

**STRATEGIC POSITIONING OF NATIONAL HOSPITAL INSURANCE
FUND AND THE CHALLENGES OF HEALTHCARE
FINANCING IN KENYA**

MBURUGU KIM

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

NOVEMBER 2014

DECLARATION

I declare that this MBA research project is my original work and has never been presented anywhere as a fulfillment of any exam or award of any university degree or academic purposes and any references made has been acknowledged.

Sign.....

Date.....

Mburugu Kim

D61/75428/2009

SUPERVISOR'S DECLARATION

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

Sign.....

Date.....

Dr. Vincent Machuki, PHD,

Lecturer,

Department of Business Administration,

School of Business,

University of Nairobi

DEDICATION

This work is dedicated to my family whose love and encouragement was a significant ingredient towards my successful completion of this course. I thank the Lord Almighty for the gift of life and for granting me opportunity to pursue my dreams in this life.

In sincerity to my Two lovely daughters Sandra Kim & Nyali Kim for their wonderful encouragements of reminding me daily on whether I have done my teacher's assignments or else I will get strokes of cane the following day by teacher. Thank you very much, **YOU ARE THE APPLE OF MY EYE.**

ACKNOWLEDGEMENTS

This research makes the end of my journey towards attaining my second degree. The success would not have been achieved without the sacrifice, support, encouragements and advice from several people. My sincere appreciation goes to my family for the support morally and materially. My lecturers during the coursework and specifically Vincent Machuki for his sage advice, useful comments and engagements aided the writing of this project in innumerable ways.

Appreciation to my classmates and NHIF staff and specifically special thanks goes to M.K -Sadam. If it were not for your invaluable time and resources, I would have found this MBA completion an uphill task but with your support here I am. Thank you so much again and may God bless you. I will always be indebted on you.

To my wife, I have little to say about you. You discouraged me in every step of my studies and nothing as a token of contribution you provided for towards completion of this MBA, but here I am now and happy if not for anybody else but my beautiful daughters.

To my Family, my lovely Mum, MARGARET SILAS, I say Thank you mum and God grant you more. My mother in-law Anastasia karea m'rubai, my Brothers and Sisters Riungu- (Mwalimu) Kaburu-(Kinyunjuri), Mbaya-(kabi), Kabuuri, Gatwiri, Gitobu-(Muntwomuromo), Kinoti- (Kathendu), Mugito, Kang'oria-(Kirobu) and Matioro. Thank you guys, the legacy of our inspirational father Mr Silas M'mburugu M'Tuamwari lives on.

ABBREVIATIONS AND ACRONYMS

CBHI:	Community Based Health Insurance
CBHF:	Community-Based Health Financing
COTU:	Central Organization of Trade Union
FKE:	Federation of Kenya Employers
GoK:	Government of Kenya
ICU:	Intensive Care Unit
KCBHFA:	Kenya Community-Based Health Financing Association
MDGs:	Millennium Development Goals
NGO:	Non-Governmental Organization
NGOs:	Non-Governmental Organizations
NHIF:	National Hospital Insurance Fund
NSHIF:	National Social Health Insurance Fund
OST:	Open System Theory
STP:	Segmentation, Targeting and Positioning
TSC:	Teachers Service Commission

ABSBTRACT

The study sort to establish the challenges and the effects of health care financing in kenya; a case study of National Hospital Insurance Fund. Accordingly, the objectives of the study was to determine whether the achievements of the firm is as a result of positionining strategies adopted and to establish whether they are the best positioning strategies in meeting healthcare financing. The study adopted a case study. Interviews were conducted on the General Manager-Operations, General Manager - Branch Office Coordination and 5 branch managers in Nairobi area. Primary data was used in the study. However, this departmental variation is explained by the understanding that, they are all part of policy formulation in matters affecting the entire implementation and growth network of the firm. The study further established that, a well executed strategic positioning increases clients' enrollment more than when environmental forces are left to play. In view of the above study, the overall finding strongly confirms that, there is a positive relationship between positioning strategies and subsequent growth in meeting the challenges in the healthcare financing. National Hospital Insurance Fund should identify other strategies to promote issuance of sufficient and relevant information to the market for proper interpretation issue.

TABLE OF CONTENTS

DECLARATION.....	ii
DEDICATION.....	iii
ACKNOWLEDGEMENTS.....	iv
ABBREVIATIONS AND ACRONYMS.....	v
ABSTRACT.....	vi
CHAPTER ONE: INTRODUCTION	1
1.1 Background of the Study	1
1.1.1 Concept of Strategic Positioning	2
1.1.2 Challenges of strategic positioning.....	4
1.1.3 HealthCare Financing and Challenges in Kenya	6
1.1.4 National Hospital Insurance Fund	8
1.2 Research Problem	10
1.3 Research Objectives.....	12
1.4 Value of the Study	13
CHAPTER TWO: LITERATURE REVIEW.....	14
2.1 Introduction.....	14
2.2 Theories Underpinning the Study	14
2.3 Strategic Positioning	17

CHAPTER THREE: RESEARCH METHODOLOGY	23
3.1 Introduction.....	23
3.2 Research Design.....	23
3.3 Data Collection	24
3.4 Data Analysis	25
 CHAPTER FOUR: DATA ANALYSIS AND RESULTS.....	26
4.1 Introduction.....	26
4.2 Challenges of NHIF in Healthcare Financing in Kenya.....	26
4.3 Strategic Positioning of NHIF to Mitigate the Challenges of Healthcare Financing.....	28
4.4 Discussion.....	31
 CHAPTER FIVE: SUMMARRY, CONCLUSION AND RECOMMENDATIONS.....	33
5.1 Introduction.....	33
5.2 Summary.....	33
5.3 conclusion.....	35
5.4 Recommendations.....	36
5.5 Limitations of the Study.....	37
5.6 suggestions for further Research.....	38
5.7 Implications of the Study on Policy, Theory and Practice.....	39

REFERENCES:	41
APPENDICES	44
APPENDIX 1: Introduction Letter	44
APPENDIX 2: Interview guide	45

CHAPTER ONE:

INTRODUCTION

1.1 Background of the Study

Organizations are not isolated entities but operate in the context of an internal and external environment. Business environment comprises of various external and internal forces under which the organization operates. This plays a very critical role in any business and successful organizations know the importance of constantly watching the shift and adapting to the changes in the business environment through strategic positioning (Kotler, 2003).

Open system and contingency theories posit that organizations do not exist in vacuum and have external and internal environments which affect the implementation of even the best strategies. As such, there is no best way to organize a corporation, to lead a company, or to make decisions and these are contingent on internal and external situation (Lutans, 2011). Resource based view posits that organizations have set of resources which they leverage on to gain competitive advantage through strategic positioning (Barney, 2002).

In Kenya, just as other developing countries, majority of Kenya do not have healthcare insurance. To meet this gap, National Hospital Insurance Fund (NHIF) has been mandated as the primary provider of health insurance in Kenya to enable all Kenyans to access quality and affordable health services. NHIF has undergone several changes over the years to include more benefits, with an ultimate aim of providing universal healthcare (Muiya and Kamau, 2013). This requires comprehensive strategic positioning of NHIF in meeting healthcare financing challenges.

1.1.1 Concept of Strategic Position

Position is associated with the company's internal span of process, the degree and direction of vertical integration alternatives and its links and relationships with suppliers, distributors and customers. Valliespir and Kleinhans (2001) describe strategic positioning of a company as defining the company's boundary and modifying the scope of its activity in order to expand vertically (integration of new activities) or, conversely, to retire from some activities. Their focus is on vertical integration to decide upon the direction (upstream or downstream) and limits of the extension. Watson et al. (2006) defines a firm's position on what activities it chooses to do and not to do. Their work emphasises on literature review in moving up the value chain. They suggest that repositioning is changing the sphere of activities in the delivery of value to the end customer. They categorise four perspectives on repositioning in the value chain as; moving up the value chain, value chain upgrading, moving down the value chain (nearer the customer), manufacturing services to rival business services.

Positioning strategy entails the act of placing a new market offering in the minds of prospective consumers. It is what is done in the minds of prospective consumers through the various components of the market offering. That is, a particular firm's offering is competitively positioned relative to all other market offerings in the minds of prospective consumers (Keller and Lehmann, 2006). The right product at the right price will not be positioned successfully in the mind of the consumer if it is not also at the right place at the right time. Therefore, the distribution component is that combination of such elements as marketing channel outlets, storage facilities, inventory control procedures and shipping facilities put together by marketing managers to create the desired market offering competitive position in the consumers' minds. The availability of products via Internet technology and direct shipment is also having a major

impact on the issue of successful marketing strategies and commensurate positioning (Kinoti and Njeru, 2013). Johansen and Riis (2005) present the strategic positioning of a company by proposing a framework which comprises three inter-related levels.

The first generic firm level is characterized by three attributes: knowledge and learning, cross-functional relationships and networks. The level two serves the company's role and position in the competition. The last level relates to the designation of different strategic production roles a firm should consider. Strategic positioning is the lens through which all company decisions are assessed. A company's strategic position is simply the view of a company within the environmental context. Strategic position entails positioning an organization or brand in the market place at the firm's best advantage. Strategic position looks at more than just a particular product. It entails fighting for a market position in the mind of the customers. It goes beyond by entrenching the position clearly in the minds of the leaders and staff of the organization which motivates them and guides their decision making. Strategic positioning drives every aspect of an organization from operations to financial decisions.

Strategic positioning is important as it succinctly defines the target, the category in which the company competes, their differentiated benefits, and what the company must do to 'prove' those differentiated benefits to the customer; it, thus, helps a company to consider what they need to do to be successful. Without a clear and strong positioning strategy, lots of time and money are spent in vain; nearly every corporate investment, from production and distribution right down to overhead expenses are wasted. Positioning must, thus, have real, meaningful, differentiated value to the marketplace and in the organization. Creation of and adherence to proper and successful strategic positioning is one of the most difficult aspects of great strategic management practice and is the most important foundational element

1.1.2 Challenges of Strategic Positioning

It's only by grounding strategy in sustained profitability with real economic value be generated. Economic value is created when customers are willing to pay a price for a product or service that exceeds the cost of producing it. When goals are defined in terms of volume or market share leadership, with profits assumed to follow, poor strategies often results to an organization not realizing their objectives. The same is true when strategies are set to respond to wrongly perceived desires of investors.

When a company's strategy must enable it to deliver a value proposition, or set of benefits different from those that competitors offer on a wrong strategic route. Strategy, then, neither becomes a quest for the universally best way of competing nor an effort to be all things to every customer. Therefore it does not defines a way of competing that delivers unique value in a particular set of uses or for a particular set of customers.

When the strategy needs is not reflected in a distinctive value chain. To establish a sustainable competitive advantage, a company must perform different activities than rivals or perform similar activities in different ways. A company must configure the way it conducts manufacturing, logistics, service delivery, marketing, human resource management, and so on differently from rivals and tailored to suit its unique value proposition. If a company focuses on adopting best practices practiced by others in the industry, it will end up performing most activities similarly to competitors, making it hard to gain an advantage.

A company that does not abandon or forgo some product features, services, or activities in order to be unique at others finds it difficulty in any given environment. Such trade-offs, in the product

and in the value chain, are what make a company either distinctive uncompetitive. When improvements in the product or in the value chain do not require trade-offs, they often become the new best practices that are imitated because competitors can do so with no sacrifice to their existing ways of competing. Trying to be all things to all customers almost guarantees an organization lack any advantage.

Strategy without definitions on how all the elements of what a company does fit together is a challenge disaster in waiting. A strategy involves making choices throughout the value chain that are interdependent; all a company's activities must be mutually reinforcing. A company's product design, for example, should reinforce its approach to the manufacturing process, and both should leverage the way it conducts after-sales service. Fit not only increases the competitive advantage but also makes a strategy harder to imitate. Rivals can copy one activity or product feature fairly easily, but will have much more difficulty duplicating a whole system of competing. Without fit, discrete improvements in manufacturing, marketing, and distribution are quickly matched.

A strategy without a continuity of direction makes the strategy positioning a mockery of the entire process. A company must redefine a distinctive value proposition that it will stand for, even if that means forgoing certain opportunities. Without continuity of direction, it is difficult for organization's to develop unique skills and assets or build strong reputations with customers. Frequent corporate reinvention, then, is usually a sign of poor strategic thinking and a route to mediocrity. Continuous improvement is a necessity, but it must always be guided by a strategic direction.

1.1.3 Health Care Financing and challenges in Kenya

Healthcare financing refers to the pooling of funds from various sources such as government, households, businesses and donors to share financial risks across larger population groups, and using them to pay for services from public and private healthcare providers. Provision of health care services in Kenya is through the public and private sector, with the central government through the Ministry of Health being the largest provider (Kimalu et al, 2004). Kenya has had a predominantly tax-funded health system, which has gradually undergone a series of health financing policy changes. Like in most low-income countries, healthcare financing policies in Kenya have gone through three successive phases (Audibert, Mathonnat, & de Roodenbeke, 2004). In the first phase, the dominant approach was based on free access to healthcare with a focus on the necessity of providing primary care to all. The second policy phase introduced user fees while emphasizing accessibility to primary care and tried to incorporate healthcare programs into district-based healthcare structures. In the third phase concern has been on the relationship between healthcare and development, one of the objectives of the Millennium Development Goals (MDGs).

Most policies have negatively affected health care provision by the state; the cost-sharing (user fees) programme introduced in 1989 being one of the most contentious. This is an indication that health financing in Kenya has faced numerous challenges, including inadequate funding (Deolitte, 2011). Limited funding by the government means out-of-pocket spending remains a key source of funds for healthcare and ultimately this negatively affects acquisition of health care by the populace.

Likewise, high poverty levels among the population have also impacted negatively on health financing. With 46% of Kenyans living on less than a dollar per day, there has been a reciprocal relationship between poverty and health status (Deolitte, 2011). On the one hand, poverty is a major driver of poor health status while at the same time poor health status drives the poor deeper into poverty. This implies that the poor in Kenya faces major financial barriers to accessing healthcare.

Health insurance in Kenya can be accessed through three health scheme programmes: public health insurance, private insurance firms and to some extent community-based health insurance (CBHI) organizations. Private health insurance is predominantly accessible to the middle and higher-income groups (Kimani, Muthaka, & Manda, 2004). Community-based health insurance is relatively new in Kenya having been established in 1999, and, as a result, it has limited coverage. According to the Kenya Community-Based Health Financing Association (KCBHFA), currently, there are 38 CBHF schemes, with 100,510 principle members who contribute for a total of 470, 550 insured beneficiaries (Kimani et al, 2012).

Kenya has one public health insurance scheme, the National Health Insurance Fund (NHIF); a non-for-profit institution created by an Act of Parliament in 1966 as a department in the Ministry of Health. At inception, NHIF was intended to provide accessible health insurance for salaried public and private sector employees earning a monthly salary of Ksh 1,000 and more (Deolitte, 2011; GoK, 2004). Since its inception, however, the NHIF has undergone several changes over the years to include more benefits, target informal sector households, and to introduce outpatient care. In 1998, relevant laws were repealed and replaced by the NHIF Act No. 9 of 1998 (Deolitte, 2011). This led to the transformation of the Fund into an autonomous State Corporation managed by a Board of Management (Kamau & Holst, 2008).

Several challenges face healthcare financing in Kenya. The overall healthcare system in Kenya is characterized by weak sub-systems (stewardship, policy and regulatory framework, human resources, health infrastructure, health commodities and technologies, Health management capacity and Health financing). Some of the key challenges include: high poverty levels among the population with about 46% of Kenyans living on less than a dollar per day and nearly half of this group is considered absolutely poor/indigent; high burden of preventable infectious diseases and an emerging epidemic of non-communicable diseases; inadequate funding of the health system (6.3% of total government expenditure); inefficient allocation and use of the scarce resources whereby most of the healthcare expenditure is used for curative services in urban health facilities; high out of pocket expenditure in the context of a weak risk pooling system; significant inequalities in access to healthcare services largely due to financial barriers; poor health infrastructure and unreliable supply of health commodities and medicines; shortage and mal-distribution of health workers; poor management of health quality and productivity; dysfunctional referral systems leading to wastage of resources; and, high donor dependence (Muiya and Kamau, 2013).

1.1.4 National Hospital Insurance Fund

The NHIF was established by an Act of Parliament in 1966 as a department in the Ministry of Health, which oversaw its operations, but responsible to the government Treasury for fiscal matters. The Fund was set up “to provide for a national contributory hospital insurance scheme for all residents in Kenya.” The Act establishing the NHIF provided for the enrolment in the NHIF of all Kenyans between the ages of 18 and 65 and mandates employers to deduct premium from wages and salaries. The level of contribution is graduated according to income, ranging from Ksh 30 to Ksh 320 per month (Muiya and Kamau, 2013).

Contributions and membership are compulsory for all salaried employees earning a net salary of Ksh 1000/month and above. The Fund covers up to 180 inpatient hospital days per member and his/her beneficiaries per year. Besides being self-financing and self-administering, the Fund monitors its own collections and distributes benefits to providers. The NHIF Act also provides for the Fund to make loans from its reserves to hospitals for service improvement. To improve on the delivery of services, the government amended the NHIF Act in 1998 to make the Fund a state corporation. The NHIF Act of 1998 transformed NHIF from a government department to an autonomous Parastatal (Ong’u, 2012).

All NHIF approved facilities (hospitals, maternity homes and nursing homes in the public, non-governmental organizations) are reimbursed a flat rate per day irrespective of the type of ailment. In order to qualify to make claims from the NHIF, the Ministry of Health, acting through the agency of the Medical Practitioners and Dentists Board, must first approve inpatient facilities. Facilities are thereafter inspected by the NHIF and approved if the minimal conditions are met. The criteria used in determining the reimbursement rates for these hospitals are based on facilities available. These include X-rays, Intensive Care Unit (ICU); overall area occupied; separate wards for children, males, females; isolation wards; number of doctors, nurses and clinical officers; supply of electricity and availability of standby generators; ambulances, pharmacies, laboratories, operating theatres, among other requisite facilities (Muiya and Kamau, 2013) Political interference and influence in determining who chairs on the Board of directors, who heads which department and which tender goes to who hampers’ quality service delivery.

Legal barriers in execution of its mandate due to bureaucracies involved. Formulation of good policies which mostly never find its way to implementation is a waste of time and finances for the fund. Parliament has to approve each and every policy formulated which ends up taking a political dimension. Stake holders like Central Organization of Trade Union (COTU), Teachers Service Commission (TSC), Federation of Kenya Employers (FKE) and others who demands NHIF to operate in a manner to suit their whims which eventually headed to Nairobi Industrial court case number 2012 Aug;(22): Judicial Review.

1.2 Research Problem

Strategic positioning adopted by a firm should result in a competitive advantage. Positioning has evolved from market segmentation targeting and market structure changes during the 1960s and the early 1970s; from what is done to the product/service to what is done to the mind of the prospective and current customers. In times of a globalized world that is crowded with competition, where even strong brands are becoming increasingly similar, strategic positioning is the tool of competitive warfare (Fuchs, 2008).

The industry which organizations operate is dynamic and volatile. According to John et al (2005) an organization exists in the context of a political, economic, social, technological, environmental and legal world. This environment changes and is more complex for some organizations than for others. How this affects the organization could include an understanding of historical and environmental effects, as well as expected or potential changes in environmental variables.

Many of those variables will give rise to opportunities while others will exert threats to the organization. The environment in which businesses operate can also be seen to have an impact on social system of people and should be taken with understanding in order to aid in decision making of where we are going considering where we have come from and this requires strategic thinking.

The organization may choose to digress away from both its current products and markets. This is a strategy of diversification. Ansoff (2007) describes diversification as the name given to the growth strategy where the business develops and introduces new products in the markets. This is considered a risky affair since the business is moving into markets that it has not ventured in before and has no experience in it. An organization may have a clear picture and communicated of the gains and proper business risk analysis must be carefully and properly outlined. Thus, positioning has become one of the fundamental components of modern strategic management. Kinoti and Njeru (2013) contend that positioning should not just be part of organization's one time strategy; it should be the backbone of its corporate competitive strategy.

Kenya is among countries with lowest health status in the world. The development of a broad strategy on the sustainable financing of healthcare in Kenya has been a concern of all Kenyans. This is because many Kenyans have directly had to pay for health services whenever they need them, and sometimes at levels that can impoverish the family unit. Payment of out of pocket expenditures for health services has become a major barrier to access—currently estimated at about 40 percent of total health expenditure. Majority of Kenyans are not members of the NHIF nor do they have a medical care insurance scheme; only 25% of Kenyans had some form of medical insurance with the distribution at 20% in urban areas and 7% in rural areas. Achieving universal health financing coverage has been a challenge to NHIF. (Muiya and Kamau, 2013)

While NHIF has taken steps towards universal healthcare coverage, its operations are not carried out in a vacuum and structural and external environment has had a direct impact on its daily operations as well as its longer term strategic positioning aspirations.

Strategic positioning and healthcare financing challenges has been studied to a limited extent. Kinoti and Njeru (2013) did a study on positioning strategies practiced by pharmaceutical firms and established that, though the positioning strategies varied from one firm to the next, they generally positioned their products and prices as quality and used price positioning the least. Given the dearth of empirical studies on healthcare financing challenges and the requisite strategic positioning, there is, therefore, need to undertake a study at NHIF in Kenya, specifically to understand the nature of positioning strategies adapted by NHIF and the challenges that NHIF face in implementing its positioning strategies. How is NHIF strategically positioning itself to deal with health care financing challenges in Kenya?

1.3 Research Objectives

The objectives of the study were;

- i. To establish the challenges facing National Hospital Insurance Fund in healthcare financing in Kenya.
- ii. To determine how NHIF is strategically positioning itself to meet the healthcare financing challenges in Kenya.

1.4 Value of the Study

The study provides information to potential and current scholars on competitive positioning strategic management in insurance firms in Kenya. This has the potential to expand their knowledge on competitive strategies in the insurance sector and also identify areas of further study. The study highlights other important areas that need relational studies; these may include relationship between performance and strategic positioning.

Consequently policy makers now have access to knowledge of the insurance industry dynamics and the appropriate responses that are and specific to particular firms and therefore provide guidance based on this study in designing appropriate policies. The study will also be a reference material to managers, clients (employers in particular), insurance firms, agencies, health care provision institutions among others with interested stakeholders. The study will also add more knowledge to the theories in the area of strategic positioning in respect to how Health Care industries can device strategies to help react to turbulent conditions in the environment and how to respond efficiently in meeting financing challenges. This is in line with the OST whose key ingredient is to seek information for environment fit in order to maximize value for the organization.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews the past literature on the study. The chapter also reviews theories of positioning strategies. Challenges facing NHIF are well reviewed. Empirical study and conclusion of the chapter is also presented.

2.2 Theories Underpinning the Study

Strategic positioning is the positioning of an organization (unit) in the future, while taking into account the changing environment, plus the systematic realization of that positioning. Systems theory is a concept that originated from biology, economics and engineering which explores principles and laws that can be generalized across various systems (Yoon and Kuchinke, 2005).

A system is a set of two or more elements where: the behaviour of each element has an effect on the behaviour of the whole; the behaviour of the element and their effects on the whole are interdependent; and while subgroups of the subgroups of the elements all have an effects on the behaviour of the whole; none has an independent effect strategic positioning of an organization (unit) in the future, while taking into on it (Skyttner, 1996). In other words, a system comprises of subsystems whose inter-relations and interdependence move towards equilibrium within the larger system (Martinelli, 2001; Steele, 2003).

Open systems view the environment as important to survivor. Open systems continuously exchange inputs and outputs with the environment through permeable boundaries (Cutlip, Centre & Broom 2006; Morgan 1988).

Organisations actively seek information from their environment which is perceived as input in the Organisational system. The open system approach encourages congruency or fit among the different systems and the identification and elimination of any potential dysfunction (Morgan 1998). Since systems theory considers the input-throughput-output components and their interactions both within themselves and with their external environment, the elements of purpose, people, structure, techniques and information must be coordinated and integrated by the managerial system, in order to maximize value for the organization (Randolph and Blackburn, 1989).

The concept of systems theory was first advanced by Ludwig von Bertalanffy in 1940 but did not gain prominence until the 1960's. OST is primarily concerned with how systems operate, and integrates a broad range of systems by naming and identifying patterns and processes common to all of them (Bausch, 2002; Capps and Hazen, 2002). By use of such an overarching terminology, OST tries to explain the origin, stability, and evolution of all systems (Alter, 2007; Montuori, 2000). An important aspect of OST is the distinction between open and closed systems. All conventional models and theories of organizations typically embraced the closed systems approach to the study of organizations by assuming that the main features of an organization are its internal elements. While closed systems approach consider the external environment and the organizations' interaction with it, to be the most part inconsequential, open systems approach views the organizations' interaction with the external environment as vital for organizational survival and success. In open systems, any change in any elements of system causes changes in other elements (Shafritz and Russell, 2005; Wang, 2004). The lack of coordination between the organization and its external environment in closed systems inhibit the organization's capacity to import sufficient energy from its environment for sustenance.

Daniel Katz and Robert Kahn (1978) collaboratively viewed organizations as comprising of patterns of behavioural events. These patterns are interdependence, cyclical, and consistent over time, and must be understood in terms of their interaction with each other, and with the external environment. They were the first to introduce the concept of input-throughput-output in describing organization environments (Capps and Hazen, 2002; Melcher, 1975). In their 1966 work, Katz and Kahn identified nine characteristics of open systems as applied to organizations (Katz and Kahn, 1966; Melcher, 1975; Dubrovsky, 2004) mostly having to do with energy exchanges in an open system. Katz and Kahn summarized the idea of systems theory as a knowledge framework that focuses on structures, relationships, and interdependence between elements (Katz and Kahn, 1978).

Since systems theory considers the input-throughput-output component and their interactions both within themselves and with the external environment, the elements of purpose, people, structure, techniques and information must be coordinated and integrated in order to maximize value of the organization (Randolph and Blackburn; Montouri, 2000). In open systems, the goal of transformation is to improve horizontal and vertical fit of the subsystems with each other, within the organization. There must be also a fit between the organization and its external environment. For example, an organization will need information about certain characteristics of its tasks, its employees and its own structural features in order to fit its employees with the tasks they face in particular organizational positions (Fioretti and Visser, 2004). Thus, in analyzing organizations, the open-system approach investigates the repeated cycles of inputs, transformation, and output, which comprise organizational systems and subsystems (Yon and Kuchinke, 2005).

There is no single best way to design organizational structures. The best way of organizing an organization is however, contingent upon the internal and external situation of the organization. The contingency approach to organizational design tailors the design of the company to the sources of the environmental uncertainties faced by the organization. Therefore, there can not be one optimal organizational design for every company, because no companies are completely similar, and because every company faces its own set of unique environmental contingencies that result in different levels of environmental uncertainties.

2.3 Strategic Positioning

Positioning, the place a product occupies in a given market, is the foundation of marketing strategy. A product position differentiates it from its competitors on attributes considered important by target customers and gives it a distinctive identity in their minds. As Gummesson (2004) puts it, positioning is the product's reason for being, the reason why consumers buy it. Firms position their products by selecting the optimal mix of tangible and intangible product attributes as well as prices. Positioning is traditionally discussed as part of the segmentation, targeting and positioning (STP) model, which is considered to be the basis for all marketing strategy (Kotler, 2003). The first step in this model is segmentation, which involves dividing a heterogeneous market into a number of mutually exclusive submarkets, i.e., homogeneous groups (also referred to as segments). Formally, segmentation is defined as the process of subdividing a market into distinct subsets of customers that behave in the same way or have similar needs. Segmentation is essential since most (probably all) markets are not monolithic but instead consist of submarkets that are relatively homogeneous in terms of what they need or want from firms offering similar types of products or services (Porter, 2008).

The second step in the STP model is the target market selection. Targeting involves assessing the various segments identified in the segmentation process with the aim of determining in which submarkets the company should compete. This assessment is primarily based upon the segment's overall economic attractiveness as well the company's resources and objectives (Kotler, 2003). More specifically, in evaluating the segments, particular focus is put on factors like segment size, resources required to penetrate the segment, firm strengths and weaknesses, presence of substitutes within and outside the product category (Porter, 2008).

The last step in the STP model is positioning, which logically follows after the appropriate target segment has been determined (Lilien and Rangaswamy, 2003). Positioning involves placing a brand in a way that the target market perceives it as different and superior in relation to competitors (Kotler, 2003). Positioning is important as it sets the direction of marketing activities and programs – what the brand should and should not do with its marketing (Keller and Lehmann, 2006). Thus, the development of the marketing program should be linked to the positioning to ensure that marketing mix decisions are consistent and supportive (Ellson, 2004).

Corporation can position their brands on an almost infinite number of dimensions (Hooley, Saunders and Piercy 2004). For example, a mobile phone can be positioned upon its size, shape, handiness, user-friendliness, stylishness, etc. In an attempt to overcome this issue and thus to operationalize these individual dimensions, academics have classified conceptually similar positioning dimensions into distinct groupings which are called positioning bases (Blankson and Kalafatis 2004 and Kotler, Wong, Saunders and Armstrong 2005). Thus, a positioning base comprises of a set of theoretically related associations (i.e., dimensions) and constitutes a means to convey a differential advantage of a brand in consumers' minds.

Snelders and Schoormans (2004) illustrates three main groups of positioning bases: attribute positioning (consisting of concrete and abstract attribute positioning), benefit positioning (consisting of direct and indirect benefit positioning) and surrogate positioning (consisting of multiple alternative bases).

Whereas attribute based positioning and benefit positioning are seen as common and frequently used positioning alternatives that aim at building their value propositions upon features and functional or symbolic/hedonic benefits, respectively, little is known about the nature of surrogate positioning which demands a more specific elaboration.

With particular reference to surrogate positioning, marketers do not position brands on their respective attributes/benefits, but instead communicate something about the brand that permits consumers to come to individual conclusions about what the brands stands for (Huffman, Ratneshwar, and Mick, 2000). More specifically, surrogate positioning is designed to create consumer associations about external aspects of a brand (e.g., the energy drink Red Bull may be associated with extreme sports such as base jumping, rock climbing or speed skiing). The advantage of this type of positioning is that the focal brand is automatically “customized” to the needs of the consumer: s/he decides what is important to him or her.

Ozcan and Sheinin (2008) report that consumers have higher preferences for brands that are positioned on a variety of attributes (they refer it to a completeness positioning strategy) compared brands positioned on a single (specialized) base specifically when products are highly complex and when there are a large number of alternatives in the choice set. Moreover, according to Boatwright, Kalra, and Zhang (2008), communicating multiple attributes is more effective than communicating single-attribute information when the variation across attributes is

relatively low, because people perceive the economical risk of complete information to be lower than of incomplete information. Communicating too little may create only a limited number of consumer associations, hence, the full range of differential advantages of the brand may be underestimated by the consumers. Ozcan and Sheinin (2008) suggest that instead of claiming either attributes or their consequences separately (single positioning strategies), marketers should try to combine these (hybrid positioning strategies), thus, highlighting the associations between attributes and their consequences (benefits) and/or benefits and values.

Organizations have realized that their services and products, regardless of how good they are, simply do not sell themselves (Kotler, 2000). For instance, the necessary requirements for growing profitably is that, the organizations must be positioned in markets where (a) growth potential exists, (b) it is competitively positioned with respect to the peer firms and (c) it has the internal capacity to grow. Strategic planning of growth with profitability involves assessment of these three aspects, and appropriate allocation of targets and resources, for the business units of a firm (Barney, 2007).

Profitable growth of a firm can be constrained by external factors such as economic environment, target market, industry structure, etc. as well as internal factors such as branch network, technology and managerial capability for innovation and differentiation, marketing, customer relationships, etc. While the external factors can be beyond control of individual firms, firm management is responsible for astutely positioning its business to achieve the right "fit" and foundation for performance.

Blankson and Kalafatis (2004) have long back identified differences in management as one of the key factor contributing to the difference of profitability between firms. Subsequent studies

such as by Punt and Rooij (2001) have pointed out to efficiency and management quality as a crucial factor explaining profitability and financial performance of firms. Ozcan and Sheinin (2008) noticed that output prices of firms tend to fall as they grow in size because their product mix evolves from high margin geographically focused retail products towards diversified products including those with marginally profitable activities. Acharya and Yorulmazer (2008) further reported that while firm concentration in local markets is significantly related to profitability, though there is not enough evidence to support such relationship at the firm level (Goddard, Molyneux and Wilson 2004).

These observations suggest that as firms expand into different markets and lines of businesses to grow in size and complexity, planning issues on both cost as well as factor consideration on strategic positioning operations side become imminent. Firms need to cultivate their planning expertise commensurate with the pace of growth. An important aspect of planning in a multi-unit enterprise such as a firm is about allocative efficiency. Allocative efficiency refers to achieving the right combination of inputs to produce outputs, leading to the best possible utilization of market potential as well as resource capacity. Several studies have reported the impact of allocative efficiency on performance in firms to be non-trivial (Brissimis *et al.*, 2010). Al Shamsi *et al.* (2009) have pointed out that allocative inefficiency rather than technical inefficiency has been the dominant source of inefficiency in firming.

Literature on planning process inform that planning in firming has evolved over time from performance budgeting to long range planning and strategic planning and impacted firm performance (Ozcan and Sheinin, 2008). However, the link between planning and performance has been questioned (Snelders and Schoormans, 2004).

Keller and Lehmann (2006) has suggested that firm planning must enable market share penetration and, therefore, involve evaluation of market potential through analysis of underlying financial and economic strengths. Planning and target setting in firms have, however, been found to involve as many as twenty indicators including several superfluous ones and, therefore, Kotler (2003) has suggested that planning system design in firms must address the required type and amount of information relevant to its strategy. More recent literature on financial crisis and firm behavior, however, indicate that firms are often prone to "herding", such as in respect of credit, branching and pricing decisions, which may potentially undermine the planning function (Acharya and Yorulmazer, 2008).

Literature on strategic management of the firm has the positioning school and the resource-based view as the two most acknowledged and practiced approaches to achieve sustainable competitive advantage. While the former stresses the selection of strategic positioning amidst competitive forces in the market (Porter, 1980), the latter posits the role of the firm's resource capacity, in particular its managerial competencies (Penrose, 1959; Barney, 2002), as the foundation for profitable growth. Planning processes in firms may not address the strategic factors - market positioning and capacity constraints - adequately thereby leading to growth at the expense of profitability. The necessary requirements for growing profitably is that, the firm must be positioned in markets where (a) growth potential exists, (b) it is competitively positioned with respect to the peer firms and (c) it has the internal capacity to grow. Strategic planning of growth with profitability involves assessment of these three aspects, and appropriate allocation of targets and resources, for the business units of a firm (Keller and Lehmann, 2006).

CHAPTER THREE:

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the methodology that will be used to carry out the study. It describes the research design, the model, the study area, target population, sampling techniques and sample size, type and source of data, research instruments that will be used, the pilot study, data collection and data analysis.

3.2 Research Design

The study adopted a case study research design. A case study is an in depth study of a particular situation rather than a sweeping statistical survey and is used to narrow down a very broad field of research through a descriptive, exploratory or explanatory analysis of a person, group or event (Yin, 2009). Thomas (2011) defines case studies as analyses of persons, events, decisions, periods, projects, policies, institutions, or other systems that are studied holistically by one or more methods. Similarly, Mugenda and Mugenda (2003) define a case study as an in-depth investigation of an individual, institution or phenomenon.

Creswell (2009) avers that a case may be selected as a key case, chosen because of the inherent interest of the case or the circumstances surrounding it. Furthermore, the choice might be because of researchers' in-depth local knowledge and offer reasoned lines of explanation based on this rich knowledge of setting and circumstances (Flyvbjerg, 2006). The primary purpose of a case study is to determine the positioning strategies adopted by NHIF in response to challenges faced in healthcare financing.

Therefore, a case study design was deemed the best design to fulfill the objectives of the study. Besides, the case study approach enabled a lot of detail to be collected that would not normally be easily obtained by other research designs. The data collected was a lot richer and of greater depth (Thomas, 2011).

3.3 Data Collection

The study solely collected and used data from primary sources. Primary data was collected through in-depth interview. In-depth interviewing is a qualitative research technique that involves conducting intensive individual interviews with a small number of persons to explore their perspectives on a particular idea, or situation.

As averred by Boyce and Neale (2006), interviews are a useful method to: investigate issues in an in depth way; discover how individuals think and feel about a topic and why they hold certain opinions; investigate the use, effectiveness and usefulness of particular phenomenon; add a human dimension to impersonal data; and, deepen understanding and explain statistical data.

Moreover, interviews are advantageous as: they are useful to obtain detailed information about personal feelings, perceptions and opinions; allow more detailed questions to be asked; achieve a high response rate; ambiguities can be clarified and incomplete answers followed up; and, precise wording can be tailored to respondent and precise meaning of questions clarified (Finn and Jacobson, 2008).

In this study, the interviews were conducted on the General Manager Operations, General Manager - Branch Office Coordination and 5 branch managers in Nairobi area. The choice of the interviewees was based on the knowledge that they are more conversant with “why”, “how” and

“when” the strategies were formulated and executed, and the effect thereof. The sample size was justifiable since it minimized the duplicity and redundancy of the data obtained and was large enough to ensure collection of comprehensive data since different views was represented. The study used face to face interviewing method since it was seeking to obtain comprehensive data and face to face interviews allowed flexibility in the direction and redirection of questioning and further probing (Opdenakker, 2008).

3.4 Data Analysis

The data collected was qualitative in nature. The researcher, thus, used qualitative thematic content analysis in analyzing the data. Thematic content analysis is widely used qualitative research technique that adopts word relationship analysis by pinpointing, examining, and recording patterns (themes; patterns across data sets that are important to the description of a phenomenon) within data.

The content being analyzed was the actual comments and/or the way the comments were expressed (tone, body language, and more) in the social setting during the interviews (Nachiamas and Nachiamas, 2003). According to Hsieh and Shannon (2005), the analysis involves counting and comparisons, usually of keywords or content, followed by the interpretation of the underlying context.

The study aggregated the similar words to form major concepts or themes. As posited by Vaismoradi, Turunen and Bondas (2013), word relationship analysis will assume summative, inductive and deductive approach to ensure comprehensive synthesis. Qualitative thematic content analysis was suitable for the study as it give results that was directed and comprehensive.

CHAPTER FOUR:

DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This study presents the data findings obtained on the strategic positioning of NHIF meeting the challenges of healthcare financing in Kenya. The data was collected from 6 interviewees; General Manager-Operations, General Manager - Branch Office Coordination and 5 branch managers in Nairobi area. The interview guide was designed in line with the objectives of the study. To enhance data quality of data obtained unstructured questions were used whereby interviewees indicated their views and opinions on strategic positioning of NHIF. The qualitative analysis involves thematic content analysis of the responses obtained.

4.2 Challenges of NHIF in Healthcare Financing in Kenya

On the history of National Hospital Insurance Fund (NHIF), the responses indicated that the Fund became a State Parastatal in 1966. With time its mandate has been reviewed to accommodate the changing healthcare needs of the Kenyan population, employment and restructuring in the health sector. It ensures that Kenyans of all walks of life have access to quality and affordable healthcare. Its social principle is that “the rich should support the poor, the healthy should support the sick and the young should support the old”. In doing this, NHIF collect contributions from all Kenyans earning an income of over Ksh 1000 and pay hospital benefits out of the contributions to members and their declared dependants (spouse and children). NHIF mission is to provide accessible, affordable, sustainable and quality social health insurance through effective and efficient utilization of resources to the satisfaction of stakeholders.

The responses also indicate that NHIF has 23 fully autonomous branches across the country. Each of these branches offers all NHIF services including payment of benefits to hospitals or members or employers. Smaller satellite offices and service points in district hospitals also serve these branches. NHIF provides an inpatient cover and pays all the hospital bills in all general hospitals and some selected mission hospital in Kenya per year for the contributor, spouse and children. NHIF works with a wide network of over 400 accredited Government, private and mission health providers spread across the country. NHIF has also partnered with the national government to offer inpatient cover for all its civil servants.

NHIF faces several challenges in provision of affordable insurance products to its clients. On communication challenges, the interviewees alluded to confusion among the targeted citizenry on how the scheme works and extent of cover among other issues. Another challenge is the policyholders' preference for expensive private to public hospitals. This makes the Fund unsustainable leading to calls for increased premiums. The reason for the low turnout in public hospitals has to do with infrastructural problems facing majority of them.

On political challenges, the responses pointed at workers' bodies such as Central Organization of Trade Unions (COTU) which has been against increased contribution to the Scheme and among other things have incited its membership against paying the new National Hospital Insurance Fund charges which are meant for outpatient coverage. This required employees to pay a maximum of Sh2, 000 and the lowest pay Sh150 from the previous highest charge of Sh320 per month and lowest of Sh30. These new rates are meant to cover life, funeral expenses and hospital charges to all citizens.

Besides, on the political front, key appointments especially the Board Directors, Chief Executive Officer and senior management staff are mostly political appointees of the minister and are replaced as soon as there is a new minister or when their contracts expire regardless of performance. NHIF also receives resistance from competition from private healthcare insurance providers who feel that reforms at former might make employers opt for enrolling its employees in the Scheme fully should it become effective. This owe to NHIF premiums being relatively cheaper. These private healthcare insurance providers feel particularly threatened by the outpatient cover. For instance, Healthcare lobbyists, the Kenya Healthcare Federation (KHF) opposed plans to increase contributions to NHIF. They stated that new rates offered by NHIF were way below those offered by private health insurers for similar services and moved to court to stop the implementation and the case is still awaiting determination.

Changing environment such as devolution process makes the environment for health financing reforms more complex, especially the role of NHIF. The board is comprised of several stakeholders making decision making and policy formulation protracted and tedious affair and sometimes agreement is not guaranteed. For instance, the proposed adjustment of premium rates to reflect the rise in the cost of living (inflation) and expand the coverage bracket was met with stiff resistance led by COTU ironically a board member. Technologically, adoption of efficient systems has been slow due to fear that it may lead to redundancies and also the cost involved.

4.3 Strategic Positioning of NHIF to Mitigate the Challenges of Healthcare Financing

Interviewees agreed that they consider NHIF a monopoly indicating that contributions to the fund are mandatory for those in employment. Others attributed its monopoly to the fact that it is the only social health insurance institution mandated by the Act of parliament to provide health

insurance to the citizens. This monopoly is attributed to the fact that it is the only government institution, formed under an Act of parliament, mandated to provide health insurance to the citizens.

Regarding whether NHIF is preferred over other insurance companies, interviewees indicated that it offers the cheapest monthly contribution rates in the country and caters for people from all walks of life. Thus from the response obtained from all the interviewees it is evident that NHIF is preferred due to its service affordability especially among low income clients. The interviewees alluded to establishing teams whose main task is explaining to Kenyans the benefits of the new scheme. As far as the cost benefits of subscribing to the NHIF insurance scheme over other insurance firms, interviewees indicated that clients prefer NHIF because it has a wider coverage in terms of clients and it is recognized most in all health provision centers'. It was indicated that the NHIF scheme covers all in- patient cases including terminal illness.

With regard to how NHIF manages its services to create desired marketing offering competitive position in the consumers mind, the study found that most clients prefer NHIF because there are no underwriting costs on admission. Interviewees also indicated that there is decentralization of operations country wide which enhances service delivery. Other interviewees also indicated that the scheme has various packages which meet customer needs. NHIF also enhances its competitive advantage through affordability, accessibility and acceptable cover for the low income earners. The study found that product positioning and product differentiation, interviewees indicated that NHIF positions itself as a social insurance scheme for all Kenyans.

Likewise the firm uses pricing strategy to differentiate itself by making its products affordable compared to competitors. In order to determine NHIF product positioning in the minds of the consumer, interviewees indicated that the firm has introduced attractive packages which are affordable to customers. This concept is replicated through product regrouping in which customers can access various services in different hospital categories.

To aid the above, NHIF is engaged in intensive mobile recruitment campaign above the print and broadcast advertising employed by competitors. It also offers competitive cover premiums unmatched by rivals, expansion of health insurance to untapped low end user market segment (informal or self employed) and automation of the financial management system.

Finally on the question regarding unique products at NHIF interviewees indicated that the health insurance fund has unique package for kidney patients enabling clients to access this facility with ease without financial constraints. The company also offers rehabilitation package for drug addicted patients. From this analysis it is evident that NHIF provides quality service at affordable prices without any form of discrimination.

NHIF is the vehicle through which the government hopes to eventually offer health insurance to all Kenyans. To the question on Government's focus on health sector to deliver to the citizens and how that has that effect been on NHIF's long-term strategies adopted. The responses indicated that the Government is leading an objective process of priority setting that involves rationalization around combination of investments on public healthcare providers' facilities, technologies, drugs, and human resources for child, maternal, primary or chronic care.

This process has confronted NHIF with difficult decisions around value for money and health investment options which will go to the heart of addressing the country's inequalities around who has access to which services. Without a process such as this, healthcare financing would be responding to the wrong pressures and there wouldn't be clear trajectory of progress in health outputs.

4.4 Discussion

The findings reveal that strategic positioning is to some extent not applied by NHIF. The challenge faced by NHIF management in application of this strategy is serious blatant ignorant of the concept that NHIF is mandatory statutory scheme. This information on NHIF is not consistence with previous strategic positioning studies for instance Barney, 2002, Kotler, 2003, Johansen and Riis, 2005, Muiya and Kamau, 2013, Kinoti and Njeru, 2013.

These looked at strategic positioning from the commercial point of view in developing competitive advantage. In strategic position a firm may choose to include Market penetration strategy, Market development strategy, Product development strategy or diversification strategy. This could also be described as Horizontal growth, Vertical growth, Conglomerate growth or internationalization (Ansoff 1990).

In deciding on which direction to grow the firm must also determine to what extent it must expand externally and internally. Internal growth involves expanding a firm's internal capabilities such as production, distribution and marketing facilities.

External growth may include mergers and take-over. While a firm may seek to expand its business in one of the various ways it may also choose to rationalize and restructure (Ansoff 1990). However market factor is a common factor in both sectors as revealed by the studies.

A particular firm's offering is competitively positioned to all other market offerings in the minds of prospective consumers Keller and Lehmann (2006). With regard to challenges, NHIF will go a long way in coming up with a robust strategic positioning simply because the management regards the institutions as one that implements government policies rather than existing for profit.

CHAPTER FIVE:

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents report to the data findings on strategic positioning of NHIF in meeting the challenges of healthcare financing in Kenya. The chapter is structured into summary of findings, conclusions, recommendations and area for further research

5.2 Summary of Findings

The first objective of this study sought to establish the challenges facing NHIF in healthcare financing in Kenya. The results which indicate that generally indeed there is some insignificance level of innovation activities in NHIF. On further analysis, the study found that, openness to learning from other competitors and other industry/sector stands out as greatly unpracticed. It was also found out that some activities of most important like undertaking of consistence environmental scanning for new ideas, support to innovation champions to implementation, leaders in different functional areas working together, penetration of all channels and beneficiaries with the new services, celebration and rewarding innovation, encouragement by senior management, and supportive culture of innovative thinking and generation of ideas was seriously lacking.

Healthcare financing involves the mandatory collection of contributions from designated segments of the population (typically through payroll taxes), and pooling of these contributions in independent funds that pay for services on behalf of the insured. Among the key findings on the challenges facing NHIF in healthcare financing are that the time taken between payment of

premium and issuance of NHIF card is an access barrier for NHIF members. Additionally, premiums paid by members of NHIF do not pose much of an access barrier for most members as they claim it is a right proportion of their incomes. Also the absence of preferred health facilities especially clinics/hospitals pose a serious access barrier to healthcare. The main problems hampering the Fund's effort at improving access to health care include multiple attendances (over utilization of healthcare facilities by members), fraudulent activities by providers and members of the scheme, extensive prescription of branded drugs outside the essential medicine list by providers and inappropriate referral from primary healthcare facilities to the higher order hospital.

It also includes non cooperative altitude by the healthcare staff; and delay in re-imburement of healthcare providers because of delay in the release of funds by the NHIF. Other challenges include the bureaucracies and red tape in the accreditation process, the time taken between submission of claims and reimbursement by the NHIF hampers their business and the over-utilization of the NHIF by scheme members.

The second objective sought so determine how NHIF is strategically positioning itself to meeting the challenges in financing healthcare in Kenya. NHIF has been operating for the last 47 year. This could attribute to financial, resource muscle and experience that they should have in exercising significance strategic positioning innovation activities. The study found out that, insufficient funds within and from other sources outside the organization was the greatest challenge that faces innovation activities in NHIF in aiding strategic positioning. Some respondents observed that, in most cases, funds are usually received and strictly allocated to specific operational programs; hence therefore there were no excess funds to other activities like market research.

The study shows that NHIF have no problem in coming up with new and exciting ways to raise funds for positioning activities, but it is a real challenge to bring these ideas to fruition; because generally speaking, cost factors are a greater challenge followed by market factors, knowledge factors and finally other reasons not to innovate which NHIF management is not exposed to hampers strategic positioning of the institution.

In view of these findings, it is quit clear that, external sourcing of information is very insignificantly practiced NHIF. It is also evident that the problem lies with the support and launch that even though many come up with new innovative ideas, getting them out to the beneficiaries or markets is the big issue.

5.3 Conclusion

The research depicts a conclusion that it's the duty of the top management to motivate employees with the necessary level of commitment, engagement, confidence and comfort to work through difficult transitions and that the top managers inspire a sense of purpose, coherence, continuity and trust that allows employees to remain focused and highly engaged on the job.

The study therefore concludes that the methods used in strategic positioning was through advertising and also service offered at NHIF which include free registration and free issuance of medical card. The study concludes that the top management of NHIF has the sole role of due diligent and drawing up strategy in positioning plans, top management is always there to align the right priorities and create a positive business momentum and disciplines.

It can also be concluded that there were communication related challenges in the organization where communication systems were not monitored; right information did not reach the right intended clients hence creating confusion and conflict. Sometimes managers use the wrong communication channels for effective communication, and therefore, the staff misuses the communication tools leading to unnecessary expenses and that sometimes, the quality of communication with clients was poor.

Further the study concludes that it's the sole role of the management to ensure that there is harmonized culture in the organization which has so far united employee and other senior staff, motivate employees on the main goal, mission and vision of the organization keeping self interest away. It can also be concluded that from the findings that, it was due to good culture management that unity was created, openness was achieved and that opportunities were created as employees interact altogether.

Innovation played a fundamental role in the organization which brings new channels, new processes, new market, new technology and new services. The study also concludes that, channels including print, direct mail, websites, search engine optimization, social media, email marketing, and online reputation would be very fundamental in implementing the strategic positioning plan.

5.4 Recommendations

The study recommends that management could work towards effective communication to ensure that strategic issues are communicated at the right time to achieve the strategic goals. The study also recommends that corporate strategic positioning should be aligned with structure for effective implementation of strategy.

This could be achieved through undertaking a skill gap analysis to place people at right jobs and this will help in achieving the corporate overall objective.

Second, it was found that all managers were not involved in strategic positioning issue management which would give them adequate decision making authority in the implementation of the strategies. It is therefore recommended that all the employees and the corporation stakeholders should be part and parcel of the process and therefore the corporation should ensure that when they are designing and compiling a strategy to be implemented, they consult all the stakeholders. This would bring about harmony in different departments at the implementation period. Also they should have a documented procedure on how to handle strategic positioning issues. Third, the document procedures to handle positioning strategic issues should incorporate evaluation of strategies management for continuous improvement of the entire process.

5.5 Limitations of the Study

The study involved the participation of the General Managers and managers who had huge workload thus some interviews were rushed with little elaboration on some responses. The study faced both time and financial constrains. The duration that the study was conducted was limited hence exhaustive and extremely comprehensive research could not be carried out on strategic positioning. Due to limited finances, the study could not be carried out on the branch offices which are very far from Nairobi.

The study however, minimized the adverse effects of these limitations by conducting the interviews at the organization's headquarters since this is where strategies are made and rolled out to other operational areas. Some respondents were also not well acquainted with the concept of strategic positioning and did not understand why it should be applied to NHIF which is a

mandatory statutory body and also there were some respondents who were not willing to divulge information terming it confidential. There were times when the respondents were not cooperative in answering questions posed to them, and the researcher was patient and developed friendship with the respondents to offer a good working environment that the respondent could participate in the research.

Since this was a study on one Healthcare Financing, NHIF, data gathered might differ from strategic positioning adopted by other Healthcare Financiers Kenya. This is because; different organizations even if operating in the same industry adopt different strategies that differentiate them from their counterparts. The study however, constructed an effective research instrument by way of interview guide that sought to elicit general and specific information on the strategic positioning adopted by the institution.

5.6 Suggestion for Further Research

While this study was majorly based on assessing the strategic positioning of NHIF, the study did not investigate competitive strategies employed by the health insurance scheme: this leaves a lot to be done in this area in order to bridge this knowledge gap.

Therefore, the researcher suggests that future research to be conducted with regard to strategies employed by NHIF towards competitive advantage. The scope of further research may be extended to other specific institutions in the Health Financing industry in Kenya. In this way, it can be known if the findings are similar in all other Health Financing sector.

5.7 Implications of The study on Policy, Theory and Practice

Strategic positioning should not be viewed as a one-off process; however the management of the Parastatal should inculcate a practice of regular review to understand the environment. The findings of the strategy revealed that the challenges encountered during strategy implementation frustrate the implementation team. It is therefore paramount that NHIF should look into strategy implementation issues with focus being to empower and strength the implementation team.

The findings of this study add value to the body of knowledge in the area of strategic positioning. This would create and form the basis for future research in a bid to come up with better ways and improved processes to enhance successful implementation of the study. All the stakeholders in the healthcare industry should incorporate the findings of this study, especially the identified strategic positioning practices and challenges facing the industry in making their decisions.

It is therefore important that hospital and health facilities should make known to scheme members their entire medical bill and the proportion being covered by health insurance. This would enable members appreciate the cost that the scheme bears on their behalf and thus, enroll most of their family members. It would also prevent fraud whereby the healthcare facilities inflate the cost of medical care delivered.

The Fund management has to critically evaluate its sensitization programmes to rectify some of the misconceptions that the citizenry have on the scheme. Service providers should be given adequate training to demonstrate high level of professionalism in handling clients. Besides, government should not only modify the relief package for the core poor but also ensure that those who have been excluded due to lack of cash to pay do so in kind, by using their farm produce.

NHIF should tailor its marketing strategies to cater for those with less or no education. Government should consider focusing on preventive healthcare to avoid possible premium increase which would drive citizenry from the Fund. The NHIF management should improve monitoring and evaluation of health care providers, particularly clinical audit should be undertaken regularly in order to deter the systematic abuse, fraud and hemorrhage of the system.

REFERENCES

- Acharya, V. V. & Yorulmazer, T. (2008). Information contagion and firm herding. *Journal of Money, Credit and Firming*, 40 (1): 215-231.
- Barney, J.B. (1991). Firm Resources and Sustained Competitive Advantage. *Journal of Management*, 17, 99–120.
- Barney, J.B. (2002). *Gaining and sustaining competitive advantage*. Upper Saddle River, NJ: Prentice Hall.
- Barney, J.B. (2007). *Gaining and Sustaining Competitive Advantage, 3rd edition*. Upper Saddle River, NJ: Pearson Education
- Blankson, C., & Kalafatis, S.P. (2004). The Development and Validation of a Scale Measuring Consumer/Customer-Derived Generic Typology of Positioning Strategies. *Journal of Marketing Management*, 20, 5-43.
- Boatwright, P., Kalra, A., & Zhang, W. (2008). Should Consumers Use the Halo to Form Product Evaluations? *Management Science*, 54 (1), 217-24.
- Creswell, J. (2009). *Research Design; Qualitative and Quantitative and Mixed Methods Approaches*. London: Sage.
- Ellson, T. (2004). *Culture and Positioning as Determinants of Strategy*. New York: Palgrave Macmillan
- Flyvbjerg, B. (2006) Five Misunderstandings about Case-Study Research. *Qualitative Inquiry*, 12, 2, 219-245.
- Gamble, A.A., Thompson, A.J., & Strickland III, J.E. (2010). *Crafting And Executing Strategy: The Quest For Competitive Advantage, Concepts and Cases, 17th ed*. Boston: McGraw-Hill/Irwin.
- Goddard, J., Molyneux, P., & Wilson, J.O.S. (2004). The profitability of European firms: A cross sectional and dynamic panel analysis. *The Manchester School*, 72 (3): 363-381.
- Gummeson, E. (2004). Organizing for strategic management – A conceptual model. *Long Range Planning*, 7(2), 13-18.

- Hooley, G.J., Saunders, J.A., & Piercy, N. (2004). *Marketing Strategy and Competitive Positioning, 3rd ed.* London: Prentice Hall.
- Hsieh, H. F., & Shannon, S. E. (2005). Three approaches to qualitative content analysis. *Qualitative Health Research, 15*(9), 1277-1288.
- Huffman, C. S., Ratneshwar, S., and Mick, D. G. (2000). Consumer Goal Structures and Goal Determination Processes: An Integrative Framework. *In The Why of Consumption: Contemporary Perspectives on Consumer Motives, Goals, and Desires.* Eds. S. Ratneshwar, D. G. Mick, and C. Huffman. London: Routledge.
- Hutt, M. (2007). *Business Marketing Management.* Chicago: Dryden Press.
- Keller, K.L., & Lehmann, D.R. (2006). Brands and Branding: Research Findings and Future Priorities. *Marketing Science, 25* (6), 740-59.
- Kinoti, M., & Njeru, N. (2013). An investigation into market positioning strategies practiced by pharmaceutical firms in Nairobi. *Prime Journal of Business Administration and Management (BAM), 3*(7), 1118-1124.
- Kotler, P. (2003). *Marketing Management, 11th ed.* New Jersey: Prentice Hall.
- Kotler, P., & Garry, A. (2010). *Principles of Marketing.* New Jersey: Pearson Prentice Hall.
- Kotler, P., Wong, V., Saunders, J., & Armstrong, G. (2005). *Principles of Marketing, 4th ed.* Harlow: Pearson Prentice Hall.
- Ludwig, G., & Pemberton, J. (2011). A managerial perspective of dynamic capabilities in emerging markets: The case of the Russian steel industry. *Journal of East European Management Studies, 16*(3), 215-236.
- Lutans, F., (2011) *Organisational Behavior, 12th ed.* New York: Tata McGraw Hill
- Muiya, B.M., & Kamau, A. (2013). Universal Health Care in Kenya: Opportunities and challenges for the informal sector workers. *International Journal of Education and Research, 1*(11), 1-10.
- Munge, K., & Briggs, A.H. (2013). The Progressivity Of Health-Care Financing in Kenya. *Health Policy Plan, May, 2013.*

- Nachiamas, C.F & Nachiamas, D (2003). *Research Methods in the Social Sciences, 5th Ed.* London: St. Martin's Press Inc.
- Ong'u, E. (2012). Health Care Financing Reforms in Kenya. *Stakeholders Meeting on Healthcare Financing in Kenya, 30th August, 2012*
- Opendakker, R. (2006). Advantages and Disadvantages of Four Interview Techniques in Qualitative Research. *Forum Qualitative Sozialforschung / Forum: Qualitative Social Research, 7(4), Art. 11.*
- Ozcan, T., & Sheinin, D. (2008). Completeness as a Product Positioning Strategy. *Proceedings of the 2008 AMA Winter Educator's Conference, Feb. 15-18; Austin, Texas: American Marketing Association.*
- Penrose, E.T. (1959). *The Theory of the Growth of the Firm.* New York: John Wiley.
- Porter, M.E. (1980) *Competitive Strategy.* New York: Free Press.
- Porter, M.E. (1985). *Competitive Advantage.* Free Press: New York.
- Porter, M.E. (2008) The Five Competitive Forces That Shape Strategy. *Harvard Business Review, 45-67.*
- Prahalad, C.K., & Hamel, G. (1990). The Core Competence of the Organisation. *Harvard Business Review, May-June, 34-61.*
- Rothaermel, F.T. (2012). *Strategic Management: Concepts and Cases.* McGraw-Hill/Irwin.
- Vaismoradi, M., Turunen, H., & Bondas, T. (2013). Content analysis and thematic analysis: Implications for conducting a qualitative descriptive study. *Nurs Health Sci. 2013 Sep;15(3):398-405.*
- Yin, R.K. (2009). *Case Study Research: Design and Methods, 4th Ed.* California: SAGE Publications.

APPENDICES

APPENDIX I: Introduction Letter

01st September 2014

Dear Respondent,

RE: RESEARCH DATA COLLECTION

I am a master of Business Administration Student. As part of degree requirement, I am undertaking research on strategic positioning management on government institutions.’ A case study of National Hospital Insurance Fund, (NHIF)

The questionnaire is designed to gather information on “strategic positioning of Nhif to meet challenges of healthcare financing in Kenya”. The study is being carried out for a management project paper as a requirement in partial fulfillment for the degree of master of Business Administration, school of Business, University of Nairobi.

The information in this questionnaire will be treated confidentially and in no instance will your name be mentioned in this research. Also, the information will not be used for any other purpose than for this research.

Your assistance in facilitating the same will be highly appreciated. A copy of this research paper will be made available to you upon request.

Thank you in advance.

Yours faithfully

Mburugu Kim

MBA STUDENT

Dr. Vincent Machuki

SUPERVISOR

APPENDIX II: Interview guide

PART A

1. Kindly give me an overview of the history of Nhif, how has the organization grown
2. How would you describe Nhif business performance for the last five years?

PART B

These questions are aimed at obtaining information regarding the strategic positioning challenges encountered by Nhif.

3. In which area of your operations have you experienced most challenges in the course of your operations?
 - a) Financial
 - b) Technological
 - c) Political
 - d) Legal
 - e) Competition
 - f) Staffing issues
 - g) Staff competence
4. How have you responded to the above issues?
5. Has strategic positioning been a challenge to Nhif

PART C

To determine the strategies adopted by Nhif to cope with the challenges of strategic positioning.

6. What strategies has Nhif adopted to cope with the challenges of strategic positioning?
7. Has there been retaliation from the field as a result of the strategies adopted?
8. The health sector has experience a lot of attention from the government to deliver to the citizens, how has that effect been on your long-term strategies adopted?

9. Has positioning strategy been a challenge to the growth of the organization?
10. What achievements has Nhif made in dealing with strategic positioning of the institution?
11. For how long have you encountered strategic positioning as a challenge to the institutions?
12. Is there anything you would kindly like to share on the strategies/long term objectives in relation to the strategic positioning challenges to Nhif?
13. What strategies has Nhif adopted as part of the growth and survival strategy?
14. What are the effects of these strategies?

THANK YOU FOR YOUR TIME AND PARTICIPATION.

