

**STRATEGIC MANAGEMENT PROCESS AND  
PERFORMANCE OF M.P. SHAH HOSPITAL IN KENYA**

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## **DECLARATION**

This research project is my original work and has not been presented for examination in any other University.

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## **DEDICATION**

This project is dedicated to my loving parents who have been my constant source of inspiration and have never failed to give me financial and moral support.

## **ABBREVIATION AND ACRONYMS**

**RBV** -Resource-based view

**CCC** -Cancer Care Centre

**ECA** -East and Central Africa

**MSEs** -Micro and Small Enterprises

**KCB** -Kenya Commercial Bank

## ABSTRACT

The main purpose of the study was to determine the extent at which strategic management process has been used by M.P Shah Hospital and how the use of strategic management process has influenced the performance of M.P. Shah Hospital. This study was a case study since the main purpose of the study was to establish the strategic management process used by the M.P.Shah hospital to enhance performance for competitive advantage in Kenyan health sector. Primary data was collected using interview guides, where the researcher booked an appointment with each manager upon where interviews on strategic management process was conducted using an interview guide. The study was target 6 managers from different departments. The researcher used content analysis to analyze the data through describing phenomena, classifying it and seeing how the concepts interconnect as was indicated by the respondents. From the findings of the study, it is evident that M.P. Shah The managers at M.P. Shah Hospital share a clear vision and mission with the hospital vision and mission statement; the major changes from external environment that impacted on MP Shah Hospital Nairobi included changes in technology, social, political and economic factors; strategy is concerned with matching a firm's resources and capabilities to the opportunities that arise in the external environment. The value and rareness of the resource capability combinations a firm exploits play no role in determining its performance; decisions and competitive moves that the organization had pursued in the recent past to optimize successful performance; strategic management entails both strategic planning and implementation, and is the process of identifying and executing the organization's strategic plan, by matching the company's capabilities with the demands of its environment and relevant strategic plan is the output that comes through the strategic management process and discipline that involves a team approach encompassing all functional areas within affirm is to their organization. The health industry is operating in an ever changing and increasingly competitive business environment and hence apart from the strategies MP Shah Hospital Nairobi has employed, the players in the industry should also consider the following strategic management processes that have an effect on performance of the organization; crafting and implementing strategy should be core to the organization and include all functional areas within the business; strategy management process should include a clear set of long-term goals of the organization and the objectives clearly stated at the end of planned activity; they state what is to be accomplished by when and should be quantified if possible. The achievement of corporate objectives should result in fulfillment of the corporation's mission. . From the results of the study it is clear that MP Shah is an open system that interacts with its environment. It is dependent on the external environment for its inputs and outputs. The external environment poses both opportunities and threats forcing the management to come up with strategic responses aimed at responding to those external factors. From the findings, it is apparent that MP Shah Hospital has been responding to the challenges posed by changing environment by undertaking various measures in order to remain competitive in the market: for instance by paying great attention to the needs of the customer, restructuring, introducing new products in the market and constantly updating with technological developments. It also validates the fact that environmental change is inevitable and organizations which will not effectively cope with this change will experience limited survival. The study concludes that strategic performance process should be judged by the organization's performance.

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## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Background of the Study**

Strategic management process involves organization, management and the environment as a whole. Burnes(2009),posts that link between strategic management process and performance encompasses three specific areas of firm outcomes such as financial performance (profits, return on assets, return on investment), product market performance(sales, market share) and shareholder return (total shareholder return, economic value added).Within corporate organizations, there are three primary outcomes analyzed including financial performance, market performance and shareholder value performance,(Pearce and Robinson, 2007).

The resource-based view (RBV) emphasizes the firm's resources as the fundamental determinants of performance. It adopts two assumptions in analyzing sources of competitive advantage Fred David (1997) first; this model assumes that firms within an industry or within a strategic group may be heterogeneous with respect to the bundle of resources that they control. Second, it assumes that resource heterogeneity may persist over time because the resources used to implement firms' strategies are not perfectly mobile across firms, that is, some of the resources cannot be traded in factor markets and are difficult to accumulate and imitate. The third perspective on resources and strategic changes is that distinctive resources often represent commitments in the organizations that possess them. Exceptional competence, from this perspective, is both the product of commitment and also a likely foundation.

Firms in hospital industry operates in an environment which is has a lot of challenges ranging from competition to market dynamics hence the need for strategy to safeguard a competitive advantage. Being a private health sector, M.P Shah equally faces challenges emerging from the industry of private health institutions such as competition for customers and the ever changing demand from customers. New approaches to management in the health sector are therefore imperative as governments enter the new millennium.

### **1.1.1 Concept of Strategy**

The concept of strategy comes from ancient Greeks. The word strategy comes from the Greek word stratego, which means to plan the destruction of one's enemies through the effective use of resource, Shapiro (2009). Moreover, Wason, (2003) as quoted by lamb (2004) stated that it is important that everyone in the organization shares a common view of its purpose and direction which informs and guides decision-making and actions. Strategy addresses how the organization will respond to changing conditions specifically, what to do about shifting customer needs and emerging industry trends, which new opportunities to pursue, how to defend against competitive pressures and other externally imposed threats, and how to strengthen the mix of the firm's activities by doing more of some things and less of others (Wason, 2003).

According to Barney, (2006), strategy can be viewed as building best defences against the five competitive forces or as finding positions in the industry where the forces are weakest. To enable the firm to deal effectively with the competitive forces and thus generate a sustainable competitive advantage, the firm is required to develop a defensible position in an industry through competitive strategy. Although a firm can have numerous strengths and weaknesses vis-à-vis its competitors, the firm can have only one of two basic types of competitive advantage: low cost or differentiation. Hill, (2001)

As Barney, (2006) notes that strategy is the creation of a unique and valuable position involving a different set of activities, the firm needs to make a choice, to be either cost leader or differentiator, it cannot do both. The company is also required to have a choice over the competitive scope of activities over which it seeks advantage -broad or narrow segments of the industry. The two basic types of competitive advantage combined with the competitive scope of activities which a firm seeks to achieve lead to three generic strategies for outperforming rivals within an industry: cost leadership; differentiation; and focus Murray (2005). A strategy is a plan or course of action for the allocation of scarce resources in order to achieve specified goals. It is a plan of action stating how an organization will achieve its long term objectives.

Moreover addresses how an organization can compete in each one of the industries in which the organization participates, decisions about how to develop customer appeal, to position the firm against rivals, to emphasize some products and de-emphasize others, and to meet specific competitive threats are always integral to competitive survival and the achievement of a defensible competitive advantage,(Lamb,2004).

Within each line of business of the organization, strategy will address what actions and approaches to be taken in each of the major functional areas and operating departments to create a unified and more powerful strategic effort throughout the business unit, the different functional and operating level strategies ought to be coordinated rather than be allowed to go off on independent courses; they need to support the creation of a sustainable competitive advantage, Lamb (2004)

### **1.1.2 Strategic management process**

Strategy development and execution is grounded in the broad range of business decisions and competitive moves management pursues in order to optimize successful performance consistent with its strategic plans goals, objectives and business initiatives Hamel, (2004). A strategic plan is the output that comes through the strategic management process and discipline that involves a team approach encompassing all functional areas within a business. Strategic planning is the foundation activity within the strategic management process that helps produce the organization's strategic plan. The strategic plan reflects a company's choice of actions among numerous alternative courses of action. The strategic plan supports and directs management's attention toward implementing a unified and measured approach to the completion of its intended business, market and strategic results treece, (2004)

Crafting and implementing strategy should be core to every business and include all functional areas within the business. How well a strategic plan is executed has a direct influence on how successful a company will be in achieving its maximum potential. Execution of a powerful strategic plan through the strategic management process is both a proven recipe for business success and a reflection of excellent management Hamel, (2004). There are five interrelated tasks associated with the strategic management process. This can be achieved through the formulation of a strategic vision; where the organization is headed, coupled with what the organizations purpose or mission is today.

Merging the company's strategic vision and mission into measurable objectives and performance targets, crafting strategies to achieve performance goals and objectives, effectively implementing and executing all elements of the strategic plan, evaluating on-going strategic plan performance in conjunction with new business, market and strategic developments, initiating appropriate adjustments and corrective actions for both short and

long term goals, objectives and strategies as a function of actual experience, dynamic environmental conditions, current thinking, new ideas, perceived risks, and potential opportunities (Watson, 2003)

Optimally, the strategies at each level are formulated and implemented by those managers closest to the scene of the action and then sufficiently coordinated to produce a unified action plan for the whole organization. The content of a strategic action plan reflects entrepreneurial judgments about the long-term direction of the organization, any need for major new initiatives (increased competitive aggressiveness, a new diversification move, divestiture of unattractive activities), and actions aimed at keeping the organization in position to enjoy sustained success, (Jackson, 2005).

According to Veronilka (2007), strategy for one organization need not be right for another organization even one in the same business, because situations differ from organization to organization, as well as from time to time management's view of what the organization seeks to do and to become over the long-term is the organization's strategic mission. The strategic mission broadly charts the future course of the organization. Since decisions about long-term direction fall squarely upon the shoulders of senior officers, the strategic mission nearly always reflects the personal vision and thinking of top-level managers, (Shapiro, 2009).

### **1.1.3 Organizational performance**

Organizational performance endorses a process perspective where the focus is on the internal process of quantifying the effectiveness and the efficiency of action with a set of metrics. The measures and indicators act as surrogates or proxies for organizational phenomena. Performance measurement represents management and control systems that produce

information to be shared with internal and external users Shapiro (2009). Furthermore, as it encompasses all aspects of the business management cycle, this constitutes a process for developing and deploying effectiveness direction. The performance can be based mainly on financial measures and considered a component of the planning and control cycle to a holistic view based on multiple nonfinancial measures where performance measurement acts as an independent process integrated in a broader set of activities Barney (2000).

In management, the ultimate measure of management's performance is the metric of management effectiveness which includes conflict management, or how well management is able to utilize confrontation and collaboration skills; management's ability to be flexible and appeal to common interests. Performance considers how well managers seek to understand and appreciate others' values; and not merely as a means to a business goal but in terms of delegation, or how well management gives assignments and communicates instructions to members of the organization. Another measure is execution, or how well management's plans are carried out by members of the organization as well as Leadership, or how effectively management communicates and translates the vision and strategy of the organization to the members. Motivation is how management attempts to understand the needs of others and inspires them to perform. Motivation focuses on how performance is rewarded rather than how failure is punished, (Matejka, 1999).

Performance improvement is the concept of measuring the output of a particular process or procedure, then modifying the process or procedure to increase the output, increase efficiency, or increase the effectiveness of the process or procedure. The concept of performance improvement can be applied to either individual performance such as an athlete or organizational performance such as a racing team or a commercial enterprise. In organizational development, performance improvement is the concept of organizational



change in which the managers and governing body of an organization put into place and manage a program which measures the current level of performance of the organization and then generates ideas for modifying organizational behavior and infrastructure which are put into place to achieve higher output. The primary goals of organizational improvement are to increase organizational effectiveness and efficiency to improve the ability of the organization to deliver goods and or services. A third area sometimes targeted for improvement is organizational efficacy, which involves the process of setting organizational goals and objectives, (Matejak, 1999).

Performance improvement at the operational or individual employee level usually involves processes such as statistical quality control. At the organizational level, performance improvement usually involves softer forms of measurement such as customer satisfaction surveys which are used to obtain qualitative information about performance from the viewpoint of customers.

#### **1.1.4 Hospital Industry in Kenya**

Hospital Industry in Kenya plays a vital role in the well-being of the citizen. The major health care provider in Kenya is the Ministry of Health (MoH). This ministry operates more than half of all health facilities in the country. Out of over 4500 health facilities in the country, the MoH controls and runs about 52% while the private sector, the mission organizations and the ministry of local government run the remaining 48%. The public sector controls about 79% of the health centers, 92% of the sub-health centers and 60% of the dispensaries. The NGO sector is dominant in health clinics, maternity and nursing homes (94%) and medical centers (86%). Both the public and the NGO sector have an almost equal representation of hospitals. However, the health sector is faced with inequalities. Only 30% of the rural population has access to health facilities within 4km, while such access is available to 70% of urban

dwellers. The arid and semi-arid north and north eastern areas of Kenya are underserved due to limited number of health facilities. The quality of health services is reputedly low due to inadequate supplies and equipment as well as lack of personnel. Moreover, regulatory systems and standards are not well developed (GOK, 2006).

Strategic management in the health sector is crucial for effective service delivery and for the realization of the firms' suitability and competitive age, new approaches to management in the health sector are imperative as governments enter the new millennium. Market dynamics have created challenges for public health sector with the emergence of private health institutions, emergence of the global economy, advances in technology, increased societal demands, and the need to provide more social services with fewer resources. Response mechanisms have emerged within the private health care to meet these recent challenges but government organizations have been slower to respond. This is understandable, given fiscal constraints and the bureaucratic process witness the government administration. However, a new approach, which incorporates modern strategic managements are being implement in the health sector in Kenya this study will focus on M.P.Shah Hospital.

#### **1.1.5 The M.P Shah Hospital**

The M.P. Shah Hospital (Meghji Pethraj Shah Hospital) is one of the major private hospitals in Kenya. It was started in the 1930s as Parklands Nursing Home. It is a 94 bed hospital located in Westlands/Parklands area Nairobi, Kenya. Its mission is commitment to provide quality healthcare at affordable rates with unparallel passion and excellence, while its core values are respect, teamwork trust competence and compassion. M P Shah Hospital operates under the umbrella of the Social Service League which is a charitable institution. As a welfare institution, social service league is also supported by donations from philanthropists.

These funds also help towards upgrading the facilities at the hospital and clinics besides assisting the needy patients in covering some of the cost of their medical treatment. The Board is composed of non-executive elected members called the Governors. The Governors are drawn from different professions and specialties in healthcare and management. With their wealth of experience they are able to provide considerable value to the deliberations and consultations conducted by the Board. They offer these services on a purely voluntary basis. Its scope of management also covers the satellite Dinshaw Byramjee Dispensary and Dental unit situated in Nairobi downtown at Ronald Ngala Street catering to the needs of the members of the community.

M P Shah Hospital is consistently ranked among the best hospitals in Kenya and a preferential hospital for nursing care for many. The hospital has state of the art equipment and facilities which are operated by qualified doctors, nurses and support staff. Some of the services it provides include Outpatient, Inpatient, Pathology/Laboratory Medicine, Radiology, Pharmacy, Physiotherapy and Specialty clinics. It is also affiliated to the Cancer Care Centre (CCC) which is one of a kind in East and Central Africa (ECA) in providing state of the art treatment.

This study therefore seek to establish the strategic management process in this hospital due to the fact that it has consistently been ranked among the best Hospitals in Kenya and a preferential Hospital for nursing care for many. The hospital is also committed to providing easily accessible, affordable and available Healthcare which surpasses patient's expectations having invested in a state of the art equipment and facilities which are operated by qualified doctors, nurses and support staff.

## **1.2 Research Problem**

It is evident that many firms have experienced delayed organizational performance due to lack of adequate understanding of the strategic management process that takes place and how they fit in. It has also been established that the level of involvement by junior staff members is limited to general firms' strategies that are pertinent to the organization performance. It is important during strategy formulation and implementation that everyone in the firm understands where it is going and how it will get there.

Actual implementation of strategic programs and projects starts at the lowest level in the organization and it is therefore important that all staff members understand the direction the organization is going in order to make sense out of their own contribution which collectively contributes to the organization performance. In light of this, it is necessary to find out more about the strategic management process at MP.Shah, Hospital, how the implementation of the management strategies has cut across the involvement of other staff members along the segregated firms department and the close relationship between these strategies and the general firm's performance whether these performance translates to the fulfilment of the overall aims and objectives to the existence of the firm.

International studies from scholars such as Thompson and Strickland (2003) who did a study on link between strategy-making process and performance of firm listed at New York stock exchange. The study revealed that in strategic management process, managers do establish an organization's long-term direction, set specific performance objectives, develop strategies to achieve these objectives in the light of all the relevant internal and external circumstances, and undertake to execute the chosen action plans. In his study on effect of strategic management on agricultural firms in the Caribbean, Barney, (1991) found out that a firm is

said to have a competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors. He further argued that to have the potential to generate competitive advantage, a firm resource must have four attributes; these are the firm's resources must be valuable, in the sense that it exploits opportunities and/or neutralizes threats in a firm's environment; it must be rare among a firm's current and potential competition; it must be imperfectly imitable; and there cannot be strategically equivalent substitutes for this resource.

Rose and Lawton (1999) see the development banks organization as deeply involved in strategic management through selection of their roles and future direction, and matching the organization's activities to its resources capacity. According to Johnson and Scholes (2001), the public and private sectors are not two distinct and internally homogeneous domains. Very few organizations are purely public or purely private as most sit somewhere on a continuum between these two extremes. Johnson and Scholes (2001) go further to stress that both institutions management are analogous in that they both entail producing value for actors in their environments, while utilizing resources and capabilities. But they differ in the nature of that value, resources, capabilities and environments, in ways which have implications for the making and implementation of strategy.

Locally, studies have been done on the strategic management field. For instance, Mutegi (2012) carried out a study on the effects of strategic management practices on the performance of Micro and Small Enterprises (MSEs) in Nairobi, Kenya. The study found that strategic management is practiced in an unsystematic and uncoordinated manner by the SMEs. The initial stages of strategic management practices recorded higher prominence and down to the evaluation stage fewer SME's were involved.

Kamanda (2006) also did a study on Kenya Commercial Bank (KCB) with the objective of determining the factors that influence its regional growth strategy. His study, however, does not cover the issues of factors affecting strategic management. Situma (2006) also covered KCB, but focused on its turnaround strategy. The study also did not capture the factors affecting strategic management practices in organizations. No one had studied on strategic management process used by the M.P.Shah hospital thus leaving a research gap.

### **1.3 Research Objectives**

The research Objectives of this study were;

- i. To determine the extent at which strategic management process has been used by M.P Shah Hospital.
- ii. To examine how the use of strategic management process has influenced the performance of M.P. Shah Hospital.

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

The study is a source of reference material for future researchers on other related topics; it also helps other academicians who wish to undertake the same topic in their studies. The study highlights important relationships that require further research on the management strategies used by the health sector institutions.

The study contributes to theories already put down for example the resource-based management and strategic capability theory, where it incorporates external factors such as institutional and market position in relation to the implementation of strategic management.,

where it is necessary to consider the shifting character of the external environment and hence the key role of strategic management, which is predominantly about adapting, integrating and reconfiguring internal and external organisational skills, resources and functional competencies towards the changing environment.

The findings of this study are beneficial to the organizations since it would point on the management strategies and thus will aid them in assessing the performance and the organizational effectiveness. The study findings give a guide on the requirements by the organizations on how to improve the performance and gain competitive advantages.

The study contributes more to the understanding of the process of strategic management in healthcare with specific reference to MP Shah Hospital; moreover the study helps future researchers to understand the relationship between strategic management process and organizational performance, especially in private healthcare institutions such as MP Shah. The study also form aground for further research and forms a basis for other studies that may be taken in this area of strategic management in other firms.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter presents literature reviewed on the management strategies process used by the health institutions with reference to M.P Shah Hospital. The first section gives the theoretical founs of the study. The second section extensively discusses on the relationship between strategic managements and the performance.

#### **2.2 Theoretical foundations**

There are two useful theoretical frameworks that serve to complement dynamic capability theory and the resource-based view analysis in assessing a firm's strategic management process. The resource-based view of the firm (RBV) combines two perspectives: the internal analysis of phenomena within a company, and an external analysis of the industry and its competitive environment. Moreover, dynamic capability theory on the other hand extends analysis by combining internal and external perspectives and provides a useful framework for exploring why some firms are more successful than others, Graham (2007).

Specifically, the RBV considers the firm as a bundle of resources: tangible resources, intangible resources, and organizational capabilities. Competitive advantages that are sustainable over time generally arise from the creation of bundles of resources and capabilities. For advantages to be sustainable, four criteria must be satisfied: rareness, valuable, difficulty in imitation, and difficulty in substitution. Such an evaluation requires a sound knowledge of the competitive context in which the firm exists, Fred David,(1997).



The above school thought is supported by Stewart, (2008) who provide an additional insight into agency theory in particular relevance to stakeholders' theory where they distinguish between delegated and intrinsic agency. They say that delegated common agency arises when several parties voluntarily and independently bestow the right to make certain decisions upon a single (common) agent. In addition, intrinsic common agency arises instead when an individual is naturally that is not voluntarily and not independently endowed with the right to make a particular decision affecting other parties who may in turn attempt to influence that decision.

### **2.3 Concept of Strategic Management Process**

The focus of most strategic management literature Ansoff (1968) is the theoretical strategic planning process, which is commonly referred to as the strategic management framework. This framework describes the various phases in strategy formulation. Via this framework, it is suggested that management is able to produce strategies, which are capable of being implemented successfully.

Implementation of strategies is concerned with putting strategy into practice. It is described by Giles (1991) as the execution of tactics both internally and externally so that the organization moves in the desired strategic direction. Strategy therefore means the art of the general. However, various experts do not agree on the precise scope of strategy. There are as many definitions of strategy as there are the experts. Lack of unanimity has resulted in two broad categories of definitions; strategy as action inclusive of objective setting and strategy as action exclusive of objective setting, (Rai,2007).

Strategy therefore can be described as a plan or a course of action or a set of decision rules forming a pattern or creating a common thread, the pattern or common thread related to the organization's activities which are derived from its policies, objectives and goals, pursuing those activities which move an organization from its current position to a desired future state and a strategy defines a framework for guiding the choice of action. Since the firm's internal and external environment strategy over time means that strategy needs to be dynamic. Strategy has four components; first, strategy should include a clear set of long-term goals. Second, it should define the scope of the firm. Thirdly, it should have a clear statement of what competitive advantage it will achieve and sustain. Finally, strategy must represent the firm's internal context that will allow it to achieve a competitive advantage in the environment in which it has chosen to compete, (Rai,2007).

According to Kotter (2007) a business will not survive in the long term unless it re-invents itself. In an effort to achieve efficient organizational structures, strategy is inevitable as a way of reducing costs and improving operational efficiency. Organizational restructuring can be done in various ways such as re-engineering, rightsizing, restructuring, turnaround etc. The ultimate goal in most cases is to make fundamental strategies in how business is conducted in order to maintain a fit with constantly changing and more challenging market environment.

Graham (2007) opines that strategy is necessary in organizations as maintaining the status quo can lead to stagnation as markets and customers move on, competition evolves and strategies, and so do the stakeholders. While various schools of strategic thought exist, at the normative level there is general agreement in the literature on the strategic process, i.e. the process of designing and implementing strategy.

The strategic process can be divided into three main areas of activity: strategic formulation, strategic implementation and strategic evaluation Thompson and Martin, (2005) although Mintzberg (2003) would argue that this division into three areas is more convenient than realistic and consequently promote a holistic view of the entire process, (Ketchen, 2004).

Hamel and Prahalad (1994) argue that any company that is a by-stander on the road to the future will watch its structures, values and skills become progressively less attuned to the industry realities. Such discrepancy between the pace of industry strategy and the pace of Company strategy, gives rise to the need of organizational transformation. As James (2006) put it; strategy in organizations comes about as a response to the shocks of rapidly evolving markets and technology. According to Kotter (2007) transformations often begin and begin well when an organization has a new head who is a good leader and who sees the need for a major strategy.

Kotter (1999) argues that winning in business today requires innovation; Companies that innovate reap all the advantages of a first mover. They acquire deep knowledge of new markets and develop strong relations with them. Innovators also built reputation of being able to solve most challenging problems. Hamel and Prahalad (1994) state that, to create a new business, a Company has to regenerate its core strategy including, its market, distribution channels, customers and competitors. If managers don't have reasonably clear and detailed answers to tomorrow's questions, or if the answers are not significantly different from today's answers, then there is little chance that their companies will remain market leaders. The market the company dominates today is likely to strategy substantially in future. There is no such a thing as sustaining market leadership.

### **2.3.1 Strategy Formulation**

Strategic formulation includes the setting of the mission, goals and objectives for the organization, the analysis of the external environment as it affects the organization, together with its internal resources and the choice of strategic alternatives. Strategy formulation is the development of long-range plans for the effective management of environmental opportunities and threats, taking into consideration corporate strengths and weaknesses Johnson and Scholes (2002). It includes defining the corporate Vision, mission, specifying achievable objectives, developing strategies and setting policy guidelines Mintzberg (1991). Vision is a short, succinct and inspiring statement of what the organization intends to become and to achieve at some point in the future. It's often stated in competitive terms Rosen (1995).

An organization's mission is its purpose, or the reason for its existence. It states what it is providing to society Johnson and Scholes, (2002). A well-conceived mission statement defines the fundamental, unique purpose that sets a company apart from other firms of its types and identifies the scope of the company's operation in terms of products offered and markets served Thomson (1999). Objectives are the end results of planned activity; they state what is to be accomplished by when and should be quantified if possible Grant, (2005). The achievement of corporate objectives should result in fulfillment of the corporation's mission David (1989). Mintzberg (1999) state that just as every product or business unit must follow a business strategy to improve its competitive position, every corporation must decide its orientation towards growth. Assessment of stakeholder power and the impact of the organization's culture on strategic decision-making are also important areas for analysis. Strategic choice is based on factors such as what is desirable for the organization, what it is feasible for it to achieve with the available resources and competences and what is the desirability of potential strategies.

### **2.3.2 Strategy Implementation**

Strategic implementation is concerned with affecting the chosen strategy for the organization that is, putting the strategy into practice. Strategic implementation always involves a degree of change and the effective management of change can significantly affect the successful implementation of the desired strategy Alexander (1985). Thus strategy formulation and strategy implementation are the two sides of same coin. Depending on how the corporation is organized those who implements strategy will probably be a much more divorced group of people than those who formulate it. Most of the people in the organization who are crucial to successful strategy implementation probably had little to do with the development of corporate and even business strategy. Therefore they might be entirely ignorant of vast amount of data and work into formulation process. This is one reason why involving middle managers in the formulation as well as in the implementation of strategy tends to result in better organizational performance Johnson and Scholes (2002).

The managers of divisions and functional areas worked with their fellow managers to develop programs, budgets and procedures for implementation of strategy Johnson and Scholes (2002). They also work to achieve synergy among the divisions and functional areas in order to establish and maintain a company's distinctive competence. An ideal strategy might found to be completely impractical only after specific implementation programs are coasted in detail. These are system of sequential steps or techniques that describe in detail how a particular task or job is to be done. Synergy achievement: One of the goals to be achieved in strategy implementation is synergy between functions and business units, which is why corporations commonly reorganize after an acquisition King (2002).

The acquisition or development of additional product lines is often justified on the basis of achieving some advantages of scale in one or more of company's functional areas. Implementation also involves leading, motivating people to use their abilities and skills most effectively and efficiently to achieve organizational objectives Slack (2002). Leading may take the form of management leadership communicated norms of behavior from the corporate culture or agreement among workers in autonomous work groups.

Because an organization's culture can exert a powerful influence on the behavior of all employees, it can strongly affect a company's ability to shift its strategic direction Cagliano (2001). An optimal culture is one that best supports the mission and strategy of the company of which it is a part. This means that, like structure and staffing, corporate culture should follow strategy. A key job of management is therefore to evaluate; what a particular strategy change will mean to the corporate culture, whether a change in culture will be needed and whether an attempt to change the culture will be worth the likely costs Pearce and Robinson (2000).

Communication may be used to manage Culture. Communication is crucial to effectively managing change Pfeiffer, (1998). Companies in which major cultural changes have successfully taken place had the following characteristics in common; the Chief executive officer and other top managers had a strategic vision of what the company could become and communicated this vision to employees at all levels and the vision was translated into the key elements necessary to accomplish that vision. Deculturation involves the disintegration of one company's culture resulting from unwanted and extreme pressure from the other to impose its culture and practices Pearce and Robinson (2000).

### **2.3.3 Strategy evaluation and Control**

Strategic evaluation is perhaps the less-researched part of the strategy process but it is vital in assessing the level of success of the chosen strategy. The process of Strategy Evaluation consists of following steps Rosen (1995): Fixing benchmark of performance: While fixing the benchmark, strategists encounter questions such as; what benchmarks to set, how to set them and how to express them. In order to determine the benchmark performance to be set, it is essential to discover the special requirements for performing the main task.

The performance indicator that best identify and express the special requirements might then be determined to be used for evaluation. The organization can use both quantitative and qualitative criteria for comprehensive assessment of performance. Quantitative criteria include determination of net profit, ROI, earning per share, cost of production, rate of employee turnover etc. Among the Qualitative factors are subjective evaluation of factors such as skills and competencies, risk taking potential and flexibility, King (2002). While measurement of performance one has to put in mind that the standard performance is a benchmark with which the actual performance is to be compared.

The reporting and communication system help in measuring the performance. If appropriate means are available for measuring the performance and if the standards are set in the right manner, strategy evaluation becomes easier. But various factors such as manager's contribution are difficult to measure. Similarly divisional performance is sometimes difficult to measure as compared to individual performance. Thus, variable objectives must be created against which measurement of performance can be done, (Hill, 2001).

Measuring the performance of an organization, financial statements like balance sheet, profit and loss account must be prepared on an annual basis. While measuring the actual

performance and comparing it with standard performance there may be variances which must be analyzed. The strategists must mention the degree of tolerance limits between which the variance between actual and standard performance may be accepted. The positive deviation indicates a better performance but it is quite unusual exceeding the target always. The negative deviation is an issue of concern because it indicates a shortfall in performance. Thus in this case the strategists must discover the causes of deviation and must take corrective action to overcome it,(Grant,2005).

Once the deviation in performance is identified, it is essential to plan for a corrective action. If the performance is consistently less than the desired performance, the strategists must carry a detailed analysis of the factors responsible for such performance. Another rare and drastic corrective action is reformulating the strategy which requires going back to the process of strategic management, reframing of plans according to new resource allocation trend and consequent means going to the beginning point of strategic management process, (Jackson,2005).



## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter outlines the methods that were adopted by the study in establishing the strategic management process used by MP.Shah hospital to enhance performance. The chapter also describes and explains the research instruments that were used in the study, the research design, the type and source of data that were used, it also describes how the data was collected and analyzed.

#### **3.2 Research Design**

This study was a case study since the main purpose of the study was to establish the strategic management process used by the MP.Shah hospital to enhance performance for competitive advantage in Kenyan health sector. The study method gives in-depth information on strategic management process for competitive performance.

In this study, the researcher narrowed down to strategic management process adopted in M.P. Shah Hospital but comprehensively enough to give representative information in the same environment. This research was free from any material bias and enabled the researcher to study intensively a particular unit.

#### **3.3 The Data Collection**

The study relied mostly on primary data sources. Primary data was collected using interview guides, where the researcher booked an appointment with each manager upon where interviews on strategic management process was conducted using an interview guide.

To ensure that the interviewees were well prepared for the interview, the researcher sent interviewees a copy of interview guide as per the appendix attached. An interview guide is a research instrument consisting of a series of questions to be asked during an interview for the purpose of gathering information from the interviewees, (Mugenda and Mugenda,2003).The population of the study was the MP.Shah hospital (Nairobi). The study targeted 6 managers from different departments. The respondents (managers) were targeted since they were able to provide reliable information that the study targeted while the area was selected due to its accessibility.

### **3.4 Data Analysis**

Research questions were analyzed using descriptive statistics, data was first edited to identify the items wrongly responded to and spelling mistakes in the responses. Information was then categorized into topics. The data collected from the respondents were qualitative in nature. The data was analyzed using descriptive statistics which enabled the researcher to reduce a large mass of data to simpler, more understandable terms hence making it easier to understand the data that was used (Gay, 1996).

The researcher used content analysis to analyze the data through describing phenomena, classifying it and seeing how the concepts interconnected as indicated by the respondents. This approach of analysis was preferred because it gave results that were predictable, directed, or comprehensive. Content analysis also enabled the researcher to shift through large volumes of data with relative ease in a systematic fashion.

## **CHAPTER FOUR**

### **DATA ANALYSIS, RESULTS AND DISCUSSIONS**

#### **4.1 Introduction**

This chapter presents the findings of the study established from the questionnaires in determining the extent at which strategic management process has been used by M.P Shah Hospital and the use of strategic management process has influenced the performance of M.P. Shah Hospital. The chapter also explains the findings in comparison with relevant literature as established by other authors in the same field of study. Content analysis was used in this study due to the research instrument used which was an interview guide.

#### **4.2 The Respondent Profiles**

The respondents comprised the top management of MP Shah Hospital Nairobi. In total the researcher interviewed six respondents that had been intended to be interviewed as in the research design. This included six managers from the following hospital departments: Intensive Care Unit, Medical Records department, Pediatric Care Unit, Pharmacy Unit, Emergency Unit and Physical Therapy Unit managers charged with formulation, implementation and evaluation of the organizations strategy.

All the six respondents had attained university degrees with three of them having in addition taken and completed master's in Business Administration degree. In terms of working experience, all the six respondents had worked in the organization for over five years with all of them having risen through the organization ranks. Two of the respondents had been working with private sector prior to joining MP Shah Hospital Nairobi and the main aim of

recruiting them was to revolutionize the operations of the hospital. To this extent, the respondents were found to be knowledgeable on the subject matter of research and thus helpful to realization of research objective.

In addition the views of both genders were represented in the respondents' interviews because two of respondents were female. From these, the data obtained was felt not to have gender bias. Further all the respondents indicated their satisfaction with current duties and were keen in highlighting various opportunities available within their organization. These included career development, unique interaction among staff, solving customer complaints and new challenges that came with their current jobs. All these the respondents said helped them in personal development and enabled them to create a motivated workforce.

### **4.3 Strategic Management Process**

The study sought to determine the strategic management process that is employed at the M.P. Shah Hospital. The study determined that the strategic management process employees' formulation, implementation, evaluation and control of strategies to realize the organization's strategic intent. Strategic formulation involves four important steps: the determination of mission and objectives of organization; analysis of strengths and weakness of the firm; environmental opportunities and threats and generation of alternatives strategies and choosing the most appropriate strategies. Strategic implementation involves operationalizing the strategy required in transcending the various components of strategy to different levels, mobilization and allocation of resource, structuring authority, responsibility, task and information followed and establishing policies. Implementation of strategy involves a number of administrative and operational decisions. Evaluation and control is the last phase of the

strategic management process. Its objective is to examine whether the strategy as implemented is meeting its objectives and if not take the corrective measures. Continuous monitoring of the environment and implementation of the strategy is essential. The findings are in line with Ian (2006) as he pointed out that strategy today is occurring at a rate that is difficult to sustain. Globalization of markets, fluctuations in world economy, diversification in services, mergers, acquisitions and industry deregulations are but a few of the challenges faced by companies today.

#### **4.3.1 Vision and Mission of Company**

The study sought to determine whether the managers have a clear vision of the purpose and direction of the company. A vision statement, on the other hand, describes how the future will look if the organization achieves its mission. A mission statement gives the overall purpose of an organization, while a vision statement describes a picture of the "preferred future." A mission statement explains what the organization does, for whom and the benefit.

From the findings, the study established the vision and mission statement of the M.P. Shah Hospital. The vision statement of M.P. Shah Hospital states to be a one stop healthcare provider in East & Central Africa. The mission statement of M.P. Shah Hospital states that they are committed to provide quality healthcare at affordable rates with unparalleled passion & excellence. The managers at M.P. Shah Hospital share a clear vision and mission with the hospital vision and mission statement. The core values of the managers are also anchored on the values of the hospital in providing the best hospital care and treatment. The core values of M.P. Shah Hospital involve: respect for patients, staff & society at large; teamwork; communication and interaction at all levels; trust; quality services with honesty and integrity; competence; professional services in all spheres of healthcare and compassion; medical services with love and care.

Strategic management is the art and science of formulating, implementing and evaluating cross-functional decisions that enables an organization to achieve its objectives. In short, strategy is a means to achieve the objectives; it therefore determines the mission while objectives are the first step in the strategic formation. The mission defines the broad social purpose and scope of the organization whereas objectives more specifically define the direction to achieve the mission. Objectives help translate the organization mission into results while objectives may be generic in their expression, goals sets specific targets to be achieved within a time frame.

#### **4.3.2 Organization's Performance over past 3 years**

The study sought to determine the organization's performance of M.P. Shah Hospital over the past three years in the field of marketing, growth in sales, profitability and market share. The organisation's performance of M.P. Shah Hospital has increased over the past three years with an indicator growth in marketing, growth in sales, profitability and market share. Managing strategy is an ongoing process. Competitors introduce new products, technological innovations make production processes obsolete, and social trends reduce demand for some products or services while boosting demand for others.

The respondents reported that the major changes from external environment that impacted on MP Shah Hospital Nairobi included changes in technology, social, political and economic factors. Other factors included having to deal with stiff competition from ever increasing private clinics and other major players who included Nairobi Hospital, Aga Khan University Hospital Nairobi and Karen Hospital Nairobi that has taken the competition to another level.

The increasing competition from other players in the industry sighted as a major challenge to MP Shah Hospital Nairobi. The respondents pointed out that unlike five years ago; the industry is highly competitive with many different options for patients seeking health care. The respondents said that private clinics are coming up every day some of them offering very unique services to their patients, personalized treatment that privacy which most patients consider important as they tirelessly search for best service for their monetary value. The political and legal environment in Kenya according to the respondents is also changing. The respondents pointed out that government policies and regulations are constantly changing. Some of these affect the hospital negatively e.g. the pharmacy and Poison Board showed that qualified pharmacists are now allowed to dispense drug to patients. The respondents said that this has drastically reduced their income especially in pharmacy department.

The Kenyan economic situation has remained uncertain and constantly changing to unpredictable dimension. The respondents felt that Kenya has not been doing very well economically and thus has reflected in MP Shah Hospital Nairobi operations. The respondents said the fluctuating exchange rates have resulted to financial losses to the hospital mainly when dealing with imports necessities for the hospital. In addition the respondents said the purchasing power of their customers depended upon the economic factors like current income, circulation of money debt and credit availability and with inflation and the uncertain and unpredictable economic situations in the country which the hospital did not have control over hence decline in hospital profit margins.

Effectiveness of strategic planning is associated with achieving formulated objectives, producing better results, or improving the organizational performance as the result of the use of strategic planning process in the companies. According to Barney (2002) there are

numerous definitions of organizational performance but relatively little agreement about which definitions are “best”, let alone agreement about criteria against which definitions of performance should be judged. There are four major approaches to measuring performance: survival as a measure of firm performance, stakeholder approaches to performance measurement, simple accounting measures of performance, and adjusted accounting measures of performance. Drucker (1986) indicate that five basic measures of performance are necessary and sufficient for the manager: market standing, innovative performance, productivity, liquidity and cash flow, and profitability.

#### **4.3.3 Assets/Resources and Capabilities reduce costs to a competitive level**

The study sought to find out from the interviewees the manner in which the firm combines assets/resources and capabilities to enable it reduce the costs to a highly competitive level. The interviewees were required to explain this statement to the best of their understanding. Strategy is concerned with matching a firm’s resources and capabilities to the opportunities that arise in the external environment. The value and rareness of the resource capability combinations a firm exploits play no role in determining its performance. Indeed, in order to deliver a product or service with unique features and/or at lower cost than competitors, a firm must exploit valuable resource-capability combinations in ways that its competitors do not.

At the same time, however, no matter how valuable and rare these combinations are, they will not directly predict a firm’s performance.. Thus, while a firm may find itself unable to improve its performance in the absence of valuable, rare resource-capability combinations, it is the competitive advantages that derive from their exploitation that will ultimately determine the firm’s level of performance.



During the 1990s, ideas concerning the role of resources and capabilities as the principal basis for firm strategy and the primary source of profitability coalesced into what has become known as the resource-based view of the firm. To understand why the resource-based view has had a major impact on strategy management process, it points back to strategy formulation: typically some statement of the firm's identity and purpose. The findings according to Christmann (2004), noted that in a world where customer preferences are volatile and the identity of customers and the technologies for serving them are changing, a market-focused strategy may not provide the stability and constancy of direction needed to guide strategy over the long term.

According to Barney, 'firms are able to improve their performance only when their resource-based strategies exploit opportunities or neutralize threats' (Barney, 1991). In other words, the best performing firms will not necessarily be those that simply exploit the most valuable and rare resource-capability combinations, but rather those firms that exploit their combinations most effectively. Thus, in order to improve performance, firms (or more specifically, firm actors) must first identify and implement resource-based strategies that actually result in the creation of economic value.

#### **4.3.4 Decisions and Competitive Moves**

The study sought to determine some of the business decisions and competitive moves that the organization had pursued in the recent past to optimize successful performance. The M.P. Shah Hospital has made competitive moves to gain a competitive advantage over other successful organizations. According to Barone and DeCarlo (2003), a competitive advantage is an advantage gained over competitors by offering customers greater value, either through lower prices or by providing additional benefits and service that justify similar, or possibly

higher, prices. For growers and producers involved in niche marketing, finding and nurturing a competitive advantage can mean increased profit and a venture that is sustainable and successful over the long term.

When a company does an effective job of configuring these elements through organization design, it becomes an extremely powerful management tool that can help create a strategic competitive advantage. Aligning organization design with business strategy can yield efficiencies and boost company performance. Eisenhardt and Brown (1998) findings established the right structure can improve an organization's ability to meet customer needs and create shareholder value.

Specifically, effective organization design can help a company facilitate business strategy; companies that align their organization design with their business strategy are positioned to do a much better job of improving their performance and achieving their goals. This goes beyond "form following function." An effective organization design not only provides a vehicle for delivering on strategy, but also creates a new working environment, opening up new opportunities, and creating new strategic possibilities. Effective Organization design also helps a company increase value, whilst poor design can destroy value. Some of the "soft benefits" of effective design include improved reputation, branding, quality, and customer and employee satisfaction. Some of the harder benefits include speedier decision making, improved organizational metrics, increased employee productivity, and profitability

When companies seek to improve performance by cutting costs, improving efficiency, and targeting more lucrative customers, they often fail to analyze the way they are organized. Effective organization design helps a company be more nimble and adaptable, so it can respond to a rapidly changing marketplace.

Organization design can help companies redesign jobs and build new career paths, creating an environment where employees can thrive and innovate. Having a workforce that is more motivated and creative should not only help a company compete for talent, but should also help it create more value as it competes in the global marketplace. Organization design can also be a catalyst to business transformation by reinforcing a change in strategic priorities or goals through a structural realignment. It should grab the attention of employees and investors alike.

#### **4.3.5 Consistency of Strategic Management Process**

The study sought to determine the extent to which strategic management process is consistent with the strategic goals, objectives and business initiatives. The study found out that strategic management entails both strategic planning and implementation, and is the process of identifying and executing the organization's strategic plan, by matching the company's capabilities with the demands of its environment. According to Arit and James (2001) findings, strategic planning comprises the first 5 of 7 strategic management tasks: defining the business and developing a mission; evaluating the firm's internal and external strengths, weaknesses, opportunities, and threats; formulating a new business statement; translating the mission into strategic goals, and formulating strategies or courses of action. In its simplest sense, however, strategic planning is remarkably simple. Decide what the business is, and which one the organization wants to be in, formulate a strategy for getting there, and execute the plan.

#### **4.3.6 Strategic Management Process and a Team Approach**

The study sought to determine how relevant strategic plan is the output that comes through the strategic management process and discipline that involves a team approach encompassing

all functional areas within affirm is to their organization. The interviewees indicated that the strategic management process and discipline at the M.P. Shah Hospital involves a team approach that encompasses all functional areas within the organization.

Organization's strategy gives an idea about what the organization wants to achieve and the process how they want to achieve it. It basically includes the purpose of the entire organization, its goals and objectives as well as the plans and methods that they are considering so that they can achieve this. A strategy also involves the determination of the entire basic long term goals as well as objectives of the organization.

A business strategy is a report that shows the plans of the entire business. It is a plan that is often used so that they can attract financing from big investors as well as creditors. This is a plan designed to give information regarding a new venture so that they can convince financial backers to invest in the said business. It describes the market opportunities that the business intends to develop, the process on how they are going to do it and the resources that are required to make it possible.

According to Mintzberg (1988), managing people effectively in extension programmes is a skill that requires constant planning and development. An extension programme manager can be defined as the person who is vested with formal authority over an organization or one of its sub units. He or she has status that leads to various interpersonal relations, and from this comes access to information. Information, in turn, enables the manager to devise strategies, make decisions, and implement action.

The findings are also in line with Waldron (1994), in discussing what strategic management process is concerned with the optimum attainment of organizational goals and objectives with and through other people. Extension management organizations are characterized by many strategies, wide spans of control, democracy, and autonomy. Their management practices

cannot be reduced to one standard set of operating guidelines that will work for all organizations continually. However, all managers of professional organizations face the same challenge: to manage one's time, objectives, and resources in order to accomplish tasks and implement ideas.

#### **4.3.7 Review of Strategic Vision**

The study sought to determine whether the company reviews the strategic vision of the organisation. The interviewees indicated that the company reviews its strategic vision after five years when making corporate strategic plans. The time horizon of the corporate strategic plan depends upon how much information is available in the environment; how quickly the environment changes and how well they gather and understand information about the future of the environment. Strategic planning is about having a clear direction to steer towards but also being able to respond to changes as necessary. Goals and responsibilities change with time and the acceptance of new development and management changes leads to a review of strategic vision. In order to have clear goals in the organisation, it needs to have information about the challenges, opportunities and future trends, inside and outside. So whether the organisation is just starting up or is already established, the first step in the planning process is to assess the external and internal position of an organisation.

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

The study findings are in line with Chambers (2003) in defining vision statement as sometimes called a picture of the company in the future but it's so much more than that. The vision statement is the inspiration, the framework for all strategic planning. A vision statement may apply to an entire company or to a single division of that company. Whether for all or part of an organization, the vision statement answers the question, "Where do we want to go?" What you are doing when creating a vision statement is articulating the dreams and hopes for the business. Chambers adds that by constantly reviewing the strategic vision of the organisation, it reminds the employees of what they are building. While a vision statement doesn't tell how the organisation is going to get there, it does set the direction for the business planning. That's why it's important when crafting a vision statement to let imagination go and dare to dream and why it's important that a vision statement captures passion. Unlike the mission statement, a vision statement is for the organisation and the other members of the company, not for the customers or clients. When writing a vision statement, the mission statement and the core competencies can be a valuable starting point for articulating values. He warns to be sure when creating one not to fall into the trap of only thinking ahead a year or two. Once the organisations have one, the vision statement will have a huge influence on decision making and the way they allocate resources.

#### **4.4 Achievements in the Organisation**

The study sought to determine the extent to which the following have been achieved in the organisation. There are five interrelated tasks associated with the strategic management process. The strategic plan is the document that incorporates all the elements developed through the strategic management process.

Defining what business the company is in today and where it is going. This is done through the formulation of a strategic vision; where the organization is headed, coupled with what the

organization's purpose or mission is today; merging the company's strategic vision and mission into measurable objectives and performance targets; crafting strategies to achieve performance goals and objectives; effectively implementing and executing all elements of the strategic plan; evaluating on-going strategic plan performance in conjunction with new business, market and strategic developments. Initiate appropriate adjustments and corrective actions for both short and long-term goals, objectives and strategies as a function of actual experience, dynamic environmental conditions, current thinking, new ideas, perceived risks, and potential opportunities.

#### **4.4.1 Merging Organisation's Vision into Objectives**

The study sought to determine the extent to which merging the organisation's vision into measurable objectives and performance targets. The interviewees indicated that strategy is the direction and scope of an organization over long term, which achieves advantage in changing environment. The interviewees further added that strategy development and execution is grounded in the broad range of business decisions and competitive moves management pursues in order to optimize successful performance consistent with its strategic plan's goals, objectives and business initiatives. A strategic plan is the output that comes through the strategic management process and discipline that involves a team approach encompassing all functional areas within a business. Strategic planning is the foundation activity within the strategic management process that helps produce the organization's strategic plan. The strategic plan reflects a company's choice of actions among numerous alternative courses of action. The strategic plan supports and directs management's attention toward implementing a unified and measured approach to the completion of its intended business, market and strategic results.

The findings are in line with Johnson, Scholes and Whittington (2006), that achieving an advantage in changing environment is done through its configuration of resources and competencies with aim of fulfilling stakeholders' expectations. According to Pearce and Robinson (2002), strategic response is a set of decisions and actions resulting in the formulation and implementation of plans designed to achieve a firm's objective. It requires organization to establish a coherent framework of objectives, mission statement, corporate levels for all parts of organization and all management levels: If goal congruence and optimal decisions are to be achieved.

#### **4.4.2 Crafting Strategies to Achieve Performance**

In the process of trying to craft strategies to achieve performance goals and objectives, the interviewees indicated that the creation of new strategies helps to achieve performance, goals and objectives. The management of MP Shah Hospital has taken a keen interest on its change management; this is aimed at ensuring that strategic responses are well received by all the parties involved in the organization. In MP Shah Hospital, there exist a change management programs that assist executives to drive organizational change, empower managers to lead through change, and enable employees to navigate and respond to change appropriately.

The respondents emphasized that MP Shah Hospital always aims at addressing the challenges of the environment in order to meet the ever changing demands and needs of its customers, this they said is their strength. They therefore strive to ensure that they have the resources and the competencies required to put up the most appropriate strategies that its competitors find difficult to imitate or obtain which hence becomes their core competency.



The study findings are in line with Sababu (2007); crafting and implementing strategy should be core to every business and include all functional areas within the business. How well a strategic plan is executed has a direct influence on how successful a company will be in achieving its maximum potential. Execution of a powerful strategic plan through the strategic management process is both a proven recipe for business success and a reflection of excellent management.

#### **4.4.3 Effective Implementation and Execution**

The management of M.P. Shah Hospital has put in place strategic management processes and standard performance at specified times that have effective ways of implementing and executing all elements of strategic plans. Effective implementation and execution of strategic plans are related to the development and implementations such as strategy: how does one assess and respond to both internal and external stakeholders' needs? How does one translate the corporate goal and strategy into targets and goals at the operational level, i.e., converting a subjective vision into objective goals? How does one integrate the results and outcomes from the operational level to develop effective implementation and execution; organizational issues: how to align the MPM system with the corporate strategy? Why there is a need to develop a reliable and meaningful MPM system? What should be measured, why it should be measured, how it should be measured, when it should be measured and what should be reported; when, how and to whom? How to establish accountability at various levels? How to improve communication within and outside the organization on issues related to information and decision making?

The findings are in line with Parida (2007), that the execution of the maintenance tasks is undertaken at specified times and locations as per the maintenance plan. A maintenance task could be repair, replacement, adjustment, lubrication, modification or inspection. The

management needs to understand the importance of maintenance and match the plan to the vision, goal and objectives of the organization.

#### **4.5 Critical Components of Strategic Management Process**

A strategy is a course of action. A strategic plan is the company's plan for how it will match its internal strengths and weaknesses with external opportunities and threats in order to maintain a competitive advantage. Strategic planning is part of the strategic management process. Strategic management entails both strategic planning and implementation, and is "the process of identifying and executing the organization's strategic plan, by matching the company's capabilities with the demands of its environment. Strategic planning comprises of defining the core business of the firm. M.P. Shah Hospital has endured success throughout the years because of the core values and purpose that remain fixed while their business strategies and practices endlessly adapt to a changing world.

##### **4.5.1 Establishing Strategic Objectives and Performance Targets**

The interviewees indicated that the executive team debated whether to essentially create two separate organizations to manage the different strategic objectives and the ensuing differences in operating dynamics. The separate structure option being the typical choice in competitive situations for the executive team. The separate structure option would enable the company to take advantage of common, centralized services, such as the administrative aspect of HR, basic accounting, and service provisions.

#### **4.5.2 Formulation of strategy to achieve strategic objectives and results**

It is useful to consider strategy formulation as part of a strategic management process that comprises three phases: diagnosis, formulation, and implementation. Strategic management is an ongoing process to develop and revise future-oriented strategies that allow an organization to achieve its objectives, considering its capabilities, constraints, and the environment in which it operates. Strategy formulation at M.P. Shah Hospital is set to achieve strategic objectives and targeted results. In M.P. Shah Hospital the practice of strategic management strategies has been implemented to achieve the intended results. There are three strategy formulation employed at M.P. Shah Hospital involves:

**Corporate Level Strategy:** In this aspect of strategy, the broad decisions about total organization's scope and direction are made. They consider the changes that should be made in growth objectives and strategy for achieving it, the line of business and how the lines of business fit together. This strategy has the growth or directional strategy i.e. what should be the growth objective, ranging from retrenchment through stability to varying degrees of growth and how do they accomplish this; portfolio strategy what should be the portfolio of lines of business, which implicitly requires reconsidering how much concentration or diversification they should have and the parenting strategy how they allocate resources and manage capabilities and activities across the portfolio where do we put special emphasis, and how much do they integrate various lines of business.

**Competitive Strategy (also known as Business Level Strategy)** involving decisions on how the company competes within each line of business. Lastly; the functional Strategy which deals with how each functional area and unit will carries out its functional activities to be effective and maximize resource productivity.

### **4.5.3 Implementing and executing the chosen strategic plan**

Strategy execution requires action and actions require resources. Therefore as things rarely work out as planned, there needs to be some check as to what has happened and what needs to change in order to stay on track. The interviewees at M.P. Shah Hospital indicated that inside the organization, the foundation of these actions is within the management processes that plan and monitor corporate performance. Traditionally these have been calendar based annual planning, quarterly forecasting and monthly reporting, but in today's fast-changing, turbulent business environment these are no longer good enough. To improve execution, these processes must be focused on strategy and treated as a single, continuous process that is triggered by events and exceptions rather than an arbitrary date on a calendar. As time goes on and goals are achieved, or conditions and situations change, it's important to reevaluate and establish new goals and objectives. Failure to periodically set new or more challenging goals can lead to stagnation in the business and boredom among employees.

M.P. Shah has a strategy that is carefully worked out to address the implementation and executing chosen strategic plan. The challenge comes in the ability to execute. The findings are in line with Victor (2008) that for several years in a row, CEO's of large organizations consider "Excellence in execution" and "Consistent execution of strategy by top management" to be the top two critical challenges they face. Execution is the responsibility of the CEO and if the issues they face are to be overcome then there must be a new approach to the way strategy is communicated, resourced, monitored and the way in which management decisions that affect its implementation are taken.

#### **4.5.4 Evaluating Strategic Performance**

The interviewers pointed out that performance evaluation is the most powerful management tool at M.P. Shah Hospital for strategic development. The difficulty of measuring strategic performance in hospital cases arises from the fact that each service provided is quite distinct, and the primary goal sought is not profit. It is mainly providing the best possible service to the community and the public at large. Additionally, many stakeholders are involved; each category has different interests and goals that are in conflict. The individual stakeholders' expectations may be different as well. Furthermore, the services provided result in both tangible and intangible outcomes, which may be hard to measure.

The findings according to (Eccles, 1991; Saad et al., 1994; Horngen et al., 1997), there are rapid changes in business environments, measures used to evaluate strategic business performance have not kept pace with these changes. The prevailing financial indicators of business performance focus on past achievements. Yet in highly dynamic decision environments, the past performance of a business firm may not be indicative of, nor is a guarantee for, its future success. Furthermore, financial measures are insufficient and may be misleading in service environments. New measures that address the impact of current strategies and actions on future business performance and on sustainability of business growth are required. Measures that reflect both effectiveness in managing change and the intangible factors involved are needed.

## CHAPTER FIVE

# SUMMARY, CONCLUSION AND RECOMMENDATIONS

### 5.1 Introduction

The study inquired on the strategic management process and performance of M.P. Shah Hospital. The interviewees cited that it involved the extent at which strategic management process has been used by M.P. Shah Hospital and how the strategic management process has influenced the performance of M.P. Shah Hospital. Particularly, strategic management practices includes: strategy formulation; implementation and evaluation and control.

### 5.2 Summary

The objectives of the study were to determine the extent at which strategic management process has been used and how the use of strategic management process has influenced the performance of M.P. Shah Hospital. From the findings of the study, it is evident that in M.P. Shah the managers at M.P. Shah Hospital share a clear vision and mission with the hospital vision and mission statement. The core values of the managers are also anchored on the values of the hospital in providing the best hospital care and treatment. The core values of M.P. Shah Hospital involve: respect: for patients, staff & society at large; teamwork: communication & interaction at all levels; trust: quality services with honesty & integrity; competence: professional services in all spheres of healthcare and compassion: medical services with love & care.

Upon development of the strategy MP Shah Hospital Nairobi, the major changes from external environment that impacted on MP Shah Hospital Nairobi included changes in

technology, social, political and economic factors. Other factors included having to deal with stiff competition from ever increasing private clinics and other major players who included Nairobi Hospital, Aga Khan University Hospital Nairobi and Karen Hospital Nairobi that has taken the competition to another level.

The study also revealed that Strategy is concerned with matching a firm's resources and capabilities to the opportunities that arise in the external environment. The value and rareness of the resource capability combinations a firm exploits play no major role in determining its performance. Indeed, in order to deliver a product or service with unique features and/or at lower cost than competitors, a firm must exploit valuable resource-capability combinations in ways that its competitors do not. To respond to the decisions and competitive moves that the organization had pursued in the recent past to optimize successful performance. A competitive advantage is an advantage gained over competitors by offering customers greater value, either through lower prices or by providing additional benefits and service that justify similar, or possibly higher, prices.

The study also revealed that strategic management entails both strategic planning and implementation. The strategic plan should provide a direction for the firm that makes sense, in terms of the external opportunities and threats the firm faces and the internal strengths and weaknesses it possesses. To facilitate this strategic external/internal audit, many managers use SWOT analysis. The study findings established that relevant strategic plan is the output that comes through the strategic management process and discipline that involves a team approach encompassing all functional areas within affirm is to their organization. The strategic management process and discipline at the M.P. Shah Hospital involves a team approach that encompasses all functional areas within the organization.

The findings established that strategy development and execution is grounded in the broad range of business decisions and competitive moves management pursues in order to optimize successful performance consistent with its strategic plan's goals, objectives and business initiatives. A strategic plan is the output that comes through the strategic management process and discipline that involves a team approach encompassing all functional areas within a business. Effective implementation and execution of strategic plans are related to the development and implementations.

The findings established that strategic management entails both strategic planning and implementation, and is the process of identifying and executing the organization's strategic plan, by matching the company's capabilities with the demands of its environment. Strategic planning comprises of defining the core business of the firm. M.P. Shah Hospital has endured success throughout the years because of the core values and purpose that remain fixed while their business strategies and practices endlessly adapt to a changing world.

### **5.3 Conclusion**

The objective of this study was to determine the extent at which strategic management process has been used and how the use of strategic management process has influenced the performance of M.P. Shah Hospital. From the results of the study, it is evident that strategic management process has been used and it involved three processes formulation, implementation, evaluation and control of strategies to realize the organization's strategic intent. From the results of the study it is clear that MP Shah is an open system that interacts with its environment. It is dependent on the external environment for its inputs and outputs.



The external environment poses both opportunities and threats forcing the management to come up with strategic responses aimed at responding to those external factors.

From the findings, it is apparent that MP Shah Hospital has been responding to the challenges posed by changing environment by undertaking various measures in order to remain competitive in the market: for instance by paying great attention to the needs of the customer, restructuring, introducing new products in the market and constantly updating with technological developments. It also validates the fact that environmental change is inevitable and organizations which will not effectively cope with this change will experience limited survival. The study concludes that strategic performance process should be judged by the organization's performance.

#### **5.4 Recommendations**

This study implies that the health industry is operating in an ever changing and increasingly competitive business environment and hence apart from the strategies MP Shah Hospital Nairobi has employed, the players in the industry should also consider strategic management process as an indicator on performance of their organization.

Crafting and implementing strategy should be core to any organization and include all functional areas within the business. How well a strategic plan is executed has a direct influence on how successful a company will be in achieving its maximum potential.

Strategy management process should include a clear set of long-term goals of the organization. It should define the scope the firm. It should have a clear statement of what competitive advantage it will achieve and sustain. It should also represent the firm's internal

context that will allow it to achieve a competitive advantage in the environment in which it has chosen to compete.

### **5.5 Limitation of the study**

The researcher met with various challenges when conducting the research that included the fact that some information were not provided for confidentiality purposes. Some of the interviewees would not find the subject to be of interest and some respondents would not want to give the information as they considered it of competitive importance. The respondents being very busy people couldn't find adequate time to be interviewed. Time limitation made it impractical to include more respondents and more players in the industry in this study.

### **5.6 Suggestions for Further Research**

Influence of strategic management process and performance is widely embraced in organizations both in the private and public sector. In Kenya, it has gained acceptance mainly in the private organizations, however government organizations are also incorporating it as a key management strategy. Given that this study only covered influence of strategic management process and its performance at M.P. Shah Hospital, studies need to be done on area of operations on such influence and strategy management process for all organization. There is therefore room for a similar study to cover the entire industry's effective strategy implementation in the major towns in Kenya. This is timely, given the today's rapid technology advances and the increased emerging of competition on organizations in the country.

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**TO WHOM IT MAY CONCERN**

The bearer of this letter ... ISACK NABILA IBRAHIM SHEIKH .....

Registration No. .... DG1/125507/2012 .....

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

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

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

Thank you.



PATRICK NYABUTO  
MBA ADMINISTRATOR  
SCHOOL OF BUSINESS

## **Appendix : Interview Guide**

### **SECTION A: GENERAL INFORMATION**

1. Name of the respondent (optional)
2. What is your highest level of education?
3. What is your designation at M.P. Shah Hospital?
4. How long have you worked with M.P.Shah

### **SECTION B: STRATEGIC MANAGEMENT PROCESS**

- 1) As a manager do you have a clear vision of the purpose and direction of your company?
- 2) Compared to other organizations that do the same kind of work, how would you compare the organization's performance over the past 3 years in terms of:(marketing, growth in sales, profitability, market share)
- 3) The manner in which my firm combines Assets/Resources and Capabilities enables it to reduce its costs to a highly competitive level (explain)
- 4) What are some of the business decisions and competitive moves that your organization had pursued in the recent past to optimize successful performance
- 5) To what extent are the strategic management process consistent with (the strategic goals, objectives and business initiatives)

- 6) Strategic plan is the output that comes through the strategic management process and discipline that involves a team approach encompassing all functional areas within affirm (explain how it's relevant to your organization)
- 7) Does your company review its strategic vision (explain)
- 8) If the organization reviews its strategic vision, how often does your organization review its vision
- 9) Explain to what extent the following have been achieved in your organization
  - a. Merging the organization's vision and vision into measurable objectives and performance targets
  - b. Crafting strategies to achieve performance goals and objectives
  - c. Effective implementation and execution of all elements of strategic plans
- 10) The following information relates to the critical components of strategic management process explain the extent and how which each has been implemented in the department you head in your organization
  - a) Defining the core business of the firm.
  - b) Establishing strategic objectives and performance targets
  - c) Formulating a strategy to achieve the strategic objectives and targeted results.

- d) Implementing and executing the chosen strategic plan
- e) Evaluating strategic performance and making corrective adjustments