

**ROLE OF TOP MANAGEMENT TEAM HETEROGENEITY  
STRATEGY ON PERFORMANCE OF LEVEL FOUR AND FIVE  
HOSPITALS IN NAIROBI, KENYA**

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## DECLARATION

This research project is my original work and has not been presented for the award of degree in any other university or institution for any other purpose.

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

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## **DEDICATION**

I dedicate this work to my loving family, who sacrificed a lot both morally and financially to ensure that I completed this programme, my dad for his motivation to fully exploit my potential and my mum for her faith in God about my success in my education.

To all I say, thank you!

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The process of this master's proposal writing has been wonderful learning experience which was coupled with both challenges and rewards. The completion of my study opens a new beginning and a step forward for my endeavors.

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# CHAPTER ONE: INTRODUCTION

## 1.1 Background of the study

Global competition, technological advancement, product innovation, and volatile market conditions have created greater competitive pressures in almost every industry in the world. Increasing complexity and uncertainty in the competitive landscape have made it difficult for firms to rely solely on the capabilities of their CEOs. Rather, it is the combined capacity of the members of top management teams that influences long-term success (Carpenter *et al.*, 2004). Competitive rivalry forms the basis of a firm's many strategic decisions, which then affect the firm's performance, especially in terms of market share (Chen, 2002). One stream of research on the firms' competitive strategy focuses on the consequences of a firm's aggressive competitive behavior (Lee *et al.*, 2000). In this regard, traits like firm size and the information processing capabilities of a top management team have been found to be significant antecedents of the firm's competitive behavior. However, the competitive dynamics literature has given more emphasis to market-based actions taken by a firm, such as pricing, new product introduction, promotions, and the like. But a firm's strategy does not deal just with competitive issues but instead competitive advantages are gained not only on market-based strategies but also on other specific strategies implemented across the entire value chain (Porter, 1980).

The ultimate objectives of top management team's efforts are to create a competitive advantage and ensure organizational performance. As the top management takes



important corporate decisions and sets strategic directions, it is therefore recognized as a key component affecting a firm's performance. Firm performance is a reflection of the characteristics and actions of the team of managers central to the firm, which is conceptualized as top management team (Hambrick and Mason, 1984). The ultimate objectives of top management team's efforts are to create competitive advantages and ensure strong organizational performance. As the top management takes important corporate decisions and sets strategic directions, it is therefore recognized as a key component affecting a firm's performance. Carpenter *et al.*, (2004) posit that leadership diversity is critical to firm financial success as diversity in senior management will help firms to effectively align business strategies with current and future demographic and market trends to achieve organizational growth and profitability.

### **1.1.1 Concept of Strategy**

Strategy is the direction of an organization over the long term, which achieves advantage in the changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder expectations (Johnson and Scholes, 2003). This means that organizations should provide value to their customers better than their competitors. The concept of strategy is therefore built around winning. Strategy helps to achieve success whether in business or otherwise, success in this context refers to the realization of objectives that are desired. Effective strategy is formulated around four factors. These are, the goals and objectives are simple, consistent and relate to the long term, there is profound understanding of the competitive environment, there is an objective appraisal of the resources available and that there is effective implementation (Hitt *et al.*, 2008).

The essence of strategy is choosing what not to do. Without trade-offs there would be no need for choice and thus no need for strategy. Porter (1996) argues that strategy is about selecting the set of activities in which an organization will excel to create a sustainable difference in the market place. The sustainable difference may be to deliver great value to customers than competitors or provide comparable value at a lower price than competitors. Strategy 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 (Hofer and Schendel, 2009). It is meant to provide guidance and direction for the activities and direction of the organization. Since strategic decisions influence the way organizations respond to their 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.

### **1.1.2 Top Management Team Heterogeneity Strategy**

Top management team is defined as “the relatively small group of most influential executives at the apex of an organization—usually the chief executive officer (or general manager) and those who report directly to him or her” (Finkelstein *et al.*, 2009). Heterogeneity stands for organizational or societal variety in which human beings differ from one another demographically. The variety of workforce concept consists of several dimensions which can be named as gender, race, nationality, religion and disability. Heterogeneity in human capital stands for human features that diverge individuals from one another (Mejia *et al.*, 2001). The dimensions of variety can be categorized under two frameworks. The primary dimension consists of basic features which every individual has in common and features that cannot be changed; they are born and/or specify the features

that start in early socialization process of individuals which have an important impact on life-long period of every individual. The primary dimensions are age, ethical background, gender, physical and mental abilities, race and sexual preferences (Reece and Brandt, 2003). The secondary dimensions consist of features that individuals can change consciously and on purpose, can gain or can quit, such as education level, residential location, marital status, work experience, income level, religious beliefs, political beliefs, health habits, communication means (Reece and Brandt, 2003).

The heterogeneity in top management team is considered to be a positive force leading to overall organizational performance. The imputed logic is that firms require diverse capabilities of executives to formulate and implement strategic decisions. Heterogeneous teams are expected to bring greater variance in creativity, innovation, ideas, ideologies, etc., thus enabling organizations to perform better. Hambrick and Mason (1984) argue that the psychological and cognitive characteristics of the members of the TMT are critical to corporate choices they make on which the performance of the firm largely depends. (Reece and Brandt (2003) posit that benefits at strategic level are positively related to diverse top management. The presence of the demographic heterogeneity at top management level is expected to increase firm performance, hence, heterogeneity is suitable for complex, ambiguous business operations and the decision making processes are structured in nature whereas, homogeneity in top management is more effective especially when faced with unstructured decision making processes (Hambrick and Mason, 1984).

Given that top managers are responsible for a firm's strategic decisions, Auden et al., (2006) posits that a firm's leaders have a critical impact on firm performance given the significant organizational decisions they are empowered to make. Hambrick and Mason (1984) argue that strategic choices made by senior-level managers (top management teams) are outcomes of their cognitive and behavioral characteristics. They suggest that top managers' values and cognitive orientations influence the perceptual processes behind strategic decision making by limiting and filtering available information. Accordingly, strategic decisions are reflective of top managers' beliefs, assumptions, and values. In studies of decision-making in top management teams, researchers have ascribed executives' cognitive orientations from more readily observable characteristics, such as education, functional background, and organizational tenure (Finkelstein *et al.*, 2009). Demographic diversity is assumed to be associated with cognitive diversity, which expands a team's informational resources and enhances its problem-solving capacity. Thus, within the context of top management teams, diversity broadens the range of cognitive perspectives needed to recognize strategic opportunities and consider various strategic alternatives, which enhance a team's ability to identify and deal with environmental conditions (Mejia *et al.*, 2001).

### **1.1.3 Organizational Performance**

Firm performance involves the recurring activities to establish organizational goals, monitor progress toward the goals, and make adjustments to achieve those goals more effectively and efficiently. Strategic planning is also critical in a firm's performance. It's a wide process to identify strategic direction, including vision, mission, values and

overall goals. Direction is pursued by implementing associated action plans, including multi-level goals, objectives, time lines and responsibilities (Gibson et al., 2010).

Armstrong and Baron (1998) defined firm performance as a “strategic and integrated approach to increase the effectiveness of companies by improving the performance of the people who work in them and by developing the capabilities of teams and individual contributors”. Managing employee performance and aligning their objectives facilitates the effective delivery of strategic and operational goals and hence improve a firm’s competitiveness. Direct financial gains that may be associated with a firm’s performance include; growth of sales, reduced costs in the organization and reduced project overruns among others. To achieve these there is need to have Key Performance Indicators (KPIs) which are a vital means by which firms can judge how well they are performing. They allow businesses to identify some of their most important metrics, and provide a standardized way of determining whether or not they are meeting their goals, targets and objectives. KPIs are often numbers, but will differ from business to business. One of the most common KPIs measured in this industry is average revenue received through property sales; if this metric increases over the course of the year, it is a safe bet that something is going right in the business (Armstrong and Baron, 1998).

#### **1.1.4 Level Four and Five Hospitals in Nairobi**

According to the Ministry of Health (MoH), level four and five hospitals are the ones with the mandate of providing services to a geographically well-defined area and are an integral part of the county health system; act as county’s referral hospital for the sub-county hospitals as an intermediary between the national referral hospital and the sub-county; and act as regional centres for provision of specialized care including intensive

care and life support and specialist consultations (Ministry of Health Home page, 2014). The personnel in the level five hospitals include medical professionals such as general surgeons, general medical physicians, pediatricians, general and specialized nurses and midwives. There are both public (government) and private level four and five hospitals in Nairobi, Kenya. The level four and five public hospitals are gazetted through Chief Health Association of Kenya (CHAO) in the Ministry of Medical Services. They are owned by the Ministry of Health (MoH). There is one level five public hospital in Nairobi (Mbagathi Level Five Hospital).

Level four and five private hospitals are registered under the national body; that is the Kenya Medical Practitioners and Dentists Board (KMPDB). They are institutions which are not owned by the Ministry of Health but by other bodies such as Kenya Episcopal Conference-Catholic Secretariat (KEC), Christian Health Association of Kenya (CHAK), Supreme Council of Muslims (SUPKEM) and the community. According to KMPDB the four and level five private hospitals must meet the following criteria; Outpatient and inpatient services, minimum 50 inpatient beds, a minimum of four separate departments, a minimum of one theatre, minimum of basic X-ray services, Resident Medical Officer. They must be licensed by KMPDB. Level four and five public hospitals have challenges of underfunding (from the government) that has led to poor quality care and poorly staffed facilities. This leads to overcrowding and limited service provision. The phenomenon has given level four and five private hospitals an opportunity to attract the patients (consumers) of high end caliber such as expatriates who will want to steer clear of the public hospitals due to their overcrowding and limited service provision.

Within the hospital setting, the senior management is made up of a hospital management team that holds administrative power. This comprises persons in charge of administration, nursing, pharmacy and allied health services and is typically led by the medical superintendent. Those in charge of different clinical service units or departments are invariably clinicians and nurses who operate without any specific departmental administrators. They are expected to plan and advocate for resources, although they are unlikely to have direct control over a specific departmental budget. Such individuals also supervise teams of front-line workers, either medical or nursing, and contribute directly to service delivery.

## **1.2 Research Problem**

The globalization process has dramatically changed the business landscape and the society in which we live. This has affected all the business organizations. As the environment becomes more complex, firms seeking to gain competitive advantage over other firms in their environment should attempt to become more innovative and proactive. The challenges faced by top managers is to process many, complex, and often ambiguous stimuli when making strategic decisions under high uncertainty (Finkelstein *et al.*, 2009). This is precisely the reason why the strategist must pay close attention the top management. Hambrick and Mason (1984) point out that manager characteristic (demographic) influence the decisions that they make and therefore the actions adopted by the organizations that they lead. They suggest that this occurs because demographic characteristics are associated with the many cognitive bases, values, and perceptions that influence the decision making of managers. Admittedly, to a large extent, diversity

enhances greater creativity, innovativeness and quality decision making and could create greater competitiveness.

The top leadership of public hospitals faces an increasingly dynamic, complex and unpredictable environment, where technology, globalization, knowledge and changing competitive approaches impact on overall performance. The degree and complexity of the current changing environment is driving the management of public hospitals to seek new ways of conducting business to create wealth. In the Kenyan hospital set up, it has been the norm for some time now that, the top leadership of the organizations has been taken by people with the medical background. However, in the recent years, top hospitals such as Kenyatta have been recruiting top management staff with different academic background. Associated with these changes, there has been a marked increase in service quality over the period which therefore begs the question of whether there exist a correlation between the top management heterogeneity and performance of these hospitals.

Studies that have been undertaken on the influence of management team heterogeneity on performance include Muhura (2012) research on the Influence of Workforce Diversity on Strategy implementation among Manufacturing Firms Listed at Nairobi Securities Exchange. The study established that workforce diversity leads to improved decision making, enhanced implementation of customer related strategies, result in the achievement of strategic targets, enhanced creativity and innovation, increased capacity to complete projects and increased efficiency of workgroups in achieving organizations strategic objectives. The implementation of the strategies was supported by diversity



management that helps create a work environment in which all employees can achieve their personal goals in line with the overall business objectives. Ikama (2010) undertook a study on the benefits and challenges of workplace diversity management at Consultative Group on International Agricultural Research (CGIAR) Centers in Kenya and established that high performance is exhibited where teams include diverse age, ethnicity, nationality gender and other differences. Employee diversity was also found to enrich knowledge and skills of the organization as well as improving organizational creativity. It was revealed that work place diversity is not fully entrenched in CGIAR Kenya centres. Work place diversity management was also found to have impacted positively on the employees' career growth, improved on their inter-personal skills in a working environment. On challenges of work place diversity management, diversity objectives were found in some cases to precede merit considerations during recruitment and promotions.

Other studies undertaken on heterogeneity include Smith *et al.*, (2004) study the effects of the top management team (TMT) demography and process on organizational performance. They find that a TMT's demography was indirectly related to performance through process and process directly related to performance. However, they also find some direct effects of team demography, in that there appears to be a negative relationship between heterogeneity of experience and return on investment and between team size and social integration through informal communication. This study also identifies a positive direct relationship between heterogeneity in the years of education and both measures of performance. Naranjo-Gil and Hartmann (2007) studied how TMT

heterogeneity affects strategic change both directly and indirectly through the management accounting system. They find that TMT heterogeneity is positively related to the extent of strategic change, particularly when the company is changing its strategy to a prospector type one. However, when the company is moving towards a defender strategy, TMT heterogeneity seems unrelated to strategic change. In line with some previous studies, age and tenure heterogeneity are not found to be related to strategic change. From the above studies, there is no known study that has been undertaken on the influence of top management team heterogeneity on level four and five hospitals performance and this research seeks to answer the question; what influence does top management team heterogeneity strategy have on level four and five hospitals performance?

### **1.3 Research Objective**

To determine the role of top management team heterogeneity strategy on performance of level four and five hospitals in Nairobi, Kenya.

### **1.4 Value of the study**

The findings of the study will be of value to the upper echelons theoretical framework as the call for managers as bundles of attributes, will enable the study to conceptualize and empirically operationalized heterogeneity as a multi-dimensional construct. Particular attention is paid to the difference between managerial background characteristics and managerial experiences as well as between traditional, task-oriented aspects of top management team heterogeneity and relations-oriented heterogeneity attributes.

This study is relevant to management practice in a number of ways. First, understanding of the antecedents of multiple dimensions of top management team heterogeneity may allow managers to carefully evaluate the trade-offs associated with increasing team heterogeneity while maintaining heterogeneity balance. Furthermore, the results of this study may assist executive search firms in evaluating individual executive profiles and their fit to the existing composition of the firm management and board of directors. The findings of the study will also give insights about the strategic and performance consequences of top management team heterogeneity and, in particular, complementarities between managerial backgrounds and experiences are of direct relevance to the management of top management team processes and dynamics.

The findings of the study will be of value to the public hospitals as they play an important role in provision of health services that is affordable to many patients as they will be able to put in place management team that will ensure that it drives the hospitals to achieve its objectives thus improve its performance. As such, successful implementation of their strategies will go a long way in economic, social and political development in the country. The government and specifically the Ministry of Health will find invaluable information in how important to have top management team heterogeneity in public hospitals and encourage other departments within the government to have the same management team. For academicians, this study will form the foundation upon which other related and replicated studies can be based on. Scholars will find it important as the study will increase the body of knowledge in this area.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

The chapter provides information from publications on topics related to the research problem. It examines what various scholars and authors have said about the concept of top management heterogeneity strategy. The chapter covers theoretical foundation top management heterogeneity, influence of top management characteristics on decision making and the linkage between top management team heterogeneity and firm performance.

### **2.2 Theoretical Framework**

The upper echelons theory posits that top management's characteristics (e.g. demographic) influence the decisions that they make and therefore the actions adopted by the organizations that they lead. It occurs because demographic characteristics are associated with many cognitive bases, values and perceptions that influence the decision making of top management. This discussion was later expanded to the 'six specific influence processes' that allow shaping the strategic direction and performance of the organization (Navahandi, 2006). The model has four main parts. This include the objective situation (can either be internal or external), psychological (values and cognitive base) and observable (age, educational and group characteristics), strategic choices (product innovation, financial leverage and acquisitions), and performance (relates primarily to organizations performance such as growth and profitability). Upper echelons theory builds on the idea of the dominant coalition to propose that executives

influence organizational performance through the decisions they make (Hambrick and Mason, 1984). Upper echelons theory suggests that executives will make decisions that are consistent with their cognitive base or orientation, which consists of two elements: psychological characteristics (including values, cognitive models, and other personality factors) and observable experiences.

A fundamental principle of upper echelons theory is that observable experiences (demographic measures) are systematically related to the psychological and cognitive elements of executive orientation. Upper echelons research employs the use of observable demographic characteristics as proxy measures of executive orientation. Executive orientation works through a perceptual or filtering process that results in what is called managerial perceptions or construed reality (Finklestein and Hambrick, 2009). Managerial perceptions, in turn, influence strategic choices and executive actions. Top management members could with greater demographic diversity, influence decision making process in the top management and positively contribute to firm performance. Thus, firm performance could be positively impacted by the competitive behaviours at top level of an organization. Admittedly, to a large extent, diversity enhances greater creativity, innovativeness and quality decision making and could create greater competitiveness (Hambrick et. al., 1996).

In Cohen's (1994) model, a large number of inputs impact team performance. Team performance is defined in the context of teams' success including controlling costs, improving productivity and quality in addition to team members' attitudes towards their quality of work life. Four broad classes of inputs are thought to directly affect overall team

performance and individual team member performance :employee involvement , context (power, training and rewards) encouraging, supervisory behavior ,self observation/evaluation, self criticism) task design (variety, autonomy and feedback and team characteristics (composition, beliefs and process, including issues such as groups size, norms, coordination and innovation). Mathews (2008) argues that Cohen's places the team process variables of coordination, sharing, expertise and innovation as inputs thus departing from the traditional systems theory.

## **2.3 Top Management Team Characteristics Strategies Influence on Decision Making**

According to upper-echelon theory, top management team (TMT) characteristics have important impacts on organizational outcomes because top executives are empowered to make strategic decisions for organizations (Knight et al., 1999). Since top executives make decisions consistent with their cognition, which is in part a function of the values and the experiences they commonly share, their experiences and values may be associated with organizational outcomes and their firm's performance. There are a number of characteristics of top management and these have been discussed below and they have been linked to their effect on organizations performance.

### **2.3.1 Educational level**

The cognitive ability of managers is influenced by the education level they have attained. Managers with a higher educational level bring in more creativity and greater information processing abilities. These managers are better able to draw out implications for various

functions and formulate sub-level strategies. Their education also helps them in dealing with employee resistance to change and facilitates implementing business strategies more smoothly and rapidly (Lombard and Craford, 2005). The competency level of top management also increases with education (Camuffo *et al.*, 2009). Utilizing these competencies and capabilities, top management can take better strategic actions and more readily achieve its intended competitive position. Since a firm does not operate in a closed system and has to interact with the external environment, higher educational qualifications help managers to develop strategic networks and network competence. Further, a highly qualified top management team tends to have a broader, more precise business perspective, and is more risk-taking. Overall flexibility, willingness to change, and intensity of innovation increase as the qualification level of the top management team increases (Datta and Rajagopalan, 2008).

A highly educated top management team is able to effectively handle complex information related to administrative, planning, and budgeting issues. As a result, the magnitude of strategic decisions which they take is also large (Papadakis and Barwise, 2002). Once substantial strategic decisions have been made, implementation of such strategies is also assured. As a result of all these advantages, top management is able to take many strategic actions over a period of time to achieve intended results.

### **2.3.2 Tenure in organization**

The more top management deals with the internal and external environment, the better their ability becomes to predict future scenarios for the business environment. As the top management team's ability to perform strategic competitive reasoning increases

(predicting how competitors will react to the firm's strategy), they are able to formulate and implement more persistent strategies that at least conform to the industry's average. However, top management with longer tenure also may suffer from myopic vision, resulting in such management intentionally not bringing strategic changes into the organization (Smith, 2005). When performance declines and turnaround measures have to be taken, such management is unable to take any strategic actions because they perceive the problems to be uncontrollable. But longer tenure of a top management team is also an indication that they have been accepted by other team members and that cohesion among team members is high (Bantel and Jackson, 2009). Thus, strategic decisions are made faster and with less intense conflicts, and are implemented quickly. With respect to certain particular strategies taken by the firm such as international diversification, tenure of a top management team has been found to play a significant and positive role. On the contrary, it has also been found that longer duration of a top management team leads to a decline in the firm's financial performance. Similarly, in organizations where age diversity was high, human resource policies friendly to age diversity were found to enhance firm performance and promote diverse top management age relationships (Kunze et al., 2013). Thus, it appears that firms first benefit from predictive, competitive reasoning and group cohesion abilities of the top management team, but after a certain point when myopic vision develops, the strategy-taking and implementing abilities of the top management team decline.

Norburn & Birley (2008) posit that the tenure of top management has been found to be negatively associated with a firm's financial performance. This happens because after a certain period of time the top management team becomes more resistant to strategic



change and develops myopic vision. This inflexibility lowers management's risk-taking capability and innovativeness. Furthermore, a longer tenured top management team also tends to attribute an organization's success or failure to external contingencies rather than internal factors (Barker and Patterson, 1996). Thus, they are less likely to diagnose organizational problems, which consequently impact the heterogeneity of their strategic actions. Whereas the average age of team members might affect the level of cognitive ability in a group, the average organizational tenure of team members is more likely to affect their attitudes toward innovation. More tenured executives may have more psychological commitment to the organizational status quo and to organizational values (Smith, 2005). Consequently, change, which is an inherent part of innovation, may be resisted. In addition, long tenure within the same organization may result in insulation and a narrowing of one's perspective (Camuffo *et al.*, 2009). Therefore, as the average organizational tenure of TMT members increases, it is expected to increasingly share a common perception of their firm's strategic decision process.

### **2.3.3 Functional heterogeneity**

The top management team can be considered as a bundle of information and decision making authority. They receive information generated by information systems within the organization; they also have to analyze and interpret information received from environmental scanning. Moreover, the information they receive is unstructured and complex. A team with a diverse functional background is cognitively richer when processing information and making decisions (Jackson, 2002). Since, cognitive diversity of a top management team lessens the team's bounded rationality, they are able to

improve overall firm performance (Kilduff *et al.*, 2000). Diverse functional expertise brings diverse types of social capital, which helps firms in building their global strategic posture (Carpentor and Fredickson, 2001). The firm's propensity to take strategic actions depends on two factors. One is how well they are able to interpret the stimuli; the second is how quickly the team reaches a consensual decision. Stimuli interpretation improves as managers from various functional backgrounds give input. Though there are more conflicts in a heterogenous top management team, at the same time a heterogenous team also facilitates strategic organizational changes that then improve firm performance, though chief executive officer characteristics play an important moderating role in this relationship (Buy *et al.*, 2011).

## **2.4 Top management team heterogeneity Strategy and firm performance linkage**

Market competition for customers, inputs, and capital make organizational performance essential to the survival and success of the modern business. Measuring it is essential in allowing researchers and managers to evaluate the specific actions of firms and managers, where firms stand against their rivals, and how firms evolve and perform over time (Sabina, 2009). According to upper-echelon theory, top management team (TMT) characteristics have important impacts on organizational outcomes because top executives are empowered to make strategic decisions for organizations (Camuffo *et al.*, 2009). The central premise of upper-echelons theory attributes major influence to a firm's leaders, by accounting the fact that executives' experience, values, and personalities greatly influence their interpretations of the situations they face and, in turn, affect their

choices, and decision making. Hence, organizational outcomes, such as strategies and performance, are expected to reflect the characteristics of these leaders.

The heterogeneity in TMT is considered to be a positive force leading to overall organizational performance (Finkelstein & Hambrick, 1996). The imputed logic is that firms require diverse capabilities of executives to formulate and implement strategic decisions. Heterogeneous teams are expected to bring greater variance in creativity, innovation, ideas and, ideologies thus enabling organizations to perform better. Hambrick and Mason (1984) argue that the psychological and cognitive characteristics of the members of the TMT are critical to corporate choices they make on which the performance of the firm largely depends. It is therefore indispensable to examine the link between heterogeneity in the TMT and strategic choices such as mergers and acquisitions and internal innovation. According to Kunze et al., (2013) leadership of a complex organization is shared activities, and the collective cognitions, capabilities, and interactions of the entire TMT enter into strategic behavior. Indeed, at a more practical level, the study of an entire team increases the potential strength of the theory to predict, because the chief executives share tasks and, to some extent, power with other team members.

Jackson et al. (2005), in their paper on diversity in organizations, reviewed and summarized empirical evidence from a number of related disciplines about the link between diversity and team effectiveness. Their reading of the literature is that heterogeneity is positively related to the creativity and the decision-making effectiveness of teams. With

enhanced creativity and innovation due to the generation of greater variance in decision-making alternatives performance of organization is bound to improve. Bantel & Jackson (2009) found that organizational innovations in the banking industry were positively associated with heterogeneity of functional expertise among members of the top management teams of firms in that industry. Watson et al (1993) reported that, over time, initial performance differences between newly formed culturally homogeneous and culturally diverse groups disappeared and eventually “crossed-over,” such that culturally heterogeneous groups that initially performed poorly relative to homogeneous groups later performed better than homogeneous groups on selected aspects of task performance (namely, generating alternative solutions and applying a range of perspectives in analyzing business cases). Bantel and Jackson (2009) concluded that, when solving complex, non-routine problems, groups are more effective when composed of individuals having a variety of skills, knowledge, abilities and perspectives. Further, Schneider (2003) argued that organizational survival in turbulent environments may be aided by attracting, selecting and retaining demographically diverse managers who will later make important strategic decisions.

Heterogeneous groups do have the advantage of enhanced adaptability and greater creativity (Jackson et al. (2005). While heterogeneous groups may contain members whose usefulness is not immediately apparent, thus making them less efficient in handling the current situation, they are more likely to possess within them the skills required if that current situation changes. Heterogeneous groups do generate greater conflict but this can be productive since resolving the conflict can lead the group to new and better solutions

to the problems of environmental adaptation. Thus, the diversity of skills and outlooks characteristic of heterogeneous groups can increase the adaptability of the group. On the other hand, diversity can be disadvantageous to organizational performance, in which, homogeneous top management tends to produce better results as compared to heterogeneous top management (Camuffo *et al.*, 2009). Knight *et al.* (1999) also argues that team performance tends to deteriorate as diversity level increases. For example, diversity has been shown to have negative effects on both group cohesion and the frequency or quantity of communication. In addition, diversity tends to lead to increased conflict within the group and to increased political activity. Hambrick and Mason (1984) argued that differences in TMT's backgrounds may be associated with less strategic consensus and subsequently poorer performance, due in part to decreased communication and increased conflict.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

The chapter describes the proposed research design, the target population, data collection instruments and the techniques for data analysis.

### **3.2 Research design**

Research design can be regarded as a blue print, a master plan that specifies the methods, techniques and procedures for collecting and analyzing the needed information or simply a framework or plan of action for the research (Charmaz 2003). As a set of logical steps taken by the researcher in a study, the research design invariably seeks to answer the research questions (Charmaz 2003). The research design adopted was cross sectional survey design. This choice was determined by three factors, namely, the purpose of the study, the time period over which the data was to be collected and the type of analysis. According to Cohen et al. (2005), a cross-sectional study was one that produces a ‘snapshot’ of a population at a particular point in time.

The main advantage of the cross-sectional research design for this study was that the researcher was able to collect and compare several variables in the study at the same time. In addition, the collection of data was less expensive in terms of time and cost; the researcher was able to secure the cooperation of the respondents since the data was collected at one point in time; and finally, the analysis of the data was done more quickly using statistical software.

### **3.3 Population of study**

A population is a large pool of cases of elements from which the researcher draws a sample and results generalized from the drawn sample (Neuman, 2006). A research study's target population should be clearly defined and the unit of analysis should be identified, which is not easy sometimes. The target population consists of all the units being studied. The unit of analysis was the entity or who is being analyzed.

The population of the study comprised of all level four and five hospitals in Nairobi. According to the Kenya Medical and Practitioners Dentist Board (2014) there are 20 level four and five hospitals operating in Nairobi and all of them participated hence the study was a census. The respondents were the chief executive officers or their deputies in each hospital.

### **3.4 Data collection**

The study used primary data which was collected through self-administered questionnaires. The questionnaires consisted of both open and closed ended questions designed to elicit specific responses for qualitative analysis. The pre-coded ones were to have many tick boxes for respondents to fill in, whereas open questionnaires had a few open questions and spaces for respondents to make responses in their own words.

### **3.5 Data analysis**

The data collected was analyzed using descriptive statistics (measures of central tendency and measures of variations). Once the data was collected, the questionnaires were edited for accuracy, consistency and completeness. However, before final analysis was

performed, data was cleaned to eliminate discrepancies and thereafter, classified on the basis of similarity and then tabulated. The responses were coded into numerical form to facilitate statistical analysis.

Data was analyzed using statistical package for social sciences based on the questionnaires. In particular mean scores, standard deviations, percentages and frequency distribution was used to summarize the responses and to show the magnitude of similarities and differences. Results were presented in tables and charts.



## **CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION**

### **4.1 Introduction**

The research objective was to establish the role of top management team heterogeneity strategy on performance of level four and five hospitals in Nairobi, Kenya. This chapter presents the analysis, findings and discussion. The findings are presented in percentages and frequency distributions, mean and standard deviations. A total of 20 questionnaires were issued out and only 15 were returned. This represented a response rate of 75%.

### **4.2 Demographic Profile**

The demographic information considered in the study was respondents' age bracket, length of service with the hospital, duration of hospital existence and the number of employees in the hospitals.

#### **4.2.1 Respondents Age Bracket**

The respondents were asked to indicate their age bracket and this was important for the study in order to establish the influence of age on performance of level four and five hospitals. The results are presented in table 4.1.

**Table 4. 1: Respondents age bracket**

<b>Age bracket</b>	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative percent</b>
31-40	2	13.3	13.3
41-50	11	73.3	86.6
Over 50	2	13.3	100.0
Total	15	100.0	

The results on the respondents' age bracket indicate that 73.3% of the respondents' age bracket was between 41 and 50 years, 13.3% of the respondents indicated that their age bracket was between 31 and 40 years while another 13.3% of the respondents said that their age bracket was over 50 years. The results indicate that majority of the respondents were above 30 years and therefore they still have many years to retirement thus they need to work in health institutions that would ensure that their interest is taken care off.

#### **4.2.2 Length of service with Hospitals**

The respondents were requested to indicate the length of service with the hospitals. This was important in order to determine the respondents understanding of the hospitals and the effect of top team management on performance. The results were presented in table 4.2.

**Table 4.2: Length of service with Hospitals**

<b>Years</b>	<b>Percent</b>	<b>Cumulative percent</b>
2 – 5	14.3	14.3
6 – 10	42.9	57.2
Over 10	42.9	100.0
Total	100.0	

The results show that 42.9% of the respondents have worked in the level four and five hospitals for a period of between 6 and 10 years, 42.9% of the respondents indicated that they have worked in the hospitals for a period of over 10 years while 14.3% of the respondents said that they have worked in the hospitals for a period of between 2 and 5 years. The results indicate that the respondents have worked in the hospitals on different

period of time and therefore the results captures the views of respondents who have worked in the hospitals on different period of time.

#### 4.2.3 Duration of hospital existence

The respondents were requested to indicate the duration of level four and five hospitals and this was important in order to ascertain the effect that it has had on their performance. The results were presented in table 4.3.

**Table 4. 3: Duration of hospital existence**

<b>Years</b>	<b>Percent</b>	<b>Cumulative percent</b>
Under 5	21.4	21.4
6-10	7.1	28.6
11-15	7.1	35.7
Over 16	64.3	100.0
<b>Total</b>	<b>100.0</b>	

The results indicate that 64.3% of the respondents said that the hospitals have been in existence for over 16 years, 21.4% of the respondents said that the hospitals have been in existence for a period of less than 5 years, 7.1% of the hospitals indicated that they have been in existence for a period of 6 to 10 years while another 7.1% of the respondents said that the hospitals have been in existence for a period of between 11 and 15 years. The results indicate that the hospitals have been in existence for a longer period of time and therefore they understand the value of having heterogeneity management.

#### 4.2.4 Number of Employees in the Hospitals

The number of employees indicates the size of the hospitals and the need to have an effective heterogeneous management in order to achieve improved performance and thus the need for the respondents to indicate the number of employees in their respective hospitals.

**Table 4. 4: Number of Employees in the Hospitals**

<b>Number of employees</b>	<b>Percent</b>	<b>Cumulative percent</b>
Less than 100	14.3	14.3
100 – 499	71.4	85.7
Above 500	14.3	100.0
Total	100.0	

The results on the number of employees in the hospitals indicate that 71.4% of the hospitals have between 100 and 499 employees, 14.3% of the respondents were said to have less than 100 employees while another 14.3% of the respondents indicated that the hospitals have above 500 employees. The results imply that the number of employees in the hospitals varies and this can be attributed to the size of hospitals.

#### 4.3 Top Management Team Heterogeneity Strategy

The heterogeneity in top management team is considered to be a positive force leading to overall organizational performance. The imputed logic is that firms require diverse capabilities of executives to formulate and implement strategic decisions. Heterogeneous teams are expected to bring greater variance in creativity, innovation, ideas, ideologies, thus enabling organizations to perform better. It is as a result of this that the study sought

to establish from the respondents the influence of top team management characteristics on decision making in a five point Likert scale. The range was 'very low extent (1)' to 'very great extent' (5). The scores of very low extent have been taken to represent a variable which had mean score of 0 to 2.5 on the continuous Likert scale; ( $0 \leq S.E < 2.4$ ). The scores of 'moderate' have been taken to represent a variable with a mean score of 2.5 to 3.4 on the continuous Likert scale: ( $2.5 \leq M.E. < 3.4$ ) and the score of both great extent and very great extent have been taken to represent a variable which had a mean score of 3.5 to 5.0 on a continuous Likert scale; ( $3.5 \leq L.E. < 5.0$ ). A standard deviation of  $>0.8$  implies a significant difference on the impact of the variable among respondents.

#### **4.3.1 Top Team Heterogeneity Strategy**

The respondents were requested to indicate the adoption of top team heterogeneity in the hospital and this was important in order to establish the role played by the top management in the hospitals. The results were presented in table 4.5.

**Table 4. 5 Top Team Heterogeneity Strategy**

<b>Top Team Heterogeneity Strategy</b>	Mean	Std. Deviation
Top team diversity generate more alternatives	4.4016	.8351
Better evaluation of alternatives	4.4286	.8516
Better prediction of environmental changes	4.3391	.9408
Top team diversity lead to broader perspectives and a greater amount of information shared, consequently enhancing decision quality	4.3482	.9287
Top management team heterogeneity lead to creativity and innovation	4.5016	.8548
Top team diversity have broader networks and thus, access to resources and diverse stakeholder groups	4.5714	.6462
Top team diversity is able to attract and retain the best talent available	4.3296	.9347
Top team diversity reduces costs due to lower turnover and fewer lawsuits	4.3571	.8419

The findings presented in table 4.5 indicate the distribution of responses on top management team heterogeneity in level four and five hospitals. The findings indicate that the respondents agreed to a great extent that top team heterogeneity strategy have broader networks and thus, access to resources and diverse stakeholder groups (mean = 4.5714); lead to creativity and innovation (mean = 4.5016); better evaluation of alternatives (mean = 4.4286); generate more alternatives (mean = 4.4016); reduces costs due to lower turnover and fewer lawsuits (mean = 4.3571); lead to broader perspectives and a greater amount of information shared, consequently enhancing decision quality (mean = 4.3482); better prediction of environmental changes (mean = 4.3391) and

attraction and retention of best talent available (mean = 4.3296). The results implies that top management heterogeneity was being practiced in the hospitals and it results in access to resources, creativity and innovation, generation and evaluation of alternatives, cost reduction, better prediction of environmental changes and attraction and retention of best talent available.

#### 4.3.2 Influence of educational level on performance

The ability of the managers to discharge their duties in the hospitals depends on the level of education and it is as a result on this that the respondents were requested to indicate the influence of education on performance of hospitals.

**Table 4. 6: Influence of educational level on performance**

<b>Influence of educational level on performance</b>	<b>Mean</b>	<b>Std. Deviation</b>
Top management team have high ability to process information and to discriminate between a wide variety of alternatives	4.5714	.5135
Top management team in the hospital are able to tolerate ambiguity and to show themselves to be more able in complex situations	4.2143	1.0509
Higher educational qualifications help managers to develop strategic networks and network competence	4.3571	.7449
Educationally more diverse teams are better equipped to handle complex decision making situations for their hospitals	4.2294	.7492
Managers with a higher educational level bring in more creativity and greater information processing abilities	4.1943	.9749
Top management team education helps them in dealing with employee resistance to change and facilitates implementing business strategies	4.2356	.9749
Top management team is able to effectively handle complex information related to administrative, planning, and budgeting issues	4.1429	.8314

The results indicate the distribution of responses on the influence of educational level on performance of the hospitals. The results indicate that the respondents were in agreement to a great extent that top management team has high ability to process information and to discriminate between wide varieties of alternatives (mean = 4.5714); help managers to develop strategic networks and network competence (mean = 4.3571); helps in dealing with employee resistance to change and facilitates implementing business strategies (mean 4.2556); better equipped to handle complex decision making situations for their hospitals (mean = 4.2294); able to tolerate ambiguity and to show themselves to be more able in complex situations (mean 4.2143); bring in more creativity and greater information processing abilities (mean = 4.1943) and that they are able to effectively handle complex information related to administrative, planning, and budgeting issues (mean = 4.1429). The results implies that the educational level of top team management assists in processing information, developing strategic networks, dealing with employee resistance to change, handling complex decision making, tolerating ambiguity, more creativity and handling complex decisions.

#### **4.3.3 Influence of Tenure on performance**

The respondents were requested to indicate the influence of top management tenure on performance of the hospitals. This was important to establish the relationship between the duration that the top management has been serving in the hospital management and performance.



**Table 4. 7: Influence of Tenure on performance**

<b>Influence of Tenure on performance</b>	<b>Mean</b>	<b>Std. Deviation</b>
Top management team of the hospital are able to predict future scenarios as they deal with the internal and external environment	4.5183	.6504
The hospital top management are able to formulate and implement more persistent strategies	4.2857	.6967
There is cohesion among top management team in the hospital an indication that they have been accepted by other team members	4.4286	.7559

The findings indicate that the tenure of the top management serving in the hospitals enabled them to predict future scenarios as they deal with the internal and external environment (mean = 4.5183); cohesion among top management team in the hospital an indication that they have been accepted by other team members (mean = 4.4286) and that they were able to formulate and implement more persistent strategies (mean 4.2857). The results indicates that loner duration of top management team serving in the hospitals enables them to predict the future scenarios as they have been accepted by other members as a result of cohesion and that they were able to implement more persistent strategies.

#### **4.3.4 Influence of Functional Heterogeneity on Performance**

Functional background enables the organizations to process information and makes decisions and it is as a result of this that the respondents were requested to indicate the influence of heterogeneity on performance.

**Table 4. 8: Influence of Functional Heterogeneity on Performance**

<b>Influence of Functional Heterogeneity on Performance</b>	<b>Mean</b>	<b>Std. Deviation</b>
The hospital top management is cognitively richer when processing information and making decisions	4.2857	.6904
Diverse functional expertise in the hospital brings diverse types of social capital, which helps firms in building their global strategic posture	4.2619	.8735
Functional diversity will result in quick implementation of strategic plans in the hospital	4.4286	.8516
The hospital top management facilitates strategic organizational changes that then improve firm performance	4.5714	.6462

The results indicate the distribution of responses on the influence of functional heterogeneity on performance of level four and five hospitals. The results indicate that functional heterogeneity facilitates strategic organizational changes that improve firm performance (mean 4.5714); result in quick implementation of strategic plans (mean 4.4286); cognitively richer when processing information and making decisions (mean = 4.2857) and that it brings diverse types of social capital which helps firms in building their global strategic posture (mean 4.2619). The results indicates that the existence of functional heterogeneity among the top management facilitates strategic organizational changes as a result of quick implementation of strategic plans, decision making and building of strategic posture.

#### 4.4 Effect of Top Management Heterogeneity Strategy on Organizational Performance

Top management team (TMT) characteristics have important impacts on organizational outcomes because top executives are empowered to make strategic decisions for organizations. The respondents were requested to indicate the influence of TMT on performance of level four and five hotels.

**Table 4. 9 : Effect of Top Management Heterogeneity Strategy on Organizational Performance**

<b>Top management team heterogeneity strategy and organizational performance</b>	<b>Mean</b>	<b>Std. Deviation</b>
Increased patient satisfaction	3.8571	.7191
Increased speed of responsiveness to patient needs	3.8734	.9527
Increased drugs availability	3.7143	.8531
Patient loyalty	3.6429	.7936
It enhances innovation due to the generation of greater variance in decision-making alternatives	4.2857	.6125
It enhances market understanding and marketing ability	4.0714	.9975
It results in issue-based conflict which in turn enhances greater organizational performance	4.3571	.7495
It results in greater hospital flexibility	4.2143	.8164
It enhances adaptability and greater creativity	4.4927	.6544

The results on the effect of top management heterogeneity on hospitals performance indicates that it enhances adaptability and greater creativity (mean = 4.4927); issue-based conflict which in turn enhances greater organizational performance (mean = 4.3571); enhances innovation due to the generation of greater variance in decision-making alternatives (mean = 4.2857); greater hospital flexibility (mean = 4.2143); market understanding and marketing ability (mean = 4.0714); increased speed of responsiveness to patient needs (mean = 3.8734); increased patient satisfaction (mean 3.8571); increased drugs availability (mean 3.7143) and patient loyalty (mean 3.6429). The results indicate that the performance the hospitals was influenced by top management heterogeneity and this resulted in enhanced adaptability and creativity, innovation, hospital flexibility, market understanding, responsiveness to patient needs thus satisfaction which result in patient loyalty.

#### **4.5 Discussion**

The ultimate objectives of top management team's efforts are to create a competitive advantage and ensure organizational performance. As the top management takes important corporate decisions and sets strategic directions, it is therefore recognized as a key component affecting a firm's performance. Carpenter *et al.*, (2004) posit that leadership diversity is critical to firm financial success as diversity in senior management will help firms to effectively align business strategies with current and future demographic and market trends to achieve organizational growth and profitability. Reece and Brandt (2003) posit that benefits at strategic level are positively related to diverse top management. The presence of the demographic heterogeneity at top management level is expected to increase firm performance. This findings were found to be consistent with the

results of the study which established that TMT in the hospitals resulted in access to resources, creativity and innovation, generation and evaluation of alternatives, cost reduction, better prediction of environmental changes and attraction and retention of best talent available.

The educational level of the top management team influences their decision making and strategic direction pursued by the hospital. The study found out that the educational level of top team management assists in processing information, developing strategic networks, dealing with employee resistance to change, handling complex decision making, tolerating ambiguity, more creativity and handling complex decisions. These results were found to be in tandem with Lombard and Craford (2005) findings that managers with a higher educational level bring in more creativity and greater information processing abilities. Their education also helps them in dealing with employee resistance to change and facilitates implementing business strategies more smoothly and rapidly. Overall flexibility, willingness to change, and intensity of innovation increase as the qualification level of the top management team increases. The tenure of the top management enables them to understand the sector they are operating in and the strategies needed to be pursued in order to improve the performance of the hospital. The study found out that tenure of top management enabled them to predict the future scenarios as they have been accepted by other members as a result of cohesion and that they were able to implement more persistent strategies. These results were found to be consistent with Bantel and Jackson (2009) findings that longer tenure of a top management team is an indication that they have been accepted by other team members

and that cohesion among team members is high. Thus, strategic decisions are made faster and with less intense conflicts, and are implemented quickly.

The study found out that functional heterogeneity in the hospitals resulted in strategic organizational changes as a result of quick implementation of strategic plans, decision making and building of strategic posture. Carpenter and Fredickson (2001) noted that diverse functional expertise brings diverse types of social capital, which helps firms in building their global strategic posture. Heterogenous team also facilitates strategic organizational changes that then improve firm performance. Top management team (TMT) characteristics have important impacts on organizational outcomes because top executives are empowered to make strategic decisions for organizations and this was established from the findings of the study which established that the hospitals performance was influenced by top management heterogeneity through enhanced adaptability and creativity, innovation, hospital flexibility, market understanding, responsiveness to patient needs thus satisfaction which result in patient loyalty. These results were found to be in tandem with Finkelstein & Hambrick (1996) findings that the heterogeneity in TMT is considered to be a positive force leading to overall organizational performance. The imputed logic is that firms require diverse capabilities of executives to formulate and implement strategic decisions. Heterogeneous teams are expected to bring greater variance in creativity, innovation, ideas and, ideologies thus enabling organizations to perform better.

## **CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS**

### **5.1 Introduction**

This chapter gives the summary, conclusion and recommendations of the study. The suggestion for further research was also highlighted.

### **5.2 Summary of Findings**

The ultimate objectives of top management team's efforts are to create a competitive advantage and ensure organizational performance. The study found out that the TMT strategy in the hospitals was being practiced in the level four and five hospitals in order to improve the performance of the hospitals. This was due to the managers having diverse background and therefore they understand the measures that can be put by the hospitals to reduce costs through generation and evaluation of various alternatives that were available. The diverse management was able to predict environmental changes and attract and retain the best talent available in order to achieve competitive advantage over other hospitals. The TMT educational level was found to be paramount in the hospital performance as they are able to process information, handling of complex decisions and development of strategic networks that ensured that the hospitals have adopted the latest technology. The hospitals attend to patients that require different treatment and care and therefore the educational level of management ensures that they are able to handle employee resistance and at the same time be more creative when and handling complex decisions.

The study found out that the tenure of the TMT was essential for the achievement of the level four and five hospitals objectives. The management was found to be able to predict the future scenarios for the hospitals as they want to ensure that the hospitals achieve their desired objectives and set a precedent on the performance of the hospitals when they were in charge. The tenure of the TMT also was established to be an indication of the management acceptance to be in charge of the hospital thus they were able to implement more persistent strategies. Functional background among the TMT enables them to process information and makes decisions that ensured the achievement of the hospitals improved performance. The operating environment of the hospitals has witnessed constant change and therefore in order to achieve competitive advantage, the hospitals management was found to be proactive in the implementation of its strategies in order to build strategic posture. Top management team (TMT) characteristics have important impacts on organizational outcomes because top executives are empowered to make strategic decisions. The study found out that the TMT strategy in the hospitals resulted in improved performance through enhanced adaptability and creativity, innovation, hospital flexibility, market understanding, responsiveness to patient needs thus satisfaction which result in patient loyalty.

### **5.3 Conclusion**

Leadership diversity is critical to firm success as diversity in senior management will help firms to effectively align business strategies with current and future demographic and market trends to achieve organizational growth and performance. The ultimate objectives of top management team's efforts are to create competitive advantages and ensure strong organizational performance. As the top management takes important



corporate decisions and sets strategic directions, it is therefore recognized as a key component affecting a firm's performance.

The level four and five hospitals serve a wider population as a result of being referral hospitals and therefore the implementation of top management team strategy ensures that the hospital is well equipped with the latest machines, drugs and human resource so that the patients are served to their satisfaction. The performance of the hospitals ultimately depends with the top management as it is the driving force behind the hospital flexibility, market understanding and responsiveness to patient needs. By constituting a top management team that is highly qualified and has functional experts from various backgrounds who have moderate tenure in the organization, the hospitals can be assured of abnormal performance arising out of intense activities widely carried throughout the hospitals. In this era where the patients require hospitals that will offer services to their satisfaction, it is vital that top management gears up with intense strategies that it implements in order to achieve its objectives.

#### **5.4 Limitations of the study**

Some limitations or potential weaknesses in this study must be addressed. First, the study involves non-financial sector which comprises of various industries thus, it is quite difficult to maintain homogeneous characteristics within the companies chosen as different industries tend to face different types of challenges. The researcher used questionnaires with closed ended questions to collect data. These types of questions have the disadvantage of limiting the responses whereby the respondent is compelled to answer questions according to the researchers' choice. There are many other factors

which may influence performance of level four and five hospitals but due to time constraint others were not taken for research.

Although the study used multiple data sources to empirically test the relationships among variables, there are still limitations associated with having only one respondent from each hospital. Some may criticize the return rate of this study as too low, and the nature of the sample limits the generalizability of the result. Given the sample size, the research was restricted in the number of independent variables that could be examined simultaneously, thus only limited generalizations about the impact of exogenous contextual variables could be made.

## **5.5 Recommendations**

The findings of the study indicates that the performance of the hospitals was being influence by top team management heterogeneity strategy and therefore the findings was of much help to the Government and other relevant regulatory bodies to come up with policies that ensures that the top management team in the public hospitals was composed of people with different educational background in order to ensure that they are effectively managed to serve the public.

The findings of the study supports the upper echelons theory as it was found out that the performance of the hospitals was being influenced by the top management team. Thus, firm performance was positively impacted by the competitive behaviours at top level of an organization. The effect of TMT heterogeneity on strategic choices and firm performance places a premium on understanding top management team demographic

characteristics and their roles on strategic choices and validates upper echelons theory. The executives of broad functional experience have the specialized knowledge needed to effectively make decisions and the skills, networks, and referent power needed to interact effectively on a TMT.

The findings of the study was of importance to the managers in the hospitals as they understands the importance of TMT and therefore provides the necessary support to the management in order to improve the performance of the hospitals. In order to ensure that TMT functions effectively the managers has to ensure that intensive, face-to-face meetings as a team is established, perhaps coupled with teambuilding exercises. Additionally, increasing the proportion of meetings that are held face-to-face and ensuring that team members communicate with their entire group and not just with some members are some additional steps that could be taken

## **5.6 Suggestions for further research**

The study was undertaken in level four and five hospitals and a similar study should be undertaken in other sectors in order to establish the role of TMT heterogeneity strategy on performance. The measures of background diversity were limited to functional background. However, as we noted earlier, there are a variety of other measures of background diversity; age, gender, and education readily come to mind. Limiting our study to functional diversity clearly simplified our analyses, yet those conducting future research should seek to unpack the sources of diversity, making somewhat different predictions for each where feasible.

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## APPENDIX I: RESEARCH QUESTIONNAIRE

### PART A: Demographic and Respondents Profile

1. Name of the public hospital.....
2. What is your age bracket? (Tick as applicable).
  - a) Under 20 years [ ]
  - b) 21 – 30 years [ ]
  - c) 31 – 40 years [ ]
  - d) 41- 50 years [ ]
  - e) Over 50 years [ ]
3. Length of continuous service with the hospital?
  - a) Less than two years [ ]
  - b) 2-5 years [ ]
  - c) 6- 10 years [ ]
  - d) Over 10 years [ ]
4. For how long has your hospital been in existence?
  - a) Under 5 years [ ]
  - b) 6-10 years [ ]
  - c) 11-15 years [ ]
  - d) Over 16 years [ ]
5. How many employees are there in the hospital?
  - a) Less than 100 ( )
  - b) 100 – 499 ( )
  - e) Above 500 ( )

## Section B: Top Management Team Heterogeneity Strategy

6. To what extent do you agree with the following regarding the adoption of top management team heterogeneity strategy results in the following? Use 1-Strongly disagree, 2-Disagree, 3-Neutral, 4-Agree and 5-Strongly agree.

	<b>Top management team heterogeneity strategy</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1	Top team diversity generate more alternatives					
2	Better evaluation of alternatives					
3	Better prediction of environmental changes					
4	Top team diversity lead to broader perspectives and a greater amount of information shared, consequently enhancing decision quality					
5	Top management team heterogeneity lead to creativity and innovation					
6	Top team diversity have broader networks and thus, access to resources and diverse stakeholder groups					
7	Top team diversity is able to attract and retain the best talent available					
8	Top team diversity reduces costs due to lower turnover and fewer lawsuits					



7. To what extent has the educational level of top managers influence the performance of the hospitals? Use, 1) Very low extent; 2) Low extent; 3) Moderate extent; 4) Great extent; 5) Greater extent

	<b>Educational level</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1	Top management team have high ability to process information and to discriminate between a wide variety of alternatives					
2	Top management team in the hospital are able to tolerate ambiguity and to show themselves to be more able in complex situations					
3	Higher educational qualifications help managers to develop strategic networks and network competence					
4	Educationally more diverse teams are better equipped to handle complex decision making situations for their hospitals					
5	Managers with a higher educational level bring in more creativity and greater information processing abilities					
6	Top management team education helps them in dealing with employee resistance to change and facilitates implementing business strategies					
7	Top management team is able to effectively handle complex information related to administrative, planning, and budgeting issues					

8. To what extent has tenure of top managers influence the performance of your hospital? Use, 1) Very low extent; 2) Low extent; 3) Moderate extent; 4) Great extent; 5) Greater extent

	<b>Tenure in organization</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1	Top management team of the hospital are able to predict future scenarios as they deal with the internal and external environment					
2	The hospital top management are able to formulate and implement more persistent strategies					
3	There is cohesion among top management team in the hospital an indication that they have been accepted by other team members					

9. To what extent has functional heterogeneity strategy influence the performance of your hospital? Use, 1) Very low extent; 2) Low extent; 3) Moderate extent; 4) Great extent; 5) Greater extent

	<b>Functional heterogeneity</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1	The hospital top management is cognitively richer when processing information and making decisions					
2	Diverse functional expertise in the hospital brings diverse types of social capital, which helps firms in building their global strategic posture					
3	Functional diversity will result in quick implementation of strategic plans in the hospital					
4	The hospital top management facilitates strategic organizational changes that then improve firm performance					

10. To what extent has top management heterogeneity strategy influence performance of your hospital? Use, 1) Very low extent; 2) Low extent; 3) Moderate extent; 4) Great extent; 5) Greater extent

<b>Operational Performance</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Increased patient satisfaction					
Increased speed of responsiveness to patient needs					
Increased drugs availability					
Patient loyalty					
It enhances creativity and innovation due to the generation of greater variance in decision-making alternatives					
It enhances market understanding and marketing ability					
It results in issue-based conflict which in turn enhances greater organizational performance					
It results in greater hospital flexibility					
It enhances adaptability and greater creativity					

## **Appendix II: List of Level five private hospitals in Nairobi**

<b>Name</b>	<b>Location</b>
1. Avenue Hospital	Parklands
2. Bristol Park Hospital	Nairobi-Tasia
3. Coptic Church Nursing	Ngong Road, Nairobi
4. Gertrudes Garden Children's Hospital	Muthaiga
5. Guru Nanak Hospital	Pangani
6. Karen Hospital	Karen
7. Mariakani Cottage Hospital	South B
8. Mater Misericordiae Hospital	Industrial Area
9. Metropolitan Hospital	Eastlands
10. MP Shah Hospital	Parklands
11. Nairobi Equator Hospital	Nairobi West
12. Nairobi Hospital	Nairobi
13. Nairobi West Hospital	Nairobi West
14. The Aga khan Hospital	Parklands
15. The Nairobi Women's Hospital-Adams Arcade	Adams Arcade
16. The Nairobi Women's Hospital-Hurlingham	Hurlingham
17. Kenyatta National Hospital	Upper Hill
18. Spinal injury hospital	Lavington
19. Mbagathi district hospital	Kibera
20. Mama Lucy Kibaki Hospital	Embakasi

**(Source: KMPBD)**