CHALLENGES OF DIVERSIFICATION STRATEGY IMPLEMENTATION AND COMPETITIVE ADVANTAGE OF PRIVATE HOSPITALS IN NAIROBI COUNTY

BY

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A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

DECEMBER 2017

DECLARATION

I, the undersigned declare that this research project is my original work and has not been presented for examination in any other university.

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

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ACKNOWLEDGEMENTS

I wish to thank my supervisor Prof. Zachary B. Awino for his support and guidance from the initial stages of the research topic conceptualization to the completion of the research project. His adherence to quality inspired me to read more and think more in strategic management in order to produce a document which would add value to the field. I also acknowledge my moderator Prof. Evans Aosa for his insightful input into my research project.

I thank all the respondents who gave their input during the data collection phase for their support which made this research work great success and all those who contributed in one way or the other to the completion of this research project. May God bless you all.

DEDICATION

I wholeheartedly dedicate this research work to the almighty God for his providence and good health during my postgraduate studies. To my mum, Esther Wayua for her resilience which has immensely contributed to who I am today. To my loving wife, Christina Njoki and daughter, Zebida Amani for their unwavering moral support, prayers and encouragement.

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ABBREVIATIONS AND ACRONYMS

TCE	Transaction Cost Economics
WHO	World Health Organization
MOH	Ministry of Health
NHIF	National Hospital Insurance Fund
USAID	United States Agency for International Development
DFID	Department for International Development
JICA	Japan International Corporation Agency
GIZ	Deutsche Gesellschaft fur Internationale Zusammenarbeit
DANIDA	Danish International Development Agency
MPDB	Medical Practitioners and Dentists' Board
RBV	Resource Based View
SPSS	Statistical Package for Social Sciences
SD	Standard Deviation
ANOVA	Analysis of Variance
PBIT	Profit Before Interest and Tax

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ABSTRACT

Diversification strategy increases the number of business units or divisions hence increase in business complexity that top managers must oversee. This study sought to determine the effects of diversification strategy on competitive advantage and the challenges of implementation in private hospitals in the county of Nairobi. The target population was 36 private hospitals in the county of Nairobi and structured questionnaires were used to collect primary data from one top level or business unit manager in each of the organizations. A response rate of 53% was achieved during data collection. The questionnaires were validated for completeness, the data was coded, tabulated and analyzed through descriptive statistics and regression analysis. Descriptive statistics used included percentages, means, frequencies and standard deviation while inferential statistics used was linear regression and ANOVA. The study found that 32% of the variations in competitive advantage could be explained by the predictor variables which were horizontal integration, vertical integration, related diversification and unrelated diversification. The study also found that the predominant dimension of diversification strategy in private hospitals in Nairobi county was related diversification while vertical integration and horizontal integration were implemented to a moderate extent. Unrelated diversification was the least used dimension of diversification. The study found out that there is a positive effect of horizontal integration, vertical integration and related diversification on the competitive advantage of private hospitals in Nairobi county and that there is a negative effect of unrelated diversification on competitive advantage. High capital requirements, organizational culture, organizational structure and leadership were the leading challenges to implementation of diversification strategy. The study recommends the use of horizontal integration, vertical integration and related diversification as the growth strategies likely to have positive effect on the competitiveness of private hospitals in Nairobi county. Private hospitals in Nairobi county need to implement dimensions of diversification strategy proven to lead to competitive advantage to maximize shareholder value and prevent organizational failure.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Diversification strategy is a strategy that takes the firm into new markets thus increasing the diversity that an organization must coordinate (Johnson, Scholes, and Whittington, 2008). An organization chooses diversification strategy because of gains from economies of scope by utilizing existing resources and capabilities, gains from applying corporate managerial capabilities to new markets and increase in market power all contributing to competitive advantage. Diversification strategy implementation is the alignment of the chosen dimension with organizational systems, structure, rewards, culture, and processes and the change in day to day operations in order to enhance firm performance.

The implementation of diversification strategy has a number of challenges which are dependent of the chosen dimension. According to Greer, Lousch and Hitt (2017), each type of diversification strategy presents with its own challenges and needs internal organizational arrangements to realize the potential returns. The allocation of resources to each task and for the creation of capabilities is crucial during the implementation. Competitive advantage refers to those conditions that enable a firm to consistently offer superior goods and services and the ability to generate greater value for the firm than its competitors. Diversification strategy implementation hence seeks to actualize the formulated dimension of diversification strategy while managing factors that moderate the attainment of sustainable competitive advantage.

According to Porter (1980), a company attains competitive advantage by implementing at least one of the generic strategies of cost leadership, differentiation and focus. The resource based view, the dynamic capabilities theory and the transaction costs economics (TCE) theory provide more insights to the sources of competitive advantage. Teece, Pisano and Shuen (1997) explained that resource based view focusses on rents emanating from firm-specific resources that are scarce as opposed to product-market positioning economic profits. Mahoney and Pandian (1992) noted that firm's managerial ability and technical knowledge are essential sources of competitive advantage. The dynamic capabilities theory refers to the rapid and efficient utilization of internal and external competences that are specific to the organization to address changing environments (Teece, Pisano, and Shuen, 1997). It looks at development of management capabilities and difficult to imitate combination of organizational, functional and technological skills focussing on competitiveness. The TCE theory posits that through diversification, organizations get more market power hence blocking competitors. Penrose (1959) noted that excess capacity can exist in firms due to indivisibility of some resources and learning in organizations, suggesting that related diversification can lead to improved organizational performance.

Organizations operate in a dynamic environment which calls for the alignment of the corporate strategies with the environment in order to attain sustained competitive advantage. The firm is affected by political, economic, social, legal and technological forces which must be overcome for competitive survival and superior performance. Diversification strategy is popular among firms in a number of industries. This study focussed on the effect of diversification strategy, the implementation challenges and competitive advantage of private hospitals in the county of Nairobi.

Hospitals in Nairobi county have experienced tremendous growth in the last two decades in terms of size and numbers. This has resulted in increased competition in the operating environment hence they shall be required to implement appropriate strategies to assure good performance. These hospitals have implemented a number of strategies which include strategic alliances, mergers and acquisitions, outsourcing and diversification.

1.1.1 Concept of Diversification Strategy

According to Ansoff (1965), diversification strategy departs from current product line and market structure. It calls for new skills, new technologies and new facilities leading to changes in the organizational structure representing a shift from past business practices. Ramanujam and Varadarajan(1989) posits that diversification is the entry of a company or a business unit into new lines of business either by internal business development or acquisition which leads to changes in administrative structure, systems and other management processes. Diversification is the output heterogenicity by organizations, increase in firm activity in varying industries and the extend to which organizations operate different businesses simultaneously.

Firms pursue diversification strategy due to various value creating reasons. They benefit from efficiency improvement by applying existing resources or capabilities to new markets and products or services. This extends the scope of the firm and these are referred to as benefits of synergy (Johnson, Scholes, and Whittington, 2008). Nayyar (1995) noted that increasing returns to scale and transaction costs limiting an efficient market are important to ensure economies of scope and there must be limits on obtaining increased factor utilization by expanding the output of any single end product. In diversification, companies seek to apply corporate managerial capabilities to new markets and products or services.

Businesses that are strategically similar can be managed using single general management logic which denotes conceptualization of the business by managers and the making of resource allocation decisions while diversified firms with strategic variety require more than one dominant logic (Prahalad and Bettis, 1986). Organizations which have a wide range of products or services have the potential of increased market power in that they can cross-subsidise one product from the surpluses of another in a way competitors can not, creating competitive advantage. Other less value creating reasons include response to environmental change, spread of risk across a range of businesses and diversification due to the expectations from powerful stakeholders. According to Ramanujam and Varadarajan (1989) diversification in firms is guided by proactive and defensive objectives and firms need to choose the dimension which would exploit their greatest strength.

Johnson, Scholes, and Whittington (2008) classified diversification into related and unrelated diversification, vertical and horizontal integration. Related diversification is the development of strategy beyond the present products and markets but within the current organizational capabilities. Unrelated diversification develops products or services beyond the present value network of the organization. Vertical integration looks at activities that are inputs or outputs of each other in the firm's value network while horizontal integration looks at activities complementary to the current ones.

1.1.2 Challenges of Strategy Implementation

Strategy implementation is the translation of intended strategy from the top of the firm to workable strategies at the operational level of the organization (Johnson, Scholes, and Whittington, 2008). The implementation of strategies involves the change or realignment of organizational structure, resources, control systems, reward systems, culture, policies and leadership. Implementation of strategy is done in two phases namely, operationalization and institutionalization . Operationalization ensures daily activities, work efforts and resources are directed towards the strategy and involves developing plans and tactics. This phase has short term objectives which have measurable outcomes achievable in a short time. Short term objectives are accompanied by action plans with specificity, clear time frame and identification of who is responsible. These short term objectives set priorities based on their impact on strategy success. Institutionalization of strategy involves matching strategy to structure, leadership, culture, systems, processes, policies and reward systems.

The successful implementation of strategy is dependent of the firm's capability to handle challenges of implementation. Greer, Lusch and Hitt (2017) noted that the firm faces difficulties in coordination and integration of activities, matching the strategy to structure, allocation of resources, provision of incentives, gaining support from internal units and external suppliers, and building relationships with firm's stakeholders especially customers. They noted that socio-economic issues which include lack of soft skills could pose a bigger implementation challenge that the technical complexities. They also noted that in addition to resources being allocated to carry out tasks, they must also be allocated to create capabilities required during implementation.

Prahalad and Bettis (1986) noted that the quality of management is critical in strategy implementation. In divresification, they noted that it's not the dimension of diversification that leads to success or failure but the evolution of the top managers and their ability to learn and acquire new skills. They noted that decentralization of decision making to the level where necessary expertise is available is improtant in strategy implementation. However, key decisions like resource allocation need to be handled by the senior leadership team, hence firms need to ensure the right composition of this team.

Aggarwal and Zhao (2009) noted that information costs, imperfect managerial reward alignment, sub-optimal internal control systems lead to varying degrees of capital misallocation. They noted that transaction costs can be prohibitive during the design of optimal contracts because of information asymmetry coupled with difficulties in contract implementation due to lack of control rights. Information asymmetry hence may lead to strategy implementation failure and the firm must put measures in place to ensure decisions are made based on full information.

1.1.3 Competitive Advantage

Competitive advantage emanates from many distinct activities a firm performs in designing, manufacture, marketing, delivery and post market support of its products (Porter, 1985). Selznick (1957) referred to distinctive competence as those things a firm does exceptionally well as opposed to its competitors and noted that distinctive competence creates competitive advantage for a firm. According to Porter (1985), competitive advantage is about how a company implements generic strategies and how it differentiates itself from competitors. Pearce and Robinson (2011) noted that the most important sources of competitive advantage are the cost structure of the firm and differentiation ability of the organization. Businesses with both sources enjoy the highest level of competitive advantage within their industry. Kogut (1985a) noted that competitive advantage is firm-specific advantage that includes tangible and intangible characteristics of an organization which rivals can't imitate without incurring substantial costs or uncertainity.

The resource based view has provided a different perspective of the sources of competitive advantage in a firm. Prahalad and Hamel (1990) explained that the real sources of advantage are in management's capability to bring together organizational technologies and skills into competences that enable businesses to adapt fast to the changing environment. Itami and Roehl (1987) explained that invisible assets such as corporate culture, managerial skills, information technology, customer loyalty and trust, and corporate brand image are the real sources of competitive advantage.

The effective and innovative management of resources is the key to creation of economic value as opposed to the possession of such resources. The difference in financial performance and productive opportunities in firms is due to intra-industry heterogenicity occasioned by creative deployment of resources (Kor and Mahoney, 2004). Barney (1991) noted that there is non-uniform distribution of resources in firms and that firms would incur costs if these resources are transferred from firm to firm. Penrose (1959) noted that a firm possesses a bundle of productive resources which are unique for different organizations.

1.1.4 Healthcare Sector in Kenya

The Kenyan healthcare sector is divided into four sub-sectors namely, public sector, commercial private sector, faith based organizations, and non-governmental organizations. According to the Ministry of Health (MOH) there are 9,249 health facilities in the country, 48% of which are in public sector, 38% in commercial private sector, 11% are faith based organizations and 3% are non-governmental organizations. The public sector is utilized by the rural and the poor urban population while private facilities serve everyone due to the unavailability of crucial resources in public health facilities. In 2013, the healthcare function was devolved from the central government to the 47 county governments.

The central government provides policy framework and guidelines with no active role in the management of the health facilities except national referral hospitals. The MOH has classified hospitals into Level 1, community care facilities, level 2, dispensaries and clinics, level 3, health centers, maternities and nursing homes, level 4, primary hospitals, level 5, secondary hospitals and level 6 constituting tertiary hospitals. The public healthcare sector is financed through budgetary allocation, national hospital insurance fund (NHIF), payments by patients, development partners and non-governmental organizations.

Faith based organizations target the poor in the population to ensure they access decent healthcare services at affordable rates. Hospitals in this category include, Nazareth Hospital, A.I.C Kijabe Hospital, PCEA Kikuyu Hospital and Tenwek hospital. Non-governmental organizations also work closely with the disadvantaged in the society to avail healthcare services. These organizations receive funding and technical support from international partners like USAID, WHO, DFID, JICA, GIZ and DANIDA.

The commercial private healthcare sector is composed of a number of key players who include hospitals, insurance companies, local drug manufacturers, multinational drug companies, pharmaceutical importers and distributors and relationship managers. This sub-sector is funded mainly through out of pocket patient payments and medical insurance. A number of key issues need to be addressed in the private healthcare sector which include stewardship, delivery of quality services, delivery of health products and collection of data and information (Barnes, et al. , 2009).

1.1.5 Private Hospitals in Nairobi County

A private hospital is one that is owned by for-profit company or non-profit organization and is funded through out of pocket patient payments, insurance firms, and government-run insurance programs. Private hospitals serve different classes of the population based on their resource capability. The deployment of resources in private hospitals is capital and labor intensive and requires full commitment of the senior managers of these hospitals. Due to the emerging disease patterns in sub-saharan region, these hospitals need to embrace contemporary technological advances in the treatment of a number of emerging ailments. This will require investment in physical infrastructure, dynamic leadership and knowledgeable workforce.

According to medical practitioners and dentists board (MPDB), there are 36 licensed private hospitals in Nairobi county as listed in appendix II. These hospitals have varying bed capacities, leadership structures and resource capabilities. The resource capability informs the level of complexity in handling medical cases and its on this basis that these hospitals are classified into levels. These privately owned health facilities are either in level 4, 5 or 6 with 78% of them in level 4 while 22% are in level 5 and 6.

Hospitals in Nairobi county operate in a dynamic environment with many stakeholders like the government, insurance firms, individual and institutional investors, and financial institutions. These hospitals will require to implement a number of strategies to create value for shareholders, beat competition, increase their market share and operate in the long run. They will be required to be innovative in the implementation of these strategies in order to efficiently adapt to the environment.

1.2 Research Problem

A firm may choose to adopt mergers and acquisitions, strategic alliances, and diversification as growth strategies. Madhok and Keyhani (2012) did a study on the effect of mergers and acquistions on competitive advantage of multinational companies from emerging economies. They emphasized on the shift from already advantageous resources to asymmetry as the starting point to build sustainable firm-specific advantages. They did a cross sectional survey on companies in the United States of America and Europe involved in mergers and acquistions. They noted that capability development and acquistion offers improved value proposition. However, the current study focussed on diversification strategy and was based on the strategic resources already available, was cross sectional in nature and was carried out in private hospitals in Nairobi county in Kenya.

Gubbi, Aulakh, Ray, Sarkar, and Chittoor (2010) did a study on completed cross border mergers and acquisitions made by publicly traded indian companies. The study was carried out in 425 indian firms between the year 2000 and 2007 and was longitudinal in nature. They noted that internally generated growth takes long and is path dependent and that acquisitions offered possibility of abnormal growth cycles. They explained that acquisitions helped organizations gain and reconfigure new resources and capabilities. They also noted that there was evidence of positive above normal returns for the acquiring firm shareholders and that firms involved in mergers and acquisitions get strategic assets from diverse markets. In order to address the gaps in this study which indicated above normal returns from acquistions, this study looked at the growth of the firm through different dimensions of diversification strategy, was cross sectional in nature and was carried out in private hospitals in a growing economy.

Uddin and Akheter (2011) looked at the growth of the firm through strategic alliances. They noted that strategic alliances can be joint ventures, equity based or non-equity based. In this form of growth, firms combine assets and capabilities and this was found to be an important source of resource sharing and learning which led to sustained competitive advantage. They looked at past studies done in 889 pharmaceutical companies, 132 biotechnology firms and 56 airlines and concluded that strategic alliances complementing a firm have the highest possibility of creating competitive advantage. Diversification strategy is a growth strategy as it is a strategic alliance. This study looked at the different dimensions of diversification strategy and the moderating factors that affected the attainment of competitive advantage of private hospitals in Nairobi county.

Olivier and Root (2014) did a study on the diversification strategies implemented by construction companies in southern africa. They utilized publicly available secondary data from nine large southern africa construction companies for the period 2007-2011, hence longitudinal in nature to provide trends in firm performance. They noted that moderately diversified firms within a specialised field outperformed undiversified and highly diversified firms. They also noted that one of the biggest challenges of diversification strategy implementation was political instability. This study sought to add more empirical knowledge to this work and was a cross sectional survey conducted in private hospitals in Nairobi, Kenya in East Africa.

A number of studies have been done on the various growth strategies and in particular diversification strategy, implementation challenges and competitive advantage of organizations both locally and internationally. This study sought to add more empirical knowledge and was carried out in the kenyan healthcare sector among private hospitals in Nairobi county . The study would form basis for more research work to be done in this sector in regard to diversification strategy implementation and the unique challenges thereof. What is the effect of diversification strategy on competitive advantage and what are the challenges of diversification strategy implementation in private hospitals in Nairobi county?

1.3 Research Objectives

The objectives of this study were to:

i) Determine the effect of diversification strategy on the competitive advantage of private hospitals in Nairobi county.

ii) Determine the challenges of diversification strategy implementation in private hospitals in Nairobi county.

1.4 Value of the Study

Resource based view looks at the strategic assets that firms possess in a bid to attain competitive advantage. In order for organizations to attain competitive advantage, they must have strategic assets which are rare, valuable, inimitable and non-substitutable. This study highlighted the resources which are key to the performance of private hospitals hence contributing to this theory.

On dynamic capabilities theory, the study sought to understand the innovative ways private hospitals are using to manage the strategic resources they have to attain and maintain competitiveness. The implementation of diversification strategy is pegged on the difference between market transaction costs and internal costs. The study sought to understand under what circumstances private hospitals in Nairobi county choose to diversify and to what extend they diversify, hence contributing more knowledge to the transaction costs economics theory.

It would give insights to managers and strategy consultants in the healthcare industry on dimensions of diversification strategy which have been widely used but not fully researched on to determine their impact on attaining competitive advantage. The government of kenya is required to provide an enabling environment for firms to operate in. It could use information from this study to inform the drafting of laws, guidelines, policies, and frameworks which would make it easier for hospitals to deliver quality healthcare services to the kenyan population while at the same time maximizing shareholders' return on investment.

This chapter highlighted the background of the study, discussed briefly the variables in the study which include diversification strategy, challenges of diversification strategy implementation and competitive advantage. It also discussed the context of the study which was private hospitals in the county of Nairobi. It briefly introduced the theories on which this study was anchored which are resource based view, dynamic capabilities theory and transaction costs economics theory. Finally it discussed the research problem highlighting the conceptual, methodological and contextual gaps, objectives of the study and value of the study to theory, practice and policy.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter looked at the theoretical perspectives of competitive advantage in organizations and focussed on the resource based view , dynamic capabilities theory, and transaction costs economics theory. It looked at the effects of diversification strategy, competitive advantage and the challenges of diversification strategy implementation. Empirical studies and knowledge gaps this study was expected to fill were also looked at.

A study is anchored on a number of theories and it's used to test hypotheses which are key in answering the research questions. The resource based view of the firm looks at the strategic assets a firm possesses, the skills and capabilities present in the firm necessary for the achievement of competitive advantage. The dynamic capabilities theory highlights the innovativeness in firms while adapting and integrating their strategic resources to opportunities and threats. Transaction costs economics theory is based on the make or buy decision and looks at the difference between internal costs and external market costs.

Firms only implement diversification strategy dimensions expected to improve their performance. In theoretical perspective, each of these dimensions have been studied in different contexts and different conclusions arrived at. This chapter related each of these dimensions to competitive advantage. Organizations must be deliberate in their efforts to implement their desired diversification strategies. This chapter highlighted some of the challenges organizations need to overcome in order to achieve competitiveness. Studies done in the past by a number of scholars were looked at and the researcher sought to add more knowledge or fill any existing gaps.

2.2 Theoretical Foundation

This section focussed on the resource based view, dynamic capabilities theory, and transaction costs economics theory . It laid the foundation for the discusssion of implementation of diversification strategies and the effect of these strategies on organizational performance. Resource based view (RBV) examines the combination of assets, skills and capabilities in an organization to identify its strategic advantages. It identifies strategic resources in the firm that are necessary to create competitive advantages that are sustainable to ensure achievement of superior performance. According to this perspective, firms with better systems and structures perform better not because they have strategic investments that limit entry but because they have significantly lower costs and offer higher quality or higher product performance (Teece, Pisano, and Shuen, 1997). Mintzberg, Quinn, and Ghoshan (1999) noted that business activities are carried out using a collection of skills, competences or capabilities which are supported by strategic resources.

According to RBV, core competences must be developed and sustained as key to organizational performance and this is done by accumulating experience over time. They explained that competitive advantage can be traced to superior skills, superior resources and superior position. According to Wernefelt (1984), resources are viewed as strengths or weaknesses of a given firm, are either tangible or intangible and are linked semi-permanently to the organization. An holder of a resource is able to maintain resource position barrier hence competitive advantage.

The resources that are superior compared to those of competitors form the basis for competitive advantage if they are matched correctly to environmental changes (Andrews, 1971). Barney (1991) explained that sustained competitive advantage occurs due to the fact that resources are not perfectly mobile across firms in an industry. He noted that the resource must be valuable, rare, imperfectly inimitable and must not be strategically substitutable. According to Peteraf (1993), there are four conditions for a firm to experience long term above average returns namely, resource heterogenicity which creates monopoly rents, ex-post limits to competition, imperfect factor mobility to ensure valuable factors remain within the firm and ex-ante limits to competition to ensure costs don't offset rents.

Grant (1996) highlighted the knowledge-based view of the firm which is viewed by many scholars as an extension of the resource-based approach. He looked at the characteristics of knowledge in a firm which include transferrability of knowledge between firms and within the firm, capacity of aggregation of knowledge and specialization in knowledge acquisition by individuals. Organizational capability, an outcome of knowledge integration in a firm is a source of competitive advantage. According to Penrose (1959), experience produces change in individuals and objective knowledge which can be transmitted to other individuals in the organization. However, experience itself can not be transmitted.

Resources in hospitals contribute to the attainment of the objectives of the organization. These organizations allocate resources in order to attain objectives in financial performance, customer perspective, learning and growth, and internal business processes. They will be required to invest in the enhancement of assets, skills and unique capabilities as they implement diversification strategies to attain a superior position in the sector.

Dynamic capabilities theory looks at the capacity to adapt, integrate and reconfigure organizational skills, resources, and competences to match with what is required in a changing environment (Teece, Pisano, and Shuen, 1997). According to Teece, Pisano, and Shuen (1997), these resources, skills and competences must be developed, deployed and protected to ensure sustainable competitive advantage. A firm with these characteristics regardless of the industry shall be able to offer superior products and services.

According to Schilka (2014), there is a non-linear U-shaped relationship between dynamic capabilities and competitive advantage which is strongest under medium level of dynamism but weaker in high or low levels of dynamism. The key to attainment of competitive advantage is not the presence of strategic assets, skills and capabilities. It is the ability of the firm to adapt and match these resources to the external environment. Private hospitals will need to reconfigure the resources they have in line with the environmental opprotunities and threats. The success of diversification strategies is dependent on the ability of the firm to match its capability to the environment. This must be done efficiently and in an innovative manner to ensure the firm attains the desired competitive advantage whether in financial or non-financial perspectives.

Transaction costs economics theory explains that organizations seek to reduce costs of exchanging resources with the environment and also minimize bureacratic costs of exchanges within the firm. When external transaction costs in the market are higher than bureaucratic costs of the firm, the company grows as it performs activities cheaply than if they were to be performed in the market. This theory provides the basis under which organizations may choose to grow through the different dimensions of diversification strategy.

Transactions induce costs especially when combined with uncertainity, imperfections and information asymmetry (Xiaorong, 2007). Diversification strategies are of value when transaction costs in external markets are higher compared to internal bureaucratic and resource allocation costs (Aggarwal and Zhao, 2009). According to Aggarwal and Zhao(2009), information asymmetry costs, poor reward management system, and imperfect organizational structures and systems may lead to varying degrees of internal capital misallocation in diversified firms. Managers thus need to have the expertise in resource allocation to achieve and sustain competitive advantage.

According to transaction costs economics theory, organizations exist because of their superior capabilities to attenuate human opportunism through hierachial controls not accessible to the markets. Ghoshal (1996) noted in his critique of the transaction costs economics theory that firms are not just substitutes for having efficient transactions when markets fail but they possses unique features different from those of the market. He thus introduced a new perspective in transaction costs economics theory which is worth noting.

2.3 Effects of Diversification Strategy Implementation and Competitive Advantage in Organizations.

A firm adopting diversification strategy may pursue related diversification, unrelated diversification, vertical integration or horizontal integration. Related diversification is one that takes a firm beyond its present products and markets but within the capabilities of the organization. Hoskisson (1987) noted that related diversification helps firms to exploit strategic resources hence achieve economies of scope and that related diversification helps firms to be in better strategic control than unrelated diversification due to narrower portfolio of businesses. In related diversification, businesses are able to share a strategic asset leading to economies of scope enabling the firm to attain competitive advantage which also emanates from the use of competence gained during building and maintaining an existing strategic asset. Competitive advantage also originates from the ability of the firm to utilise core competence developed through experience to build new strategic assets (Markides and Williamson, 1994).

Markides and Williamson(1994) noted that relatedness needs to help the organization accumulate non-tradable, non-substitutable assets efficiently in order to help the firm achieve competitive advantage. Related diversification may be in form of product diversification or channel diversification. Product diversification is a key form of organizational growth in the healthcare sector (Robinson, 1996). Hospitals have invested in several services which include dental care, pharmacy, mental health services, radiotherapy, and surgical facilities. Channel diversification entails promoting services in different ways to different population groups hence reducing the barriers of entry into new market niches.

Vertically integrated firms seek to increase economies of scope and efficiency. In this form of diversification strategy, business units within a firm buy from other business units. Hoskisson (1987) noted that organizational co-ordination is required to effectively transfer products and services along the divisions in vertically integrated firms. According to Claessens, Djankov, Fan, and Langa (2003), vertical integration involves linking of potential suppliers and clients into one unit owned by common shareholders, by-passing the market and saving on market transaction costs hence blocking competition. One pitfall of vertical integration is that it requires more learning by doing hence high possibility of capital misallocation. It is necesssary for an organization to own each stage of production in order to be fully integrated. In hospitals, vertical integration may refer to owning more than one link in a linear chain from insurance through ambulatory care to nursing home services (Clement, 1988). The integration of services through the continuum of care from physicians, admission wards, dedicated nursing facilities to home health care, ambulatory surgery and post discharge services like nursing homes has been sought by many hospitals (Robinson, 1996).

Horizontal integration describes activities that are complementary to existing ones and involves merging businesses which have similar inputs in terms of suppliers or outputs in terms of customers hence enabling the firm to benefit from economies of scale. This involves the introduction of new products which are not key to the current products or services. The new products or services help the firm to attain its mission which lies within the company's capability whether in technology, finance or marketing. Horizontally integrated firms may choose to operate within one market or across different geographic markets.

Unrelated diversification also known as conglomerate diversification leads to products or services beyond the current organizational capabilities. According to Yamoah and Kanyandekwe (2014), unrelated diversification is attractive when the organization can provide different businesses with varying managerial demands with the required expertise to ensure individual businesses improve in their performance. Hoskisson (1987) noted that realization of financial advantages in this strategy requires decomposition to distinct divisions with decentralization of operating responsibilities and that allocation of capital is based on company objective results as return on investment among all subunits. He noted that large unrelated diversifiers do not seek synergy among businesses hence efficiency is not due to economies of scope. Firms adopt this strategy when the main business has stabilised or performance has started to deteriorate and to reduce the unpredictability of cashflows (Yamoah and Kanyandekwe, 2014). Hospitals may choose to diversify into businesses in the healthcare industry which include pharmaceuticals, medical supplies, medical schools, and managed care. They may also venture into businesses outside the healthcare industry which include restaurants, health and fitness, parking lots, shopping centres, office buildings and laundry (Swayne, Duncun, and Ginter, 2008).

2.4 Challenges of Implementation of Diversification Strategy and Competitive Advantage

Implementation of diversification strategy is limited by the managerial capability to cope with increased complexity which is dependent on the composition of the senior leadership team (Prahalad and Bettis, 1986). Firms which adopt diversification strategy will be need good understanding of the company's diversity and relatedness of its activities (Yamoah and Kanyandekwe, 2014). Good performance in diversified firms requires top management to respond quickly to changes in industries which may not happen if the organization is engaged in unfamiliar businesses and requires knowledge in new products, new cultures and movement of resources from the parent organization to partner companies. Nath, Nachiappan, and Ramanathan (2010) noted that diversification increases cost of operations, managerial and organizational complexities, hence limiting the strategic responses by firms to major external changes. Firms which overcome these barriers during diversification strategy implementation realise above normal profits.

The agency theory postulates that managerial actions are different from those required to maximise shareholder returns (Donaldson and Davis, 1991). According to Aggarwal and Zhao(2009), insiders in organizations are motivated by the need to maximise short term returns and to engage in risky investments in order to retain their jobs at the expense of the shareholders. This may lead to misallocation of resources and diversification into unprofitable products, services and markets leading to organizational failure. The agency problem has been cited as a big challenge in many firms and thus there needs to be strategic controls during the implementation of diversification strategy.

According to Prahalad and Bettis(1986), returns on average decline as product diversity increases and remains steady as market diversity increases. They explained that choosing generic strategies of diversification and the degree of relatedness is important in attaining good performance. Profits start to decline after some time and the firms shall require new organizational structures and controls to reverse the poor performance (Grant, 1987). Horizontal integration may lead to diseconomies of scale due to difficulties in co-ordination of activities and provision of performance incentives. There are concerns that market power and collusion may occur as a result of horizontally co-ordinated pricing policies (Snail and Robinson, 1998). Other challenges in diversified firms include difficulties in motivation and co-ordination, high capital requirements hence introducing financial institutions and bondholders who bear business risk (Robinson, 1996).

2.5 Empirical Studies and Knowledge gaps

Gunterman (2012) did an empirical analysis of diversification strategies and performance in dutch healthcare using secondary data on dutch hospitals. He noted that related diversification did not by definition outperform unrelated diversification and that hospitals with moderate form of related diversification performed better than those with single businesses. He also noted that unrelated diversification had positive impact on the financial performance, medical and organizational performance. He explained that horizontal integration had no significant impact on performance and that the number of hospital locations negatively affected financial performance. This study sought to validate or refute the findings in Gunterman's study. It sought primary data which was used to make conclusions on the effect of diversification strategy on competitive advantage in private hospitals in Nairobi county and the implementation challenges.

Mendonca and Casas (2013) did case study in the packaging industry in brazil in a company producing collapsible tubes for pharmaceutical and cosmetic semi-solids, rigid tubes and aluminium slugs. They used secondary data of gross profits from the year 2003, the beginning of the diversification processes. They noted that vertical integration generated sustained business growth and reduced business risk. This study in private hospitals in Nairobi county also highlighted the effect of vertical integration on competitive advantage of firms among other dimensions of diversification strategy which were not studied by Mendonca and Casas, hence filling the knowledge gaps in their study.

Xiaorong(2007) in his study in china looked at the relationship between diversification and corporate performance and the factors accounting for firm performance. He studied 270 publicly listed companies and concluded that there was an inverted U-shape relationship between diversification and firm performance and that specialised organizations performed better than diversified firms. He noted that internal capital requirements was a major performance moderating factor and the agency problem was a minor challenge due to chinese culture, organizational characteristics and business philosophy. He noted that there should be good reasons for a firm to diversify to ensure firm value is not eroded. This study carried out in Nairobi, Kenya sought to determine the effect of diversification strategy on competitive advantage and the implementation challenges and would compare the findings to those of Xiaorong.

Kreye (2007) in his study in a sample of firms in germany between 2000 and 2003 looked at the impact of corporate industrial and international diversification on firm value. He noted that high levels of industrial diversification were associated with lower firm performance. He also indicated that industrial diversification-firm performance line is an inverted U-shape with moderate levels of diversification performing better than both low and high degree of industry diversity.

Arasa (2014) looked at the diversification strategy and performance of kenya commercial bank group. She noted that the firm adopted horizontal integration, related diversification and unrelated diversification. She concluded that diversification strategy had positive effect of bank performance. Mwangi (2014) did a study on the effect of diversification strategies on the performance of commercial banks in Kenya. She found that product diversification strategy was the most popular growth strategy and it had positive effect on bank performance. This study focussed on diversification strategy, challenges of implementation and competitive advantage in the healthcare sector and sought to add more empirical information to the existing research work.

Karanu (2012) in his case study on organizational growth strategies adopted by St Mary's hospital, Nairobi noted that the hospital used among other growth strategies unrelated diversification strategy which included a nursing school, high school and a hospital farm. However, he did not indicate the effect of this strategy on the performance of the hospital and the findings could not be generalised across the hospitals. The study in private hospitals in Nairobi county would look at the effect of diversification strategies and the implementation challenges, hence fill the knowledge gaps.

On challenges of diversification strategy implementation, Otieno (2013) did a case study at Kenya Power and Lighting Company. He noted that a number of challenges hampered the implementation among them inadequate human resources with the required capabilities and legal challenges encounted during licensing. Other challenges included inappropriate organizational structure and poorly aligned reward system. Few studies in Kenya have sought to get detailed empirical data on diversification strategy and competitive advantage in the healthcare sector. This was the focus of this study and would provide basis for future research work in the field.

In summary, this chapter looked at the theorical foundations on which the study was anchored which included the resource based view, dynamic capabilities theory and transaction costs economics theory. It also looked at diversification strategy and competitive advantage in firms and the challenges of implementation of diversification strategy in organizations in relation to competitive advantage. It highlighted some empirical studies carried out and the knowledge gaps the study was expected to fill.

CHAPTER THREE: RESEARCH METHODOLODY

3.1 Introduction

This chapter looked at the research methodology used and focussed on the research design and the population of the study. It also highlighted the data collection process and data analysis techniques used and the reasons thereof. It provided the framework which linked the concept with the empirical research work which would be crucial in attaining the research objectives.

Research design may be viewed as a plan, guide, framework or procedural outline based on the research question. The understanding of research design is of utmost importance in order to inform the researcher's thinking in coming up with the required foundations. The research design must be suitable for the particular research being conducted in order to arrive at the objectives. It highlights the variables of the study, the research problem, hypotheses, data collection methods and the statistical analysis plan.

Data collection sources may be primary or secondary and the data may be qualitative or quantitative. The choice of the data source depends on the research objectives. If secondary data is readily available, the researcher needs to determine if this will be adequate in answering the research question, if not then primary data will be collected. The data analysis method depends on the type of data collected. The researcher needs to chose the data source and analysis technique based of the research question.

3.2 Research Design

Research design is the overall plan that connects the conceptual research problem and the empirical research work. Research designs may be exploratory or descriptive depending on the degree of research question crystallization. It may also take the form of cross sectional or longitudinal studies based on the time dimension. It can also be statistical or case studies depending on the depth and breadth of the information being sought whereby statistical studies focus on the breadth while case studies focus on the depth.

This study took the form of cross-sectional survey to provide specific and statistical information about the target population. A cross-sectional survey is carried out once and represents a snapshot of one point in time as opposed to longitudinal studies which gather data over a specified period. This study sought accurate and valid representation of the variables that would be relevant to the research question.

It took the form of a statistical study in an attempt to capture the population's chraracteristics. In statistical studies, the representativenes of the sample helps the researcher in making generalizations about findings (Cooper and Schindler, 2014). Statistical studies are keen on the breadth as oppossed to cases studies that are keen on the depth. In statistical studies, hypotheses are tested quantitatively. The findings in this study were used to make inferences about private hospital characteristics.

3.3 Population of the Study

This is the total number of elements about which the researcher intends to make conclusions (Cooper and Schindler, 2014). To determine the characteristics of the population, a census or sampling can be carried out. A census is a count of all elements in a population while a sample is a representative portion of the population. In census, the researcher seeks information from all the respondents while in sampling the reasercher needs to determine the right method of drawing a representative sample. Sampling methods may include probability sampling which are simple random, systematic, stratified, cluster and double probability sampling designs or non-probability sampling.

Sampling of the population has a number of advantages which include low expenses, greater precision of the results, and reduced data collection time (Cooper and Schindler, 2014). According to Cooper and Schindler(2014), when there is high degree of variability and when the population is small, these advantages become less compelling to the researcher. This hence means the most appropriate method would be census of the population.

The healthcare sector in Kenya consists of 9,249 community care facilities, dispensaries and clinics, primary, secondary and tertiary hospitals. These facilities are further classified into the public sector, commercial private sector, faith-based organizations and non-governmental organizations. There are approximately 3,515 health facilities in the commercial private healthcare sector in Kenya according to the ministry of health. There are 36 private healthcare facilities located in Nairobi county which fall under the primary, secondary or tertiary levels of classification according to the MPDB (see appendix II) and these were the population for the study.

3.4 Data Collection

The data collection tool was a structured questionnaire for collecting primary data. According to Cooper and Schindler (2014), primary data is sought because of the closeness to the truth and the ability to control error. On questionnaires, Kothari (2004) noted that the respondent reads and understands the question before writing down the answer and that respondents have ample time to give well thought responses. This makes results more dependable and reliable.

The questionnaire took the form of open-ended and likert type questions and was administered through the drop and pick method. According to Cooper and Schindler (2014), data collection stage starts with pilot testing. This is conducted to test the weakness in design and instrumentation and to provide inforrmation for selection of probability sample. This research took the form of census hence pilot testing was not carried out. In order to ensure effective data collection, the questions in the questionnaire were made as straight forward and as simple as possible.

The target respondent in each institution under study was either the chief executive officer, chief operating officer, medical director, strategy manager or any other top level manager. This is because they have good understanding of the organization's current diversification strategies and the firm's micro and macro-environment, hence assuring reliability in the responses obtained. All the respondents were visited, issued with the questionnaire and follow up done through phone calls, regular visits and emails over a period of three weeks.

3.5 Data Analysis

The study used descriptive statistics which provided information on measures of central tendency and dispersion which included mean, percentages, frequencies and standard deviation and the findings presented in tables. Statistical or inferential analysis was used to allow generalization of the findings to a larger population. In addition to descriptive statistics, linear regression analysis was used to determine the extent to which diversification strategies affect competitive advantage of private hospitals in Nairobi county.

To determine the effect of diversification strategies on competitive advantage, the general regression equation below was used.

$Y=B_0+B_1X_1+B_2X_2+B_3X_3+B_4X_4+e$

Where Y is competitive advantage, B_0 is a constant, B_1, B_2, B_3 and B_4 are regression coefficients, X_1 is horizontal integration, X_2 is vertical integration, X_3 is related diversification, X_4 is unrelated diversification and e is error term.

In summary, this chapter highlighted the research design which was cross sectional survey using a structured questionnaire as the data collection tool. The population of the study was the 36 private hospitals in the county of Nairobi (see appendix II). Data analysis was done through descriptive statistics and inferential statistics which included simple regression analysis and analysis of variance (ANOVA).

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This chapter looked at the findings of the study with respect to the objectives which were to determine the effect of diversification strategy on competitive advantage and the implementation challenges in private hospitals in the county of Nairobi. It also discussed the findings of the study. Data collection was carried out in private hospitals in the county of Nairobi and data analysis done through descriptive statistics and inferential analysis with the help of Statistical Package for Social Sciences (SPSS).

The study targeted 36 private hospitals in Nairobi County whereby the respondents were administered with the questionnaires. They were briefed on the importance of the study and the purpose of the information. They were given enough time to fill the questionnaire with reminders done through phone calls, visits and emails. At the end of the data collection period, 19 questionnaires had been returned which was 53% response rate while 17 respondents (47%) did not participate.

Baruch (1999) noted that the average response rate in most academic studies is 55.6% with a standard deviation of 19.7% and studies involving senior managers in firms reported lower response rates. In their most recent research work, Baruch and Holtom (2008) noted that response rates from individuals were 52.7% with 20.4% standard deviation while organizational response rates were 35.8% with 18.8% standard deviation. This study attained a response rate of 53% hence comparable to many published cross sectional surveys. The researcher validated 19 questionnaires which were used for data analysis and discussion of the findings.

4.2 Organizational Background

This section looked at the characteristics of private hospitals in Nairobi county. The study gathered data on various aspects of private hospitals which included the length of service by the respondents, functional and education background. It also looked at bed capacity, branch network, and number of years the hospitals had been in operation. Descriptive statistics was used for analysis and presentation done through tables.

4.2.1 Respondents' Length of Service

The respondents were required to indicate the cumulative years they had worked for the hospital and the findings were presented in table 4.1. The findings indicate that most of the respondents (57.9%) had been working at the hospital for between 1 and 5 years, 10.5% had been working for between 6 and 10 years, 10.5% for over 10 years and 21.1 % for less than 1 year. This indicates that 78.9% of the respondents had worked in that hospital for more than 1 year hence are assumed to have given reliable information regarding the diversification strategies, implementation challenges and competitive advantages.

Table 4.1: Respondents' Length of Service

	Frequency	**Percent**	**Cumulative Percent**
Less than 1 year	4	21.1	21.1
1-5 years	11	57.9	78.9
6-10 years	2	10.5	89.5
Over 10 years	2	10.5	100
Total	**19**	**100**	

Source: Research Data (2017)

4.2.2 Functional Background of Respondents

The purpose of this section was to get information on the area of expertise of the respondents and they were required to indicate their field of specialization. The findings on the technical background were as presented in table 4.2. The findings revealed that majority of the respondents (68.4%) were hospital administrators, followed 15.8% respondents attached to the finance and accounting departments. The findings also showed that 10.5% of the respondents were in human resource departments while 5.3% of the respondents were the chief executive officers. This implies that most respondents were involved in the implementation of diversification strategy and understood the challenges of diversification strategy implementation based on their technical background.

Table 4.2: Respondents' functional Background

	Frequency	Percent	Cumulative Percent
Hospital Administration	13	68.4	68.4
Human Resource Management	2	10.5	78.9
Chief Executive Officer	1	5.3	84.2
Financial and Accounting	3	15.8	100
Total	**19**	**100**	

Source: Research Data (2017)

4.2.3 Respondents' Level of Education

This section sought to understand the level of education of the respondents and the results were presented in table 4.3. The findings indicated that most of the respondents (63.2%) had a bachelor's degree as the highest level of education, 15.8% of the respondents had post graduate diploma, 15.8% had masters degree as the highest level of education while 5.3% of the respondents indicated that they had a diploma as the highest level of education. This shows that the respondents in the organization had basic level of education. The respondents provided all the required information in the questionnaire despite their level of education.

Table 4.3: Respondents' Level of Education

	Frequency	**Percent**	**Cumulative Percent**
Diploma	1	5.3	5.3
Degree	12	63.2	68.4
Postgraduate Diploma	3	15.8	84.2
Masters	3	15.8	100
Total	**19**	**100**	

Source: Research data (2017)

4.2.4 Bed Capacity of the Hospitals

The study looked at the bed capacity of the hospitals which is a relative measure of organizational size and the results were as shown in table 4.4. The findings showed that most private hospitals (31.6%) had between 30 to 39 beds, 26.3% of the private hospitals had between 40 to 49 beds, 15.8% of the private hospitals had 20 to 29 beds while 15.8% had above 50 beds. It also revealed that 10.5% of the private hospitals had between 10 and 19 beds.

Table 4.4: Hospital Bed Capacity

	Frequency	Percent	Cumulative Percent
10-19 beds	2	10.5	10.5
20-29 beds	3	15.8	26.3
30-39 beds	6	31.6	57.9
40-49 beds	5	26.3	84.2
Above 50 beds	3	15.8	100
Total	**19**	**100**	

Source: Research Data (2017)

4.2.5 Duration of Hospital Operation

The study also looked at the number of years the hospitals have been in operation and the findings were as summarized in table 4.5. The findings indicated that 57.9% of the private hospitals had been in operation for over 10 years, 21.1% of the private hospitals had been in operation for between 6 and 10 years, 15.8% of the private hospitals had been in operation for between 1 to 5 years while 5.3% of the hospitals had been in operation for less than one year. This implies that most private hospitals gave reliable information regarding the diversification strategies, implementation challenges and competitive advantages based on the number of years they had been in operation which is an indicator of industry experience.

Table 4.5: Duration of hospital operation

	Frequency	Percent	Cumulative Percent
less than 1 year	1	5.3	5.3
1-5 years	3	15.8	21.1
6-10 years	4	21.1	42.1
over 10 years	11	57.9	100
Total	**19**	**100**	

Source: Research Data (2017)

4.2.6 Hospital Branch Network

The number of branches for each of the respondents was analysed through descriptive statistics and the results presented in table 4.6. The results showed that majority of the hospitals (84.21%) had between 1-10 branches, 10.53% had 11-20 branches while 5.26% had over 20 branches.

Table 4.6: Hospital Branch Network

	Frequency	**Percent**	**Cumulative Percent**
1-10 Branches	16	84.21	84.21
11-20 Branches	2	10.53	94.74
Above 20 Branches	1	5.26	100
Total	**19**	**100**	

Source: Research Data (2017)

4.3 Diversification Strategies

The respondents were asked to indicate the statement which described the diversification strategy they had implemented. The responses were analysed through descriptive statistics and the results presented in table 4.7. The results showed that majority of the respondents had added a new product or service related to the current business with mean of 3.79 and SD of 1.273. They indicated that the hospital had acquired a new facility to carry out core activities to moderate extent (mean of 3.11 and SD of 1.595) and that the output of the new facility was a crucial input in other products or services (mean of 3.05 and SD 1.580).

They indicated to a moderate extent that the hospital had merged businesses with similar inputs and market outputs or similar customers with mean of 2.58 and SD of 1.346 and that the hospital had introduced a new disruptive channel of distributing products or services to clients with mean of 2.58 and SD of 1.427. To a small extent, the respondents indicated the hospital had added a new product or service not related to the current business but in the healthcare industry with mean of 2.37 and SD of 1.383 and the company had added a new product or service outside the healthcare industry with mean of 2.11 and SD of 1.410.

Table 4.7: Descriptive Statistics for Diversification Strategies

Variables	**N**	**Mean**	**SD**
Horizontal Integration			
Our hospital has merged businesses with similar inputs and market outputs or similar customers	19	2.58	1.346
Vertical Integration			
We have acquired a new facility to carry out core activities	19	3.11	1.595
The output of the new facility is a crucial input in other products or services.	19	3.05	1.580
Related Diversification			
Our hospital has added a new product or service related to the current business e.g. mental health care	19	3.79	1.273
Our company has introduced a new disruptive channel of distributing products or services to our clients.	19	2.58	1.427
Unrelated Diversification			
Our company has added a new product or service not related to the current business but in the healthcare industry e.g. medical school, and pharmaceutical supplies.	19	2.37	1.383
Our company has added a new product or service outside the healthcare industry e.g. health and fitness, restaurant, and parking lots	19	2.11	1.410

Source: Research Data (2017)

4.4 Challenges of Diversification Strategy Implementation

The respondents were required to indicate the challenges they faced during the implementation of diversification strategies. The results were analyzed through descriptive statistics and the findings presented in table 4.8. The findings showed that to moderate extent, high capital requirements had slowed down the diversification process with mean of 3.11 and SD of 1.560 and that to a small extent that organizational culture had been a hindrance to diversification strategy implementation with mean of 2.42 and SD of 1.071. Organizational structure and leadership had been an impediment to diversification strategy implementation to small extent with mean of 2.42 and SD of 1.170. They indicated to a small extent that government policies and guidelines from regulatory bodies had impacted negatively on diversification strategy implementation with mean of 2.21 and SD of 1.228 and that to a small extent coordination and motivation across the different divisions had not been optimally achieved (mean of 2.21 and SD of 1.134).

Further, the findings showed that to a small extent implementation of diversification strategy had been slowed down by managers' limited understanding of the macro and micro-environment (mean of 2.00 and SD of 1.155) and that misallocation of resources to different divisions by top managers had been experienced in the past leading to investment in unprofitable products (mean of 2.00 and SD of 1.202). The respondents indicated that not at all had fears of market dominance and collusion been expressed by regulatory authorities (mean of 1.84 and SD of 1.015). In addition, few respondents cited high staff turnover and competition as challenges to the implementation of diversification strategy.

Table 4.8: Descriptive statistics for Implementation Challenges

Variables	N	Mean	Std. Deviation
Implementation has been slowed down by managers' limited understanding of the macro and micro-environment	19	2.00	1.155
Coordination and motivation across the different divisions has not been optimally achieved.	19	2.21	1.134
High capital requirements have slowed down the diversification process.	19	3.11	1.560
Misallocation of resources to different divisions by top managers has been experienced in the past leading to investment in unprofitable products	19	2.00	1.202
Fears of market dominance and collusion have been expressed by regulatory authorities	19	1.84	1.015
Organizational culture has been a hindrance to diversification strategy implementation	19	2.42	1.071
Organizational structure and leadership have been an impediment to diversification strategy implementation.	19	2.42	1.170
Government policies and guidelines from regulatory bodies have impacted negatively on diversification strategy implementation	19	2.21	1.228

Source: Research Data (2017)

4.5 Competitive Advantage

The respondents were required to indicate the performance of the hospital in terms of financial performance, customer perspective, learning and growth and internal business processes. Descriptive statistics of competitive advantage were as presented in table 4.9. The findings indicated that majority of the hospitals responded to customer concerns in a timely manner with mean of 4.37 and SD of 0.68. The respondents indicated to a large extent that all internal business processes were documented and could easily be accessed by all authorized employees with mean of 4.21 and SD 0.855.

The findings showed that to a large extent the organization had dedicated customer care agents who would make information readily available to clients with mean of 4.05 and SD of 1.079, that to a large extent there were high performance work systems in the organization (mean of 3.95 and SD of 0.780) and that employees were trained regularly to improve their skills and competences (mean 3.95 and SD of 0.970). The findings indicated to a large extent that product and service quality had improved over the last 5 years (mean 3.84 and SD of 1.015) and that to a large extent the hospitals had instructors in different fields of specialization (mean 3.74 and SD of 1.195). The study respondents also indicated to a large extent the PBIT for the hospital had been improving over the last 5 years (mean 3.79 and SD of 1.228) and that to a large extent the current and quick ratios of the hospital had improved (mean 3.79 and SD of 1.084). The respondents indicated to a large extent that the revenue of the hospital had improved over the last 5 years (mean 3.68 and SD of 1.336). They also indicated to a large extent that the market share or customer base had been increasing over the last 5 years (mean 3.53 and SD of 1.219).

Respondents felt there was moderate improvement in inventory turnover ratio and account receivable turnover over the last 5 years (mean 3.47 and SD of 1.073). They also indicated there was moderate introduction of new products and services in the last 5 years (mean 3.47 and SD of 1.264). There was moderate improvement in debt to equity ratio and debt to total assets ratios (mean 3.42 and SD of 0.961) and moderate improvement of earnings per share (mean 3.21 and SD of 1.032). There was also moderate improvement in total assets turnover, return on total assets and return on equity over the last 5 years (mean 3.05 and SD of 1.079). The findings indicated moderate allocation of resources to both business and scientific research and development (mean 2.95 and SD of 1.471).

Table 4.9: Descriptive Statistics for Competitive Advantage

Variables	N	Mean	Std. Deviation
Financial Performance			
The revenue of the hospital has improved over the last 5 years	19	3.68	1.336
The Profit Before Interest and Tax (PBIT) for the hospital has been improving over the last 5 years.	19	3.79	1.228
The current and quick ratios of the hospital have improved over the last 5 years.	19	3.79	1.084
The inventory turnover ratio and account receivable turnover have improved over the last 5 years.	19	3.47	1.073
Debt to equity ratio and debt to total assets ratio have improved over the last 5 years.	19	3.42	.961
Total assets turnover, return on total assets and return on equity have improved over the last 5 years	19	3.05	1.079
The earnings per share have improved over the last 5 years.	19	3.21	1.032
Our market share or customer base has been increasing over the last 5 years.	19	3.53	1.219
Customer Perspective			
There are distinct structures to support customer relationship management.	19	3.95	.970
The organization has dedicated customer care agents who make information readily available to clients.	19	4.05	1.079
Our organization responds to customer concerns in a timely manner.	19	4.37	.684
Learning and Growth			
Employees are trained regularly to improve on their skills and competences.	19	3.95	1.079
Our organization has instructors in different fields of specialization	19	3.74	1.195
Our organization has a budget for both business and scientific research and development.	19	2.95	1.471

Internal Business Processes			
We have introduced new products and services in the last 5 years	19	3.47	1.264
Our product and service quality has improved over the last 5 years	19	3.84	1.015
All our business processes are automated and integrate seamlessly across all business units	19	4.05	1.026
There are high performance work systems in my organization	19	3.95	.780
All our internal business processes are documented and can be easily accessed by all authorized employees	19	4.21	.855

Source: Research Data (2017)

4.6 Inferential Statistics

Inferential statistics allows generalization of results or findings to a larger population. The researcher did linear regression modelling to determine the relationship between the variables. The coefficient of determination R^2 was used to test the model fit and the results were presented in table 4.10. The findings indicated that diversification strategy has positive influence on competitive advantage and that approximately 32% of the variations in competitive advantage could be explained by diversification strategy and the remaining 68% by other variables not included in this study.

Table 4.10: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.566[a]	.320	.126	1.009
a. Predictors: (Constant), Horizontal integration, Vertical integration, related diversification, unrelated diversification				

Source: Research Data (2017)

ANOVA findings were presented in table 4.11 in which the F statistics was found to be 3.369. The F statistics was statistically significant at 5% level of significance. In this study the computed F statistics (3.369) was bigger than the critical F statistics (2.93). This means that all the predictor variables (Horizontal integration, Vertical integration, related diversification and unrelated diversification) explain the variation in the competitive advantage.

Table 4.11: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	13.707	4	3.427	3.369	.018[b]
	Residual	17.241	14	1.017		
	Total	30.948	18			

a. Dependent Variable: Competitive Advantage
b. Predictors: (Constant), Horizontal integration, Vertical integration, related diversification, unrelated diversification

Source: Research Data (2017)

Regression coefficients for the regression model used were as shown in table 4.12. The general regression equation for the model was $Y=B_0+B_1X_1+B_2X_2+B_3X_3+B_4X_4+e$ where Y is competitive advantage, B_0 is a constant, B_1, B_2, B_3 and B_4 are coefficients, X_1 is horizontal integration, X_2 is vertical integration, X_3 is related diversification, X_4 is unrelated diversification and e is error term. The multiple linear regression equation thus becomes:

$$Y = 1.753 +0.155X_1 +0.390X_2 +0.076X_3 -0.091X_4$$

Where competitive advantage= constant+ horizontal Integration+ vertical Integration + related diversification+ unrelated diversification.

Table 4.12: Regression Coefficients

Variables	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.753	.723		2.426	.000
Horizontal integration	.155	.195	.193	.794	.001
Vertical integration	.390	.216	.500	1.806	.002
Related diversification	.076	.255	.079	.296	.001
Unrelated diversification	-.091	.239	-.119	-.380	.010

a. Dependent Variable: Competitive Advantage

Source: Research Data (2017)

From the findings, it was revealed that holding horizontal integration, vertical integration, related diversification and unrelated diversification to constant zero, competitive advantage of the private hospitals would be 1.753. The study also revealed that one-unit increase in horizontal integration (X_1) would increase competitive advantage by 0.155 units, one-unit increase in vertical integration (X_2) would increase the competitive advantage of the private hospitals by 0.390 units, one-unit increase in related diversification (X_3) would increase the competitive advantage by 0.076 units. However, it was noted that one-unit decrease in unrelated diversification (X_4) would increase the competitive advantage of the private hospitals by 0.091 units. The p values of the independent variables (horizontal integration, vertical integration, related diversification and unrelated diversification) indicated as .000, .001, 002 and .010 respectively were all less than 0.05. This means that all independent variables were statistically significant.

4.7 Discussion of Research Findings

Data collection and analysis was done from 19 private hospitals with the objectives of determining the effect and implementation challenges of diversification strategy in private hospitals in Nairobi county. Horizontal integration was implemented by private hospitals to a moderate extent and was found to have positive impact on the competitive advantage. According to Snail and Robinson(1998), the effects of horizontal integration on competitive advantage are due to economies of scale and this is achieved through mergers or contractual alliances. Mick, et al., (1993) also noted that competitive advantage through horizontal integration is due to economies of scale, utilization of common management logic, ease in access to capital markets and reduced redundant services. Hospitals in Nairobi county are able to efficiently utilize the resources they have if they are horizontally integrated hence improved competitiveness. The findings in this study are in contrast to Gunterman (2012) who did an empirical analysis of dutch healthcare industry and found there was no significant effect of horizontal integration on hospital performance.

Descriptive statistics showed moderate implementation of vertical integration in private hospitals studied while regression analysis showed it had positive effect on competitive advantage. Vertical integration is dependent on the make or buy decision in choosing contractual agreements and complete or unified ownership. It compares efficiency in production, costs and organizational capabilities with market transaction costs which may include costs incurred in negotiations, performance monitoring and enforcement. Mendonca and Casas (2013) noted that vertical integration generated sustained business growth, hence comparable to findings of this study in private hospitals which indicated positive effect of vertical integration on competitive advantage.

Related diversification was found to be the most popular diversification strategy implemented in the private hospitals in this study. From the regression model, it shows positive impact on competitive advantage. According to Gunterman (2012), related diversification on average showed positive impact on financial performance. He also noted that hospitals that have high level of business relatedness are less efficient and that related diversification showed weak but positive effect on efficiency. According to Arasa (2014) in her study in kenya commercial bank group, there is a positive relationship between related diversification and firm performance. These two research findings are similar to the findings in this study carried out in private hospitals in Nairobi county.

The study found that unrelated diversification had negative effect on the competitive advantage of private hospitals in Nairobi county. Findings showed that respondents had implemented this strategy to a small extent. Snail and Robinson (1998) noted that the long term effect of unrelated diversification on financial performance was comparable to that of related diversification and that the positive effect of related diversification was only significantly different in the short term. Gunterman (2012) noted that unrelated diversification had positive effect on financial, medical and organizational performance which was moderated by hospital size, type and privatization grade. This is in contrast to the findings of this study which revealed negative effect of unrelated diversification on competitive advantage. However, the effect of unrelated diversification on each of the aspects of competitive advantage was not established in this study.

On implementation challenges, most respondents cited high capital requirements as their biggest hindrance to implementation of diversification strategy (mean 3.11 SD 1.56). Other important challenges included organizational culture (mean 2.42 SD 1.071) and organization structure and leadership (mean 2.42 SD 1.17). Regulatory environment by the government and other bodies and limited understanding were also cited as challenges to the implementation. Meme (2012) and Gatonye (2015) noted that some of the challenges of diversification strategy implementation were insufficient resource allocation, cultural diversity, competing investment priorities, increased competition, local and international trade laws and poorly defined organizational structure which posed co-ordination challenges. These findings mirror the findings in private hospitals in Nairobi county. Organizations will be required to do strategic analysis, allocate adequate resources for strategy implementation and ensure well co-ordinated operationalization and institutionalization of diversification strategy.

In summary, this chapter looked at data analysis, presentation of the findings and discussion. It looked at the organizational background in terms of length of service by the respondents, functional background, level of education, hospital bed capacity and duration of hospital operation and branch network of the hospitals. It presented the descriptive statistics for diversification strategies, challenges of implementation of diversification strategy in private hospitals in Nairobi County and Competitive advantage. It further looked at the inferential statistics to come up with the regression model which was used to determine the effect of diversification strategy on competitive advantage of private hospitals in Nairobi county. Lastly, a brief discussion of the findings was done to compare these findings and those of other researchers.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter outlines the summary and conclusions based on the findings in relation to the objectives which were to determine the effect of diversification strategy on competitive advantage of private hospitals in Nairobi county and the implementation challenges. It looks at how the findings could be of benefit to practitioners and policy makers. The limitations which were observed during the research period are also outlined. Further research areas which were not the scope of this study have also been discussed.

The summary section highlighted the findings of this study in relation to the objectives. It provided a synopsis of the different dimensions of diversification strategy which are horizontal integration, vertical integration, related diversification and unrelated diversification and related them to the competitive advantage of the private hospitals in the study. It also summarized the findings on the challenges of implementation of diversification strategy in the context of the study.

Research work is important in managerial science in that it enables scholars to advance knowledge in the field, practitioners to get new insights in varied managerial cases and policy makers to review guidelines based on new findings or those that support theories and best practices. This chapter looked at how practitioners and policy makers could benefit from the findings. Limitations affect the outcome of research work and this chapter looked at some of them. In carrying out research work, potential future research areas could be identified and these were also highlighted for pursuance by researchers.

5.2 Summary

The study revealed that most private hospitals under study had adopted one or more dimensions of diversification strategy. Related diversification was found to be the most popular dimension of diversification strategy whereby hospitals introduced new products and services. Vertical and horizontal integration were implemented to a moderate extent by the hospitals. On implementation challenges, most respondents cited high capital requirements, organizational culture and organizational structure and leadership as the main challenges.

Competitive advantage in customer perspective was found to exist in most hospitals who indicated that they had structures for handling client concerns. In internal business processes, most hospitals noted that they had documented procedures and that processes were automated and integrated across the hospital. In learning and growth, most hospitals noted that they had regular trainings while in financial performance most indicated there was an improvement in PBIT with moderate improvement in working capital management. There was also moderate improvement in debt management and profitability indicators.

The regression model showed positive effect of horizontal integration, vertical integration and related diversification on competitive advantage. It however showed that there was negative effect of unrelated diversification on competitive advantage. The p-values of horizontal integration, vertical integration, related diversification and unrelated diversification indicated statistical significance of all predictor variables and that 32% of the variations in competitive advantage could be explained by these variables.

5.3 Conclusion

The study was carried out with two objectives which were to determine the effect of diversification strategy on competitive advantage of private hospitals in Nairobi county and to determine the challenges of implementation of diversification strategy. Related diversification strategy had been implemented to a large extent by most of the hospitals in the county of Nairobi and had positive effect on competitive advantage as indicated by the regression coefficient 0.076. This implies hospitals pursuing this dimension are likely to experience good firm performance.

Horizontal integration had been implemented to moderate extent. The regression model coefficient for horizontal integration was 0.155 and this implied positive effect on competitive advantage of the private hospitals. Vertical integration had been implemented to moderate extent with a regression coefficient of 0.390 hence positive relationship between the predictor variable and firm performance. From the findings of this study, hospitals implementing horizontal and vertical integration would achieve above average performance in financial perspective, customer perspective, learning and growth and internal business processes.

Unrelated diversification was implemented to a small extent and had a regression coefficient of -0.091. This finding means it had negative effect on the competitive advantage of private hospitals in Nairobi county. High capital requirements were found to be the most predominant challenge. Based on these findings, hospitals need to focus on horizontal integration, vertical integration and related diversification in order to achieve competitive advantage. They also need to reduce the level of unrelated diversification as this impacts negatively on competitive advantage.

5.4 Recommendations and Implications of the Study

The study findings could be used by strategy managers in the healthcare industry to determine the diversification strategies that lead to competitive advantage. Based on these findings, top managers of private hospitals should consider horizontal integration, vertical integration and related diversification as those dimensions leading to competitiveness of the organization. The level of unrelated diversification should be very low as it showed negative impact on competitive advantage. Private hospitals in Nairobi county need to use diversification strategies that show possibility of sustained competitive advantage in order to ensure firm value is preserved and the firm can operate in the long run.

Unrelated diversification is competitive if the hospital managers are able to provide the required expertise for good performance to be achieved. Hospitals will be required to manage change when implementing diversification strategy in order to overcome the challenges of organizational culture, organizational structure and leadership. They could also seek more contractual agreements and partnerships in order to overcome high capital requirements for growth through diversification strategy.

The growth of any organization requires the right policies and procedures. The healthcare sector is governed by a number of regulatory bodies which include the nursing council, the pharmacy and poisons board, the Kenya revenue authority, Kenya bureau of standards and the medical practitioners and dentists board. In order to assist private hospitals in their mandate, these institutions could come up with policy frameworks which would act as incentives for the growth of hospitals in diversification strategies having positive effect on competitive advantage. Such frameworks would help these firms overcome challenges posed by local and international laws leading to improved competitive advantage.

5.5 Limitations of the Study

The biggest limitation during the research work was the inaccessibility of top managers during data collection attributed to their busy schedules. Five respondents declined to take the questionnaires citing hospital policies which prohibit them from participating in such studies. A number of hospitals had defined processes through which data collection approval is done and most of these processes would take longer time than it was available to do the data collection, hence they never formed part of these findings. Other respondents were not responsive despite regular reminders probably due lack of interest in academic research work.

These findings are only applicable to private hospitals in the county of Nairobi. The healthcare sector has 9,249 hospitals categorized into public sector, commercial private sector, faith based organizations and non-governmental organizations. It's thus not possible to generalize these findings across the four sub-sectors. Similar studies could be carried out to determine the heterogenicity of the implemented diversification strategies across several sub-sectors of the healthcare industry to arrive at conclusive generalizations.

This research work was qualitative in nature to ensure respondents were comfortable in rating all areas of the study which were diversification strategies, implementation challenges and competitive advantage. Quantitative data especially in financial performance helps the researcher to clearly relate the implemented strategies to firm performance in this aspect. However, this could not be accurately ascertained from the qualitative data used in the analysis though an indication of the same was be deduced.

5.6 Suggestions for Further Research

This study was done only in private hospitals in Nairobi county. Similar studies could be carried out in private hospitals in other counties in order to allow the generalization of the findings. Further research work can also be done in public hospitals, faith based hospitals and non-governmental organizations' owned hospitals. This would give an insight to the diversification strategies implemented in the four sub-sectors of the healthcare industry and their impact on competitive advantage. Conclusive studies in these sub-sectors would be important in contributing to the existing theories, practice and policy making.

Further research work could be done in the same context to determine the effect of each of the dimensions of diversification strategy i.e. horizontal integration, vertical integration, related diversification and unrelated diversification on all aspects of firm performance which are financial perspective, customer perspective, learning and growth and internal business processes. Quantitative aspect could be introduced while determining the effect of the predictor variables on financial performance of hospitals in order to get a clearer correlation between diversification strategy and the financial perspective. More research work could also be carried out to compare the performance of moderately and highly diversified firms.

In summary, this chapter looked at the synopsis and conclusion on the research findings. It looked at whether the research question had been answered and whether the research objectives were met. It also looked at the importance of this study to scholars, practitioners and policy makers and what they could implement based on the findings to achieve good firm performance. The conclusion was based on the findings while stating the limitations of the study and further research areas which were not the scope of this study.

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APPENDICES

Appendix I: Research Questionnaire

This questionnaire seeks to collect information on diversification strategies, the implementation challenges and competitive advantage of private hospitals in the county of Nairobi. The information obtained shall remain confidential and shall be used for research purposes only. Kindly follow the instructions in each of the four sections below to answer the questions as precisely as possible.

Section One: Organizational Background

This section aims to gather general information about the organization. Kindly fill your response to each question in the spaces provided.

1. What is the name of your hospital? (Please use your official rubber stamp) ______________________________
2. For how long have you worked in this hospital?

   Less than 1 year [ ] 1- 5 years [ ]

   6-10 years [ ] over 10 years [ ]
3. What is your position in the hospital? ______________________________
4. What is your highest level of education?

   PhD [ ] Masters [ ]

   Postgraduate Diploma [ ] Degree [ ]

   Diploma [ ] High School [ ]

   Other [ ]
5. What is the bed capacity of your hospital? ______________________________
6. For how many years has your hospital been in operation? ____________________
7. How many branches does your hospital have? ______________________________

Section Two: Diversification Strategy

8. This section looks at the diversification strategies you have implemented in your organization. Below is a list of statements on diversification strategies**.** Please indicate with a tick [√] the extent to which each applies to your organization.

Diversification Strategy	**Not at all**	**Small extent**	**Moderate extent**	**Large extent**	**A very large extent**
	1	**2**	**3**	**4**	**5**
Our hospital has merged businesses with similar inputs and market outputs or similar customers.					
We have acquired a new facility to carry out our core business e.g. nursing facility, and physician group.					
The output of the new facility is a crucial input in other products or services.					
Our hospital has added a new product or service related to the current business e.g. mental health care and pharmacy.					
Our company has introduced a new disruptive channel of distributing products or services to our clients e.g. e-business.					
Our company has added a new product or service not related to the current business but in the healthcare industry e.g. medical school, and pharmaceutical supplies.					

Our company has added a new product or service outside the healthcare industry e.g. health and fitness, restaurant, and parking lots.					

Section Three: Challenges of Diversification Strategy Implementation.

9. This section aims to get information on the challenges you face as you implement your chosen diversification strategies. Please indicate with a tick (√) the extent to which each statement applies to your organization**.**

Challenges of diversification Strategy implementation	**Not at all**	**Small extent**	**Modera te extent**	**Large extent**	**A very large extent**
	1	**2**	**3**	**4**	**5**
Implementation has been slowed down by managers' limited understanding of the macro and micro-environment.					
Coordination and motivation across the different divisions has not been optimally achieved.					
High capital requirements have slowed down the diversification process.					
Misallocation of resources to different divisions by top managers has been experienced in the past leading to investment in unprofitable products.					
Fears of market dominance and collusion have been expressed by regulatory authorities.					

Organizational culture has been a hindrance to diversification strategy implementation.					
Organizational structure and leadership have been an impediment to diversification strategy implementation.					
Government policies and guidelines from regulatory bodies have impacted negatively on diversification strategy implementation.					

Any other challenges? (Please explain) ____

Section Four: Competitive Advantage

10. This section seeks information on organizational performance in financial perspective, customer perspective, learning and growth and in terms of internal business processes. Below is a list of statements which relate to these measures of business performance. Kindly tick (√) against each statement to show the extent to which each applies to your organization.

Competitive Advantage	**Not at all**	**Small Extent**	**Moderate Extent**	**Large Extent**	**A very large Extent**
	1	**2**	**3**	**4**	**5**
The revenue of the hospital has improved over the last 5 years.					
The Profit Before Interest and Tax(PBIT) for the hospital has been improving over the last 5 years.					

The current and quick ratios of the hospital have improved over the last 5 years.					
The inventory turnover ratio and account receivable turnover have improved over the last 5 years.					
Debt to equity ratio and debt to total assets ratio have improved over the last 5 years.					
Total assets turnover, return on total assets and return on equity have improved over the last 5 years.					
The earnings per share have improved over the last 5 years.					
Our market share or customer base has been increasing over the last 5 years.					
There are distinct structures to support customer relationship management.					
The organization has dedicated customer care agents who make information readily available to clients.					
Our organization responds to customer concerns in a timely manner.					
Employees are trained regularly to improve on their skills and competences.					
Our organization has instructors in different fields of specialization.					

Our organization has a budget for both business and scientific research and development.					
We have introduced new products and services in the last 5 years.					
Our product and service quality has improved over the last 5 years.					
All our business processes are automated and integrate seamlessly across all business units.					
There are high performance work systems in my organization.					
All our internal business processes are documented and can be easily accessed by all authorised employees.					

11. Please make any additional comment on any of the contents in this questionnaire. ____

Appendix II: List of Private Hospitals in Nairobi County

#	Name	Facility Type
1	Africare Ltd Hospital	Level 4
2	Aga Khan University Hospital	Level 6
3	Alliance Hospital	Level 4
4	Avenue Hospital	Level 4
5	Care Hospital	Level 4
6	City Eye Hospital	Eye Hospital
7	Emarat Hospital	Level 4
8	Gertrudes Garden Children's Hospital	Level 6
9	Guru Nanak Ramgharia Hospital	Level 4
10	Huruma Hospital	Level 4
11	Karen Hospital	Level 6
12	Komarock Modern Healthcare, Utawala	Level 4
13	Ladnan Hospital	Level 4
14	Langata Hospital	Level 4
15	Lifeline Group of Hospitals, Kahawa Wendani	Level 4
16	Lions Sightfirst Eye Hospital	Eye Hospital
17	Madina Hospital	Level 4
18	Makkah Hospital	Level 4
19	Mariakani Cottage Hospital	Level 4
20	Marura Hospital	Level 4
21	Mater Hospital	Level 4

22	Melchizdek Hospital	Level 4
23	Menelik Hospital	Level 4
24	Meridian Equator Hospital	Level 4
25	Metropolitan Hospital	Level 4
26	MP Shah Hospital	Level 6
27	Nairobi East Hospital	Level 4
28	Nairobi South Hospital	Level 4
29	Nairobi West Hospital	Level 6
30	Nairobi Womens' Hospital	Level 5
31	Sinai Hospital Rongai	Level 4
32	South B Hospital	Level 4
33	The Nairobi Hospital	Level 6
34	Umoja Hospital	Level 4
35	Victory Hospital	Level 4
36	Zambezi Hospital	Level 4

Source: Medical Practitioners and Dentists Board (2017)

Appendix III: Letter of Introduction

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS

Telephone: 020-2059162
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P.O. Box 30197
Nairobi, Kenya

DATE...05/10/17

TO WHOM IT MAY CONCERN

The bearer of this letter ...PETER MUINDE MUTUA...........

Registration No...D61/67233/2013.........................

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.

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
05 OCT 2017
P.O. Box 30197 – 00100, NAIROBI

PATRICK NYABUTO
SENIOR ADMINISTRATIVE ASSISTANT
SCHOOL OF BUSINESS