International Journal of Science and Research (IJSR)
ISSN (Online): 2319-7064

Effects of Competitive Strategies on the Performance of Mission Hospitals in Kenya (A Case of Kijabe Mission Hospital)

Eunice Wambui Mwangi[1], Kepha Ombui[2]

[1]MBA Student: Jomo Kenyatta University of Agriculture and Technology, Kenya

[2]Lecturer, Jomo Kenyatta University of Agriculture and Technology, Kenya

Abstract: ***The current operational set-up in Kenya's health sector is a turbulent one and highly competitive market condition. To ensure survival and sustainability in the market place, the mission hospitals require adopting a competitive strategy. Markets may be liberalized or controlled and at various stages of development depending on the country. Mission hospitals following competitive strategies may realize a performance advantage over competitors that pursue other generic strategy type or those that are stuck-in-the-middle. These competitive strategies include marketing portfolios with adequate human and capital resources, social responsibility activities, brand images, convenience retailing, market share position and length of time in the industry. The general objective of this study was to establish the effects of competitive strategies on the performance of mission hospitals in Kenya. The objectives of the study were to establish the effects of cost leadership, differentiation, market focus and corporate growth and development strategies on the performance of the mission hospitals in Kenya. This study adopted a descriptive survey design. The population for the study was 132 managers at Kijabe Mission Hospital. For this study, a sample of 45% (59 respondents) was taken using stratified random sampling. For the purpose of collecting data on the effects of application of competitive strategies on the performance of mission hospitals primary data (information gathered directly from respondents) was collected using questionnaires. On the other hand secondary data was collected from newspapers, published books, journals and magazines as well as other sources such as annual reports. The data was analyzed using descriptive statistics such as frequency, percentages, and measure of central tendency. In addition, multiple regression analysis was conducted to establish the relationship between the competitive strategies and performance. Factor analysis was also be used to test the factors variability. The study concludes that cost leadership had the greatest effect on the performance of the mission hospitals, followed by product/market development strategies, then market focus while differentiation had the least effect on the performance of the mission hospitals. The study recommends that firms using the differentiation should concentrate on investing in and developing such things that are distinguishable and customers will perceive.***

Keywords: Cost leadership, Differentiation, Market focus, Performance, Corporate growth, Competitive strategies

1. Introduction

Competitive strategies are employed by firms within a particular industry. The strategies adopted are expected to relate to performance of the companies. Long term strategy should derive from a firm's attempt to seek a competitive advantage based on one of three generic strategies [1]. Low cost leadership depends on some fairly unique capabilities of a firm to achieve and sustain their low-cost position within the industry of operation. Striving to create a market unique product for varied customer groups through differentiation is another key competitive strategy, which aids performance. Competitive strategies dependent on differentiation are designed to appeal to customers with special sensitivity for a particular product attribute. Such customers will be willing to pay a premium hence improve the firm performance. Competitive strategy consists of all those moves and approaches that a firm has and is taking to attract buyers, withstand competitive pressure and improve its market position. Competitive strategies adopted by a firm should result in a competitive advantage. These are cost leadership, differentiation and focus.

Competitive strategies employed by firms in their operations vary widely. The current operational set-up in Kenya's health sector is a turbulent one and highly competitive market condition. To ensure survival and sustainability in the market place, the mission hospitals require adopting a competitive strategy. Markets may be liberalized or controlled and at various stages of development depending on the country. Mission hospitals which have adopted competitive strategies have realized a performance advantage over competitors that pursue other generic strategy type or those that are stuck-in-the-middle.

Historically, Mission hospitals in Kenya were founded on a very solid resource base through human and material support from the mother churches overseas. Since the hospitals were doing a well-accepted and respected job in the area of health service delivery for the population, the government also recognized their role by also making subsidy to them [2]. It came in various forms including human, equipment, vaccines and drugs. Over the years, the situation has gradually changed. From the mid eighties, the missionaries started to return to their mother countries without replacement. This was coupled with discontinuation of resources support to the institutions left behind by the departing missionaries.

The locals taking over the running of these hospitals did not go through proper preparations and orientation. This unpreparedness has seen several hospitals and some hospitals are struggling for survival such as St Joseph Ombo Mission Hospital, Friends Kaimosi Hospital, COG Mwihila Hospital, ACK Maseno Hospital and ACK St Lukes Hospital, Kaloleni. The situation has been further compounded by the liberalization of the Kenyan economy. This has led to a huge increase in the number of players in health service delivery. In reality the mission hospitals are now faced with very stiff competition right at their doorsteps. These are; other mission hospitals, Government hospitals, private hospitals and even quacks.

The mission hospitals are now faced with the reality of achieving the minimum patient attendance levels required to raise enough income to cover staff salaries, maintenance and procurement of drugs & other supplies. The market is flooded with many players. The situation has been made worse 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 [2]. In the circumstances, the mission health facilities are faced with the threat of becoming irrelevant and indeed closure. A good number of mission hospitals were not able to survive the new turn of events. Those, which are still surviving have had to adopt urgent measures in form of competitive strategies. This study therefore sought to determine the effects of competitive strategies on the performance of Kijabe Mission Hospital.

1.1 Research Objectives

The overall objective of this study was to establish the effects of competitive strategies on the performance of mission hospital in Kenya. The specific objectives of this study were;

1. To establish the effects of cost leadership on the performance of Kijabe mission hospital
2. To determine how differentiation affect the performance of Kijabe mission hospital
3. To assess the extent to which market focus affect the performance of Kijabe mission hospital
4. To establish the extent to which corporate growth and development affect the performance of Kijabe mission hospital

2. Theoretical Background

Neo-institutional theory explains heterogeneity and differentiation [3]. Through institutional embeddedness and interconnection, the creation of competitive advantages can be explained because institutional embeddedness has an impact on organizational behaviour, causing it to seek an economic and social fit. Differentiation supports and sustains competitive advantage, but conformity to institutional pressures provides legitimacy, resources, and competitive advantage. In contexts where institutional and competitive pressures exert strong influences, the strategic decisions of managers result both in conformity to institutional pressures, which leads to isomorphism and legitimacy, and in differentiation, which, following the resource-based view of the firm, can increase the possibility of creating a competitive advantage through heterogeneity in resources and capabilities. Although both alternatives have an effect on performance and the creation and maintenance of dominant market positions, little attention has been paid to the analysis of the effects of conformity on firm performance and competitive advantage.

Five forces of competition as fierce rivalry, threat to entry, threat to substitutes, power of suppliers and power of buyers [4]. He upholds that understanding the forces that shape a sectors competition is the basis for developing a strategy. Generic strategies can be effectively correlated to organizational performance by using key strategic practices. Porter posits that if the forces are extreme, no organization earns striking returns on investment and if the forces are benign, most of the companies are profitable. The composition of the five forces varies by industry and that an organization needs a separate strategy for every distinct industry such as the hospitals. Generic strategies comprise of low cost, differentiation, focus and combination strategies. These are commonly conventional as a strategic typology for all organizations [4]

3. Conceptual Framework

In this study, the dependent variable is performance of mission hospitals while the independent variables are cost leadership, competitive advantage, and differentiation and growth strategies. A conceptual framework has been drawn to show the relationship of the dependent variable and the independent variables [5].

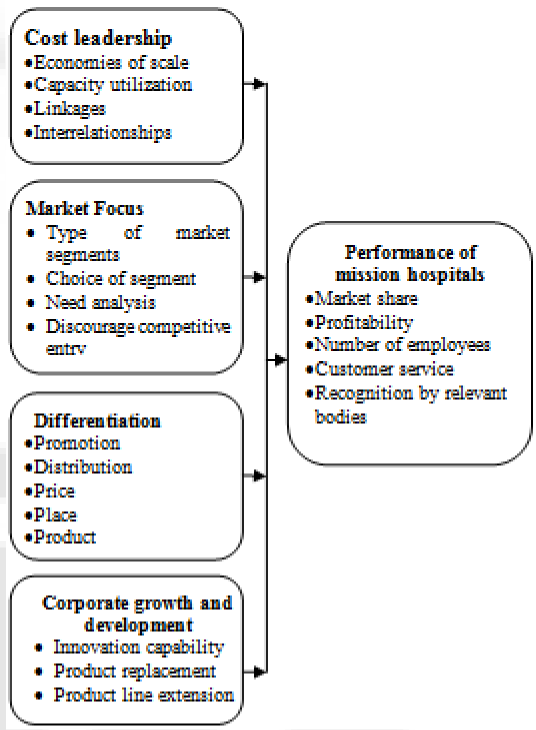

Figure 1: Independent Variables Dependent Variable

4. Research Gaps

The proliferation of both private and public hospitals as a result of rapid pace of economic development and government policies favoring economic liberalization and the execution of free market system has made the industry highly competitive. As a result of the competition, mission hospitals are looking for strategies to enable them compete favorably in highly competitive marketplace. All these health institutions provide similar services or offerings and for them to survive within the industry, they need to adopt strategies that will give them competitive advantage over the rivals. Lack of effective competitive strategies by the mission hospitals in the past few years has led to dwindling market share, lost of customers and its negative impact on the hospitals performance. Recently, the hospitals are experiencing recession in growth and in an attempt to differentiate them and capture wide market share, the companies have put several measures in place. Among the measures is the modification of the operational strategy. Strategies are meant to bring satisfaction to customers so that the hospitals in return will reap high performance. The extent to which these strategies put the hospitals ahead of competitors warrants an extensive study. Previous studies have reviewed were conducted in developed countries and on other industries whose strategic approach and financial footing is different from that of mission hospitals. The study therefore looks at the competitive strategies that mission hospitals are putting in place to at worst be at par with the competition and how these affect their performance.

5. Research Methodology

The study adopted a descriptive survey design. The study population of this study was all the employees at Kijabe Mission Hospital which totals to 324. For this study, a sample of 45% (59 respondents) was taken. According to Kothari [6] a sample of at least 30% of the target population is usually representative and generalizable. Structured questionnaires were used to collect primary data. Responses in the questionnaires were tabulated, coded and processed by use of a computer Statistical Package for Social Science (SPSS) version 21.0 programme to analyze the data. The quantitative data from both primary and secondary sources was analyzed using descriptive statistics such as frequency, percentages, means and standard deviation while the qualitative data was analyzed using conceptual content analysis.

6. Results and Discussion

From the findings, the study established that the majority of respondents were male as shown by 67% while females were 33% of the respondents. In addition, majority of the management level employees were middle aged. Further, majority of the management employees had vast experience in the area being researched on.

6.1 Cost Leadership

This study revealed that cost leadership affects performance in the hospital. This is consistent with other previous studies that observed that a cost leadership strategy is designed to produce goods or services more cheaply than competitors by stressing efficient scale of operation [7]. The study deduced that the management level employees were in agreement with the aspects of cost leadership. They include: the hospital observed economies of scale (cost advantages that the company obtains due to expansion); that the hospital focused on lower cost of purchase of equipment and that the hospital used many suppliers to hedge on cost exploitation. The study also deduced that the hospital focused on reducing costs related to regulation levies; that the hospital focused on reducing overhead expenses; that the hospital had formed linkages with service providers ; that the hospital practiced cross selling ;that the hospital conducted all the services on its own ; that the hospital had partnership agreements with other hospitals ;that the hospital shared cost across functions ; that the hospital maximized on capacity utilization (Extent to which the hospital actually uses its installed productive capacity), that the hospital had formed linkages with customers; that the hospital focused on lower installation costs i.e. entry into service and that the hospital had formed linkages with other financial/supplementary institutions. These findings are in line with a previous study that argued that the firm opens up a sustainable cost advantage over competitors and uses that lower cost as a basis for either under pricing the competitors and gaining a larger market share at their expense or earning a higher profit margin by selling at the going price [7].

6.2 Market Focus

The study established that market focus affects performance in the hospital through aspects such as the hospital practicing segmentation based on age of the customers; the hospital practicing segmentation based on social class of the customers; the hospital practicing segmentation based on benefit sought by the ; the hospital practicing segmentation based on education level of the customers and the hospital practicing segmentation based on physiological aspects of the customers e.g. lifestyle and that the hospital practiced segmentation based on income level of the customers. This is consistent with a previous study that who observed that Successful market focus strategies create a competitive advantage for the seller, as customers view these products as unique or superior [8]. This finding also correlates with other studies that posited that the firm can choose to focus on a select customer group, product range, geographical area, or service. The focus strategy, whether anchored in low-cost base or differentiation base, attempts to attend to the needs of a particular market segment. The focusing firms profit from their willingness to serve otherwise ignored or underappreciated customer segments.

6.3 Differentiation

The study further established that differentiation affects performance in the hospitals. This agrees with a previous study that posited that differentiation is a marketing technique used by a firm to establish strong identity in a specific market; also called segmentation strategy [9]. This is mainly through aspects such as the employees reliability, the hospital’s offering low prices/premiums ;the hospital’s conducive working environment the hospital’s employees credibility ; the hospital’s courteous staff, the hospital’s service assurance; the hospital’s empathetic staff; the hospital’s tangible services, the hospital’s creative advertising therefore superior brand personality; the hospital’s employees good communication skills ;the hospital’s service delivery guarantees, the hospital’s reliable services ; the hospital’s participation in events such as shows and exhibitions ;the employees close hospital-customer relationships, the hospital’s well trained agents; price quality match ; the hospital’s competent employees; the hospital’s quality and attractive symbols, low interest, hospital’s fast complaint handling system ;the hospital’s fast accurate quotes ; the hospital's employees who are responsive to customers' needs ;the hospital's readily available agents ; the hospital's comprehensive written/ audio visual media; the hospital's convenient location; the credit This is consistent with Porter [4] who posited that differentiation involves creating a product that is perceived as unique. The unique features or benefits should provide superior value for the customer if this strategy is to be successful. Because customers see the product as unrivaled and unequaled, the price elasticity of demand tends to be reduced and customers tend to be more brands loyal. This can provide considerable insulation from competition.

6.4 Product/market Development Strategies

The study found that product/market development strategies affect performance in the hospital. This is observed by Porter [4] portrays that firms develop new products targeted to its existing market segments and by diversifying into new businesses by developing new products for new markets. This is through aspects such as the hospital's entrance to high end of the market; the hospital's strategies to increase the number of customer, the hospital's adoption of process innovation ;the hospital's continually upgraded all non performing products; the hospital's intensive technological innovations; the hospital's introduction of services with added advantages ; the hospital's recruited agencies to help in marketing and selling ; the company opening offices in major cities/ towns, the hospital's involvement in product upgrading ; the hospital's introduction of a lower-priced services. This is in line with a previous study that argues that diversification is the most risky of the growth strategies since it requires both product and market development and may be outside the core competencies of the firm [10].
From the regression analysis, the study found that 74.6% of the changes in the performance of the mission hospitals could be attributed to the combined effect of the predictor variables. The findings also show that cost leadership had the greatest effect on the performance of the mission hospitals, followed by product/market development strategies, then market focus while differentiation had the least effect on the performance of the mission hospitals. All the variables were significant ($p<0.05$).

6.5 Regression Analysis

In this study, a multiple regression analysis was conducted to test the influence among predictor variables. The research used statistical package for social sciences (SPSS V 21.0) to code, enter and compute the measurements of the multiple regressions. R-Squared is a commonly used statistic to evaluate model fit. R-square is 1 minus the ratio of residual variability. The adjusted $R^{2,}$ also called the coefficient of multiple determinations, is the percent of the variance in the dependent explained uniquely or jointly by the independent variables. 74.6% of the changes in the performance of the mission hospitals could be attributed to the combined effect of the predictor variables. This is in line with a previous study that established that organizational performance is the effect of all of the organisation's operations and strategies [11].

Table 1: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.7895	0.8922	0.7460	0.6396

The probability value of 0.001 indicates that the regression relationship was highly significant in predicting how cost leadership, market focus, differentiation and Product/market development strategies influenced competitive strategies on the performance of the mission hospitals. The F critical at 5% level of significance was 1.270 since F calculated is greater than the F critical (value = 1.549), this shows that the overall model was significant.

Table 2: Summary of One-Way ANOVA results

Model		*Sum of Squares*	*df*	*Mean Square*	*F*	*Sig.*
1	Regression	11.246	3	3.749	1.549	0.001
	Residual	96.886	40	2.422		
	Total	108.132	43			

The "coefficients" table provides the regression equations. Under "unstandardized coefficients," the "Constant" (17.79) is the "a" coefficient. The remaining values in this column are the "b" coefficients. Rewriting this in standard algebraic form, the unstandardized regression equation is:

$$Y= 17.79 + 0.798X1+ 0.642X2+ 0.610X_3+ 0.702X_4$$

Where Y is performance of the mission hospitals, X_1 is cost leadership, X_2 is market focus, X_3 is differentiation and X_4 is Product/market development strategies. The regression equation above has established that taking all factors into account (cost leadership, market focus, differentiation and Product/market development strategies) constant at zero performance of the mission hospitals will be 18.79. The findings presented also show that taking all other independent variables at zero, a unit increase in the cost leadership would lead to a 0.798 increase in the performance of the mission hospitals and a unit increase in the market focus would lead to a 0.642 increase in the performance of the mission hospitals. Further, the findings shows that a unit increases in the differentiation would lead to a 0.610 increase in the performance of the mission hospitals. The study also found that a unit increase in the product/market development strategies would lead to a 0.702 increase in the performance of the mission hospitals.

Table 3 shows that cost leadership, market focus, and differentiation and Product/market development strategies at 1%, 5% and 10% level of significance, they are significant in explaining the variations in performance of the mission hospitals. Overall, cost leadership had the greatest effect on the performance of the mission hospitals, followed by product/market development strategies, then market focus while differentiation had the least effect on the performance of the mission hospitals. All the variables were significant ($p<0.05$). This is in agreement with a previous study that found that the ability of a company to outperform its competition depends on five major factors [4]. The first four set the strategic direction for success. These are ability to take advantage of market activity trends; ability to capture and protect 'unfair share' of markets; ability to capture premium pricing; prudent creation and introduction of new products. This entails having people, processes and technology for execution excellence.

Table 3: Estimated Regression Coefficients

Model	*Unstandardized coefficients(B)*	*p-Value*
Const.	17.79	3.25e-09
Cost Leadership	0.798	0.0154
Market Focus	0.642	0.0395
Differentiation	0.610	0.0133
Product/market development strategies	0.702	0.0234

7. Conclusion

From the findings, the study concludes that there is a significant relationship between cost leadership and the performance of hospitals (B=0.798, p=0.0154). It also concludes that cost leadership affects performance of hospitals. This is because this strategy focuses on gaining competitive advantage by having the lowest cost in the industry. In order to achieve a low-cost advantage, an organization must have a low-cost leadership strategy, low-cost manufacturing, and a workforce committed to the low-cost strategy.

The study further concludes that there is a significant relationship between market focus and the performance of hospitals (B=0.642, p=0.0395). Market focus affects performance in the hospital through aspects such as the hospital practicing segmentation based on age of the customers; social class of the customers; benefit sought by the hospital; education level of the customers, physiological aspects of the customers and the income level of the customers. The focus strategy, whether anchored in low-cost base or differentiation base, attempts to attend to the needs of a particular market segment. The focusing firms profit from their willingness to serve otherwise ignored or underappreciated customer segments.

The study also concludes that there is a significant relationship between differentiation and the performance of hospitals (B=0.610, p=0.0133). Differentiation takes place through aspects such as the employees reliability, offering of low prices/premiums, conducive working environment, employees credibility, courteous staff, service assurance, creative advertising therefore superior brand personality, good communication skills, service delivery guarantees, reliable services, close hospital-customer relationships and price quality match.

The study further concludes that there is a significant relationship between product/market development strategies and the performance of hospitals (B=0.702, p=0.0234). By considering ways to grow via existing products and new products, and in existing markets and new markets, a firm is more likely to attain growth. Product/market development strategies that influence performance include entrance to high end of the market, strategies to increase the number of customer, adoption of process innovation, intensive technological innovations.

8. Recommendations

From the study findings and conclusions, since differentiation affects performance, the study recommends that firms using the differentiation should concentrate on investing in and developing such things that are distinguishable and customers will perceive.

Since the study found that cost leadership affects performance, it therefore recommends that the firms should strive towards having a large market, for an effective cost leadership strategy. The study recommends that the hospital to adopt cost leadership which will enable market sustainability. The managers should ensure the firm is able to explore opportunities and to respond swiftly to environmental changes and eroded value that arises from competitor activities. To develop core competences there is need for good leadership from the hospital management and involvement of all stakeholders. The study further recommends that managers at all levels (top, middle and low management level) should be trained on the importance of competitive strategies which will help the firms realize performance and growth.

The study recommends that the hospital should focus on market which will enable market sustainability. As the markets become dynamic and consumers more irregular and fickle, companies pursuing this strategy need some form of market segmentation to efficiently satisfy the market needs. What makes an organization different from a competitor's should be established. Managers need to ensure that the message of differentiation reaches the clients, as the customer's perceptions of the institution are significant. Level of segmentation should be increased in the companies to reflect the strategy adopted.

The businesses should counter five fundamental competitive forces that drive industry competition which include threat of new entrants; threat of substitute products; bargaining power of suppliers; bargaining power of buyers and rivalry among current competitors. The competitor hospitals to should seek competitive advantage in ways that draw counter-response from rivals, plummeting profitability and industry attractiveness. The hospitals need to offer diverse quality levels at different prices to capture the differential willingness to pay for quality between consumers. Then hospitals need to price their product lines differently. The companies should evaluate the estimated fixed effects of lines with those of favors implicitly tests for the occurrence of price discrimination. Hospitals should use differences in consumer preferences by using product/service lines as a price favoritism tool. The study finally recommends that firms should embrace continued improvement in operational efficiency at a pace faster than competitors since it is necessary in sustaining superior profitability over time.

8.1 Future Scope of the Study

The study recommends that to add weight to this study, another study should be done to investigate the effect of competitive strategies on the performance among hospitals in other areas in Nairobi and other cities to allow for generalization. A similar study should also be done on public hospitals since their operations are different from that of mission hospitals. Further studies should be done on the challenges facing firms in the adoption of competitive strategies.

References

[1] R.M. Grant, Contemporary Strategy Analysis. (4th Ed) Blackwell Puy Oxford, 2002
[2] H. Oakland, Organizational Strategy, Structure and Process, (5th Ed). McGrw Hill publishers, New Jersey, 1999
[3] G. Oliver, Collective entrepreneurship: the mobilization of college and university recycling coordinators, Journal of Organizational Change Management, 11(1), pp. 50-69, 1996
[4] M. Porter, Competitive Strategy. The Free Press, New York, 2008
[5] O. Mugenda, and A. Mugenda, Research Methods: Quantitative & Qualitative approaches, Acts Press. Nairobi, 1999
[6] C. R. Kothari, Research Methodology: Methods and Techniques, Wiley publishers New Delhi, 2000
[7] M.R. Brooks, International competitiveness: assessing and exploring competitive advantage by ocean container carriers, Logistics and Transportation Review, 3(23), pp 275-93, 1993
[8] M. Stone, Strategic development related to Europeanization of UK logistics and distribution service suppliers, European Business Review, 95 (5), 9-14, 1995
[9] F.R. David, Strategic Management: Concepts. Upper Saddle River, Prentice Hall Inc New Jersey, 2000
[10] J.B. Barney, Gaining and sustaining competitive advantage, Prentice Hall New Jersey, 2002.
[11] E. Ogbonna, and L. Harris, Innovative organizational structures and performance: a case study of structural transformation to groovy community centers, Journal of Organizational Change Management, 16(5), 512-534, 2003