

**A SURVEY OF COMPETITIVE STRATEGIES ADOPTED BY MISSION HOSPITALS
IN KENYA**

BY

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A MANAGEMENT RESEARCH PROJECT SUBMITTED

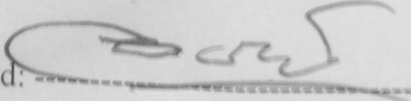
**IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF
DEGREE OF MASTER OF BUSINESS ADMINISTRATION**

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DECLARATION

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

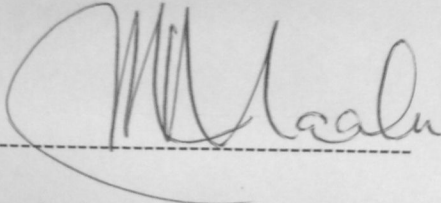
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This project has been submitted with my approval as University supervisor

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DEDICATION

This Project is dedicated to all students of management and to my late father Tobias Kundu for the inspiration and support they gave me throughout my MBA studies

ACKNOWLEDGEMENT

My special regards and appreciation go to my supervisor Mr Jackson Maalu of the School of Business, University of Nairobi for his encouragement and invaluable guidance throughout the process.

I also acknowledge the support and cooperation given by the various mission hospitals that gave the data used in this study.

The support given by my employer CHAK through paying my tuition fees is greatly appreciated

Special thanks go to my partner Carol who was a source of encouragement in this process, being a student herself on the same program

TABLE OF CONTENTS

DECLARATION	i
DEDICATION	ii
ACKNOWLEDGEMENT	iii
LIST OF TABLES	viii
LIST OF FIGURES	ix
ABSTRACT	x
CHAPTER ONE: INTRODUCTION	1
1.1 Background	1
1.1.1 Competitive Strategies	1
1.1.2 Mission Hospitals in Kenya	3
1.2 Statement of the Problem	4
1.3 Objectives of the Study	7
1.4 Importance of the Study	7
CHAPTER TWO: LITERATURE REVIEW	9
2.1 The Concept of Strategy	9
2.2 Levels of Strategy	10
2.3 Significance of Strategy	11

2.4 Competition.....	12
2.5 Competitive Advantage.....	17
2.6 Competitive Strategies	18
2.6.1 Cost leadership strategy	18
2.6.2 Differentiation Strategy.....	19
2.6.3 Focus Strategy.....	21
CHAPTER THREE: RESEARCH METHODOLOGY	23
3.1 Research Design.....	23
3.2 Population	23
3.3 Data collection	24
3.4 Data Analysis	24
CHAPTER FOUR: FINDINGS AND DISCUSSION.....	26
4.1 Introduction.....	26
4.2 Profiles of Respondent Hospitals.....	26
4.2.1 Duration in Operation	26
4.2.2 Estimated Population Size of Hospital Catchment Area	28
4.2.3 Hospital's Size In Terms Of Kshs Turnover Per Annum	30
4.2.4 Market served by hospital	31

4.3 Competitive Strategies by Mission Hospitals Studied	33
4.3.1 Competition in the Catchment Areas	33
4.3.2 Major Competitors to the hospital	34
4.3.3 Strategic Responses to Changes in the Market	36
4.3.4 Strategic responses to changes in the market.....	38
4.3.5 Strategies for improving Patients' attendance	39
4.3.6 Strategic Responses to Changes in the Market	40
4.3.7 Competitive Strategies to beat Competition in the Market.....	41
4.3.8 Important Goals in the Business	43
4.4 Service Quality Related Strategies.....	44
4.4.1 Quality Indicators used to distinguish services.....	44
4.4.2 Quality of service delivery processes.....	46
4.5 Image Building Strategies.....	47
4.5.1 Strategies for Image building of the Hospitals.....	47
4.5.2 Promotion Media Strategies used by the Hospitals	48
4.6 Factors Influencing choice of competitive strategies.....	50
4.6.1 Factors influencing the choice of Competitive Strategies	50
4.6.2 Forces that have influenced choice of competitive strategies.....	52

4.3 Competitive Strategies by Mission Hospitals Studied	33
4.3.1 Competition in the Catchment Areas	33
4.3.2 Major Competitors to the hospital	34
4.3.3 Strategic Responses to Changes in the Market	36
4.3.4 Strategic responses to changes in the market	38
4.3.5 Strategies for improving Patients' attendance	39
4.3.6 Strategic Responses to Changes in the Market	40
4.3.7 Competitive Strategies to beat Competition in the Market.....	41
4.3.8 Important Goals in the Business	43
4.4 Service Quality Related Strategies.....	44
4.4.1 Quality Indicators used to distinguish services.....	44
4.4.2 Quality of service delivery processes.....	46
4.5 Image Building Strategies.....	47
4.5.1 Strategies for Image building of the Hospitals.....	47
4.5.2 Promotion Media Strategies used by the Hospitals	48
4.6 Factors Influencing choice of competitive strategies.....	50
4.6.1 Factors influencing the choice of Competitive Strategies	50
4.6.2 Forces that have influenced choice of competitive strategies.....	52

LIST OF TABLES

CHAPTER FIVE: SUMMARY AND CONCLUSIONS.....	54
5.1 Summary	54
5.1.1 Competitive Strategies adopted by Mission hospitals	54
5.1.2 Factors Influencing the Choice of Strategy.....	55
5.2 Conclusions.....	57
5.3 Suggestions for Further Research	58
REFERENCES.....	59
APPENDICES	62
Appendix 1: Sample of Letter of Introduction.....	59
Appendix 2: Research Questionnaire.....	62
Appendix 3: List of Kenya Episcopal Conference Hospitals	71
Appendix 4: List of CHAK Hospitals.....	74

LIST OF TABLES

Table 1: Duration the Hospital Has Been In Operation.....	27
Table 2: Estimated Population Size of the Hospital Catchment Areas.....	28
Table 3: Hospital's Size In Terms of Kshs Turnover Per Annum	30
Table 4: Market Served By the Hospital.....	32
Table 5: Competition in the Catchment Areas.....	33
Table 6: Major Competitors to the Hospital	35
Table 7: Strategic Responses to Changes in the Market.....	37
Table 8: Strategic Responses to Changes in the Market.....	39
Table 9: Strategies for Improving Patients' Attendance	40
Table 10: Strategic Responses to Changes in the Market.....	41
Table 11: Competitive Strategies used to beat Competition in the Market	42
Table 12: Important Goals in the Business	43
Table 13: Quality Indicators Used To Distinguish Services.....	45
Table 14: Quality of Service Delivery Processes.....	46
Table 15: Strategies for Image Building.....	47
Table 16: Promotion Media Strategies.....	49
Table 17: Factors influencing the choice of Competitive Strategies	51
Table 18: Forces That Have Influenced Choice of Competitive Strategies.....	53

LIST OF FIGURES

Figure 1: Duration the Hospital Has Been In Operation.....	27
Figure 2: Annual Turnover (Kshs).....	31
Figure 3: Market Served By the Hospital	32
Figure 4: Competition in the Catchment Areas	34
Figure 5: Major Competitors to the Hospital	36

ABSTRACT

Firms respond to competition in different ways. Some may opt to move into product improvement, some into divesture and diversification, while others enter into new markets and others merge or buy out competitors. Porter (1980) postulates that, the essence of strategy formulation is coping with competition. Porter (1985) is of the view that as the operating environment changes; a more pronounced transformation of the business landscape lies ahead. Therefore, competitive strategy is vital to the adaptation to the changing business

The objectives of the study were to establish Competitive Strategies adopted by Mission hospitals in Kenya and also to establish factors influencing the choice of competitive strategies in Mission hospitals. The research was a census survey. The target population was the CEOs of mission hospitals in Kenya. The researcher sampled 58 respondents although the respondents that responded and returned the questionnaire were 49.

Data was collected using semi-structured questionnaires and was analyzed using descriptive statistics. The data was coded and entered into a spreadsheet and analyzed using SPSS (Statistical Package for Social Sciences) and excel packages. It was presented using frequency tables, percentages and mean scores, bar graphs, pie charts and factor analysis matrices.

The study found that the competitive strategies adopted by mission hospitals in Kenya in response to changes in the market were; offering high quality services, providing superior customer service, offering services not offered by competitors, introducing new services to the market and use of latest technology, regular market surveys of customer needs, customized services to niche market, better service attributes to niche and also market segmentation, new service features in response to demand, keeping overheads same as industry, keeping charges lower than competition and staff reduction.

CHAPTER 1: INTRODUCTION

1.1 Background

1.1.1 Competitive Strategies

Competitive strategy comprises of all those moves that a firm has and is taking to attract buyers, withstand competitive pressure and improve its market position (Thompson & Strickland, 2002).

It concerns what a firm is doing in order to gain a sustainable competitive advantage. Porter (1980) asserts that there are three Approaches to competitive strategy. One is striving to be the overall low cost producer, therefore being a cost leader, another is seeking to differentiate one's product offering from that of one's competitors, which is a differentiation strategy while a third involves focus on a narrow portion of the market, which is focus or niche strategy.

Porter (1985) argues that strategy is about seeking a competitive edge over rivals while slowing the erosion of present advantages. Few advantages can be sustained indefinitely, for time eventually renders them obsolete.

Strategy serves as a guide to the organization on what it is the organization is trying to do and achieve (Johnson and Scholes, 1999)

According to Johnson and Scholes (1999), strategy helps to position a firm in the wider external environment. It also defines the obligation of the firm to its stakeholders. Strategy therefore

helps to define the specific business of the firm in terms of products, market and geographical scope. Pearce and Robinson (2000), on the other hand, define strategy as a firm's game plan that enables the firm to create competitive advantage. The firm needs to look at itself in terms of what the competitors are doing. Ansoff and McDonnell (1999) define strategy as a set of decision making rules for guidance of organizational behavior. Thus strategy is used as a yardstick to measure a firm's performance and to define its relationship with the external environment. Strategy also defines how a firm views itself within the industry and how it conducts its day to day business.

There is no single exhaustive definition of strategy. What emerges however is that strategy has to do with how a firm relates to its environment. This has to take in to account the internal capabilities of the firm in relation to the external opportunities and threats. Whether at war or in business, strategy is all about winning against the enemy (competition). The success or failure of a strategy will depend on skillful formulation and effective implementation. All successful strategies have some common elements. They are based on simple consistent and long term objectives. They are also based on a profound understanding of the competitive environment and objective appraisal of available resources (Grant, 1998).

Firms need competitive strategies to enable them overcome the competitive challenges they experience in the environment where they operate. A competitive strategy therefore enables a firm to gain competitive advantage over its rivals and sustain its success in the market. A firm that does not have appropriate strategies cannot exploit the opportunities available in the market

and will automatically fail. A strategy is therefore a critical factor for success in any market and management needs to craft it carefully to ensure proper fit within the environment in which it is operating

1.1.2 Mission Hospitals in Kenya

The health sector like any other sector in Kenya has experienced hard times in the last decade or so. This is mainly due to hard economic times facing the country and other forces such as change in technology, liberalization, expectation of patients, rising levels of poverty, poor infrastructure e.t.c. all these changes have made it hard and very expensive to deliver health care in the country

The health sector in Kenya is today faced with unprecedented rivalry and competition among the various players. In the past, the health services provided by the public service were perceived as being of lower quality compared to Mission and private health providers. This is no longer the case. The public services have significantly improved with the consequence of both patients and qualified service providers streaming back to the public health institutions. This has left the mission health facilities and the private hospitals in a situation of severe competition in a limited market

There are many mission hospitals whose survival is threatened by the current competition situation. Traditionally, the mission hospitals received subsidy from government and overseas

mother churches. These subsidies have been discontinued; therefore the hospitals are now financing health care through resources they collect from user fees (CHAK annual report, 2005)

The government of Kenya caters for 60% of health care delivery while 40% is shared between the churches owned health facilities and the private health units (MOH NHSSP II, 2010). The church owned health units are under the umbrella organizations of Christian Health Association of Kenya (CHAK) and Kenya Episcopal Conference (KEC), whose roles are to facilitate the church in the health care delivery in Kenya. The church health units comprise of 60 hospitals 140 health centers and 606 dispensaries. This is a total of 806 health units, which are more than 50% of the non-governmental health facilities (CHAK, 1998)

Missionaries started most of these hospitals in the early 20th century of which the majority have been and still are being managed by the churches. The hospitals were started to provide health care to the poor and the under served in the rural areas. Indeed over the years the contribution to health care by the church owned units has grown into wide networks covering almost all the districts in the country.

These hospitals have been surviving on donors' funds, raised mainly by the missionaries. This has enabled them to give almost free medical care to their clients. However from the last decade or so the donor support has been on the decline making sustainability of these hospitals very difficult. For the mission hospitals to survive and grow, they are expected to develop and implement appropriate competitive strategies.

1.2 Statement of the Problem

Firms respond to competition in different ways. Some may opt to move into product improvement, some into divesture and diversification, while others enter into new markets and others merge or buy out competitors. Porter (1980) postulates that, the essence of strategy formulation is coping with competition.

Porter (1985) is of the view that as the operating environment changes; a more pronounced transformation of the business landscape lies ahead. Therefore, competitive strategy is vital to the adaptation to the changing business

Historically, Mission hospitals in Kenya were founded on a very solid resource base through human and material support from the mother churches overseas. Since the hospitals were doing a well-accepted and respected job in the area of health service delivery for the population, the government also recognized their role by also making subsidy to them. It came in various forms including human, equipment, vaccines & drugs etc

Over the years, things have gradually changed. From the mid eighties, the missionaries started to return to their mother countries without replacement. This was coupled with discontinuation of resources support to the institutions left behind by the departing missionaries.

The locals taking over the running of these hospitals did not go through proper preparations and orientation. This unpreparedness has seen several hospitals, which were very famous come

down to pieces. St Josephs Hospital Kilgoris and Misikhu Hospital close down. And the following hospitals are struggling for survival; St Joseph Ombo Mission Hospital, Friends Kaimosi Hospital, COG Mwiwila Hospital, ACK Maseno Hospital and ACK St Lukes Hospital, Kaloleni (KCS/CHAK Review 2001). The situation has been further compounded by the liberalization of the Kenyan economy. This has led to a huge increase in the number of players in health service delivery. In reality the mission hospitals are now faced with very stiff competition right at their doorsteps. These are; other mission hospitals, Government hospitals, private hospitals and even quacks.

The mission hospitals are now faced with the reality of achieving the minimum patient attendance level required to raise enough income to cover staff salaries, maintenance and procurement of drugs & other supplies

To meet the desired attendance level, the hospitals are forced to put in place strategies that attract patients. These include recruiting appropriately qualified personnel in the right numbers, maintaining relevant medical equipment and sustaining certain pharmaceutical supplies levels, and so on.

The market is flooded with many players. The situation has been made worse by health sector reforms which have significantly improved the service delivery in public health institutions. The cost in public facilities is nominal and therefore this gives the public facilities an edge over the other players. The recent improvement of the terms of service for all medical personnel in public

health facilities has also led to an exodus of qualified personnel from mission health facilities. In the circumstances, the mission health facilities are faced with the threat of becoming irrelevant and indeed closure.

A good number of mission hospitals were not able to survive the new turn of events. Those, which are still surviving have had to adopt urgent measures in form of competitive strategies.

This study seeks to determine the competitive strategies adapted by mission hospitals in this crowded and challenging setting and to establish the factors influencing the competitiveness in the health sector.

1.3 Objectives of the Study

This study had the following objectives:

1. To establish Competitive Strategies adopted by Mission hospitals in Kenya
2. To establish factors influencing the choice of competitive strategies in Mission hospitals

1.4 Importance of the Study

The results of this study will benefit various groups. First the results will benefit managers and boards of directors of mission hospitals. They will be provided with information concerning the

general state of competition in the health sector and the type of competitive strategies employed by various mission hospitals

Secondly, the research findings will be useful to Potential investors in the sector. They will be informed on the challenges faced by the institutions already operating and therefore prepare themselves accordingly before entering the industry

Thirdly the research findings will be useful to the government

By informing them on the role and contribution made by mission hospitals in health care delivery in Kenya. Areas of unfair competition that require streamlining through policy guidelines shall be articulated.

Finally, this is expected to contribute to the existing knowledge in the field of Strategic Management, more specifically in the area of competitive strategy in not for profit institutions in Kenya. The outcome should also be a useful source of reference for scholars and researchers who might be interested in carrying out further research based on the findings of the current study

CHAPTER TWO: LITERATURE REVIEW

2.1 The Concept of Strategy

There is no single universally accepted definition of strategy. Different authors and managers use the term differently (Mintzberg et al, 1999). Quinn (1980) defines strategy as the pattern or plan that integrates an organization's major goals, policies and action sequences into a cohesive whole. He goes further to state that a well formulated strategy helps to marshal and allocate an organization's resources into a unique and viable posture based on its relative internal competencies and shortcomings, anticipated changes in the environment and contingent moves by intelligent opponents

Organizations are open systems. They receive inputs from the environment, transform them into outputs and discharge them back into the environment. Thus organizations are environment dependent and environment serving. Strategy therefore relates a firm to its environment (Porter, 1980). It is the link between a firm and its environment.

Strategy can be formulated on three different levels, namely; corporate, business unit and operational level. While strategy may be about competing and surviving as a firm, one can argue that products and not organizations compete. Products are developed by the business units. The role of the organization then is to manage its business units and products so that each is competitive and so that each contributes to the organization's purposes (Porter, 1980).

Strategy helps to position a firm in the wider external environment. It also defines the obligation of the firm to its stakeholders (Johnson and Scholes, 1999). Strategy helps to define the specific business of the firm in terms of products, markets and geographical scope. Strategy can also be considered as a firm's game plan that enables the firm to create competitive advantage (Pearce and Robinson, 2000). The firm needs to look at itself in terms of what the competitions are doing. This is critical because firms in the same industry tend to compete for the same customers. Ansoff and Mc Donnell (1990) define strategy as a set of decision making rules for guidance of organizational behavior. This strategy is used as a yardstick to measure firm's performance and to define its relationship with the external environment. Strategy needs to take into consideration both the immediate and remote environment.

There is no single exhaustive definition of strategy. What emerges however is that strategy is defined by how a firm relates to its environment. This has to take into account the internal capabilities of the firm which define the firm's competitive advantage. The success or failure of a firm's strategy will depend on skillful formulation and effective implementation. However, all successful strategies have some common elements. They are based on simple consistent and long term objectives. They are also based on a profound understanding of the competitive environment and objective appraisal of available resources (Grant, 1998).

2.2 Levels of Strategy

Johnson and Scholes (2002), identify three levels of strategy namely, corporate, business unit and operational. Corporate strategy is concerned with the overall purpose and scope of the organization to meet the expectations of the owners or major stakeholders and add value to the

different parts of the enterprise. This level involves the top management of the firm, i.e. the chief executive officer and the board. Business unit strategy is about how to compete successfully in a particular market. It involves the person in charge of the business unit e.g. the unit manager or the regional boss. Operational strategy is concerned with how the component parts of the organization in terms of resources, processes, people and their skills effectively deliver corporate and business-level strategic direction. This involves the day-to-day operations such as productions, efficiency and effectiveness.

Thus whereas the corporate strategy is more concerned with the general direction to be taken by the whole firm and the business unit respectively, operational strategy is more concerned with the steps necessary to reach the destination as per the direction taken. The decisions at the three levels need to be harmonized to facilitate efficient and successful realization of the overall objectives of the organization. The priorities of the firm are determined at the corporate level while the actual implementation is done at both the business unit and operational levels (Johnson and Scholes, 2002).

2.3 Significance of Strategy

Strategy provides an organization with a number of benefits. First, it provides better guidance to the entire organization on the crucial point of what it is an organization is trying to do and to achieve. It makes managers more alert to the winds of change, new opportunities and threatening developments. Strategy provides managers with a rationale to evaluate competing

budget requests for investment capital and new staff. It also helps to unify the numerous strategy-related decisions by managers across the entire organization. Strategy creates a more proactive management posture, countering tendencies to be reactive and defensive. The above constitute the keys to better long-term performance of an organization.

Aggressive pursuit of a creative, opportunistic strategy can propel a firm into a leadership position, paving the way for its products and/or services to become the industry standard (Thompson and Strickland, 1996). It is the level of creativity in implementing the chosen strategy that determines the success of the organization rather than the strategy per se. An organization can have competitors that are acquainted with the same fundamental concepts and techniques and approaches it is following and are as free to pursue them. However, more often than not, the difference between their levels of success will lie in the relative thoroughness and self-discipline with which the organization develops and executes those strategies for the future (Thompson and Strickland, 1996). Thus, although information may be freely available in a given industry about the possibilities of success or failure, only those firms willing to formulate and implement winning strategies will survive and prosper. These firms will be the industry leaders.

2.4 Competition

Competition is a dynamic process through which industry structure itself changes through evolution and transformation. The essence of competition, then, is a dynamic process in which

equilibrium is never reached and in the course of which industry structure are continually reformed (Grant, 1998).

Competition is at the core of the success or failure of firms. Competition determines the appropriateness of a firm's activities that can contribute to its performance, such as innovations, a cohesive culture, or good implementation (Porter, 1985). Competition is most intense when there are many direct competitors and when industry growth is slow. Sometimes competition is high because the rivals have very different "personalities" and strategies. There are dramatically different ideas about how to compete and constantly find themselves in new battles with one another (Bateman & Zeithaml, 1990).

In the fight for the market share, competition is not manifested only in the other players. Rather, competition in an industry is rooted in its underlying economics, and existing competitive forces that go well beyond the established combatants in a particular industry. Customers, suppliers, potential entrants and substitute products are all competitors that may be more or less prominent or active depending on the industry (Porter, 1979).

The state of competition in an industry depends on five basic forces. These are threat of new entrants, bargaining power of buyers, threat of substitute products or services, bargaining power of suppliers and rivalry among existing firms (Porter, 1980). However, Andrew Grove, the former CEO of Intel and a part-time teacher at Stanford's Graduate School of Business, has argued that Porter's five forces model ignore a sixth force; the power, vigor and competence of

complementors (Hill & Jones, 2001). Complementors are companies that sell complements to the enterprise's own product offerings. The collective strength of these forces determines the ultimate profit potential in the industry, where profit potential is measured in terms returns in the long run or invested capital.

The corporate strategist's goal is to find a position in the industry where his or her company can best defend itself against these competitive forces or can influence them in its favour. The collective strength of the forces may be painfully apparent to all the antagonists; but to cope with them, the strategists must delve below the surface and analyze the sources of each. For example, what makes the industry vulnerable to entry? What determines the bargaining power of suppliers? Knowledge of the underlying sources of competitive pressure provides the groundwork for a strategic agenda of action (Porter, 1979).

According to Philip Kotler (2004), an industry is a group of firms that offer a product or class of products that are close substitutes for one another. Industries are classified according to number of sellers; degree of product differentiation; presence or absence of entry, mobility and exit barriers; cost structure; degree of vertical integration; and degree of globalization.

One needs to specify on the number of sellers and if the product is homogeneous or highly differentiated. Kotler (2004) defines four industry structures as pure monopoly, oligopoly, monopolistic and pure competition.

Entry barriers include high capital requirements; economies of scale; patents and licensing requirements; scarce locations, raw materials, or distributors; and reputation requirements.

Mobility barriers are in force when a firm tries to enter more attractive market segments. Exit barriers (Hurrian, 1980 in Kotler, 2004) include legal or moral obligations to customers, creditors and employees; government restrictions; low asset salvage value due to overspecialization or obsolescence; lack of alternative opportunities; high vertical integration; and emotional barriers.

Most firms find it in their advantage to integrate forward or backward. Vertical integration often lowers costs and the company gains a larger share of the value-added stream. In addition, vertically integrated firms can manipulate prices and costs in different parts of the value chain to earn profits where taxes are lowest. There can be disadvantages, such as high costs in certain parts of the value chain and a lack of flexibility. Companies are increasingly questioning how vertical they should be. Many are outsourcing more activities, especially those that can be done better and more cheaply by specialist firms (Kotler, 2004).

The competitive advantage of an organization may be eroded because the competitive forces may change and/or competitors manage to overcome adverse forces. This process or erosion may be speeded up by changes in the macro environment such as new technologies, globalization or deregulation. The advantage may be temporary; though the speed at which erosion occurs will differ between sectors and over time. Organizations may then respond to

this erosion of their competitive position, creating what has been called a cycle of competition (Johnson et al, 2005).

Empirically, the intensity of competition varies gradually along the five competitive forces (Thompson et al, 2007). It is important to understand the speed at which these cycles of competition might move. If the process is relatively slow then there may be significant periods of time when competition in an industry settles down to a well-established pattern. On the other hand, where the speed of the cycle is very high, this is referred to as hyper competition. Hyper competition occurs where the frequency, boldness and aggressiveness of dynamic movements by competitors accelerate to create a condition of constant disequilibrium and change (D'Alene, 1995 in Johnson et al, 2005)

Whereas competition in slower-moving environments is primarily concerned with building and sustaining competitive advantages that are difficult to imitate, hyper-competitive environments require organizations to acknowledge that advantages will be temporary. Competition may also be about disrupting the status quo so that no one is able to sustain long-term advantage on any given basis (Johnson et al, 2005).

Competitive advantage cannot be understood by looking at a firm as a whole. It stems from the many discrete activities a firm performs in designing, producing, marketing, delivering and supporting its product. A systematic way of examining all the activities a firm performs and how they interact is necessary for analyzing the sources of competitive advantage. The value chain

disaggregates a firm into its strategically relevant activities in order to understand the behaviour of costs and the potential sources of differentiation. A firm gains competitive advantage by performing these strategically important activities more cheaply or better than its competitors (Porter, 1985).

Collaboration between organizations may be a crucial ingredient in achieving advantages or avoiding competition. Also, organizations simultaneously may compete in some markets and collaborate in others. In general, collaboration between potential competitors or between buyers and sellers is likely to be advantageous when the combined costs of purchase and buying transactions (such as negotiating and contracting) are lower through collaboration than the cost of operating alone. Such collaboration also helps build switching costs (Johnson et al, 2005).

2.5 Competitive Advantage

When a firm sustains profits that exceed the average for its industry, the firm is said to possess a competitive advantage over its rivals (Porter, 1985). The goal of much of business strategy is to achieve a sustainable competitive advantage. An organization will gain competitive advantage over its competitors from an understanding of both markets and customers, and special competences that it possesses (Porter, 1985). A competitive advantage exists when the firm is able to deliver the same benefits as competitors but at a lower cost (cost advantage), or deliver benefits that exceed those of competing products (differentiation advantage). Thus a

competitive advantage enables a firm to create superior value for its customers and superior profits for itself.

Cost and differentiation advantages are known as positional advantages since they describe the firm's position in the industry as a leader in either cost or differentiation (Porter, 1985). A firm utilizes its resources and capabilities to create a competitive advantage that ultimately results in superior value creation. Mc Lauren (2004) argues that resources are the sources of a firm's capabilities, while capabilities are the source of a firm's competitive advantage.

Porter (1980) provides a framework that models an industry as being influenced by five forces. The strategic manager seeking to develop an edge over rival firms can use this model to better understand the industry context in which the firm operates. The framework uses concepts developed in micro-economics to derive five forces that determine the attractiveness of a market. They consist of those forces close to a firm that affect its ability to serve its customers and make a profit. A change in any of the forces requires a firm to reassess its marketplace. These forces include, bargaining power of suppliers, bargaining power of buyers, threat of substitute product and threat of new entrants. The above four forces combine with other variables to influence a fifth force, the level of competition in an industry. The intensity of rivalry among firms varies across industries. If rivalry among firms in an industry is low, the industry is considered to be disciplined. This discipline may result from the industry's history of competition, the role of leading firm, or informal compliance with a generally understood code of Conduct (Porter, 1980)

2.6 Competitive Strategies

If the primary determinant of a firm's profitability is the attractiveness of the industry in which it operates, an important secondary determinant is its position within that industry. Even though an industry may have below-average profitability, a firm that is optimally positioned can generate superior returns (Porter, 1980). A firm positions itself by leveraging its strengths. Porter (1980) has argued that a firm's strengths ultimately fall into one of two categories, namely cost advantage or differentiation. By applying these strengths in either a broad or narrow scope, three generic strategies result. These are cost leadership, differentiation, and focus. These strategies are applied at the business unit level. They are called generic strategies because they are not firm or industry dependent. They apply across all industries

2.6.1 Cost leadership strategy

A cost leadership strategy is one in which a firm strives to have the lowest costs in the industry and offer its products or services in a broad market at the lowest prices. Characteristics of cost leadership include low level differentiation, aim for average customer, use of knowledge gained from past production to lower production costs, and the addition of new product features only after the market demands them. Cost leadership has advantages. The strategy protects the organization from new entrants. This is because a price reduction can be used to protect from new entrants. However, the risk of cost leadership is that competitors may leap from the

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A cost leadership strategy is one in which a firm strives to have the lowest costs in the industry and offer its products or services in a broad market at the lowest prices. Characteristics of cost leadership include low level differentiation, aim for average customer, use of knowledge gained from past production to lower production costs, and the addition of new product features only after the market demands them. Cost leadership has advantages. The strategy protects the organization from new entrants. This is because a price reduction can be used to protect from new entrants. However, the risk of cost leadership is that competitors may leap from the

technology, nullifying the firms accumulated cost reductions. Other competitors may imitate the technology leading to firm's loss of its competitiveness.

In a study of competitive strategies applied by commercial banks, Gathoga (2001) concludes that banks have adopted various competitive strategies, which include delivery of quality service at competitive prices and at appropriate locations.

2.6.2 Differentiation Strategy

Differentiation strategy is one in which a firm offers products or services with unique features that customers value. The value added by the uniqueness lets the firm command a premium price. The key characteristic of differentiation strategy is perceived quality (whether real or not). This may be through superior product design, technology, customer service, dealer network or other dimensions. The advantage of differentiation is that perceived quality and brand loyalty insulates company from threats from any of the five forces that determine the state of competition in an industry. Price increases from powerful suppliers can be passed on to customers who are willing to pay. Buyers have only one source of supply. Brand loyalty protects from substitutes. Brand loyalty is also a barrier to new entrants. The risks to differentiation strategy include limitation due to production technology. The 'shelf life' of differentiation advantage is getting shorter and shorter. Customer tastes may also change and wipe out the competitive advantage.

(AIS) and to accountants for many reasons. One is that computer technology must be compatible with, and support, the other components the AIS. Secondly, in trying to expand their services, audit firms are moving into provision of outsourced accounting and/or internal auditing services, which require mastery of computer accounting packages

Githae (2004) implies that in differentiating, audit firms have to broaden their services. They have to embrace various disciplines crucial to world of business, charting what one may describe as new frontiers. They have to adopt such strategies as forensic services to remain competitive

According to Mbayah (2001) in study on internet services, prior to 1998, internet service providers (ISPs) in Kenya operated in a fairly uncompetitive environment. There were few firms and demand for services was very high. A customer remained on an account with a given ISP no matter how bad the service and no matter the cost. By the year 2005, the number of players had increased by more than ten-fold. Top management of ISP firms had to think of new strategies for survival amidst the competition. Marketing and customer service became a priority.

Ngatia (2000) in a comparative study of service providers and customers perception of service quality in the retailing industry summarizes several authors by saying that there is consensus that the retailing strategy to create a competitive advantage is through delivery of high quality service.

2.6.3 Focus Strategy

Focus strategy involves targeting a particular market segment. This means serving the segment more efficiently and effectively than the competitors. Focus strategy can be either a cost leadership or differentiation strategy aimed towards a narrow, focused market. Advantages of focus strategy include having power over buyers since the firm may be the only source of supply. Customer loyalty also protects from new entrants and substitute products. The firm adopting focus strategy can easily stay close to customers and monitor their needs. However, the risks involved in focus strategy include being at the mercies of powerful suppliers since such a firm will buy in smaller quantities. Small volume also means higher production cost leading to loss of economies scale. Change in consumer taste or a technological change could cause such a firm's niche to disappear. Cost leaders or big organizations may also gain interest in a particular niche, eroding the advantage of the focusing firm (Porter, 1980).

Kombo (1997), in a study on the motor industry notes that firms had to make substantial adjustments in their strategic variables in order to survive in the competitive environment. The firms introduced new techniques in product development, differentiated their products, segmented and targeted their customers more and improved customer service.

Karanja (2002) observes in a study of real estate firms in Kenya that increase in the number of players has led to increased competition. The most popular type of competitive strategy was on

the basis of focused differentiation. Firms tended to target certain levels of clients especially the middle and upper class who resided in certain targeted estates.

According to Karemu (1993), in a study of strategic management in the retail sector, there was intense competition among the supermarkets in Nairobi. The study found that service, location and varieties of merchandise were most mentioned as creating competitive advantage.

All these studies indicate that Kenyan firms are faced with increasing competition. The competition has led to adoption of various strategic responses by local firms to survive the intense competition. Some of these strategies are common across the various industries while others are quite unique to each industry.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

The study used a Survey. Primary data was collected by way of a questionnaire from all Mission hospitals in Kenya. This kind of survey was used in similar studies such as (Aosa 1992, Karemu 1993, Wambua 1996 and Kiruthi 2001). The survey design was considered appropriate because data on the same parameters was collected from respondents in all Mission hospitals. This enabled the researcher to identify the various competitive strategies adopted by Mission hospitals and also make appropriate comparisons.

3.2 Population

The population for the study was all 58 mission hospitals operating in Kenya, however only 49 responded. The hospitals operated both Out Patient and In Patient health care services. Mission hospitals largely fall into two categories, namely (KEC) and (CHAK). The KEC hospitals (33) are those under the umbrella of the Catholic Church in Kenya. Meanwhile the CHAK hospitals (25) are those under the umbrella of protestant churches in Kenya. Based on this classification, there are a total of 58 such Mission hospitals in Kenya (Appendix 2 & 3). The lists in appendix 1 & 2 (population of study) represents the registered hospitals in CHAK and KEC respectively as at March 2008. These are the lists of Mission hospitals presented by KEC and CHAK to the Ministry of health for planning

3.3 Data collection

The study involved the use of primary data. The study focused on identifying the competitive strategies adopted by Mission hospitals and the factors influencing the choice of these strategies.

A questionnaire was used to collect the data. The questionnaire contained two parts. Part 1 consisted of open ended questions to collect background information on the hospitals being surveyed. Part 2 consisted of closed ended questions for easy analysis. Part 2 focused on the competitive strategies adopted by mission hospitals and the factors influencing their choice of these strategies

The respondents were the CEOs (or their designees) of these hospitals. The questionnaires were administered by the drop and pick method. This gave respondents a chance to fill the questionnaire during their free time. Addressed envelopes were provided to enhance response rate and confidentiality. These sealed envelopes were then picked one to four week after delivery.

3.4 Data Analysis

The data was analysed using descriptive statistics. The data was coded and entered into a spreadsheet and analyzed using SPSS (Statistical Package for Social Sciences) and excel packages. It was presented using frequency tables, bar graphs, pie charts and factor analysis matrices. This involved descriptive tools such as percentages and frequency distributions to describe the competitive strategies as perceived by the respondents. The frequencies and

percentages were also used to identify the factors influencing the choice of competitive strategies. Mean scores, percentages and standard deviations were used to depict the relative strength of the various competitive strategies adopted. The analyzed data was presented in tabular form, pie charts and graphs for ease of interpretation and reporting.

The objectives of the study were to identify the competitive strategies adopted by Medical Practices in Kenya and to identify the factors influencing the choice of these factors. These two objectives were achieved by looking through respondents' organizational profiles and their perceptions of the competitive strategies in the health sector in Kenya. This chapter presents the methods and findings of the study from the data collected using the research questionnaire from 49 respondents spread in 33 hospitals. The 49 respondents who participated were chosen to represent a 75.8% response rate. Various aspects of the hospitals were

investigated as shown in the following section.

4.1 Profile of Respondent hospitals

4.1.1 Duration in Operation

The study sought to find out the duration that the hospitals had been in operation. From the study, the majority of the hospitals had been in operation for over 21 years as shown by 75.5% of the respondents. This finding suggests that most of the hospitals in the study were well established and a reasonable long time. These respondents indicated a tendency to be conservative in adopting sustainable competitive strategies. This is an indication that the hospitals

CHAPTER FOUR: FINDINGS AND DISCUSSION

4.1 Introduction

This study has examined competitiveness in the health sector in Kenya. The objectives of the study were to establish the competitive strategies adopted by Mission hospitals in Kenya and to identify the factors influencing the choice of these factors. These two objectives have been addressed by looking through respondent's organizations' profiles and their perceptions of the competitiveness in the health sector in Kenya. This chapter presents the analysis and findings of the study from the data collected using the research questionnaire from 49 respondents out of a study population target of 58 hospitals. The 49 respondents, who participated and returned the questionnaires, represent a 73.1% response rate. Various aspects of the hospitals were investigated as shown in the following section.

4.2 Profiles of Respondent Hospitals

4.2.1 Duration in Operation

The study sought to find out the duration that the hospitals had been in operation. From the study, the majority of the hospitals had been in operation for over 21 years as shown by 75.5% of the respondents. This finding suggests that most of the hospitals in this study have been in existence for a reasonably long time. Their continued existence is therefore not by chance but as a result of employing sustainable competitive strategies. This is an indication that the majority

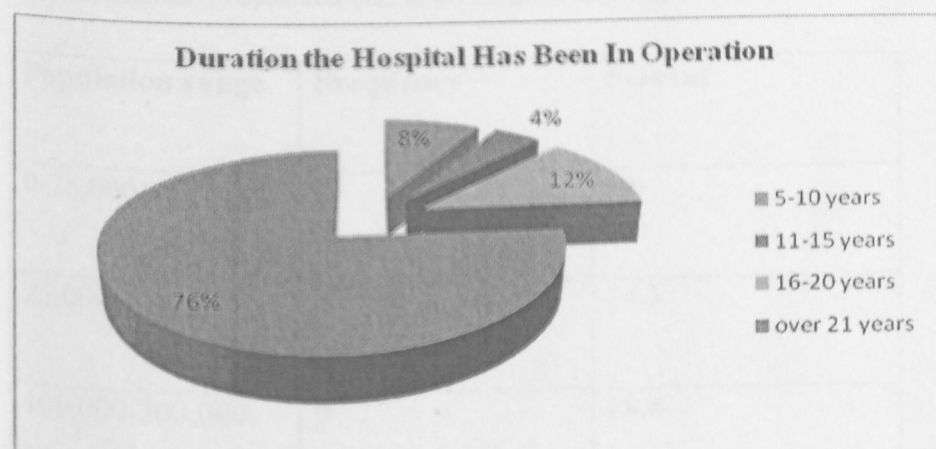
of the hospitals were well versed with the emerging competitiveness in the health sector industry in Kenya. 12.2% had been in operation for 16-20 years, 4.1% had been in operation for 11-15 years, while 8.2% of the hospitals had been in operation for 5-10 years. This information is summarized in table 1 and figure 1.

Table 1: Duration the Hospital Has Been In Operation

Duration	Frequency	Percent
5-10 years	4	8.2
11-15 years	2	4.1
16-20 years	6	12.2
over 21 years	37	75.5
Total	49	100.0

Source: Research data

Figure 1: Duration the Hospital Has Been In Operation



Source: Research data

4.2.2 Estimated Population Size of Hospital Catchment Area

Table 2 summarizes the researcher's findings regarding the estimated population size of the hospitals' catchment areas. From the findings, the majority of the catchment areas for the hospitals had a population size of more than 200,000 as shown by 65.3% of the respondents. 18.4% of the respondents indicated a population size of 100,000 – 200,000, while the rest served a population catchment of less than 100,000. It was important to find out the size of catchment population because the size of population served is a significant factor in competitiveness in the market. A high catchment population in a competitive setting provides a better chance for each player to receive sufficient volume of business necessary for survival.

Table 2: Estimated Population Size of the Hospital Catchment Areas

Population range	Frequency	Percent
0-25,000	1	2.0
25,000-100,000	7	14.3
100,000-200,000	9	18.4
More than 200,000	32	65.3
Total	49	100.0

Source: Research data

4.2.3 Hospital's Size In Terms Of Kshs Turnover Per Annum

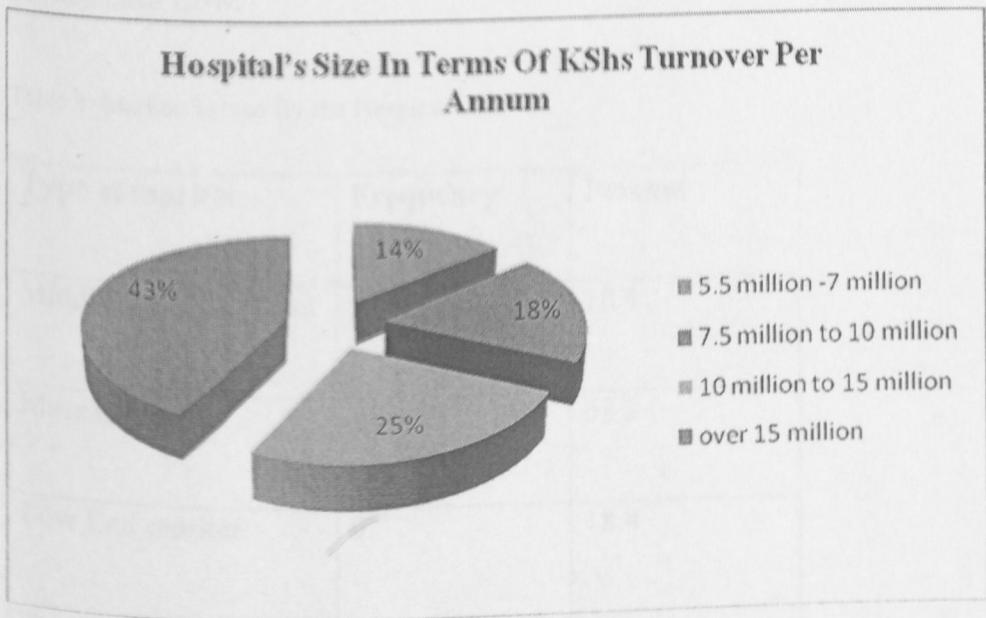
The study also sought to find out the hospitals' size in terms of KShs turnover per annum. From the study, the majority of the hospitals turnover per annum was over 15 million as reported by 42.9% of the respondents, 24.5% of the respondents said 10 million to 15 million, 18.4% of the respondents said 7.5 million-10 million, while the rest had an annual turnover of less than 7 million. This information is summarized in table 3 and in figure 2 below. The annual turnover of 42.9% of the respondents suggests that these are sufficiently large hospitals. Their volume of business compares to the district level hospitals in the government set up. The findings suggest that these hospitals have the potential to exceed these annual performances if they improve their competitiveness further.

Table 3: Hospital's Size In Terms of Kshs Turnover Per Annum

Annual Turnover (Ksh)	Frequency	Percent
5.5 million to 7 million	7	14.3
7.5 million to 10 million	9	18.4
10 million to 15 million	12	24.5
Over 15 million	21	42.9
Total	49	100.0

Source: Research data

Figure 2: Annual Turnover (Kshs)



Source: Research data

4.2.4 Market served by hospital

From the findings summarized in table 4 and figure 3, it was found that the majority of the hospitals served the Mass market as shown by 63.3% of the respondents, while the respondents who reported that their hospitals served Middle & Up market and those who said Low End market were represented by 18.4% each. This finding concurs with the mission of the churches in health. They target the poor population who are not able to afford healthcare in private hospitals. The poor population that they target often enables the mission hospitals to receive subsidy and donor support. Whenever the subsidy/donor funds are available, they boost the competitiveness of mission hospitals significantly. However, they also target the Middle & Up

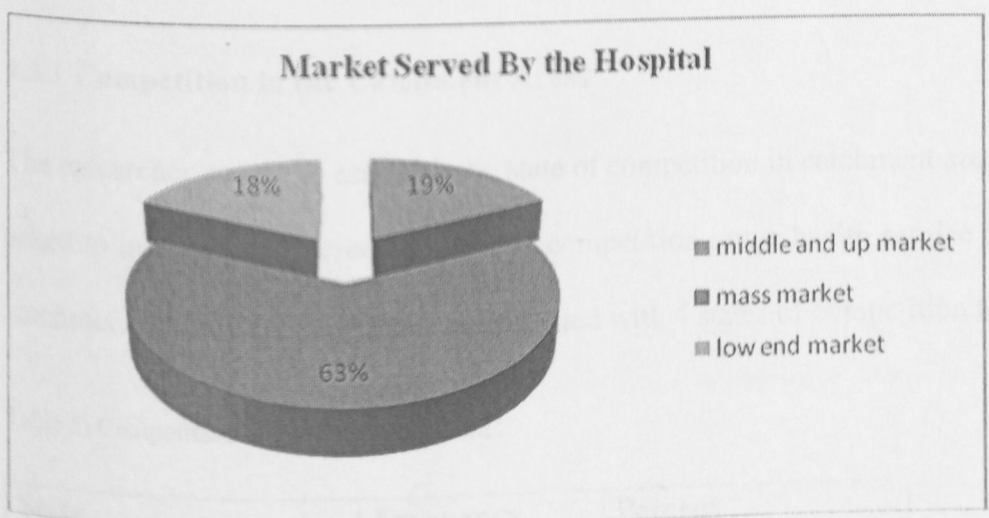
market as a way of ensuring that some patients with adequate economic capacity avail the much needed cash flow.

Table 4: Market Served By the Hospital

Type of market	Frequency	Percent
Middle and Up market	9	18.4
Mass market	31	63.3
Low End market	9	18.4
Total	49	100.0

Source: Research data

Figure 3: Market Served By the Hospital



Source: Research data

4.3 Competitive Strategies by Mission Hospitals Studied

4.3.1 Competition in the Catchment Areas

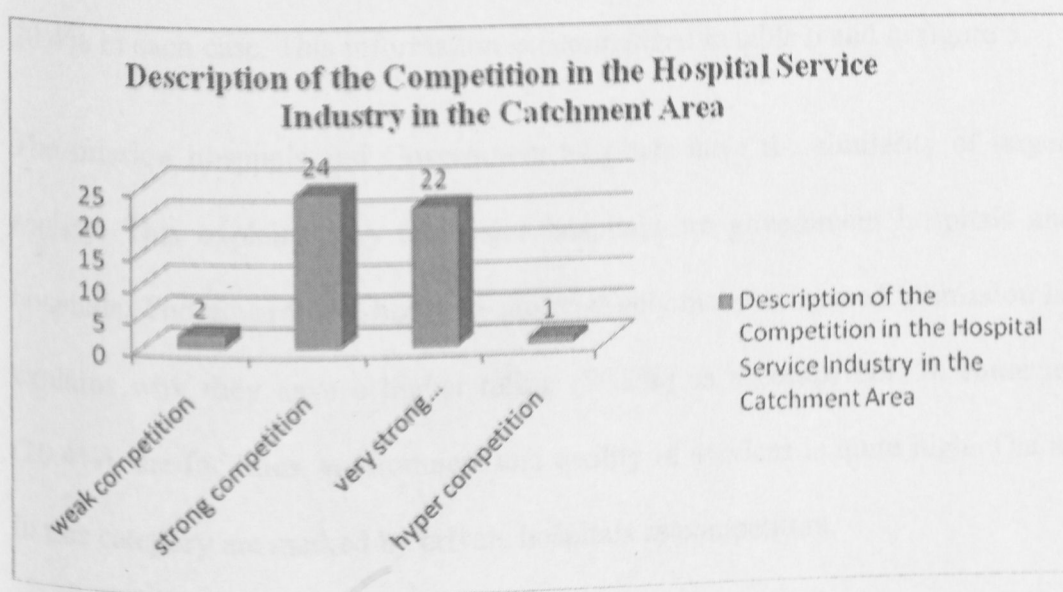
The researcher sought to establish the state of competition in catchment areas. Respondents were asked to indicate their perceived state of competition in the health service delivery in respective catchment areas. Respondents were presented with 4 states of competition to choose from.

Table 5: Competition in the Catchment Areas

State	Frequency	Percent
Weak competition	2	4.1
Strong competition	24	49.0
Very strong competition	22	44.9
Hyper competition	1	2.0
Total	49	100.0

Source: Research data

Figure 4: Competition in the Catchment Areas



Source: Research data

As summarized in table 5 and figure 4 above, 49% of the respondents indicated that there was strong competition while another 44.9% indicated that there was very strong competition. An insignificant proportion of the respondents comprising of 6% were unclear on whether competition was weak or hyper. The findings are confirming the harsh reality that mission hospitals have expressed, that they are faced with strong competition.

4.3.2 Major Competitors to the hospital

According to the study, the major competitors to the mission hospitals were the MOH hospitals as shown by 59.2% of the respondents, while the respondents who said that their major

competitors were other mission hospitals and those who said private hospitals were shown by 20.4% in each case. This information is summarized in table 6 and in figure 5.

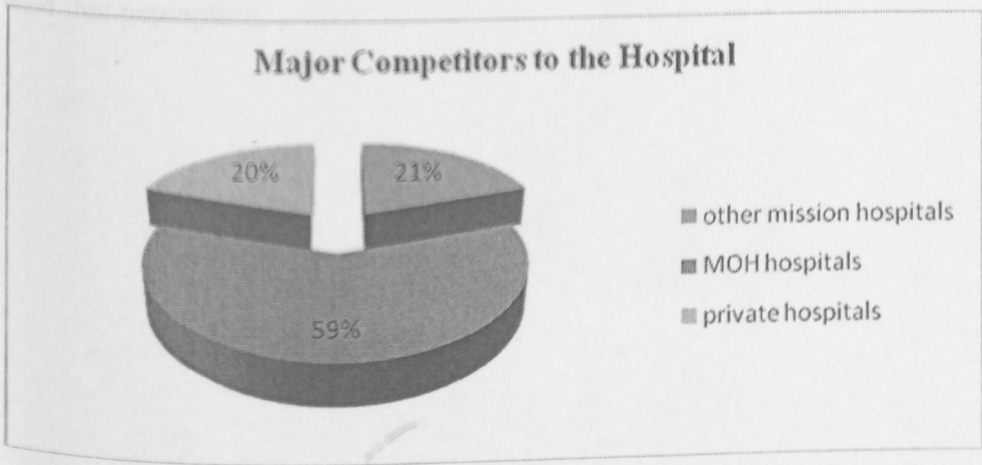
The mission hospitals and Government hospitals have the similarity of targeting the poor in society. This explains why the major hospitals are government hospitals and other mission hospitals. The government hospitals are relatively many compared to mission hospitals and that explains why they have a higher rating (59.2%) as a competitor. In some mission hospitals (20.4%), the facilities, environment and quality of services is quite high. The mission hospitals in this category are marked by private hospitals as competitors.

Table 6: Major Competitors to the Hospital

Competitor	Frequency	Percent
Other Mission hospitals	10	20.4
MOH hospitals	29	59.2
Private hospitals	10	20.4
Total	49	100.0

Source: Research data

Figure 5: Major Competitors to the Hospital



Source: Research data

4.3.3 Strategic Responses to Changes in the Market

From the study, the strategic responses most popularly used were; Offering high quality services as shown by a mean score of 4.3, Providing superior customer services shown by a mean score of 4.1, Offering services not offered by competitors, Introducing new services to the market and Use of latest technology as shown by a mean score of 3.7. The hospitals in the study adapted to a very small extend the other strategies namely, Regular market surveys of customer needs, more strategic locations and branding of services. See table 7

The quality of services is paramount in the health sector. Quite often patients are willing to pay more for a good service. Sometimes the patients will travel far if they perceive the quality of

services offered to be superior. Mission hospitals have a traditional image of focusing on quality and not the money. This gives them a competitive advantage in the eyes of the patients, who still hold that perception,

Table 7: Strategic Responses to Changes in the Market

Strategies	Not important	A little important	Moderately important	Very important	Extremely important	Mean
Provide superior customer service	2	0	26.5	32.7	38.8	4.1
Offering services not offered by competitors	4.1	8.2	22.4	40.8	24.8	3.7
Offering high quality services	0	0	14.3	42.9	42.9	4.3
Introducing new services to the market	4.1	6.1	26.5	40.8	22.4	3.7
Use of latest technology	0	12.2	24.5	40.8	22.4	3.7
Branding of services	10.2	18.4	32.7	32.7	6.1	3.1
More strategic locations	4.1	24.5	22.4	34.7	14.3	3.3
Regular market surveys of customer needs	8.2	14.3	22.4	32.7	22.4	3.5

Source: Research data

4.3.4 Strategic responses to changes in the market

According to the findings summarized in table 8 below, majority of the hospitals studied responded to changes in the market with Market Segmentation (mean score of 3.6), and provided customized services to the segment niche (Mean score of 3.7) and further provided better service attributes to the niche (mean score of 3.7).

In most hospitals they always offer customized services to specific categories. For example we have a segment that focuses on HIV/AIDS related illnesses in what is referred to as a Comprehensive Care Clinic (CCC). This unit has its own clinicians, counseling rooms and laboratory. There is also a Child welfare clinic, Family Planning Clinic, Ante natal clinic etc. These segments each have their own customized services with specific service attributes. The defined segments have to be positioned differently from the rest of the services at the hospital. These segments compete with similar segments in competitor hospitals.

Table 8: Strategic Responses to Changes in the Market

Strategies	No extend	Small extend	Moderate extend	Large extend	Very large extend	mean
Market segmentation	6.1	4.1	30.6	42.9	16.3	3.6
Customized services to niche market	4.1	4.1	26.5	46.9	18.4	3.7
Better service attributes to niche	4.1	4.1	24.5	51	16.3	3.7

Source: Research data

4.3.5 Strategies for improving Patients' attendance

The researcher sought to know the strategies the hospitals apply to boost the patients' attendance level for both inpatient and outpatient. As summarized in table 9, the findings from the study indicate that, Keeping variety of Medicines (mean score 4.3) is the main strategy used by these hospitals to encourage high patient census. Seeking of Corporate customers is the next preferred strategy (mean score of 3.9). Training staff in good customer service (mean score of 3.5) is also utilized to a moderate extend.

The mission hospitals depend on quality medicines and qualified personnel as their lifeline. It is therefore no wonder that the study findings suggest that keeping a variety of medicines is present among the respondents to a large extend. To ensure that they receive sufficient numbers of patients who can afford to fully pay for services rendered, the hospitals visit schools and other institutions in their catchment areas to recruit corporate customers

Table 9: Strategies for Improving Patients' Attendance

Strategies	No extend	Small extend	Moderate extend	Large extend	Very large extend	mean
Seeking corporate customers	2	6.1	12.2	51	28.6	3.9
Keeping variety of medicine	0	0	12.2	44.9	42.9	4.3
Training staff in good customer service	2	16.3	32.7	28.6	20.4	3.5

Source: Research data

4.3.6 Strategic Responses to Changes in the Market

The researcher also sought to know from the respondents the strategic responses they were using to changes in the market. From the study it was found that introducing New Service Features

(mean score of 4.0) was the strategy used by majority of the hospitals. Keeping Charges lower than competition (mean score of 3.8) was the next strategy in line used by most hospitals. Use of technology (mean score of 3.4) was also impressed by some hospitals. See table 10 below

As already discussed, it is absolutely essential to keep charges low for the hospitals targeting the mass market. Most mission hospitals position themselves on the basis of cost leadership

Table 10: Strategic Responses to Changes in the Market

Strategies	No extend	Small extend	Moderate extend	A large extend	A very large extend	Mean
Keeping charges lower than competition	4.1	2	26.5	46.9	20.4	3.8
New service features in response to demand	0	2	26.5	55.1	16.3	4
Use of latest technology	2	6.1	36.7	28.6	26.5	3.4

Source: Research data

4.3.7 Competitive Strategies to beat Competition in the Market

The study also sought to know to what extent different competitive strategies were used to beat competition in the market. The study found out the following; Lower charges than competition (mean score of 3.5) and Attractive appearance of premises (mean score of 3.5). These were followed by Increasing number of service points (mean score of 3.4) and Offering credit to customers at a mean score of 3.1. Offering discounts (mean score of 2.5) was used to a small to a relatively small extent. See table 11

The market that mission hospitals serve is normally the poor mass market. For this market, lower prices is very significant. To significantly boost the attendance levels, lowering costs is a sure way to do it.

Table 11: Competitive Strategies used to beat Competition in the Market

Strategies	No extend	Small extend	Moderate extend	A large extend	A very large extend	Mean
Lower charges than competition	6.1	6.1	24.5	57.1	6.1	3.5
Offering credit to customers	6.1	20.4	36.7	28.6	8.2	3.1
Attractive appearance of premises	8.2	10.2	30.6	28.6	22.4	3.5
Increasing number of service points	8.2	14.3	28.6	28.6	20.4	3.4

Source: Research data

4.3.8 Important Goals in the Business

The respondents were asked to indicate the extent to which the goals in table 12 were important in the business. The findings indicate that Survival in the market was a very important goal as shown by a mean score of 4.3. Gain in market share, Market development, Product/Market differentiation and Diversification were also seen as important but a level below survival. Profitability was indicated as the least important out of the listed goals.

For most mission hospitals, they strive to just break even. This is supported by this study by indicating that survival in the market is the most important goal for the majority

Table 12: Important Goals in the Business

Business Goals	Not important	A little important	Moderately important	Very important	Extremely important	Mean
Survival in the market	8.2	26.5	38.8	14.3	12.2	4.3
Growth (gain market share)	0	2	36.7	46.9	14.3	3.9
Profitability	0	10.2	26.5	40.8	22.4	2.9
Product & Market Differentiation	8.2	8.2	28.6	36.7	18.4	3.7
Market development	2	0	26.5	32.7	38.8	3.8
Diversification	4.1	8.2	22.4	40.8	24.5	3.5

Source: Research data

4.4 Service Quality Related Strategies

4.4.1 Quality Indicators Used To Distinguish Services

As summarized in table 13, the respondents were asked to indicate the extend to which the quality indicators in the table were used to distinguish the hospital's services.

From the study, Empathy to clients and Privacy & Confidentiality of clients were used to a very large extent as shown by a mean score of 4.5.

The other quality indicators that were used to a great extent were; Qualified & competent workers (mean score of 4.4), Simple registration/admission procedures (Mean score of 4.0), Client communication & education and Efficient billing/drugs sorting (mean score of 4.0 in each case)

Quality of the service as perceived by the patients remains the most significant criteria in competition in the health sector. Empathy by staff towards the patients in line with the Christian faith gives the patients a sense of high quality of care. Privacy and confidentiality also give a sense of service quality, Qualified and competent workers also represent service quality, Simple Procedures stands for quality service and also efficient billing and drugs sorting stands for quality services. In a nutshell the findings are confirming that quality is critical in a competition.

Table 13: Quality Indicators Used To Distinguish Services

Quality Indicators	No extend	Small extend	Moderate extend	Large extend	Very large extend	Mean
Qualified and competent workers	0	0	10.2	38.8	51	4.4
Simple Procedures	0	2	18.4	53.1	26.5	4
Empathy to clients	0	0	6.1	38.8	55.1	4.5
Privacy and Confidentiality	0	0	6.1	40.8	53.1	4.5
Efficient Billing and Drugs sorting	0	8.2	12.2	46.9	32.7	4

Source: Research data

4.4.2 Quality of service delivery processes

The study also sought to find out the extent to which the statements in table 13 described the quality of the service delivery processes.

From the study, the majority of the respondents had their services Customer Focused (mean score of 4.3), and made investment in Qualified and Knowledgeable personnel (Mean score of

4.2). The respondents also use Smooth & Simple patient flow and Encourage client participation in the service delivery (mean score of 3.9 in each case),

Table 14: Quality of Service Delivery Processes

Service delivery process	No extend	Small extend	Moderate extend	Large extend	Very large extend	Mean
Focus on Customer Satisfaction	0	0	8.2	49	42.9	4.3
Patient flow processes are smooth and simple	0	2	26.5	51	20.4	3.9
Knowledgeable personnel	0	4.1	12.2	53.1	30.6	4.1
Waiting time is minimal	0	2	20.4	61.2	16.3	3.9
Client participation is encouraged	0	0	20.4	61.2	18.4	3.9

Source: Research data

From the results in the table 14 above it is clear that health care revolves around those elements that patients perceive as providing quality of care. Some of these elements provide the service

quality directly while others are indirect. For a hospital to position itself strategically in the competitive environment, they must acquire these quality producing elements

4.5 Image Building Strategies 4.5.1 Strategies for Image building of the Hospitals

The researcher also sought to find out the extent to which the strategies in table 15 below were used by the hospitals in their image building. According to the study, the strategies that were used in the image building of the majority of the hospitals were Educating the community on health (mean score of 4.1) and providing Mobile health services in remote areas (mean score of 3.9). Training of community health workers was also used but to a lesser extend with a mean score of 3.6.

Table 15: Strategies for Image Building

Image Strategies	Not important	A little important	Moderately important	Very important	Extremely important	Mean
Educate the community on health	0	2	16.3	55.1	26.5	4.1
Mobile health services in remote parts	2	8.2	20.4	40.8	28.6	3.9
Training of community health workers	6.1	10.2	28.6	26.5	28.6	3.6

Source: Research data

4.5.2 Promotion Media Strategies used by the Hospitals

The study also sought to establish the extend that promotion media strategies listed in table 16 below were used by the hospitals.

The findings of the study indicate that the main promotional media strategy used is through Church announcements (mean score of 4.1). Then next preferred strategy is through Word of Mouth. (Mean score of 3.9). Radio and newspaper advertisements are not popular means for the Mission hospitals. (Mean score of 2.3 and 2.0 respectively)

Most mission hospitals are located in rural areas, this makes the newspaper media unsuitable for promoting their image. The costs for advertising in the print media are also out of reach for their budgets. More recently, they are starting to advertise in vernacular radio stations near them. That has not picked up properly. The traditional, inexpensive methods of church announcements and word of mouth are still the methods frequently used

Table 16: Promotion Media Strategies

Media Promotion Strategies	Not important	A little important	Moderately important	Very important	Extremely important	Mean
Radio advertisement	36.7	22.4	22.4	14.3	4.1	2.3
Newspapers advertisement	42.9	26.5	20.4	8.2	2	2
Through word of mouth	2	2	18.4	53.1	24.5	3.9
Church announcements	2	4.1	12.2	40.8	40.8	4.1

Source: Research data

4.6 Factors Influencing choice of competitive strategies

4.6.1 Factors influencing the choice of Competitive Strategies

On the question of how different factors influenced the choices of competitive approaches, the study found that, staff skills/innovation, financial requirements, government policies and

regulations, changing customer needs, industry regulations, demand from suppliers and actions of competitors influenced choices of competitive approaches to a large extent as shown by their respective mean scores of 4.2, 4.2, 4, 3.8, 3.7, 3.7 and 3.6. Meanwhile, negative publicity influenced choice of competitive approach to a moderate extent (mean score of 2.8). Table 17

In reality, most paying patients prefer facilities where they are assured of the quality and they can afford to pay. The study brings this out by suggesting that staff skills & innovation and financial requirements are highly rated factors influencing choice of strategy. Staff skills influence the quality of services while financial requirements influence the pricing for services. These are both key in working out competitive strategies.

The other factors; government policies & regulations, changing customer needs, industry regulations, demand from suppliers and actions of competitors are equally key when choosing competitive strategies. For instance, Government policies towards mission hospitals or certain geographical locations results in subsidies that influence choices of competitive approaches. Currently, Government supplies free drug kits to some Mission hospitals, supplies free TB & HIV/AIDS drugs, supplies free child immunization drugs, etc. This has meant that the pricing adapted by these mission hospitals has to pass the benefits to the people. The pricing strategy adapted here makes it very hard for other competitors who are not favored by the said government policy.

It is a fact that the modern patient is very informed and has changing needs, the health sector as an industry also has its regulatory mechanisms and players, the suppliers require assurance that they will receive payment as they fall due, and competitors are continually trying to beat the others. All these are important factors that in reality help to shape competitive strategies in the industry

Table 17: Factors influencing the choice of Competitive Strategies

Factors	No extend	Small extend	Moderate extend	A large extend	A very large extend	Mean
Staff skills and innovation	0	0	10.2	57.1	32.7	4.2
Actions of competitors	0	10.2	34.7	44.9	10.2	3.6
Demand from suppliers	2	6.1	30.6	44.9	16.3	3.7
Financial requirements	0	0	16.3	44.9	38.8	4.2
Industry regulations	0	2	34.7	57.1	6.1	3.7
Changing customer needs	4.1	0	26.5	55.1	14.3	3.8
Government policies and regulations	0	0	18.4	59.2	22.4	4

Source: Research data

4.6.2 Forces that have influenced choice of competitive strategies

The researcher also sought to know the extend to which different forces in the health sector have influenced the choice of competitive strategies for the hospitals. The study found that, Staff costs and prices of Pharmaceutical supplies were the main forces that most respondents indicated as most significant. They directly affected the recurrent budgets of the hospitals. (Mean scores of 4.8 and 4.3 respectively). Availability of Consultants and Fees charged by consultants were relatively of moderate importance. See table 18 below

Most mission hospitals strive to achieve cost leadership in their service delivery, while ensuring a high quality of care. They require quality drugs and qualified/experienced personnel to achieve the right quality. It is always a challenge to balance between meeting staff costs and sustaining adequate supplies of pharmaceutical supplies needed. These two factors are absolutely key when setting service fee levels in a competitive setting. The others like availability of consultants and their charges are relatively not key in choosing strategies

5.1 SUMMARY

The study had two objectives first was to establish the competitive strategies adopted by

Table 18: Forces That Have Influenced Choice of Competitive Strategies

Forces	No extend	Small extend	Moderate extend	A large extend	Very large extend	Mean
Staff costs	0	0	4.1	12.2	83.7	4.8
Fees charged by consultants	6.1	20.4	20.4	22.4	30.6	3.5
Availability of consultants	6.1	26.5	26.5	18.4	22.4	3.2
Prices of pharmaceutical supplies	0	2	10.2	40.8	46.9	4.3
Prices of medical equipment	0	2	14.3	59.2	24.5	4.1

Source: Research data

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary

The study had two objectives; first was to establish the competitive strategies adopted by Mission hospitals in Kenya and second was to determine the factors influencing the choice of these strategies. The findings are summarized below.

5.1.1 Competitive Strategies adopted by Mission hospitals

The findings indicate that competition in the catchment areas of Mission hospitals is quite stiff. This was indicated by 96% of the respondents. The main sources of this competition are Ministry of Health hospitals. This is indicated by 59.2% of the respondents. The other Mission hospitals and the Private hospitals were also providing competition but to a relatively less extent. This is indicated at 40.8% of the respondents.

The study reveals that 96% of the hospitals have adapted a mix of strategies but the most dominant being cost leadership strategy at 76%. This is illustrated through the general mass market and low end market served by Mission hospitals. They strive to keep the quality high by availing quality drugs, qualified knowledgeable and competent staff. They make special effort to keep costs lower than competition. The hospitals focus more on Survival rather than Market share growth or profitability because they barely break even because of the relatively low charges. The hospitals provide credit to those Patients who cannot pay. This endears the poor patients to these hospitals, but ultimately weighs the hospitals down from a build up of debts.

To achieve and maintain the cost leadership strategy, the hospitals engage in various cost cutting measures such as, seeking accreditation with NHIF, using less costly media promotion through church announcements and use of Word of Mouth. They solicit for donor and Ministry of health subsidy to cater for mobile health services in remote parts of their catchment areas. In most cases, the hospitals make special effort to ensure mass access to the basic Out-patient and In-Patient services by deliberately locating the hospitals in rural areas near the people with least purchasing power. The community expectations are normally considered when setting service fee levels.

The hospitals have also adapted both the focus cost leadership and focus differentiation strategies, but to a relatively smaller extent. The hospitals provide for special groups like the mothers and under fives (MCH/FP clinic), Comprehensive care clinic for HIV/AIDS, Eye clinic, Family Planning services, diabetic clinics, TB clinics and others. These services are subsidized by donors and Government and therefore affordable by the targeted niche. The strategy they use for these services is focus cost leadership. Meanwhile there are other services like Dental clinics, specialized surgery, orthopaedic rehabilitation which are offered at a premium to the few who can afford. In each category, the services have niche specific attributes. One special service quality differentiating indicator used by all strategies is the Christian empathy.

5.1.2 Factors Influencing the Choice of Strategy

The study identified various factors that influenced the competitive strategies adopted by Mission hospitals. The main factors identified in the study are as follows;

- Staff cost – To achieve a cost leadership; the hospitals have to afford the monthly staff payroll bill in order to sustain the services at the right quality. Staff costs have therefore been identified in the study as a significant factor in that respect
- Prices of pharmaceutical products- these are the other key ingredients that are mandatory for a quality service to be delivered. It was even found from the study that services fees setting was strongly determined by prices of pharmaceutical products
- Community expectations was also identified as a factor that is considered by the hospitals when considering the level of charges and indeed the competitive strategy to adapt
- For specialized services requiring special diagnostic and treatment equipment, prices of medical equipment required become a key factor influencing what competitive strategy to adapt for related services
- Availability of consultants was a critical consideration for hospitals to provide certain specialized services. This has led to outsourcing competitive strategies in affected hospitals

- Use of latest technology has given some hospitals competitive advantage which has in turn enabled them to out do the competition
- Other key factors include available staff skills, actions of competitors, financial requirements, industry regulations, changing customer needs and Government policies & regulations.

5.2 Conclusions

The aim of the study was to establish the competitive strategies adapted by Mission hospitals and the factors that have influenced the choice of these strategies

The study has established that Mission hospitals have adapted a mix of various competitive strategies, namely; Cost leadership, Focus cost leadership and Focus differentiation. They have the general basic services that they strive to enable access by all irrespective of economic status. They keep their costs low to achieve the desired cost leadership for the masses.

They also offer services for special groups at no charge or minimal charge. This is made possible through donor and Government funding/subsidy. These services include Child welfare clinics, Family planning & Maternal care, Comprehensive Care Clinic for HIV/AIDS, Eye clinic and others.

The other services are specialty clinics targeting those who can afford. The target group is therefore charged a premium for the special services. This includes, specialized surgery in various specializations, Dental clinics, Rehabilitative orthopaedic surgery and others

The particular strategies adopted in any hospital are influenced by various factors. The factors that apply in each case are dependent on various considerations such as geographical location of hospital, available funding, the state of the economy, industry regulations, changing customer needs and Government policies & regulations

In spite of the noted successes associated with the various strategies, Mission hospitals face the big challenge of debtors. The Christian foundation upon which these hospitals are based does not allow them to deny services to those without money to pay. This has led to huge debts that threaten the continuity of these hospitals

Finally, I fear that the government may one of these days improve the services of its already highly subsidized hospitals to a point where it may be impossible for the Mission hospitals to remain competitive. This would render the Mission hospitals redundant.

5.3 Suggestions for Further Research

The study focused on Mission hospitals in the health sector. There may be need for another study covering the full spectrum of all the different players in the sector. This is to examine the competitiveness in the health sector in Kenya for the Public hospitals, Private hospitals, and

Faith based hospitals. This will provide more exhaustive findings that can form a basis for drawing valid conclusions about competitive strategies applied by hospitals in the Kenya health sector

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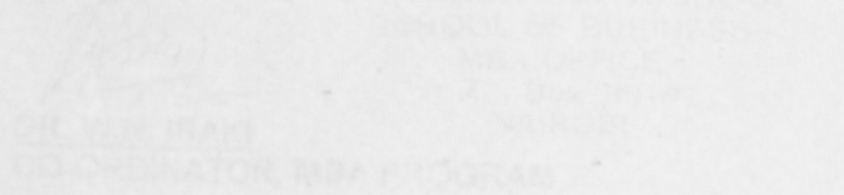
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DATE 19th AUGUST 2008

TO WHOM IT MAY CONCERN

The bearer of this letter KUNDU W. PATRICK

Registration No: DEI / 7512 / 1999

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

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

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

Thank you.

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

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
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P. O. Box 30197
NAIROBI

APPENDICES

Appendix 2: Research Questionnaire

PART 1- GENERAL BACKGROUND INFORMATION

1. What is the name of the Mission hospital? _____
2. Where is it located? _____
3. Title/Position of the respondent _____
4. Number of years your hospital has been operating?

5 – 10 Years []

11 – 15 years []

16 – 20 years []

Over 21 years []

5. What is the estimated population size of the hospital catchment area

0 – 25,000 []

25,000 – 100,000 []

100,000 – 200,000 []

More than 200,000 []

6. What is your hospital's size in terms of Kshs. turnover per annum?

5.5 million to 7.0 million [] 7.5 million to 10 million []

10 million to 15 million [] Over 15 million []

7. What market do you serve?

Up Market []

Middle & Up Market []

Mass Market []

Low end Market []

PART 11 –COMPETITIVE STRATEGIES

8. How would you describe competition in the hospital service industry in your catchment area?

Weak competition []

Strong competition []

Very strong Competition []

Hyper Competition []

9. Who do you consider as your major competitor?

Other Mission hospitals []

MOH hospitals []

Private hospitals []

10. How important are the following goals in your business? Please rate them in order of their importance using the following scale

5. Extremely Important 4. Very Important 3. Moderately Important

2. A little Important 1. Not Important

	5	4	3	2	1
Survival in Market	[]	[]	[]	[]	[]

Growth (Gain Market share)	[]	[]	[]	[]	[]
----------------------------	-----	-----	-----	-----	-----

Profitability	[]	[]	[]	[]	[]
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Product & Market differentiation	[]	[]	[]	[]	[]
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Market development

Diversification

(In answering the questions in this section you are given scale 1-5 to indicate your understanding)

5

4

3

2

1

Very large extend Large extend Moderate extend Small extend No extend

11. To what extent do you use each of the following strategic options in response to changes in the market?

5 4 3 2 1

Provide superior customer service

Offering services not offered by competitors

Offering high quality services

Introducing new services in market

Use of latest technology

Branding of services

Regular market surveys of customer needs [] [] [] [] []

12. To what extent does your hospital use the following quality indicators to distinguish its services?

	5	4	3	2	1
Qualified & Competent workers	[]	[]	[]	[]	[]
Simple registration/admission procedures	[]	[]	[]	[]	[]
Empathy to clients	[]	[]	[]	[]	[]
Privacy & Confidentiality of clients	[]	[]	[]	[]	[]
Efficient billing & drugs sorting	[]	[]	[]	[]	[]

13. Indicate the extent to which the following statements describe the quality of your service delivery processes

	5	4	3	2	1
Focus on customer satisfaction	[]	[]	[]	[]	[]
Patient flow Processes are smooth & simple	[]	[]	[]	[]	[]
Knowledgeable personnel	[]	[]	[]	[]	[]

Waiting time is minimal

Client participation is encouraged

14. To what extent do you use each of the following strategic options in response to changes in the market?

5 4 3 2 1

Market segmentation

Customized services to niche market

Better service attributes to niche

15. Charges for services rendered are varied based on?

Service package

Procedures carried out

Community expectations

Changes in prices by suppliers

16. In the image building of your hospital indicate the extend to which the following strategies are used by your hospital

	5	4	3	2	1
Educate the community on health	[]	[]	[]	[]	[]
Mobile health services in remote parts	[]	[]	[]	[]	[]
Training of community health workers	[]	[]	[]	[]	[]

17. In making your services known in the market place, indicate the extend to which the following promotion media strategies are used by your hospital

	5	4	3	2	1
Radio advertisement	[]	[]	[]	[]	[]
Newspapers advertisement	[]	[]	[]	[]	[]
Through Word of mouth	[]	[]	[]	[]	[]
Church announcements	[]	[]	[]	[]	[]

18. How do you improve your attendance levels for both In Patient and Out Patient services?

	5	4	3	2	1
Seeking corporate customers	[]	[]	[]	[]	[]
Keeping variety of Medicines	[]	[]	[]	[]	[]
Training staff in good customer service	[]	[]	[]	[]	[]

19. To what extend do you use each of the following strategic options in response to changes in the market?

	5	4	3	2	1
Keeping charges lower than competition	[]	[]	[]	[]	[]
New service features in response to demand	[]	[]	[]	[]	[]
Use of latest technology	[]	[]	[]	[]	[]

20. To what extent have the following factors influenced choice of competitive Strategies?

	5	4	3	2	1
Staff skills and motivation	[]	[]	[]	[]	[]
Actions of competitors	[]	[]	[]	[]	[]
Demands from suppliers	[]	[]	[]	[]	[]
Financial requirements	[]	[]	[]	[]	[]
Industry regulations	[]	[]	[]	[]	[]
Negative publicity	[]	[]	[]	[]	[]
Changing customer needs	[]	[]	[]	[]	[]
Government policies and regulations	[]	[]	[]	[]	[]

21. To what extent have you used the following Competitive strategies to beat competition in the market?

	5	4	3	2	1
Lower charges than competition	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Offering credit to customers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Attractive appearance of premises	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Increasing number of service points	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

22. To what extent have the following forces influenced choice of competitive strategies for your hospital?

	5	4	3	2	1
Staff costs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Fees charged by consultants	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Availability of consultants	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Prices of pharmaceutical supplies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Prices of medical equipment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Appendix 3: List of Kenya Episcopal Conference Hospitals

1. Chuka Consolata Cottage Hospital
2. Mercy Mis. Eldama Ravine Hospital
3. Gaichanjiru Hospital
4. Jamaa Home & Maternity Hospital.
5. Kaplong Hospital
6. Kiirua-St. Theresa's Mat Cott
7. Kilimambogo Hospital
8. Kiminini Cottage Hospital
9. Kiria-Ini Mission Hospital
10. Kyeni Consolata Hospital
11. Machakos-Bishop Kioko Hospital
12. St Mary's Mission Hospital-Nrb

13. Mater Misericordiae Hospital
14. Migori-St.Joseph Mission Hospital.
15. St.Monicas' Hospital-Kisumu
16. Mukumu St.Elizabeth Hospital
17. Mumias-St.Mary's Hospital
18. Muthale Hospital
19. Mutomo Hospital
20. Our Lady Of Lourdes Mwea Hospital
21. Mweiga-Mary Immaculate Hospital
22. Nangina Holy Family Hospital
23. Nazareth Hospital
24. Nkubu Consolata Hospital
25. North Kinangop Hospital
26. Nyabondo Hospital

27. Nyeri Consolata Hospital

28. Ortum Mission Hospital

29. Tabaka Hospital

30. Wamba Catholic Hospital

31. Tigania hospital

32. Kakuma hospital

33. Mary Immaculata

Appendix 4: List of CHAK Hospitals

1. AIC Githumu Hospital
2. AIC Kapsowar Hospital
3. AIC Litein Hospital
4. COG Kima Hospital
5. Friends Church Sabatia Eye Hospital
6. Friends Kaimosi Hospital
7. Friends Lugulu Hospital
8. ACK Namasoli Hospital
9. Kendu Adventist Hospital
10. AIC Kijabe Hospital
11. ACK Maseno Mission Hospital
12. SDA Matata Nursing Hospital
13. Maua Methodist Hospital

14. Mwihila Mission Hospital
15. PCEA Chogoria Hospital
16. PCEA Kikuyu Hospital
17. PCEA Tumutumu Hospital
18. Plateau Mission Hospital
19. St. Luke's Hospital, Kaloleni
20. Tenwek Mission Hospital
21. Orthodox Coptic Hospital
22. AIC Bethany Crippled Children's Centre
23. ACK Mt. Kenya Hospital
24. ACK Ngiya Medical Centre
25. N C Dolphil Medical Centre.