STRATEGIC RESPONSES BY MP SHAH HOSPITAL TO CHANGES IN THE EXTERNAL ENVIRONMENT IN KENYA

BY

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DECLARATION

I declare that this research project is my own account of own research and has not been presented for examination before for the award of other degree or qualification in any university.

Signed…………………………………………… Date…………………………………

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D61/63062/2010

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

Signed…………………………………………… Date…………………………………

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DEDICATION

This study is dedicated to my dear wife Hannah Wanjiru and my loving children Susan, Charles, Arthur, Samuel and Elizabeth who have been a source of inspiration and great encouragement to me during the MBA program.
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ABSTRACT

Organizations without exception are environment dependent or serving and hence their interaction with environmental factors is essential for survival. For an organization to be able to retain competitive advantage, it needs to examine its environment both external and internal and respond accordingly. Organizations policies and incentives depend on their roles and functions as well as the beliefs and experiences of those who interact with them. This study was about strategic responses by MP Shah Hospital Nairobi to changes in external environment in Kenya. The objective of the study was to establish the strategic responses that MP Shah Hospital Nairobi has adopted to address changes in its changing environment. The study was carried out using a case study design. Both secondary and primary data was collected by the researcher. Secondary data included public reports and hospital’s own announcements. The primary data was collected by use of semi-structured interview guide administered on the hospital’s CEO and four departmental managers charged with responsibilities of strategy formulation, implementation and evaluation at the hospital. The hospital confirmed that MP Shah Hospital Nairobi has been affected by changes in the external environment and has responded to the challenges by taking various measures. The measures include staff training, product differentiation, adhering to government policies and regulations, promoting a learning culture within the organization to accommodate change, technological advancement and innovation. The hospital is more aggressive in its sales department, there is more emphasis in productivity in response to customer concerns innovations of new products, re-branding and enforcement of code of conduct. There were limitations to the study such as limited time for data collection due to respondents busy schedules and shielding of information by respondents due to fear of disclosing their hospital business secrets. This study implies that health industry is operating in ever changing and increasingly competitive environment and hence apart from the strategies, MP Shah Hospital Nairobi has employed the players in the industry should also consider other innovative entrepreneurial strategies that enable their survival in competitive environment. Organizations should continuously scan the external environment for any opportunities or threats and be prepared to respond effectively and appropriately with speed so as to avoid any mismatch which could result and must be flexible enough to allow adoption of strategies that enhance strategic fit between the organization and its external environment.
CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

An organization does not operate in a vacuum but within an external environment. External environment refers to forces or factors external to an organization that affect the organization’s operations. While the environment of an organization is composed of an infinite set of elements outside the boundaries of the organization, association of individuals and broad forces represent important segments of the organizations environment (Osborn and Hunt, 1974). Therefore, as the pace of changes in external environment accelerates, organization survivals increasingly depend on devising entrepreneurial responses to unforeseen discontinuities (Huber, 1984).

Strategy is the direction and scope of an organization over long term, which achieves advantage in changing environment. This is done through its configuration of resources and competencies with aim of fulfilling stakeholders’ expectations (Johnson, Scholes and Whittington, 2006). Strategic response is a set of decisions and actions resulting in the formulation and implementation of plans designed to achieve a firm’s objective. It requires organization to establish a coherent framework of objectives, mission statement, corporate levels for all parts of organization and all management levels. If goal congruence and optimal decisions are to be achieved (Pearce and Robinson, 2002).

As Porter (1985) put it, the success of every organization is determined by its responsiveness to the environment. For an organization to be able to retain competitive advantage it needs to examine its environment both external and internal and respond
accordingly. All types of organizations are in existence to serve different needs of stakeholders. It is in the process of satisfying these needs that they have to ensure they exist long enough to be able to retain sustainable benefits to stakeholders who created them. Organizations have to justify their continued existence in society by their activities (Aosa, 1992).

Managers in the private or public sector have to understand and make sense of uncertain world in which their organizations operate because organizations do not operate in vacuum. Organizations are environment dependent (Ansoff and McDonnell, 1990). Managers must become effective strategists, if their organizations are to fulfill their mission and satisfy their constituents. It is essential that organizations are able to quickly and strategically place themselves to minimize the effects of negative events and take advantage of opportunities (Vinzant and Vinzant, 1996).

The main factors that affect most businesses is the degree of competition, how fiercely other businesses compete with the products that other business make. The other factors that affect the businesses are social, legal, economic, technological and ethical factors. Environment is crucial to firm’s success and can be relatively stable or highly turbulent. Each level of environmental turbulence requires different firm capabilities. There is therefore need for continuous strategic diagnosis by firms to their environment to enable them come up with beneficial strategic responses to challenges posed by the environment (Pearce and Robinson, 2002).
Hospitals with MP (Meghji Pethray) Shah Hospital Nairobi being no exception have changed throughout history and will continue to do so, shaped by their patients, staff technological development etc. Diseases will come and go and the expectations of the public will change with time. Health professionals will acquire new knowledge and skills. Predicting the future is an certain science (McKee 1995) but one can be certain the pace of change in twenty-first century will be faster than ever. As local firms find themselves in a changing environment, they will be forced to reassess their mode of competing and view the industry around them through new lenses and craft timely appropriate strategic responses that are needed for survival and success.

1.1.1 Environment Dependence

All organizations are environment serving i.e. they are dependent on the environment for inputs and outputs. The flow of inputs and outputs is governed by the precise nature of components of external environment. The external environment consists of events and conditions surrounding an organization that influence its activities, it has tremendous influence on organization and profoundly shapes organizational behaviour.

By the late 1970s management theorists generally adopted the open systems perspective of organizations and agreed on the central importance of the external environment management (Anderson and Paine 1975, Emery and Trist 1965, Katz and Kahn 1966, Terrebery (1968). Traditional organization theory tended to view the environment as a deterministic influence to which organizations adopt their strategies, structures and processes. This attitude was reflected particularly in landmark empirical research such as Negahandi and Reinmann (1973).
Environmental attributes such as turbulence, hostility, diversity, technical complexity and restrictiveness (Khandwalla, 1977), were thought to determine both organizational and performance variables. In summary the traditional environmental determinism perspective conceptualized the environment as a causal variable; organizational performance was a dependent upon the efficient and effective adaptation of organizational characteristics to environmental contingencies.

In contrast, recent theory and research in management and social sciences has reconceptualized the relationship between the organization and external environment (Aldrich 1979, Korter 1979, Miles and Snow 1978, Pfeffer and Salancik 1978, Porter 1980). Based on observations, research and extensions of traditions found in the business policy and ‘corporate social responsibility literatures, these authors challenge the position that organizations need to be passive reactive entities with respect to external environment. Instead, they argue that organizations can and do implement a variety of strategies designed to modify existing environmental conditions. Although these writings acknowledge the impact of broad internal and external contingencies, they maintain that organizations can become proactive agents of change by attempting to manage their external environments.

One major portion of the literature has focused on resource dependence model. This theoretical approach, developed by Pfeffer and Salancik (1979) and summarized by Korter (1979), argues that organizations have varying degrees of dependence on external entities particularly for the resources they require to operate. In many instances, the external control of these resources may reduce managerial discretion, interfere with the
achievement of organizational goals, and ultimately threaten the existence of the focal organization. Confronted with a costly situation of this nature management actively directs the organization to manage or alter the eternal dependence.

Strategies suggested to achieve a reduction in dependence include prudent selection of operating domains (e.g. industries with limited competition and regulation coupled with ample suppliers and customers), merger, co-optation, coalition formation, contractual relationships, advertising and public relations efforts, activities designed to reduce competition, political strategies implemented to influence regulation and structural changes. The intent in each case is to develop countervailing power with respect to the external environment (Zeithml and Zeithml, 1984).

After an unfortunate period of dormancy, there is evidence that interest in resource dependence theory is on the rise. In some respects this is not surprising. The status of global affairs is markedly similar to the period in which Pfeffer conceptualized the theory - all of which make issues of power and dependency more salient. It is an opportune time for revitalizing resource dependence theory for a different economy (Davis and Cobb, 2009).

One of challenges for resource dependence theory is that its prescription is intertwined with its theoretical predictions (Casciaro and Piskorski, 2005). The prescription that arise from external control undoubtedly require modification today - tactics like co-opting suppliers by putting them on board, or diversifying, probably would do most firms more harm than good. But the underlying theoretical approach of diagnosing the sources of power and dependence and predicting when and what direction organizations are likely to respond still yields great insight into organizational behavior. Thus (Davis and Cobb,
2009) argue that, the most useful future work will address one or both of these issues: updating the sources of power and dependence and cataloging the new set of available tactics for managing dependence.

The modern organization is seldom self-sufficient, especially when the environment is volatile and turbulent. An organization’s survival depends on its ability to control its critical resources of acceptable cost and on regular basis. To accomplish this it must reach two objectives; control its essential resources so as to reduce its dependency towards the organizations that own them, and acquire the control of other resources so as to make other organizations dependent upon itself (Ulrich and Barney, 1984; Pfeffer and Salancik 1978).

1.1.2 Strategic Responses to External Environment

According to Porter (1985) organizations obtain their inputs from the environment and after transformation they discharge their outputs into the same environment. This environment is composed of political, legal, economic, social, technological, customer and competitive factors. Many changes have taken place with the last ten to fifteen years. For instance technological developments such as information technology have changed the nature of work in most of organizations.

Changes in various factors have in turn affected the competitive environment in which organizations operate. The social economic factors have changed with the opening up of world markets and onset of liberalization where customer needs and preferences have become more similar. An organization interaction with such environment is therefore essential for survival (Kottler and Keller, 2006).
Survival or success of an organization occurs when an organization creates and maintains a match between its strategy and environment and also between its internal capability and its strategy (Grant, 2002). The organization must harness its tangible and intangible assets to maintain a strategic fit between its strategy and environment. If this fit is not formulated and timely implemented, then a strategic gap will exist in the organization. A challenge presented by the changes in the external environment necessitates a business to design strategies that appropriately respond to challenges to ensure the business has a competitive edge in the environment (Sababu, 2007).

How an organization manages its environment can enable it overcome threats including competition posed by other players in its industry, competition is a context between organizations for territory, a niche, or a location of resources. A company has a competitive advantage whenever it has an edge over its rivals in securing customers and defending against competitive forces (Thompson and Strickland, 1999).

Successful organizations fully continually scan their environment in order to identify future economic, competitive, technological and political discontinuities, which could affect their operations and adjust accordingly (Ansoff and McDonnell, 1990). The essence of formulating a competitive strategy is relating the company to its environment and the key aspect of firm’s environment is the industry in which it competes (Porter, 1980).
1.1.3 Health Care Industry in Kenya

Healthcare is the largest, fastest growing, and most complex industry in the world. Modern medical is in a state of significant evolution transforming from a competitively oligopolistic market to one of the nature of consolidation (Kotler and Keller, 2000). Hospitals and care delivery systems are evolving to establish clinically integrated models with a more coordinated view of the patient across the system.

Exposure to legislative, economic, and technical forces has altered the strategic, orientation of medical practice. Consumers have witnessed in last 20 years, the consolidation of small privately held hospitals into vast health care systems and corporations (Longest, 2001). The medical practitioners are continuously calculating response to these environmental variables in order to maintain health viability.

Despite its size and growth trajectory, the healthcare industry is plagued with large-scale problems and inefficiencies that are prompting a massive transformation in how care is accessed, delivered and reimbursed. The fundamental challenges confronting healthcare have created opportunities for companies with innovative technology and services that address the most costly problems.

In Kenya health sectors comprises the public system, with major players including the Ministry of Health (MOH) and parastatal organization, and the private sector, which includes private for-profit and NGO facilities. Health services are provided through a network of over 4,700 health facilities countrywide with public sectors accounting for about 5% of these facilities. The public health system consists of the following level of health facilities. National referral hospitals, provincial general hospitals, health centres
and dispensaries. The two National Public hospitals are Kenyatta National Hospital in Nairobi and Moi Referral and Teaching Hospital in Eldoret. The equivalent privates are MP Shah Hospital Nairobi, the Nairobi Hospital and the Aga khan Nairobi.

1.1.4 The MP Shah Hospital Nairobi

MP Shah Hospital (Meghji Pethraj Hospital) is 94 bed capacity hospital located in Westlands/Parklands area Nairobi, Kenya. Health Care industry in Kenya and especially in Nairobi has drastically changed in response to the dynamic changing environment. Hospitals are as a result facing various challenges that include stiff competition and very high expectations from their customers among others. MP Shah Hospital is no exception to these environmental challenges and has to continuously assess its strategies in order to maintain health viability.

MP Shah Hospital was started in 1930s as an idea from prominent philanthropist of the time, in response to issues concerning the prevention and-alleviation of human suffering amongst communities, calling for assistance to the poor, helpless, sick and-mentally afflicted persons. This small group had a vision of setting up a haven for needy to experience care and compassionate service. It was first called Parklands Nursing Home.

Through hard work and pain taking endeavor, the vision emerged of a hospital which would provide a level of medical service much higher than was available in the nursing ‘home. Thus the name was changed to MP Shah Hospital. As the vision and passion of founding members spread, their ideals finally became a reality with the hospital becoming a multi-specialty hospital performing kidney transplants as well as hip and joint replacements besides offering cancer treatments not only from East African region
but across Africa. MP Shah Hospital is one of the most comprehensive hospitals in Kenya with leading specialists in every field of medicine. The hospital has dedicated staff, modern facilities with latest state of art technology, commitment to quality patient service and a leading cancer centre which is one of its kind in East and Central Africa.

MP Shah Hospital operates under the umbrella of the Social Service League which is charitable institution. Its scope of management also covers the Satellite Dinshaw Byramjee Dispensary and Dental Unit situated in Nairobi down town Ronald Ngala Street catering to the needs of the members of community. Shah Hospital is ranked among the best hospitals in Kenya and is a preferential Hospital for nursing care for many. The hospital has a state of art equipment and facilities which are operated by qualified doctors, nurses and qualified staff.

Some of services provided by the MP Shah Hospital include outpatient, inpatient, pathology/laboratory medicine, radiology, pharmacy, physiotherapy and specialty clinics. The hospital is affiliated to the Cancer Care Centre which is one of its kinds in East and Central Africa. It has a Doctors Plaza (Dinesh Chandaria Medical Centre) where specialized consultants have their offices.

The aim of MP Shah Hospital, Nairobi is to enable provision of high quality health care at affordable rates with unparalleled passion, and excellence to its patients. The provision of this service will be achieved through excellent training for its health care staff combined with best facilities and equipment. The goal is to become one stop health care provider in East and Central Africa that meets international standards.
1.2 Research Problem

All organizations without MP Shah Hospital being exception are environment serving or environment dependant. They do not operate in a vacuum but within an external environment. They depend on the environment for their inputs and outputs. An organization, therefore, has to relate effectively with the environment for success, survival and prosperity.

The external environment unpredictability creates waves of instability in the health care market. For consumers, this often means fluctuating health care costs and unpredictable care availability. For health care providers, this means decreased health care payments, rising costs per patient and a stressed health care workforce among others. This instabilities leads to changes that are sudden and extensive that overwhelm the adaptive capabilities of resilient organizations and suppress the comprehension of seasoned managers (Meyers et al, 1990).

As the pace of changes in the external accelerates, organization survival increasingly depends on devising entrepreneurial responses to unforeseen discontinuities otherwise organization’s survival will be limited. The organizations must be flexible enough to allow adoption of strategies that enhance the strategic fit between organization and external environment. Economic globalization is precipitating profound and irreversible change in industries throughout Kenya and in the world. Unlimited competition is forcing all sectors of the economy to examine cost structure for possible economies, demonstrate quality, provide service and meet “value” standards. Health care is no different from other industries facing such challenges.
Studies have been done on how various organizations have responded to environmental challenges. For example, Abdulahi (2000) studied strategic responses by health maintenance organization. Mwarani (2003) did a survey of environmental development and firms responses in health insurance sector in Kenya while Muturi (2000) carried out a research on the strategic responses by firms facing changed competitive conditions with a concentration on the East African Breweries Limited.

The findings of these studies revealed firms responded differently to changes in the environment to ensure their survival. Different organizations respond differently to the turbulent external environment with an aim of meeting certain objectives. What strategic responses has MP Shah Hospital Nairobi adopted to respond to changing environment?

1.3 Research Objective

The objective of the research is to establish the strategic responses that MP Shah Hospital Nairobi has adopted to address changes in its external environment.

1.4 Value of the Study

The findings will guide the policy makers in health industry by providing them with information which they can base their decisions on. The information will also help policy makers understand the uncertain world in which their organizations operate and stimulate them take strategic decisions and actions that enhance better performance in face of turbulent environment.
The findings will help improve on existing literature and contribute pool of knowledge in the area of external environment and strategic responses. This will offer tremendous help to researchers in these areas in future.

To practitioners especially to MP Shah Hospital, this study will be invaluable as it will establish its responses in face of increased competitive environment and identify forces in external environment affecting its operations. In addition findings are expected to help MP Shah Hospital identify any gaps, in their responses to external environment and craft entrepreneurial strategies to counter them.
CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter provides a review of literature that is relevant in this study. It includes different arguments and comments of various scholar authors about external environment and strategic responses. It reviews literature on concept of strategy, organization and external environment and strategic responses. It reviews what various scholars and authors say about different organizational strategic responses to changes in their external environment.

2.2 Theoretical Foundation of the Study

Organizations do not operate in a vacuum; they are dependent on their environment (Pfeffer and Salancik, 1978). External environment is extremely dynamic, globalisation and the incredible technological advances has created a “new era” that has reshaped the organization’s external environment. These trends are changing the competitive structure of markets in such a way that the effectiveness of traditional sources of advantage is blurred. In response, new models of business are emerging aimed at aligning organizations with the changing environment.

Successful strategy is consistent with organization’s goals and values, external environment, resources capabilities and organizational systems (Grant (2000). This indicates the fact that organizations depends on the environment for its survival and the responses to environment, the organization’s capabilities and strategy would have to be changed in order to ensure as ‘strategic fit’ for continual survival. External environment
is constantly changing, effective strategic management therefore requires a continuous flow of new strategies suitable to the new scenarios. Bourgeois and Eisenhardt’s (1988) investigations of rapidly changing environments found that successful firms have an ability to react to environmental changes. These organizations have the ability to make strategic decisions both carefully and quickly in light of sudden environment changes.

An organization’s ability to cope with changing environment is probably the most determinant of its success in a free enterprise system. Rowe, Mason, Dickel and Synder (1989) compared organization to ecological entities that have mutual relations with other entities in their environment like ecosystems, an organization’s environment hold opportunities and threats. Skilful strategic managers find “market niches” in a firm’s environment that particularly well suited to the products, services and capabilities the organization has to offer.

Successful strategic planning therefore requires careful assessment of external environment. Environment assessment, enhance organization to find the best possible niche and decide how it might respond to a range of future environmental conditions. Environment assessment is a continuous task for most firms because the environment is continuously changing.

For an organization to survive and prosper it needs to address the challenges of the environment it faces. In particular it must be capable of delivering against the critical success factor that arise from the demands and needs of its customers. The strategic capabilities to do so is dependent on the resources plus competencies it has. These must reach a threshold level in order for the organization to survive. The further challenge is
achieve competitive advantage. This requires it to have strategic capabilities that its competitors find difficult to imitate or obtain. These could be unique resources but more likely to be the core competencies of organizations (Johnson, Scholes and Whittington, 2006)

2.3 The Concept of Strategy

The concept of strategy can be best understood by looking at various definitions of strategy advanced by different authors. Quinn (1980) defines as strategy a plan that puts together an organization major goals, policies and action sequences. Porter (1985) argues that a strategy is an organization’s route to competitive advantage that will have a bearing on its performance.

Strategy is a pattern or a plan that integrates an organization major goals, policies and actions sequences into a cohesive whole (Porter, 1980). It is 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, to meet the needs of markets and to fulfill stakeholders’ expectations (Johnson & Scholes, 2011).

Strategy is therefore creating a fit between the external characteristics and internal conditions of an organization to solve a strategic problem which is a mismatch between internal characteristics of a firm and changes in the external environment (Aosa, 1998). There is always a need to formulate a set of actions and decisions that matches these changes to enable the organization to maintain a competitive advantage which will guarantee its continued survival in the competitive environment.
According to Hitt, Ireland and Hoskinsson (1997) strategy is an integrated and set of commitments and actions designed to exploit core competencies and gain a competitive advantage. An effective formulated strategy marshals, integrates and allocates firms resources capabilities and competencies so it can cope successfully with its external environment. According to Johnson and Scholes (2006) strategy is the direction and scope of an organization over long term which achieves advantage for the organization through its configuration of resources within a changing environments, to meet the needs of market and fulfill stakeholders’ expectations.

Ansoff and McDonnell (1990) describes strategy as a tool which offers significant help for coping with turbulence confronted by business firms and other organizations, they further added that strategy is a set of decision making rules for guidance of organizational behaviour and identified four distinct types of rules namely: yardsticks by which the present and -future performance of a firm is judged, rules for establishing the internal relations and process with the organization, the rules by which the firm conducts its day to day business and rules for developing firm’s relationship with external environment.

Hax and Majluf, (1991) defined strategy as a multidimensional concept that embraces all the critical activities of the firm, providing it with sense of unity, decision and purpose, as well facilitating the necessary changes induced by its environment, the central trust in strategy is to achieve long term sustainable advantage over key competitors of the firm in every business in which it participates.
Chandler (1962) on the other hand defines strategy as the determination of the basic long-term goals and objectives of an enterprise, and the adoption of courses of action with the ‘allocation of resources necessary for carrying out these goals. Considering Chandler and Anderws’ definition, an organization’s strategy typically is thought of as an all-encompassing grand “plan”, with intentions of alignment between the organizational external environment and the organizational internal processes and structure (Miles and Snow, 1978). It is an overall ‘plan’ which an organization chooses in order to move or react towards the set of objectives by using its resources.

Strategy is therefore needed for an organization to obtain a liable match between their environment and internal capabilities. The role of strategy is not be viewed as just passively responding to opportunities and threats presented by the external environment, but as continuously and actively adopting to organization to meet demands of changing environment.

### 2.4 External Environment

There are various models of external environment. Ansoff and McDonell (1990), categorize the external environment in terms of remote, industry and operating environment. The components of each of these are: remote or macro-environment includes, political-legal, economic, competitive, technological, socio-cultural and ecological factors. Industry environment includes: competitor rivalry, substitute products, new entrant threat, supplier power, and buyers power. Operating environment includes competitors, customers, community, and general public. The scope of influence of most of these components could be: local, national, regional or global.
2.5 Organization and the External Environment

An organization ability to cope with changing environment is probably the most important determinant of its success or failure in a free enterprise system (Rowe, Mason, Dickel and Synder, 1989). Grant (2002) advises that the business environment of the firm consists of external influences that impact a firm’s decision and performance.

For an organization to survive and prosper it needs to address the challenges of the environment it faces. In particular it must be capable of delivering against the critical success factors that arise from demands and needs of customers. The strategic capacity to do so is dependent on the resources plus the competence it has. These must reach the threshold level in order for the organization to survive. The further challenge is to achieve competitive advantage. This requires it to have strategic capabilities that its competitors find difficult to imitate or obtain. These could be unique resources but are more likely to be core competencies of the organization (Johnson, Scholes and Whittington, 2006).

A company’s strategy should therefore be tailored to fit its resource capabilities taking both strengths into account. As a rule managers should build their strategies around exploiting and leveraging company capabilities it’s most valuable resources and avoid strategies that place heavy demands on areas where the company is weakest or has unproven ability (Johnson, Scholes and Whittington, 2006).

In order for organizations to achieve their goals and objectives they have to constantly adjust to their environment (Pearson and Robinson, 2007). This environment is turbulent, constantly changing and so it makes it imperative for organizations to continuously adopt
their’ activities in order to survive. Organizations that do not adequately adjust to meet environmental challenges will experience a big problem. This problem arises out of maladjustment of any organization to its environment (Ansoff, MDonnell 1990).

Environment has a greater impact on strategic decision making in more technologically intensive industries than in simpler industries (Jennison, 1981, Kim and McIntosh, 1999). Complexity challenges organizations abilities to interpret their surroundings and respond to changes in their environments with rapid change, interpretation and response become all more difficult tasks for organizations.

2.6 Strategic Responses
Strategic responses are n reaction to what is happening in the environment of the organization. According to Pearce and Robinson (2002) strategic response are set of decisions and actions that result in the formulation and implementation of plans designed to achieve a firms objectives. Firms react to the turbulent external environment differently with aim of creating a fit between their capabilities and external environment. Ansoff and McDonnell. (1990) described four primary types of responsiveness which serve a distinct goal of the firm namely; the operating responsiveness which minimizes operating costs of the firm, competitive responsiveness which optimizes the firm’s profit, innovative responsiveness which develops a firm’s near term profit potential and entrepreneurial responsiveness which develops the firm’s long term profit potential.

Thompson (1997) defines adaptation as changes that take place over time to strategies and objectives of the organization such changes can be gradual or evolutionary, or more dramatic, even evolutionary. Such responses may take many forms depending on organizations capability and its environment in which it operates.
Muturi (2000) carried out a research on the strategic responses by firms facing changed competitive conditions with a concentration on the East African Breweries Limited. The East African Breweries responded to threats posed by increased competition by making changes in its product, promotion, cost, market research and adopting competitor analysis and intelligence strategies. Some of the costs and efficiency measures taken up were by use of state-of-the-art equipment and technology. Product differentiation was done through introduction of strong brands and unique brand features.

Chepkwony (2001) studied the strategic responses of petroleum firms in Kenya to challenge of increased competition in the industry. He revealed that the industry players had made various strategic changes in their internal dimensions such as exploring various market segments not ventured into before, prioritization of goals, improvements in the firms’ technologies to make competitive products. Major adjustments were carried out on strategic variables such as product, promotion, social responsibility, process, research and development, and cost structures.

Kiptugen (2003) revealed major factors affecting the banking industry and Kenya Commercial Bank in particular as economic decline, liberalization, legislative changes, increasing level of education and technological advancements. The bank addressed its changing competitive situation by formulating and implementing strategic responses that included restructuring, marketing, information technology and culture change.

Strategic responses can be seen as the matching of activities of an organization to its environment in which it operates. A strategic response affects the long term direction of an organization and requires large amount of resources. It is aimed at achieving advantage for an organization and as such it is concerned with the scope of the entire organizations activities (Johnson and Scholes, 2006).
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines various stages followed by the researcher. It is the blue print of the study as it covers the overall plan aimed at aiding the researcher carry out the research in order to answer the research question. It discusses the research design, data collection and data analysis.

3.2 Research Design

The study adopted a case study approach. This design was found to be best suited because it allowed an in-depth understanding of strategic responses MP Shah has adopted to respond and counter changes in the external environment. It also allowed an in-depth contextual analysis of the phenomenon at hand as data collected were more varied and extensive.

Researchers have used case study research method for many years across a variety of disciplines. Social scientists, in particular have made wide use of this qualitative research method to examine contemporary real life situations and provide basis for application of ideas and extension methods. The research design was chosen because the objectives of this study required an in-depth understanding of challenges facing MP Hospital, Nairobi and specific strategic responses, it adopted to respond to changing environment.
3.3 Data Collection

The researcher collected primary data for this research. This mostly involved qualitative data. The primary data was collected by use or semi structured interview guide to obtain data from the CEO and four departmental managers charged with responsibilities of strategy formulation, implementation and evaluation at MP Shah Hospital Nairobi. This research methodology was chosen because it was considered the best suited approach to answer the research question.

The respondents who included CEO and four departmental managers were selected so as to ensure that the researcher obtained a bank of data that was rich and detailed. This assisted the researcher in having an in-depth grasp of understanding of the phenomenon that was being studied especially during the data analysis process.

3.4 Data Analysis

Qualitative data was used in this study. Qualitative analysis involved working with data collected, organizing them, breaking them into manageable units, synthesizing and then searching for patterns with the aim of discovering pattern, concepts, themes and meanings.

The data was analyzed using content analysis. Content analysis was used to extract the key theme, concepts and arguments with text with aim of having a clear understanding of effects of external environment of strategic responses encountered by MP Shah Hospital, Nairobi.
CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter represents the data analysis, results and discussion of the research findings. Data analysis was carried out through content analysis. The discussion and findings emanate from literature review and in-depth interview as well as public reports and hospital own documents. The research objective was to establish the strategic responses that MP Shah Hospital Nairobi has adopted to address changes in its external environment.

4.2 The Respondent Profiles

The respondents comprised the top management of MP Shah Hospital Nairobi. In total the researcher interviewed five respondents that had been intended to be interviewed as in the research design. This included the CEO and four departmental managers charged with formulation, implementation and evaluation of the organizations strategy.

All the five respondents had attained university degrees with three of them having in addition taken and completed masters in Business Administration degree. Interms of working experience, all the five respondents had worked in the organization for over five years with all of them having risen through the organization ranks. Two of the respondents had been working with private sector prior to joining MP Shah Hospital Nairobi and the main aim of recruiting them was to revolutionalize the operations of the hospital. To this extent, the respondents were found to be knowledgeable on the subject matter of research and thus helpful to realization of research objective.
In addition the views of both gender were represented in the respondents interviews because two of respondents were female. From these, the data obtained was felt not to have gender bias. Further all the respondents indicated their satisfaction with current duties and were keen in highlighting various opportunities available within their organization. These included career development, unique interaction among staff, solving customer complaints and new challenges that came with their current jobs. All these the respondents said helped them in personal development and enabled them to create a motivated workforce.

4.3 External Environmental Changes that have impacted on MP Shah Hospital

In the process of trying to achieve its objectives of ensuring delivery of high quality health care at affordable rates, with unparalleled passion coupled with excellence to its patients, MP Shah Hospital Nairobi has found itself faced with a number of major challenges which emanate from changes in its external environment. The respondents reported that the major changes from external environment that impacted on MP Shah Hospital Nairobi included changes in technology, social, political and economic factors. Other factors included having to deal with stiff competition from ever increasing private clinics and other major players who included Nairobi Hospital, Aga Khan University Hospital Nairobi and Karen Hospital Nairobi that has taken the competition to another level.
The increasing competition from other players in the industry sighted as a major challenge to MP Shah Hospital Nairobi. The respondents pointed out that unlike five years ago, the industry is highly competitive with many different options for patients seeking health care. They said that private clinics are coming up everyday some of them offering very unique services to their patients, personalized treatment that privacy which most patients consider important as they tirelessly search for best service for their monetary value.

The political and legal environment in Kenya according to the respondents is also changing. The respondents pointed out that government policies and regulations are constantly changing. Some of these affect the hospital negatively e.g the pharmacy and Poison Board showed that qualified pharmacists are now allowed to dispense drug to patients. The respondents said that this has drastically reduced their income especially in pharmacy department.

The Kenyan economic situation has remained uncertain and constantly changing to unpredictable dimension. The respondents felt that Kenya has not doing very well economically and thus has reflected in MP Shah Hospital Nairobi operations. The respondents said the fluctuating exchange rates have resulted to financial losses to the hospital mainly when dealing with imports necessities for the hospital. In addition the respondents said the purchasing power of their customers depended upon the economic factors like current income, circulation of money debt and credit availability and with inflation and the uncertain and unpredictable economic situations in the country which the hospital did not have control over hence decline in hospital profit margins.
The respondents also expressed fears of election period and sighted the 2008 elections as one of the most difficult times for MP Shah Hospital management as far as politics was concerned. They stated that political stability, political ideology, the law and order situation and presence of ruling party have always either reflected negatively and positively in their business and hence change in politics meant drastic measures for the hospital. This was due to the policies and rules and regulations that the government of day comes up with e.g the policies keeps changing to reflect political will and can either affect the business positively or negatively.

Social cultural environment was also reported to the changing drastically. The custom, traditions, education, tastes and preferences of customers are changing. It was reported that unlike seven years ago a patient is aware and conscious of their rights, quality work, ethics etc and hence world value for their money. The management of MP Shah Hospital therefore constantly charged with responsibility of ensuring customers meet their expectations otherwise failure to meet this mandate would threaten its own survival.

One of the most emphasized change by all the respondents was the advancing technology. The respondents pointed out health industry thrives on technology. Patients are demanding faster and more accurate treatment and hence physicians need the technology. The hospital need advanced machines and equally qualified physicians and technicians and these translate to more costs to the hospital. The respondents said that change in technology has brought with it many challenges because technology is advancing everyday and what is referred as latest technology today could become obsolete anytime tomorrow.
4.4 Strategic Responses the MP Shah Hospital has Adopted to Respond to Changes in External Environment

The management of MP Shah Hospital Nairobi realizes that they cannot change the external environment and hence have to put up strategies that respond to above challenges posed by the changing environment. To respond to the above external environment changes, the respondents reported that management have implemented several strategies to counter the changing and competitive external environment.

First and foremost, the MP Shah Hospital Nairobi has made it their priority to always strive to be one stop health care provider in East and Central Africa that meets international standards. The respondent gave example of establishment of a leading Cancer Centre which is one of its kind in East and Central Africa. The leading Cancer Center is a modern facility with latest art of technology and is manned by dedicated qualified personnel. In addition the MP Shah Hospital has differentiated itself in terms of product services for every Kenyan. It has product for both high income and middle income earners the respondents emphasized that quality health care is guaranteed for both groups of patients.

With the issue of the economy, the respondents reported that the management tries as much as possible to ran the hospital operations efficiently in order to keep the costs low to allow them provide services at the lowest possible price for their customers when the situation calls for it. With ever raising interest rates as a result of inflation, the respondents said that hospital management tries as much as possible to diversify its funding sources, reduce over reliance on bank loans and often opting with lower interest rates.
To respond to social cultural changes, the respondents reported that the management has capitalized on training the staff to deal with ever emerging issues and provide the customers with best experience possible during interaction. The respondents pointed out that management realized what the needs, values, priorities of patients are unstable. The managers at MP Shah Hospital Nairobi therefore found the need to constantly adjust their management styles to meet these value needs. This is done through continuous training of staff. The respondents said that the aim of the management is to create a relationship with their customers so that they are able to learn more about them in terms of changing taste and preferences, changing lifestyles etc to enable them give best product/service for their targeted customers.

With the constant change in technology, the respondents reported that MP Shah Hospital Nairobi management has chosen to look at the advancing technology as an opportunity rather than a threat. Their research department was reported to always working on latest technology and constantly bringing the next best innovations in the market. To accelerate this process, the respondents said that the MP Shah Hospital Nairobi has been investing heavily on state of the art equipment and constantly maintaining existing equipment to ensure that their clients get the very best health care. This included investment and upgrading of integrated information technology systems so as to ensure easy retrieval of data and smooth flow of information between health care receivers and providers.

The respondents pointed out that advancing technology has enabled the hospital save time and money by conducting transaction, negotiation, and trade in real time. It has also facilitated the sharing of sensitive information about patient’s condition with doctors in
other countries for consultant purposes. Modern technology has also enabled MP Shah Hospital Nairobi to conduct research and development efficiently and effectively as well as collaborate with other doctors in other developed countries within minimum span of time. This was particularly important as far as emergency cases were being handled.

In regard to political and legal changes, the respondents said that management tries as much as possible to follow all policies and regulations of the government of the day to the letter in order to avoid law suits which according to respondents would damage hospital’s reputation as well as waste valuable time which could have been instead used to consolidate the hospital business success.

According to the respondents, MP Shah Hospital is constantly changing to adopt itself to changing external environment. For changes to be effective, the CEO does not lead the change but involves leaders from variety of functions and levels. Education and development of these leaders is affected to enable them understand their roles in managing and motivating change. The leaders in MP Shah Hospital are therefore equipped with necessary education, skills, and knowledge to guide external environment adaptation process.

The respondents also reported that the management of MP Shah Hospital has also taken a keen interest on its change management, this is aimed at ensuring that strategic responses are well received by all the parties involved in the organization. In MP Shah Hospital, there exist a change management programs that assist executives to drive organizational change, empower managers to lead through change, and enable employees to navigate and respond to change appropriately.
Almost all the respondents emphasized that MP Shah Hospital always aims at addressing the challenges of the environment in order to meet the ever changing demands and needs of its customers, this they said is their strength. They therefore strive to ensure that they have the resources and the competencies required to put up the most appropriate strategies that its competitors find difficult to imitate or obtain which hence becomes their core competencies.

4.5 Discussion

It is evident from the study that change is the only constant in today’s life for individuals and organization. The external environment changes are inevitable and organizations that survive the dynamic external environment are those that create a fit between themselves and their external environment.

In addition, the study demonstrates that organizations do not operate in isolation. They are integrated and interlinked. Organizations are open systems because they get resources from others and give output to others in their external environment. A business therefore deals with a number of business key environmental forces. These forces from where a business gets resources and supplies resources, forces that influence the business operation, and factor that present opportunities and threats are taken as the business environment.

4.5.1 Comparison with Theory

Organizations are open systems that operate within a dynamic external environment which is largely uncontrollable. Consequently for their prosperity and survival firms need to adjust to changes in the external environment through effective and timely strategies
that match their environment. As Porter (1985) put it, the success of every organization is determined by its responsiveness to environment. For an organization to be able to retain competitive advantage it needs to examine its environment both external and internal and respond accordingly.

4.5.2 Comparison with other Studies

The MP Shah has accommodated and adapted to change with ease due to the fact that its management has encouraged a learning culture within their organization. The MP Shah hospital has taken advantage of opportunities posed by external environment while shielding itself from threats posed by changing external environment so as to ensure its survival. This in line with what Aosa (1992) stated that “all types of organizations are in existence to serve different needs of stakeholders. It is in the process of satisfying these needs that they have to ensure they exist long enough to be able to retain sustainable benefits to stakeholders who created them. Organizations have to justify their continued existence in the society by their activities”

The MP Shah Hospital Nairobi realizes that external environment in which it operates is continuously changing and is largely uncontrollable and hence the need to react to changes by adopting to them through product /market changes process changes, culture changes, leadership changes etc depending on the specific changes in the environment, the firms capability and the level of turbulence. Continuous training and learning for managers and other employees is also evident from the results of the study. The management of MP Shah Hospital Nairobi realizes the need for skills for managing discontinuous and supriseful environments.
The environmental challenges faced by the MP Shah Hospital Nairobi are not confined to MP Shah Hospital Nairobi alone. Kandie (2001) did strategic responses by Telkom Kenya limited in competitive environment and found that some of challenges faced by organizations included financial constraints and lack of management empowerment.

Victor (2008) in his study of strategic responses by Kenya MilkProcessors to environment changes found that some of the challenges faced by these organizations included increased competition, political, legal challenges, economic influences and ecological challenges. However, even if the environmental challenges may be similar it is noted that different organizations respond differently to changes in their external environment depending on capabilities of the organizations.
CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter summarizes the results of the study, draws conclusions and gives recommendations of the study as well as recommendations for further research which have emerged from the findings and results of the study. It also outlines the limitations faced while conducting the research.

5.2 Summary of Findings

In summary, the study showed that the respondents were aware of strategies adopted by MP Shah Hospital Nairobi in adapting to environmental challenges. MP Shah Hospital Nairobi was also found to develop its strategy through a wide consultative process that incorporates the views of external stakeholders as well as organizations employees. Because of this bold step, MP Shah Hospital had witnessed little resistance during and before implementation of the strategy.

Upon development of the strategy MP Shah Hospital Nairobi communicates its strategic plans to stakeholders in form of quarterly as well as annual reports, when doing performance reporting and this assists the organization to amend the plan where need be and also gives the organization a chance to know whether it is still within the implementation schedule. In addition, MP Shah Hospital Nairobi, had been willing to receive feedback from stakeholders that will improve the performance towards the
achievement of its mandate. The shorter the evaluation and feedback period, the better in order to incorporate the changes early and this will help MP Shah Hospital Nairobi to achieve its objectives early.

The study also revealed that external environment had greatly impacted on MP Shah Hospital Nairobi. The external environment factors that were highlighted included the unpredictable and constantly changing competitive environment, political, economic, social cultural, technological and legal factors. The uncertainty and unpredictability of these factors have directly or indirectly affected the MP Shah Hospital, Nairobi operations either positively or negatively or both.

To respond to the above environmental changes, MP Shah Hospital Nairobi management has devised response strategies. These strategies included innovation, staff training, product differentiation, efficiency, adhering to government policies and regulations and promoting a learning culture within the organization that accommodates continuous change.

5.3 Conclusion

The objective of this study was to establish the strategic responses that MP Shah Hospital Nairobi has adopted to address changes in its external environment. From the results of the study, it is evident that organizations exist in context of complex political, economic, social, technological, ecological and legal world. The uncertainty and unpredictability of these factors have directly or indirectly affected the MP Shah Hospital Nairobi operations
either positively or negatively or both. To respond to above external environmental changes, the MP Shah hospital Nairobi management has devised response strategies. These strategies included innovation, product differentiation, efficiency, adhering to government policies and regulations and promoting a learning culture within the organization so as to accommodate continuous change.

From the results of the study it is clear that MP Shah is an open system that interacts with its environment. It is dependent on the external environment for its inputs and outputs. The external environment poses both opportunities and threats forcing the management to come up with strategic responses aimed at responding to those external factors.

Managers have very little control over the external environment and hence MP Shah Hospital survival in this dynamic external environment increasingly depends on how the hospital management team is able to devise strategic responses that are timely and appropriate to counter the unforeseen drastic discontinuities. The study revealed external environment impact greatly on the operations of organizations and hence to succeed in the changing environment, the management must devise strategies that relates effectively with the environment.

From the findings, it is apparent that MP Shah Hospital has been responding to the challenges posed by changing environment by undertaking various measures in order to remain competitive in the market. For instance by paying great attention to the needs of the customer, restructuring, advertising, introducing new products in the market and
constantly updating with technological developments. It also validates the fact that environmental change is inevitable and organizations which will not effectively cope with this change will experience limited survival.

5.5 Recommendations

This study implies that the health industry is operating in an ever changing and increasingly competitive business environment and hence apart from the strategies MP Shah Hospital Nairobi has employed, the players in the industry should also consider the following strategies.

Organizations focus should be on the long term advantage and not just on competition. Thus organizations should become innovative bringing in unique core competencies that are unlikely to be copied by others. This is because it is not by competing for market share but capitalizing on the change that today’s organizations can survive, achieve and thrive, capturing greater market share from competition is only of critical importance when the game remain unchanged.

Customers preferences lifestyle etc are constantly changing and hence organizations must identify what problems their business experience and solvethem for potential clients. If the business no longer solves the client problems, there is no place for it in the market place. The organizations therefore need to know, what their business excel at and what value they deliver to their customers and continuously work on improving the service to suit the needs of external environment even if it means outsourcing for non core services.
Organizations should continuously scan the environment for any opportunities or threat and be prepared to respond effectively and appropriately with speed so as to avoid any mismatch which could result and must be flexible enough to allow adoption of strategies that enhance strategic fit between the organization and its external environment.

5.4 Limitations of the Study

The researcher interviewed only five senior managers of MP Shah Hospital hence their observation might not be representative of the views of the MP Shah Hospital Nairobi. Another limitation of the study is that result generalization is not possible as this is a study case.

Time was limited since the respondents were senior managers who were involved in busy work schedules. Two of the managers kept postponing their appointment with the researcher and during the interview they tended to answer the questions in a hurry. However the researcher was patient and pleasant enough to persuade them to spare time and answer the questions more comprehensively.

5.6 Suggestions for Further Research

It is evident from the findings that the researcher carried out a thorough and an indepth study of the strategic responses that MP Shah Hospital Nairobi has adopted to the address changes in its external environment. It is interesting to note that most of strategies that MP Shah Hospital Nairobi has put in place to address changes in external environment had to do with changing to adapt to changing environment.
Since this was an indepth case study on the responses by MP Shah Hospital Nairobi to changes its external environment, similar studies can be carried out on other hospitals. This will help to establish general guidelines of strategies that can be used by hospitals to respond to changing itself external environment.
REFERENCES


APPENDICES

Appendix: An Interview Guide

This part is aimed at gathering the information on the external environmental changes experienced by MP Shah Hospital, Nairobi and the strategic responses- that are adopted to counter these external environmental changes.

Section A: Respondent Information

This section will seek to gather background information about the respondent. This will be used in analyzing further the data which will be collected.

1. What is the gender of the respondent?
2. What is the age of the respondent?
3. What is the designation of the respondent?
4. How many years has the respondent worked in the Organization?

Section B: The External Environment

This section seeks to gather information on changes from the external environment that impacts on the performances and survival of your organization.

5. Please explain how changes in the macro - environment have impacted on the performance of your organization, technological, social - cultural and ecology factors.
6. Explain how changes in industry environment have impacted on the performance of your organization, i.e. competitor rivalry, substitute products, new entrants, supplier power and buyer power.
7. Explain how changes in operation environment have impacted on the performance of your organization. i.e. competitors, customers, suppliers etc

8. Other than changes mentioned above which other significant changes poses a threat to the survival of your organization?
Section C Strategic Responses

This section seeks to gather information on the strategic responses adopted by MP Shah Hospital to counter the effects of the changes from external environment.

9. What strategies does your firm employ to remain competitive?

10. In your opinion, how has MP Shah Hospital, Nairobi responded to the effects of the changes in macro environment and operating environment mentioned above?

11. Please indicate where MP Shah Hospital, Nairobi responses will be required over the next five years to enable manage the risks and opportunities associated with environmental changes.

12. Explain any challenges faced in the process of strategy formulation, implementation and evaluation in your organization?

13. Explain how you have managed the above challenges and how you have ensured that organizations objectives are met despite the challenges.

Much obliged for your time and response to my interview questions.