

**STRATEGIC MANAGEMENT PRACTICES AT MASENO MISSION  
HOSPITAL, KENYA.**

**BY  
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**A Management Research Project Presented in Partial Fulfillment of the  
Requirements for the Award of the Degree of Master of Business  
Administration, Department of Business Administration, University of  
Nairobi .**

**October 2010**

## DECLARATION

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

Signature.....  ..... Date..... 16/11/2010 .....

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

Signature.....  ..... Date..... 16/11/2010 .....

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## **DEDICATION**

I dedicate this project report to my daughter Eva H.T and sons Jesse and Malcolm. Thanks for your-constant inquisitiveness.

## **ACKNOWLEDGEMENT**

I would like to thank the administration of the University of Nairobi for opening up the Kisumu campus thus availing me the opportunity to pursue the University of Nairobi Master of Business Administration Degree. Special thanks go to my supervisor Dr. Martin Ogutu for the extraordinary supervisory duties that this project entailed and the School of Business, Kisumu Campus coordinator Mr. Alex Jaleha. The Maseno Mission Hospital administrator Mr. Nicholas Were provided invaluable information for the completion of this project.

May the almighty bless you all.

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## **LIST OF ACRONYMS ABBREVIATIONS**

<b>ACK</b>	Anglican Church of Kenya
<b>CDF</b>	Constituency Development Fund
<b>CEO</b>	Chief Executive Officer
<b>CHAK</b>	Church Health Association of Kenya
<b>CMMB</b>	Catholic Mission Medical Board
<b>CRS</b>	Catholic Relief Services
<b>FBHS</b>	Faith Based Health Services
<b>FBOs</b>	Faith Based Organizations
<b>GoK</b>	Government of Kenya
<b>GLUK</b>	Great Lakes University Kisumu
<b>HR</b>	Human Resource
<b>IT</b>	Information Technology
<b>JKF</b>	Jomo Kenyatta Foundation
<b>KEC</b>	Kenya Ecumenical Conference
<b>MMH</b>	Maseno Mission Hospital
<b>PR</b>	Public Relations
<b>PRSP</b>	Poverty Reduction Strategy Paper
<b>NHIF</b>	National Health Insurance Fund
<b>UNDP</b>	United Nations Development Program

# **CHAPTER ONE: INTRODUCTION**

## **1.1 Background of the Study**

The crucial role that mission hospitals play in the provision of health care in Kenya cannot be underestimated; their total contribution in health care is estimated at 40%, nationwide distribution often serving rural underserved areas according to Church Health Association of Kenya (CHAK, 2005). According to the National Poverty Reduction Strategy Paper (PRSP) 2001 report, 65% of the people in Kenya live below the poverty line out of which approximately 53% are in rural areas. The projection was that by the year 2015 at the current trend, 65.9% of the Kenyan population would be living below the poverty line (GoK, UNDP, 2005). The mission hospitals provide many benefits to the economy, many of which are of a social nature and therefore difficult to quantify.

Maseno Mission Hospital (MMH) is rural based and given the important role that mission hospitals play in the Kenyan health sector it is essential that its management practices be improved for its sustainability in the turbulent environment. Particularly, strategic management practices that will counter the rapid environmental changes are desirable.

The survival and prosperity of an organization, depends on how the organization relates to its environment. Survival of an organization becomes paramount when the environment is adverse. The position taken by an organization in adapting to the turbulent environment is vital to the success of the organization. Proper strategic management practices enable the organization to avoid a mismatch with the environment, it provides a link between an organization and its environment and must be consistent with the goals, values, the external environment, resources, organizational structures and systems (Ansoff and McDonnell, 1990). According to Hussey (1991) strategy is the heart of strategic management because it helps the organization to formulate and implement various tasks to remain competitive in a turbulent environment. An organizational strategy defines its unique image, provides its purpose and direction to its activities and to the people within and outside the organization (Grant, 1998).

## **1.1.2 The Concept of Strategy and Strategic Management**

There are various definitions of the word strategy but it is generally acknowledged that the word strategy has its origins in the Greek word "strategos" which means the art of the general or the commander-in-chief. The military origins are supported by Bracker (1980) who added that strategy involved planned destruction of one's enemies through the effective use of resources. The underpinning application of strategy was for military pursuit up to the nineteenth century when it began to be applied to the business world. The changing environment led to the civilian application of strategy according to Chandler (1962). There is a general agreement with Chandler's view postulating that that industrial revolution played a key role in the adoption of strategy however there are doubts that organizational strategy bears resemblance to the military strategy of the First World War.

Mintzberg (1998) posits that strategy is better defined in terms of a plan, ploy, pattern, position and perspective. As a plan strategy specifies a consciously intended course of action and as a ploy it aims at outwitting competitors. According to the Complete Word Finder (1996) strategy is "the art of war, the management of an army or armies in a campaign. The art of moving troops, ships, aircraft etc. into favorable positions (tactical) or a plan formed. It is a plan of action or policy in business or politics". Thus strategy involves outsmarting rivals likewise in warfare.

Strategy is the integrated pattern of decisions that provides a common thread in an organization by defining the organization's purpose and positioning it in the environment. It further defines the obligations of the organization to its stakeholders and product or market to be dwelt in. According to Hax and Majluf (1991), strategy is a coherent, unifying and integrated pattern of decisions that determine and reveal the organization's purpose in terms of long-term objectives, actions, programs and resources allocation and priorities.

Strategic management is the process of formulation, implementation and evaluation of strategy. It is an ongoing process of ensuring a competitively superior fit between the organization and its environment. Johnson, Scholes, and Whittington (2008) view strategic management as having three main elements within it; strategic position, strategic choices and strategy into action. Strategic management relates to positioning and relating a firm to its environment in a way that

will assure continued success. Understanding the environment is therefore key to the firm's success. Strategic management is the ongoing process of ensuring a competitively superior fit between the organization and its ever-changing environment (Teece, 1984).

Strategic management can also be defined as a process of determining the long-term direction and performance of an organization by ensuring a careful formulation, proper implementation and control strategies (Pearce and Robinson, 1997). It involves analyzing the environment a business operates in and matching the capabilities of the organization to the strategy chosen. According to two scholars (Wheelen and Hunger, 2006) strategic management is a set of managerial decisions and actions that determines the long-run performance of a corporation. It includes environmental scanning, strategy formulation, strategy implementation and evaluation and control. The undercurrents of strategic management are that it is an identifiable process involving time spent on planning and is documented and communicated to others. It emphasizes the monitoring and evaluation of the external opportunities and threats in light of a corporation's strengths and weaknesses.

The traditional functions of managers are operational in nature, the activities they carry out are routine and any challenge from the environment destabilizes the organization. According to Johnson et al. (2008) strategic management goes further in handling of non-routine aspects of the management. Strategic management is a continuous iterative process aimed at keeping an organization as a whole appropriately matched to its environment (Certo and Peter, 1998). Managers are thus expected to be pro-active to the environmental changes. The future is different from the past thus history plays a small role in determining the future. A firm's success will hinge on its adaptation to the environment it operates in.

Strategic management refers to the management process of forming a strategic vision, setting objectives, crafting a strategy, implementing and executing the strategy and then overtime initiating whether corrective adjustments in the vision, objectives, strategy and execution are appropriate (Thompson and Strickland, 2003). The position taken by Ansoff (1998) is that strategic success factors such as the aggressiveness of a firm's strategic behavior needs to match the turbulence of the environment; the responsiveness of the firm's capability matches the

aggressiveness of the firm's strategy. The components of the firm's capability must be supportive of one another. Another scholar (Mintzberg, 1998) states that the organization's strategic orientation must be in sync with its environment. Environmental analysis thus becomes a cornerstone in strategic management. The resources at the disposal of the organization are the determinants in the taking up of opportunities and fending off threats.

More recent developments of the resource based theory (RBT) for instance, about emerging economies, put emphasis on the notion of 'strategic flexibility' of firms. Strategic flexibility depends jointly on the inherent flexibility of resources available to the organization and on managers' flexibility in applying those resources to alternative causes of action, or flexibility in coordinating the use of resources (Sanchez, 1995, p.138). It is imperative that managers be flexible in the application of the resources in order to seize opportunities and fend off threats. This view is supported by two scholars (Pearce and Robinson, 2002) that, the environmental turbulence necessitates an equal need for rapid recognition of appropriate strengths, opportunities to be exploited, threats to be countered and weaknesses to be overcome. MMH just like other entities operates in a turbulent business environment in which nothing is constant or predictable. It is imperative therefore that it develops strategies that will position it to succeed regardless of the environmental changes.

### **1.1.3 Strategic Management Practices**

Strategic management is different in nature from other aspects of management by being non-routine, complex and covering a wider scope. These aspects pose a challenge to managers used to operational management. Strategic management is futuristic, it analyses the organizations survival in the chosen industry employing proper structures and resources.

There are two main schools of thought in the practice of strategic management namely the design school and the process school. The design school holds that strategic management is a logical activity that is formulated through rational analysis of the organization. The chosen strategy is then communicated and implemented through out the organization. It borrows heavily from the traditional long-range planning which is unrealistic in an ever-changing environment. The other shortfalls of the design school are the purported dichotomy of formulation and implementation

which is blurred in practice. Rational analysis is just an aspect of strategic management and should not be the only basis of strategic management as pursued by the design school.

The process school appreciates that what top level managers sit aside to plan and let the employees implement is not strategic management since strategic management should involve everyone in the organization and not just the top management. It is continuous and the dichotomy between the stages involved is absent. Intuition and experience play a crucial role than systematic analysis.

Mintzberg (1998) distinguishes between intended, realized and emergent strategy by defining intended strategy as deliberate strategy that is planned and conceived by the management, emergent strategy is the strategy that becomes apparent through passage of time while realized strategy is that observed and is influenced by both the intended and emergent strategy. Mintzberg goes on to state that in practice strategic decisions that are key ingredient of strategic management can be made by a powerful individual, mostly the founder with growth as the dominant goal at the inception of the organization.

The next level of strategic decision making is the adaptive mode sometimes referred to as "muddling through", it involves reactive solutions rather than a proactive stance. Strategy at this stage is fragmented and the organization moves forward incrementally. Wheelen and Hunger (2008) aver that this is the mode typical of most universities, many large hospitals, a number of government agencies and some corporations. Next the organizations can move to the planning mode that involves systematic gathering of appropriate information for situational analysis to come up with relevant strategy making this mode is proactive. The other mode that Mintzberg mentions is the logical incrementalism that combines the aspects of planning, adaptive, and to an extend entrepreneurial mode. This mode is described by Wheelen and Hunger (p.21) as being "an interactive process in which an organization probes the future, experiments and learns from a series of partial (incremental) commitments rather than through global formulations of strategies".

### **1.1.4 Maseno Mission Hospital**

MMH is located in Kisumu county of Kenya approximately 25 kilometers from Kisumu, Kenya's second city in a heavily populated area near Lake Victoria and on the equator. It is in Maseno Township comprising of Maseno School and Maseno University as notable institutions of education. In the neighborhood there is Coptic Mission Hospital and Kima Mission Hospital as FBHS institutions, Chulaimbo Sub-District Hospital and Emuhaya Sub-District Hospital as GoK institutions, and Equator Nursing Home and Dolphil Nursing Home as private health care providers.

Though administratively in former Nyanza province, its activities and impact has been in the neighboring Emuhaya District of former Western province. The district as per its current strategic plan is described as facing a myriad of challenges including the problem of poverty which is further compounded by rampant HIV-AIDS, poor health facilities and infrastructure, declining education and literacy levels, breakdown in social and cultural structures, insecurity, declining land productivity, poor administrative management among others. According to the 1994-1996 District Development Plan, Emuhaya District had a population of 115,000. This was projected to increase to 150,000 by 2003, a population growth of 3% per annum. However, 1999 figures provided in the PRSP report showed a population of 161,712 and in 2008 the estimated population is 213, 752 (District Statistics Office, 2008). Based on the area of 173.2 sq.km, Emuhaya has an average population density of 1,234 persons per sq. km., one of the highest densities in rural areas of Kenya and the world in general (Emuhaya Strategic Development Plan, 2008 – 2018).

MMH began as a small Anglican mission in 1906 under a fig tree. Over time with support from the Anglican Church, buildings for a clinic, outpatient department, wards, operating theatre and x-ray became the "bones" of the present hospital. Today, there are four inpatient wards, outpatient department, maternal/child health clinic, comprehensive care clinic for HIV/aids, medical laboratory, pharmacy, x-ray and an operating theatre. It also runs a nursing school.

MMH grew from the 1930's to the late 1980's gaining a reputation as a model hospital for Western Province. However, the 1990's proved difficult for the hospital due to internal and

external issues. The one bright spot during this time was Swedish Rotary. In 1992, they began a project to fund the hospital and physicians providing inpatient care, surgery and mobile outreach to the surrounding communities. This project ended in 1999 when administrative issues and decreasing patient numbers left the hospital in decline.

In December 2001, Nan and Gerry Hardison arrived from San Diego under the auspices of the Episcopal Church of United States of America (USA) Volunteers for Mission, for service in ACK, Diocese of Maseno North. When the Hardisons arrived, the hospital was dilapidated and very ill-equipped. Since then, the medical capabilities of the hospital and community reach have steadily improved. Hospital buildings have been repaired, a mobile clinic has been launched, and medical equipment acquired. Most recently, Global Fund support obtained through the CHAK has assisted the hospital to acquire the sophisticated laboratory devices needed to offer safe and effective antiretroviral therapy (ARV).

As important as the medical care offered, MMH is involved in other social and community programs including the orphan feeding program. Nine parishes are feeding about 4000 orphans every Saturday with plans to extend the reach even further. The Mothers' Union—the organization of Anglican mothers in each parish-cooks and serves a meal and offers a variety of activities to the many children who come. Educational and social activities are offered before and after the meal, to bind the orphans together in community and to help those who are not able to get to school. The commitment and tireless work of the volunteers has breathed new life and hope into the MMH. The Hardison's look to the future with hope as they continue their stewardship of the facility (<http://masenomissions.org/hospital.htm>).

## **1.2 Statement of the Problem**

Strategic management is different in nature from other aspects of management by being non-routine, complex and covering a wider scope. These aspects pose a challenge to managers used to operational management. Strategic management is futuristic, it analyses the organizations survival in the chosen industry employing proper structures and resources. There are two main schools of thought in the practice of strategic management namely the design school and the



process school. The design school holds that strategic management is a logical activity that is formulated through rational analysis of the organization. The chosen strategy is then communicated and implemented through out the organization. It borrows heavily from the traditional long-range planning which is unrealistic in an ever-changing environment. The process school appreciates that what top level managers sit aside to plan and let the employees implement is not strategic management since strategic management should involve everyone in the organization and not just the top management. It is continuous and the dichotomy between the stages involved is absent. Intuition and experience play a crucial role than systematic analysis.

MMH was under the stewardship of a volunteer doctor cum administrator who was also involved in daily medical duties and fundraising activities during the period 2001 to 2002. It was then necessary that an experienced administrator be brought in. The current administrator was then head hunted from retirement. MMH has a board of governors that assist the administrator in running of the facility. The FBHS (2006) study established that MMH had the lowest bed occupancy of 10% and the lowest NHIF rebates of Khs. 1,270, it is evident that its performance is below average. The patient numbers have declined putting a strain on the finances hence the ability to offer basic and extra services. In a seminal paper HR crisis in Kenya; Mwenda (2006) stated that declined external support, dependence on user fees, HR crisis, declining utilization of the facilities, creates an uncertain future survival of the church health institutions. He reported that the sources of funding for FBHS in 2004 were as follows GoK 0%, Donors 13%, and User Fees 71%, NHIF 9% others 7%.

Majority of Kenyans are not members of the NHIF nor do they have a medical care insurance scheme; only 25% of Kenyans had some form of medical insurance since 2003 with the distribution at 20% in urban areas and seven per cent in rural areas according to a NHIF Strategic review and market assessment study of 2010 (Financial Journal 14<sup>th</sup> Sept.2010). This has reduced the number of paying patients that MMH can serve it has also forced it to write off many bills for deserving cases, reducing their revenue streams. Mission hospitals have underlying values and ideology that are religious and humane in nature and the profit motive is less pronounced impacting on the management strategies pursued. The GoK has under-funded the

health sector with low budget for drugs, medical supplies and infrastructure maintenance expenses, and capital (UNDP, 2005), making Mission hospitals and NGOs for long to be on the forefront in the provision of healthcare (Kimalu et al. 2004). The services provided by mission hospitals with their wide outreach are enormous but lack much documentation in the Kenya government survey records (statistical abstracts, 2000-2009). In the United Kingdom, 2003 annual report shows that The Salvation Army was the second largest provider of social services after the government (Alan, 2006). The survival of a bigger percentage of the rural based mission hospitals faces threats (Mwenda, 2006); MMH has to address the threats partly through strategic management.

Strategic management practice as it influences health provision in non-GoK hospitals have been studied to a limited extent by Kanyatta (2007), Muturi (2008), Rinje (2006) and Wesonga (2008). Kanyatta, Muturi, and Rinje addressed the strategic management practices in the high class hospitals based in Nairobi; their findings were that there existed the practice in the three institutions (Gertrude's, Karen and Mater hospitals) that they studied. These institutions apart from being based in Nairobi, offer specialized health care at a premium price. Wesonga (2008) was interested in competitive strategies adapted by mission hospitals his findings were indecisive for the sub-sector since the study was skewed towards urban based – well endowed regions' mission hospitals than the rural based - poor regions' mission hospitals. This study departs by looking at strategic management practices of a rural based - poor region mission hospital which offers basic health-care services at a minimal price even in exceptional circumstances free- of -charge. The FBHS (2006) study was concerned with the HR-crisis in the FBOs, the preliminary results on the reasons that would make staff to continue working in their current facilities indicated that good management 26%, clean environment 20%, closer to home 18%, availability of supplies 18%, housing 5%, good salary 5%, staff development scheme 4%, adequate staffing 3% and allowances 1%. Good management constituted 20% in the HR-study, building on this the current study will address the strategic management practice at MMH. There is a knowledge gap on the strategic management practices of rural based mission hospitals; by extension there exists scant research on the strategic management practices of rural based organizations. Aosa (1992) in his study commented on the need for further research on strategic management practices in different contexts in Kenya.

The study questions were; what are the strategic management practices adopted at MMH? And what challenges faced MMH in the strategic management practices adopted?

### **1.3. Research Objectives**

The objectives of the study were to

- i. To determine the strategic management practices adopted at MMH.
- ii. To establish the challenges of strategic management practice at MMH.

### **1.4. Importance of the Study**

MMH has had unsteady past that still hangs high over it, this study will assist the management in identification of the kind of strategic management practices being pursued and the challenges being faced in the pursuit in cognizance of the pervasive turbulence in the environment. The board of governors will be expected to address the particular challenges the study will identify or even to readdress the strategic management practice adapted.

Rural mission hospitals find themselves at cross roads, according to KEC-Catholic secretariat the problems faced include donor dependence, weak management and financial systems at the facility and diocese level, lack of effective health information management system (HIMS), poverty, HIV/Aids, policy changes and other rapid structural changes in the health sector. They will benefit from the study by identifying with the challenges faced by MMH and the strategic management practices adapted. Rural mission hospitals operate in the same environmental turbulence as MMH. Replicating the findings from the study will save the need to carry out a similar study.

The strategic management scholars stand to benefit enormously from this study, since few studies have addressed strategic management practices of rural based institutions and particularly in the field of health care. This study will provide literature in this field that future researches will benefit from. The rural based organizations are faced with different dynamics yet they are expected to provide services that are up to date.

Lastly the GoK in its latest bid in provision of universal health-care, it has to rely on the mission hospitals with their wide rural out-reach. Currently, the country's population is about 32 million

people, 75-80% of whom live in the rural areas (UNDP, 2005). The management of these institutions is important to the government in the pursuit. This study provides the government agencies with a point of reference on strategic management practices of rural based mission hospitals that will assist in making integrated health-sector and multi-sector decisions.

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## CHAPTER TWO: LITERATURE REVIEW

### 2.1 Concept of Strategy

There are various definitions of the word strategy but it is generally acknowledged that the word strategy has its origins in the Greek word "strategos" which means the art of the general or commander-in-chief. The object of strategy is to bring about advantageous conditions within which action will occur. In the military context, this means positioning forces for best advantage and judging precisely the right moment to attack or withdraw. The military origins were supported by Bracker (1980), who added that strategy involved planned destruction of one's enemies through the effective use of resources. The underpinning application of strategy was for military pursuit up to the nineteenth century when it began to be applied to the business world. The changing environment led to the civilian application of strategy as per Chandler (1962). There is a general agreement with Chandler's postulating that that industrial revolution played a key role in the adoption of strategy, however there are doubts that organizational strategy bears resemblance to the military strategy of the First World War. According to the Complete Word Finder (1996) strategy is "the art of war, the management of an army or armies in a campaign. The art of moving troops, ships, aircraft etc. into favorable positions (tactical) or a plan formed. It is a plan of action or policy in business or politics". Thus strategy involves outsmarting rivals likewise in warfare.

Mintzberg (1998) posits that strategy is better defined in terms of a plan, ploy, pattern, position and perspective. As a plan strategy specifies a consciously intended course of action designed in advance of the actions it governs. It is developed with deliberate purposes that may be general or specific. As a ploy it aims at outwitting competitors hence reducing competitor threat. As a pattern it emerges from a stream of actions that emerge over time. Strategy as a position means locating an organization in the environment and as a perspective it provides an organization with an identity.

Strategy is the integrated pattern of decisions providing a common thread in an organization by defining its purpose and positioning it in the environment. It further defines the obligations of the organization to its stakeholders and product or market to be dwelt in. According to Hax and Majluf (1991), strategy is a coherent, unifying and integrated pattern of decisions that determine

and reveal the organization's purpose in terms of long-term objectives, actions, programs and resources allocation and priorities.

According to Johnson and Scholes (1997) strategy is the direction and scope of an organization over the long-term through its configuration of resources within a changing environment, to meet the needs of markets and fulfill stakeholders' expectations. Strategy is expected to guide the organization in to the future by utilizing the resources judiciously in an ever changing environment. Ansoff and McDonnell (1990) view strategy as a set of decision-making rules for guidance of organizational behavior this view is related to Pearce and Robinson (1991) view that strategy is a company's "game plan", it reflects a company's awareness to positioning and survival in the ever changing environment.

Strategy should equip an organization with a competitive advantage; Barnely and Hesterly (2008) posit that a good strategy is one that actually generates a competitive advantage. Barnely and Hesterly aver that a competitive advantage is one that provides a firm with a sustainable edge that is valuable, rare and not easy to imitate. Strategy should be unique in order to create a competitive advantage. Porter (1996) states "The essence of strategy is choosing to perform activities differently than rivals do". D'aveni (1994) adds that strategy apart from creating of an advantage should also lead to the destruction of opponents' advantage. Porter (1998) in Competitive advantage of nations aptly states that "at the heart of positioning is competitive advantage" - positioning as per Mintzberg (1998). He however furthers by stating that in the long-run firms succeed relative to their competitors if they possess sustainable competitive advantage, mentioning the main types of competitive advantage as lower cost and differentiation.

Thompson and Strickland (2003) define strategy as consisting of moves and approaches devised by management to produce successful organizational performance. It helps managers to think about the future while carrying out present operations (Aosa, 1997); respond to exterior changes on a timely basis and build the much needed internal capacity going forward. Wheelen and Hunger (2008) aptly state that a strategy of a corporation forms a comprehensive master plan that states how the corporation will achieve its mission and objectives. The mission being the purpose or reason for the existence while objectives are the end results of planned activities of the

organization. Strategy is therefore fundamental framework through which organization can simultaneously assert its continuity. Strategy is a systems concept which gives coherence and direction to growth of a complex organization (Ansoff and McDonnell, 1990). Porter (1980) aptly notes that strategy can be viewed as building defense against the competitive forces and finding positions in the industry where the forces are weakest.

## **2.2 Concept of Strategic Management**

According to two scholars (Wheelen and Hunger 2006) strategic management is a set of managerial decisions and actions that determines the long-run performance of a corporation. It includes environmental scanning, strategy formulation, strategy implementation and evaluation and control. The undercurrents of strategic management are that it is an identifiable process involving time spent on planning and is documented and communicated to others. It emphasizes the monitoring and evaluation of the external opportunities and threats in light of a corporation's strengths and weaknesses. It is an ongoing process of ensuring a competitively superior fit between the organization and its environment.

Johnson, Scholes, and Whittington (2008) view strategic management as having three main elements within it; strategic position, strategic choices and strategy into action. Strategic management relates to positioning and relating a firm to its environment in a way that will assure continued success. Understanding the environment is therefore key to the firm's success. Strategic management is the ongoing process of ensuring a competitively superior fit between the organization and its ever-changing environment (Teece, 1984).

Strategic management can also be defined as a process of determining the long-term direction and performance of an organization by ensuring a careful formulation, proper implementation and control strategies (Pearce and Robinson, 1997). It involves analyzing the environment a business operates in and matching the capabilities of the organization to the strategy chosen. The traditional functions of managers are operational in nature, the activities they carry out are routine and any challenge from the environment destabilizes the organization. According to Johnson et al. (2008) strategic management goes further in handling of non-routine aspects of management. Strategic management is a continuous iterative process aimed at keeping an

organization as a whole appropriately matched to its environment (Certo and Peter, 1998). Managers are thus expected to be pro-active to the environmental changes. The future is different from the past thus history plays a small role in determining the future. A firm's success will hinge on its adaptation to the environment it operates in.

Strategic management refers to the management process of forming a strategic vision, setting objectives, crafting a strategy, implementing and executing the strategy and then overtime initiating whether corrective adjustments in the vision, objectives, strategy and execution are appropriate (Thompson and Strickland, 2003). The position taken by Ansoff (1998) is that strategic success factors such as the aggressiveness of a firm's strategic behavior needs to match the turbulence of the environment; the responsiveness of the firm's capability matches the aggressiveness of the firm's strategy. The components of the firm's capability must be supportive of one another. Another scholar (Mintzberg, 1999) states that the organization's strategic orientation must be in sync with its environment. Environmental analysis thus becomes a cornerstone in strategic management. The resources at the disposal of the organization are the determinants in the taking up of opportunities and fending off threats. Grant (2003) states that "if strategic management is all about managing to achieve superior performance, then the essential tasks of strategy are to identify the sources of profit available to the business, and to formulate and implement a strategy that exploits the sources of profit".

More recent developments of the resource based theory (RBT) for instance, about emerging economies, put emphasis on the notion of 'strategic flexibility' of firms. Strategic flexibility depends jointly on the inherent flexibility of resources available to the organization and on managers' flexibility in applying those resources to alternative causes of action, or flexibility in coordinating the use of resources (Sanchez, 1995, p.138). It is imperative that managers be flexible in the application of the resources in order to seize opportunities and fend off threats. This view is supported by two scholars (Pearce and Robinson, 2002) that, the environmental turbulence necessitates an equal need for rapid recognition of appropriate strengths, opportunities to be exploited, threats to be countered and weaknesses to be overcome. MMH just like other entities operates in a turbulent business environment in which nothing is constant or predictable. It is imperative therefore that it develops strategies that will position it to succeed regardless of



the environmental changes.

## **2.3.Strategic Management Process**

Strategic management is a sequential set of analysis and choices that can increase the likelihood that a firm will choose a good strategy that is a strategy that generates competitive advantages (Barnely and Hesterly 2008). It is an ongoing process of ensuring a competitively superior fit between the organization and its environment. The strategic management process is employed by many organizations in order to distinguish themselves from their competitors in the marketplace (David, 2001; Porter, 1985; Steiner, 1997). Although there are several schools of thought in the strategic management field, the generally accepted components of the strategic management process are: strategy formulation, strategy implementation, and strategy evaluation.

### **2.3.1 Strategy formulation**

Wheelen and Hunger (2008) state that strategic management consists of four basic elements; environmental scanning, strategy formulation, strategy implementation and evaluation and control as illustrated in figure 1. Environmental scanning is the monitoring, evaluating, and disseminating of information from the external and internal environments to key people in the corporation. The SWOT analysis identifies the strengths and weaknesses in the internal environment, and the opportunities and threats in the external environment.

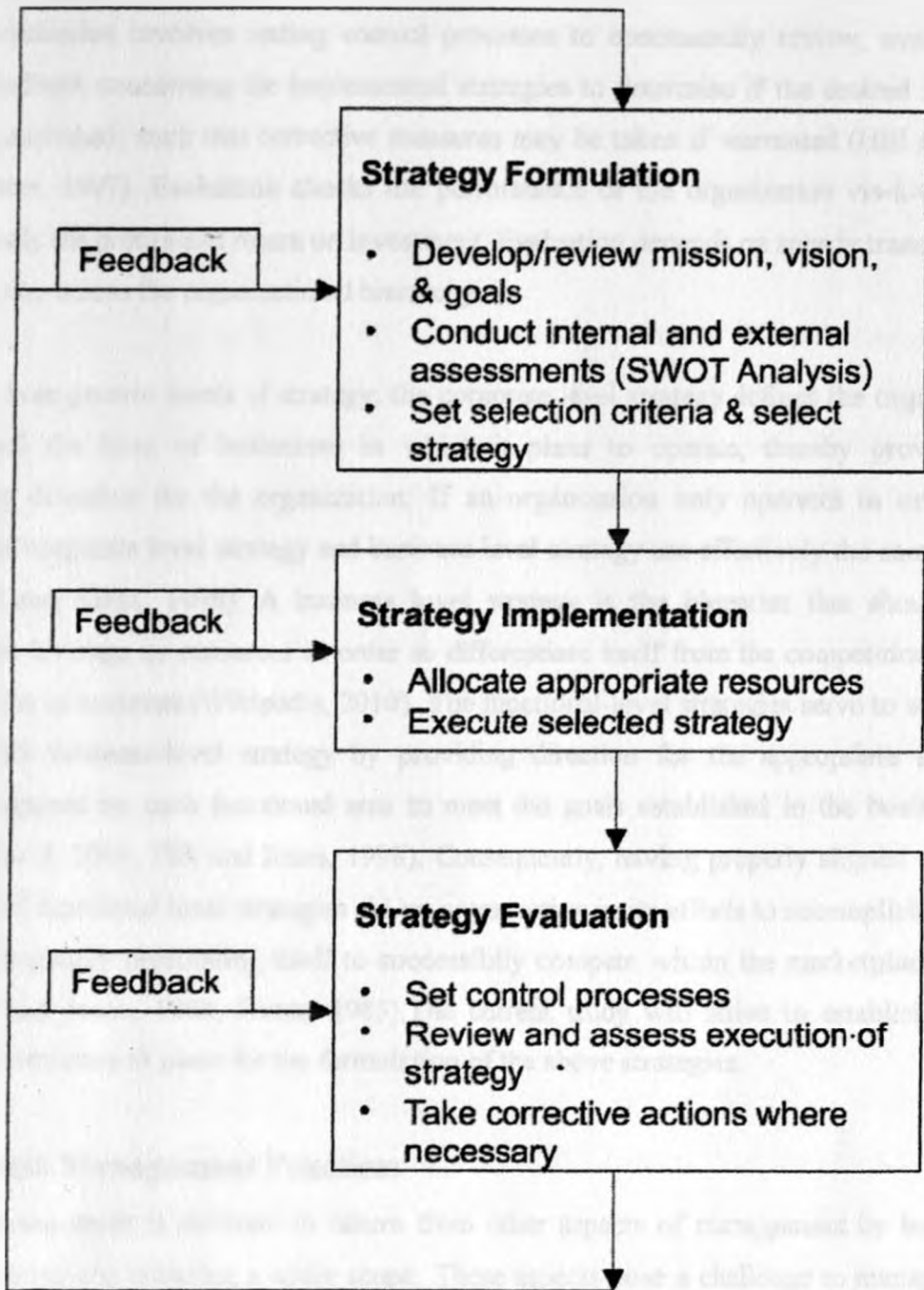
Wheelen and Hunger (2008) define strategy formulation as the development of long-range plans for the effective management of environmental opportunities and threats, in light of the corporate strengths and weaknesses (SWOT). It involves identification of the mission, the objectives, strategies, and policies. Rapid and discontinuous changes in the environment usually prompt the need for strategy formulation. A firm that operates in a stable industry will unconsciously change slowly and incrementally. Informal organizational learning and adaptation will occur according to Ansoff and McDonnell (1990). The strategy in such an industry will not be a key issue of the management since no threat exists. For instance Kenya Broadcasting Corporation (KBC) as a monopoly operated under such an environment up to early 1990s. Public entities in Kenya have of late realized the importance of strategy in seeking positioning in the turbulent environment. According to Musyoka (2006) JKF embraced strategic management in the year 2001; this was

occasioned by the changes in the environment. It is humbling to note that Kenyan Public universities espoused strategic thought in the late 1990's, driven by a number of reasons like the flexibility of Ugandan universities in admission of Kenyan students. The above examples mean that a stable environment no longer exists in any sector. The rapid and discontinuous changes that are present mean that strategy formulation is a continuous task for managers. Lack of a unifying strategy in the current scenario makes a firm vulnerable to failure.

The need for a new strategy also becomes necessary when the objectives of an organization change drastically as a result of new demands imposed on the organization by society. Ansoff and McDonnell (1990) point out that this is what is happening to organizations such as the church, universities, the government. Suffice to note that vision 2030 of the Kenyan Government is a strategic move in the wake of the changes in the local and global environment. Strategy formulation is comprised of developing or reviewing the organization's mission, vision, and long-term goals; conducting internal and external assessments to identify the organization's strengths, weaknesses, opportunities, and threats (SWOT); setting selection criteria and selecting the strategies that will afford the organization the best strategic positioning relative to its competitors (David, 2001; Steiner, 1997).

### **2.3.2 Strategy implementation**

Strategy implementation entails allocating the appropriate resources to ensure the selected strategies are properly executed (David, 2001; Steiner, 1997). It is a process that ensures that strategies and policies are put into action through the development of programs, budgets, and procedures. Proper implementation of strategy requires judicious use of the resources available which involves the culture and structure of the organization. In his 1962 groundbreaking work 'Strategy and Structure', Chandler showed that a long-term coordinated strategy was necessary to give a company structure, direction, and focus. He stated it concisely that, "structure follows strategy." Strategy implementation involves day-to-day activities making it operational in nature (Wikipedia, 2010).



**Figure 1: The Strategic Management Process (adapted from Wheelen and Hunger, 2008 p.11)**

### **2.3.3 Strategy evaluation**

Strategy evaluation involves setting control processes to continuously review, evaluate, and provide feedback concerning the implemented strategies to determine if the desired results are being accomplished, such that corrective measures may be taken if warranted (Hill and Jones, 1998; Steiner, 1997). Evaluation checks the performance of the organization vis-à-vis the set targets mostly the profits and return on investment. Evaluation depends on speedy transformation of information across the organizational hierarchy.

There are three generic levels of strategy; the corporate level strategy defines the organization's purpose and the lines of businesses in which it plans to operate, thereby providing the overarching direction for the organization. If an organization only operates in one line of business, its corporate level strategy and business level strategy are effectively the same (David, 2001; Hill and Jones, 1998). A business level strategy is the blueprint that should enable organization leverage its resources in order to differentiate itself from the competition within a particular line of business (Wikipedia, 2010). The functional-level strategies serve to support the organization's business-level strategy by providing direction for the appropriate short-term activities required by each functional area to meet the goals established in the business-level strategy (David, 2001; Hill and Jones, 1998). Consequently, having properly aligned corporate, business, and functional level strategies aid an organization in its efforts to accomplish its goals, thereby strategically positioning itself to successfully compete within the marketplace (David, 2001; Hill and Jones, 1998; Porter, 1985). The current study will strive to establish whether MMH has a structure in place for the formulation of the above strategies.

### **2.4 Strategic Management Practices**

Strategic management is different in nature from other aspects of management by being non-routine, complex and covering a wider scope. These aspects pose a challenge to managers used to operational management. Strategic management is futuristic, it analyses the organizations survival in the chosen industry employing proper structures and resources.

There are two main schools of thought in the practice of strategic management viz the design school and the process school. The design school holds that strategic management is a logical

activity that is formulated through rational analysis of the organization. The chosen strategy is then communicated and implemented through out the organization. It borrows heavily from the traditional long-range planning which is unrealistic in an ever-changing environment. The other shortfalls of the design school are the purported dichotomy of formulation and implementation which is blurred in practice. Rational analysis is just an aspect of strategic management and should not be the only basis of strategic management as pursued by the design school.

The process school appreciates that what top level managers sit aside to plan and let the employees implement is not strategic management since strategic management should involve everyone in the organization and not just the top management. It is continuous without dichotomy of stages involved. Intuition and experience play a crucial role than systematic analysis.

Abbot (5<sup>th</sup> October, 2010) states that “today’s change has been discontinuous, rapidly accelerating and pervasive”; he goes further to state that long-term planning lacks flexibility. He avers “the paradox of planning is that while it is essential, rarely anything goes according to plan”. In the 60s and 70s business leaders like the CEO of General Electric, Jack Welch formalized planning systems that were copied in many firms. The dynamics of current environment makes it necessary to plan continuously. He cites successful Kenyan firms with growing market share rethink their planning every three months.

Strategic management is not linear in practice since firms must be ready for upsets and surprises any time requiring more flexibility. Mintzberg (as cited in Abbot, 2010) advocates for planning i.e. hard data for informing the intellect but it is the soft data i.e. intuition and experience that generates wisdom. Mintzberg (1998) distinguishes between intended, realized and emergent strategy by defining intended strategy as deliberate strategy that is planned and conceived by the management, emergent strategy is the strategy that becomes apparent through passage of time while realized strategy is that observed and is influenced by both the intended and emergent strategy.

Mintzberg (1998) goes on to state that in practice strategic decisions that are key ingredient of strategic management can be made by a powerful individual, mostly the founder with growth as the dominant goal at the inception of the organization. The next level of strategic decision making is the adaptive mode sometimes referred to as “muddling through”, it involves reactive solutions rather than a proactive stance. Strategy at this stage is fragmented and the organization moves forward incrementally. Wheelen and Hunger (2008) aver that this is the mode typical of most universities, many large hospitals, a number of government agencies and some corporations. Next the organizations can move to the planning mode that involves systematic gathering of appropriate information for situational analysis to come up with relevant strategy making this mode is proactive. The other mode that Mintzberg mentions is the logical incrementalism that combines the aspects of planning, adaptive, and to a extend entrepreneurial mode. This mode is described by Wheelen and Hunger (2008, p.21) as being “an interactive process in which an organization probes the future, experiments and learns from a series of partial (incremental) commitments rather than through global formulations of strategies”.

Strategic management as a practice originated in the 1950's and 60's with significant contributors being Alfred Chandler, Ignor Ansoff, Michael Porter, and Peter Drucker (Wikipedia, 2010). Chandler (1962) stressed on the need for taking a long-term perspective when looking to the future in order to give a company structure, direction and focus. Stating aptly that “strategy follows structure”. Ansoff (1965) developed the market penetration strategies, product development strategies, market development strategies and vertical and horizontal integration utilizing a strategy grid. Drucker (1954) developed the theory of management by objectives (MBO) insisting on the need to set objectives and monitor their progress should permeate the entire organization.

By the late 1970's Americans had started to notice how successful Japanese industry had become, this was attributed to higher employee morale, dedication and loyalty, lower cost structure, effective government industry policy among a host of factors. Closer scrutiny revealed that the Japanese had a superior management structure that placed emphasis on factors that Americans down-played namely corporate culture, shared values and beliefs, and social cohesion in the work place. This led to the conclusion that a mix of analytical and creative management betters strategic management i.e. the incorporation of the American and Japanese management

styles (Wikipedia, 2010). Porter (1998) introduced managerial concepts namely the five forces analysis, generic strategies, value chain, strategic group and clusters that have so far influenced the current strategic management practice.

The practice of strategic management in developing countries is greatly influenced by the practice in developed countries. Theories advanced explain the contextual differences in strategic management are as a result of environment and organizational structures. Hussey (1990) concurs that environmental differences across countries affect the way strategic management is practiced. Aosa (1992) established that formal strategic planning was practiced in Kenya's large scale manufacturing companies; the participation of foreign companies was more than the local ones. The study went further to establish that indigenous Kenyan companies were more involved in the practice than Indian owned Kenyan companies. Family owned companies largely practiced informal strategic planning.

The GoK is currently espousing strategic management under different frameworks in the public sector, for instance in April 2002 it launched a "strategy for performance improvement in the public service" whose objective was the results oriented management (ROM). Other management strategies that have been pursued include performance contracting and integrated payroll and personnel database (IPPD) among a plethora of efforts towards strategically managing public affairs.

## **2.5 Challenges of Strategic Management**

Globalization places a serious challenge to the practice of strategic management as corporations no longer limit themselves to country boundaries in search of competitive advantage. This has required that firms manage using matrix structures in which product units are interwoven with country or regional units (Wheelen and Hunger 2008). In Kenya firms have to deal with unprecedented competition occasioned by imported goods and services. For instance public universities are faced with competition from foreign universities, sugar companies face threats of cheap imports, and this puts a strain on their strategic management practices.

Technology has expanded tremendously leading to increased use of the internet, which is not only changing the way customers, suppliers, and competitors interact, it is also impacting on the

organization's structures. The managers have to electronically network with customers, suppliers and partners, "knowledge is becoming a key asset and a source of competitive advantage" according to Wheelen and Hunger (2008). Technology poses a serious challenge to strategic management since keeping track with changing technology is expensive.

There still exists great doubt on whether strategic management leads to improved performance, its purported futuristic approach is controversial since it is argued that the future is uncertain and thus managers are constrained within the "bounded rationality" in the choice of strategy. Thus a firm's strategy is at best a bet against the overall environmental context (Barney and Hesterly, 2008). Greenley (1996) states that the relationship between strategic planning and performance is yet to be established. Studies linking strategic planning and performance are inconclusive. More research needs to be done in this area.

A good strategy is a strategy that actually generates a competitive advantage, according to Barney and Hesterly (2008); this implies a post-action scenario which is less helpful in a turbulent environment that firms face. They add that evolution of competition in an industry has a great bearing on the achievement of a competitive advantage while Ansoff and McDonnell (1990) state that strategy is a systems concept which gives coherence and direction to growth of a complex organization. It complicates whether strategy and competitive advantage are industry of firm dependent.

In conclusion strategic management places a heavy burden on managers used to operational roles that are routinized, short-term, focusing on efficiency, by requiring a dynamic, complex, fundamental, long-term, organization wide, futuristic and radical way of doing things focusing on effectiveness constrained by the context in which the organization is operating in. This is compounded by many theories on strategic management postulated by authorities in the area, for instance while Drucker (1962) stressed on the need for clearly spelt objectives i.e. management by objectives (MBO), Chandler (1954) saw a well coordinated long-term strategy as contributing to good performance by providing the company with structure, direction and focus. He aptly stated that "structure follows strategy". Ansoff (1965) developed the market penetration strategies, product development strategies, market development strategies (Wikipedia, 2010).



## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Research Design.**

The research was in the form of a case study. This was to allow an in depth study since the research required an investigation on various strategic of management practices adopted at MMH and the challenges faced, which could best be obtained by a case study.

A case study is a very popular form of qualitative analysis and involves a careful and complete observation of a social unit, i.e. a person, a family, an institution, a cultural group or the entire community (Kothari 1990: Young 1960). Cooper and Emoly (1995) assert that case studies emphasize more on a full contextual analysis of fewer events or conditions and their interrelations.

The advantages of using a case study include facilitating intensive study of a concerned unit which is not possible with other methods and the possibility of obtaining the inside facts from the experienced employees. According to Kaplan (1964) a single, well – designed case study can provide a major challenge to a theory and provide a source of new hypothesis.

The limitations of the case study include the danger of false generalization which might be experienced because of lack of set rules to follow in collection of information, it is time consuming and expensive, the researcher might be subjective, it is used in a limited sphere, not in a big society. The study however went ahead, identifying the hospital's administrator as the main respondent the middle and the lower level managers were relatively new to the institution and thus provided limited information.

### **3.2 Data Collection**

The study relied both on primary and secondary data.

#### **3.2.1 Secondary data**

Secondary data was obtained from MMH website which has extensive information on history, functioning and current engagements of the hospital. The 2009-2015 strategic plan of MMH, the MMH's constitution, financial procedures and procurement documents provided an insight to the management direction the hospital is pursuing.

### **3.2.2 Primary Data**

Primary data was collected using the interview method by the help of an interview guide (Appendix II). The interview was aimed at uncovering any aspects of strategic management practice guiding the research. The hospital administrator was able to give relevant information to the interview questions and went ahead to provide documented evidences to support his responses; for instance on the top ranking of MMH's medical staff qualifications amongst mission hospitals in the western region. The interviewer avoided closed ended questions that could limit the hospital administrator's answers and put the study at risk of being subjective such questions could also stifle the administrator's enthusiasm in providing strategic management information.

The MMH administrator was the longest personnel at the institution and the heart of the current reform in management. Having served as a Provincial Health administrator in the Ministry of Health in GoK, he was head-hunted from retirement by the head of A.C.K Diocese of Maseno North Bishop Simeon Oketch in 2002 when MMH was on the verge of closing down and a drastic action was un-avoidable. The hospital administrator provided the platform of the current study since the other level of levels of management is being entrenched and the incumbents had limited research information. A management structure has been established and all positions are yet to be filled.

### **3.3. Data Analysis**

Content analysis was done since the data collected was mainly qualitative in nature. Content analysis measures the semantic content or the 'what' aspect of a message. Its breath makes it a flexible and wide-ranging tool that may be used as a methodology or a problem specific technique (Cooper and Emoly, 1995). Content analysis guards against selective perception of the content, has provision for the vigorous application of reliability and validity criteria, and is amenable to computerization. Case Studies yield information that cannot be obtained using other methods.

## **CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSIONS.**

### **4.1 Introduction**

The research objectives were to establish the extent and how MMH has employed strategic management practices and the challenges faced in the process. The section contains data findings and analysis. Data analysis is by content analysis which measures the 'what' aspect of information obtained from respondents and the documented data. Content analysis assists in getting the meaning and applications of information obtained.

### **4.2 Vision and Mission**

The study established that MMH has a clearly stated vision and mission statement. The vision is to be an efficient, high quality hospital that is accessible, equitable and affordable. The mission statement was to promote and participate in provision of an integrated health care and offer diploma training in nursing. The hospital has a strategic plan for 2009- 2015, being the first of its kind to it. Its formulation involved all the employees with Great Lakes University, Kisumu (GLUK) providing consultancy in identifying gaps in the health care services and highlighting deliberate moves for MMH to adopt. Though the vision and mission statement are not conspicuously displayed thus the employees and other close associates may be the only ones aware of them. The hospital administrator explained that plans were underway to popularize them on hospital's documents and website.

### **4.3 Environmental Analysis**

The hospital through SWOT analysis has been able to identify its strengths and weaknesses, and opportunities and threats it faces. The environmental analysis was done by all employees during the coming up of the strategic plan. The administrator provided leadership in the process of identifying the following;

#### **4.3.1 Strengths**

The administrator was able to identify the strengths of MMH as competent staff inclusive of four medical doctors one with masters degree making the hospital rank top of other rural based mission hospitals in western Kenya in terms of the number of resident doctors.

MMH has some of the best facilities in the region; it is the only provider of endo-scopy- cancer of the stomach diagnosis in the region apart from Moi Teaching and Referral Hospital. The hospital's laboratory is well equipped; it also has an x-ray facility that serves the surrounding hospitals (Kima, Dophil, Sagam and Equator).

There exists a number of donor funded projects at MMH; the CRS/CMMB projects run by MMH are the best in the western region acting as a pull for patients. The projects are well funded and effectively implemented. The safe motherhood or the output based aid (OBA) is another project that has attracted child-bearing females to the institution. This project works on a voucher system whereby the vulnerable mothers have their bills paid for. It is assisting boost the image of the facility. As the mothers come for clinic they bring along other patients, increasing patient-census hence revenue. The administrator's background health care management is also strength.

### **4.3.2 Weaknesses**

The weaknesses that the administrator was able to identify include, winning back of patients and mending the pre- 2002 dented image of MMH. Many people according to the administrator still harbor the run down MMH of pre 2002 hence are hesitant to visit the facility whenever sick.

Lack of basic departments of dental, eye, ear and physiotherapy denies the hospital the patients seeking such services. The hospital has old buildings some dating back to 1924 (Ward 1 and 2). Slight renovations and new buildings have been built but lack constant maintenance making the whole hospital to have a drab appearance; this is perceived negatively by the public reducing the potential customer choice of the hospital.

Finances are a major weakness since the hospital depends on patient fees; this is not been helped by the high levels of poverty in its locality. According to the hospital administrator the ACK Maseno North Dioceses has not been of great assistance since to the contrary it expects revenue from the facility.

### **4.3.3 Opportunities**

Its location in an under-served region by major health care providers places it in a vantage position of a reference institution. It is so far utilizing the advantage by having its x-ray and laboratory serving other institutions. If the facilities were expanded then MMH stands to be a bigger institution of reference. Having the nursing school offering diploma courses is providing synergies in nursing section of the hospital. The management is also relying on the just passed NHIF bill for improved revenue from patients.

### **4.3.4 Threats**

Intense competition from existing and upcoming health care institutions filters the number of patients that MMH can serve. Coptic Mission Hospital is less than two kilometers away and has of late grabbed a big portion of MMH's customers. The high turnover of staff has been a threat for long and a raft of measures is being instituted to address this potential threat to strategy implementation.

The geographical locality of MMH is a threat due to the historical political tussles between Western and Nyanza province politicians. Though in Nyanza province, the hospital's impact has been in Western province. The sponsoring diocese of the ACK church is Western province based. This calls for key skills in political negotiation on the management which is an added task on management time and efforts.

## **4.4 Strategy Formulation**

The strategy formulation, implementation and evaluation process is well documented. The administrator provides leadership and management skills in the process. All staff is involved with specialists in given areas being given room to guide the process in those areas. The administrator's background training offers him a systems concept in the process since he has both the technical and expert power. In case of deviations there is a one on one consultation to rectify the situation. There are weekly departmental meetings and monthly heads of department meetings. The strategic formulation process is time bound and an outside consultant (GLUK) was involved in the process. The administrator downplays the job titles and symbols in the strategic management; emphasis is on results and those who attain the set targets are

congratulated with plans underway to reward high performers. The hiring process has been streamlined in line with health legislation and labor by- laws i.e. the well qualified are to be recruited departing from malpractices that defined the process before.

#### **4.5 Strategy Implementation**

MMH has had unsteady past, it is only in 2002 that a new start was initiated through the hiring of the current hospital administrator by the head of ACK Maseno North Diocese. The aspects of strategy implementation that exist have a great input of the administrator. The Board of Governors was revamped to assist the administrator in running of MMH. Prior to the current strategic plan the hospital underwent a process of 'muddling through' with the administrator guiding it. The 2009-2015 strategic plan is the first formulized strategy formulation process with all employees involved and GLUK providing consultancy, implantation is though piecemeal.

The study however established that MMH considers this to be important process because it makes formulated strategy a reality. Strategy implementation done has involved specialists in given departments. For instance the principal of the nursing school has been able to upgrade training to diploma level. The IT officer is in charge of communication technology upgrading in the hospital. Departments have weekly meetings where updates on implementation are analyzed. The employees are well informed of their roles in their implementation process. The overall implementation updates are in a monthly meeting involving the administrator and heads of departments.

#### **4.6 Strategy Evaluation and Control**

MMH has a well documented set of procedures that guide departments in evaluation process, the hospital constitution, financial, supplies and procurement procedures, the safe work place procedures, health legislation and the labor laws provide a platform in the evaluation process. For instance the director pinpointed that his background training in health care management gave him an easy time in even evaluating the medical staff citing a case of concurrent system whereby a patient should be seen by an intern, before general practitioner and a specialist in a specified time period. The penalty for non-adherence is clear. The working atmosphere is friendly and the administrator is available for one on one consultation when there is a problem. The hospital has

in the past done away with non-qualified staff and insists on upgrading of skills failure to which in a specified period an employee is retrenched.

## **4.7 Organization Structure**

MMH has an organization structure to ensure that strategies are implemented effectively. The hospital is in the process of trying to align structure to strategy, the process of hiring the correct personnel is on going. The management is running the nursing school and the hospital as two strategic business units as is illustrated appendix 3 on page 46.

### **4.7.1 Leadership**

The hospital director is the overall leader of the aspects of strategic management existent at MMH. The input of the church and board of governors is least felt in the implementation and evaluation process apart from their strong presence in the formulation stage.

### **4.7.2 Culture**

The study established that due to the high turnover that had been a common feature at MMH, there was little attachment of the workers to the institution. Efforts are being initiated to increase the attachment of workers to the institution, there is room for workers to pursue further training which is strongly supported by the administrator. The past image of the institution had kept away many patients. The management is trying to address these by having openness, effective and friendly working environment. The public relations department has been opened up to boost the image of the institution to the public, so far the preliminary response to the department are impressive.

Vision describes a set of ideas and priorities, a picture, a sense that the company prides of and its core aspirations according to Harani (1994). Johnson et al. (2005) define it as the strategic intent, guiding towards the desired future. The vision should be integrated into as many communication channels as possible in personal presentation, written communication, making campaigns and by placing plaques and engraving stating the vision (Doluk, 2001). This is supported by a study done by Muturi (2008) on the strategic management practices at the Karen hospital that established that a well stated vision and mission statement that guided its strategic

management contributing to directional operations; it was well stated in hospital brochures and website. MMH from the research has not deliberately pursued this aspect that provides the foundation to the strategic management practice, it should move with speed in popularizing the vision and mission statements.

Technology has expanded tremendously leading to increased use of the internet, which is not only changing the way customers, suppliers, and competitors interact, it is also impacting on the organization's structures. The managers have to electronically network with customers, suppliers and partners, "knowledge is becoming a key asset and a source of competitive advantage" according to Wheelen and Hunger (2008). Technology poses a serious challenge to strategic management since keeping track with changing technology is expensive. Muturi (2008) established that Karen hospital was much involved in the application of information technology in the practice of health care by being among the first hospitals in the region to offer telemedicine; this had contributed enormously to its strategic management practice by affording it a first mover competitive advantage. MMH is yet to espouse information technology to this level, due to resource constrains but it is prudent that it should utilize technology which can reduce the number of tenured medical staff that it can ill afford. The resource based view (RBV) provides that firms gain a competitive advantage according to the resources they own.

#### **4.8 Challenges in strategic management process**

The second objective of this study was to identify the challenges that MMH faces in the strategic management practice, the study established that the main challenges faced are finances and donor-dependence, there are other minor challenges like past reputation and associated high staff turnover, the heightened competition low information technology uptake, poor negotiation skills especially with the being established Maseno University Medical health faculty.

The finance challenge has had a negative consequence on the entire process of strategic management. The hospital is yet to stabilize enough to fully address this challenge. The administrator did not provide hint of seeking finances from financial institutions thus this option remains open to MMH as long as the key stakeholder (ACK Church) approves. Poor finance situation has its cause in the high poverty levels of the surrounding community resulting in low



bed-occupancy, the lack of investment by the church in the facility has resulted to a heavy reliance on the little patient fee, while the NHIF rebates to the institution are among the lowest in the mission hospitals category as reported in the FBHS (2006) study.

The challenges associated with the donor-dependence impede the strategic management of MMH. For instance donor aid is at times project- specific reducing the flexibility of management in deploying of resources. For instance a program like OBA may be well funded but basic health care provision may be in dire constrains and the transfer of funds is prohibited due donor conditions hence reducing the effectiveness of management. Related to donor assistance are the volunteer medical staff that may not be willing to adhere to the local health legislation and wish to experiment novel regimens of treatment. There is a dilemma since strict monitoring for compliance by the volunteer staff versus the vital services and personal grants they may be channeling to the institution. This becomes a big challenge to administrators lacking in health-care management training, which unfortunately is the case for many rural based FBos, MMH is lucky to have an administrator with requisite skills who ethically monitors such professional contraventions.

Globalization places a serious challenge to the practice of strategic management as corporations no longer limit themselves to country boundaries in search of competitive advantage. This has required that firms manage using matrix structures in which product units are interwoven with country or regional units (Wheelen and Hunger 2008). The threat of globalization has had an impact on donor funding especially for the ACK church, due to this MMH should earnestly source for local funding and let the church treat it as a profit-seeking business entity and reduce the charity aspect gradually without aggravating the current beneficiaries. The FBHS (2006) study established that MMH had the lowest bed-occupancy of 10% and the lowest NHIF rebates of Khs.1,270, there is need for MMH to improve its facilities so that the NHIF allocations be increased, this becomes more favorable with the planned enhancement of the NHIF scheme by the Ministry of health.

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

### **5.1 Summary and Conclusions.**

The study objectives were to establish the extent of strategic management practices adopted by MMH and the challenges faced in the pursuit. The objectives of the study were achieved because the research carried out established that MMH had just recently formalized its strategic management practice by coming up with its first strategic plan in the year 2009. This was triggered by the dwindling fortunes of the hospital exasperated by the heightened competition and the low patient-census occasioned by patient apathy and high staff turnover. This being a first move for the institution there is a need to institutionalize the process as the management structure is gets staffed with requisite personnel. The institution is in the process of overhauling its staff identification and recruitment process with emphasis on the core skills avoiding the malpractices that existed in the employment of staff that had created employee apathy hence the high staff turnover.

Strategy formulation apart from employees' participation it also incorporated an outside consultant (GLUK), the inference from the strategic plan formulated is that it is expertly developed. It is yet to be cascaded down to the departmental levels and posted on the hospitals website for wider acceptance and monitoring. The hospital administrator at time of the study informed of plans to distribute and popularize the plan. There is a well stated vision and mission statement which hinge on the environmental analysis that was carried out. The hospital has been able to identify its strengths in endoscopy- it is the only provider of this service in western region apart from Moi Teaching and Referral Hospital (MTRH) that is in Eldoret town 100 Kms. away. Its laboratory is well equipped so far in the region. This shows that the strategy formulation process was thorough but it fails in leaving out the local communities since the institution falls at the boundary of Emuhaya and Kisumu rural constituency and tribal politics have impacted negatively on its management. The administrator explained that a raft of measures have been put in place inclusive of overhaul of hiring practices and a PR office that has been out-sourced which according to preliminary reaction, guides the need to expand the department and staff it

with hospitals personnel thus domesticating it.

Strategy implementation is done in piecemeal due to the financial constrains, but so far the implementation that has been done has been on course, this includes the hiring of competent personnel in some departments, doing away with non-qualified nurses, improving the hospital's reputation through the outsourced PR office. The administrator provides leadership in the process while empowering personnel with requisite skills to lead the process. For instance the HR manager in a short time from being hired has been able to streamline the transport section. The finance department has institutionalized the financial procedures coming up with a document to guide the process.

Strategy evaluation and control goes in tandem with the implementation, due to the limited implementation that has occurred little exists on this stage of strategic management. The challenges that MMH faces are aptly identified in the weakness and threats; the hospital is earnestly addressing them through overhaul of the hiring procedures, lobbying for more GoK support, outsourcing of the PR office, and the aspiration to stop reliance on donor aid.

## **5.2 Limitations of the study**

The research was a case study, which used the personal interview method. This method was time consuming since an interview that was intended to take 15-20 minutes ended up taking two hours. Case studies have the tendency of systematic errors and the physical presence of the interviewer may at times stimulate the respondent. Nevertheless the study stayed on course of the objectives guiding it by picking the pertinent information from the enormous information that the hospital administrator provided. The hospital administrator's background in the management of health care sector and his pivotal role in MMH's rescue from closure meant he had a lot of information on the institution.

The study's prudent reliance on the hospital administrator left out the views of other levels of management on the strategic management practice at the hospital. Though this was understandable since the managers were new to the institution, for instance the HR manager the

second in command was barely a month old at the facility. This was addressed by the extensive interview of the hospital administrator. The use of open ended questions was pertinent to this kind of study but left room for the administrator to divulge in to more information than required for the study. Judicious editing of the information was apparent without offending the respondent.

### **5.3 Suggestions for further research**

MMH has just embarked on a formalized strategic management practice, the current strategic plan having been developed in the last twelve months; there is need for a study to be carried out mid plan addressing the implementation process. The long-term strategy of stopping reliance on donor finances provides the need to carry out a study on the impact of donor funds on the strategic management practice of MMH and by extension rural mission hospitals in Kenya.

### **5.4 Recommendations for policy and practice**

The study recommends a wider political, economical, social and technological (PEST) analysis to augment SWOT analysis being pursued. For instance MMH should involve the surrounding community in strategy formulation; it provides patients to the institution. Its input should be incorporated in order to reduce the existing apathy. The vision and mission statement should be well displayed and internalized by the employees and popularized to the community.

On the political front MMH should judiciously position itself in order to benefit from C.D.F allocations from both Emuhaya and Kisumu Rural constituencies. It should also lobby for an expansion of central government assistance on top of the current assistance of one doctor and four nurses.

Other strategic moves that should be earnestly pursued are strategic alliance with Maseno University through negotiation for super-ordinate goals. The strategic formulation should match the resources present. The de-linking of donor-aid to strategy implementation should be the long-term objective of the hospital. The continuity of donor funded projects is uncertain thus MMH should not consider them as competitive advantage as the information gathered suggests.

Divesting of the nursing school id also be a strategic move worth considering since the school makes MMH spread its resources thinly also it lacks a competitive advantage since the preferred trainer of the nurses are the GoK's Ministry of Health's Medical Training Colleges (MTCs) divesting could be a better move in conserving the scarce resources and focusing on health care provision. Barnely and Hesterly (2008) state that a competitive advantage is a sustainable edge that is valuable, rare and not easy to imitate which apparently is not the case for the school.

The study further recommends that MMH rethinks its finance situation by seeking financing options from commercial banks that have excess liquidity at the moment. The PEST analysis on demographics supports the need for a state-of-the-art mortuary facility at MMH; the operational mortuaries at Dophil Nursing Home and Sagam Community hospital are not meeting the existent demand. The cultural respect for the dead in the region and the economic realities mean that the dead are kept in the morgues awaiting burial unlike the past when they were kept in homesteads. It is evident with the high population density the death rate is also high compounded with the regions above national average prevalent of HIV-aids scourge. The research also recommends that MMH moves with speed to inaugurate a dental, eye, and ear facilities since the region's residents are most afflicted by such ailments, this will result in a competitive advantage in the provision of a one stop basic health care.

Use of technology should be enhanced at all stages in the strategic management process; the new department that has been formed should be well funded and staffed. The realities in medical care provision require extensive application of technology; new areas like telemedicine can reduce personnel costs while enhancing service provision.

Lastly utilizing the Boston Consulting Group (BCG) matrix the management should sensitize the A.C.K church that the hospital is positioned as a question mark with the potential of turning into a star if investments are done, the current expectation of the church to receive revenue from the hospital treating it as a cash cow should stop for long term stability of the hospital. There is the need to reduce personality differences and other stumbling blocks in negotiations between the hospital and Maseno University since the hospital stands to gain more from a strategic alliance in the provision of health care akin to the university of Nairobi and Kenyatta National Hospital.

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# APPENDIX I: LETTER OF INTRODUCTION



**UNIVERSITY OF NAIROBI**

**SCHOOL OF BUSINESS**

**MBA PROGRAM – LOWER KABETE CAMPUS**

Telephone: 722166 Ext. 208  
Telegrams: "Varsity", Nairobi  
Telex: 22093 Varsity

P.O. Box 30197  
Nairobi, Kenya

Date 12<sup>th</sup> October 2010

## TO WHOM IT MAY CONCERN

The bearer of this letter... Mr. AMAKOYE N. JOAB

REGISTRATION NO: D61/70351/2008

The above named student is in the Master of Business Administration degree program. As part of requirements for the course, he is expected to carry out a study on **Strategic Management Practices at Maseno Mission Hospital, Kenya**

He has identified your organization for that purpose. This is to kindly request your assistance to enable him complete the study.

The exercise is strictly for academic purposes and a copy of the final paper will be availed to your organization on request.

Your assistance will be greatly appreciated.

Thanking you in advance.

Sincerely,

**MR. ALEX JALEHA**

**COORDINATOR, SCHOOL OF BUSINESS, KISUMU CAMPUS**

**THE COORDINATOR  
UNIVERSITY OF NAIROBI  
SCHOOL OF BUSINESS  
KISUMU CAMPUS  
P.O. Box 825 - KISUMU**

## APPENDIX II: INTERVIEW GUIDE

This guide is designed to collect views on strategic management practices at MMH. It is divided into four sections in line with the strategic management themes being pursued in the study.

### SECTION A: BACKGROUND INFORMATION

Interviewee name (optional) \_\_\_\_\_

Position held \_\_\_\_\_

Department \_\_\_\_\_

Level of management \_\_\_\_\_

Number of staff in charge of \_\_\_\_\_

### SECTION B: STRATEGY FORMULATION

In this section the general aspects of strategic management will be inquired, thereafter the level of environmental analysis will be assessed.

#### a) OVERVIEW

1 Does MMH have a vision?

i) If yes, what is the vision?

2) Are you aware of any policy documents for strategy formulation at MMH?

i) If yes, state which ones and the time frame covered?

3) Identify at least 3 aspects under each of the following as they apply to MMH

i) Strengths

ii) Weaknesses

iii) Opportunities

iv) Threats

**b) ENVIRONMENTAL SCANNING**

- 1) Which factors in the internal environment have had an impact on strategy formulation at MMH?
- 2) Which factors in the external environment have had an impact strategy formulation at MMH?
- 3) What challenges does MMH face while responding to changes in the internal environment?
- 4) What challenges does MMH face while responding to the external environment?
- 5) What strategies has MMH used in response to the changing environment in the recent past?
- 6) What are your roles in strategy formulation?

**SECTION C: STRATEGY IMPLEMENTATION**

Strategic management requires proper implementation of the chosen strategy; here we look at implementation in terms of the available resources (finance, labor, medical equipment and supplies)

**a) Finance**

- 1) Identify the sources of funds and their estimated percentages as used in the implementation of chosen strategies?
- 2) What other avenues of finances does MMH target?
3. What challenges are faced in expanding the finance base?

**b) Labor (Manpower)**

- 1) What measures are put in place to recruit and retain the best employees?
- 2) In which ways are employees empowered to implement the chosen strategies?

- 3) Is there a reward system for employees who achieve the set targets? Describe
- 4) Is there adequate communication of the formulated strategies to the staff implementing?
  - ii) If yes, which methods are often used in the communication and why?

### **c) Medical Equipment and Supplies**

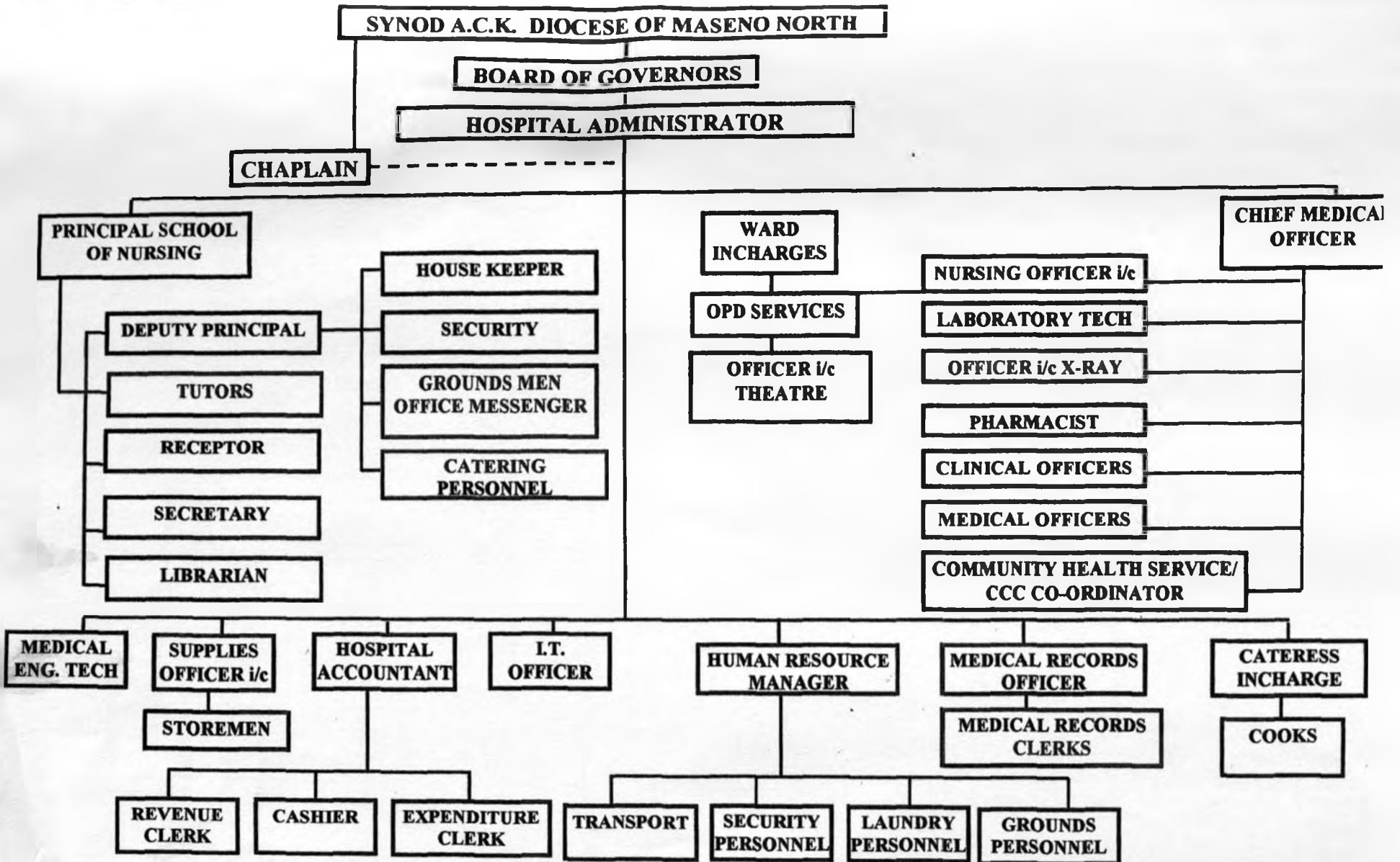
- 1) How do you describe the overall medical equipment and infrastructure at MMH?
- 2) How is the strategy implementation affected by present medical equipment and supplies?
- 3) What are your roles in the strategy implementation?
- 4) What are the challenges in the strategy implementation?

### **SECTION D: STRATEGY EVALUATION**

- 1) Are corrective measures and procedures in the strategic management process institutionalized?
  - i) If yes which measures and procedures are in place?
- 2) Is MMH involved in a continuous review of its strategic plan?
  - i) If YES what prompts the review?
- 3) Are employees empowered to take corrective actions?
  - i) If yes give an example of any such action that happened in the recent past.
- 4) What are your roles in strategy evaluation?
- 5) what are the challenges facing strategy evaluation?

***Thank you.***

APPENDIX III: ORGANO-GRAM



Source: Maseno Mission Hospital (2009 – 2015) Strategic Plan