

# STRATEGIC MANAGEMENT PRACTICES AT THE MATER HOSPITAL

By

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DECLARATION

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

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## DEDICATION

### ACKNOWLEDGEMENT

I am grateful for all the support I have received whilst researching and writing up this engagement research project.

Special thanks, to my research project supervisor Dr Martin Ogutu, for his immeasurable guidance.

This management research project is dedicated to my dear parents, My sincere appreciation to the Health Services Chief Executive Officer and Human Resources Manager of the Corporation for provision of timely adequate data for this project.

I also want to thank my MSA study companions and lecturers with whom we went through the program together. They enabled me to endure and survive the experience of graduate school and provided me with unending encouragement and support.

I owe special thanks to my friends particularly Ambia, Carol, Alex, Cecilia, Christine, Mauran, and Lilian. They saw me through the joys and frustrations of the research while helping me stay focused on the project.

Finally and most importantly, I thank God Almighty for among other things providing me with a loving family whose support and quiet patience I counted upon during my studies. I thank my parents for their faith in me. It was under their watchful eyes that I gained so much strength and ability to tackle challenges head on.

I thank my siblings Jadhira, Yvonne and Yvonne for their support, enthusiasm, and constant provision of humor and entertainment that was much needed during the stressful times of my studies.

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## ABBREVIATIONS

AIDS	Acquired Immuno-deficiency syndrome
BCG	Boston Consulting group
CEO	Chief Executive Officer
FOB	Faith-based organizations
IT	Information Technology
HIV	Human Immune –deficiency Virus
HRM	Human resources Manager
MOH	Ministry of Health
NGO	Non governmental organizations
SWOT	Strengths, Weaknesses Opportunities and Threats.

## FIGURE

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<b>Figure . Model of the elements of strategic management</b>	<b>1</b>

This study prescribes that, over time, as the environment surrounding Kenyan hospitals becomes less predictable, there is need for hospital administrators to adopt strategic management practices. The focus of the study is on strategic management practices at the Mater hospital as outlined in the strategic management process model by Johnson and Scholes model (1999). The areas under research were vision and mission practices, environmental scanning, and general planning practices, goal setting, strategy implementation practices, and evaluation of strategies. In-depth interviews with the CEO and a representative of the hospital's senior management team were conducted to establish what strategic management practices have been adopted by the hospital administrators. The content of the interviews was analyzed and presented in relation to the objectives of the study. The findings show that there is formulation of vision and mission statements, environmental scanning, formulation of annual business plans, objective setting takes place at the hospital, evaluation of strategies and objectives. This implies that the hospital has adopted a variety of strategic management practices.

## ABSTRACT

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Administrators of Kenyan non-profit hospitals are often hesitant to adopt practices that would lead to a drift from their core values and ethical objectives. This study presents that over time, as the environment surrounding Kenyan hospitals becomes less predictable, there is need for hospital administrators to adopt strategic management practices. The focus of the study is on strategic management practices at the Mater hospital as outlined in the strategic management process model by Johnson and Scholes model (1999). The areas under research were vision and mission practices, environmental scanning, and general planning practices, goal setting, strategy implementation practices, and evaluation of strategies. In-depth interviews with the CEO and a representative of the hospital's senior management team were conducted to establish what strategic management practices have been adopted by the hospital administrators. The content of the interviews was analyzed and presented in relation to the objectives of the study. The findings show that there is formulation of vision and mission statements, environmental scanning, formulation of annual business plans, objective setting takes place at the hospital, evaluation of strategies and objectives. This implies that the hospital has adopted a variety of strategic management practices.

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## CHAPTER ONE

### INTRODUCTION

#### 1.1 Background

In today's marketplace, there exists intense competition at the international, national and local levels. The implication is that, those organizations that are prepared to face the competition are the ones most likely to survive. Strategic management is one of the approaches that many organizations have selected to ensure their survival. Strategic management enables managers to give direction and scope of the organization over the long-term thereby achieving advantages for the organization through its configuration of resources within a changing environment (Johnson & Scholes 2002).

According to Dess et al (2005), Strategic management is a management process 'consisting of the analysis, decisions and actions an organization undertakes in order to create and sustain competitive advantages'. It is concerned with analysis of strategic goals (vision, mission and strategic objectives) along with the analysis of internal and external environment. The basic decisions involved entail: what industries the organization should compete in and how to compete. In addition, organizations must take the necessary actions to implement their strategies. These include developing procedures and plans to achieve set goals and allocating corporate resources to enable the

implementation of these plans.

Strategic management is a continuous, iterative process aimed at keeping an organization as a whole appropriately matched to its environment (Certo and Peter, 1988). It is a process of making explicit the goals of the enterprise, the environment in which it operates, the strategies, and finally the feedback loops that tell the firm whether each of these steps has been identified correctly (Gardner et al, 1994). Furthermore, it is a stream of decisions and actions that leads to the development of an effective strategy or strategies to help achieve corporate objectives (Jauch and Gluek, 1988). Strategic management is the way in which strategists determine objectives and make strategic decisions.

The strategic management process described by Johnson & Scholes (2002) consists of the phases: strategic analysis, strategic choice, strategic implementation and evaluation. This strategic management process is dynamic and involves a complex pattern of actions and reactions that are repeated at regular intervals - usually annually.

Organizations can reap several benefits from appropriately practicing strategic management. Firstly, strategic management provides better guidance to the entire organization on the crucial point of " what are we trying to do and achieve?" (Thompson and Strickland, 1992). The second benefit is seen financially as an effective strategic management system increases profitability (Certo and Peter, 1988) since it provides managers with a rationale to evaluate competing budget request for investing capital and new staff (Thompson and

Strickland,1992). In addition strategic management systems provide consistency of actions, and clear objectives and direction for employees; therefore boosting their commitment for the sake of the sacred objective for achieving corporate strategy.

Strategic managements' emphasis on assessing the organization's environment allows firms to anticipate changing conditions and therefore makes it less likely to be surprised by movements within the market place, or by actions of competitors that could put the organization at a sudden disadvantage. It also gets managers into the habit of thinking in terms of the future as they launch strategic offensives to secure sustainable competitive advantage and then use their market edge to achieve superior financial performance.

### **1.1.2. Overview Of Healthcare In Kenya**

The 1999 national census estimated Kenya's population to be 28.7 million, of whom 56 percent was less than 20 years of age. In 2004, the population was estimated to be 32.8 million. Life expectancy is on the decline, at 48 years for women and 47 for men and is expected to fall further due to the rising incidence and prevalence of HIV/AIDS. There is also a steady decline in the fertility rate, from 8.1 in 1978 to 5.4 in 1992, and to 4.2 in 2003. Overall morbidity and mortality remain high, particularly among women and children.

Malaria is the leading cause of outpatient morbidity in Kenya, accounting for one third of all new cases reported. After malaria, the most common illnesses seen in outpatient clinics are diseases of the respiratory system, skin diseases, diarrhoea and intestinal parasites. Other frequent health problems include accidental injuries, urinary tract infections, eye infections, rheumatism and other infections.

Hospitals in Kenya are considered very important institutions for the promotion of health in the society. The Kenyan health sector comprises the public systems with major players including the MOH and parastatal organizations, and the private sector, which includes private-for profit, NGO and Faith based organization facilities. Health services are provided through a network of over 4,700 health facilities countrywide with the public sector system accounting for about 51 percent of these facilities. The public health system consists of national referral hospitals, provisional general hospitals, district hospitals, health centers and dispensaries. The government health services is supplemented by privately owned and operated hospitals and clinics and faith-based organizations' hospitals and clinics which together provide between 30 and 40 percent of the hospital beds in Kenya. According to the Kenya medical directory (2005), there are 184 private hospitals in Kenya, 54 of which are located in Nairobi.

Typically hospitals employ many different professions that respond to patient needs from conception through life till death. Personnel in Kenyan hospitals include medical professionals, such as general surgeons, general medical physicians, paediatricians, general and specialized nurses, midwives and public health staff. According to Bullas (1994) hospitals are complex organizations that have a range of roles. They are responsible for treating acute illness and trauma, treating and supporting those with chronic illnesses, promoting healthy lifestyles, training professionals and playing an active role in the cultural life of the local community. Hospitals provide clinical services in the following disciplines, medicine, general surgery and anaesthesia, paediatrics, obstetrics and gynaecology, dental services, psychiatry, accident and emergency services, Ear, Nose and Throat, ophthalmology, dermatology, ICU (Intensive care unit) and HDU (High dependency unit) services. They also provide laboratory and diagnostic techniques.

According to Lieber et al (1992) a hospital is an institution surrounded by a specific environment and has essential parts that are interrelated and independent and designed to achieve a set of goals. Hospitals are open systems whereby patients, doctors, nurses, equipment and medical supplies represent the inputs that are transformed into outputs such as patients with modified needs. This system is subjected to the influence and constraints of the government, community and third party payers (Hejase et al 2000). Private hospitals have been faced with a competitive environment which has resulted

in the need for increasing high levels of capital investment to support facilities and equipment perceived necessary to retain top quality medical personnel. In addition the environment of the healthcare industry is unpredictable. Actual patient (customer) demand for hospital services is equally volatile and difficult to predict. The next decade is likely to see a dramatic increase in positive lifestyle changes driven by both a greater awareness of the personal value of these behavioral changes and the positive reinforcement provided by businesses attempting to reduce health-care costs. Health-care experts are becoming increasingly aware of the need for more systematic planning to deal with the numerous and complex changes affecting the health-care industry. In hospital settings, strategic management refers to the activities that position a hospital in its changing environment and organize internal resources to achieve long-term objectives.

### **1.1.3 The Mater Hospital**

The Mater Hospital was started as a mission hospital in 1962, at its current location in Nairobi's South B area by the Sisters of Mercy, a catholic order of nuns originating from Ireland. The hospital was initially set up as a 60 bed general ward with the aim of enhancing availability of quality healthcare to the poor living in the vicinity of Nairobi's industrial area. By 1970, a maternity ward, antenatal, postnatal and immunization clinics had been added to the growing hospital. In 1972, the Mater hospital was chartered as the second school of

midwifery in Kenya, the first one being Pumwani maternity hospital-Kenya's largest public maternity Hospital. The hospital currently offers a wide range of paramedical services that include pharmacy, physiotherapy, laboratory, radiology and counseling to corporate and non-corporate clients.

In 1998, following a comprehensive evaluation of the hospital by a team of consultants, the hospital undertook various institutional restructuring and transformation processes. This led to the re-branding of the hospital in 2000 and establishment of other corporate marketing activities. The restructuring activities coupled with the hospital's certification for ISO 9001:2000 quality management systems, greatly enhanced the adoption of management practices such as planning, goal setting, monitoring and evaluation of hospital activities. Business and operational planning takes place at the hospital at different levels and different titles are used for the plans that are developed.

As a private mission hospital, the Mater Hospital plays a significant role in the society since it assists the overcrowded government hospitals, by providing parallel or competing services. Private hospitals are believed to be more efficient and offer higher quality alternatives than the public sector and are therefore the preferred choice for those who can afford the medical fees that are generally higher than what the public hospitals charge.

The missionary role of the Sisters Of Mercy has continued to expand to other parts of Kenya, so the number of sisters of mercy working in the hospital has been reduced. However, they have retained a guiding presence through membership in the Board of Governors and Advisory Board of the hospital.

## 1.2 The Research Problem

Traditionally, studies in strategic management have dealt with profit-making firms to the exclusion of non-profit or government organizations (Wheelen and Hunger, 1995). Many strategic management practices and tools were developed in corporate firms and hence are popular with business executives. Administrators of non-profit organizations are often hesitant to adopt practices that would lead to a drift from their organizations' core values and ethical objectives. Drucker (1989) notes that many not-for profit firms are not as pre-occupied with efficiency and bottom-line as commercial organizations are. However, over time many not-for-profit firms have adopted strategic planning and control systems as a form of operational discipline in their drive to become more business like despite in many cases not having managerial skills and capacity (Dees, 1998).

Since the 1980's, the healthcare industry both locally and internationally, has been turbulent due to factors such as HIV/AIDS epidemic, advancing technology, rising costs of medical drugs, labour shortages due to emigration of healthcare professionals and changing government healthcare policies. The Mater hospital has not been spared from these challenges. As its environment becomes less predictable, it is necessary for The Mater Hospital to be flexible enough to respond to the environmental changes. Its Administrators have the responsibility to provide vision and direction for the hospital, plan and implement strategies that can safeguard its future. This research therefore

undertakes to study the question, " what strategic management practices have administrators of the Mater hospital adopted?"

In the area of strategic management practices, several empirical studies have been conducted in other Kenyan organizations: in large, private manufacturing firms (Aosa, 1992), Public sector organization (Kangoro, 1998), Commercial internet service providers (Mbayah, 2001), Public membership clubs (Kiruthi, 2001), Hotels and restaurants (Mittra, 2001) Agricultural statutory boards (Njanja, 2002), Reproductive health NGO's (Bukusi, 2003), shipping companies (Mugambi, 2003). Due to contextual, sector and managerial differences among the organizations, issues in strategic management practices gained from these previous studies may not be assumed to explain strategic management practices at the Mater Hospital, unless an empirical study suggests so. This is the gap that this study seeks to fill.

### **1.3 Research Objective**

To establish the strategic management practices at The Mater Hospital.

### **1.4 Significance Of The Study**

The significance of this study is two fold. Firstly, the findings from this study will give a practical view of the application of strategic management practices in a Kenyan private non-profit hospital. This will be of importance to administrators

of other Kenyan hospitals, as it will help them understand strategic management practices and how they apply in their organizations. Secondly, other scholars and researchers in the fields of strategic management and health care management may use the findings as a source of reference.

The word and concept of strategy takes its origin from the military, influenced by the Greek word "strategos" which means general warfare. In military theory, strategies are defined as a way to take care of a country's forces, in order to obtain security and victory (Mintzberg, 1973). Though strategy is associated with military art form, in recent times the word has been adopted as a business term. According to Mintzberg et al (1998) there is no single universally accepted definition of strategy. Various definitions have been proposed and limited by strategy authors through which the concept of strategy can be understood. Chandler (1962) defines strategy as the management of long term goals & objectives of an organization in order to achieve its purpose. Porter (1985) defines strategy as a plan of action that an organization uses to achieve its long-term goals and objectives. Porter (1985) defines strategy as a plan of action that an organization uses to achieve its long-term goals and objectives. Porter (1985) defines strategy as a plan of action that an organization uses to achieve its long-term goals and objectives.

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## CHAPTER TWO

### LITERATURE REVIEW

#### 2.1 The Concept Of Strategy

The word and concept of strategy takes its origin from the military, influenced by the Greek word "strategos" which means general warfare. In military theory, strategies are defined as a way to take care of a country's forces, in order to obtain security and victory (Mintzberg, 1976). Though strategy is associated with military art form, in recent times the word has been adopted as a business term. According to Mintzberg et al (1998) there is no single universally accepted definition of strategy. However, there are different perspectives put forward by strategy authors through which the concept of strategy can be understood. Chandler (1962), defines strategy as the establishment of long term goals & objectives of an organisation, including the undertaking of actions and allocation of resources for achieving these goals. Quinn (1980) proposes that strategy is the pattern or plan that integrates an organization's major goals, policies and action sequences into a cohesive whole.

Aaker (1995) provides historical perspective showing how the strategic management evolution has progressed and acknowledges that strategic activity has been described over the years either as budgeting, long-range planning, strategic planning and strategic management. Early strategic activity was concerned with budgetary and control mechanisms. Structured methods of

allocating, monitoring and investigating variances from budgets provided a means of managing complex processes. Planning systems and processes tended to extrapolate current trends (with varying degrees of sophistication) and predict factors such as sales, profits and cost. The 1970s and 1980s were the era of strategic planning which placed emphasis on (1) specifying the overall direction and (2) centralized control of planning activities. The current state of strategic activity practiced today is strategic management, which involves both the formulation of the strategy and how strategy is put into practice. While still undertaking analysis and forecasting, far greater emphasis is placed on implementation. The main concerns of strategic management are managing change and transforming the organization within an increasingly turbulent business environment.

In line with the strategic management perspective that incorporates the business environment, (Miles and Snow 1978, Porter 1980) define strategy by the way an organization's products or service are placed in the environment. According to Porter (1980), strategy is a deliberate search for a plan of action that will develop a business' competitive advantage and compound it. Generic strategies provide two ways of developing competitive advantage in a changing environment: either through value added to customers, who pay a premium to cover high costs, or cost based leadership, offering products and services at lowest cost (Porter,1980). Miles and Snow (1984) further emphasize the need for an organization to "fit" its internal capabilities and resources to the external environment. Similarly, Quinn (1980), asserts that a well formulated strategy helps to marshal and allocate an organizations unique and viable posture based

on its relative internal competencies and shortcomings, anticipated changes in the environment, and contingent moves by intelligent opponents.

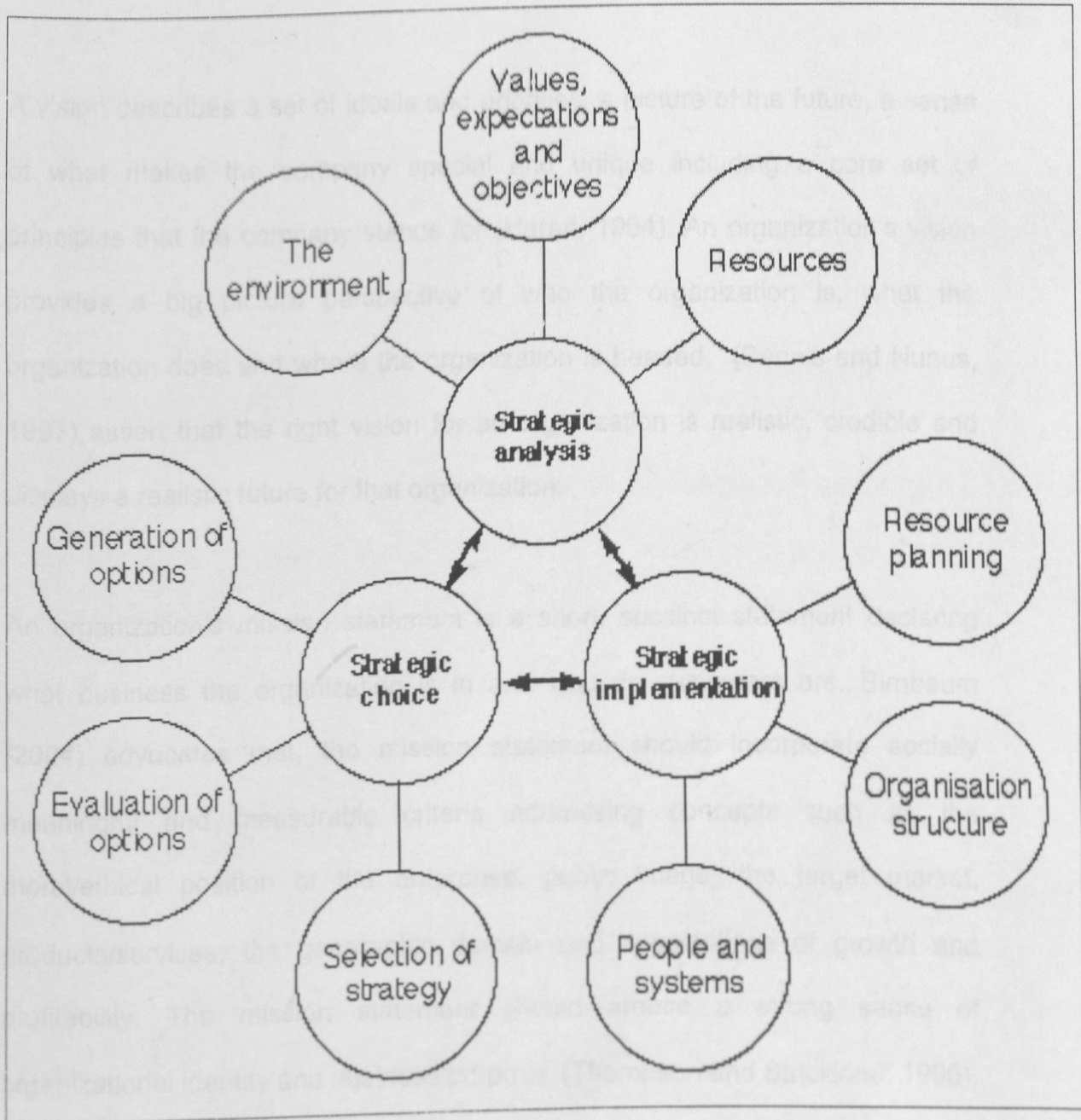
Johnson and Scholes (2002), define strategy as the direction and scope of an organization over the long-term: which achieves advantage for the organization through its configuration of resources within a challenging environment, to meet the needs of markets and to fulfill stakeholder expectations. This definition provides four underlying themes of strategy: First, strategy is forward looking and instrumental. Second, strategy affects the sustenance of the whole organization and involves all of the organization's sections. Third, strategy entails the deployment of large amounts of resources and thus is not something that can be taken lightly. Fourth, is the assumption that, good strategy will lead to higher than average performance.

Within an organization, there are different sub-types of strategy (Johnson and Scholes, 1999). Corporate strategy is concerned with the types of business to operate and how resources should be focused to achieve competitive advantage. Business strategies are linked with the various individual business units that comprise the overall corporate organization. Operational strategies relate to the contribution of various functional areas, within individual business units, to overall corporate and business strategies.

## 2.2. The Strategic Management Process & Practices

Johnson and Scholes (1999) provide a useful model (figure 1) that summarizes the main elements of strategic management. The process comprises three main phases: strategic analysis, strategic choice and strategy implementation. Each phase has a variety of elements associated with it. In practice, business managers usually divide the three phases into the following sub-phases: defining the vision and mission, situational analysis, strategic analysis and choice, strategy implementation and strategy evaluation. Owing to the nature in which the various activities from the different phases overlap each other, the strategic management process is not linear (Judson 1996). The activities and events do not follow each other in a logical sequence. For example, strategic analysis is essentially an ongoing activity and does not stop when other phases take place. The strategic management process is continuous and iterative (Certo and Peter 1991). A change in the organization's environment can necessitate a change in the entire strategy thereby enhancing the need for the process to be repeated frequently in order to adapt the strategy to environmental changes.

Figure 1. A summary model of the elements of strategic management



Source: Adapted from Gerry Johnson and Kevan Scholes, *Exploring corporate strategy*, 5th Edition (1999)

### 2.2.1. Definition of Vision and Mission

A vision describes a set of ideals and priorities, a picture of the future, a sense of what makes the company special and unique including a core set of principles that the company stands for (Harari, 1994). An organization's vision provides a big picture perspective of who the organization is, what the organization does and where the organization is headed. (Bennis and Nurus, 1997) assert that the right vision for an organization is realistic, credible and displays a realistic future for that organization.

An organization's mission statement is a short, succinct statement declaring what business the organization is in and who its customers are. Birnbaum (2004) advocates that, the mission statement should incorporate socially meaningful and measurable criteria addressing concepts such as the moral/ethical position of the enterprise, public image, the target market, products/services, the geographic domain and expectations of growth and profitability. The mission statement should arouse a strong sense of organizational identity and business purpose (Thompson and Strickland, 1995). Responsibility for creating the vision and mission lies with the organization's leadership. Drucker (1992) emphasizes that an effective leader knows the ultimate task of leadership is to create human energies and human vision. In practice, the organization's leader may choose to create the vision on his /her

own or alternatively tap into the ideas of colleagues and subordinates in a collaborative process that would enhance shared vision. Bailey (1996) recommends that a mission-writing committee should be set up. This committee can be either a group of only management members or a more diversified group of members from different areas in the corporation, be they management or non management personnel. Bailey (1996) further asserts that the organization may lose valuable input by limiting the voices it is willing to hear; and that employees may be more willing to carry out a mission that they helped develop.

Once a vision is created, it must be communicated and articulated effectively so that it becomes the shared vision of everyone in the organization (Goldberg, 1997). One way to communicate the vision is to share it at every opportunity. Repetition breeds awareness, acceptance and understanding of the vision (Parker, 2001). Some practices used to communicate the vision include disseminating the vision in written form, preparing audio visual shows outlining and explaining the vision, presenting an explanation of the vision in speeches, interviews or press releases by the organization's leaders. The vision can also be integrated into as many communication channels as possible-in personal presentations, written communications, emails, company newsletters, in meetings, advertising, marketing campaigns, and by placing plaques and engravings stating the vision in corporate hallways, offices, and lobbies (Dolak, 2001).

### 2.2.2. Situational analysis

Situational analysis seeks to understand an organization's current strategic position. Managers must monitor both the societal and task environment to detect strategic factors that are likely to have a strong impact on their organizations success or failure (Wheelen and Hunger, 1995). Situational analysis comprises the external analysis and internal analysis of an organization (Johnson and Scholes,1999). The simplest way to conduct environmental scanning is by SWOT analysis (Wheelen and Hunger,1998). SWOT analysis is the process of carefully inspecting the business and its environment through the various dimensions of Strengths, Weaknesses, Opportunities, and Threats. According to Pearce and Robinson (1997), strengths are key competitive distinctions that would give a firm an edge over other firms with the same product lines while, weaknesses are considered to be a lack of or limit to resources that are necessary to accomplish the objective at hand. Opportunities are "grossly favorable situations" upon which a firm could capitalize and improve their standing. Threats are situations that can be detrimental to the organization. SWOT analysis should result in the identification of a company's distinctive competencies, and of opportunities that the company is unable to take advantage of due to a lack of, or insufficient, current resources (Wheelen and Hunger 1998).

PEST analysis, is another tool used to understand the environment in which a business operates. PEST (Political; Economic; Social; Technological) enables managers to summarize the most important influences of the business environment and to evaluate the potential impact of these influences on the organization. The Five Forces Analysis established by Porter (1980) is also used in situational analysis. It identifies the forces that affect the level of competition in an organization's industry. According to Porter (1980), whether an industry produces a commodity or a service, or whether it is global or domestic in scope, competition depends on five forces. Namely, the threat of new entrants; the existence of substitute products or services; the bargaining power of suppliers; the bargaining power of customers or buyers; existing rivalry within the industry.

### **2.2.3. Strategy Analysis and Choice**

Strategic analysis and choice involves the determination and evaluation of strategic options and the choice of future courses of action. Olsen et al (1998) describe strategic choice as the choice of competitive methods used by the firm to take advantage of the threats and opportunities in the business environments. These methods should provide the firm with sustainable competitive advantage. Courtney et al (1997) emphasize that to cope with different levels of uncertainty, organizations need different analytical approaches to determine the best possible strategies. According to Johnson and Scholes (2002) strategic choice can be conceived by the following; (1)

Identifying the bases of choice i.e. how the firm creates an advantage, how it balances its activities, and its aspirations for the future. (2) The generation of options /directions in which the organization could move and by what methods. (3) The evaluation and selection of strategic options.

Hamel and Prahalad (1990) highlight the need for strategic choices to be based on core competencies whereby the core competency is an area of specialized expertise that is the result of harmonizing complex streams of technology and work activity in the organization. Core competencies are built through a process of continuous improvement and enhancement.

In regards to the strategic choices that managers can make, Porter (1980) identifies three main types of generic competitive strategies: Cost leadership (offering low cost products when compared to competitors), Differentiation (over competing with rivals through differentiating products and services, adding extra value, creating image or brand name) and Focus (concentrating on a certain market niche while applying either cost leadership or differentiation strategies). Organizations with no coherent strategy are considered 'stuck in the middle' pursuing a muddling strategy.

Choosing a strategy can be done either intuitively or rationally. Rational portfolio management tools have been developed for managers to use when comparing strategy choices. The most common tools are the Boston Consulting Group's

(BCG) growth-share matrix, the General Electric's (GE) grid and the Ansoff product-Market matrix.

#### **2.2.4 Strategy implementation**

Implementation involves making the new strategy operational and effective in achieving the organization's objectives. Although effective implementation of strategy is important, it is not easy (Mugambi, 2003). Strategy implementation involves consideration of issues like organizational structure, resource planning and the management of strategic change (Johnson and Scholes, 2002).

Resources are necessary for strategic management. The strategy being implemented should be realistic, given the resources available in the firm. Strategy is concerned with delivering long-term added value to the organization (Lynch, 2002). Added value is created through an organization's resources and processes, which transform inputs of raw materials or other supplies into outputs of products or services, and then distributed to customers, employees, shareholders in the form of benefits, pay and profits (Lynch, 2002). Resource planning is conducted through the use of budgets. The budgetary allocations represent management commitment of plans to action. The activities, projects or programs provided for in the budget should derive from the grand strategy of the company (Aosa, 1992).

Availability of skilled human resource is critical to the success of the strategic management process especially during implementation of new strategies.

Having the right people in the right positions is a success factor. A lack of staff expertise can present a major problem for the implementation of a major strategy (Alexander, 1985). Strategic human resources management involves accepting the human resources function as a strategic partner in the formulation of the company's strategies as well as in the implementation of those. In practice, successful companies ensure that they have the appropriate human resource by adopting practices such as; analysis of labour markets trends both in short term and long term, effective recruitment and selection processes, appropriate training and development and succession planning. These activities ensure that the most appropriately skilled and qualified personnel are placed in functions in which they can efficiently contribute to the achievement of the strategic aims and objectives. Taylor (1986) identifies the importance of human resources in companies by arguing that practices such as staff training, employee involvement programs, performance appraisal and incentive schemes to motivate and reward employees, all enhance a company's capability for improving performance. Hussey (1988) similarly argues that management training is important for enhancing ability to develop and implement strategy.

Each organization possesses its own culture, that is, the collection of beliefs, expectations and values shared by the corporation's members and transmitted from one generation of employees to another (Wheelen and Hunger, 1995). The culture of an organization can either support strategy or work against it as a significant barrier. The corporate culture determines the extent of cooperation,

degree of dedication, and depth of strategic thinking within an organization. Lack of compatibility between strategy and culture can lead to high organizational resistance to change and de-motivation, which can in turn frustrate the strategy implementation effort (Aosa, 1992, Wheelen and Hunger 1995).

Problems often occur during implementation and may affect how fast and how well plans are put into action. Examples include; competitors actions, internal resistance between departments, loss of key personnel, inadequate leadership and employees training, unclear statement of overall goals, delays affecting product availability, changes in the business environment, and lack of innovation of organizations in parallel with the technological dimension (Alexander 1985, Cravens 1997, Kotler 1997). Resistance to change can be considered the single greatest threat to successful strategy implementation (David, 1993). Resistance by employees in the form of absenteeism, filing unfounded grievances, and an unwillingness to cooperate regularly occurs in organizations. People often resist strategy implementation because they do not understand what is happening or why changes are taking place. Successful strategy implementation hinges upon managers' ability to develop an organizational climate conducive to change. Resistance to change can be overcome by encouraging employees to participate in the strategic management process. Ansoff and McDonnell (1990) propose a flexible method for countering resistance that emphasized first building support, then making changes in phases (culture first, then competencies, finally strategy but only when the organization is ready), and controlling the resistance as the initiative is

implemented. Nash (1983) argues that greater participation leads to greater commitment to the organization, thereby encouraging the translation of corporate goals into individual goals.

### 3.1 Research Design

#### 2.2.5. Strategic Evaluation

The research will be conducted via a case study format. Yin (1984) observes This is the process of monitoring corporate activities and performance results so that actual performance can be compared with desired performance. Strategic evaluation takes place throughout whole strategic management process. It alerts management to potential or actual problems in a timely fashion. It is necessary to conduct strategy review and evaluation because strategies can easily become obsolete due to dynamism of the environment. In practice, organizations have scheduled strategy review meetings in which progress reports on the performance of the strategy are given. Ansoff and Mcdonnel (1990) maintain that if a strategy turns out to be uncompromising, it can be revised and abandoned before major financial and psychological commitments have been made.

## CHAPTER THREE

### RESEARCH METHODOLOGY

#### 3.1 Research Design

The research will be conducted via a case study format. Yin (1984) observes that case studies allow a researcher to reveal the multiplicity of factors, which have interacted to produce the unique character of the entity that is the subject of study. Case studies provide very focused and valuable insights to phenomena that may otherwise be vaguely known or understood.

#### 3.2 Data Collection

Both primary and secondary data will be collected and used for the study. Primary data will be collected via personal interview with an interview guide (See appendix 1) consisting of open-ended questions. Interviews are particularly useful for gaining the story behind a participant's experience, and also pursue in depth-information around a topic (McNamara 1999). Desk analysis of available secondary data from existing hospital records will be used to supplement the primary data.

Respondents in this study will be drawn from top-level management. The Chief Executive Officer is best placed to respond to strategic management issues

raised for the purposes of this research. However, the researcher will also interview any referral that the Chief Executive Officer will give.

### 3.3 Data Analysis

#### 4.1 Introduction

The data collected will be qualitative and will be analyzed using content analysis. The responses for each question will be summarized into a few sentences, which will be considered to be representative of the total responses. The data was collected through in-depth interviews with the hospital's Chief Executive Officer (CEO) and the Human Resources Manager (HRM). Secondary data was collected from the hospital's 2006 business plan. The data was analyzed in relation to the study's objective and the findings are presented in the various categories below.

#### 4.2 Company Profile Of The Mater Hospital

The study established that at present the hospital has 500 members of staff. The hospital is fully owned by the Sisters of Mercy, a catholic order of nuns originating from Ireland. The hospital's Governing council that has 14 members is the senior governing body that oversees all business affairs of the hospital. The sisters of mercy are present in this council as well as the Chief Executive Officer. The Senior management team which is headed by the Chief Executive Officer comprises 13 Heads of Departments. The hospital has a documented organizational chart (See appendix 2).

## CHAPTER FOUR

### DATA ANALYSIS AND FINDINGS

#### 4.1 Introduction

The study had one objective, which was to establish the strategic management practices adopted by the Mater hospital administrators. Primary data was collected through in-depth interviews with the hospital's Chief Executive Officer (CEO) and the Human Resources Manager (HRM). Secondary data was collected from the hospital's 2006 business plan. The data was analyzed in relation to the study's objective and the findings are presented in the various categories below.

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hospital reception area, hallways, entrances and meeting rooms in full view of employees and clients.

### 4.3 Vision And Mission Practices

The study established that the hospital has vision and mission statements that are documented. The hospital's vision is *"to be the leading healthcare providers in East and Central Africa and benchmark itself against the highest attainable world standards seeking continuous improvement."* The hospital's mission is *"to provide timely and compassionate services to our patients and their families to the highest possible standards at an affordable cost through the provision of quality staff and appropriate equipment and staff training"*.

It was established that, the vision and mission statements were developed and written by a team of the hospital's senior management. The vision and mission statements were developed in line with the ethos of the Sisters of Mercy, the history of the Sisters of Mercy and the vision that the Sisters of Mercy had for their work in the East African region.

The vision and mission statements are communicated in both verbal & written format. The CEO communicates the vision and mission to employees and external stakeholders by way of speeches during official functions. The statements are communicated in written form in the hospital's information brochures and in-house magazine *Mater Matters*. The researcher observed that the vision and mission statements are displayed prominently on plaques at the

hospital reception areas, hallways, entrances and meeting rooms in full view of employees and clients.

#### 4.4. General Planning Practices

The study established that a variety of plans are developed in the hospital. There is an overall hospital business plan as well as departmental plans. The hospital's business plan is considered the top most in the hierarchy of plans developed in the hospital. The CEO emphasized that the hospital business plan was a reference point for all plans in the hospital. It sets precedence for all other operational plans in the hospital. The hospital's first definitive business plan is the 2006 business plan. Prior to the 2006 business plan, the administrators at the hospital generally prepared a variety of operational plans.

It was established that the core drivers of the business plan were the CEO, the HRM and the Financial controller who constituted themselves into a sub-committee to drive the process of business planning in the hospital. The role of this sub committee was to develop the framework of the business plan and the inputs that would be required in the process. The sub-committee decided upon a business plan instead of a strategic plan because the hospital was undergoing change and a 1-2 year business plan was considered most appropriate. The study established that the hospital administrators have plans to develop a 3-5 year strategic plan in 2007.

The study established that every department in the hospital has documented functional strategies that guide its activities and that these functional strategies are in line with the hospital's overall strategies.

#### **4.5. Environmental Scanning**

The respondents identified several mechanisms that the hospital has put in place in order to assess the internal and external environment of the hospital. One such mechanism is the use of external consultants in business planning. During the process of development of the 2006 corporate business plan, a business planning consultant was hired. The consultant analyzed the hospital's internal and external using the SWOT framework. In addition, the consultant also assisted the hospital's administrators in conducting SWOT analysis on competitor hospitals.

The research established that the hospital's administrators consider the views of the clients to be very important in assessing the environmental situation of the hospital. The marketing department conducts regular customer satisfaction surveys. In these surveys, patients are issued with questionnaires to rate and score their experience of the hospital's services. This process is continuous and both qualitative and quantitative data from the process are analyzed and documented in reports that are presented on a monthly basis to the senior management team. In order to motivate customers to give their feedback,

respondents are entered in bi-annual draws and stand to win exciting prizes. In addition to this, the Customer service representatives conduct ward rounds to collect verbal views from patients admitted within the hospital and this information is compiled into documented reports given to the CEO on a monthly basis. Through this process, the hospital administrators have been able to gather information on how patients perceive the hospitals services even in comparison to other hospitals.

Regular cocktail parties held by the hospital for its suppliers and business

It was established that the hospital engages the services of market research firms to conduct studies that focus on identifying perceptions of the hospital by external stakeholders .i.e. the neighboring population, business community, partners and competitors. processes etc.

The CEO and Senior managers at the hospital also participate in environmental scanning through personal monitoring of issues raised by employees and clients. The Chief Executive Officer collects views of employees during formal and informal meetings. Prior to the development of the business plan, a series of formal meetings between the CEO and hospital employees were held. Employees were asked to share their ideas with the CEO on how to make the Mater Hospital 'the hospital of choice'. During these meeting staff were grouped into teams of 10-15 employees from various departments and were given time to brain storm and generate ideas. The ideas from all the teams were documented and the CEO presented the employees views to the Governing council and his senior management team. Through these meetings with the

CEO, all the 500 employees of the hospital had the opportunity to communicate their ideas and views to the CEO and such information was taken into account during development of the business plan. The researcher also established that suggestion boxes have been placed in the staff dining area for the CEO to continually gather information from employees. Suggestions by employees have led to introduction of innovative products and processes in the hospital.

Regular cocktail parties held by the hospital for its suppliers and business partners were identified as other mechanisms through which the hospital gets to detect changes in the environment. Through hosting cocktails for consultant doctors, the hospital administrators are able to get information on developments in medical technology and processes etc.

#### **4.6. Setting Of Goals And Objectives**

The study established that a variety of objectives are set in the hospital. These Objectives are hierarchical and linked to each other. The main strategic objectives are the hospital objectives contained in the business plan. The other objectives, namely Departmental objectives and Individual employee objectives are derived from the hospital objectives. The process of objective setting in the hospital is participatory.

#### 4.6.1. Hospital objectives

The study established that the Governing council was involved in the development of the hospital objectives. The council held planning meetings to define the parameters for the corporate objectives in line with the vision and mission of the hospital. These parameters were in terms of revenue generation, cost management, staff welfare and operational efficiency. Once the parameters were set, the Chief Executive Officer communicated them to senior managers in whole day workshops held in offsite locations. The agenda of these workshops was to formulate strategies for the hospital for the year 2006. An external consultant facilitated these workshops and senior managers were given an opportunity to discuss, debate and give recommendations. In addition, training sessions on objective setting were held for the senior managers. Further follow-up sessions were held to refine the recommendations of the initial workshops. The Governing Council and the CEO made the final corporate objectives having put into consideration the recommendations by the senior managers. These were then documented in the business plan. Review meetings were later held by the senior managers to review the strategies agreed and formulate team briefs for other staff members. On a regular basis, the Chief Executive Officer and senior managers hold meetings where feedback is communicated from all departments.

The study established that the main bases for selection of the strategies at the hospital are financial data and the core competencies of the hospital. According

to the CEO, priority is given to those gaps in the market that the hospital's competitors are not able to fill but that the Mater hospital can by virtue of its core competencies. The study established that the hospital identified some areas in which it has competitive advantage.

The researcher established that the hospital used the Ansoff product/ market development matrix as a basis for modeling its business growth. Market penetration strategies were highlighted in the business plan. According to the CEO, the hospital has a quest to be a business leader and hence the hospital strategies also revolved around innovation of hospital services and introduction of new products. Currently the hospital is working on this and has partnered with the University of Florida to pioneering an Art in Medicine programme in Africa. This programme incorporates the use of music and the arts in hospital patient care. Mater hospital is the first hospital in Kenya and Africa to introduce this concept.

#### **4.6.2. Departmental Objectives**

The study established that each department had objectives that had been set in line with the overall hospital objectives. The senior managers set these objectives together with their staff members in formal meetings. Each employee of the hospital has objectives that are set in line with their departmental objectives and linked to the overall hospital objectives. Each staff with his/ her

immediate supervisor sets their individual objectives during formal meetings. i.e. performance evaluation meetings. Evaluation is done bi-annually through performance-based appraisal. The senior managers are evaluated by the CEO on the contribution that their departments have made to the attainment of the hospital goals.

consolidated into an overall hospital budget. The objectives in the business plan set the priority of resource allocation.

#### **4.7. Strategy Implementation**

##### **4.7.1. Organization structure**

The study established that the organization structure of the hospital changed since the launch of the 2006 business plan. The hospital adopted a strategic business unit system to help boost performance and enhance operational efficiency of the hospital's core business and associated businesses. There are seven strategic business units and several support units. Each of the Strategic business units have been categorized and termed as either cost centers or a revenue centers using the BCG matrix. Reporting lines were aligned to the Strategic Business Unit system for clarification of functions and roles.

#### 4.7.2. Resource Allocation

The study established that resources were allocated via budgets. Senior managers were responsible for preparation of their departmental budgets, which are then consolidated into an overall hospital budget. The objectives in the business plan set the priority of resource allocation.

The study established that financial resource constraints was one of the limitations to implementation of hospital strategies. It was established the hospital had engaged in strategic partnerships which had assisted the hospital tremendously in financing several key projects within the hospital. One of the hospitals SBUs, the Cath-lab that is instrumental in the Cardiac programme has been assisted immensely by strategic partnerships with local and international organizations. The hospital has partnered with Reckit Benkiser, a multinational manufacturer of Dettol household products to raise finances for heart operations on poor children in Kenya through the Dettol Heartrun. Through this annual fundraising event, local companies and members of the public have assisted the hospital in raising millions of Kenya shillings for heart operations. The hospital has also partnered with international non governmental organization such as Terre des Hommes and Chain of Hope who not only commit financial resources for the hospital's cardiac programme but also donate the time and services of world renowned surgeons to conduct heart surgeries in the hospital and assist in capacity building. These organizations also assist by giving the hospital new state-of-the-art equipment. Local

organizations such as the Swaminarayan community have also given financial commitments to the cardiac programme.

According to the CEO, continuous communication with partners has enhanced the support of partners in contribution to the implementation of the hospitals objectives. The hospital sends out progress reports including audited accounts of the joint projects to its partners.

#### **4.7.3 Use of Information technology**

The study established that the use of information technology has re-shaped the way the hospital conducts its business. The hospital has sought to improve its productivity and efficiency by implementing a custom-made information technology system *LIFELINE* that has enhanced data and information flow. All the strategic business units and support units are electronically linked through this system. The computers that support this system can be found in all sections of the hospital and are used by all staff. Trainings on the systems are held continuously for all staff and are facilitated by the hospital's IT staff.

#### **4.7.4 Human Resources**

According to the respondents having the right employees in the right roles is critical to the successful implementation of the hospital's strategies. In line with the organizational restructuring, emphasis has been given to implementation of

suitable recruitment procedures to attract the right employees. The Human Resources Department conducts internal and external recruitment for key positions that are required for implementation of the hospital's strategies. External recruitment is done via placement of job advertisements in the local dailies, the hospital's website [www.materkenya.com](http://www.materkenya.com) and using external recruitment agencies. The study established that the hospital has targeted to have highly educated and experienced personnel. There are job descriptions in place for all staff and management positions. The study established that there was no formal succession planning carried out in the hospital.

It was established that the hospital had unionized employees and the hospital has a Collective Bargaining Agreement with the Union. Union employees have been made more engaged by including them in all staff meetings and forums held across all the functions.

The study established that one of the hospital's long term objectives concerned attaining a human capital base of 50 percent. In a bid to reduce employee turnover and enhance retention of quality employees, the human resources department has established and is in the process of implementing an attractive scheme of service for employees.

#### 4.7.5 Reward policy

The study established that supportive behavior by employees is rewarded and recognized. The CEO has quarterly meetings with staff termed 'CEO Baraza'. During these meetings various categories of awards are given to the most outstanding individual employees and teams. These employees and team receive monetary awards, sponsored vacations as well as certificates and trophies. Annual bonuses are awarded to all employees depending on how well the hospital has performed in general.

#### 4.7.6. Culture

The study established that the hospital was in the process of enhancing a corporate team culture that supports strategy implementation. It was established that strategy implementation was a people-driven process in the hospital and a lot of emphasis has been given to team building. Senior managers were taken to offsite locations for team building and training. In order to enhance communication within the hospital, departments are required to hold at least one monthly meeting to discuss departmental issues and review of goals. Minutes for these meetings are forwarded to the CEO.

The study established that the culture of continuous improvement among staff is emphasized by the hospital's implementation of ISO 9001:2000 quality management system.

#### **4.7.7. Change management**

The study established that in order to support the implementation of strategies at the hospital change management practices were employed. A change management team called the *Get Started Team* was formed. Employees in each department were asked to nominate one of their own to represent them in this team which is chaired by the HRM. The team collects and addresses views from employees on changes happening at the hospital. It also assists the Chief Executive Officer in selecting the employees who should be recognized and rewarded during the *CEO barazas*

The study established that there was employee resistance to change and that getting employees to accept new ways of doing things was challenging to implementation of strategies. In order to deal with this barrier the hospital has embarked on provision of training staff and equipping them with the necessary skills. Regular training sessions by external consultants are arranged in house for various departments. Through the hospital's Catherine McAuley school of nursing, nursing staff at the hospital have access to training facilities for

upgrading their skills. The research also established that the hospital is in the process of creating a resource center for nursing staff to gain access to information on advanced clinical practices. The hospital also arranges external trainings abroad for its doctors and nurses. The hospital is in partnership with Madras Hospital, renowned for training in the area of cardiac operations, to train nurses and doctors continuously over a long-term period.

The study established that the hospital had adopted a new corporate image in line with a new slogan '*the hospital of choice*'. The new slogan is consistent with the hospital's vision. In 2005, the hospital embarked on changing the look of various aspects of the business to give them a more customer friendly and focused look. The outlay of reception areas was changed. In addition all front office staff were issued with smart executive-design outfits. The content of the hospital magazine that is circulated to patients, suppliers, clients and partners was changed to give more focus on the hospital's corporate social responsibility programs.

### SUMMARY, DISCUSSIONS AND CONCLUSIONS

#### 5.1 Summary, Discussions and Conclusions

The objective of the study was to establish the strategic management practices by administrators at the Mater hospital. The objective of the study was met since the research was able to establish that Mater hospital administrators had adopted a number of strategic management practices as highlighted in the literature review.

The hospital has well documented vision and mission statements, which are communicated to employees and external stakeholders in both written and spoken form. The Chief executive officer is involved in communicating the vision and mission statements. The hospital has put in place mechanisms for environmental scanning and uses tools such as SWOT analysis. Planning takes place in the hospital and there is an annual hospital business plan containing the vision and mission statements, situational analysis, and competitor analysis. The business plan also features business growth strategies that were developed using the Ansoff product / market development matrix. The hospital's governing council and the senior management team are involved in the development of the annual business plan. Departmental plans containing

functional goals, objectives and strategies are developed in line with the hospital business plan. Employees participate in the development of departmental plans. The hospital plan and the departmental plans are monitored and evaluated through performance-based appraisals.

The hospital has institutionalized its strategies by aligning its organization structure and policies and training its staff. The hospital adopted a strategic business unit system and has seven strategic business units. The BCG tool is used to identify strategic business units that are cost centers and those that are revenue centers. In order to reduce employee resistance to change the hospital uses change management practices such as training employees in new skills and incorporating employees in the business planning process. The findings indicate the hospital administrators have adopted a variety of strategic management practices.

## **5.2 Limitations of the study**

The limitations in the research study stemmed from time. Firstly, since the research was conducted via open-ended interviews. A large amount of time was needed to collect information from the respondents and at the time of research the respondents had very busy schedules. Due to the varied nature of the responses from open ended interviews content analysis was used in data analysis. This technique required a lot of time

Secondly, the findings are based on information obtained from in-depth interviews with only two respondents. Time limitations made it impractical to include more respondents in the study. More respondents would have been essential to increase the representation of the Governing council and senior management team in this study and allowed for better checks on consistency of the information given. However the researcher did look for contradictions in the information given and no inconsistencies were found.

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

There is need to undertake further researcher on the development process of a strategic plan by the hospital. At the time of the study the hospital was in the process of implementing the 2006 business plan. Effectiveness of implementation of this plan can also be studied further, to find out whether the objectives were met.

### **5.4 Recommendations**

The study found that resistance to change by employees has hindered implementation of the hospital's strategies outlined in the business plan. As the hospital prepares to embark on strategic planning, resistance to change by employees may impede the process. There is need for the hospital's administrators to take a more strategic approach to managing change within the

hospital. Currently the change management practices involve the administrators setting goals, clarifying desired outcomes, providing feedback, giving rewards for desired performance and taking action when goals are not met. The focus of these change management practices is on performance driving cultural change. Strategic change management practices involve the hospital's administrators establishing a sense of urgency, creating the guiding coalition, developing a vision and strategy, communicating the change vision, empowering employees for broad based action, generating short term wins, consolidating gains and producing more change and finally, anchoring new approaches in the culture. Effective change management will not eliminate all the concerns, but it will help keep them to a tolerable level and allow the strategic planning process to continue without significant loss of focus

Leadership change is integral to future corporate strategies and the hospital

The study found that the hospital administrators had not formulated and documented a strategic business plan but had prepared and documented an annual business plan. Annual planning has an operational focus and is concerned primarily with concrete goal setting and scheduling of specific tasks to meet these goals. Strategic planning gives explicit recognition to the organization's outside environment and places an emphasis on the organization's strategic advantage in meeting the contingencies in the environment. . The hospital administrators can build upon their experience in annual business planning, environmental scanning, goal setting and performance evaluation to develop a strategic plan for the hospital. Representatives from the different stakeholder groups i.e. staff members,

middle and senior management, the governing council should be involved as each group brings a unique perspective to the process. A structured planning process with designated and sequenced activities such as brainstorming, small group work, listing, summarizing, prioritizing makes it possible for everyone in attendance to participate fully while discouraging domination by high-verbal, high status group members. This involvement throughout the process will ensure that those who have major responsibilities to carry out the plan, understand the plan and the reasons behind it. Employee involvement in the strategic planning process can contribute greatly to employee commitment to mutual goals and a sense of organization unity. The strategic plan may be for at least five years with annual reviews done at the end of each year.

Leadership change is integral to future corporate strategies and the hospital administrators should consider implementing a formal succession plan for not only key leadership positions but also in a variety of job categories. It is important to diligently groom future executives on the strategic needs essential to run the hospital profitably in the changing environment. Succession planning establishes a process that recruits employees, develops their skills and abilities, and prepares them for advancement, all while retaining them to ensure a return on the hospital's training investment. Succession Planning is strategic, tactile and deliberate involving a clear understanding of how organizations need to change in lockstep with strategies designed to groom future leaders to meet those needs.

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## APPENDICES

### APPENDIX 1

#### INTERVIEW GUIDE

#### STRATEGIC MANAGEMENT PRACTICES

##### VISION AND MISSION PRACTICES

1. Does the Mater hospital have vision and mission statements?
2. What was the process of developing the vision and mission statements?

##### GENERAL PLANNING PRACTICES

1. Do you have objectives set for the hospital?
2. What is the process of setting objectives at the hospital?
3. What type of plans are developed for the hospital?
4. How is planning conducted at the hospital?
5. Does the hospital have strategic plans?
6. What is the process of developing strategic plans at the hospital?
7. Which tools and techniques are used to develop strategies at the hospital?

##### STRATEGY IMPLEMENTATION

1. What is the process of implementing strategies at the hospital?
2. What challenges have been encountered in implementation of the hospital's strategies and how have they been dealt with?

##### STRATEGY EVALUATION

1. How do you monitor success of the hospital's strategic plan?

