

**'' Strategic Management Practices in the Healthcare
Industry. A case study of Gertrude's Garden
Children's Hospital. ''**

By:

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**A Management Research Project Report Submitted in partial
fulfillment for the Requirement of the Degree of masters of
Business Administration (MBA), School of Business,
University of Nairobi.**

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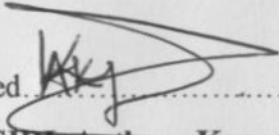


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Declaration

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

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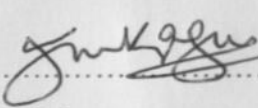
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This research project has been submitted for the examination with my approval as the university supervisor.

Signed.....



Date.....

2/11/2007

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Dedication

This study is dedicated to my wife **Jasmin Tabulo – Kanyatta** for her love, support and encouragement during the entire duration of the course.

I am particularly indebted to my supervisor **Mr. RACINE KIMWANI** for his guidance and encouragement and for being readily available whenever I needed him. I am grateful to the faculty, School of Business, University of Nairobi, who faithfully imparted their knowledge and experience throughout the course.

My sincere gratitude goes to the CEO, Chair head of institute and the staff at Gertrude's children's hospital, Nairobi, Kenya, for allowing me to use the hospital as a case study. I acknowledge the hard work of Irene and Rose for typing the work.

To all the people I have not mentioned but who in one way or the other contributed to the successful completion of this project, I say thank you and may God bless all.

Acknowledgement

TABLE OF CONTENTS

The undertaking and completion of this research work was made possible by a number of people to whom I am profoundly grateful. I am particularly indebted to my supervisor Mr. KAGWE Jeremiah for his guidance and encouragement and for being readily available whenever I needed him. I am grateful to the faculty, School of Business, university of Nairobi, who faithfully imparted their knowledge and experience throughout the course.

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1.1	Background	1
1.2	The Statement of the Problem	2
1.3	Objectives of the Study	3
1.4	The importance of the study	5
CHAPTER TWO: LITERATURE REVIEW		
2.1	The concept of strategy	7
2.2	Strategy types	8
2.3	Strategy Decision Making	9
2.4	Strategy Development and Quality	9
2.5	Strategy Management	11
2.6	Strategy Management: process and practices	12
CHAPTER THREE: RESEARCH METHODOLOGY		
3.1	Research Design	16

TABLE OF CONTENTS.

DECLARATION.....	II
DEDICATION.....	III
ACKNOWLEDGEMENT.....	IV
TABLE OF CONTENTS.....	V
ABBREVIATIONS.....	VII
ABSTRACT.....	VIII

CHAPTER ONE: INTRODUCTION.....1

1.1 Background	1
1.1.1 Kenyan Health Sector.....	2
1.1.2 The Gertrude hospital.....	3
1.2 The Statement of the Problem.....	4
1.3 Objectives of the Study.....	5
1.4 The importance of the study	5

CHAPTER TWO: LITERATURE REVIEW.....7

2.1 The concept of Strategy	7
2.2 Strategy types	8
2.3 Strategy Decision Making	9
2.4 Strategy, Environment and Capability	9
2.5 Strategic Management	11
2.6 Strategic Management process and practices.....	13

CHAPTER THREE: RESEARCH METHODOLOGY.....16

3.0 Research Design.....	16
--------------------------	----

3.2	Data Collection.....	17
3.3	Data Analysis.....	17

CHAPTER FOUR

4.1	Introduction.....	18
4.2	Governance Practices.....	18
4.3	Vision and Mission practices.....	18
4.4	General Planning Practices.....	19
4.5	Environment Scanning.....	20
4.6	Setting of Goals and Objectives.....	21
	4.6.1 Hospital objectives.....	21
	4.6.2 Department objectives.....	22
4.7	Strategy Implementation.....	22
	4.7.1 Organization structure.....	22
	4.7.2 Resource allocation.....	23
	4.7.3 Use of information technology.....	23
	4.7.4 Human resources.....	24
	4.7.5 Reward policy.....	24
	4.7.6 Culture.....	24
	4.7.7 Change management.....	25

CHAPTER FIVE: SUMMARY, DISCUSSIONS AND CONCLUSIONS

5.1	Summary, Discussions and Conclusions.....	26
5.2	Limitations of the study.....	27
5.3	Suggestions for Further Research.....	27
5.4	Recommendations.....	27

REFERENCES.....	29
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APPENDIX I: Letter of Introduction.....	32
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APPENDIX II: Interview Guide.....	33
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Abbreviations

CEO	Chief Executive Officer
COYA	Company Of the Year Award
FBO	Faith Based Organization
GGCH	Gertrude's Garden Children's Hospital
ICU	Intensive Care Unit
KDHS	Kenya Demographic and Health Survey
KIM	Kenya Institute of Management
NGO	Non Government Organization
SWOT	Strength, Weakness, Opportunity and Threats
USAID	United States Agency for International Development

Abstract.

Administrators of Kenya non-profit hospitals are often hesitant to adopt practices that would lead to a drift from their core values and ethical objectives. This study presents that over time, as the environment surrounding Kenyan hospitals becomes less predictable, there is need for hospital administrators to adopt strategic management practices. The focus of the study is on strategic management practices at Gertrude's Garden Children's Hospital as outlined in the strategic management process. The areas under research were vision and mission practices, environmental scanning, and general planning practices, goal setting, strategy implementation practices, and evaluation of strategies. In-depth interviews with the CEO and a representative of the hospital's senior management team were conducted to establish what strategic management practices have been adopted by the hospital administrators. The content of the interview was analyzed and presented in relation to the objectives of the study. The findings show that there is formulation of vision and mission statements, environmental scanning, formulation of annual business plans, objective setting takes place at the hospital, evaluation of strategies and objectives. This implies that the hospital has adopted a variety of strategic management practices.

CHAPTER ONE: INTRODUCTION

1.1 Background

Strategic management according to Ansoff (1990) is a systematic approach to position and relate an organization to its environment in a way that will assure its continued success and make it secure from environmental surprises. Strategic management practices involve attention to the set of decisions and actions resulting in formulation and implementation of strategies designed to achieve the organizations objective. Thus areas of great interest in the strategic management practices involves the planning , directing ,organizing and controlling of the strategy related decisions and actions of the business.

Central to strategic management process is the concept of strategy; strategy may be defined as the broad program of goals and activities to help a company achieve success. Strategy is the match between an organization's resources and skills and the environmental opportunities and risks it faces and purposes it wishes to accomplish (Schendel and Hofer, 1979). This statement emphasizes that the environment is constantly changing and so it is imperative that an organization has to constantly adopt its activities to reflect the new environmental requirements. Having a strategy enables you to ensure that day to day decisions fit in with the long term interest of an organization. Without strategy, decisions made today could have a negative impact on future results (Bruce & Langdon, 2000).

Executives design strategic management processes that they feel will facilitate optimal positioning of the firm in the competitive environment. This positioning is only possible if the strategic responses allow the firms to more accurately anticipate environment changes and improve preparedness to react to unexpected internal and external changes (Pearce and Robinson, 1997). The hospitals therefore need to be scanning the environment, noting the developments in the market and preparing to respond to the implications these developments are going to have. They must therefore ensure they have the resources and capabilities that are required to operate in the new environments

Gertrude's Garden Children's Hospital (GGCH) is a non profit hospital, located in the up market area of Muthaiga in Nairobi with satellite clinics in Lavington, Donholm and Nairobi West. This hospital provides comprehensive medical care to children from the middle and up class members of Kenyan society. GGCH excellence in provision of healthcare goes beyond Kenya's boundary as it also acts as a private referral hospital for East and Central Africa. Being a leader therefore puts this hospital as a role model, as the strategic management practices adopted by GGCH are likely to influence such practices in not only the private hospitals but the healthcare industry at large.

1.1.1 Kenyan Health Sector

The 1999 National census estimated Kenya's population to be 28.7 million. In 2004 the population was estimated to be 32.8 million. According to the 2003 Kenya Demographic and Health Survey (KDHS 2003) life expectancy is on the decline, at 48 years for women and 47 years for men and is expected to fall further due to increasing incidence and prevalence of HIV / AIDS. General morbidity and mortality remain high, especially among women and children. Maternal mortality in 2003 was estimated to be 414 maternal deaths per 100,000 live births. Infant mortality rate (IMR) was 77 in 2003 compared to 62 in 1993 an increase by 15 percentage points. Malaria remains the leading cause of out patient morbidity in Kenya which accounts for one third of new cases. Recurrent outbreaks of highland malaria and emergence of drug resistance strains have aggravated the situation. Other health problems include respiratory diseases, skin, diseases, gastro internal diseases and parasites.

The health sector comprises the public system, with major players being the Ministry of Health (MOH) and parastatal organizations and the private sector which comprises private for profit, NGO and FBO facilities. According to the KDHS (2003) 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 the facilities. The public health system consists of the following levels of health facilities: National referral hospitals, provincial general hospital, district hospitals, health centers and dispensaries.

National referral hospitals are at the apex of the healthcare system in Kenya and provide sophisticated diagnostic, therapeutic and rehabilitative services. There are two national referral hospitals, the Kenyatta National Hospital in Nairobi and Moi Referral and Teaching Hospital in Eldoret. The equivalent private referral hospitals are The Nairobi Hospital and The Aga Khan University Hospital both in Nairobi. Provincial hospitals act as referrals to their district hospitals. They also provide specialized care; and they act as intermediaries between national referral hospitals and the district hospitals. Similar private hospitals at the provincial level include The Aga Khan Hospitals in Kisumu and Mombasa. District hospitals concentrate on the delivery of health care services. The networks of health centers provide ambulatory health services, mainly concentrating on preventive and curative health measures.

The privately owned and operated hospitals and clinics and faith based organizations hospitals and clinics supplement the government health centre service and provide about 30 to 40 percent of the hospital beds in Kenya. According to the Kenya Medical Directory (2007) there are 322 private hospitals and nursing homes in Kenya. GGCH falls under the category of privately owned hospitals that specializes in the health needs of children.

1.1.2 Gertrude's Garden Children's Hospital.

GGCH was founded in 1947 by the late Colonel Ewart Grogan. The hospital, with some 60 beds, is a charitable organization run on a non-profit making basis in that all surplus funds go back into the day to day running and improvement of the organization. GGCH is the only sophisticated organization between Cape Town and Cairo that deals exclusively with children. No other pediatric hospital exists in this territory, although there are other general hospitals with pediatric departments.

A board of trustees, who work entirely voluntarily, receiving neither fees nor emoluments for their services, govern the hospital. The hospital's main source of income is patient's fee. It also accepts donations from corporates, small scale organization and individuals who give to the hospital in cash or in kind. GGCH obtain no financial assistance from the Kenya Government, donor countries, the United Nations or religious organization. It treats all children regardless of race, religion or social status.

The money raised through appeals and charitable donations enable the hospital to expand and improve its services to patients. In the last many years, the hospital through fund raising, has managed to build an ICU, open one of the most modern X-ray departments in Kenya and expand specialist clinics that now number 20. The hospital has opened three outpatient satellite clinics in Nairobi. In recognition of the role GGCH plays in the community, Kenya Institute of Management (KIM) awarded the hospital Company of the Year Award (COYA) in the category of corporate citizenship in the private sector for the year 2006. The COYA was a reflection of the hospital's work with the community to improve the lives of children in projects that are sustainable. The hospital financial year 2005/2006 spent close to Kenya Shillings 30, million on corporate social responsibility activities funded by internally generated funds and partners such as Roche, USAID among others.

1.2 The Statement of the Problem.

Research indicates that organizations using strategic management concepts are more profitable and successful than those that do not (Schwenk & Schrader, 1993). Similar studies were carried out by Ansoff et al (1970) in the U.S.A. on manufacturing firms and found that formal planners who took strategic management approach, outperformed non planners in terms of financial criteria that measures sales, assets, sales price, earnings per share, and earnings growth. It is also expected that any organization in Kenya who would apply strategic management will have favorable impact on performance as long as it is not conducted haphazardly.

In addition to financial benefits, strategic management offers other tangible benefits such as enhanced awareness of external threats, improved understanding of competitors, strategies, increased employee productivity, and reduced resistance to change, thus improving the effectiveness of the firm. The success of any firm depends heavily on the quality and characteristics of strategic decisions made at each level. Corporate level decisions tend to be value oriented, conceptual and less concrete than those at the business and functional level of strategy. The size of the organization, its predominant management styles, the complexity of its environment, its production processes and nature of its problem and purpose of planning determine the appropriate degree of formality adopted by a firm.

Studies have also been carried out in the public sector on strategic management practices in Kenya namely Kangoro (1998) who looked at practices in the public sector organizations. A number of studies have also been carried out in the private sector in Kenya, namely, Aosa (1992), Karemu (1993), Mitra (2001), Sagwa (2002) among others.

Though many of strategic management studies in Kenya private sectors have been carried out very few studies have focused on the health service providers. Some of these studies are general hospitals like Ongaro (2004), Bedi et al (2002), these studies reported that most Kenyans rely on Non governmental organizations for healthcare. In 1994, out of the total number of patients who sought health care services 89% of them were treated in non governmental health facilities. However this figure reduced to 65% in 1997 which is still a big percentage. The researchers concluded that the private sector has a major role to play in the provision of health care hence the focus of this study. Due to contextual, sectoral and managerial differences among the organizations, issues in strategic management practices gained from these previous studies may not be assumed to explain strategic management practices at GGCH.

1.3 Objective of the Study

The objective of this study is to determine the strategic management practices adopted by Gertrude's Garden Children's Hospital.

1.4 The Importance of the Study

The findings from this study will give a practical view of the application of strategic management practices in a Kenyan private non profit hospital. The finding of the study is expected to be beneficial to the following:-

- GGCH as it will give a detailed source for future references on the strategic management practices adopted by the hospital
- Scholars and Researchers in the field of strategic management and health care management may use the finding as a source of reference.

- The study is also expected to stimulate interest among academicians and encourage the formulation of an MBA programme tailored toward the Healthcare Management.
- The stakeholders who will be interested to know what is going on in GGCH. These include suppliers of medical equipments and drugs, financial institutions who will benefit in making good investment decisions.

Strategy is a long-term plan that guides an organization in superior performance through allocating resources. It also acts as a vehicle for communication and coordination within an organization.

In the context of the modern business organizations, strategy is a fundamental framework through which an organization can systematically assess its vital continuity and facilitate its adaptation to the changing environment. It is one of the top management tools for coping with both external and internal changes. It is the match between the organization's resources, skills, environmental opportunities, and the purposes it wishes to accomplish. For strategy to be successful it must be consistent with the firm's goals and values, its external environment, its resources and capabilities, its organization and systems (Grim, 1998).

Knowledge of the company's capabilities and of the nature of the competitive forces will highlight the areas where the company should develop competencies and where it should avoid. Strategies need to be evaluated not only in terms of the extent to which the primary resource capability of the organization is added to opportunities but also in terms of the extent to which resources can be obtained and controlled to develop a strategy for the future. According to Porter (1985), strategy can be viewed as building defenses against the competitive forces and finding positions in the industry where the forces are weakest.

Pursuing of GGCH involves a decision to stress only certain aspects of a company's brand and activities. In pursuing strategy, the firm's customer must have a clear idea of

CHAPTER TWO: LITERATURE REVIEW

2.1 The Concept of Strategy

Johnson and Scholes (1997), assert that strategy is the direction and scope of an organization over the long term through its configuration of resources within a changing environment, to meet the needs of markets and to fulfill stakeholder's expectations. Strategy is a unifying theme that gives coherence and direction to the actions and decisions of an individual or organization. It guides an organization to superior performance through establishing competitive advantage. It also acts as a vehicle for communication and coordination within organizations.

In the context of the modern business organizations, strategy is a fundamental framework through which the organization can simultaneously assert its vital continuity and facilitate its adaptation to the changing environment. It is one of the top management tools for coping with both external and internal changes. It is the match between the organization's resources, skills, environmental opportunities, and the purposes it wishes to accomplish. For strategy to be successful it must be consistent with the firm's goals and values, its external environment, its resources and capabilities, its organization and systems (Grant, 1998).

Knowledge of the company's capabilities and of the causes of the competitive forces will highlight the areas where the company should confront competition and where it should avoid. Strategies need to be considered not only in terms of the extent to which the existing resource capability of the organization is suited to opportunities but also in terms of the extent to which resources can be obtained and controlled to develop a strategy for the future. According to Porter (1980), strategy can be viewed as building defense against the competitive forces and finding positions in the industry where the forces are weakest.

Positioning of GGCH involves a decision to stress only certain aspects of a company's brand and not others. In positioning strategy is that the customer must have a clear idea of

what the brand stands for in the product category and that a brand cannot be distinctively positioned if it tries to be everything to everyone. This explains that the building of brand name is a strategic thrust that cannot be avoided in turbulent environment (Aaker, 1989).

The objective of government and other firm categories helps the strategic manager to

The major tasks of managers of GGCH are to assure survival and success of the hospital they manage. In order to achieve success, the hospital has to adequately adjust to meet environmental challenges. Failure to do this will cause a strategic problem to be experienced. This problem arises out of the mismatch between the output of the company and the demand in the market place. Strategy is useful in helping managers tackle the potential problems that face their companies (Aosa, 1992). Strategy is therefore a tool which offers significant help for coping with turbulence confronted by the business firms. Strategy requires to be taken seriously as a managerial tool, not only for the firm but also for a broad spectrum of organizations (Ansoff & MacDonnell, 1990).

Healthcare industry presents a number of

2.2 Strategy Types

In order to analyze the level of competitive forces within a particular industry in this case the healthcare industry, it is useful to characterize the various competitors for predictive purposes. According to Snow and Miles (1978), competing firms within a single industry can be categorized on the basis of their general strategic orientation into one of four basic types. This distinction helps explain why companies facing similar situations have behaved differently and why they continue to do so over a long period of time. The four basic types are:-

- **Defenders** are companies with a limited product line that focus on improving the efficiency of existing operations.
- **Prospectors** are companies with fairly broad product lines that focus on product innovation and market opportunities.
- **Analyzers** are organizations that operate in at least two different product – market areas, one stable and one variable. The stable areas efficiency is emphasized, in the variable areas innovation is emphasized

- **Reactors** are organizations that lack consistent strategy – structure – culture relationship. Their responses are to environmental pressures tending to be piecemeal strategic changes.

The division of competition into these four categories helps the strategic manager to monitor and effectively change strategic orientation to fit the environment and most probably GGCH will be expected to adopt any of the four strategy types.

2.3 Strategic Decision Making

Strategic decision making in any of the organizations including GGCH Children's Hospital is very important because it distinguishes the characteristics of strategic management. According to Mintzberg (1973) the most typical approaches, or modes, of strategic decision making are:-

- **Entrepreneurial mode.** Strategy is made by one powerful individual. The focus is on opportunities; problems are secondary.
- **Adaptive Mode.** Sometimes referred to as "Muddling through," this decision making mode is characterized by reactive solutions to existing problems, rather than a pro-active search for new opportunities.
- **Planning Mode.** This decision making mode involves the systematic gathering of appropriate information for situation analysis, the generation of feasible alternative strategies, and the rational selection of the most appropriate strategy.

In Kenya, it looks like all these approaches are applicable in public institutions and some time it is referred to as logical incrementalism, while in private institutions entrepreneurial mode and planning are often used. Therefore GGCH being a private institution it's expected to have a very logical and systematic planning mode.

2.4 Strategy, Environment and Company Capability

Without exception, organizations are environment-dependent, and so is GGCH. No organization can exist without the environment. They depend on the environment for their survival and they have to scan the environment in an effort to spot budding trends

and conditions that could eventually affect the industry and adapt to them (Thompson and Strickland, 1989). Failure to do this will lead to serious strategic problem characterized by the maladjustment of the organizations output and the demands of the external environment (Ansoff, 1984).

Strategic diagnosis is a systematic approach to determining the changes that have to be made to a firm's strategy and its internal capability in order to assure the firm's success in the environment. Illustration in figure 1 explains that when there is a shift in environment from E1 to E2. It requires a shift in the firm's strategy from S1 to S2. A shift in strategy will be possible only if the organizational capability is shifted from capability C1 to C2.

Source: Ansoff & McDonnell, 1980, *Implementing Strategic Management*, p. 40

The key to Figure 1 is as indicated below:

E1 Present environment

E2 Future environment

ΔE Shift in environmental requirements

S1 Present Strategy

S2 Future strategy

ΔS Strategic transformation

C1 Present internal capability

C2 Future internal capability

ΔC Capability transformation

The environment depends on management that recognizes that whenever environmental changes occur, they create pressure for change in an organization's strategy as well as the internal capability. (GCH) needs to make this adjustment if it has to survive. Besides, that, when the external environment has changed, one would expect changes in strategies and internal capabilities of the internal.

1.5 Strategic Management

Strategic management may be defined as the process directed by the top management but employed in throughout the structure aimed at determining the fundamental aims or goals

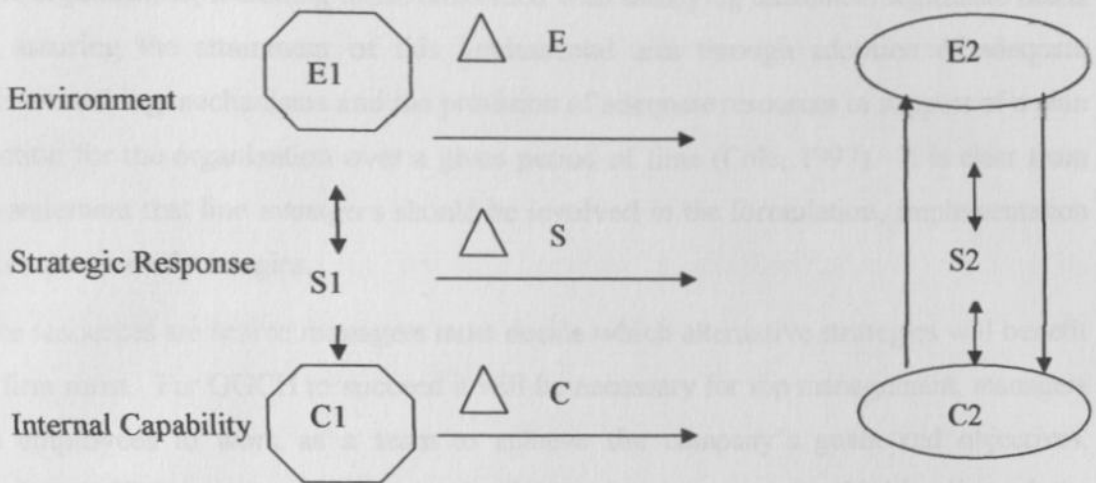


Figure 1: Relationship among the environment, strategy and company capability. (Source, Ansoff & McDonnell, 1990, Implanting Strategic Management, pg 40).

The Key to Figure 1 is as indicated below.

E1.....Present environment

E2.....Future environment

△E.....Shift in environmental turbulence

S1.....Present Strategy

S2.....Future strategy

△S.....Strategic transformation

C1.....Present Internal capability

C2.....Future internal capability

△C.....Capability transformation.

The environment dependence phenomenon thus postulates that whenever environmental changes occur, they create pressure for change in an organization's strategy as well as the internal capability. GGCH needs to make this adjustment if it has to survive overtime. Thus, where the external environment has changed, one would expect changes in strategies and internal capabilities of the hospital.

2.5 Strategic Management

Strategic management may be defined as the process directed by the top management but engaged in throughout the structure aimed at determining the fundamental aims or goals

of the organization, including those concerned with satisfying customers legitimate needs and assuring the attainment of this fundamental aim through adoption of adequate decision making mechanisms and the provision of adequate resources in support of a plan direction for the organization over a given period of time (Cole, 1997). It is clear from this statement that line managers should be involved in the formulation, implementation and evaluation of strategies.

Since resources are scarce managers must decide which alternative strategies will benefit the firm most. For GGCH to succeed it will be necessary for top management, managers and employees to work as a team to achieve the company's goals and objectives. Drucker, (1974) says that the prime task of strategic management is thinking through the overall mission of a business. That is, asking the question, "what is our business?" This leads to the setting of the objective, development of strategies and making of today's decision for tomorrow's results. This clearly must be done by a part of the organization that can see the entire business, that can balance objectives and the needs of today against the needs of tomorrow, and that can allocate human and financial resources to key results. The right formulation of the mission statement will guide the company to set objectives and goals which will provide the basic direction and framework within which all the activities of the company will take place.

The strategic management process is dynamic and continuous. A change in any one of the major components in the process can necessitate a change in any or all of the other components. For instance, the economic growth in Kenya could represent a major opportunity and require a change in long term objectives and strategies for GGCH; a failure to accomplish annual objectives could require a change in policy; or a major competitor's change in strategy could require a change in the firm's mission. Therefore, strategic management process is based on the belief that organizations should continuously monitor internal and external events and trends so that timely changes can be made as needed. It includes environmental scanning (both external and internal), strategy formulation, implementation, evaluation and control. The study of strategic management therefore emphasizes the monitoring and evaluation of external opportunities and threats in light of an organization's strengths and weaknesses (David, 2001).

Strategic management helps organizations to be more proactive than being reactive in coping with the changes in the competitive environment. Historically, the principal benefit of strategic management has been to help organizations formulate better strategies through the use of a more systematic, logical, and rational approach to strategic choice. In a turbulent environment, the more enduring advantage is the ability to anticipate evolving customer needs and to generate new value creating capabilities. And unless there is an advantage over competitors that is not easily duplicated, long term profitability is likely to be elusive (Hamel and Prahalad, 1989).

The complexity and turbulence of environment, calls for managers to keep reviewing their strategy to see, if it is in line with what is happening in the environment. Organizations not only have to keep making changes as a response to the environment but also have to do so in good time. They have to look at the direction and speed of change and their ability to respond at all times. The systematic approach do determine the changes that have to be made to a firm's strategy and its internal capability has to assure the firm's success in its future environment. This systematic approach is referred to as strategic diagnosis (Ansoff and McDonald, 1990).

The strategic actions taken by an organization are determined by both the external and internal environments. The major external factors include economic, technology, societal, political and regulatory factors. When any of the factors in the environment change, it usually warrants a change in the firm's objectives and strategy (Pearce and Robinson, 1997). Managing the various and multifaceted internal and external environment is part of the modern executive responsibility. To deal with all the factors that affect the ability of a company to grow profitably, the set of decisions and plans that lead to the strategic action is the firm's strategy. Strategic management is the process of planning, implementing and evaluation of the strategy adopted by the firm.

2.6 Strategic Management Process and Practices.

The process of strategic management comprises of three main phases: strategic analysis, strategic choice and strategy implementation. Owing to the nature in which the various

activities from different phases overlap each other, the strategic management process is not linear (Judson, 1996). The activities and events do not follow each other in a logical sequence and therefore every organization has different approaches to this process of strategic planning. Thus strategic planning practices in GGCH are expected to be different from those in other hospital as it addresses the health needs of children, unlike other hospitals where pediatrics is a department. In practice, business managers usually divide the three phases into the following sub phases: defining the vision and mission, situation analysis, strategic analysis and choice, strategy implementation and strategy evaluation.

A vision describes a set of ideals and priorities, a picture of the future, a sense of what makes the company special and unique including a core set of principles that the company stands for (Hararri, 1994). An organization's mission statement is a short statement declaring what business the organization is in and who its customers are. Responsibility for creating the vision and mission lies with the organizations leadership and then communicated so that it becomes shared vision for everyone in the organization (Thompson and Strickland, 1995).

Situational analysis seeks to understand an organization's current strategic position. Managers must monitor both the internal and external environment to detect strategic factors that are likely to have a strong impact on their organization's success or failure. The simplest way to conduct environmental scanning is by SWOT analysis. According to Pearce and Robinson (1997), strengths are key competitive distinctions that would give a firm an edge over other firms with the same product lines while, weaknesses are considered to be lack of or limit to resources that are necessary to accomplish the objective. Opportunities are favorable situations upon which a firm could capitalize and improve their standing. Threats are situations that can be detrimental to an organization. Other situational analysis tools include PEST (Political; Economic; Social; Technological) analysis and the five forces analysis established by Porter (1980), namely, the threat of new entrants; the existence of substitute products or services; the bargaining

power of suppliers; the bargaining power of customers or buyers; and existing rivalry within the industry.

1.4.3. Strategic Choice

Strategic analysis and choice involves the determination and evaluation of strategic options and choice of future course of action. Porter (1980), identifies three main types of generic competitive strategies; cost leadership, differentiation and focus. Choosing a strategy can be done by rational portfolio management tools like the Boston Consulting Group (BCG) growth-share matrix, the General Electric (GE) grid and the Ansoff market matrix.

Strategy implementation involves making the new strategy operational and effective in achieving the organization's objectives. Issues like the organization structure, resources, culture and the management of strategic change are critical in this stage when institutionalizing the strategy. Lack of compatibility between the strategy and culture for instance can lead to high organization resistance to change and demotivation, which in turn frustrate the strategy implementation effort (Wheelen and Hunger, 1998). Resistance to change can be considered the greatest threat to successful strategy implementation (David, 1993).

Strategy evaluation is the process of monitoring corporate activities and performance results so that actual performance can be compared with desired performance. Strategic evaluation takes place throughout the strategic management process. In practice, organizations have scheduled strategy review meetings in which progress reports on performance of the strategy are given. Ansoff and MacDonnell (1990) maintain that if a strategy turns out to be uncompromising, it can be revised and abandoned before major financial and psychological commitments have been made.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

The research problem posed can best be studied using the case study method. This method can give in-depth account of the strategies adopted by GGCH to cope with the environmental changes in the 21st century.

Kothari (1990) defined a case study as a very powerful form of qualitative analysis and involves a careful and complete observation of a social unit be that unit a person a family, an institution, a cultural group or even the entire community. It is a method of study in depth rather than breadth.

Yin (1988) notes that the case study contributes uniquely to the knowledge of an individual, organization, social and political phenomena. Thus case studies has become a common research tool in psychology, sociology, political science and planning. The advantages of using a case include enabling an in-depth understanding of the behaviour pattern of the concerned unit, facilitating intensive study of concerned unit which is not possible with different methods and possibility of obtaining the inside facts from the experienced employees. In addition, the use of the case study method enriches generalized knowledge and makes it possible for the researcher to use one or more methods depending upon the prevalent circumstances.

The limitations of the case study include the danger of false generalization which might be experienced because of lack of set rules to follow in collection of information, it is time consuming and expensive, the researcher might be subjective and it is used in a limited sphere, not in a big society.

In conclusion, despite the above stated limitations, the study is based in Nairobi and focuses to interview the chief executive officer and the chair of board of trustees in addition to other managers involved in strategic planning process. In structuring the

questionnaire, closed ended questions which could limit the respondents answers have to be avoided in an effort to minimize the risk of subjective answers.

3.2 Data Collection

This is a case study and will rely on both primary and secondary data. Secondary data will be used to supplement and confirm primary data and will be obtained from two sources; GGCH web site www.gerties.org which has extensive information on history, functioning, management and current activities of the hospital. The hospital's magazines will also provide some of the needed information. In general, secondary data will be collected regarding management practices such as structure, board membership, and previous decisions made by the board. Although information in some of these areas will be obtained through interviews, It will be good to confirm what is given during the interview from secondary data.

Primary data will be collected using an interview guide (see appendix II). The CEO and the chair of the board will be interviewed. The CEO and the chair of the board would be expected to provide information on board composition and strategic planning practices.

3.3 Data Analysis

Content analysis will be done since the data collected will be mainly qualitative in nature. Case studies can often yield information that could not be obtained using other methods. Content analysis of data will be based on analysis of meanings and implications emanating from respondent's information and documented data on strategic management practices at GGCH.

CHAPTER FOUR: DATA ANALYSIS AND FINDINGS

4.1 Introduction

This research had the objective of establishing the strategic management practices adopted by GGCH. The data was analyzed using content analysis based on meanings and implications emanating from respondents information and documented data.

4.2 Governance Practices

Primary data was collected by use of an interview guide. The CEO and the chair of the board were interviewed. Secondary data was obtained from hospital's annual reports. From the findings it was found that the board had eight members out of whom two are women. All the board members were found to be non employees of the organization except the CEO.

4.2.1 General Planning Practices

Skills represented at GGCH board of trustees include: legal, financial, Medical, auditing/accounting, social work and business management. However the respondents felt they would like to see the following specific skills added to the board; human resource management, diversity in racial representation, fundraising and more medical representation. Members of the board have been nominated and selected to the board by other members. The person must be a good standing in society, be known and acceptable to current board members and be willing to serve voluntarily. Members do not have set terms and their terms are renewable indefinitely. The officers of the board are very important in the proper functioning of the board in that they are the ones who nominate and elect the chair through consensus. The board is established by the trust deed and is appointed as stipulated in certificated of incorporation.

4.3 Vision and Mission Practices

The study established that the hospital has vision and mission statement that are documented. The hospital's vision is "to be the preferred health care provider for children throughout East Africa by putting the needs of children and their parents first".

The Hospital's mission "is to provide the very best medical services delivered by caring and competent professional staff, who will work as a team to understand and fulfill the special needs of children". It was established that the vision and mission statements were developed and written by a team of the hospital's senior management in collaboration with the board of trustee.

The vision and mission statements are communicated in both verbal and written format. The CEO communicates the vision and mission to the employees and external stake holders by way of speeches during official functions. The statements are communicated in written form in the hospital's information brochures and magazines. The researcher observed that the vision and the mission statements are displayed prominently on plaques at the hospital reception areas, hallways, entrances and meeting rooms in full view of employees and clients.

4.4 General Planning Practices

The study established that a variety of plans are developed in hospital. There is an overall hospital business plan as well as departmental plans. The hospital business plan is considered the top most in the hierarchy of plans developed in the hospital. The CEO emphasized that the hospital business plan was a reference point for all plans in the hospital. It sets precedence for all other operational plans in the hospital.

It was established that the core drivers of the business plan were the board of trustees. The board of trustees has sub-committees that drive the process of business planning in the hospital. The role of this sub-committee is to develop the framework of business plan and the inputs that will be required in the process. The sub-committee decided upon a business plan instead of a strategic plan because the hospital was undergoing change and a 1 – 2 year business plan was considered the most appropriate. The study established that the hospital administrators have plans to develop a 3 – 5 year strategic plan in 2008. The study established that every department in the hospital has documented function strategies that guide it's activities and that these functional strategies are in line with the hospital's overall strategies.

4.5 Environmental Scanning

The respondents identified several mechanisms that the hospital has put in place in order to assess the internal and external environment of the hospital. One such mechanism is the use of external consultants in business planning. During the process of development of the 2007 corporate business plan, a business planning consultant was hired. The consultant analyzed the hospital's internal and external environment using the SWOT framework.

The research established that the hospital's administrators consider the views of the clients to be very important in assessing the environmental situation of the hospital. The marketing department conducts regular customer satisfaction surveys. In these surveys, patients are issued with questionnaires to rate and score their experience of the hospital's services. This process is continuous and both qualitative and quantitative data from the process are analyzed and documented in reports that are presented on a monthly basis to the senior management team.

Through this process, the hospital administrators have been able to gather information on how patients perceive the hospital's services even in comparison to other hospitals. It was established that the hospital engages the services of market research firms to conduct studies that focus on identifying perceptions of the hospital by external stakeholders i.e. the neighbouring population, business community, partners and competitors.

The CEO and Senior managers at the hospital also participate in environmental scanning through personal monitoring of issues raised by employees and clients. The Chief Executive Officer collects views of employees during formal and informal meetings. Prior to the development of the business plan, a series of formal meetings between the CEO and hospital employees were held. The researcher also established that suggestion boxes have been placed in the staff dining area for the CEO to continually gather information from employees. Suggestions by employees have led to introduction of innovative products and processes in the hospital.

Regular cocktail parties held by the hospital for its suppliers and business partners were identified as other mechanisms through which the hospital gets to detect changes in the environment. Through hosting cocktails for consultant doctors, the hospital administrators are able to get information on developments in medical technology and processes etc.

4.6 Setting of Goals and Objectives

The study established that a variety of objectives are set in the hospital. These objectives are hierarchical and linked to each other. The main strategic objectives are contained in the business plan. The other objectives, namely departmental objectives and Individual employee objectives are derived from the hospital objectives. The process of objective setting in the hospital is participatory.

4.6.1 Hospital objectives

The study established that GGCH board was involved in the development of the hospital objectives. The council held planning meetings to define the parameters for the corporate objectives in the line with the vision and mission of the hospital. These parameters were in terms of revenue generation, cost management, staff welfare and operational efficiency. Once the parameters were set, the Chief Executive Officer communicated them to senior managers in whole day workshops held in offsite locations. The agenda of these workshops was to formulate strategies for the hospital for the year 2007. an external consultant facilitated these workshops and senior managers were given an opportunity to discuss, debate and give recommendations. In addition, training sessions on objective setting were held for the senior managers.

Further follow-up sessions were held to refine the recommendations of the initial workshops. The board and the CEO made the final corporate objectives having put into consideration the recommendations by the senior managers. These were then documented in the business plan. Review meetings were later held by the senior managers to review the strategies agreed and formulate team briefs for other staff members. On a regular

basis, the Chief Executive Officer and senior managers hold meetings where feedback is communicated from all departments.

The study established that the main bases for selection of strategies at the hospital are financial data and the core competencies of the hospital. According to the CEO, priority is given to those gaps in the market that the hospital's competitors are not able to fill but that GGCH can by virtue of its core competencies. The study established that the hospital identified some areas in which it has competitive advantage.

The researcher established that the hospital used the Ansoff product/market development matrix as a basis for modeling its business growth. Market penetration strategies were highlighted in the business plan. According to the CEO, the hospital has a quest to be a business leader and hence the hospital strategies also revolved around innovation of hospital services and introduction of new products.

4.6.2 Departmental objectives

the study established that each department had objectives that had been set in line with the overall hospital objectives. The senior managers set these objectives together with their staff members in formal meetings. Each employee of the hospital has objectives that are set in line with their departmental objectives and linked to the overall hospital objectives. Each staff with his/her immediate supervisor sets their individual objectives during formal meetings. i.e. performance evaluation meetings. Evaluation is done bi-annually through performance-based appraisal. The senior managers are evaluated by the CEO on the contribution that their departments have made to the attainment of the hospital goals.

4.7 Strategy Implementation

4.7.1 Organization structure

The study established that the organization structure of the hospital changed since the launch of the 2007 business plan. The hospital adopted a strategic business unit system to help boost performance and enhance operational efficiency of the hospital's core business

and associated businesses. There are seven strategic business units and several support units. Each of the strategic business units have been categorized and termed as either cost centers or revenue centers using the BCG matrix. Reporting lines were aligned to the Strategic Business Unit system for clarification of functions and roles.

4.7.2 Resource allocation

The study established that resources were allocated via budget. Senior managers were responsible for preparation of their departmental budgets, which are then consolidated into an overall hospital budget. The objectives in the business plan set the priority of resource allocation.

The study established that financial resources constraints were one of the limitations to implementation of hospital strategies. It was established the hospital had engaged in strategic partnership which had assisted the hospital tremendously in financing several key projects within the hospital.

According to the CEO, continuous communication with partners has enhanced the support of partners in contribution to the implementation of the hospitals objectives. The hospital sends out progress reports including audited accounts of the joint projects to its partners.

4.7.3 Use of information technology

The study established that the use of information technology has re-shaped the way the hospital conducts its business. The hospital has sought to improve its productivity and efficiency by implementing a custom-made information technology system that has enhanced data and information flow. All the strategic business units and support units are electronically linked through this system. The computers that support this system can be found in all sections of the hospitals and are used by all staff. Training on the system are held continuously for all staff and are facilitated by the hospital's IT staff.

4.7.4 Human resources

According to the respondents having the right employees in the right roles is critical to the successful implementation of the hospital's strategies. In line with the organizational restructuring, emphasis has been given to implementation of suitable recruitment procedures to attract the right employees. The Human Resource Department conducts internal and external recruitment for key positions that are required for implementation of the hospital's strategies. External recruitment is done via placement of job advertisements in the local dailies, the hospitals website or using external recruitment agencies. The study established that the hospital has targeted to have highly educated and experienced personnel. There are job descriptions in place for all staff and management positions. The study established that there was no formal succession planning carried out in the hospital.

It was established that the hospital had unionized employees and the hospital has a Collective Bargaining Agreement with the Union. Union employees have been made more engaged by including them in all staff meetings and forums held across the functions. The study established that one of the hospital's long term objectives concerned attaining a human capital base of 50 percent. In a bid to reduce employee turnover and enhance retention of quality employees, the human resources department has established and is in the process of implementing an attractive scheme of service for employees.

4.7.5 Reward policy

The study established that supportive behaviour by employees is rewarded and recognized. The CEO has quarterly meetings with staff, during these meetings various categories of awards are given to the most outstanding individual employees and teams. These employees and team receive monetary awards, sponsored vacations as well as certificates and trophies. Annual bonuses are awarded to all employees depending on how well the hospital has performed in general.

4.7.6 Culture

The study established that the hospital was in the process of enhancing a corporate team culture that supports strategy implementation. It was established that strategy

implementation was a people-driven process in the hospital and a lot of emphasis has been given to team building. Senior managers were taken to offsite locations for team building and training. In order to enhance communication within the hospital, departments are required to hold at least one monthly meeting to discuss departmental issues and review of goals. Minutes for these meetings are forwarded to the CEO.

The study established that the culture of continuous improvement among staff is emphasized by the hospital's implementation of ISO 9001 2000 quality management system.

4.7.7 Change management

The study established that in order to support the implementation of strategies at the hospital change management practices were employed. A change management team was formed. Employees in each department were asked to nominate one of their own to represent them in this team which is chaired by the Human Resource Management. The team collects and addresses views from employees on changes happening at the hospital. It also assists the Chief Executive Officer in selecting the employees who should be recognized and rewarded.

The study established that there was employee resistance to change and that getting employees to accept new ways of doing things was challenging to implementation of strategies. In order to deal with this barrier the hospital has embarked on provision of training staff and equipping them with the necessary skills. Regular training sessions by external consultants are arranged in house for various departments. The researcher also established that the hospital is in the process of creating a resource center for nursing staff to gain access to information on advanced clinical practices. The hospital also arranges external trainings abroad for its doctors and nurses.

In 2005, the hospital embarked on changing the look of various aspects of the business to give them a more customer friendly and focused look. The outlay of reception areas was changed. In addition, all front office staff were issued with smart executive-design outfits. The content of the hospital magazine that is circulated to patients, suppliers, clients and partners was changed to give more focus on the hospitals corporate social responsibility programs.

CHAPTER FIVE

SUMMARY, DISCUSSIONS AND CONCLUSIONS

5.1 Summary, Discussions and Conclusions

The objective of the study was to establish the strategic management practices by administrators at the Gertrude's Children Hospital. The objective of the study was met since the research was able to establish that Gertrude's Hospital administrators had adopted a number of strategic management practices as highlighted in chapter four.

The hospital has well documented vision and mission statements, which are communicated to employees and external stakeholders in both written and spoken form. The Chief Executive Officer is involved in communicating the vision and mission statements. The hospital has put in place mechanisms for environmental scanning and uses tools such as SWOT analysis. Planning takes place in the hospital and there is an annual hospital business plan containing the vision and mission statements, situational analysis, and competitor analysis. The business plan also features business growth strategies that were developed using the Ansoff product/market development matrix. The hospital's governing council and the senior management teams are involved in development of the annual business plan. Departmental plans containing functional goals, objectives and strategies are developed in line with the hospital business plan. Employees participate in the development of departmental plans. The hospital plan and the departmental plans are monitored and evaluated through performance-based appraisals.

The hospital has institutionalized its strategies by aligning its organization structure and policies and training its staff. The hospital adopted a strategic business unit system and has seven strategic business units. The BCG tool is used to identify strategic business units that are cost centers and those that are revenue centers. In order to reduce employee resistance to change the hospital uses change management practices such as training employees in new skills and incorporating employees in the business planning process. The findings indicate the hospital administrators have adopted strategic management practices.

5.2 Limitations of the study

The limitation in the research study stemmed from time. Firstly, since the research was conducted via open-ended interviews, a large amount of time was needed to collect information from the respondents and at the time of research the respondents had very busy schedules. Due to the varied nature of the responses from open ended interviews content analysis was used in data analysis. This technique required a lot of time. Secondly, the findings are based on information obtained from in-depth interviews with only two respondents. Time limitations made it impractical to include more respondents in the study. More respondents would have been essential to increase the representation for the Governing Council and senior management team in this study and allowed for better checks on consistency of the information given. However, the researcher did look for contradictions in the information given and no inconsistencies were found.

5.3 Suggestions for Further Research

There is need to undertake further research on the development process of a strategic plan by the hospital. At the time of the study the hospital was in the process of implementing the 2007 business plan. Effectiveness of implementation of this plan can also be studied further, to find out whether the objectives were met.

5.4 Recommendations

The study found that resistance to change by employees has hindered implementation of the hospital's strategies outlined in the business plan. As the hospital prepares to embark on strategic planning, resistance to change by employees may impede the process. There is need for the hospital's administrators to take a more strategic approach to managing change within the hospital. Currently the change management practices involve the administrators setting goals, clarifying desired outcomes, providing feedback, giving rewards for desired performance and taking action when goals are not met. The focus of these change management practices is on performance driving cultural change. Strategic change management practices involve the hospital's administrators establishing a sense of urgency, creating the guiding coalition, developing a vision and strategy, communicating the change vision, empowering employees for broad based action, generating short term wins, consolidating gains and producing more change

and finally, anchoring new approaches in the culture. Effective change management will not eliminate all the concerns, but it will help keep them to a tolerable level and allow the strategic planning process to continue without significant loss of focus.

The study found that the hospital administrators had not formulated and documented a strategic business plan but had prepared and documented an annual business plan. Annual planning has an operational focus and is concerned primarily with concrete goal setting and scheduling of specific tasks to meet these goals. Strategic planning gives explicit recognition to the organizations outside environment and places an emphasis on the organization's strategic advantage in meeting the contingencies in the environment. The hospital administrators can build upon their experience in annual business planning, environmental scanning, goal setting and performance evaluation to develop a strategic plan for the hospital.

Representatives from the different stakeholders groups i.e. staff members, middle and senior management; the governing council should be involved as each group brings a unique perspective to the process. A structured planning process with designated and sequenced activities such as brainstorming, small group work, listing, summarizing, prioritizing makes it possible for everyone in attendance to participate fully while discouraging domination by high-verbal, high status group members. This involvement throughout the process will ensure that those who have major responsibilities to carry out the plan, understand the plan and the reasons behind it. Employee involvement in the strategic planning process can contribute greatly to employee commitment to mutual goals and a sense of organization unity.

Leadership change is integral to future corporate strategies and the hospital administrators should consider implementing a formal succession plan for not only key leadership positions but also in a variety of job categories. It is important to diligently groom future executives on the strategic needs essential to run the hospital profitably in the changing environment. Succession planning establishes a process that recruits employees, develops their skills and abilities, and prepares them for advancement, all while retaining them to ensure a return on the hospital's training investment. *Succession planning is strategic, tactile and deliberate involving a clear understanding of how organizations need to change in lockstep with strategies designed to groom future leaders to meet those needs.*

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**APPENDIX I
LETTER OF INTRODUCTION**

**UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS**

The CEO

Gertrude's Garden Children's Hospital.

Dear Sir / Madam,

RE: REQUEST FOR PARTICIPATION IN MY RESEARCH WORK

I am a postgraduate student in the University of Nairobi, School of Business, pursuing Masters in Business Administration (M.B.A.) degree programme.

In order to fulfill the degree requirements, I am undertaking a management research project on **“Strategic Management Practices in the Healthcare Industry: A case study of The Gertrude's Garden Children's Hospital”**

This study is purely for academic purposes. All information given shall be kept strictly confidential. The study may bring out some suggestions which could be useful to The Gertrude's Children's Hospital. A copy of the final study may be availed to you on request once the study is complete.

Thank you for your time and valuable co-operation.

Yours faithfully,

KAGIRI, Anthony Kanyatta.

APPENDIX II

INTERVIEW GUIDE: STRATEGIC MANAGEMENT PRACTICES

STRATEGY FORMULATION PRACTICES

1. Does The Gertrude's Garden Children's Hospital have vision and mission statements?
2. What was the process of developing the vision and mission statement?
3. What types of plans are developed for the hospital?
4. How is planning conducted at the hospital?
5. Does the hospital have strategic plans?
6. What is the process of developing strategic plans at the hospital?
7. Which tools and techniques are used to develop strategies at the hospital?

STRATEGY IMPLEMENTATION

1. What is the process of implementing strategies at the hospital?
2. What challenges have been encountered in implementation of the hospitals strategies?
3. How have they dealt with the challenges in strategy implementation?

STRATEGY EVALUATION

1. How do you monitor success of the hospital's strategic plan?