

**COMPETITIVE STRATEGIES ADOPTED BY AGA KHAN UNIVERSITY
HOSPITAL IN NAIROBI, KENYA AND CHALLENGES FACED IN THEIR
IMPLEMENTATION**

MILTON B. M. VARMAH

**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE
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DECLARATION

STUDENT'S DECLARATION

I, the undersigned, declare that this research project is my original work and has not been submitted to any other college, institution or university other than the University of Nairobi for academic credit.

Signed_____

Date_____

MILTON B. M. VARMAH

D61/60891/2011

SUPERVISOR'S DECLARATION

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

Signed_____

Date_____

PROF. PETER K'OBONYO

DEDICATION

I dedicate this study to my loving parents: Mr. James M. Varmah and Mrs. Watta Kamara Varmah for instilling in me the discipline and desire for learning. I am grateful for receiving the best guidance and educational foundation from them.

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I feel so gratified and privileged to have had the opportunity to carry this study as a demonstration of knowledge gained from the University of Nairobi. With this acknowledgment, it would be impossible not to remember those who in one way or the other, directly or indirectly, played a role in the realization of this research project and my entire MBA sojourn.

Firstly, I wish to glorify the Lord, our GOD for HIS blessings in my life and for being with me throughout the study. Secondly, I am deeply obliged to my supervisor, Prof. Peter K'Obonyo, for his exemplary guidance and support, and without whose help this project would not have been a success; and also heartily recognizing the tireless efforts of all the lecturers and staff of the University of Nairobi. Thirdly, my sincere gratitude goes to Mr. John S. Morlu, II, former Auditor General, Republic of Liberia, for his selfless and ever yearning desire to help Liberians, and the General Auditing Commission of Liberia for according me this opportunity.

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ABSTRACT

Most previous research projects into competitive strategies have concentrated generally on developed countries. Not many local studies have focused on the Competitive Strategies adopted by Aga Khan University Hospital in Nairobi, or hospital industry in Kenya. This study therefore sought to fill the existing research gap by carrying out a case study on Competitive Strategies adopted by Aga Khan University Hospital in Nairobi, Kenya and challenges faced in their implementation amidst the turbulent business environment. The target population of this study was the managerial staff working at the Aga Khan University Hospital in Nairobi, Kenya. The study focused particularly on the department heads of this pivotal Hospital in the country. This paper utilized an interview guide similar to those used in various previous research projects. The study collected qualitative data using a self-administered interview guide. The response received was analyzed by content analysis. From the findings, the study established that the majority (85%) of respondents stated that product design/style, advertisements/promotions, quality products, brand reputation and use of publicity were the major strategies that were employed to remain competitive in the market.

The study further established that there is stiff competition amongst various private and public hospitals in Kenya because they want to retain their customer base and acquire others, and this led to Aga Khan University Hospital to initiate its new delivery service methods. Hence, this established Porter's assertion that there are three basic business strategies: differentiation, cost leadership and focus -- and a firm performs best by choosing one. Major challenges which the Aga Khan University Hospital faces when implementing competitive strategies were high cost of maintaining quality, inadequate internal support systems, economic downturn, inability to differentiate products, and cost of maintaining skilled staff. Finally, the study therefore recommends that in order to avoid many impediments, the Aga Khan University Hospital should make sure that its strategies are sufficient to enable administration and management to exhibit high level management prudence and getting them advised promptly.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The days when firms could simply wait for clients to beat a path to their door are long gone. Organisations must realise that their products, regardless of how good they are, simply do not sell themselves (Kotler, 2001). Achieving competitive advantage is a major pre-occupation of the managers in many businesses today. Organisations globally now seek to actively differentiate themselves from their competitors in terms of quality of service, flexibility, customisation, innovation and rapid response (Ghalayani & Noble, 1996). The environment is complex and ever changing and it will continue to change rapidly and unpredictably (Burnes, 1996). According to Ansoff & Mc Donnell (1990), major escalation of environment turbulence means a change from a familiar world of new technologies, new competitors, new consumer attitudes, new dimensions of social control and above all an unprecedented questioning of a firm's role in society. Mann (1995) notes that inefficiencies within commercially oriented state enterprises have clear national, financial and fiscal implications as their activities impact directly on overall public sector expenditure and resources.

A strategy is a game plan that a firm adopts to gain competitive advantage. Without a strategy, decisions made today could have negative impact on future results. Strategy is a tool which offers significant help for coping with turbulence confronted by business firms (Ansoff & Mc Donnell, 1990). Strategy is the direction and scope of an organization over the long term, which achieves advantage in a changing environment through its configuration of resources and competences to meet the needs of markets and to fulfill stakeholders' expectations. The formulation of competitive strategy in any industry involves first the comprehension of the fundamental determinants of competition. Competition is defined as the fight for market share between two or more firms. An understanding of competition helps the strategy makers in evaluating whether the degree of competition in an industry offers scope for good profitability. It promotes sound strategic thinking about how to develop the overall competitive strategy for the company.

Development of competitive position helps the firm to more accurately forecast both short and long term growth and its profit potentials (Pearce & Robinson, 2000).

Competitive strategy refers to the way a firm competes in a particular business and gains competitive advantage by deliberately choosing a distinctive set of activities. According to Porter (1980), a firm can attain two basic types of competitive advantage: low cost or differentiation. Porter's model of Competitive strategy proposed that firm's position within an industry was an important factor in attaining competitive advantage. In order to achieve a competitive advantage, firms are required to make strategic choices about the type of competitive advantage they seek to attain and the scope within which it will attain it. Choosing the competitive scope or the range of the firm's activities can play a powerful role in determining competitive advantage because it aims to establish a profitable and sustainable position against the forces that determine your industry competition.

1.1.1 Competitive Strategies

A strategy is the outcome of some form of planning, organized process for anticipating and acting in the future in order to carry out an organisation's mission (Baker, 2007). The people who drive strategy in organisations are seen to be visionaries, the entrepreneurs and innovators. They are those who take risks and try new ways of doing things. Strategy refers primarily to business strategy; which specifies how a business unit will achieve and maintain competitive advantage within an industry. Therefore, one element that we consider is the competitive capabilities (Stock, 1999). A strategy is a game plan that a firm adopts to gain competitive advantage.

Organizations are environment dependent and organization can not exist without the environment. They depend on the environment for their survival and they have to scan the environment in an effort to spot budding trends and conditions that would eventually affect the environment (Ansoff & Mc Donnel, 1990).

In order to achieve a competitive advantage, firms are required to make strategic choices about the type of competitive advantage they seek to attain and the scope within which it will attain it. Choosing the competitive scope or the range of the firm's activities can play

a powerful role in determining competitive advantage because it aims to establish a profitable and sustainable position against the forces that determine your industry competition. Strategic choice decisions that a firm can pursue to achieve competitive advantage for growth may broadly be categorized into intensive, defensive, joint venture and a combination of strategies David (2001). Depending on the competitive environment firms choose strategies that are able to give them sustainable competitive advantage.

Intensive strategy involves the internal growth of the concern within its existing corporate structure. It is also known as growth through aggregation. The management of a firm may decide to grow through expansion of scale of operations in order to attain optimum size. The firm will achieve many economies in purchasing, production, financing, marketing and management.

Defensive strategies arise out of the desire by an organization to be secure and have a stable niche in the market place. Defensive strategies may be in form of retrenchment, divestiture or liquidation; retrenchment entails pruning product lines, closing non-performing businesses, auctioning process and staff reduction with the aim of reducing costs and focusing on profitability (Johnson & Scholes, 2002). A firm should utilize this strategy when it has a lead in the market so as to protect the market share.

Joint Venture- two or more companies form a temporary partnership or consortium for purpose of capitalizing on some opportunity. Joint venture is a popular strategy that occurs when two or more companies form a temporary partnership or consortium for the purpose of capitalizing on some opportunity (Ghalayani & Noble, 1996). Often, the two or more sponsoring firms form a separate organization and have shared equity ownership in the new entity. Other types of cooperative arrangements include research and development partnerships, cross-distribution agreements, cross-licensing agreements, cross-manufacturing agreements, and joint-bidding consortia (Johnson & Scholes, 2002).

1.1.2 The Hospital Industry in Kenya

Kenya's health care system is structured in a step-wise manner so that complicated cases are referred to a higher level. Gaps in the system are filled by private and church run units. The structure thus consists: Dispensaries and private clinics, Health centres, Sub-district hospitals and nursing homes, District hospital and private hospitals, Provincial hospital and National hospital

Growth in the hospital industry in Kenya will be supported by increasing expenditure on healthcare, within both public and private sectors. This expanded outlay within the public sector, coupled with rising private expenditure and greater levels of insurance coverage will drive the further growth of the medical devices and pharmaceutical industries. Kenya has an extensive network of private healthcare facilities, from small local clinics, to large, high-class hospitals. Private healthcare can be quite good, with small but modern health facilities and well-trained medical staff. However, for any serious operations, it is advised that expats look outside the country for help (South Africa has the best medical facilities on the continent). There are a number of private hospitals and medical clinics in Nairobi and Mombasa offering all medical services at international standards.

1.1.3 Aga Khan University Hospital, Nairobi

Established in 1958, Aga Khan University Hospital, Nairobi (AKUH,N) is a private, not-for-profit institution that provides tertiary and secondary level health care services. The decision to upgrade the Hospital to a tertiary level teaching hospital was taken in order to respond to the health care needs of the people of East Africa. AKUH,N is a premier provider of ambulatory care and quality in patient services, including critical care.

The Hospital plans to strengthen existing partnerships with the Ministry of Health and other universities offering health education, with an aim to share experiences, strengthen public sector delivery systems and collaborate on teaching and research. In recent years, the Hospitals have grown, expanding services and upgrading their facilities. The expansion programme has emphasised the introduction of new diagnostic services and the raising of the quality of care to international standards.

1.2 Research Problem

Firms respond to competition in different ways. Some may opt to move into product improvement, some into divestiture and diversification, while others enter into new markets and others merge or buy out competitors. Porter (1980) postulates that, the essence of strategy formulation is coping with competition. Porter (1985) is also of the view that as the operating environment changes, a more pronounced transformation of the business landscape lies ahead. Therefore, competitive strategy is vital to the adaptation of the changing business.

The business environment contains both external and internal variables which must be favorable for a business to achieve its intended goals and objectives. Amidst the changing environment interplayed by these variables, there has been some concerted effort by Kenyan authorities to improve facilities and services in the public health sector. The situation has been made more challenging by health sector reforms which have significantly improved the service delivery in public health institutions. The cost in public facilities is nominal and therefore this gives the public facilities an edge over the other players. The recent improvement of the terms of service for all medical personnel in public health facilities has also led to an exodus of qualified personnel from mission health facilities. In the circumstances, the private health facilities are faced with the threat of becoming irrelevant or, indeed subsequent closure.

The study seeks to determine the competitive strategies adapted by Aga Khan University Hospital, Nairobi, Kenya in this crowded and challenging setting and to establish the factors influencing the competitiveness in the health sector. Amidst these threats, the Aga Khan University Hospital has stood firm to maintain its services in line with standards and requirements in the health sector.

The focus of this study is to analyse competitive strategies adopted by Aga Khan University hospital in enhancing their competitive advantage under the liberalised markets. Local Studies have been done in the Kenyan context to determine the effect of privatisation, liberalisation and deregulation on the performance of public sector particularly Kandie (2001) studied the effects of competitive strategies on Telkom Kenya. Bett (1995) found that due to the ongoing economic reforms in the country, firms in the

dairy industry made substantive adjustments in the strategic variable. In addition, Murage (2001) did a study on the competitive strategies adopted by members of the Independent Petroleum Dealers Association, and Awiti (2007) also did a study on the competitive strategies used by the reproductive Health Organizations to cope with increased competition in the private health sector. These studies found that firms have adjusted their strategies in the liberalised markets to cope with the increased competition levels. Most studies have been generalised and focused mainly on competitive strategies on quality. However, the environment continues to change rapidly and therefore the strategies adopted are analysed in the context that a lot of changes have happened since the said studies were undertaken. The study aims at addressing the research question: what competitive strategies have Aga Khan University Hospital adopted in response to the increased turbulence in the business environment?

1.3 Research Objective

The objectives of this research were:

- i. To establish Competitive Strategies adopted by Aga Khan University Hospital in Nairobi, Kenya
- ii. To determine challenges faced by Aga Khan University Hospital in Nairobi, Kenya in implementing its competitive strategies

1.4 Value of the Study

The results of this study would benefit various groups. First, the results would benefit managers and board of directors of Aga Khan Hospital. They would be provided with information concerning the general state of competition in the health sector and the type of competitive strategies employed by Aga Khan University Hospital.

Secondly, the research findings will be useful to potential investors in the sector. They will be informed on the challenges faced by the institutions already operating and therefore prepare themselves accordingly before entering the industry.

Thirdly, the research findings will be useful to the government by informing them on the role and contribution made by Aga Khan University Hospital in health care delivery in

Kenya. Areas of unfair competition that require streamlining through policy guidelines shall be articulated.

Finally, this is expected to contribute to the existing knowledge in the field of Strategic Management, more specifically in the area of competitive strategy in not for profit institutions in Kenya. The outcome should also be a useful source of reference for scholars and researchers who might be interested in carrying out further research based on the findings of the current study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter shall review the literature available at competitive strategies adopted by hospitals. This section will capture the concept of strategy, industry competition, competitive strategies, factors influencing choice of competitiveness and challenges in implementing competitive strategies.

Competitive strategy as the pattern of decisions in a company that determines and reveals its objectives, purposes, or goals, produces the principal policies and plans for achieving those goals, and defines the range of business the company is to pursue, the kind of economic and human organization it is or intends to be, and the nature of the economic and non-economic contribution it intends to make to its shareholders, employees, customers, and communities.

2.2 Concept of Strategy

There is no single universally accepted definition of strategy. Different authors and managers use the term differently (Mintzberg, 1994). Stock (1999) defines strategy as the pattern or plan that integrates an organization's major goals, policies and action sequences into a cohesive whole. He goes further to state that a well formulated strategy helps to marshal and allocate an organization's resources into a unique and viable posture based on its relative internal competencies and shortcomings, anticipated changes in the environment and contingent moves by intelligent opponents.

Organizations are open systems. They receive inputs from the environment, transform them into outputs and discharge them back into the environment. Thus organizations are environment dependent and environment serving. Strategy therefore relates a firm to its environment (Porter, 1980). It is the link between a firm and its environment.

Strategy can be formulated on three different levels, namely: corporate, business unit and operational level. While strategy may be about competing and surviving as a firm, one can argue that products and not organizations compete. Products are developed by the

business units. The role of the organization then is to manage its business units and products so that each is competitive and so that each contributes to the organization's purposes (Porter, 1980).

Strategy helps to position a firm in the wider external environment. It also defines the obligation of the firm to its stakeholders (Johnson & Scholes, 1999). Strategy helps to define the specific business of the firm in terms of products, markets and geographical scope. Strategy can also be considered as a firm's game plan that enables the firm to create competitive advantage (Pearce & Robinson, 2000). The firm needs to look at itself in terms of what the competitions are doing. This is critical because firms in the same industry tend to compete for the same customers. Ansoff & Mc Donnell (1990) define strategy as a set of decision making rules for guidance of organizational behavior. This strategy is used as a yardstick to measure firm's performance and to define its relationship with the external environment. Strategy needs to take into consideration both the immediate and remote environments.

There is no single exhaustive definition of strategy. What emerges, however, is that strategy is defined by how a firm relates to its environment. This has to take into account the internal capabilities of the firm which defines the firm's competitive advantage. The success or failure of a firm's strategy will depend on skillful formulation and effective implementation. However, all successful strategies have some common elements. They are based on simple consistent and long term objectives. They are also based on a profound understanding of the competitive environment and objective appraisal of available resources (Cox & Britain, 2000).

2.3 Industry Competition

Competition in health care needs is critical which currently operates at the wrong level. Payers, health plans, providers, physicians, and others in the system wrangle over the wrong things, in the wrong locations, and at the wrong times. System participants divide value instead of creating it (Strunk, Ginsburg, & Gabel, 2001). They shift costs onto one another, restrict access to care, stifle innovation, and hoard information all without truly benefiting patients. This form of zero-sum competition must be replaced by competition at the level of preventing, diagnosing, and treating individual conditions and diseases.

Payers, providers, and health plans establish transparent billing and pricing mechanisms to reduce cost shifting, confusion, pricing discrimination, and other inefficiencies in the system. And health care providers should be experts in certain conditions and treatments rather than try to be all things to all people.

The strategies hospitals use to compete provide significant insight into broader health care market developments because hospital strategy is shaped by a variety of external forces. Some of the major external factors shaping hospital strategy include: economic and demographic trends; regulation; public and private purchaser behavior; plan and hospital market characteristics (number and type of competitors); payment methods; medical technology; and labor supply (Luke, Begun, & Walston 1999).

Hospital strategies also have important health policy implications. Hospitals are a major component of the American health care delivery system and account for a substantial and increasing portion of total national health care expenditures (Levit, Smith, Cowan, Lazenby, & Martin 2002; Strunk, Ginsburg, & Gabel 2001). Consequently, the strategies they develop and implement to compete have a significant effect on costs, quality, and access to care.

In this prospective payment and managed care environment, hospitals increasingly competed on price using wholesale strategies. Evidence is limited but shows that managed care, particularly high HMO penetration, resulted in greater price competition and hospital price reductions (Strunk, Ginsburg, & Gabel, 2001). Hospitals focused on keeping costs in check. Services based on the latest technology or increased amenities were viewed primarily as cost centers rather than revenue generators. Hospitals also sought to provide services attractive to managed care plans that purchased large volumes of services for their enrollees.

However, it was less clear what mix of services hospitals and developing organized delivery systems (ODS) would choose to offer and managed care plans would find attractive. Economies of scale suggest that more intense price competition would lead hospitals to specialize, while economies of scope suggest that hospitals would add a range of complementary services. Hospitals might also attempt to provide "one-stop-

shopping" to managed care plans regardless of economies of scope in an effort to reduce the plans' contracting costs and better coordinate and control care for enrollees for which they accepted financial risk. Findings from three studies suggest that hospitals add a range of services, consistent with the economies of scope and "one-stop-shopping" theses (Baker & Phibbs,2000).

2.4 Competitive Strategies

If the primary determinant of a firm's profitability is the attractiveness of the industry in which it operates, an important secondary determinant is its position within that industry. Even though an industry may have below-average profitability, a firm that is optimally positioned can generate superior returns (Porter, 1980). A firm positions itself by leveraging its strengths. Porter (1980) has argued that a firm's strengths ultimately fall into one of two categories, namely: cost advantage or differentiation. By applying these strengths in either a broad or narrow scope, three generic strategies result. These are cost leadership, differentiation, and focus. These strategies are applied at the business unit level.

Walker (2004) points out that in order to achieve competitive advantage, a firm must offer value to customers at a cost that produces economic performance superior to rivals. The firm must then defend this position from competitors. He further concludes that the two major elements of competitive advantage are: positioning the product line more effectively and defending the sources of this market against rivals. The two most prominent sources of competitive advantage can be found in the business cost structure and its ability to differentiate the business from its competitors (Pearce & Robinson, 2008).

2.4.1 Cost Leadership Strategy

A cost leadership strategy is one in which a firm strives to have the lowest costs in the industry and offer its products or services in a broad market at the lowest prices (David, 2001). Characteristics of cost leadership include low level differentiation, aim for average customer, use of knowledge gained from past production to lower production costs, and the addition of new product features only after the market demands them. Cost leadership has advantage. The strategy protects the organization from new entrants. This

is because a price reduction can be used to protect from new entrants. However, the risk of cost leadership is that competitors may leap from the technology, nullifying the firms accumulated cost reductions (Porter, 1996). Other competitors may imitate the technology leading to firm's loss of its competitiveness.

This generic strategy calls for being the low cost producer in an industry for a given level of quality (Porter, 1996). The firm sells its products either at average industry prices to earn a profit higher than that of rivals, or below the average industry prices to gain market share. In the event of a price war, the firm can maintain some profitability while the competition suffers losses. Even without a price war, as the industry matures and prices decline, the firms that can produce more cheaply will remain profitable for a longer period of time. The cost leadership strategy usually targets a broad market.

Some of the ways that firms acquire cost advantages are by improving process efficiencies, gaining unique access to a large source of lower cost materials, making optimal outsourcing and vertical integration decisions, or avoiding some costs altogether. If competing firms are unable to lower their costs by a similar amount, the firm may be able to sustain a competitive advantage based on cost leadership (Porter, 1996).

Firms that succeed in cost leadership often have the following internal strengths (Porter, 1996): access to the capital required to make a significant investment in production assets; this investment represents a barrier to entry that many firms may not overcome, skill in designing products for efficient manufacturing, for example, having a small component count to shorten the assembly process, high level of expertise in manufacturing process engineering, and efficient distribution channels.

Each generic strategy has its risks, including the low-cost strategy. For example, other firms may be able to lower their costs as well. As technology improves, the competition may be able to leapfrog the production capabilities, thus eliminating the competitive advantage. Additionally, several firms following a focus strategy and targeting various narrow markets may be able to achieve an even lower cost within their segments and as a group gain significant market share.

2.4.2 Differentiation Strategy

Differentiation strategy is one in which a firm offers products or services with unique features that customers value. The value added by the uniqueness lets the firm command a premium price. The key characteristic of differentiation strategy is perceived quality (Stock, 1999). This may be through superior product design, technology, customer service, dealer network or other dimensions. The advantage of differentiation is that perceived quality and brand loyalty insulates company from threats from any of the five forces that determine the state of competition in an industry. Price increases from powerful suppliers can be passed on to customers who are willing to pay. Buyers have only one source of supply. Brand loyalty protects from substitutes. Brand loyalty is also a barrier to new entrants. The risks to differentiation strategy include limitation due to production technology. The 'shelf life' of differentiation advantage is getting shorter and shorter. Customer tastes may also change and wipe out the competitive advantage.

Githae (2004) implies that in differentiating, audit firms have to broaden their services. They have to embrace various disciplines crucial to world of business, charting what one may describe as new frontiers. Firms that succeed in a differentiation strategy often have the following internal strengths (Porter, 1996): access to leading scientific research, highly skilled and creative product development team, strong sales team with the ability to successfully communicate the perceived strengths of the product, corporate reputation for quality and innovation. The risks associated with a differentiation strategy include imitation by competitors and changes in customer tastes. Additionally, various firms pursuing focus strategies may be able to achieve even greater differentiation in their market segments.

2.4.3 Focus Strategy

Focus strategy involves targeting a particular market segment. This means serving the segment more efficiently and effectively than the competitors. Focus strategy can be either a cost leadership or differentiation strategy aimed towards a narrow, focused market. Advantages of focus strategy include having power over buyers since the firm may be the only source of supply. Customer loyalty also protects from new entrants and substitute products. The firm adopting focus strategy can easily stay close to customers and monitor their needs. However, the risks involved in focus strategy include being at

the mercies of powerful suppliers since such a firm will buy in smaller quantities. Small volume also means higher production cost leading to loss of economies scale. Change in consumer taste or a technological change could cause such a firm's niche to disappear. Cost leaders or big organizations may also gain interest in a particular niche, eroding the advantage of the focusing firm (Porter, 1980).

The focus strategy concentrates on a narrow segment and within that segment attempts to achieve either a cost advantage or differentiation (Porter, 1986). The premise is that the needs of the group can be better serviced by focusing entirely on it. A firm using a focus strategy often enjoys a high degree of customer loyalty, and this entrenched loyalty discourages other firms from competing directly. Because of their narrow market focus, firms pursuing a focus strategy have lower volumes and therefore less bargaining power with their suppliers. However, firms pursuing a differentiation-focused strategy may be able to pass higher costs on to customers since close substitute products do not exist (Porter, 1986). Some risks of focus strategies include imitation and changes in the target segments. Furthermore, it may be fairly easy for a broad-market cost leader to adapt its product in order to compete directly.

2.5 Factors Influencing Choice of Competition Strategies

A business can choose to focus its efforts along several dimensions to achieve competitive advantage. These include low cost or price, outstanding service, high flexibility and variety, continuous innovation, and superior quality (Stock, 1999). Quality is now recognized as a powerful strategic weapon. Quality is judged by the customer. All product and service attributes that connote value to the customer and lead to customer satisfaction and preference must be addressed appropriately. Value, satisfaction, and preference may be influenced by many factors throughout the customer's overall purchase, ownership, and service experiences. The concept of quality includes not only the product and service attributes that meet basic requirements, but also those that enhance and differentiate them from competing offerings. However, not every firm needs to compete along the same dimensions of quality (Githae, 2004).

In today's competitive environment, markets are becoming more international, dynamic, and customer-driven. Customers are demanding more variety, and better quality and

service, including both reliability and faster delivery. Technological developments are occurring at a faster pace, resulting in new product innovations and improvements in firm processes (Hayes, 2003). On-time delivery is the ability to deliver according to a promised schedule. Here, the business unit may not have the least costly nor the highest quality product, but is able to compete on the basis of reliably delivering products when promised, even if the promise date is far in the future. For some customers delivery reliability is not enough; delivery speed is also necessary to win the order. Individual survey items measure the importance that respondents place on each of these delivery-time categories.

Several strategic management researchers have also questioned the competitive strategy model's assertion that differentiation particularly on high quality and low cost should not be pursued simultaneously. Hayes (2003) stated that each generic strategy is composed of three dimensions. These are efficiency the degree to which inputs per unit of output are low; differentiation the degree to which the product or its enhancements are perceived as unique; and scale/scope the relative size and range of activities of the business within its industry.

The second general issue concerns the choice of price or cost measure used. As for industrial countries, there are basically three sorts of measures in common use: those based on unit labour costs in hospital industry; those based on consumer prices (or some other broadly-based price measure); and those based on export unit values.

De Toni and Tonichia (2003) argued that flexibility may be a core competency for certain firms and suggested a practical measurement framework in competitive advantage. Slack's (2005) review of flexibility research from 1985-2005 stated that "Flexibility has come to occupy a central position in how operations can be strategically developed to play an effective part in achieving competitive advantage." Recently, researchers have included flexibility as an important characteristic of supply chains. Lummus and Vokurka (2004) used a Delphi study to understand the characteristics of supply chain flexibility. The experts recognized the need to shorten cycle times, shorten lead times, and synchronize to customer delivery dates and times.

2.6 Strategy implementation challenges

According to the White Paper of strategy Implementation of the Chinese Corporations in 2006, strategy implementation has become “the most significant management challenge which all kinds of co

orporations face at the moment.”. The survey reported in that white paper indicates that 83 percent of surveyed companies failed to implement their strategies smoothly, and only 17 percent felt they had a consistent strategy implementation process. The key challenge for today’s organizations are many (soft, hard and mixed) and the factors that influence the success of strategy implementation range from the people who communicate or implement the strategy to the systems’ mechanisms for coordination and control (Yang et al, 2008). The challenges discussed included: strategy formulation, organization structure, organization culture, changing environment, operation planning, poor communication, resource allocation, and poor execution.

Strategy formulation is an integral part of the overall strategic management process. According to Tan (2004) strategy implementation stage is the realization process of the strategy that is developed from the formulation stage. Therefore, if the formulation stage is not done properly, it will have a direct impact on the implementation stage, potentially becoming a challenge to strategy implementation.

According to Raps (2004) strategy implementation processes frequently result in problems if the assignments of responsibilities are unclear. Clear understanding of strategy is a pre-requisite in strategy implementation. Clear understanding of strategy gives purpose to the activities of each employee and allows them to link whatever task at hand to the overall organizational direction (Byans et al, 1996). Additionally, Aaltonen and Ikava (2001) also asserted that lack of understanding of strategy is an obstacle of strategy implementation.

Aosa (1992) also revealed that lack of compatibility between strategy and culture can lead to high organizational resistance to change and de-motivation which can in turn frustrate the implementation of strategy.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The Chapter presents the research methodology used in the study. It covers the research design, data collection, and research instruments and data analysis techniques.

3.2 Research Design

The research design used was a case study of Aga khan University Hospital in Nairobi, Kenya and challenges it faced in implementing its strategies. It involved an in-depth investigation of competitive strategies adopted by Aga khan University Hospital in Nairobi. A case study is a powerful form of qualitative analysis that involves a careful and complete observation of a social unit (Denscombe, 2007).

A case study was most appropriate in meeting the research objectives by providing detailed explanation of the competitive strategies adopted by Aga khan University Hospital in Kenya and challenges it faced in implementing these strategies. A case study also places more emphasis on full contextual analysis of fewer elements and their inter-relationships which relies on qualitative data (Cooper & Schindler, 2005).

3.3 Data Collection

In order to comprehensively study competitive strategies adopted by Aga khan University Hospital in Nairobi, Kenya and challenges it faced in implementing them, the researcher used primary and secondary sources of data for this study .The primary data was collected through interview guide. This allowed the respondents ample time to respond to questions asked bearing in mind that the interviews will be administered during working hours.

Guided interviews are useful data collection methods for enabling respondents to give details about significant issues of interest. Data collection was by means of the interview guides for all respondents as this ensured confidentiality for the interviewees. The items

on the interview guide sought to elicit background information and strategic responses applied by the institution.

Secondary data on strategic plans was obtained from the records of Aga Khan University Hospital in Nairobi, Kenya. Key interviewees of the study were ten Heads of Departments and relevant sections who are key and directly responsible for making strategic decisions at Aga Khan University Hospital in Nairobi, Kenya.

3.4 Data Analysis

The collected data was examined for completeness and clarity. Data collected was thereafter analysed using content analysis. The content analysis technique was used because it assists in making inferences by systematically and objectively identifying specific messages and relating them with their occurrence trend. Denscombe (2007), successfully used the technique of content analysis to analyse data collected from a case study.

CHAPTER FOUR

DATA ANALYSIS, DISCUSSION AND INTERPRETATION

4.1 Introduction

This chapter presents analysis and findings of the study as set out in the research methodology. The purpose of the research was to find out the competitive Strategies Adopted by the Aga Khan University Hospital in Nairobi, Kenya and challenges faced in their implementation. The results presented are based on the research question. The data was gathered exclusively from questionnaire as the research instrument. An interview guide was designed in line with the objectives of the study. The data was presented in qualitative research form followed by discussions of the data results. The chapter concludes with critical analysis of the findings.

4.2 Main mission of Aga Khan University Hospital in Nairobi, Kenya

The study revealed that all respondents agreed that the organization had formal documented mission and vision statements. Further, the study inquired on the respondents to indicate those that were involved in the formulation of the company's mission and vision. Results showed that most respondents cited that the directors were involved in formulation of the company's mission and vision as was shown.

4.3 How often are the missions and vision statements reviewed in the institution

This section aimed at inquiring on the frequency of review of mission and vision statements. Most of the respondents (90%) cited that the mission and vision statements were reviewed after every 5 years while some (10%) indicated that mission and vision statements were reviewed on annual basis.

4.4 Competitors of the Aga Khan University Hospital in Kenya

It was established from the study that all of the respondents indicated that the main competitors faced by the Aga Khan University Hospital were other main private hospitals that provided specialized treatments and this included the Acacia Medical Centre, Gertrude's Garden Children's Hospital, Lions Sightfirst Hospital, M.P. Shah Hospital, Mater Hospital, Nairobi Hospital, Upper Hill Medical Centre, and thus, the hospitals

management was inclined to come up with a competition strategy to remain competitive in the market.

4.5 Competitive Strategies

It was established from the study that (90%) of the respondents who were the heads of the various departments in the hospital indicated that the organization adopted various strategies to remain at the top among other service providers in the hospital sector. Results revealed that most respondents (70%) indicated that product design/style, advertisements/promotions, quality products, brand reputation and use of publicity were the major strategies that were employed to remain competitive in the market. Other competitive strategies that were also utilized by the hospital included offering wide range of services, benchmarking (Competitor Intelligence), show room/display, targeting new markets, intensive staff training and new products launch/models as the major strategies that were employed to remain competitive in the market.

4.6 Competition in the hospital service industry

It was established from the study that there is stiff competition amongst the various private and public hospitals in Kenya because all of them want to retain their customer base and acquire others and this led Aga Khan Hospital to initiate its new service delivery methods. This agrees with the study done by OECD (2012), which found that increasing healthcare expenditures are a major cause of increase in competition in hospital services. While competition on quality can lead to better outcomes, competition on prices has uncertain results. The existence of a range of accessible options is a prerequisite for enabling patients to have real choice in healthcare. One possibility consists of increasing the geographical area in which patients can access hospitals, for example by providing access to other public hospitals and subsidizing transport costs. It was also established that Porter's assertion that the three basic business strategies: differentiation, cost leadership and focus which a firm performs best by choosing one, were exhibited by the Aga Khan Hospital when it initiated its new delivery service methods.

4.7 Challenges encountered in the implementation of the competitive strategies by Aga Khan Hospital in Nairobi Kenya

The study inquired on challenges which the hospital faces when implementing competitive strategies. The results show that major challenges faced when implementing competitive strategies were high cost of maintaining quality, inadequate internal support systems, economic downturn, inability to differentiate products and cost of maintaining skilled staff. In addition, most respondents cited that unpredictable government policies, changes in exchange rate, constant changes in customer needs, organization culture and product supply constraints. The least cited challenges, (30%) were inadequate staff skills and marketing inability.

4.8 Values and priorities that guide the hospital's strategic orientation

It was established from the study that the hospital was guided strictly by a number of values such as the provision of quality and affordable services to the patients. The respondents noted that this puts a notch higher compared to other health service providers. Healthy competition is competition to improve value for customers, or the quality of products or services relative to their price. It leads to relentless improvements in efficiency. Product quality and customer service also improve.

4.9 Extent Monitoring and Evaluation of strategy implementation at the Aga Khan University Hospital in Nairobi, Kenya

The study sought to determine the effect of monitoring and evaluation on the enhancement of competitive strategies adopted by the Aga Khan Hospital. It was determined that majority of the respondents (80%) indicated that constant and consistent monitoring and evaluation of the various strategies adopted by the hospital had a great influence on the achievement of the goals set in the various strategies such as increment in the number of the patients being treated in the facility while 20% of the respondents indicated that monitoring and evaluation had a moderate extent in the achievement of the various strategies adopted by the hospital.

4.10 Factors influencing competitive strategies at Aga Khan Hospital in Nairobi Kenya

The findings of this study showed that majority (70%) of the respondents indicated that there were a number of factors influencing competitive strategies adopted by the hospital. The cost of treatment was of the main factor as the hospital adopted the provision of affordable services to the patients in the private hospitals sector and thus lowering their treatment costs. Another factor that influenced the competitive strategies adoption was the 'Customer focus' which is knowingly what customers want, and fulfilling their expectations with innovative products and quality services led to the creation of the various departments that specialised in the treatment of certain ailments.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter represents the summary of the findings, conclusion and the recommendation.

5.2 Summary

On the topic of the formulation of mission and vision, the study revealed that most respondents cited that the directors were involved in formulation of the company's mission and vision.

On the area of the extent various strategies are adopted to remain competitive in the market, most respondents agreed to a very great extent that product design/style, advertisements/promotions, quality products, brand reputation, after-sales service, customer-made products and use of publicity were the major strategies that were employed to remain competitive in the market. Further, a majority of the respondents agreed to a great extent that tight cost control, offering wide range of products, benchmarking (Competitor Intelligence), show room/display, targeting new markets, intensive staff training and new products launch / models as the major strategies that were employed to remain competitive in the market. It was established from the study that most of the respondents who were the heads of the various departments in the hospital indicated that the organization adopted various strategies to remain at the top among other service providers in the hospital sector.

Results of the study revealed that most respondents indicated that product design /style, advertisements or promotions, quality products, brand reputation and use of publicity were the major strategies that were employed to remain competitive in the market. Other competitive strategies that were also utilized by the hospital included offering wide range of services benchmarking (Competitor Intelligence), show room or display, targeting new markets, intensive staff training and new products launch or models as the major strategies that were employed to remain competitive in the market.

It was also established from the study that there is stiff competition among various private and public hospitals in Kenya because all of them want to retain their customer base and acquire others which led Aga Khan University Hospital to initiate its new service delivery methods. This concurs with the study done by OECD (2012), about increasing healthcare expenditures which are a major motivation for introducing competition in hospital services. While competition on quality can lead to better outcomes, competition on prices has uncertain results. The existence of a range of accessible options is a prerequisite for enabling patients to have real choice in healthcare. One possibility consists of increasing the geographical area in which patients can access hospitals, for example by providing access to other public hospitals and subsidizing transport costs.

The study inquired about challenges which the hospital is faced when implementing competitive strategies. The major challenges faced when implementing competitive strategies were high cost of maintaining quality, inadequate internal support systems, economic downturn, inability to differentiate products and cost of maintaining skilled staff. In addition, most respondents cited that unpredictable government policies, changes in exchange rate, constant changes in customer needs, organization culture and product supply constrain as the challenges that faced the hospital when implementing competitive strategies. The least cited challenges were inadequate staff skills and marketing inability.

It was found that the hospital was guided strictly by a number of values such as the provision of quality and affordable services to the patients and this would put them a notch higher compared to other service providers. Healthy competition is competition to improve value for customers, or the quality of products or services relative to their price. It leads to relentless improvements in efficiency and product quality and as well as improve customer service.

The study further sought to determine the effects of monitoring and evaluation on the enhancement of competitive strategies adopted by the Aga Khan Hospital. It was determined that majority of the respondents (80%) indicated that constant and consistent monitoring and evaluation of the various strategies adopted by the hospital had a great contribution to the achievement of the goals set in the various strategies such as increment in the number of the patients being treated in the facility while 20% of the

respondents indicated that monitoring and evaluation had a moderate extent in the achievement of the various strategies adopted by the hospital.

It was established from the study that majority of the respondents (80%) indicated that there were a number of factors influencing competitive strategies adopted by the hospital. The cost of treatment was of the main factor as the hospital adopted it for the provision of affordable services to the patients in the private hospitals sector and thus lowering their treatment costs. Another factor that influenced the competitive strategies adoption was the 'Customer focus' which is knowingly what customers want and fulfilling their expectations with innovative products and quality services led to the creation of the various departments that specialised in the treatment of certain ailments.

5.3 Conclusion

From the findings, it can be concluded that the Aga Khan University Hospital uses competitive strategies in order to cope with competition in the hospital industry in Kenya. These included product design or style, advertisements or promotions, quality products, brand reputation, after-sales service, customer-made products, use of publicity, tight cost control, offering wide range of products, benchmarking (Competitor Intelligence), show room or display, targeting new markets, intensive staff training and new products launch/models as the major strategies that were employed to remain competitive in the market.

The study further concludes that there were various challenges faced by Aga Khan University Hospital in applying the competitive strategies. These were high cost of maintaining quality, inadequate Internal support systems, economic downturn, inability to differentiate products, cost of maintaining skilled staff, unpredictable government policies, changes in exchange rate, constant changes in customer needs, organization culture and product supply constrain as the challenges that faced the company when implementing competitive strategies.

5.4 Recommendations

The study found that competitive forces amongst existing firms constitute the greatest drivers of strategy. Hence, though concerned, firms most often seem oblivious of threat posed by potential entrants owing to globalization.

This study recommends that the Aga Khan University Hospital in Nairobi or other private hospitals should look beyond their present competitors in determining strategy since globalization bears a greater threat due to potential new entrants. Market entry strategies may include acquisitions, strategic alliance and joint ventures. Firms may also react to competitive forces by developing new services. This may be aimed at reducing risks through diversification as a means of responding towards competitive forces which could be related or unrelated. Hence, the study also recommends that in order to avoid many impediments, the Aga Khan University Hospital should make sure that its strategies are sufficient to enable administration and management to exhibit high level management prudence and getting them advised promptly.

The study further recommends that for private hospitals to overcome challenges faced in applying competitive strategies, fitting the organization internal practices to what is needed for strategic success must help unite the organization behind the accomplishment of a strategy. This is often not achieved even in most accomplished organizations.

5.5 Area of further research

This study aimed at establishing the various competitive strategies adopted by Aga Khan Hospital in Kenya. The study did not link specific drivers with corresponding strategies since it dealt with only Aga Khan University Hospital in Nairobi, Kenya. Future studies should seek to establish specific drivers that lead to adoption of certain strategies particularly in the hospital industry.

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APPENDIX I

LETTER TO RESPONDENT

Department of Business Administration

School of Business

University of Nairobi

TO WHOM IT MAY CONCERN

Dear Sir/Madam:

RE: REQUEST FOR RESEARCH DATA

I am a post graduate student at the University of Nairobi studying in the field of Strategic Management. As part of the requirement for Master of Business Administration, I am conducting a study on `` *Competitive Strategies Adopted by Aga Khan University Hospital in Nairobi, Kenya and Challenges Faced in their Implementation* ``. To enable me collect data for this research, you have been selected as participants of the study. Your output through responding to an interview questionnaire will be valuable in identifying the issues.

The research is strictly for academic purposes, and as such, your responses will be treated with utmost confidentiality. Upon request, a copy of the final paper will be made available to you.

Your assistance and cooperation should be highly appreciated.

Yours truly,

Milton B.M. Varmah
MBA Candidate

Prof. Peter K'obonyo
Supervisor
University of Nairobi

APPENDIX II
INTERVIEW GUIDE

1. What is the main mission of Agakhan University Hospital in Nairobi, Kenya?

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2. How often are the missions and vision statements reviewed?

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3. Whom do you consider your competitors in Kenya?

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4. What do you rely on to compete ? Is it cost, management, target market?

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5. How would you describe competition in the hospital service industry in your catchment area?

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6. What are the challenges uncouneted in competitive strategies adopted by Agakhan Hospital in Nairobi Kenya?

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7. What values and priorities have guided your strategic orientation in the hospital sector?

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8. What extent do monitoring and evaluation enhance the success of strategies adopted by Agakhan Hospital in Nairobi Kenya?

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9. What are the factors influencing competitive strategies at Agakhan Hospital in Nairobi Kenya?

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10. What are the factors influencing the choice of competitive strategies in Agakhan University Hospital?

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