fraternity in the hospital.
4. No part of the study may be published without written permission from The Aga Khan University Hospital, Nairobi Kenya.

Yours sincerely,

Dr. John M. Tale
Associate Dean Clinical Affairs
& Chief of Medical Staff

Copy to: HR Personal File

AK 133

APPENDIX 3: INTERVIEW GUIDE

FACTORS INFLUENCING COMPETITIVENESS OF THE AGAKHAN UNIVERSITY HOSPITAL NAIROBI

Section 1: General Information

1. What is Position in the organization?
2. What is your total work experience in years?
3. What is your length of time in the organization?
4. Have you been involved in formulation and implementation of the organizations strategic plan? If yes to what extent.

Section 2: Environmental changes

5. What are the environmental changes in the health care industry (private sector) that influence your organizations strategic intent.
6. In your own opinion what are the effects of intense competition on your business?
7. What are the existing barriers to entry which prevent new companies from entering the Kenyan health care industry (private Sector)

Section 3: Factors influencing competitiveness of AKUHN

8. What distinctive competencies does your organization hold that give it a competitive edge.
9. How has your organization deployed its resources to ensure it remains competitive?
10. Customers are important to organizations .How does your organization ensure that it meets the need of its customers more effectively than its competitors.

11. What role has technology played in making your organization competitive?
12. Are there any other strategic responses that AKUH N has adopted that have contributed to its competitiveness?

APPENDIX 4: SUPERVISION ALLOCATION FORM



UNIVERSITY OF NAIROBI DEPARTMENT OF BUSINESS ADMINISTRATION MBA PROJECT SUPERVISION ALLOCATION FORM

SECTION A. (To be completed by the student) all details are mandatory.

Name of student: GHADI ESMER NABIFWID Mobile phone No. 011-33 6375
Reg No. DE/100311/007 Email address esmeri@uoi.ac.ke

UNIVERSITY OF NAIROBI SCHOOL OF BUSINESS PROPOSAL CORRECTION FORM

Student Name: ESMER NABIFWID GHADI
Registration Number: DE/100311/007
Department: BUSINESS ADMINISTRATION
Specialization: STRATEGIC MANAGEMENT
Title of Project Proposal: FACTORS INFLUENCING COMPETITIVENESS
OF THE ASA KHAN UNIVERSITY HOSPITAL - NAIROBI

The student has done all the corrections as suggested during the Proposal Presentation and can now proceed to collect data.

Name of Supervisor: DR. ZB AGINS Signature: [Signature] Date: 11/10/2011

2. The approved copy of this must be attached to the proposal when submitting for moderation and presentation.

- Copy 1 (photocopy) to be filed in the Department
- Copy 2 (photocopy) to be filed by Thematic Coordinator
- Copy 3 (photocopy) to be filed by the Supervisor
- Copy 4 (photocopy) to be filed by the student

APPENDIX 5: PROPOSAL CORRECTION FORM

UNIVERSITY OF NAIROBI

SCHOOL OF BUSINESS

PROPOSAL CORRECTION FORM

Student Name..... ESIHER NABIFWO GIMOI
Registration Number..... 061170371 2007
Department..... BUSINESS ADMINISTRATION
Specialization..... STRATEGIC MANAGEMENT
Title of Project Proposal..... FACTORS INFLUENCING COMPETITIVENESS
..... OF THE AGA KHAN UNIVERSITY HOSPITAL - NAIROBI

The student has done all the corrections as suggested during the Proposal Presentation and can now proceed to collect data.

Name of Supervisor..... DR. Z. RAGIM Signature  Date..... 11/10/2011