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Effect of Generic Strategies on Competitiveness of Private Hospitals in Nairobi City County, Kenya

Eunice Mugure Mwenemeru

College of Human Resource and Development, Jomo Kenyatta University of Agriculture and Technology

Corresponding Author email: eunicemugure01@gmail.com

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Abstract: In the current turbulent and competitive business environment occasioned by globalization, technology adoption and changing market dynamics, it is no doubt that organizations have to choose appropriate competitive strategies that enable them to have competitive advantage in the market. In Kenya, the classical strategy approach often used is Porter's generic strategy framework for cost leadership, differentiation and focus; to understand the particular strategic direction an organization may pursue to counter the five market forces that determine the competitive intensity and therefore its attractiveness or lack of it in a firm's profitability within an industry. The target population was 85 registered private hospitals in Nairobi. This study was carried out in 53 private hospitals classified under tier three & four in Nairobi City County. The specific objectives were; cost leadership strategy, differentiation strategy**,** focus strategy and core value system. The study was a descriptive survey which utilized census sampling. The study found out that private hospitals in Nairobi City County had adopted and implemented a hybrid strategy to compete effectively within the volatile healthcare industry. Indeed, the study found that no hospital implemented a single generic strategy but a combination of cost leadership and differentiation, cost leadership and focus or cost leadership, differentiation and focus. The study also found out that although the concept of strategy was new in healthcare industry, private hospitals in Nairobi County had strived to build capacity of managers to be better implementers of strategy. The study further established that Private hospitals strived to keep the cost of their services affordable by the target market by blending elements of cost leadership and differentiation in a unique way to enable them provide customers with more value and upscale service attributes at lower cost than industry rivals. The study concluded that generic strategies had enhanced competitiveness of private hospitals in Nairobi City County. Further, it was established that Core values had a positive contribution to the effectiveness of the chosen strategy to enhance competitive advantage of Private hospitals in Nairobi City County. The study recommended private hospitals to retain their key staff up to minimum of five years to allow them to effectively implement formulated strategies. Moreover, it was recommended that the hospitals should put strategy formulation and implementation at the center of their business by establishing a department in charge of the same in the organizational structures.

Keywords: *Cost Leadership Strategy, Differentiation Strategy***,** *Focus Strategy, Core Value System, Competitiveness, Private Hospitals*

Introduction

In the current turbulent and competitive business environment occasioned by globalization, technology adoption and changing market dynamics, it is no doubt that organizations have to choose appropriate competitive strategies that enable them to have competitive advantage in the market. The environmental change and its complexity is a major factor that affects how companies carry out their activities (Adeoye and Elegunde, 2012). Business environment is not static and the frequent changes affect the smooth operation of an organization. Michael Porter identified five forces that determine the competitive intensity and therefore its attractiveness or lack of it in a firm`s profitability in an industry. These forces include; industry rivalry, bargaining power of supplier, bargaining power customers, threat of new entrants and threat of substitute goods/services. Strategy is about competitive position, about differentiating yourself in the eyes of the customer and about adding value through a mix of activities different from those used by competitors (Porter, 1992).

Strategic management has had a lot of impact on organizations across industry and sectoral considerations. According to Herrmann (2011) strategic management enables organizations to analyze their environment and perform their activities in such away so as to realize sustained competitive advantage. In Kenya the classical strategy approach often used is Porter’s (1980) generic strategy framework for cost leadership, differentiation and focus to understand the particular strategic direction an organization may pursue. Further, according to Porter (1984) an organization can enhance competitiveness either by striving to be a low cost producer in an industry or by differentiating its line of products or services from those of other organizations; either of these two approaches can be accompanied by a focus of organizational efforts on a given segment of the market.

Statement of Problem

A joint status report on healthcare in Kenya by the Dutch Embassy and the Kenya Healthcare Federation (KHF) in 2016 notes that private hospitals could play a bigger role towards provision of healthcare services in Kenya. The report further notes that private healthcare, though a business, serve to fill the gap left by public healthcare institutions in the provision of healthcare services to the Kenyan citizenry. The World Bank (2010) in a report on healthcare challenges in developing nations notes that with the rising demand for quality, affordable and value adding healthcare services, private hospitals form an important pillar. Further, the report found that Kenya’s health sector is experiencing exciting times with the middle class growing leading to a rising demand for modern and quality oriented healthcare anchored on computerized healthcare diagnostic systems. This has prompted private healthcare institutions investment in modern equipment for healthcare diagnostics. Institute for Health Metrics and Evaluation (IHME, 2014) points out that Kenya has the highest average facility costs per patient bed per day compared to Ghana, Uganda and Zambia.

Ooko (2015) in a case study at Aga Khan University hospital explains that private hospitals in Kenya have attempted to implement strategies noting that there is competitive pressure driven by the desire to control the market and thus maximize profits amongst private hospitals. Nguli (2013) explains that the Mater hospitals employ different strategic management practices depending on the location while Kariuki (2008) conducted a case study at the Karen hospital and identifies organization culture as grounded on openness as a key driver of strategy formulation and implementation. The above findings show that private hospitals in Kenya are fast adopting the strategic approach in managing their core operations significantly noting that private health sector is a key stakeholder in filling the gap in healthcare sector in Kenya.

The demand for quality healthcare from the middle and elite class has occasioned increased competition amongst private hospitals. This trend may be associated with perceived and actual superior quality services offered in private hospitals with related positive employee attitude as opposed to the perceived negative attitude by healthcare providers in public health sector. Few studies have focused on competitive strategies in private hospitals in Kenya as case studies involving the three main private hospitals in Nairobi County. It is apparent that the generic strategies have not been extensively explored across the private healthcare sector thus a study as to whether private hospitals have implemented generic strategies and the moderating effect of core value system on their competitiveness is essential. This study therefore intended to fill this knowledge gap.

Objectives of the Study

i. To establish the effect of cost leadership strategy on competitiveness of private hospitals in Kenya.
ii. To assess the effect of differentiation strategy on competitiveness of private hospitals in Kenya.
iii. To determine the effect of focus strategy on competitiveness of private hospitals in Kenya.
iv. To establish the effect of core value system on the perceived relationship between strategy and competitiveness of private hospitals in Kenya.

Literature Review

Theoretical Review

Transaction cost theory

Ronald Coase in 1937set out his transaction costs theory that defines a firm in relation to the market noting that a firm's interaction with the market may not be under its control but its internal allocation of resources is within a firm's control. Transaction cost refers to the cost of providing for some good or service through the market rather than having it provided from within the firm. Transaction costs include; search and information cost, bargaining and decision costs, policing and enforcement costs. The model concludes that when the external transaction costs are higher than the internal transaction costs, the company will grow. If the external transaction costs are lower than the internal transactions costs the company will be downsized either by outsourcing. Richard Smith (2002) notes that markets operate where there are buyers and sellers. A market price is produced for a good/service, but a contract must be established to ensure effective and efficient performance associated with the agreement or deal struck. In the recent past, hospital service industry differed from the traditional industry since organizations engaged on non-price competition within the industry. Presently hospitals capable of employing more capital, installing modern diagnostic and treatment technology, performing more surgical procedures incur more costs than those in monopolistic markets and this attracts price competition for the facilities to achieve service delivery sustainability.

Resource Based view

This view was propounded by Edith Penrose in 1959.It holds that firms can enjoy supernormal profits if they have superior resources than those of the competitors and when those resources are protected by some form of isolating mechanism to prevent their diffusion within the industry. This theory posits that valuable and firm specific human resource practices promote firm performance through retaining, motivating, empowering and developing employees. It lays great emphasis on value of rarity, inimitability and non-substitutability (VRIN) of firm resources in achievement of competitive advantage (Barney, 1991). The proponent of the theory identified four key factors that must exist for a firm to exploit its resources for sustainable competitive advantage. The resources must be; valuable to the firm through enabling it to conceive or implement strategies that lead to enhanced efficiency and effectiveness, rare resources are only possessed by a particular firm to the extent that they are a source of firms competitive advantage or a sustainable competitive advantage, imperfectly imitable resources only unique to a particular firm differentiates the firm from its competitors and non-substitutable resources are strategically equivalent valuable resources that are rare and inimitable.

Hedgehog Concept

This concept was propounded by Dember and Earl in 1957 and further developed by Edward L.Walker in 1980. The theory is based on the Greek parable which explains that, ‘fox knows many things but the hedgehog knows only one big thing’. It further explains that Foxes have different tricks for every situation and are versatile and clever but hedgehog have only one trick of curling up into a spiny ball and they use this in all situations to protect themselves whenever they are endangered. Jim Collins in his classic book, “Good to Great” in 2001 made a contribution to this theory. He explained that organizations are more likely to succeed if they focus on one thing and do it well and, that by doing so, they can beat their competitors and become truly great organizations.

Expectancy Value Theory

This theory was propounded by John Atkinson in the 1960s in an effort to understand the achievement motivation of individuals. In the 1980s the theory was further developed by Jacquelynne Eccles who argued that achievement motivation is determined by expected success and subjective task values. The theory explains that values interact to predict important outcomes such as engagement, continuous interests, achievements and overall success. Values are therefore desirable in enhancing motivation and boosting individual and group/ institutional success.

Conceptual Framework

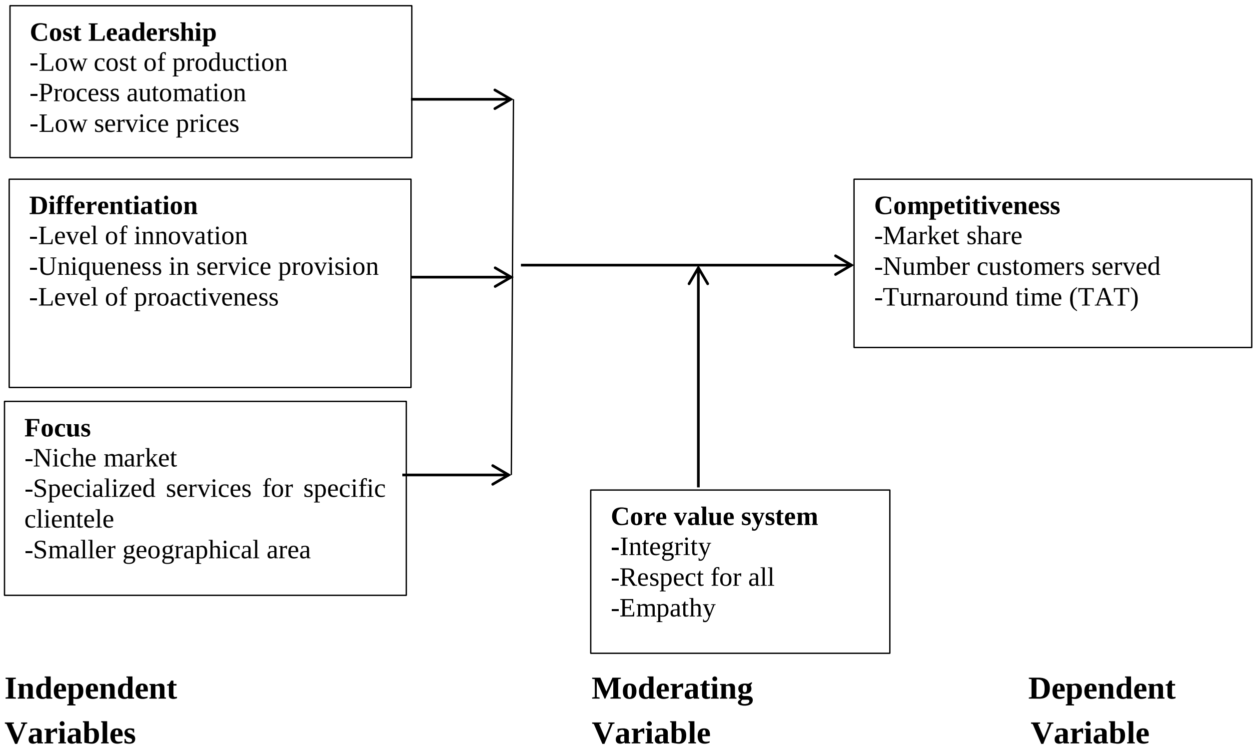

Figure 1: Conceptual Framework

Cost Leadership

This is a concept developed by Michael Porter in 1985 to describe a business strategy of offering products/services at the lowest prices in the market to attain competitive edge within an industry. An organization can achieve cost leadership through increasing profits by reducing costs, while charging industry-average prices or by increasing market share through charging lower prices, while still making a reasonable profit on each sale because of reduced costs. The concept is based on minimizing cost of providing products/services to the organization. For an organization to sustain its market position as a cost leader it is imperative to have access to capital to invest in technology that is key in reducing cost of production, very efficient logistics to support an organizations strategic decision making and a low cost of factors of production like labor, raw material and infrastructure (Kinyuira, 2014). This strategy can be copied by competitors since the sources of cost reduction are not unique to a particular organization. Therefore continuous improvement is paramount to identify new ways of reducing every cost possible. This strategy requires very detailed focus on internal processes.

Differentiation

Porter in 1985 described differentiation as a business strategy that involves offering unique and more attractive products/ services to customers than those offered by competitors through which an organization attains competitive advantage in the market. Differentiation is achieved through providing products/services of superior features, functionality, durability and availing after sale services like installation and maintenance services. For an organization to sustain this strategy it must have the ability to invest in research, development and innovation and deliver products/ services of superior quality. It also can differentiate itself from its competitors if it can offer unique and valuable services/products to its customers (Mwanzia, 2015)). Organizations pursuing this business strategy must remain agile in their product development process to mitigate risk of attacks from competitors pursuing focus differentiation strategies in different market segments. Intense promotion and product marketing is paramount to build and strengthen its brand image in the eyes of customers and service consumers. This strategy requires detailed focus on external environment and highly innovative approaches.

Focus

Michael Porter in 1985 described focus as a business strategy that involves establishing and concentrating on a particular niche market / market segment and understanding its dynamics, unique customer needs and developing uniquely low cost products/services or differentiated/ specified products/services for the segmented market. Kamau (2013) explains this strategy as focusing on selecting a market niche where buyers have distinctive preference. The niche is defined by geographical uniqueness, specialized requirements on using the product/service or by special attributes that appeal to customer preference. This strategy makes the market less attractive to competitors and tends to build brand loyalty amongst customers. An organization may need not to focus on only one particular market segment because the organization will be too small to serve a broader market and risk competition from better resourced large organizations.

Core Value system

Harvard business review explains that Core values are deeply ingrained principles that guide an organization’s actions serving as its cultural cornerstone. They include the basic elements that govern how an organization performs its work and its relationship with environment including the strategic choices to supports its mission and vision.

These are the best practices an organization executes as its internal strengths to enhance customer satisfaction and loyalty as a competitive strategy. Core values govern personal relationships, guide business processes, clarify what an organization stands for, informs decision making and require no external justification (Ng $ Burke in 2010). Organizations may have excellent strategies but if they are not effectively and efficiently executed they remain as good as poor strategies. Good Strategies combined with a core value system is likely to make private hospitals more competitive than those pursuing generic strategies in absence of a core value system. Organizations that are keen on maintaining their integrity ensure that their customers are served professionally and charged for services provided in accordance to set rates and without any kind of discrimination. Clients may need to access timely services and be accorded respect and empathy during their visits or stay in hospitals.

Competitiveness

Business dictionary defines competitiveness as the ability of a firm or a nation to offer products and services that meet the quality standards of the local and world markets at prices that are competitive and provide adequate returns on the resources employed or consumed in producing them. An organization`s competitiveness is measured on its ability to create and maintain competitive advantage in every aspect of its operations (Oluoch, 2011). Competitive advantage is obtained when an organization develops or acquires a set of attributes that will allow it to outperform its competitors (Wang, 2014). A hospital’s competitiveness is measured by assessing its market share and the number of customers /patients served daily. Hospitals using cost effective processes to achieve desired quality with no or minimal wastage of scarce resources are more likely to sustain their competitive advantage. Private hospitals that embrace timeliness in service provision may be preferred by many customers than those that are believed to be unconscious of time factor in their organizational management

Research Methodology

This study was a descriptive survey involving both qualitative and quantitative approaches. The population for this study comprised private hospitals in Nairobi County. According to Kenya Medical Directory (2017-2018) there are 85 registered private hospitals and Nursing homes in Nairobi County. These hospitals are spread over the seventeen sub-counties of Nairobi County. The study focused on 53 private hospitals in tier 3 & 4 within Nairobi County. Purposive sampling was utilized to select organizational managers in top level in respective hospitals since they occupy positions that made them most appropriate respondents in this study as they are well acquitted with organization strategic management. The research instruments used to collect data in this study were questionnaire. Descriptive and inferential analysis was adopted for the study. Inferential analysis was a correlation and regression analysis. The multiple linear regression model that was used to mathematically explain the relationship between the dependent and significant independent variables took the form;

$\mathbf{Y = \beta_0 + \beta_1\chi_1 + \beta_2\chi_2 + \beta_3\chi_3 + \varepsilon}$, Where, **Y** is Competitiveness, χ_1 is Cost leadership strategy, χ_2 is Differentiation strategy, χ_3 is Focus strategy and ε is the error component

Results

This study collected data from respondents functioning as Chief Executive Officers in private hospitals in Nairobi County. Out of 53 respondents who were given questionnaires using drop-and-pick later approach, 38 responded. This represented the response rate of 71.7%. This meets the threshold as explained by Bailey (2000) that a response rate of 50% is adequate, while response rate greater than 70% is very good. Therefore based on this argument the response rate of this study was very good and adequate for further analysis.

Reliability Analysis

Reliability is the ability of a data collection instrument to measure what it is supposed to measure. This study used Cronbach's Alpha coefficient to test the reliability of the broad variables of the study. The criteria of acceptance or rejection was based on George and Mallery (2003) explanation that Cronbach's Alpha value of 0.7 and above (≥ 0.7) will be acceptable. The findings as shown in Table 1 indicate the reliability of the respective variables of the study. Cost leadership, differentiation, focus and core value system had Cronbach's values of 0.704, 0.721, 0.711 and 0.848 respectively. This implies that the data collected on the broad variables of the study was reliable for further analysis.

Table 1: Reliability of Study Variables

Variable	Cronbach's Alpha	Comment
Cost Leadership	0.704	Accepted
Differentiation	0.721	Accepted
Focus	0.711	Accepted
Core Value System	0.848	Accepted

Analysis of Demographic Information

This study sought to know the demographic profiles of the respondents in terms of their level of education, profession and years of experience. The results in Table 2 indicate that majority (52.6%) of the respondents had post-graduate qualification, 23.7% had doctor of philosophy and 21.1% had under-graduate. 2.6% of the respondents did not indicate their level of education. These findings imply that a majority of private hospitals have employed CEOs who have the ability to drive among others initiatives aimed at enhancing competitiveness of their organizations due to their education levels.

Table 2: Respondents Education Level

Education level	Frequency	Percentage
Under-graduate	8	21.1
Post-graduate	20	52.6
Doctor of philosophy	9	23.7
Non-response	1	2.6
Total	38	100

Further respondents were asked to indicate their profession. This was important because of the fact that one's profession directly determines his or her ability and competencies to perform to the expected levels. The findings in Table 3 indicate that majority of the respondents (52.6%) were medical doctors. Moreover, a considerable percentage (36.8%) had training in Business Administration, Strategic Management and Human Resource Management. These results reveal that some private hospitals appreciate having a CEO with training in management.

This implies that these organizations are aware of the importance of the management profession-Strategic Management, Human Resource Management and general management- towards efficient running of hospitals as organizations. Interestingly 23.7% of the doctors serving as CEOs had training in Business Administration and Management.

Table 3: Respondents Professional Training

Profession	Frequency	Percentage
Accountant	2	5.3
Business Administrator	7	18.4
Health Systems Manager	1	2.6
Human Resource	3	7.9
Medicine	11	28.9
Law	1	2.6
Medicine/Business Administrator	9	23.7
Nursing	1	2.6
Strategic Management	3	7.9
Total	38	100

Respondents were also asked to indicate their years of experience in their organizations. This was essential because of enhanced competencies to enable the researcher truck strategic transformation progress achieved over the years. Figure 2 shows that majority of the respondents (50%) reported to have worked in the current organization for less than five years while 10% of the respondents had served for ten years. These results imply that majority of the private hospitals do not retain their CEOs longer than five years. This poses a danger to institutional progress as far as strategic issues are concerned. Verreynne and Meyer (2011) noted that strategic managers requires sufficient time period to be able to assess the impact of uncertain external environment and make appropriate responses. Based on the study findings majority of the hospitals may face strategic challenges in terms of strategy formulation and effective execution/implementation due to inability of hospitals to retain their CEOs and allow them to undertake strategic management processes including monitoring and evaluation and possible revision of the strategic plans.

Descriptive Analysis

This study sought to examine effects of generic strategies on competitiveness of private hospitals in Nairobi City County. In order to accurately determine results, each of the broad variables of the study used a set of questions measured using a Likert Scale ranging from 1 to 5 where 1= 'strongly disagree' and 5='strongly agree'.

Descriptive Analysis of Cost Leadership

Respondents were asked to state their position on specific aspects of cost leadership which were measured using a 5 point Likert Scale and their combined responses were summarized. From the results in Table 4, all the specific aspects of cost leadership had a mean of above 2.5 (mean ≥ 2.5) implying that respondents generally agreed that their respective hospitals strived to minimize costs. From the results 91.4% of the respondents (mean=4.57) indicated that their institutions were cost efficient and the reason why they were able to charge constant prices. Similarly, 55.4% of the respondents were in agreement that the hospitals had capital investments which allowed them to charge lower prices. Majority of the specific aspects of cost leadership had respective means greater than 3.0 implying that more than 60% of the respondents affirmed that their hospitals strived achieve cost leadership as a strategy in their operations. All the respective standard deviations were greater than 1 implying high variability of responses except for avoidance of unnecessary cost (SD = 0.615) and cost reduction through production efficiency (SD=0.728). In general, the average composite mean for all the aspects of cost leadership was 3.76 implying that 75.2% of the respondents agreed that their hospitals were pursuing cost leadership strategy. These findings are consistent to those by Kinyuira (2014) who argued that organizations sustain their market positions through being cost leaders in production, logistical support and overall infrastructure hence being able to charge low prices. This implies as far as private hospitals in Nairobi County are concerned the aspect of cost leadership features in hybrid strategies being pursued.

Table 4: Descriptive Statistics for Cost Leadership

Statement	N	Mean	Std. Deviation
Our Organization is a low cost Producer due to substantial Capital It possesses	38	2.77	1.251
Hospital eliminates unnecessary cost producing activities to achieve cost advantage in the Market	38	4.63	.615
Organization runs promotions where services are offered at half prices	38	3.33	1.398
The hospital benchmarks itself against competing hospitals to access their relative cost	38	4.40	1.133
Efficiency in production has enabled us to charge constant prices	38	4.57	.728
Compared to other hospitals our prices are lowest	38	2.87	1.408

Analysis of Differentiation Strategy

Respondents were asked whether their respective hospitals differentiated their services from those offered by competitors. Majority (93.3 %) of the respondents indicated that they differentiated their services while 6.7% indicated otherwise. This implies that private hospitals strived to provide unique services in order to achieve competitive advantage. Further, respondents were asked to state their position regarding specific aspects of differentiation and the results are contained in Table 5. From the results in Table 5 all aspects of differentiation had a mean of above 3.0 (≥ 3.0) implying that respondents overwhelmingly agreed with all aspects of differentiation.

Specifically majority 93.4% (mean=4.67) of the respondents indicated that the hospitals had uniquely designed services compared to competitors in the market. Moreover, another 93.4 % (Mean=4.67) of the respondents indicated that they provided quality value-added products compared to competitor institutions. The least rated aspect of differentiation was provision of unique least imitable products which had a mean a mean of 3.3 implying a rating of 66% of the respondents. Except for use of technology as a differentiating tool (SD =1.006), all the other aspects of differentiation had a standard deviation of less than one (SD ≤ 1). This implies that the variability of the responses was low meaning that the results represented the opinion of majority of the respondents. In general, the composite mean of all the aspects of differentiation was 4.26 implying that an overwhelming 85.2% of the respondents agreed that their respective hospitals used differentiation strategy in their quest to enhance competitiveness. The above findings are consistent with those by Verreynne and Meyer (2011) who explained that organizations use differentiation strategies as a source of competitive edge in uncertain environment. Differentiation enables an organization develop new products and even add new features to existing products to enable them grow profits as more competitors enter the market.

Table 5: Descriptive Statistics for Differentiation

Statements of Differentiation	N	Mean	Std. Deviation
Our organization markets unique services for varied customers	38	4.20	.961
Our hospital offers unique services that cannot be easily imitated within the industry	38	3.33	.959
Compared to other services in the market, our services are preferred based on their design and other features	38	4.67	.661
We provide customer value by providing high quality services compared to our competitors	38	4.67	.547
The hospital uses technology to remain in the innovation cutting edge	38	4.43	1.006

Descriptive Analysis of Focus Strategy

Respondents were asked to indicate whether their hospitals had a niche market for their services. Majority of the respondents (93.3%) affirmed that their respective hospitals used niche strategy while 6.7% stated otherwise. Further, respondents were asked to indicate their positions on various aspects of focus and the results are shown in Table 6. The findings in Table 6 shows that respondents agreed to all the specific aspects of focus with all having a mean of above 3.0. Majority (90%) of the respondents indicated that their respective hospitals had added value to products/services targeting specific markets (mean=4.5). Moreover, a substantial proportion (89.4%) of the respondents indicated that their institutions had invested in technology to add value to products/services targeting specific market. Having a niche market that was inaccessible to competitors was the lowest rated aspect of niche strategy (mean=3.47) with 69.4% agreeing to the same.

Most aspects of focus had a standard deviation of less than one (SD ≤ 1) except for having an inaccessible market niche (SD=1.2) and provision of unique services at reduced prices (SD=1.2).This implies that the variability of the responses was low because majority of the respondents held same opinion to the aforementioned aspects of focus strategy.

The above findings were consistent with those by Kisaka *et al* (2014) who explained that organizations find it better to serve a limited segment more efficiently than competitors serving broader market. Munyaka (2014) noted that Kenya's hospitality industry adopted a mixture of strategy.

Table 6: Descriptive Analysis of Focus Strategy

Statements of Focus	N	Mean	Std. Deviation
We have a niche market that is inaccessible to other competitors	38	3.47	1.167
Our organization develops specific services for a specific market segment	38	4.23	.935
Hospital provides unique services at reduced prices as a competitive advantage against the competitors	38	3.93	1.202
The hospital embraces other sources of value adding activities to services	38	4.50	.861
Invested in specialized diagnostic & Interventional technology	38	4.47	.860

Analysis of Competitiveness

Competitiveness being the dependent variable of the study was measured using themes which were represented in a set of open-ended questions. These themes included timeliness of service delivery, number of services offered, average number of customers served, average bed occupancy level and the spread of hospitals in terms of satellite clinics. The analysis of these aspects of competitiveness was carried out using content analysis. The findings as shown in Table 7 reveal that majority of the respondents (at least 68%) agreed that their respective hospitals were competitive. An overwhelming majority (89.5%) indicated that their hospitals were competitive in terms diversity of services provided. Further, close to 80% indicated that they were competitive because they were able to deliver timely services. These findings imply that private hospitals were generally competitive and that the effect of generic strategies was positive.

Table 7: Analysis of Competitiveness

Statement of Competitiveness	Respondents in Agreement
Timeliness in service delivery	29 respondents (76.3%)
Diversity of services offered	34 respondents (89.5%)
Customer base (in numbers)	31 respondents (81.5%)
Spread of hospitals(satellite clinics)	26 respondents (68.4%)
Average bed occupancy	27 respondents (71.1%)

Discussion of Study Findings

The findings of the study revealed that private hospitals in Nairobi County implemented generic strategies in combination. This implies that as far as private hospitals in Nairobi County are concerned, hybrid strategy which has aspects of both cost leadership, differentiation and focus is most appropriate. This finding is in line with the existing theory and available empirical literature. Baroto, Abdullah and Wan (2012) in their study on hybrid strategy; a new strategy for competitive advantage explained that in the era of globalization, organizations can only confront intense competition by applying a mixture of strategies at the same time. Similarly, Acquaah and Ardekani (2006) studying on the strategic paths of Germany companies found out that corporates operating in the auto industry had successfully implemented hybrid strategy. The study also found out that private hospitals are albeit being private also strived to keep the cost of their services affordable by the target market. This is another reason why these hospitals adopted the hybrid strategy.

Thomson, Peteraf, Gamble and Strickland (2012) explained that hybrid strategy blended elements of differentiation and low-cost in a unique way to enable organizations give customers more value and upscale product attributes at the lower cost than rivals. In the case of the findings of the study private hospitals through their satellite clinics were able to provide value-added services at low prices nearly at the same level as their public sector entities. Another important finding of the study was that private hospitals like other organizations aligned their strategies to suit dynamics of the internal and external environment. The hospitals strived to cope with the unfavorable economic conditions by providing differentiated services to suit the economic status of various market segments. This was achieved through location of their satellite clinics where some are located in the low-end income areas where services are accessed at low prices. This is consistent with the theoretical argument by Pearce and Robinson (2011) who poised that organizations must seek to build competitive advantage with their products or services based on features, performance and other factors not directly related to cost and price. These factors are among others the environment which organizations must strive to establish strategic fit to guarantee effective implementation of strategy.

The findings of the study also revealed that customer base was an important consideration in strategy formulation and implementation. Indeed the study findings showed that private hospitals in Nairobi City County adopted a combination of generic strategies to enable them to retain their customers through delivery of quality services at affordable cost. This is line with the findings by Ireland (2011) who noted that customers have high expectations when purchasing a good or service which make organizations to provide products with highly differentiated features at varying cost using integrated cost-leadership/differentiation strategy. Private hospitals have for instance introduced out-patient services at affordable prices and clients/patients are allowed to seek for laboratory services from their convenient outlets and come for consultation and treatment. Lastly, the study also found out that private hospitals in Nairobi City County have continuously sought to develop unique products to meet emerging challenges and preferences of the target market. This has been possible through adoption of technology. This is consistent with the findings of Learning (2009) who noted that hybrid strategy has become even more important and popular as global competition increases where organizations are left with the option integrating generic strategies to enable their ability to adopt quickly to environmental changes including technology.

Regression Analysis

In order to explain the relationship between the dependent variable and independent variables of the study, multiple linear regression analysis was performed. The results of the analysis are shown in Table 8 which contains model summary out of which the relationship was expressed mathematically in the form; $\mathbf{Y = \beta_0 + \beta_{1\chi 1} + \beta_2 \chi_2 + \beta_3\chi_3 + \varepsilon}$. From the results in Table 4.8, the correlation coefficient(r) is 0.88 which indicates a very strong linear fit between competitiveness and the influencing factors. The R^2 is 0.778 which implies that independent variables contributed up to 77.8% of hospital competitiveness.

Table 8 Model Summary

Model	R	R^2	Adjusted R^2	Std. Error
1	0.882	0.778	0.760	0.366

Predictors :(Constant), cost-leadership, differentiation, focus

Further, the link between competitiveness and generic strategies namely, cost-leadership, differentiation and focus as shown in Table 9 reveals that all the dependent variables were statistically significant. From the results, it can be deduced that differentiation had a *beta* (β) value of 0.513 implying that it had the greatest effect on competitiveness. The other two independent variables had a positive relation with competitiveness. All the independent variables were significant at 95% confidence interval because the respective P values were less than 0.05 ($\alpha = 0.05$). Similarly from the respective t-values, the predictor variables had a significant contribution to the dependent variable. Given the regression results in table below, the relationship between the independent variables and dependent variables satisfies mathematical expression of;

$$\mathbf{Y = \beta_0 + \beta_1\chi_1 + \beta_2 \chi_2 + \beta_3\chi_3 + \varepsilon}$$

Where

Y=Competitiveness

β_0= Constant

χ_1= Cost leadership

χ_2 = Differentiation

χ_3= Focus

ε =Error term

The resulting model is therefore as follows;

$$\mathbf{Y = 0.866 + 0.439\chi_1 + 0.513\ \chi_2 + 0.312\chi_3}$$

These findings affirm that the predictor variables though at varying levels had positive effect on competitiveness. Differentiation (χ_2) had the greatest effect on competitiveness followed by Cost-leadership (χ_1) while Focus (χ_3) had the least effect.

Table 9: Regression analysis

Model	Unstandardized coefficients	Error	Standardized coefficients	t-value	Sig(α=0.05)
Constant	0.866	0.350		2.474	0.01
Cost-leadership	0.442	0.72	0.439	0.614	0.00
Differentiation	0.583	0.99	0.513	0.589	0.00
Focus	0.330	0.071	0.312	4.648	0.03

Moderation analysis of Core Value System

In order to determine the effect of core value system on the relationship between generic strategies and competitiveness, the study carried out analysis of variance (ANOVA). The results in Table 10 revealed that the F value changed to 43.36 implying that core value system had an effect on the relationship between the predictor variables and the dependent variable. This led to an increase of the explanation power of the model by 86.1%. From the study findings it is apparent that Core values had a positive contribution to the effectiveness of the chosen strategy enhancing competitive advantage of Private hospitals in Nairobi City County. Respondents affirmed that their ability to compete effectively within the industry was dependent on their core values which shaped organizational behavior of their employees, propagating a shared vision while determining organizational identity that distinguished hospitals from their competitors. The study found that core values greatly enhanced competitiveness when embraced by private hospitals. The findings were similar to those by Florea, Cheung and Herndon (2012) which established that human resource practices in conjunction with value-based actions are instrumental for organizational sustainability noting that an effective organization promotes a culture of trust, integrity and intellectual honesty where internal stakeholders fulfill their professional duties diligently and in good faith. Further the study concluded that there was a positive correlation between organizational sustainability to best human resource practices and core values.

Table 10 Analysis of Variance (ANOVA) with interaction term

	Sum of squares	df	Mean Square	F	Sig.
Regression	394.97	4	98.74	43.36	0.000
Residual	174	33	5.27		
Total	568.97	37			

Table 11 Multiple Correlation Coefficient between Variables (Model 2)

Model	R	R^2	Adjusted R^2	Std. Error
2	0.912	0.8612	0.860	0.299

Conclusion

Private hospitals were found to have implemented generic strategies in their operations at varying levels. These strategies were integrated so as to have greater competitive advantage within the volatile healthcare industry. Therefore, this study concludes that private hospitals in Nairobi City County adopted a hybrid strategy to enable them to compete effectively while striving to retain their customers through delivery of quality services at affordable cost. Customer satisfaction was found to be a critical aspect during service delivery and most private hospitals were found to have established communication systems that enhance interactions with allied customers/clients providing a platform for customers to evaluate the hospitals in question for feedbacks on their satisfaction levels. The study established that Private hospitals in Nairobi City County faced challenges with retention of CEOs or their equivalents with majority of the respondents having served in the organizations for less than five years. This is an important observation since for effective strategy formulation and implementation the top managers require sufficient time within the 0rganization as they craft strategies for organizations when they get engaged in the facilities.

Majority of the CEOs in private hospitals in Nairobi County were found to be medical doctors (29%) while (24 %) had further training in business administration other than the medicine. This means that those organizations were managed by technocrats who had the necessary knowledge and skills about healthcare industry. However, it was paramount for all corporate managers to have necessary training in management for effective leadership and governance of those organizations. The effect of generic strategies on competitiveness of private hospitals was also found to be positive while the moderator had positive effect on the relationship between the independent variables and the dependent variable when integrated with the chosen strategy.

Recommendations of the Study

Since majority of the top level hospital managers were found to serve for less than five years, it was suggested that the hospitals consider developing and implementing employee retention strategies. This would be paramount in their quest to enhance competencies for effective implementation of the formulated strategies. Further, the finding that only three private hospitals had strategic managers as CEOs in their organizations, it was recommended that these hospitals consider recruiting managers who have a background in strategy. This will enable them to appropriately respond to the turbulence and dynamics of the current business environment. The study found out that majority of the hospitals albeit having adopted strategy did not have formal recognition of the same in the management structure.

The study recommends that these hospitals as organizations should transform their organization structures and create a department of strategy formulation and implementation so as to mainstream strategic issues across departments. The finding that medical doctors without formal training in Business Administration and Management constituted majority of CEOs in private hospitals, it was recommended that Management development Programs be developed and implemented to improve capacity of the CEOs.

This will assist the medics to make decisions from an informed perspective thus reducing their overreliance on junior managers even on critical issues which require individual responsibility.

Conflict of Interest

No potential conflict of interest was reported by the authors.

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