

**PRACTICES AND INFLUENCE OF STRATEGIC PLANNING ON THE
ORGANISATIONAL PERFORMANCE OF KENYATTA NATIONAL HOSPITAL**

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DECLARATION

The research project is my original work and has not been submitted for a degree in any other university.

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

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DEDICATION

This research project is dedicated to my loving Annie Gitagia (Wife) and sons (Dr. K. Gitagia, Advocate D. Kimani and D. Nganga) for cheering me on even when am competing against their age mates.

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MAY GOD BLESS YOU ALL

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LIST OF ABBREVIATIONS

C.E.O	-	Chief Executive Officer
COYA	-	Company of the year Award
E.A.C.C.	-	Ethics and Anti-Corruption Commission
I.S.O	-	International Standards Organization for Standardization
I.C.T	-	Information and Communication Technology
K.N.H	-	Kenyatta National Hospital
M.S.E	-	Monitoring & Evaluation
N.H.I.F	-	National Hospital Insurance Fund
O.P.I	-	Organizational Performance Index
OSHE	-	Occupational & Safety Health Environment
PESTLE	-	Political Environmental Social Technological Legal Economic Analysis
SWOT	-	Strength Weaknesses Opportunity Threats Analysis
WHO	-	World Health Organization

ABSTRACT

The main purpose of the study was to determine the Strategic planning practices adopted by Kenyatta National Hospital and how these practices have influenced the performance of the hospital. The findings from this study may particularly be useful in providing additional knowledge to the hospital and other organizations on strategic planning practices adapted so as to remain competitive. The research design that was used in this study was case study. Primary data was collected using interview guide. The researcher interviewed eight (8) managers in the Executive Management Committee of the hospital. The researcher used content analysis to analyse the data through describing phenomena, classifying it and seeing how the concepts interconnect. It is established that Kenyatta National Hospital has a well-founded strategic planning system. The hospital adapted strategic planning from year 2005 and is in the third cycle. The first two strategic plans were based on log frame framework but the third strategic plan (2013-2018) is based on Balance Score Card approach. Strategic planning process of the hospital is participatory which involves consultations with different players in the hospital. However, on the ground, more intense consultations are undertaken by managers and the lower cadres are marginally involved. The hospital has a documented Vision and Mission which are displayed in all offices, open spaces and on all official documents. The same are also on audio recording in the telephone system. The strategic plans are approved by the Board of the Management prior to implementation. The implementation of the strategic plan is spearheaded by the planning department and is cascaded in the hospital through individual managers' performance contracts. Each department is expected to draw its own objectives from the strategic plan. It was however found that the parameters of the performance contracts are not exactly a replica of the strategic plan and this is explained by the fact that such parameters are drawn by the central government and they change every year, whereas the strategic plan has a continuous five years period life. The overall implementation of the strategic plan has over the years been below fifty per cent. The dismal performance can be traced to lack of staff commitment, especially clinical staff, external political interference, poor finance base, low automation and obsolete equipment. Nevertheless, it was found that the performance of the hospital has been positively influenced by strategic planning. From customers and employee satisfaction surveys, it is evident that performance has improved, in spite of uncontrollable factors, the hospital finance base has improved and from the findings the hospital has made great strides during the era of strategic planning more than any other period in the history of the hospital. This then justifies the notion of the study that strategic planning improves organizational performance.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Strategic planning in organisations has been a topic of interest to scholars in strategic management for a very long time (Sije and Ochieng', 2013). This interest stems from the realisation that strategic planning is the backbone of success of a firm's strategy implementation process. Given the application of strategy in virtually all types of organisations, the debate on the process of strategic planning in various types of organisations still continues. According to Johnson and Scholes (1997), strategic planning is the direction and scope of an organisation over the long-term, which achieves the advantage for the organisation through its configuration of resources within a changing environment to meet the needs of the market and to fulfil stakeholder expectations

There are various theories that can be used to explain the process of strategic planning and the importance that this process has on firms. The agency theory is a superior theory that can be used to explain this concept and it is a theory that apply where one individual (the agent) acts on behalf of another (the principal) and is supposed to advance the principal's goals (Judge et al, 1995). The agent therefore advances both the principals' interests and his own interests in the organization. The resource based view on the other hand stipulates that in strategic management the fundamental sources and drivers to firms' competitive advantage and superior organisational performance are mainly associated with the attributes of their resources and capabilities which are valuable and costly-to-copy (Mills et al., 2003). The Resource advantage theory draws on differential advantage theory (Porter, 1985). In this theory, marketplace positions of competitive advantage/disadvantage determine superior/inferior financial performance.

The issue of strategic planning is important to health institutions and especially Kenyatta National Hospital which is a teaching and referral hospital in Kenya. As such, it is important for it to plan its operations which are usually done in the form of 5-year strategic plans. These plans provide a guide on where the hospital needs to be within the five year period.

1.1.1 Strategic Planning

A strategy is a set of activities or processes that an organization intends to use in order to achieve its set goals and aims (Pearce, 2009). Strategic formulation process is therefore a set of processes undertaken in order to develop a range of strategies that will contribute to achieving the organizational direction (Tapinos et al., 2005). This therefore calls for formulation of a coherent document which will guide the efforts of all the stakeholders, outline what the organization is trying to achieve and how it intends to achieve it.

According to Pearce and Robinson (2008), the Strategic Planning process can be depicted as a series of steps; strategy formulation (Company Vision and Mission, Company Objectives and Internal analysis), situation analysis and environmental scanning (Competitor, industry, Market analysis and strategy selection), strategy implementation and strategy evaluation and control. Strategic decisions determine the organizational relations to its external environment, encompass the entire organization, depend on input from all of functional areas in the organization, have direct influences on the administrative and operational activities, and are vitally important to long-term health of an organization (Shirley, 1982).

As much as strategic planning is important, what is of more importance is how it is practiced in the different institutions. It is no wonder to find institutions going for seminars, workshops and even involving consultants to help these institutions to formulate strategies! According to Choo (1992), strategic thinking and decision making are the essence of strategic management and they should be directed to do three fundamental things. First, determining strategic direction and long-term performance of the organization; second, providing a set of managerial decisions; and finally, guiding the priority use of resources and internal managerial decisions.

Institutions can thus be seen to practice strategic planning in some of the following ways: The way they do the situation analysis where they address the question ‘where are we now? How they come up with the mission and vision for the institution, and the question addressed is ‘where do we want to be? What the institution hopes to do to get where they would want to be. This will be addressed by having strategic objectives. Strategies can be formulated in three levels that is; corporate, business and functional level. At corporate level strategies are formulated by the top level management or the board of directors (Yabs, 2010). At business level strategies are formulated by middle level managers for example; human resource manager, marketing manager, production manager among others (Yabs, 2010). Strategic planning at functional level is done by first line managers or supervisors (Sababu, 2007).

1.1.2 Organizational Performance

Performance is the yield or results of activities carried out in relation to the purposes being pursued and to effectively implement the strategic plan, management must know if the plan’s goals are being achieved on time and with the allocated resources. Performance

can only be managed if it can be accurately measured. According to Aguilar (cited by Ilesanmi, 2011) the problem in most companies is not a lack of measures, but a lack of focused and effective measures. The challenges in selecting the right measures include choosing the right leading and lagging indicators, benchmarking (entails feedback control, identifying gaps and putting strategies in place to fill the gaps) against competitors, balancing financial and non-financial measures, and using an appropriate number of measures. According to Brown (1996), performance measures must focus attention on what makes, identifies and communicates the drives of success, support organization learning and provides a basis for assessment and rewards. On the other hand, West and Fair (1996), define performance as a function of an organization's ability to meet its goals and objectives by exploiting the available resources in an efficient and effective way.

Performance measures at best -practice companies tend to be few and focused and have clearly defined targets. Most companies focus almost entirely on financial measures, but that approach results in a one-dimensional view of performance. Therefore, best-practice companies use a variety of measures, including people measures (Ilesanmi, 2011). Once appropriate measures are in place, managers can receive the specific information they need in electronic form in a concise format. If they want more information about a particular measure, they can simply drill down for greater details. Agreed-upon measures help managers take actions that are directly related to achieving the company's strategies. Such measures also show senior management where the best results are coming from so that success can be recognised and rewarded (Ilesanmi, 2011).

Performance encompasses three specific areas of firm outcomes: (1) financial performance (profits, return on assets, return on investment, etc.); (2) market performance (sales, market share, etc.); and (3) shareholder return (total shareholder return, economic value added, etc.) (Divenney et al., 2008). Performance is the ultimate dependent variable of interest for those concerned with just about any area of management: accounting is concerned with measuring performance; marketing with customer satisfaction and market share; operations management with productivity and cost of operations, organizational behaviour with employee satisfaction and structural efficiency; and finance with capital market response to all of the above. Performance is so common in organizational research that it is rarely explicitly considered or justified; instead it is treated as a seemingly unquestionable assumption (Devinney et al., 2005). The multidimensionality of performance covers the many ways in which organizations can be successful; the domain of which is arguably as large as the many ways in which organizations operate and interact with their environment. The financial performance of a hospital can be measured through its financial performance (surplus/deficits) or the number of patients admitted and treated.

1.1.3 The Health Sector in Kenya

The health sector comprises the public system, with major players including the Ministry of Health (MOH) and public organisations, and the private sector, which includes private for-profit, Non-Governmental Organisations (NGO), and Faith Based Organisation (FBO) facilities. Health services are provided through a network of over 4,700 health facilities countrywide, with the public sector system accounting for about 51 percent of these facilities. The Government's three-pillar Vision 2030 and the Second Medium

Term Plan (2014-2018) aim to deliver amongst others, accelerated and inclusive economic growth, higher living standards, better education and health care, and through which Kenya aims to attain the Millennium Development Goals (MDGs). The Kenya Health Policy (2014-2030) defines the country's long term intent in health. The overall objective of this policy will be to attain universal coverage with critical services that positively contribute to the realization of the overall policy goal. The target of the policy is to attain a level and distribution of health at a level commensurate with that of a middle income country, with specific impact targets of attaining a 16% improvement in life expectancy; a 50% reduction in annual mortality from all causes; and a 25% reduction in time spent in ill health. (Ministry of Health, 2014)

The Right to Health for every Kenyan is affirmed through a recent comprehensive Bill of Rights (chapter 10 of the Kenya constitution 2010). Governance structures fundamentally changed from a previously centralized structure to a two-tier system comprising the National Government and 47 devolved County Governments. The counties are the units of service delivery and resource allocation. These orientations require restructuring of health governance and healthcare delivery systems to align with the Constitution. Notable challenges exist in coordinated epidemic preparedness and response, communication, skills distribution and management of human resources for health, financing of health for universal coverage, partnerships framework and instruments for an effective devolved health system (KPMG, 2014).

1.1.4 Kenyatta National Hospital

Kenyatta National Hospital was established in 1901 with 45 beds and named the native Hospital. The hospital was renamed Kenyatta National Hospital in 1964 after attainment of Kenya's Independence and was directly managed by the Ministry of Health until when it gained semi autonomy through a presidential order which established it as a state corporation through legal notice 109 of 1987. Currently the hospital has a workforce of 4,100 full time employees who are also reinforced by the University of Nairobi doctors and post graduate students. It serves as a referral teaching hospital for the University of Nairobi and the Kenya Medical Training Institute (Kenyatta National Hospital Strategic Plan,2013).

Since its inception the hospital has operated under the management umbrella of the Government of Kenya. As in other Government managed facilities the hospital was a victim of widespread mismanagement and runaway corruption. In 1991, the government placed the hospital under the management of a team of expatriates with the aim of improving the financial and administrative skills of the local staff. A British expatriate, took over the running of the hospital with the Kenyan Director as a counterpart. This initiative was met with concerted resistance from clinicians and other local staff. The effort failed and expatriate team replaced by a Kenyan Professor in 1992 who remarkably turned around the hospital and regained its position as the leading referral and learning hospital in East and Central Africa. The reformist director though able to transform the hospital, did not pursue any known strategic change management model to ensure sustained competitive advantage (Meme, et al,1996).The subsequent appointment of new managers on departure of the transformative leader saw the hospital resume its downward

trend in terms of customer service and revenue generation. According to hospital strategic plan (2003) there has been many challenges that in the past have made the delivery of the core mandate the major challenge coupled with inadequate funding, shortage of human skills and expanding number of patients (Kenyatta National Hospital Strategic Plan, 2003).

In year 2005, the hospital adopted Strategic Management Practice in line with public sector reforms and institutional capacity building policy as a panacea for success and sustainability (Ntimama, 2005). This was expected to improve performance and also entrench strategic thinking in the hospital. The objective of this study was to establish the strategic planning practices adapted in the hospital and ascertain how these practices have influenced performance in the provision of health care by the hospital.

1.2 Research problem

Strategic plans are important for all organisations. The process of strategic planning is one that has been examined by various scholars as it is usually different from one institution to another and is riddled with several challenges too (Pearce, 2009). Many scholars agree that a strategic plan needs to be simple, realistic and neither too ambitious nor insufficiently demanding (Leggate and Thompson, 1997; Aldehyyat et al. 2011). It should allow some degree of flexibility to fit with the changing environment. Mintzberg (1994) adds another perspective by highlighting the danger of planning in that it assumes the world will stop while managers wait to plan and implement strategies. This explains why a strategic plan should be made in a way that it is flexible to accommodate environmental changes. .

Kenyatta National Hospital is at the apex of health care delivery in Kenya. It offers specialised medical care in Kenya and as well as training centre for the University of Nairobi. The hospital faces many challenges in the de[livery of its core services in performance including financial constraints, obsolete equipment, inadequate human resource and corruption the hospital in line with the government policy has adapted strategic planning in the management of its operations (Matheka , 2014). The goal of adapting strategic thinking is to improve performance through focusing on customers, competitiveness, quality as well as internal capabilities and resources (Otungu, 2011).

There are numerous studies that have been done in Kenya on strategic planning practices and performance in various sectors. Awino, et al (2012) found that there were positive and significant relationship between strategic planning and performance in the banking industry. Kathama (2012) found that though strategic planning has a positive impact in state corporations that impact was not significant. Bulle (2012) showed that strategic planning is positively related to financial performance in the Information Communication Technology industry. Given the importance health sector in Kenya, there is need to undertake a diagnostic study to document how strategic planning is practiced in the hospital as well as whether such practices had any influence on performance. This study therefore fills in the gap in literature by addressing the following questions: What strategic planning practices were adopted by Kenyatta National Hospital? What was the influence of strategic planning on the organizational performance of Kenyatta National Hospital?

1.3 Research Objectives

The objectives of this study are:

- i) To establish the strategic planning practices adapted by Kenyatta National Hospital.
- ii) To determine the influence of strategic planning on the organisational performance of Kenyatta National Hospital.

1.4 Value of the Study

First, this study will add onto the growing literature on strategic management in health institutions and specifically in Kenyatta National Hospital by providing evidence of how they formulate their strategic plans and the potential impact of such plans on their performance. This will be important for strategic management in expanding the knowledge about strategic planning process in health institutions. The findings of this study was useful to the management of this hospital as they provide information on how well entrenched is strategic thinking in the hospital and also avail findings that will help in improving overall performance of the hospital.

Secondly, the findings of this study is important to hospital in Kenya as the hospital management can use the results of this study as a guide on the process they should undergo to formulate their strategic plans. Thus, hospitals in other parts of the country will understand the process of strategic planning and the likely influence of these plans on their performance. These findings will assist other hospital policy, makers to adapt better strategy planning practices and ensure policy direction on proper strategy implementation. Through Kenyatta National Hospital experience other hospitals will learn of the challenges of strategic implementation and how to overcome them.

The Government of Kenya through the Ministry of Health will be guided on what challenges hospitals face while they formulate their strategic plans. This will be important in guiding the ministry on policy initiatives to help streamline the formulation of strategic plans for hospitals in Kenya and also help the government formulate effective strategies that will maximise performance level.

Lastly scholars, students and other researchers may also find the study helpful to identify further areas of research based on the findings of this research. The study may be a source of reference for future researchers on other related topics; it may also help scholars who undertake the same topic in their studies. The study may also highlight other important relationships that require further research; this may be in the areas of relationships between strategic planning practices and organizational performance.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents the theoretical foundation of the study which is the Agency theory, Resource Based View theory, and the Resource advantage theory. The chapter also deals with the influence of strategic planning practices and organisational performance and finally a review of empirical studies conducted on strategic planning and organisational performance in Kenya.

2.2 Theoretical Foundation of the Study

A theoretical literature is provided in this section in order to critically understand the concepts used in the study. The major concepts in this study are strategic planning and performance. The section also reviews three theories, thus, agency theory that highlight the relationship between the individuals (management-agent) and the stakeholders (the principal) and how their diverse interests can be balanced; the Resource based theory highlights the need to fit between the external market context in which the company operates and its internal capabilities ; the Resource Advantage theory highlights the heterogeneous nature of intra industry demand and the need for different market offerings for different market segments in the same industry.

2.2.1 The Agency Theory

Agency theory is a management approach where one individual (the agent) acts on behalf of another (the principal) and is supposed to advance the principal's goals (Judge et al 1995). The agent therefore advances both the principals' interests and his own interests in the organization. A balance of these interests should be merged in order to arrive at the

corporate objectives of the organization through the agent because he/she is in charge of the vast resources of the organization. Laffort and Martimost (2002) contends that the agency theory of strategic Management is so crucial since the action chosen by a particular individual (the agent) affects not only one, but several other parties (the principals). Hence, the agents' role in strategic formulation and the overall strategic management process cannot be underestimated.

The relationship between the agent and the principle is established when the shareholders employ the management team. There should be a proper synergy between the management and stakeholders in order to work towards a common goal. In the case of Kenyatta National Hospital; it was established that the major stakeholder is the government of Kenya who is the principle owner and the agency is represented by the board of management and the top management.

The Agency theory was relevant to the current studies due to the fact that it proved to be superior to any other theory when it comes to strategy implementation hierarchy. According to Otungu et al (2011), at each level of the strategic formulation hierarchy, there has to be an agent charged with the responsibility of representing other stakeholders at other levels. It is therefore prudent to note that there should be synergy using the Agency theory and proper understanding between the principal and the Agent for the organization to achieve its objectives efficiently and effectively.

It is against this background that this study endeavoured to show the relationship between strategic formulation and implementation to the performance by the top management of Kenyatta National Hospital. Secondly, the theory was used to analyse the board input and the management implementation. Thus the agency theory was embraced particularly at the strategy formulation level and generally to the overall process in order to enhance the performance of hospitals.

2.2.2 Resource-Based Theory

The resource-based view (RBV) is an economic tool used to determine the strategic resources available to a firm. According to Buunys (1991), the resource-based view is grounded in the perspective that a firm's internal environment, in terms of its resources and capabilities, is more critical to the determination of strategic action than is the external environment. Instead of focusing on the accumulation of resources necessary to implement the strategy dictated by conditions and constraints in the external environment, the resource-based view suggests that a firm's unique resources and capabilities provide the basis for a strategy. The business strategy chosen should allow the firm to best exploit its core competencies relative to opportunities in the external environment. This theory did not fully explain the dismal performance of Kenyatta National Hospital given that it has adequate resources provided by the Government of Kenya. These resources include high level skills and financial endowments.

2.2.3 Resource Advantage Theory

Resource advantage theory draws on marketing's heterogeneous demand theory (Alderson, 1965). This theory holds that, because intra-industry demand is significantly heterogeneous, different market offerings are required for different market segments in the same industry. Resource advantage theory draws on differential advantage theory (Porter, 1985). In this theory, marketplace positions of competitive advantage/disadvantage determine superior/inferior financial performance. In non-profit making government entities, this theory failed to fully apply due to lack of independence in the market place and particularly in the public health sector where resources are scarce and the customers fall in the low income bracket and hence the market competitiveness cannot be measured in economic terms.

2.3 Strategic Planning Practices and Organizational Performance

There are many reasons cited by organisations when adopting strategic planning and the most commonly is to enhance organizational performance (Hahn and Powers, 1999 and Schneider and De Meyer, 1991). Organisational strategic plans provide an operational framework that allows the organization to enjoy distinct competitive advantages in the industries they operate in (Porter, 1997).

According to Johnson (1987), the other rationale for developing strategic plans is to provide staff members with the blue print on the direction and focus the organisation is intending to take within a determined future. Researches show that organizations practice strategic planning in the way they do the situation analysis where they address the question of where are, where we intend to be , how do we get there, and by when and what means? As much as the strategic planning practices are quite clear and specific, there is no one clear way advocated by scholars on how institutions should go about in conducting or practicing its strategic planning. Different authors and scholars have advanced that strategies can form implicitly as well as be formulated explicitly (Mintzberg 1993 and Johnson and Scholes 1997).

Organizations might also develop strategic plans to comply with their financiers and other statutory institutions. For example, a business with a relatively short financial track record might need a line of credit to fund future growth. The lending institution could, and probably would, require some type of business plan or strategic plan from this organization to protect the interests of the financier. To achieve improvement in performance, however, strategic plans must move beyond incremental improvements embodied in plans of the past to evoke revolutionary change within organizations (Hamel, 1996, Porter, 1997 and Slywotzky et al., 1999).

Kaissi, Begun and Welson (2008), surveyed a sample of 138 Chief Executive Officers (CEOs) of hospitals in the state of Texas about strategic planning in their organizations and collected financial information on the hospitals for 2003. Among the sample hospitals, 87 percent reported having a strategic plan and most reported that they followed a variety of common practices recommended for strategic planning; having a comprehensive plan, involving physicians, involving the board and implementing the plan. About one-half of the hospitals assigned responsibility for the plan to the CEO.

According to Roach and Allen (1983), the strategic planning practice is the product of the best minds inside and outside the corporation. The process considers future implications of current decisions, adjusts plans to the emerging organisation environment, manages the business analytically and links, directs and controls complex enterprises through a practical, working management system.

Studies have been conducted to bring out the relationship between strategic planning and performance. Armstrong (1982) analysed 14 studies which supported the idea that formal planning positively impacted on performance. Sarason & Tegarden (2003) focused on the configuration theory and firm's resource based view to understand the relationship between strategic planning and the firm's performance. Their findings also provide partial support for a positive relationship between strategic planning and performance. However, they concluded that this relationship is moderated by organizational stage of development and that it is beneficial to early stage firms. The underlying premise for these conclusions are based on the development competitive advantages provided by the structure and the future thinking incorporated into the strategic process and the non-sustainability and erosion of these advantages in late stage firms, whose processes are more prone to imitation.

2.4 Empirical Studies

Awino, et al (2012) investigated the influence of strategic planning and planning outcomes on bank performance. The study found that there were positive and significant relationship between strategic planning and firm's performance. This study is significant since it has contributed immensely to the body of knowledge more specifically in strategic planning where key variables of the study have been linked individually to organizational performance. The major deviation with the present study is its focus on the banking industry while the present study focuses on the health industry. These industries differ in their operations and therefore could provide different results as far as the relationship are concerned.

Kathama (2012) investigated the relationship between strategic planning practices and performance of state corporations in Kenya. The study found that state corporations adopted a number of strategic planning practices that had a positive impact on performance of corporations but the impact was not significant at 5% level of confidence. The study therefore failed to establish a significant effect of strategic planning on firm performance though the model was fit at the same level of confidence. This may suggest that some of the practices could have shown significant impact had the researcher modelled the strategic planning practices individually rather than lump all the practices together into one variable while running the regression model.

Muriuki (2010) examined the relationship between strategic planning practices and performance of commercial banks in Kenya. The study found that strategic planning practice has a positive correction with performance. The major weakness of this study was the reliance of correlation analysis to detect the relationship between strategic

planning and performance instead of more rigorous statistical analyses like regression analysis. The study did not report whether the relationships were even significant or not hence the results cannot be relied upon as robust.

Bulle (2012) conducted a survey within the ICT sector to determine the relationship between strategic planning and financial performance. The results showed that strategic planning is positively related to firm financial performance. The significance of this study is the finding that strategic planning practices were to a great extent established amongst the ICT firms, beating the logic that firms within rapidly changing environment do not have time for formal and planned approaches to strategy.

Mukokho (2010) examined the influence of strategic planning on the performance of the University of Nairobi. The study found and concluded that strategic planning had a positive effect on the performance of the university on a number of performance measures such as compliance with set budgetary levels, events within the UoN being open to public, work environment, implementation of service delivery charter, research innovation and technology and outreach and extension activities/programmes. The major weakness of this study is in its data analysis as it concludes the existence of relationships based on descriptive analysis and more specifically mean scores. Since the study intended to examine relationships, more correlation analyses needed to be employed which was not the case. The results are therefore not reliable.

Riungu (2008) sought to evaluate the impact of strategic changes to the performance of the Co-operative bank of Kenya. The study found that strategic management practices had an impact on performance as proxies by sales, profit before tax, and return on equity has also increased following adoption of strategic planning. However, this study makes a grave mistake in its findings by assuming a relationship exists without even attempting to

do so. No attempt was ever made to link performance measures in the study to the strategic management variables and hence the study is flawed. This must be corrected by performing rigorous studies to discern if relationships exist.

Arasa,et al (2011) examined the influence of employee participation on the expected relationship between strategic planning and strategic planning outcomes. The study was carried out within the insurance sector. A structured questionnaire was used to gather the required data from 31 firms. Study findings revealed that employee participation does influence the strength of the relationship between strategic planning and strategic planning outcomes and this influence was statistically significant. This study is important as it shows the moderating effect of employee participation on the relationship between strategic planning and firm performance.

Ong'ayo (2012) sought to establish the employee's perception on the influence of strategic planning on organizational performance in the Ministry of Foreign Affairs. The study found that the employees perceived strategic planning to have led to achievement of various performance measures such as customer satisfaction, customer loyalty, among others. The major flaw of the study is its perceptual perspective and the reliance on mean scores to arrive at the conclusions on the relationship between performance and strategic planning. Secondly, the study focuses on the Ministry of Foreign Affairs and the results cannot therefore be generalised to the health industry.

Odundo (2012) examined the moderating effect of environmental context on the relationship between level of implementation of strategic plans and performance of state corporations in Kenya. The study revealed that for commercial state corporations, political goodwill and support has a significant effect on the relationship between the extent of implementation of strategic plans and their financial performance on the one

hand, and their effectiveness on the other hand. Policy framework did not moderate the relationship between the extent of implementation of strategic plans and the financial performance of commercial state corporations, but had a significant effect on the relationship between their extent of implementation of strategic plans and efficiency. Both dimensions of environmental context did not moderate the relationship between the extent of implementation of strategic plans and effectiveness of either commercial or non-commercial state corporations. This study provides empirical evidence to support the theory that effective strategic planning and implementation, within a positive environment of political goodwill and support, leads to higher performance.

The empirical review has established that there is a lot of inconsistencies are regards the findings of studies that have related strategic planning to firm performance. Some studies found that strategic planning influence firm performance – others noted that the relationship was positive while others found negative correlations. There are also studies that found no relationship at all. These inconsistencies need to be addressed. Generally, most studies have shown that there is superior financial performance for firms that carry out strategic planning than the firms that don't.

While studies have been done on strategy and performance relationship, there are a few studies available on the effect of strategic planning on performance from a Kenyan context. The studies that have tried to study the same have focused on other industries and not the health sector. Some of those studies have also been qualitative while some of the quantitative ones did not use rigorous data analysis methods to establish the relationships relying more on descriptive statistics or correlation analysis. Therefore, there is a gap that needs to be filled and the present study seeks to fill this gap by studying the effect of strategic planning on the performance of Kenyatta National Hospital.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents methods used to collect research data for the study. It identifies the research design as well as the data collection tools used in the study. The chapter also elaborates the data analysis method used in the study.

3.2 Research Design

Hartley (2004) states that research design is the argument for the logical steps which will be taken to link the research question(s) and issues to data collection, analysis and interpretation in a convenient way.

This research was in the form of a case study on practices and influence of strategic planning on the organisational performance of Kenyatta National Hospital. According to Yin (2003) the distinctive need for case studies arises out of the desire to understand complex social phenomena because it allows investigators to retain holistic and meaningful characteristics of real life events such as organisational and management process. A case study was preferred because it gives in-depth information about the subject of study.

3.3 Data Collection

This study used primary data which was collected by way of an interview guide. An interview guide is a set of research instruments consisting of a series of questions to be asked for purpose of gathering information from interviewees. The interview guide was more appropriate as it allowed the researcher to undertake in-depth probing of the

research questions as well as restrict the interviewee on information to provide. The interview guide covered the strategic planning practices adopted by Kenyatta National Hospital. It also included the influence of strategic planning on the performance of the Hospital. The guide was administered by the researcher himself. Members of the executive management team who are directly concerned with strategy formulation and implementation were interviewed. These included heads of departments and top managers.

The interview guide consisted of three parts: Section A, covering the Bio data of the interviewee while section B, covered the strategic planning practices of the hospital and section C, covered questions on the influence of strategic planning in the performance of the hospital. The interview guide was administered to eight (8) line managers who are involved in the strategic formulation, implementation and evaluation process. The respondents were targeted since they were able to provide reliable information for the case study. This gave representative information about the performance of the hospital.

According to Adanza (1995) the advantages of interview guides include; they are practical, Can be carried out by the researcher or by any number of people with limited affect to its validity and reliability, the results of the interview guides can usually be quickly and easily quantified by either a researcher or through the use of a software package, can be analyzed more 'scientifically' and objectively than other forms of research. When data has been quantified, it can be used to compare and contrast other research and may be used to measure change.

3.4 Data Analysis

The data collected in this study was qualitative in nature and hence the data analysis method was by way of content analysis. According to Titscher et al (2000) content analysis is the largest established method of text analysis among the set of empirical methods of social investigation. It is the study of recorded communications. Content analysis gave a description of the collected data as explained by the interviewees. It was preferred because it gave results that were predictable, directed and comprehensive. The researcher was able to sift through large volumes of data with relative ease in a systematic fashion, Wahome (2009)

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the findings and analysis of the study established from the questionnaire in determining the practices of strategic plan and the extent at which strategic planning has influenced the performance of Kenyatta national hospital. Content analysis was used in this study and results have been grouped into similar themes for ease of interpretation. The chapter also explains the findings in comparison with relevant literature as established by other authors in the same field of study.

4.2 General Information

The respondents comprised of the Executive management committee members of the hospital. The researcher interviewed eight respondents as intended in the research design. This included Managers from planning, finance, information system, nursing, human resource, patient affairs and clinical. The respondents have worked in the hospital for over ten years and have valuable knowledge on strategic planning practices and have participated in at least two cycles of the strategic planning formulation and implementation. It however emerged that the main respondents were the managers in the planning department. All other respondents would refer the researcher to the main respondents for validation of the information they provided.

The respondents were found to be well conversant with the operations of the hospital and also very knowledgeable on the subject matter of research and so very useful to realization of research objectives.

4.3 Strategic Planning Practices in Kenyatta National Hospital

The study sought to determine the strategic practices employed at the Kenyatta national hospital. The hospital has adopted a formal Strategic Planning process where the Vision, Mission, environmental analysis and choice of strategy are done at the managerial level but led by the Chief Executive Officer. The present and past Strategic Plans have been anchored to Kenya Vision 2030, Kenya Health Policy 2012 – 2030 and the Kenya Health Sector Strategic and investment Plan (2012-2017 among other policy frameworks).

The Chief Executive Officer chairs the meetings to formulate the Vision and Mission. Environmental analysis is undertaken in a managers meeting after the Planning department has collected data necessary for SWOT, PESTLE and stakeholders analysis. This data is usually compiled from Publications, Government reports and from internal planning meetings.

Kenyatta National Hospital Strategic Plan has a life of five (5) years after which the top Management sits again to set strategy for the subsequent five years. The present balance score card Strategic Plan 2013-2018 has been undertaken using a more extensive participatory approach. It entailed consultations and interviews with staff, management, the Board of Directors and external stakeholders. The methodology included administering of questionnaires to all staff, literature review, focus group discussions, pre and post workshop reviews, strategic planning and validation workshops and stakeholders consultations. The implementation of the Balance Score card Strategic Plan has been cascaded through a four tier framework comprising, Corporate Scorecard, Departmental/Unit Scorecard and Employee Scorecard. The framework makes strategy actionable by departments and down to employees in an effort to make strategy every employee's concern.

4.3.1 Documented Mission and Vision statements

The study sought to establish whether the hospital has a documented Vision and Mission Statements. According to Chambers (2003), Vision Statement is the inspiration and the framework for all Strategic Planning. It was established that the hospital has a clearly stated and documented vision which is “ a world class patient centred specialized care hospital and the mission is “To optimize patient experience through innovative healthcare, facilitate training and research and participate in formulation of National health policy”. The study established that the vision is a product of wide consultation and participation by all hospital stakeholders whereas the mission is derived from the legal notice that establishes the hospital as a semi-independent government body in 1987. The vision and mission of the hospital are displayed in all departments and also must be reflected in official letterheads, logs and stationery and any portable official document. The staffs are expected to memorize both statements.

Further it was established that all departments are required to formulate own departmental visions and missions that are aligned to the corporate vision and mission. The vision and mission statements are reviewed after every five (5) years. According to Chambers (2003), it's established that by constantly reviewing the Vision, it reminds the staff on what they are building.

4.3.2 Hospital Alignment with Vision and Mission statements

The study sought to determine how the hospital aligns itself to its vision and mission. The findings were that, for effective alignment, the vision and mission of the hospital are translated into measurable objectives and performance targets through the use of Corporate Annual Operational Plan. To achieve these objectives the corporate objectives are cascaded to departments where departmental annual plans are created and implemented. The Balanced scorecard and performance appraisal are used in the hospital

for performance evaluation. This practice is supported by Sababu (2007) by stating that “crafting and implement strategy should be core to every business and include all functional areas within the business.

Effective implementation and execution of the Vision is achieved through performance contracting where all hospital managers sign for annual performance targets. These targets are cascaded further down to include all members of the staff. The hospital has adopted various quality models to ensure that world class standards are achieved. The hospital has acquired ISO certifications and is in the process of acquiring international accreditations.

4.3.3 Strategic Planning Practices used in Kenyatta National Hospital

The study sought to determine how various strategic planning practices are used in formulation, implementation and monitoring of Strategic Plan.

4.3.3.1 Establishing a Vision

All respondents having participated in strategic planning over a span of more than ten (10) years stated that the vision of the hospital is acceptable to all as it is crafted through in-depth consultative meetings and many brain storming sessions within the hospital and its reviewed every five (5) years.

4.3.3.2 Establishing a Mission

The mission of the hospital is derived from the legal notice number 10 of 1987 that established the hospital. The legal notice stipulates the business of the hospital and thus clarifies the mandate against which the limits of operations are set. According to David (2009), a mission is a primary guidance in creating plans, strategies in making daily decisions. It is an important communication tool that conveys information about organizations products, services, targeted customers, geographic markets, philosophies, values and plans for future growth to all of its stakeholders.

The mission of the hospital is not reviewable as it is anchored in law. Though limiting the spirit of the mission was to maintain the Social Welfare function of the hospital Again the Mission directly ties the hospital to university of Nairobi and other institutions with differing vision and mission.

4.3.3.3 Developing of Key Strategies

Key strategies of the hospital are developed through brainstorming by the hospital's board and top management. These are translated to strategic objectives that are incorporated in the strategic plans. Key activities and result areas are identified and these forms the basis of performance contracts to be signed by all employees across the hospital. The current strategic plan has four strategic themes namely clinical outcomes, enabling infrastructure, process and systems, empowerment committed human resource and financial sustainability.

4.3.3.4 Establishing of Strategic Goals

According to respondents, the hospital strategic goals are derived from strategic objectives. In the strategic planning process, then hospital identified four objectives on core business and then the strategic management team embarked on an extensive research to ascertain the capabilities of the hospital to achieve the objectives in terms of human, physical and financial resources against for expected time of delivery. If resources are not adequate or the time required to fulfil the goal is unrealistic extend, the goal is dropped.

4.3.3.5 Establishing Core Values

The hospital establishes core values after intensive participation by all stakeholders. This is through staff forums, hospital wide meetings, use of questionnaires and suggestion boxes to receive views from staff. The hospital is also guided by the values entrenched in chapter six (6) of the new Kenya constitution. A list of values is developed and then

reviewed to see how values group and overlap. The strategic Management team then captures the revised values list as an important building block for future planning, goal setting and decision making activities. The hospital has six core values which are customer focus, professionalism & integrity, teamwork, Equity and Equality, employee empowerment and environment safety.

4.3.3.6 Communication of Vision, Mission, Key Policies

The hospital communicates its Vision, Mission and Key Policies through different channels. First on adopting of the Strategic Plan, copies are reproduced for all members of staff. A newspaper supplement is also procured in leading newspapers to announce the launch of the Plan. Internally the Vision, Mission and Core values are reproduced in print and displayed in all offices and strategic places in the hospital. Other forums of communication are staff meetings and open forums. The hospital has a well-qualified quality Assurance department that ensures that the Strategic Plan is implemented through creation of standard operating procedures and audits.

4.3.3.7 Development of Short Term & Long Term Goals

Further the respondents were asked to state how short and long term operational goals are developed, it was established that, to operationalize the strategic plan, corporate annual operation plan is crafted which is the basis of long term goals. The annual operational plan is then cascaded downward to all departments where departmental plans are developed for short term operational goals. This is further cascaded into performance contracts and used in staff performance evaluation.

4.3.3.8 Monitoring and Evaluation

For Monitoring and Evaluation majority of the respondents cited that weekly, monthly, quarterly and annual reports are used for implementation, monitoring and for taking of corrective actions. Annual budgets are also used for monitoring performance. The study

found that all departments have specific performance contracts and annual work plans that clearly measure compliance to Strategic Plan.

The hospital under the new Balanced Scorecard approach has introduced a monitoring and evaluation (M&E) system that will enable the hospital to identify and manage gaps in implementation. The Balance Scorecard and strategy maps will be used for strategy execution in order to effectively communicate and monitor the achievement of strategic objectives.

4.3.3.9 Corrective Action Review and Addressing Gaps

The hospital uses quarterly reports to identify performance gaps. Each department is required to submit monthly reports to show progress in meeting the agreed targets. The reports are then combined into quarterly reports where the Planning department reviews all quarterly reports and advices the departments on variances. The department recommends corrective action to be taken to meet the targets. In extreme cases the Board of management is called upon to intervene by way of additional budget allocations or some structural changes. There is however no reward and sanctions policy in place to reinforce performance.

4.3.4 Strategic Planning Process in the Hospital

The study determined that the hospital has a five step process that covers formulation, implementation, evaluation and control. The process is dependent on what stage of the Strategic Planning the hospital is, at that moment. The process can be designed for a completely new Strategic Plan or for a review of the existing Strategic Plan after the five year period. Strategic management process is concerned with the optimum attainment of organizational goals and objectives with and through other people (Waldion,1994). Poister and streib (2005), stress further that Strategic Planning processes enable the organization to adapt successfully to the ever changing business and corporate

environment. The first step is to decide whether to undertake Strategic Planning. If the decision is positive then efforts are employed to make sure senior management is committed to Strategic Planning. A hospital wide strategic Planning Committee is then formed to steer the process. It is this team that designs the strategic Planning process. Once the Strategic process is designed then the information is communicated to all stakeholders.

The second step is information gathering where the hospitals planning committee reviews the history of the organization, current activities, performance and financial health of the organization. The committee then looks at the Mission Statement and undertakes SWOT and PESTLE analysis. The team then agrees on what the critical issues are facing the organization. Step three is where the team creates strategies to address critical issues identified in stage two and then agrees on what can be done to overcome the barriers to the implementation of the strategies. The team then drafts a new Strategy Statement. To realize the strategies the team drafts corporate annual operation plan based on objectives and activities to achieve them. The budget and timelines are also set to ensure realization of the strategy.

The fourth step, the team prepares a draft strategic plan and communicates to all stakeholders and receives the feedback. Based on the feedback the plan is reviewed and a second draft is again circulated for further comments. The final and fifth step is to draft the final plan and seek approval from the Board of Management. Once the Strategic Plan is approved it is communicated throughout the hospital. From the corporate annual operations plan, departmental annual operational plans are with responsibilities assigned. The implementation of the plan is monitored on quarterly basis by the Planning department and once every financial year by the Board of Management.

4.3.5 Evaluation and Control of Strategy

According to the informants, KNH has a well-documented set of standard operating procedures to guide departments in monitoring and evaluation process. The hospital has set up a monitoring and evaluation team comprising of the deputy directors, the heads of divisions' and departments. The Head of Planning forms secretariat that is responsible for coordinating the overall monitoring, evaluation and reporting through quarterly reports and meetings. The implementation status is reported to the Board of Management annually.

Table 4.1 Tool used for Monitoring and Responsibilities Assigned

NO	TASKS	RESPONSIBILITY
1	Resource mobilization, collaboration and partnerships, receiving M&E reports, providing feedback and taking action.	Chief Executive Officer
2	Design M&E tools, supervise data collection, analyze data and generate M&E reports.	Head of Planning Department
3	Departments and Divisions to meet monthly to assess the implementation of the strategic plan	All Senior Division and Departmental Manager
4	Divisional Heads to present their progress reports on key performance indicators during the CEO's monthly meeting	Senior Divisional Managers
5	Implement strategic plan, collect and analyze data, submit to planning Department, receive feedback, and implement decision	All Senior Managers
6	Make Balance Score card and strategy reporting part of Executive Management meeting agenda	Corporation Secretary

4.3.6 Challenges to Implementation of the Strategic Plan

The study established that finances and staff commitment are the major challenges to strategy implementation. Funds allocated by the Government of Kenya are primarily meant for salaries though to a limited extent funds are also allocated for capital

expenditure. The hospital generates own income from operations but due to the economic status of the clientele, the funds are not adequate for all planned projects. The hospital has to rely on donor funding for specialized clinical projects, most of which are outside the Strategic Plan.

Lack of staff commitment and resistance to change was cited as an even bigger challenge to implementation of the Strategic Plan. According to Gibons (2006) employees must be on board in the strategic formulation and aware of the importance of applying the strategy in their daily work. The hospital lacks unity of purpose and there is silent animosity between clinical and administrative arms of the hospital. The clinicians view strategic planning as a preserve of the administrative wing and so are less committed to implementation. The clinicians spend very few hours in actual hospital operations in favour of private business. This has resulted into a performance level of 50% and below. The hospital is therefore in competition with its own staff for patients and for time.

Lack of a properly designed communication system in the hospital also poses a great challenge to strategy implementation. On approval of the Strategic Plan, the Planning department is expected to disseminate the information across the hospital. It is also expected to oversee implementation and also compile all reports as pertaining to implementation feedback. All the other departments stand by and watch with minimal participation. Official communication is primarily through official meetings and circulars. Most staff do not attend meetings and when they attend they do not contribute or pay attention to deliberations and circulars to staff are either ignored, or remain unattended.

Lack of evidence of performance is reported to be more of a culture than an exception. Though quarterly performance reports are submitted, if at all, no evidence is provided to actually prove that an activity took place. Departments have to be coerced to submit

evidence and even when submitted it openly turns out to be mere literature aimed at satisfying a requirement. In some cases pictorial evidence is demanded to confirm existence of a project.

The worst challenge happens to be disjointed leadership. A new organizational structure introduced in year 2012 expected the Executive Management Committee to foresee strategy implementation. The committee is the top echelon of Hospital Management and reporting to the Board of Management. According to informants the committee is isolated from the rest of the hospital management and staff and has not successfully addressed itself adequately to issues of strategy. More often than not the committee is caught unawares when there is a major negative development in the hospital. It is established that the right structure can improve an organizations ability to meet customer needs and create shareholders value (Eisehardt and Brown, 1998).

The hospital doctors appointed to managerial positions and have resisted their role claiming that they are not trained. This poses a challenge to strategy implementation because it amplifies the corporate culture of resistance and also power politics playing in the hospital. Doctors are expected to run centres of excellence in the strategic plan and there are a limited number of specialized doctors to run such centres of excellence.

Existence of heightened labour activism in the health Sector is a threat to service delivery. The labour trade unions both for professional and general staff have constantly interrupted services when agitating for better terms of service. More often than not, the industrial court is the last resort as the hospital has no authority or resources to effect higher remuneration without the approval of the Government who are its main financiers. The hospital experiences at least three major strikes every year which are agitated internally and this adds to other disruptions that occur due to actions of national professional labour organisations such as National Nurses Association, Kenya Union of Domestic and Hotel Workers and Kenya Medical doctors Union.

Technology is a major challenge to implementation of Strategic Plan due to the low levels of hospitals computerization. The hospital has rolled out an ICT Masterplan that is being rolled at a slow pace and the majority of staff remain computer illiterate. Also the hospitals' medical equipment is old and obsolete. The Government has not provided adequate resources for capital investment and hence the hospital relies on donor funding which is inadequate. The frequent breakdown of crucial equipment such as cancer treatment equipments has often led to National outcry.

External political decisions have impacted negatively on implementation of strategic planning. Though the plan formulation may be at its best, political expediency often leads to frustration of the implementation. For instance free maternity care declared by Jubilee Government has adversely affected the financial capabilities of the hospital but also put a major stress on optimal bed capacity which leads to overcrowding in the wards. The Kenya new constitution has impacted heavily on the hospital as primary care patients cannot be denied treatment in the hospital and the legitimate secondary and referral patients have to compete for attention and care. The devolved system of government has empowered the counties to purchase ambulances which have congested the hospital with patients from all over Kenya, patients who should have received medical care in lower levels in the counties.

Lack of independent legal status was also cited as an impediment to realisation of strategic objectives. The Hospital is not at liberty to formulate and implement strategies that are not in line with the Ministry of medical Services. The hospital's Mission is grounded in legal notice of 1987 and not an Act of Parliament like other Government state bodies. The Government financing of the hospital is to the extent of its legal mandate and the hospital cannot engage in any expansion and resource mobilisation initiatives without direct approval by the Government. In essence, the hospital cannot

compete with private hospitals and any efforts to engage in such competition is quickly nullified by the Government Treasury, a good example being an attempt to open a Satellite hospital at Ongata Rongai in the outskirts of Nairobi. The outlet was denied funding and closed.

The respondents also cited that there is disconnect between departmental performance contracts against the annual operations plans as related to the strategic plan. The two processes are not interconnected and hence results to failure in implementation. Most departments are late in submitting reports and it takes a lot of persuasion and pressing to submit the reports for evaluation. This can be traced more to lack of reward and sanctions policy. It is noteworthy that similar challenges were noted in a study by Latif, Gohat, Hussain and Kashif (2014) who illustrated common variables that hinder execution as lack of accountability, lack of commitment, inadequate to employees, power, influence and culture. Lack of senior and management commitment gives rise to limited accountability.

4.3.7 Solution to challenges

The interviewees provided suggestion on initiatives necessary to solve challenges in implementation of the Strategic Plan. The solutions will be found in enhanced financing by the government, provision of legal autonomy to allow for resource mobilisation by the hospital, structuring and increased investment in staff to elicit loyalty and commitment.

According to the respondents, the government funding of the hospital needs to be increased to fully cover recruitment and capital expenditures of the hospital. The inadequacy of internally generated resources should also be addressed by the government through reimbursement of funds lost by credit offered to needy poor patients.

The respondents also stated that the legal notice which established the hospital should be repealed and an Act of Parliament passed to empower the hospital beyond the mandate in the legal notice. An Act of Parliament will enable the hospital to establish its own resource base and also allow the hospital to competitively engage with all stakeholders and the competition internally.

The respondents stated, the hospital needs a restructuring to become more competitive. The current organizational structure was implemented before the introduction of the Balance Score Card approach and so cannot be expected to meet the objectives of the new strategic plan. There are too many reporting centres in the structure leading to conflict of roles and authority. The ultimate authority for implementation of Strategic Plan should be clear, that is identifiable and empowered to drive the hospital. Currently the Planning department is relegated to third level and does not command adequate respect or authority to oversee core departments on strategy implementation.

On technology, the respondents stated that there is a need for enhanced training of staff on ICT. Further all systems should be automated and swiftly ensure that the reporting of the strategic Plan migrates from manual system to online balance score card dash board reporting. Old medical equipment and infrastructure should be modernized and staff trained on new skills.

On staff commitment, there is a need for sense of ownership if the plan is to succeed. Respondents stated that a majority of hospital staff view strategic planning as a core duty of the Planning department and so are not enthusiastic in meeting set targets or reporting progress on time. According to Aosa (1992) Strategic Planning requires single minded pursuit from the top and great commitment from Managers. Managers need to be aware of corporate relationships so as to avoid developing strategies that cannot be implemented. In this respect the Strategic Planning process should be more inclusive and

staff fully trained on strategic management. To win over the clinical staff enhanced communication systems should be introduced and setting of corporate targets be directly connected to clinical functions. More incentives should be linked to rewards and sanctions policy. The current incentives are not directly connected to the achievements in the strategic plan.

4.3.8 Degree of consensus achieved

The study in this part sought to establish if there was a reasonable degree of consensus on mission, vision, goals and objectives. The interviewees clearly indicated that there was absolute consensus due to the fact that strategy formulation was highly participatory and involved the whole hospital to a large extent. Stakeholders and management were involved under the guidance of an independent expert. The strategic plan was eventually approved by the Board of Management who also draws their performance contract from the document.

4.3.9 Significant Cost

The study asked the interviewees to state the most significant cost that emerged during the strategic process. The study established that information gathering as the most significant cost in terms of time and money. This spreads from gathering information for SWOT analysis (travels, conferences, interviews and surveys) to stakeholders' conferences and workshops.

4.3.10 Other strategies in Place

The study also asked the interviewees to state other strategies and processes which were adopted by the organization to enhance its performance. The study showed that the hospital has implemented a new organogram and established new departments including Resource mobilization, special programmes and patient affairs departments.

The hospital has enrolled to COYA awards peer review mechanism for the last five (5) years. Other strategies employed are participating in Quality enforcement programmes such as ISO; Gemba Keizen, Lean/ Six sigma, OSHE and also enrolled for Joint Commission International (JCI). The hospital has introduced Hospital management information system and enhanced research by establishing a research department and allocated resources to support the same.

4.3.11 Ways to Strengthen Relationship between Strategic Planning and Performance

The study in this section sought to find out recommendations from interviewees on ways to strengthen the relationship between strategic planning and performance in KNH. The study established that to strengthen the relationship, it was recommended that employee Involvement, cascading of strategic objectives and improved communication system as very important. Also mentioned were more pragmatic and frequent reviews to be done and lastly involvement of the middle line management staff in strategy formulation and implementation process is vital since this is where strategy implementation begins. Adequate resources in the annual budget are mandatory for effective performance.

In a bid to translate high level strategy into aligned lower-level objectives and measures, the Hospital should invest more resources on training all staff on balance scorecard and the four tier cascading framework which is expected to delegate implementation from corporate score card, Divisional Scorecard; Departmental/ Unit Scorecard; and Individual Employee Scorecard. In this framework, the Hospital will align the Vision to make strategy actionable by departments and down to employees with specific targets. It is proposed that rewards, recognition and incentives will be linked to results.

4.4 Influence of Strategic Planning on Organizational Performance of The Hospital

The researcher sought the opinion of the managers on whether strategic Planning has influenced the performance of the hospital. All respondents agreed that the hospital's performance has improved drastically with strategic Planning in the hospital. On finance performance, there has been a marked improvement in revenue generation including resource mobilization. There was infact a surplus in year 2012, which was historic against the many decades of financial deficits. On customer services, there was improved customer satisfaction which rose to 74.57%. The commission of Administrative Justice (CAS) index of performance for the hospital has been between 80% to 100% which is based on reduced customer complaints. The hospital became ISO certified and in the Performance Evaluation by the office of the president on the hospital performance has been ranked as "Very Good".

The respondents held that strategic Planning has made the hospital focused on set objectives and hence able to finance most of the initiatives it has planned before. Those who have worked for more than ten (10) years and have served pre and post planning periods in the hospital have attributed the success of the hospital to strategic planning and especially in performance contracting.

4.4.1 Influence of Strategic Planning on Sustainable Competitive Position

The study sought to understand from interviews how the strategic planning process has led to development of sustainable competitive advantage. It was established that strategic Planning has provided the hospital with a frame work that enhanced hospital's competitiveness in ever changing environment. Competitiveness and enhanced collaboration is a major objective in past strategic plans. According to Barone and Decarlo (2003) a competitive advantage is an advantage gained over competitors by offering customers greater value, either through low prices or by providing additional benefits and service.

Strategic Planning has influenced the hospital to be health provider of choice in Kenya and beyond. It offers quality specialized healthcare to patients from the “Great lakes Region, Southern and Central Africa. These services include open Heart Surgery, Neurosurgery, Orthopaedic surgery, reconstructive surgery, burns management, critical care services, New born services, renal services (including kidney transplantation) among others.

The study established that the hospital is also the learning & research institution of choice for the University of Nairobi, Kenya Medical Training School and also other leading research institutions such as Kenya Medical Research Institute (KEMRI) and Africa Medical and Research Foundation (AMREF). All accredited Public and Private institutions are affiliated to the hospital or are seeking such bilateral collaborations.

In the international environment, the hospital has established linkages and collaborations in providing various Clinical Services, Outreach programs and research. Among international collaborations are with open heart surgery; operational smile; Neurosurgical international and tens of other successful institutions. Benchmarking tours locally and abroad have been taken to assess the Industry.

4.4.2 Extent of Influence of Strategic Planning Practices on Key Indicators

The study sought to establish from the interviewees the extent Strategic Planning has influenced some key indicators crucial to Healthcare and the general performance of the hospital.

On financial indicator, the respondents asserted that there has been great improvement on revenue generation, resource mobilization and also improved way of utilizing allocated funds. The financial processes have been fully automated as per the target in the Strategic Plan. The automation is able to coordinate all the activities from one Central position. Financial Planning and Control Systems have been implemented and internal audits are carried out on quarterly basis and recommendations availed to the departments.

4.4.3 Strategic Planning Influence on Innovation and Change

The respondents asserted that the hospital has made significant progress in areas of innovations and generation of new ideas. There is a structured system of collecting ideas from staff, strong focus on research and development, and focus on quality improvement driven by the Chief Executive officer. There is also a strong focus on bench marking with various institutions. It was also stated that five (5) members of staff were beneficiaries of presidential awards for innovation. There is resource commitment to research which focus on the institutional growth and above all Research department has been established to drive ideation and development.

4.4.4 Strategic Planning Influence on Service Delivery

On service delivery the study found that there is a dedicated 'Quality Assurance Department'. There is joint Planning with Key stakeholders to discuss and plan capacity issues. There are quality improvement teams that meet regularly and forums for the same. The study also found that the processes for Managing services quality and capacity are defined, documented and integrated. Customer satisfaction Surveys are undertaken regularly.

The hospital has a structure that ensures service, quality and operations that are linked through proper communication channels, regular meetings and review sessions. Most informants stated that the organization has been able to empower employees by ensuring they deliver quality services. The empowerment has been effected by allocation of a substantial budget to specialize training and also on development studies for managers. Recruitment of highly skilled personnel has also been enhanced which includes contract, temporary and locum appointments. Through regular reviews and systems, planned targets are monitored against outcomes achieved. To aid in this respect, every department has a service delivery charter which they are expected to adhere to.

4.4.5 Strategic Planning Influence on Automation of Processes

The study found that an ICT Master Plan has been developed and is currently being implemented to automate the entire hospital. There is a clear Plan to migrate the entire organization towards efficient use of technology to improve efficiency. The respondents stated that the members of staff are enthusiastic and willing to embrace technology and are eager to learn more. The Health Information records have been automated to a great extent through the installation of Health Information management system (HMIS). Nursing working stations have also been automated and some departments have been fully automated their processes. Mobile payments have been implemented in 15 cash points and 10 pharmacies.

4.4.6 Strategic Planning Influence on Learning and Growth

For learning and growth, majority of the respondents agreed the hospital has focused on the intangible assets of the organization, mainly training on the internal skills and capability of the employees required to support the value creating internal processes.

The respondents stated that the hospital has a well-established and skilled Human Resource Department. The Department conducts staff training based on analysis of organizational requirements. The training budget stands at Kshs.150 million, whose overriding goal is the corporate strategic plan. As a Strategic Objective the hospital has developed a knowledge management and innovation policy. Various other policies such as Human Resource manual Policy, Gender and disability mainstreaming have been developed in line with the plan.

In growth, the respondents stated that the hospital has trained all senior managers on Strategic management and sponsored Clinical Specialists in overseas institutions for specialized training. The hospital has also ensured that staff obtains retainer certificates from various professional bodies. The hospital has a clear infrastructure for management

performance and has dedicated human resource Performance Management unit. A qualified Counselling Specialist has been deployed in a newly formed staff counselling unit.

4.4.7 Strategic Planning Influence on Corruption Prevention

On corruption, the strategic Plan target on corruption prevention was Zero rating which has been achieved. The Annual Operation Plan for Corruption has been implemented which included Heads of departments filling Wealth declaration forms and Vetting by Ethics and anticorruption Commission. All departments have corruption presentation committees which hold regular meetings and submit monthly reports. A work plan to EACC for implementation of the indicator has been submitted. Included in the Plan, is the submission of quarterly reports on information on all tenders and contracts awarded, with full details into ownership of tendering companies. It is well documented that all staff found guilty on corruption have been dismissed.

4.5 Strategic Planning and its Implications on the Current Decisions

The respondents were requested to state how strategic planning has impacted on their decision making and its future implications. On developing effective strategies, the respondents stated that, strategic planning process in the hospital is consultative and so strategies are based on consensus and consultations are conducted a cross all levels in the hospital hence strategies are owned by all across

The respondents also stated that the future direction of the hospital is agreed upon after reviewing field of surveys, conducting workshops, open meetings and involving consultants in moderating the process. This leads to a clear future direction envisioned by all. Strategic Planning has also influenced the choice of priorities through identifying of key projects to be implemented in a specific period of time so as to concentrate on specific areas such as centers of excellence.

The respondents stated that decision making is coherent and defensive because all decisions are based on the Strategic Plan which has been approved and adopted. This defense decreases resistance and overcomes many of the barriers. On improving organizational performance, it was stated that strategic Planning has enhanced relation between performance contracts and performance appraisal because performance objectives are clear and SMART (Specific, Measurable, Achievable, Realistic and Timed).

The respondents asserted that the managers are able to anticipate future problems and opportunities by utilizing the findings of SWOT and POSTEL analysis which scan and assess the environment in order to identify the problems and opportunities in the hospital. By using of monitoring and evaluation indicators, the managers are able to analyze trends that enable prediction.

4.6 Overall Impact of Strategic Planning

The study also concludes that strategic plan implementation at KNH has improved the general Performance of the Hospital especially cost management, customer satisfaction, employee motivation and resource mobilization. Quality service delivery was identified as one of the goals to be achieved by the strategic plan through reduced nurse to patient ratio and doctor-patients ratio as per the internationally accepted standards. Strategic planning has enabled hospital deliver on its mandate of offering the required services.

Through automation of process, level of efficiency has increased thus; faster billing, patient admission and discharge, online clinic booking, and tracking of activities. Furthermore, Strategic plan implementation has improved relationship between KNH and its stakeholders and the management has gained detailed information regarding the possible effect of the strategic plan on various subdivisions of the Hospital. In order to reduce employee resistance during strategy implementation, the Hospital needs to continue involving employees in the process of strategic planning starting from formulation, implementation to monitoring and Evaluation.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter provides a summary of the study findings and draws conclusion in line with the objectives of the study. The chapter revisits the agency theory and its applicability to Kenyatta National Hospital. It also gives the recommendations and limitations of the study and finally suggestions for further studies.

5.2 Summary Findings

The objectives of the study were to determine the strategic planning practices used by Kenyatta National Hospital and how the practices have influenced the performance of the hospital. From the findings of the study, it is evident that Kenyatta national hospital has a clearly defined and applied strategic planning process that has been in use since the period of first strategic plan adapted in year 2005. It is also evident that the strategic planning process has shifted from the log frame approach to the present balanced scorecard approach in implementation of the plan. The hospital has a documented mission and vision statements which is the guide for the implementation of the strategic plan and also provides the framework for corporate decision making. The vision and mission of the hospital are displayed in all departments and other strategic positions in the hospital for the consumption of staff and all other stakeholders. The vision and mission of the hospital are also reflected in official letter heads, logo, all stationery and any other portable official document. The staff is expected to memorize the statements. The vision and mission are reviewable every five (5) years.

The hospitals strategic planning process involves formulation, implementation and evaluation and control of the chosen strategy. After identifying the vision and mission of the hospital, the hospital constitutes strategic management committee to spearhead the

formulation of the strategic plan. This committee is under the supervision of the Chief Executive Officer with the planning department providing secretarial services. The committee collects background information through SWOT, PESTEL and stakeholders analysis. Thereafter a corporate workshop is convened to commence the brainstorming session to define the corporate strategy direction. The study established that the strategic planning process as highly consultative and upon formulation of the plan the hospital align itself to the mission and vision by cascading the strategic objectives through annual operational plans. For balance scorecard approach measurable objectives and performance targets are cascaded to the departments through the strategic plan by the signing of performance contracts promising to implement and achieve the planned set targets and objectives.

The study also established that the hospital has core values that are generated from wide consultations in the hospital and this is communicated through official channels such as newsletter, sms, staff forums, use of questionnaires and suggestion boxes.

The hospital strategic plan is implemented downwards through departmental annual operational plans which are derived from the corporate annual operational plans. Each department is required to identify performance objectives and targets and incorporate them at the operational level. It is this objectives and targets that form the performance contract of individual managers.

Monitoring and evaluation of the implementation of the strategic plan is through weekly, monthly, quarterly and annual reports. Annual budgets are also used as monitoring tools. It was however found that there is no formal reinforcement system for monitoring and evaluating implementation. Implementation monitoring is the responsibility of the planning department, which due to size, is unable to enforce and performance reports are always submitted late or not at all.

The study found that the implementation of the strategic plan has met several challenges. These range from budgetary constraints, shortage of manpower, low level of automation to low staff commitment. Infact it was stated that the level of implementations is around 50%. It was established that there is lack of unity of purpose whereby the clinical and administrative sides do not view that hospital from the same paradigm. Most clinicians who are the owners of the core business of the hospital are not available for adequate hours a day and so have little attention for strategic objectives. The findings established that Strategic Planning has had a positive influence on performance of Kenyatta National Hospital. The managers interviewed, who have been in the hospital for more than ten (10) years confirmed that the hospital was on a downward trend prior to introduction of Strategic management. Positive influence was cited on financial performance where revenue generation has improved tremendously leading to realization of a surplus. Customer satisfaction index has risen about 74% which is the world accepted standard and innovations and change leading to awarding of five (5) presidential awards to members of staff.

The hospital has embraced several Quality Assurance models such as 150, NHIF Quality audit, IPO index JCI accreditation, Lean/six sigma approach, Gemba Kaizen and other initiatives which have led to Quality Service delivery. The Nurse to patient ratio and doctor patient ratio has reduced to meet the internationally recommended WHO standards.

The hospital has automated its services increasing the level of efficiency in billing patient, admission and discharge online clinic booking and tracking of activities. The respondents also stated that Strategic Planning has improved relationship between the hospital and its stakeholders by focusing on sustainable engagement and benchmarking.

The study established that as much as performance has generally improved there is still a great challenge posted by external political social issues. Revenue generation has been affected by free maternity government policy and the referral system has been compromised by has failure of the primary healthcare system forcing many patients to seek treatment in a referral system. Most patients from the low class of the society are unable to meet their bills leading to waiver of billions of shillings in bill. Death rate has also increased to 15% of all admissions but this has been attributed to the referral system where patients have been mismanaged by smaller hospitals and report for treatment when it is too late to save lives.

However the study established that strategic planning has brought about better management through acquisition of high skilled personnel and training those already employed. Corruption has reduced to undetectable levels due to implementation of the initiatives in the strategic plans.

5.3 Conclusion

The objectives of this study were to determine the practices and influence of strategic management in Kenyatta National Hospital. From the findings of the study the hospital has a well-grounded strategic management system with refined strategic planning practices. These practices have been used for formulation, implementation, evaluation and control of strategies to realise organization strategic intent.

From the results of the study, it is clear that Kenyatta National Hospital has been able to interact and react to its environment. However as a dependant of the external environment the hospital has not been able to fully cope with external threats especially the political, social and economic context. This is more so out of limitations imposed by the status as a government controlled body. The hospital has to contend with political challenges such as declaration of free maternity services and free waiver on bills. The

hospital has no distinct legal status on its own by an Act of parliament and this limits its manoeuvres with the central government. The hospital has also a great challenge from the devolved system of governance as the new constitution debars the hospital from turning away patients from the counties immaterial of the emergency or economical status of the patient. This is a big threat to strategy.

It is clear from the study that implementation of the strategic plan is around 50%. This dismal performance reflects more on internal services delivery. It is an internal environmental threat. Though the commitment by the chief executive officer and the top management is evident, the lack of full commitment by the clinicians is a great internal threat.

The study hospital has put in place several imitative to reduce the conflict between the interests of the clinicians and those of the hospital. Some of the incentives include promoting all consultants to K1 (the highest rank in the hospital), awarding no practicing allowances, extraneous, risk and other allowances. One of the major incentives is that of allowing doctors to undertake private practice during working hours in the Doctors plaza within the hospital that has brought even more conflict between the hospital and the clinicians, as the consultants spend only a few hours in the general hospital. This has led to congestion in the wards due to lack of attention and non-performance of scheduled surgeries.

5.4 Agency Theory Application in the Findings

Agency relationship is defined as one in which one or more persons (the principal(s)) engages another person (agent) to perform services on their behalf which involves delegating some decision making authority to the agent (Jensan & Meckling 1976, Ross, 1973). The cornerstone of agency theory is the assumption that the interest of principles and agents diverge.

According to agency theory, the principal can limit divergence by establishing appropriate incentives for the agent, and by incurring monitoring costs designed to limit opportunities action by the agent. Further, it may pay the agent to spend resources (bonding costs) to guarantee that he will not take certain actions that would harm the principal or to ensure that the principal will be appropriately compensated if she does take such action. However, despite these devices some divergence between agents' action and the principal interests may remain.

The information provided by respondents in this study do indicate strongly that there is marked divergence of interests between the hospital and clinician interests. The hospital has taken various initiatives aimed at closing the divergence and inspite of the efforts the divergence remains and hence the dismal performance in implementation of the strategic objectives.

Among the incentives provided by the hospital to clinicians are the utilization of Doctor's Plaza for Private practice during working hours. This is in spite of clinicians' terms of contract which stipulates an eight (8) hours working day. Further, clinicians are allowed to draw a hefty non-practice allowance, implying that they are fully occupied by the hospital, which is not the case.

The hospital has also elevated the clinicians to salary scale K1 which is the highest just below the Chief Executive Officer. This is accompanied with other generous allowances not available to other members of staff and also luxurious opportunities for study and travel. The privileges are also accompanied by appointment to senior most managerial positions, still with extra allowances and privileges. Despite that fact, the clinicians have expressed disinterest in holding managerial/administrative positions for limiting their time in Private Professional Practices.

5.5 Recommendation

Strategy implementation should be effectively coordinated since it is the coordination of goals and tasks, resources and control that enables an effective implementation. When a organization develops a new strategy, it must carefully think out every aspect of the culture and structures required to support the strategy. That is the only way to implement lasting improvements. Every part of an organization, every person working for that organization needs to be focused on supporting the vision and mission. How every activity is performed and an individual operates needs to be integrated so that all the effort and resources support the strategy. The government should review the financing of the national hospital since it plays a critical referral role in the country and can therefore not to be handled like the other low level facilities. It is also important for the hospital to consider outsourcing some of its non-essential services to other parties so that it can concentrate on its core business. Services that can be outsourced includes security, catering, transport and cleaning for which outsourcing can relief a lot of effort and resources to concentrate on the provision care services.

Based on the findings the researcher recommends that there is need for further training to create the understanding of the balanced scorecard and the role that each staff plays in overall achievement of the organization goals. The organization staffs need to understand that the activities that they are required to carry out within their department's are all geared to help the organization achieve its overall objectives. Failure by any of the staff to achieve their targets contributes to the overall shortfall in targets for the entire organization.

5.6 Limitations of the Study

The most outstanding challenge was the availability of informants. Most respondents were too busy and when available interviews would stretch to more than two hours due to official interruptions. The other limitation was the tendency by informants to volunteer

only the positive side of strategy information. However the informants were reassured that the interviews are of academic use and there will be no wide circulation of the findings.

Poor record keeping was a big challenge. When the researcher probed deeply in some questions the respondents would either find documents are no longer in their possession or were informed that they were destroyed in the period of acquiring ISO certification. In this case own memory was the only reference.

Of the big concern was the apathy exhibited by some respondents who would partly answer questions but refer the researcher to Planning department for verification. The researcher interviewed the top management of the hospital. In the course of time, the researcher realized that the managers have a collective responsibility and there was a similarity in responses. However more reassurances and careful questioning elicited some useful responses..

5.7 Suggestion for Further Studies

Future research may address following areas appropriate to this study. First, a longitudinal research may be undertaken to improve the reliability of strategy measures and examine the longitudinal term (i.e., beyond five years) affects of strategic planning. Further studies, should expand the planning assessment process beyond the management staff as a more accurate depiction of planning activity may be established from surveying all from each cadre within the hospital in addition to the senior management.

Further studies should examine other health care providers in the health sector. This study addressed only Kenyatta national hospital. Additional investigations should include those health facilities using strategic management and compare the practices. There is a need for further research on organizations practicing Balance Score Card and to compare the findings with the strategic planning practices in Kenyatta National Hospital.

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APPENDICES

Appendix I: Introduction Letter



UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAMME

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DATE 13/7/2015

TO WHOM IT MAY CONCERN

The bearer of this letter GITAGIA MATHEWS MUTONGA


Registration No. Db1/60243/2013

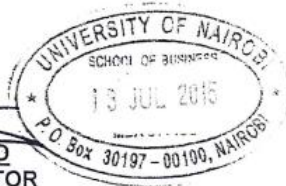
Is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

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

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

Thank you.


PATRICK NYABUTO
MBA ADMINISTRATOR
SCHOOL OF BUSINESS



Appendix II: Interview Guide

I am a student at the School of Business, University of Nairobi. I am conducting a study on Practices and Influence of Strategic Planning on the Organisational Performance of Kenyatta National Hospital. This academic questionnaire is prepared purposely to assist in collecting data at Kenyatta National Hospital for academic purpose only.. As one of the key identified respondents / informants, you are hereby kindly requested to complete it. Any information given with respect to this request shall be treated with strict confidentiality.

SECTION A: GENERAL INFORMATION

1. Name of respondent (optional)
2. Gender.....Male.....Female.
3. Age(years)
4. Position held.....
5. Number of years you have worked at Kenyatta National Hospital.....
6. Division/department currently working.....

SECTION B: STRATEGIC PLANNING PRACTICES IN KENYATTA NATIONAL HOSPITAL

7. a) Does Kenyatta National Hospital have a documented vision and mission statements?
b) How does Kenyatta National Hospital align itself to its vision and mission statements?
8. Describe the extent to which the following steps of strategic planning practices are used in Kenyatta National Hospital.
 - Establishing a vision-the benefit that government can expect
 - Establishing a mission-clarifying what is the business of the hospital
 - Development of key strategies that contribute to the overall vision
 - Development of specific measurable realistic and time –bound strategic goals
 - Establishing core values-what the organization stands for and believes in
 - Communication of organizational vision, mission and key policies
 - Top management leadership through an executive council
 - Development of short and long term operational goals

- Monitoring and evaluation- measure the progress toward attaining operational and strategic goals with key performance indicators
 - Corrective action-review and address gaps between current position and the targeted goals
9. Describe how strategic planning process is conducted in Kenyatta National Hospital?
 10. How is implementation of strategy carried out in Kenyatta National Hospital?
 11. How does the Hospital undertake evaluation and control of strategies?
 12. a) What challenges were encountered throughout the formulation, implementation and evaluation process?
b) How were they challenges handled?
 13. Do you believe that a reasonable degree of consensus on the mission, vision, goals and objectives was achieved?
 14. What were the most significant costs (political, bureaucratic, and financial) that emerged in the process?
 15. What other strategies and processes are adopted at Kenyatta National Hospital to enhance its performance?
 16. Recommend the various ways to strengthen the relationship between strategic planning and performance in Kenyatta National Hospital.

SECTION C: INFLUENCE OF STRATEGIC PLANNING ON ORGANIZATIONAL PERFORMANCE OF KENYATTA NATIONAL HOSPITAL

17. How has strategic planning increased effectiveness of meeting the organization's goals and objectives?
18. How has strategic planning led to developing a sustainable competitive position?
19. To what extent has strategic planning practices influenced achievement of the following key indicators:
 - Financial indicators
 - Service delivery
 - Customer satisfaction
 - Automation of processes
 - Innovation and change
 - Operating efficiency
 - Leaning and growth
 - Corruption eradication
20. Discuss how strategic planning has assisted managers to consider the future implications of the current decisions?

- Developing Effective Strategies
 - Clarifying Future Direction
 - Establishing Priorities
 - Developing a Coherent and Defensible Basis for Decision Making
 - Improving organizational performance
 - Anticipate future problems and opportunities
21. Has strategic planning contributed to the overall success of Kenyatta National Hospital?