IMPLEMENTATION OF OUTSOURCING STRATEGY AT THE NAIROBI HOSPITAL, KENYA

BY

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DECLARATION

This research project is my original work and has not been submitted anywhere for examination in any other university or institute of higher learning.

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I say thank you all and God bless you abundantly.

DEDICATION

This research project is dedicated to all my family members for their immeasurable love and prayers with special dedication to my Loving Mom Kellen Wangari for accepting and understanding my absences while undertaking my research project and above all to God for providing me with finances,wisdom,strength and peace of mind during my whole course work.

ABSTRACT

Outsourcing is a widely known compelling strategic management option several companies are adopting nowadays. From small to large scale establishments, they have been using it to continually maintain their stable status in today's overly competitive market. Its emerging power as a business tool is undoubted. Outsourcing seems to have become the new trend in organizational strategy. In outsourcing, part of the organization's production or service process is discontinued and transferred to another party, along with personnel and other resources. Effective implementation of strategy has become the goal of many organizations. However, in translating their grand plans into action, unacceptably high rates of failure have been reported among many companies. Organizations seem to have difficulties in implementing their strategies. Healthcare industries are operating under environment full of rising cost of healthcare, increased adoption of technology, prevalence of quality and performance-based reimbursement models, evolving physician-hospital -patient dynamics and increased competition which are forcing the healthcare industry to recast business and care delivery processes. The Nairobi Hospital is one of the best Hospitals in the Healthcare industry in Kenya. The Hospital has outsourced some of it noncore services which include cleaning services, gardening services, courier services and security services. The purpose of this research is to assess the implementation of outsourcing strategy at The Nairobi Hospital with an aim to investigate the effects of outsourcing on the hospital's performance. This research was conducted through a case study. Primary data was collected using an interview guide which was administered to 10 Managers, both senior and middle levels, at The Nairobi Hospital. The qualitative data collected was analyzed using content analysis technique. The study established that the Nairobi Hospital Hospitals has been outsourcing services for more than three decades. The decision to outsource is typically developed at senior levels of corporate management at the Nairobi Hospital and is usually contemplated as part of a larger strategic initiative. The study established the factors that Nairobi Hospital consider when deterring services to be outsourced. The factors include the need to reduce and control operating cost, improve the focus of the hospital, gain access to world class capability, free resources for other purposes, when resources are not available internally, to accelerate re-engineering benefits, to efficiently provide functions that are too complex to manage and to share risks. The study established that organizational culture affect the relationship between the hospital and the service provider. Outsourcing enables the hospital to concentrate the core process rather than the supporting ones. The study concludes that Nairobi Hospital has been effective in has been effective in the formulation of an outsourcing strategy. The study concludes that the outsourcing strategy at the Nairobi Hospital has a number of benefits which improves the organizational performance. The study recommends that implementation of outsourcing strategy at the Nairobi Hospital can be enhanced by: Ensuring that the outsourced service provider focuses more on the satisfaction of clients. Providing clear criterion for measuring the outcomes of the outsourcing process. Formulating guidelines which ensures that outsourcing enhances the growth objectives in the hospital. The study recommends further study on the key success for implementation of outsourcing strategy in the Kenyan heath sector. The study will provide a sector-wide evaluation of measure that can enhance outsourcing of medical services.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Outsourcing is defined as the process of transferring an existing business function, including the relevant physical and or human assets, to an external provider in order to strategically use outside resources to perform activities previously handled in-house.

Outsourcing is a widely known compelling strategic management option several companies are adopting nowadays. From small to large scale establishments, they have been using it to continually maintain their stable status in today's overly competitive market. Its emerging power as a business tool is undoubted. Since its inception, outsourcing has spread to companies of all industries both private and public as an alternative to simply using internal resources (Kotler, 2003). This is because these services are noncore and repetitive in nature thus similar in almost all organizations. Furthermore they can be done by an outside company at cheaper cost or at the same cost but in better ways (Quinn and Hilmer, 1994).

Outsourcing seems to have become the new trend in organizational strategy. In outsourcing, part of the organization's production or service process is discontinued and transferred to another party, along with personnel and other resources. Although the potential economic benefits of outsourcing are thought to be considerable, a growing number of evaluation studies show disappointing outcomes. Cost savings tend to be less than expected and quality sometimes declines.

Outsourcing involves transferring a significant amount of management control and decision-making to the outside supplier. Buying products from another entity is not outsourcing or out-tasking, but merely a vendor relationship. Likewise, buying services from a provider is not necessarily outsourcing or out-tasking. Outsourcing always involves a considerable degree of two-way information exchange, coordination, and trust.

Many companies look to employ expert organizations in the areas targeted for outsourcing. Business segments typically outsourced include information technology, human resources, facilities and real estate management, and accounting. Many companies also outsource customer support and call center functions, manufacturing and engineering. Outsourcing business is often characterized by expertise not inherent to the core of the client organization.

Many companies have gained significant negative publicity for their decisions to use outsourced labor for customer service and technical support. One of the most prominent customer complaints is that the outsourced staff members deliver a lower quality of service to customers. A prominent business complaint is that outsourcing only offers an industry average cost structure, potentially reducing competitive advantage.

Some outsourcing companies use a competition or contest-style approach to get their advanced work done as well as to hunt for international talents for potential employment.

1.1.1 Strategy Implementation

The importance of strategy to a firm cannot be gainsaid. Hough, Arthur, Thompson, Strickland and Gamble (2008) posits that strategy entails how management intends to grow the business, how it will build a loyal clientele and out-compete its rivals, and how each functional piece of the organization will contribute to the sum total and how performance would be boosted and sustained. Effective implementation of strategy has become the goal of many organizations. However, in translating their grand plans into action, unacceptably high rates of failure have been reported among many companies. However literature has documented that many previous studies in strategy have focused on formulation and that very little has been done in the area of strategy implementation. Studies in this area have focused on problems in strategy problems e.g Salem Al-Ghamdi (1998) and Alexander (1985). However the area of strategy implementation is key to the overall success or failure of a firm (Thobani, 2011).

Although numerous studies acknowledge that strategies frequently fail not because of inadequate strategy formulation, but because of insufficient implementation, strategy implementation has received less research attention than strategy formulation. Implementation of strategy is the process through which a chosen strategy is put into action. It involves the design and management of systems to achieve the best integration of people, structure, processes and resources in achieving organizational objectives. Yet the implementation of a strategy is not easy (Pfeeffer, 1996). Many researchers have identified factors that affect strategy implementation such as corporate ownership (Ungerer et al. ,2007) and commitment (Raps , 2005). It is the role of the strategist to present the strategy to the members of the organization in a way that appeals to them and brings their support. This will put organizational people to feel that it is their own strategy rather than the strategy imposed on them. Such a feeling creates commitment so essential for making strategy successful (Kaplan and Norton, 2001).

Setting organizational climate relevant for strategy implementation is important for making strategy to work (McKinley & Scherer 2000). Organizational climate refers to the characteristics of internal environment that conditions the co-operation, the development of the individuals, the extent of commitment and dedication of people in the organization, and the efficiency with which the purpose is translated into results. Organizations whose strategy is implemented with conducive climate are more effective than those whose are not (Wai-Kwong et al., 2001).

Organizations seem to have difficulties in implementing their strategies. However, researchers have revealed a number of problems in strategy implementation which include: weak management roles in implementation, a lack of communication, lacking a commitment to the strategy, unawareness or misunderstanding of the strategy, unaligned organizational systems and resources, poor coordination and sharing of responsibilities, inadequate capabilities, competing activities, and uncontrollable environmental factors (Grundy, 1998; Heide, 2002; Beer and Eisenstat, 2000).

Strategy implementation has attracted much less attention in strategic and organizational research than strategy formulation or strategic planning. Alexander (1991) suggests several reasons for this: strategy implementation is less glamorous than strategy formulation, people overlook it because of a belief that anyone can do it, people are not exactly sure what it includes and where it begins and ends. Furthermore, there are only a limited number of conceptual models of strategy implementation.

Strategy which is a fundamental management tool in any organization is a multi-dimensional concept that various authors have defined in different ways. It is the match between an organization's resources and skills and the environmental opportunities as well as the risks it faces and the purposes it wishes to accomplish (Thompson S, 1993). It is meant to provide guidance and direction for the activities of the organization. Since strategic decisions influence the way organizations respond to their environment, it is very important for a firm to make strategic decisions and define strategy in terms of its function to the environment. The purpose of strategy is to provide directional cues to the organization that permit it to achieve its objectives while responding to the opportunities and threats in the environment (Pearce and Robinson, 2007). Johnson and Scholes (2002), view strategy as the direction and scope of an organization over the long-term, which achieves advantage for the organization through its configuration of resources within a changing environment, and fulfill stakeholder's expectations.

Strategic management is, hence, both a skill and an art. Good strategic management requires both clear thought and sound judgment. Strategic management is the formal and structured process by which an organization establishes a position of strategic leadership. Strategy development is a multidimensional process that must involve rational analysis and intuition, experience, and emotion. But, whether strategy formulation is formal or informal, whether strategies are deliberate or emergent, there can be little doubt as to the importance of systematic analysis as a vital input into the strategy process. Without analysis, the process of strategy formulation, particularly at the senior management level, is likely to be chaotic with no basis for comparing and evaluating alternatives. Moreover, critical decisions become susceptible to the whims and preferences of individual managers, to contemporary fads, and to wishful thinking (Hrebiniak, 2006; Grundy, 1998; Beer and Eisenstat, 2000).

1.1.2 Outsourcing strategy

According to the Outsourcing Institute, 2001, in simple terms, ‘outsourcing’ can be defined as the strategic use of outside resources to perform activities traditionally handled by internal staff and resources. It is a management strategy by which an organization out-sources major, non-core functions to specialized, efficient service providers.

Outsourcing is attractive to senior management because it improves some of the dimensions of organizational performance (Lilly et al., 2005). According to the survey, conducted by Accenture and the Economist Intelligence Unit, two-thirds of the respondents all of whom had been outsourcing a major business process for at least two years agreed that outsourcers who know how to manage the process can enhance their company's performance and achieve a high level of satisfaction with the results (Lacey and Blumberg, 2005).

The outsourcing of non-core activities allows an organization to increase managerial attention and resource allocation to those tasks that it does best and to rely on management teams in other firms to oversee tasks at which the outsourcing firm is at a relative disadvantage. This focus can improve results by allowing the firm to be more effective, more innovative and more skilled in those activities. Also, outsourcing can be used to increase the quality of work life. When an organization focuses on its core competences, especially for the remaining employees, some positive improvements may emerge. Focusing on core competences ensures that the job becomes more meaningful for the employees.

Secondly, increased outsourcing of non-core activities can improve service quality (Dess et al., 1995). A vendor will be in a better position to provide the outsourced services because this area constitutes its core business (Gilley and Rasheed, 2000). Frequently, the improved capabilities of the supplier are the result of large investments in technology, in methodology and in human resources made over time. In many cases, the capabilities of the vendor include specialized knowledge in the industry obtained by working with many customers. The knowledge of the vendor can be transferred to the outsourcing firm, satisfying customer requirements with their skills, processes or technology. For all of the above reasons, the outsourced service quality and the perception of that service are better than when performed in-house (Espino-Rodríguez and Gil-Padilla, 2005; Teng et al., 1995). Moreover, as a result of the activities contracted out to the vendor, since the management spends more time on its other remaining services, an increase in the quality of the services performed could be observed. At this point, Elmuti (2003) provided support for empirical evidence of an outsourcing-quality relationship.

Lastly, outsourcing activities with low strategic value can lead to lower costs and thereby improve the organizational results (Espino-Rodríguez and Padrón-Robaina, 2005). Firms are increasingly viewing outsourcing strategies for reducing or controlling costs (Smith et al., 1998). Empirical research also suggests that outsourcing firms often achieve cost advantages relative to vertically integrated firms (Gilley et al., 2004; Gilley and Rasheed, 2000). It is commonly believed that vendors can give the same level of service at a lower cost than internal departments. Presumably, vendors benefit from economies of scale, tighter control over fringe benefits, and better access to lower-cost labour pools, and more focused expertise in managing service (Downey, 1995; Smith et al., 1998). By focusing on specific skills and technologies, a vendor may become more proficient at that activity than the outsourcing firm may. Ideally, the vendor is also a cost-conscious provider and reduces bureaucratic costs, produces further efficiencies, and shares some of the savings with its clients (Gilley et al., 2004). In addition, outsourcing arrangements reduce the need for capital assets, and this reduced investment in organisation’s capacity lowers fixed costs and leads to a lower break-even point (Gilley and Rasheed, 2000). Outsourcing not only results in a shift of profitability but also exacerbates the productivity differential between outsourcing firms and vendors (Jiang and Qureshi, 2006).

1.1.3 Health sector in Kenya

Healthcare industries are operating under environment full of rising cost of healthcare, increased adoption of technology, prevalence of quality and performance-based reimbursement models, evolving physician-hospital -patient dynamics and increased competition which are forcing the healthcare industry to recast business and care delivery processes. By leveraging business process outsourcing**,** healthcare companies are redefining their operating model to maximize value from their business processes. In 21st Century, Hospitals and Healthcare industries in Kenya are facing increased financial difficulties because of the high cost of living experienced in the country and the private are not an exception. A steep rise in the cost of living has pushed Nairobi up the list of Africa’s most expensive cities and diluted the quality of life for its residents, a newly published report indicates. This in itself has a spiral effect on the cost of healthcare services in the country. As a result, healthcare executives face the challenge of reducing costs while maintaining quality patient care. One of the strategic tools healthcare executives are using to meet this challenge is outsourcing.

1.1.4 The Nairobi Hospital

The Nairobi Hospital is one of the best Hospitals in the Healthcare industry in Kenya. The Nairobi Hospital has been in existence since 1954. It is a private, non-profit making organization totally dependent on income from services provided with no other sources of funding except donations. It is registered as a company limited by guarantee, and not having share capital and it has voluntary membership. The Hospital is guided by its mission, vision, core values and strategic themes. The Hospital has a bed capacity of 320 beds, approximately 1000 members of staff and consultant's doctors with admitting rights. 100 of the doctors have offices within the hospital premises. The management of the Hospital, as laid down in the Memorandum and Articles of Association is vested in the Board of Management. The Directors, known as Members of the Board of Management, receive no remuneration for their services. The Nairobi Hospital has excelled in medical expertise and services provision and has deservedly earned recognition throughout East Africa and beyond as an advanced diagnostic, treatment and referral centre. Expansive investment in latest technology and medical equipment has enabled the Hospital establish leadership in medical procedures and services both in Kenya and outside. The Hospital has outsourced some of it noncore services which include cleaning services, gardening services, courier services and security services.

1.2 Research Problem

Outsourcing involves the transfer of organisations regular business activities (functions and processes) to an outside service provider that provides the services back to the organization, as defined in a typically long term contract. The core idea behind strategic outsourcing is to benefit in some manner from allowing outside entities to take over the operation and management of a given function. Those benefits can take many different forms. Often, the idea is to increase the bottom line of a company by reducing various operating expenses. At other times, the benefit has to do with having immediate access to professionals who specialize in handling the outsourced function, without the need to train personnel to take over those functions. The benefit may be a matter of convenience, allowing the business owner to not have to deal with necessary functions that he or she does not wish to deal with, or feels unable to manage with any degree of efficiency. As long as the benefits that are generated by the arrangement are considered sufficient by the client, then the process of strategic outsourcing can be considered a success.

The Nairobi Hospital is operating under environment full of rising cost of healthcare, increased adoption of technology, prevalence of quality and performance-based reimbursement models, evolving physician-hospital -patient dynamics, high interest rates, rising inflation and increased competition which are forcing the healthcare industry to recast business and care delivery processes. This is driving the healthcare executives to outsource their non-core functions to experienced service providers.

The purpose of the research was to assess the implementation of outsourcing strategy at The Nairobi Hospital with an aim to investigate the effects of outsourcing on the hospital's performance.

1.3 Research Objective

The research objective of this study was to assess the implementation of outsourcing strategy at The Nairobi Hospital with an aim to investigate the effects of outsourcing on the hospital's performance.

1.4 Value of the study

In a nutshell this study will assist in revealing how outsourced services are strategically managed at the Nairobi Hospital, the decision making process and the future of outsourced services in healthcare industries.

Secondly, the study will be beneficial to all the stakeholders in the Healthcare industries because it will provide more guidance on how they are able to manage outsourced services in the institutions and ensure success, how to avoid risks involved in outsourcing, and at the same time not compromise on the quality of services given to their patients.

Thirdly, scholars and researchers will find the findings useful as secondary data when researching on related field and also build and articulate other issues not brought out by this research and also add to more knowledge in their study.

Finally, the study will be useful to both the private and public heath sectors especially the ministry of health and sanitation and ministry of medical services which are responsible for regulating public and private healthcare institutions in terms of formulating effective healthcare services.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This section draws on literature in the area of implementation of outsourcing strategy. Secondary material such as books, journals, and articles which carry previous research work on the study topic are analyzed. The material is of importance to this study as it forms a basis for observations which will be made during the study in line with the aims and objective of the study.

2.2 Theoretical Foundation

2.2.1 Decision theory

The risk-benefit analysis in decision theory compares the risks associated with and the benefits expected of a decision that is made, in order to achieve an optimal result. This concept has been discussed by Jurison (1995). When the concept is applied to outsourcing, it means that the management or decision makers have to assess all the potential risks and benefits that may arise from outsourcing process. These factors would therefore influence the growth of the business process outsourcing.

Perceived risk theory analyses the risk a person subjectively associates with the consequences of a decision and its impact on the intention to close a transaction (Bauer, 1967). This theory is grounded on the fact that as long as the perceived benefits outweigh the perceived risks, the person in charge will have a positive attitude towards a particular decision. In information system research, perceived risk inherent in a transaction plays a critical role especially in adoption of technology. For example, Feartherman (2001) found that the overall potential risk may reduce the usefulness of an activity. Also, Pavlou, (2001) noted that potential risk reduces individual intentions to conclude a deal.

It is apparent that the individual perception towards outsourcing could either be positive or negative. Negative perceptions of outsourcing are often equated with risks of outsourcing, that is, the possibility of outsourcing failure (Aubert, et al., (1998); Earl, M.J (1996). Similarly, there are a number of outsourcing advantages, which may be summarized as outsourcing benefits (Dibbern, et al., (2004);ECB (2004). In this research, therefore, the risk-benefit frame-work is applied to examine the factors affecting the growth of outsourcing decisions. The framework is in line with the decision theory regarding decisions that involve risk or uncertainty (Friendmann and savage (1948); Machina (1987); Tamura (2005). In outsourcing research, the analytical framework of tradeoff between costs versus risks is well documented by researchers like Jurison (1995);(1998);(2002). This suggests that in making outsourcing decisions, firm managers assess all the perceived risks and benefits. It is plausible to argue that the decision to outsource is positively influenced by perceived benefits of outsourcing and negatively influenced by perceived risks of outsourcing.

2.2.2 Co-evolutionary theory

Co-evolutionary theory (Lewin and Volberda, 1999) indicates that as firms grow and evolve from small to larger and multidivisional organizations, the strategy implementation methods also evolve simultaneously. The various strategy implementation models described by Bourgeois and Brodwin's (1984) are meant to meet the changing needs of firms as they evolve through various stages of the organizational life cycle (Parsa, 1999). In contrast to the earlier descriptive models, this model is more prescriptive with an, albeit limited, empirical basis. The research highlights three of Bourgeois and Brodwin's (1984) classifications of strategy implementation styles: change, the 7s model, collaborative, and cultural.

Not all firms implement their strategies in the same manner; nevertheless, research investigating the differing styles of implementation is scarce. Nutt (1995) utilizes Jungian theory (Jung, 1923) for his framework of implementation style, however, this is very much an analysis of the psychological style of individuals within the firm. More recently, Parsa (1999) utilized Bourgeois and Brodwin's (1984) classification of strategy implementation types.

The majority of existing classification models in strategy implementation tends to be normative in nature (Parsa, 1999). Alternatively, they are developed from organizational observation, and as such, become context specific and frequently lack any broader theoretical grounding (Hooley et al., 1992). In contrast, Bourgeois and Brodwin's (1984) model is comprehensive and based on specific theoretical assumptions and has been used by authors such as Parsa (1999). Bourgeois and Brodwin (1984) to refute the traditional approach to strategy implementation as simply an addition to the strategy formulation phase of the strategy process. Rather, they contend that strategy implementation evolves either from a process of winning group commitment through a coalitional form of decision-making, or as a result of complete coalitional involvement of implementation staff through a strong corporate culture.

2.3 Aims of implementing outsourcing

In recent years, firms have been developing various kinds of strategies in order to solve problems related to the cost, quality and speed of services. Downsizing, elimination of some functions or processes, developing strategic relationships through franchising or contracting out or leasing arrangements can be seen as examples for these decisions. Outsourcing is also one of these strategies. For example, many hotels have experienced success with the outsourcing of support services such as security, maintenance, laundry and baking (Hemmington & King, 2000).

As a fast-developing country, developed country has long been recognized as a popular place to outsource (Matteo, 2003). Low-cost labor and high-technology manufacturing have made the leading destination for outsourcing (Brown, 2005). With its accession to the World Trade Organization (WTO), country is in more favorable conditions to implement its economic reform and industrial restructuring. This has stimulated the development of logistics industry and fostered a growing demand for outsourcing (Agarwal and Wu, 2004). Nevertheless, the 3PL industry in undeveloped country is still regarded to be in its infancy (Trunick, 2003).

Although much has been written about outsourcing to China (Matteo, 2003; Brown, 2005; Forrest, 2005; Hannon, 2005), limited studies have been conducted to thoroughly investigate the key outsourcing drivers and problems that organizations in developed country have considered and encountered. A large number of studies have analyzed the drivers of outsourcing from both a theoretical perspective; Jennings, 2002; Lynch, 2004) and a practical point of view using case studies and surveys in developed countries such as US, UK, Australia, and New Zealand; Kakabadse and Kakabadse, 2005).

While many drivers are unique to specific organizations and industries, there are some common key factors that motivate organizations of all industries to make outsourcing decisions. These factors can broadly be categorized as economic, strategic, and environmental factors. By means of outsourcing, organizations can gain competitive advantage through cost reduction and improved responsiveness to changing business environment and market demand.

2.3.1 Competition Increase

The increase in competition and growing awareness of the role of logistics lead more companies to exploit the potential of outsourcing. Manufacturers are increasingly looking for logistics solutions to move their goods to the fast-expanding consumer markets. Further, the trend towards consolidation in many of the industries and the emergence of national chains are also creating demand for outsourcing (Hertzell, 2001). As organisations redirect valuable internal skills and capabilities to high value adding activities, the sourcing debate has moved from whether to outsource, to what and the quality of outsourced services. McLean (2006) is of the view that business enterprises usually opt to go for outsourcing for the following benefits: Cost savings, including cost restructuring: Businesses become successful when they are able to minimize costs, and outsourcing provides this advantage.

2.3.2 Outsourcing and Service Quality

By outsourcing, companies are able to tap better into pools of expertise and gain access to intellectual property, as well as sustainable sources of skills. Moreover, this method avoids the time consuming process of training to develop the particular services in house. Also, by providing new service level agreements in their contracts, enterprises are able to make sure that the quality of the outputs or products is not lost. These contracts usually contain penalties or legal redress for transgressions. Time related advantages: It is possible that services are made available everyday, at any time of the week. This is achievable because the services can be done in different locations with time zones.

Many organisations are working towards the concept of organisation dealing with core or strategic activities and with individuals providing a range of supporting ancillary services on contracted basis. These services must be performed at the highest standard possible so as to meet quality requirements (Daniels, 1998). When a company chooses to outsource employees or certain functions, the following advantages are normally harvested as rewards: trimmed down labor expenses, augmented productivity, reduced employer liability, better employee retention and improved acquiescence with laws and regulations (Lawrence, 2002).

When a company outsource, it can add top quality candidates to its employee base. The hiring process can be overwhelming for a small or even medium size human resource department, so finding employee hiring solutions outside the business can benefit the company's overall productivity tremendously. Finding outsourcing solutions that will take over part or all of the hiring process from recruiting through hiring. Leave the hiring to experts in the field who can bring in well-qualified candidates. With hiring left to the experts, a company gains more time to focus on improving their business and leave the recruitment outsourcing basics to the experts.

According to Thomas (2000), a service is any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product. Zeithamal (2004) define service quality as a measure of how well the service level matches customer expectations. An organization must be consistent in delivering quality service in conformity with the turbulence of its internal and external environment. As Spreng and Mackoy (2006) noted, the quality of a service is of significant and strategic concern, an important indicator of customer's satisfaction. Consequently, outsourcing must meet the minimum standards of service quality as agreed between the client and service provider.

2.3.3 Effects of Globalization

Driven by globalization and rapid advance in information technology (IT), organizations strive to improve competitiveness and responsiveness to customer and market demands (Razzaque and Sheng, 1998). Outsourcing has increasingly become an important strategy that can significantly assist organizations to leverage their skills and resources to achieve greater competitiveness (Quinn and Hilmer, 1994; Welson, 1996).

2.3.4 Technology Advancement

Regarding environmental dynamism: outsourcing may be useful for firms competing with increasing levels of environmental dynamism (Anand and Ward, 2004; Gilley et al., 2004b; Stonebraker and Liao, 2004). For example, when new technologies emerge and mature technologies become obsolete, outsourcing enables firms to switch suppliers to exploit any cost or quality improvements that may then be available. On the contrary, this technology-related flexibility is not so necessary in stable environments because production and service technologies do not change so rapidly. Similarly, demand uncertainty makes outsourcing attractive because it allows firms to shift much of the risk associated with declining demand to supplier firms.

Technology of the business exerts major influences on the internal environment and how it is organized, managed and carried out Armstrong (2002). The introduction of new technology may result in considerable changes to systems and processes he notes. The availability or the lack of technology in a firm may be the cause to outsource some human resource functions.

2.3.5 Increased Competition

Competition is on the increase worldwide as markets become international. Armstrong (2002) explains that customers are demanding more as new standards are reached through international competition. As a reaction to this competition organizations are becoming customer focused, speeding up response times, emphasizing quality and continuous improvement, accelerating the adoption of new technology, operating more effectively and cutting costs. He adds that the pressure for business is to be lean and mean, downsize and cut off layers of management and supervision.

2.3.5 Outsourcing and Efficiency

In their article, strategic outsourcing Quinn and Hilmer, (2004) show that a company's resources can be leveraged through outsourcing of none core activities. This should lead to maximization of returns on internal resources by concentrating investments and energies on what the enterprises does best. Well developed core competencies provide formidable barriers against present and future competitors that seek to expand into the company's areas of interest, thus facilitating and protecting the strategic advantages of market share. Outsourcing allows for full utilization of external suppliers' investments, innovations and specialized professional capabilities that would be prohibitively expensive or even impossible to duplicate internally.

2.3.6 Risks Reduction

Outsourcing has also been seen to decrease risks, shorten cycle times, lower investment and create better responsiveness to customer needs (Bendor, 2001). If supplier markets were totally reliable and efficient, rational companies would outsource everything except those special activities in which they could achieve a competitive edge i.e. their core competencies (Quinn and Hilmer, 2004). However most supplier markets are imperfect and entail some risks for both buyer and seller with respect to time, quality, price and so on.Many a times, the cost of transferring knowledge is very expensive. It is also observed that the productivity of the outsourced services is less in the first year of the agreement, as the company learns the process, needs, policies of the client.

2.3.7 Cost Efficiency

Cost efficiency remains the primary explanation for outsourcing. Firms evaluate outsourcing to determine whether current operating costs can be reduced and if saved resources can be reinvested in more competitive processes. Some researchers contend that an important source of cost reductions is the outsourcing firm's access to economies of scale and the unique expertise that a large outsourcing vendor can deliver (Anderson and Weitz, 1986; Roodhooft and Warlop, 1999). Since these outsourcing contract receivers typically serve many clients, they often achieve lower unit costs than can any single company. Specialist outsourcing vendors can also afford to invest more in new technologies and innovative practices than can many outsourcing contract-granting firms (Alexander and Young, 1996).

Specialists in payroll processing, for example, typically handle this task for a number of companies, thus spreading fixed costs and achieving economies of scale. Such specialists have the focus needed to identify areas that are candidates for improvement and the knowledge needed to act successfully on that awareness (economies of skill). On the other hand, outsourcing contract-granting firms generally engage in several different activities besides the core activity. By outsourcing some of these activities, they can concentrate their resources on the core business in which they have unique economies of skills or knowledge. As a result, the outsourcing contract-granting firms can reduce their operations expense and overhead expense.

2.4 Challenges of implementing strategic outsourcing

2.4.1 Improper or Inadequate Planning

Organizational strategies are not like cook-books where one can follow a recipe and expect the results to be just fine. The needs and requirements of every company are different. If we apply a generic solution to all industry types, it is less likely that the returns on investment will be optimal considering their usefulness. For example, there is no single best strategy to implement Just In Time (JIT). They are not made to a general specification as “one size fits all”. For example, a line of strategic tactics initially identified for one company may not be applicable to a second company likewise those that apply in profit making organizations are not the ones which apply in non profit making organizations.

Changing Market Conditions: The goals of a company frequently change with time and market conditions. A line of tactics that were chosen in one market condition or factory may not be valid in another. Depending on the market, business and factory (process) conditions at a particular point in time, a line of strategy and tactics should be dynamically designed and introduced. Mid-course corrections are necessary if the assumptions about company goals and market condition are no longer valid.

2.4.2 Organizational Culture

One of the major challenges in strategy implementation appears to be more cultural and behavioral in nature, including the impact of poor integration of activities and diminished feelings of ownership and commitment (Aaltonen and Ikåvalko, 2002). Corboy and

O'Corrbui (1999), meanwhile, identify the deadly sins of strategy implementation which involve: a lack of understanding of how the strategy should be implemented; customers and staff not fully appreciating the strategy; difficulties and obstacles not acknowledged, recognized or acted upon; and ignoring the day-to-day business imperatives. Marginson, (2002) contend that strategy implementation evolves either from a process of winning group commitment through a coalitional form of decision-making, or as a result of complete coalitional involvement of implementation staff through a strong corporate culture.

According to Adkins and Caldwell (2004), organizational culture refers to the leadership style of managers – how they spend their time, what they focus attention on, what questions they ask of employees, how they make decisions; also the organizational culture (the dominant values and beliefs, the norms, the conscious and unconscious symbolic acts taken by leaders (job titles, dress codes, executive dining rooms, corporate jets, informal meetings with employees).

In Collaborative Model of strategy implementation, organizations have both a strong culture and deep-rooted traditions. The challenge of successful strategy implementation results from lack of cultivation of strong cultural values that are essential in meeting the changing organizational needs. The distinction between “thinkers” and “doers” begins to blur but does not totally disappear (Kotter & Heskett, 1992).

Implementation of a new strategy starts with an understanding of organizational culture and ends with a change in this culture to facilitate and embrace the strategy (Lund (2003). Culture allows the adaptive behavior by the organization necessary for strategy implementation (Mehta and Krishnan, 2004). The cultural analysis allows us to identify the subculture dynamics, and by doing this we can identify the strategy-critical elements that need to be dealt with for a successful implementation. Crittendens (2008) posits that a strategy cannot be successfully implemented without understanding the culture of the organization, since the culture of the organization constitutes the main opposition to implementation. With a few minor exceptions, organizational change means cultural change (Heracleous, 2000).

Strong cultures promote successful strategy implementation while weak cultures do not (Buul, 2010). Mehta and Krishnan (2004) argues that strong culture promote shared belief in practices, norms and other practices within the organization that helps energize everyone to do their jobs to promote successful strategy implementation. In weak cultures, employees have no pride in ownership of work. It is sloppy and there are very few values tempting people to form political groups within the organization. Such cultures provide little or no assistance to implement strategy (Van Der Maas, 2008).

A significant body of research clearly indicates that organizational culture, and specifically the extent that it is aligned or not aligned with strategy, is the single most important factor in determining whether or not a strategy is successfully executed and performance goals achieved (i.e. Marks, 1999; Kotter & Heskett, 1992; Lee & Yu, 2004). The link between organizational culture and achieving sustained high performance has been proven. Culture-strategy fit assessments and culture alignment initiatives are important works that leaders collectively and individually need to undertake to ‘lay the tracks’ for strategic priorities to roll-out on.

When culture aligns with strategy implementation, an organization is able to more efficiently operate in the global marketplace. Lynch, (2006) argued that culture allows organizational leaders to work both individually and as teams to develop strategic initiatives within the organization. These may include building new partnerships and re-establishing old ones to continue delivering the best possible products and services to a global market (Collis and Montgomery, 2004).

2.4.3 Top Management Support

Top management is essential to the effective implementation of strategic change. Top management provides a role model for other managers to use in assessing the salient environmental variables, their relationship to the organization, and the appropriateness of the organization's response to these variables. Top management also shapes the perceived relationships among organization components.

The most challenging thing when implementing strategy is the top management’s commitment to the strategic direction itself. This is undoubtedly a prerequisite for strategy implementation. In some cases top managers may demonstrate unwillingness to give energy and loyalty to the implementation process. This demonstrable lack of commitment becomes, at the same time, a negative signal for all the affected organizational members (Rapa and Kauffman, 2005). Overall though, it is increasingly acknowledged that the traditionally recognized problems of inappropriate organisational structure and lack of top management backing are the main inhibiting factors to effective strategy implementation (Aaltonen and Ikåvalko, 2002).

Aaltonen and Ikåvalko recognise the role of middle managers, arguing they are the “key actors” “who have a pivotal role in strategic communication” (Aaltonen and Ikåvalko, 2002) meanwhile Bartlett and Goshal (1996) talk about middle managers as threatened silent resistors whose role needs to change more towards that of a “coach”, building capabilities, providing support and guidance through the encouragement of entrepreneurial attributes. So if they are not committed to perform their roles, lower ranks of employees will not be provided with support and guidance through encouragement of entrepreneurial attributes.

In addition to the above, another inhibitor to successful strategy implementation that has been receiving a considerable amount of attention is the impact of an organization’s existing management controls and particularly its budgeting systems (Marginson, 2002).

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

2.4.4 Capacity of Employees

One of the major factors that affect the implementation of strategic outsourcing is the capacity of employees of the supplier firm i.e. the firm from which the buyer is outsourcing services from. One of the reasons why Kenya as a country is increasing becoming a giant in the outsourcing in the world and competing with other countries is because of its qualified staff. The Kenyan Labour market is flooded with over 50,000 new graduates every year, many of whom do not find employment. Such a large pool of enthusiastic, high skilled English speaking graduates presents huge possibilities for the services industry, not just in call centers but across the existing outsourcing spectrum and beyond. Kenya has the potential to offer services from the simplest to the most advanced outsourced processes and services may end up making an increasingly large proportion of the GDP over the coming years, (R S Behara, 2008).

The excellent capacity of employees can be witnessed through Kencall, which is Kenya's largest and most successful contact center operating globally and providing call center and Business Process Outsourcing (BPO) services to organisations worldwide, (Friedman, 2007).

One of the major factors where local firms have outsourced their services is due to capacity of employees. When an organization has already defined its core functions e.g banking, it does not want to spend a lot of financial resources trying to build capacity of employees who are to be engaged in the non-core functions for example Human Resource recruitment, cleaning services, audit, payroll, security services etc. To develop all these employees would require a lot in terms of training and development and this definitely affects the operational costs and ultimately the profitability of the firm.

Firms therefore, concentrate their resources of training and developing staff that are directly involved in the core functions e.g bankers, Engineers, doctors, quality inspectors etc. and outsource other functions like auditing, recruitment of staff, payroll administration, Information Technology and so on.

2.4.5 Financial Resources

Another major factor that tends to influence the implementation of strategic outsourcing is the financial resources available in an organization. Previous research has shown that majority of organization are unable to implement strategic outsourcing due to costs and also due to unavailability of resources. Lack of financial resources leads to organizations not being able to implement strategic outsourcing of equipments and machinery that would be required in the production of some goods and services. If a firm cannot afford to outsource the end product here is to abandon the implementation of strategic outsourcing.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter details the methodology to be employed in the study. It discusses the research design, data collection and analysis and why they are the most preferred for the study.

3.2 Research design

The research design that was used for this study was a case study due to the in-depth investigation required for this study. A case study is most appropriate when detailed analysis of a single unit of study is required as it provides focused and detailed insights to phenomenon that may otherwise be unclear. Kothari (1990) emphasizes the importance of a case study as a powerful form of qualitative analysis that involves a careful and complete observation of a social unit, irrespective of the unit under study. This design enabled the researcher to gain an in-depth understanding of managing strategic outsourcing at The Nairobi Hospital. Mugenda and Mugenda (1999) propose the use of case study when an in-depth understanding of an individual institution is required.

3.3 Data Collection

Primary data was collected using an interview guide which was administered to 10 Managers, both senior and middle levels, at The Nairobi Hospital. An interview guide was used as it enables oral administration of questions in a face-to-face encounter therefore allowing collection of in depth data. This involved in-depth discussion through individual meetings with the senior managers. With unstructured questions, a respondent's response may give an insight to his feelings, background, hidden motivation, interests and decisions and give as much information as possible without holding back (Copper and Schindler, 2006).

3.4 Data Analysis

The qualitative data collected was analyzed using content analysis technique. According to Mugenda and Mugenda (2003) the main purpose of content analysis is to study the existing information in order to determine factors that explain a specific phenomenon. According to Kothari (2000), content analysis uses a set of categorization for making valid and replicable inferences from data to their context.

The responses from different respondents were compared and summarized according to the objectives of the study. Content analysis was the best method of analyzing the open-ended questions because of its flexibility and allows for objective, systematic and quantitative description of the content of communication (Cooper and Schindler, 2006).

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents data analysis, results and discussions of the study findings. The objective of the study was to assess the implementation of outsourcing strategy at The Nairobi Hospital. An interview guide was used to collect data from ten top level managers which included three senior and seven middle levels at The Nairobi Hospital.

4.2 The practice of outsourcing at The Nairobi Hospital.

The study examined the practice of outsourcing at The Nairobi Hospital. The respondents were asked whether they understood outsourcing and the study established that the respondents were aware of the practices of outsourcing. The respondents generally understood outsourcing as the transfer of a hospital' activity or function to a local or foreign third party service provider. The respondents stated that The Nairobi Hospital Hospitals has been outsourcing services for more than a decade. The study further established that decision to outsource is typically developed at senior levels of corporate management at The Nairobi Hospital and is usually contemplated as part of a larger strategic initiative.

4.2.1 Services outsourced at the Nairobi Hospital

The Nairobi Hospital Hospital commonly outsource: cleaning services,security services,gardening services,transport services,installation, operation and maintenance of information and communication technology services,delivery and distribution services,human resources services, procurement services, finance and accounting services (particularly external auditors), building and construction services and Legal services.

4.3 Policies governing outsourcing at The Nairobi Hospital

The study established that the at The Nairobi Hospital observe the following best practices when outsourcing services: (i) The outsourcing department should choose an outsourcing partner carefully, and conduct a rigorous interview process to find the right partner; (ii) the outsourcing department should create a two-way dialogue with the outsourcing firm so collaboration becomes a mutual goal; (iii) a mentor should be appointed within the hospital or health system to work exclusively with outsourcing firms; (iv) the hospital insist on continuity with an outsourcing provider; (v) outsourcing department should weigh the value of a long-term outsourcing contract versus a short-term one.

Moreover, the outsourcing department at the Nairobi Hospital should: (vi) establish the necessary data, analytics and key performance indicators to find out if the outsourcing firm is saving money while also maintaining a positive environment for physicians, nurses and other staff; (vii) determine how the outsourcing vendor can create system wide efficiencies through centralized purchasing, consolidation of vendors and standardization of maintenance practices; (viii) find out where big cost improvements can be made, such as volume purchasing, energy savings, equipment maintenance and labor control without layoffs; (ix) look beyond cost savings to see where outsourcing firms can help with patient safety, patient satisfaction and other areas and (x) demand accountability.

4.4 Factors that determine services to be outsourced at The Nairobi Hospital

The study established the factors that Nairobi Hospital consider when deterring services to be outsourced. The factors include the need to reduce and control operating cost, improve the focus of the hospital, gain access to world class capability, free resources for other purposes, when resources are not available internally, to accelerate re-engineering benefits, to efficiently provide functions that are too complex to manage and to share risks.

4.5 Factors that determine the choice of company from which services are outsourced

The study established the factors that determine the choice of company from whom Nairobi Hospital outsource services. The factors include: pricing, flexibility, communication, availability of staff resources, reliability, and stability of the vendor. Price will always remain the primary motivation for outsourcing and it is important to get the best price the hospital possibly can. The hospital determines if the prospective vendor is rigid or flexible in their approach. The vendor must be flexible enough to understand concerns from the hospital and act accordingly. The vendor from whom the hospital outsource services must be able to clearly understand what is required, should be able to promptly reply to any queries and must be competent enough to ask for information in clear terms so as to avoid any delay in the decision making process.

Nairobi Hospital insist that vendor must have sufficiently qualified and experienced staff who are competent enough to carry out your day-to-day operations of outsourced services smoothly and efficiently. The vendor must be reliable by having infrastructure safeguards, backups against downtime and adequate staff availability. Last but not least, Nairobi Hospital looks at the stability of the vendor through a past record check which helps establish the trust necessary for a working relationship and an assurance the hospital has made the right decision to go ahead and sign the contract.

4.6 The Role of Organizational Culture in Outsourcing at The Nairobi Hospital

The study sought to establish the role of organizational culture in Outsourcing at Nairobi Hospital. The study established organizational culture influences the Outsourcing at Nairobi Hospital. The organizational culture affects the relationship between different stakeholders within the hospital and the relationship between the hospital and the vendors to whom services are outsources.

In regard to internal effects of organization culture on outsourcing at Nairobi Hospital, the study established that when stakeholders hold different opinions regarding the need to outsource specific services, resistance arises within the decision making organs in the hospital. Generally disagreements between officers in the procurement department and/or board of directors considered are a restraint on the efficiency of outsourcing process. The relationship between the hospital and the service provider is an extreme important factor which influences the success of failure of the outsourcing arrangement.

The study established that organizational culture affect the relationship between the hospital and the service provider, The respondents stated that organization culture affects trust between the hospital and the vendor, cooperation with the vendor, ease of communication with the vendor and the commitment or willingness of the hospital to outsource its services to vendor.

Cultural compatibility between the hospital and the service provider is also another area through which organizational culture affect outsourcing. The study establishes that outsourcing is effectively managed if the service provider has a background experience in medical matters. Greater cultural compatibility is also achieved when the hospital and the service provider has related beliefs, values, behaviors, goals and policies. If the hospital and the service provider have discordant organizational culture the probability of difficulties or barriers in the relationship is high.

4.7 The benefits of Outsourcing at The Nairobi Hospital

The study established that Outsourcing brings a number of benefits at the Nairobi Hospital. Outsourcing enhances the level of expertise at the hospital. Most of the times, tasks are outsourced to vendors who specialize in the medical field. The outsourced vendors also have specific equipment and technical expertise, most of the times better than the ones at the hospital. Effectively the tasks can be completed faster and with better quality output.

Outsourcing enables the hospital to concentrate the core process rather than the supporting ones. Outsourcing the supporting processes gives the hospital more time to strengthen their core organizational process. Outsourcing those activities will allow refocusing on those organizational activities that are important without sacrificing quality or service in the back-office.

Outsourcing enables risk-sharing. Outsourcing various components of organizational process helps the hospital to shift certain responsibilities to the outsourced vendor. Since the outsourced vendor is a specialist, they plan for risk-mitigating factors better.

Outsourcing reduced operational and recruitment costs at the hospital. Outsourcing eludes the need to hire individuals in-house; hence recruitment and operational costs can be minimized to a great extent. This is one of the prime advantages of outsourcing at the Nairobi Hospital.

Other benefits of outsourcing include: increased efficiency, increased reach by providing access to world class capabilities that might otherwise not be affordable and an improved focus on core organizational activities.

4.8 Drawbacks to Outsourcing at The Nairobi Hospital

The study investigated and established the following challenges of outsourcing at the Nairobi Hospital:

Outsourcing increases the risk of exposing confidential data. When the hospital outsources important services such as recruitment and information communication technology, it involves a risk if exposing confidential company information to a third-party.

Outsourcing brings the challenge of synchronizing the deliverables. In case the hospital do not choose a right partner for outsourcing, some of the common problem areas include stretched delivery time frames, sub-standard quality output and inappropriate categorization of responsibilities. At times it is easier to regulate these factors inside the hospital rather than with an outsourced partner.

Outsourcing may lead to lack of client focus. The study found out that an outsourced vendor may be catering to the expertise needed in the outsourced services while at the same time forget to adhere to delicate procedures in handling medical clients.

Other drawbacks include loss of medical knowledge if outsourcing is always done to vendors who lack medical knowledge, vendor failure to deliver all deliverables, vendors failure to comply with Government Regulation governing health sector.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 introduction

This chapter presents summary conclusion and recommendations of the study whose main objective was to assess the implementation of outsourcing strategy at The Nairobi Hospital.

5.2 Summary

The study established that The Nairobi Hospital Hospitals has been outsourcing services for more than a decade. The decision to outsource is typically developed at senior levels of corporate management at The Nairobi Hospital and is usually contemplated as part of a larger strategic initiative. The Nairobi Hospital commonly outsource: installation, operation and maintenance of information and communication technology services; delivery and distribution services; human resources services; procurement services; and finance and accounting services (particularly external auditors); building and construction services; Legal services.

The study established that the at The Nairobi Hospital observe the following best practices when outsourcing services: (i) The outsourcing department should choose an outsourcing partner carefully, and conduct a rigorous interview process to find the right partner; (ii) the outsourcing department should create a two-way dialogue with the outsourcing firm so collaboration becomes a mutual goal; (iii) a mentor should be appointed within the hospital or health system to work exclusively with outsourcing firms; (iv) the hospital insist on continuity with an outsourcing provider; (v) outsourcing department should weigh the value of a long-term outsourcing contract versus a short-term one.

Moreover, the outsourcing department at The Nairobi Hospital should: (vi) establish the necessary data, analytics and key performance indicators to find out if the outsourcing firm is saving money while also maintaining a positive environment for physicians, nurses and other staff; (vii) determine how the outsourcing vendor can create system wide efficiencies through centralized purchasing, consolidation of vendors and standardization of maintenance practices; (viii) find out where big cost improvements can be made, such as volume purchasing, energy savings, equipment maintenance and labor control without layoffs; (ix) look beyond cost savings to see where outsourcing firms can help with patient safety, patient satisfaction and other areas and (x) demand accountability.

The study established the factors The Nairobi Hospital consider when deterring services to be outsourced. The factors include the need to reduce and control operating cost, improve the focus of the hospital, gain access to world class capability, free resources for other purposes, when resources are not available internally, to accelerate re-engineering benefits, to efficiently provide functions that are too complex to manage and to share risks.

The study established the factors that determine the choice of company from whom The Nairobi Hospital outsource services. The factors include: pricing, flexibility, communication, availability of staff resources, reliability, and stability of the vendor.

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The Nairobi Hospital insist that vendor must have sufficiently qualified and experienced staff who are competent enough to carry out your day-to-day operations of outsourced services smoothly and efficiently. The vendor must be reliable by having infrastructure safeguards, backups against downtime and adequate staff availability. Last but not least, The Nairobi Hospital looks at the stability of the vendor through a past record check which helps establish the trust necessary for a working relationship and an assurance the hospital has made the right decision to go ahead and sign the contract.

The study established organizational culture influences the Outsourcing at The Nairobi Hospital. The organizational culture affects the relationship between different stakeholders within the hospital and the relationship between the hospital and the vendors to whom services are outsources.

In regard to internal effects of organization culture on outsourcing at The Nairobi Hospital, the study established that when stakeholders hold different opinions regarding the need to outsource specific services, resistance arises within the decision making organs in the hospital. Generally disagreements between officers in the procurement department and/or board of directors considered are a restraint on the efficiency of outsourcing process. The relationship between the hospital and the service provider is an extreme important factor which influences the success of failure of the outsourcing arrangement.

The study established that organizational culture affect the relationship between the hospital and the service provider. The respondents stated that organization culture affects trust between the hospital and the vendor, cooperation with the vendor, ease of communication with the vendor and the commitment or willingness of the hospital to outsource its services to vendor.

Cultural compatibility between the hospital and the service provider is also another area through which organizational culture affect outsourcing. The study establishes that outsourcing is effectively managed if the service provider has a background experience in medical matters. Greater cultural compatibility is also achieved when the hospital and the service provider has related beliefs, values, behaviors, goals and policies. If the hospital and the service provider have discordant organizational culture the probability of difficulties or barriers in the relationship is high.

The study established that Outsourcing brings a number of benefits at the Nairobi Hospital. Outsourcing enhances the level of expertise at the hospital. Most of the times, tasks are outsourced to vendors who specialize in the medical field. The outsourced vendors also have specific equipment and technical expertise, most of the times better than the ones at the hospital. Effectively the tasks can be completed faster and with better quality output.

Outsourcing enables the hospital to concentrate the core process rather than the supporting ones. Outsourcing the supporting processes gives the hospital more time to strengthen their core organizational process. Outsourcing those activities will allow refocusing on those organizational activities that are important without sacrificing quality or service in the back-office. Outsourcing enables risk-sharing. Outsourcing various components of organizational process helps the hospital to shift certain responsibilities to the outsourced vendor. Since the outsourced vendor is a specialist, they plan for risk-mitigating factors better. Outsourcing reduced operational and recruitment costs at the hospital. Outsourcing eludes the need to hire individuals in-house; hence recruitment and operational costs can be minimized to a great extent. This is one of the prime advantages of outsourcing at the Nairobi Hospital. Other benefits of outsourcing include: increased efficiency, increased reach by providing access to world class capabilities that might otherwise not be affordable and an improved focus on core organizational activities.

The study investigated and established the following challenges of outsourcing at The Nairobi Hospital: Outsourcing increases the risk of exposing confidential data. When the hospital outsources important services such as recruitment and information communication technology, it involves a risk if exposing confidential company information to a third-party. Outsourcing brings the challenge of synchronizing the deliverables. In case the hospital do not choose a right partner for outsourcing, some of the common problem areas include stretched delivery time frames, sub-standard quality output and inappropriate categorization of responsibilities. At times it is easier to regulate these factors inside the hospita rather than with an outsourced partner. Outsourcing may lead to lack of client focus. The study found out that an outsourced vendor may be catering to the expertise needed in the outsourced services while at the same time forget to adhere to delicate procedures in handling medical clients. Other drawbacks include loss of medical knowledge if outsourcing is always done to vendors who lack medical knowledge, vendor failure to deliver all deliverables, vendors' failure to comply with Government Regulation governing health sector.

5.3 Conclusion

The study concludes that The Nairobi Hospital has been effective in the formulation of an outsourcing strategy. The outsourcing strategy allows the hospital to outsource services related to: installation, operation and maintenance of information and communication technology services, delivery and distribution, human resources, procurement, financial audit, building and construction services and Legal services.

The outsourcing strategy at The Nairobi Hospital enables the organization to conduct a rigorous interview process to find the right service provider, establish if the outsourcing firm is maintaining a positive environment all hospital staff, determine how the outsourcing vendor can create system wide efficiencies, find out where big cost improvements can be made, identify where outsourcing firms can help with patient safety, patient satisfaction and other areas and enhance accountability of the service provider. The outsourcing strategy at the hospital provides criteria for selection of services to be outsourced. The selection criteria entail the need to reduce and control operating cost, improve the focus of the hospital, and gain access to world class capability. The outsourcing strategy also stipulates considerations such as flexibility, communication, availability of staff resources, reliability, and stability of the service provider.

The study concludes that the organizational culture play an important role in the implementation of outsourcing strategy at The Nairobi Hospital. Organizational culture affects the relationship between different stakeholders within the hospital and the relationship between the hospital and the vendors to whom services are outsources. The study established that relationship between the hospital and the service provider is an extreme important factor which influences the success of failure of the outsourcing arrangement. Cultural compatibility between the hospital and the service provider also determine the successes outsourcing strategy at the Nairobi Hospital.

The study concludes that the outsourcing strategy at the Nairobi Hospital has a number of benefits which improves the organizational performance. The benefits include: the enhanced level of expertise at the hospital, improved concentration of the hospital to the core process rather than the supporting ones which are outsourced, risk-sharing, reduced operational and recruitment costs at the hospital and increased efficiency in service delivery. However, the benefits of the outsourcing strategy has to be counter checked against drawbacks such as the risk of exposing confidential data, minimized client focus in service delivery by outsourced firm.

5.4 Recommendations

5.4.1 Recommendations for policy and practice

The study recommends that implementation of outsourcing strategy at the Nairobi Hospital can be enhanced by:

Ensuring that the outsourced service provider focuses more on the satisfaction of clients. The hospital should ensure that service providers satisfy the need of clients by formulating a client approach plan and insist that outsource provider remains committed to the plan.

Providing clear criterion for measuring the outcomes of the outsourcing process. The hospital should ensure that methodology exists for determination of whether the expected results have been realized in the process of outsourcing.

Formulating guidelines which ensures that outsourcing enhances the growth objectives in the hospital. The hospital should be able to have a clear isolation of services that need to be outsourced as a part of wider growth strategy. This will ensure that the hospital does not incur unnecessary cost in outsourcing services which could be effectively provided from within the organization

5.4.2 Recommendations for further research

The study recommends further study on the key success for implementation of outsourcing strategy in the Kenyan public health sector. The study will provide a sector-wide evaluation of measure that can enhance outsourcing of medical services.

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APPENDIX: INTERVIEW GUIDE

1. What is your understanding of outsourcing?
2. What are the various outsourced services at the Nairobi Hospital?
3. Are the outsourced services essential or non-essential services?
4. For how long has the Hospital outsourced these services?
5. Does the hospital have policies governing the outsourced services?
6. How effective has implementation of outsourcing strategy been in this organization?
7. What are the factors that determine services to be outsourced in this organization?
8. Who are responsible of strategic management process in this organization?
9. How does the organizational culture affect outsourcing strategy implementation in the organization?
10. Which specific issues about organization culture pose a challenge in outsourcing strategy implementation at The Nairobi Hospital?
11. How does the organization deal with challenges of organizational culture in outsourcing strategy implementation at The Nairobi Hospital?
12. What are the policies in place that ensure co-ordination of activities across functions in this organization?
13. Suggest the possible measure that could also be implemented to counter the challenges of outsourcing strategy implementation at The Nairobi Hospital?
14. What are the benefits and risks of outsourcing to the Hospital?

15. Has outsourcing affected the quality of Healthcare given to the patients?

16. How are the vendors of the outsourced services assessed and evaluated

17. Has outsourcing of the services been a success at the Nairobi Hospital?
18. What do you think is the future of outsourcing at the Nairobi Hospital?
19. Would you recommend the management to continue outsourcing?

20. Would you recommend outsourcing to other Hospitals