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Competitive Strategies and Performance of Private Inpatient Hospitals in Mombasa County, Kenya

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ABSTRACT

Availability of funding has been the key impediment in many organizations especially in provision of health services for private hospitals. To sustain performance and therefore their survival firms ought to employ competitive strategies. This research project sought to establish the effect of competitive strategies on performance of inpatient private hospitals in Mombasa County, Kenya. The general objective of the study was to establish the effects of competitive strategies on the performance of private inpatient hospitals in Mombasa County, Kenya. The specific objectives of this study were to examine the influence of cost leadership strategy, differentiation strategy and focus strategy on the performance of private inpatient hospitals in Mombasa County. The study covered Private Hospitals in Mombasa County offering inpatient facilities. The study was also limited to the competitive strategies to the extent of influencing performance of these inpatient private hospitals. Theoretical review was based on three main theories, Porter's five Forces model, RBV, the Dynamic Capabilities theory. The study employed a descriptive research design. The population for this study was 148 drawn from thirty-seven private hospitals in Mombasa County providing outpatient and inpatient services. The population of the research was all employees of the thirty-seven private inpatient hospitals in Mombasa County. The researcher used purposive sampling design in selecting 148 respondents drawn from these hospitals. The study made use of questionnaires in collecting primary data. Quantitative data was analysed using descriptive statistics and regression analysis. focus strategy, differentiation strategy and cost leadership strategy were found to influence on performance positively and significantly. The study concludes that a cost leadership strategy that is successful entails offering services or/and products with low price, acceptable attributes and features, satisfactory quality and a large clients number since in lowering costs, scale is an enabler. Differentiation strategies are based on providing customers with something unique or different, making the hospitals service distinct from the competitors. A focus strategy aids in building strong associations within every target market since clients have a feeling that the hospitals brand particularly created something for them, hence over time builds loyalty. The study recommends that the hospitals should rely on economies of scale to achieve efficiency which translates into operational cost savings for the hospitals. The hospitals should have an idea of their expertise in their business operations by identifying their specific services or overall brand's weaknesses and strengths. The hospitals should discover their threats, opportunities, weaknesses and Strengths to assist them knowing who to initially target and highlight the details of each prospective market.

Key Words: *Competitive Edge, Strategies Cost Leadership, Differentiation, Focus, Health System, Performance*

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1.0 Introduction

1.1 Background of the study

Three strategic directions (profitability, growth, and survival in the market) guide performance of an organization. The growth is linked to the firm's profitability and survival. The objective of measuring organizational performance is therefore to assure existence of the firm in future through sustained performance improvement of the business that guarantees profitability. Sustained profitability means availability of funds to drive growth and therefore survival. Availability of funding has been the key impediment in many organizations' growth strategies and more so in provision of health services for private hospitals. According to Porter (1985), resources from the environment are consumed (inputs)by the organizations, transformed and released (output). Firms should adjust constantly to the external environment's technological, social cultural, political and economic changes. Many firms have been forced into adjusting the strategies dramatically due to increased international competition and globalization (Ansoff & McDonnell, 1990).

There is need for change adoption by firms within the operating environment which is chaotic and radical. Kitua (2014) posits that for an organization, having competitive strategies by constantly renewing its market competitive strategies is the biggest opportunity. All the firm's approaches and moves that are taken in attracting clients, improving the market position and withstanding pressure of competition are what competitive strategies consists of. The firm employs competitive strategies within the industry. The adopted strategies should relate with the company's performance. Strategies that are long term must derive from the attempt of a firm in seeking and sustaining a competitive advantage depending on one of the three generic strategies (Focus, differentiation and cost leadership strategies).

Porter (2008) posits cost leadership strategies are dependent on a firm's unique capabilities in achieving and sustaining the low-cost position within the operation industry. This could be achieved through mass production and distribution or through pursuing strategies for operational efficiency and cost control enhancement, creating relations with major service provider and utilizing optimal capacity. For focus strategy, a firm's concentration is on its resources to enter and expand in a narrow market. Pursuing this can also be done by selling discriminately in different market specialty or targeting particular specialization depending on the level of income. When a firm strives to create unique products for different client groups is called differentiation strategy. The design of competitive strategies that depend on differentiation are appealing to clients with product characteristics being given major focus.

1.2 Statement of the 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 providing healthcare services in the country. The report further notes that though a business, private healthcare serve in filling the gap public healthcare institutions leave in providing 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 growth of the middle-class resulting to a rising demand for quality-oriented and modern healthcare based on computerized healthcare diagnostic systems. This has prompted private healthcare institutions investment in modern equipment for healthcare diagnostics. In Kenya private not-for-profit, private-for-profit and public facilities provide healthcare.

There is no better way of financing the healthcare system than generating internal resources through sustained improvement in performance, financial viability in the sector and therefore self-sustaining in the long run. Shift of medical personnel to public health facilities has been due to recent service terms improvement for all public health facilities and retaining them in private facilities would mean additional costs. (Kingori, 2018). This coupled with the nominal charges in private hospitals then poses a serious competition to private hospital investments in the country. In the conditions, the private hospitals may become irrelevant and close down. To survive, the private hospitals, need to change tact to effectively compete in the market.

Many research have been carried out on performance and competitive strategies. In his study Kemei (2011) sought to establish how financial performance and competitive strategies and found out that SMEs and MFIs loans related positively and significantly. Mbugua (2012) explored competitive strategies that Private Hospitals in Nairobi adopt and discovered that Nairobi's private hospitals' actions are affected by several general environmental factors. In her study in Muranga County on Deposit Taking Saccos' Performance and competitive strategies, Maina (2018) made a conclusion that SACCOs' performance was majorly influenced by competitive strategies. Sifuna, (2014) studied how Kenyan Public Universities were affected by competitive strategies and concluded that application of generic Universities affected their performance. Her recommendation was to carry out a similar study in other institutions to establish if similar findings will be obtained.

The above studies have contextual gaps in health sector within Mombasa County which this research is seeking to fill. It is in this regard that the study is aimed at investigating how private inpatient hospitals' performance in Mombasa County is influenced by competitive strategies. The study investigates the extent to which the Differentiation, focus strategies and Cost leadership strategy, influence private inpatient hospitals' performance in Mombasa County. The study will help investors in enhancing performance and therefore boosting access to medical services not only for hospitals in Mombasa County but across the country.

1.3 Purpose of the Study

The purpose of the study was to establish the influence of Competitive strategies on Performance of private inpatient hospitals in Mombasa County.

The specific objectives of the research were:

i. To examine the influence of cost leadership strategy on performance of private inpatient hospitals in Mombasa County.
ii. To investigate the influence of differentiation strategy on performance of private inpatient hospitals in Mombasa County.
iii. To determine the influence of focus strategy on performance of private inpatient hospitals in Mombasa County.

2.0 Literature Review

2.1 Theoretical Review

2.1.1 Five Forces Model

Five competitive forces shaping every market and every industry were identified by Porter (2008). The forces are threat of new entry, power of suppliers, fierce rivalry, threat to substitutes, and power of buyers. Porter (2008) posits that most companies are profitable when the forces are benign and no organization earns significant returns on investment if the forces are extreme. He upholds that the basis for developing a strategy is the forces shaping a sector. The five forces' composition differ by industry and that for each distinct industry like private hospitals, an institution requires a separate strategy. Generic strategies of Porter (1998) are comprised of combination, focus, differentiation, and low-cost strategies. Key strategic practices can be used to correlate effectively organizational performance and generic strategies. Porter (2008) postulates desire of gaining market share and new capacity in an industry are brought by new entrants which put pressure on rate of investment, cost and price necessary for competing. Specifically, cash flows and existing capabilities can be leveraged by new entrants which want to diversify from other market thus shaking up competition. In assessing how significant and strong competitive pressure is and in methodical diagnosis of the pressures in the market, the model is an influential tool. In choosing one of the generic strategies to help an institution successfully compete profitably, the five forces analysis will help. Therefore, winning strategies can be developed and chosen by private hospital managers through identification of the existing competitive pressures, measure each virtual strength and profoundly understand the entire competitive structure of the sector.

In identification of where a business situation power lies, the five forces can help. It's important in understanding the competitive position and a company's current future strength. Porter's five forces are used by strategic analysts in understanding potential profitability of a new service or product. Identification of strong areas, avoiding mistakes and improving weaknesses can be done if it is well understood where power lies. Analysis of the forces assist a firm in understanding factors that affect profitability in a particular industry and in informing decisions related to entry in an industry, development of competitive strategies and increased capacity in a specific industry. The forces analyses therefore becomes a key tool determining the performance of an organization.

2.1.2 Resource Based View Theory

According to Mata et al. (1995), the theory is based on two main assumptions: resource immobility and resource diversity. Barney, (1991) highlights that if a value-creating strategy not implemented by a potential or current rival is implemented by a firm, competitive advantage is achieved. He further adds that, sustained competitive advantage is possessed by a firm if this advantage's benefits are not copied by other organization. The sustainable competitive advantage must be within the resources of an organization and how they are employed (Barney, 2007).

The model is useful in the identification of the basis through which a firm's capabilities ad resources act as sustained competitive advantage source (Peteraf, 1993). It is asserted by the theory that organizations enjoying competitive advantage position earning and earning superior profits over the rest are determined by strategic assets control and ownership. This is guided by three key aspects; whether the capability or resource is imperfectly mobile, distributed heterogeneously across competing organizations and valuable. If a resource possesses these attributes, then it is a source of sustained competitive advantage to an organization. In formulating strategy for sustainable competitive advantages achievement by an organization in a marketplace, the RBV emphasizes internal capabilities and resources. Strategic choices a firm makes when competing in the external business environment is determined by internal capabilities and resources. RBV assumes that sustainable competitive advantage is achieved by an organization hence enhancing economy only if preferential access resources that generate competitive advantage is obtained and potentially exploited (Barney, 2007). If the resources are heterogeneous and immobile then competitive advantage happens. The theory is relevant as it guided the focus and differentiation strategies in the study's key objectives.

2.1.3 Dynamic Capabilities Theory

Dynamic capabilities are described by Helfat et al. (2007) as an organization's ability in purposefully creating, extending or modifying the resource base. Wheeler (2002) also defines it as the ability of an organization in attaining new competitive advantage form through competences renewal, resources on an organization in achieving congruency with business environment that is constantly changing. Teece, Pisano, and Shuen, (1997), posit that a firm should put effort in attracting, strengthening and reconstructing competencies to be at the same level as the dynamic business environment. Zahra, Sapienza and Davidsson (2006) present the capabilities as a strategy of an organization to integrating, reconfiguring, renewing, and recreating external and internal resources constantly to respond to the constantly changing and dynamic market with the aim of attaining and sustaining competitive advantage. According to Capron and Mitchell, (2009); Lavie, (2006), reconfiguration capability is the capacitoy of accompany in generating capabilities for current capabilities' integration. Verona and Ravasi, (2003); Eisenhardt and Martin, 2000 learning capability is the capability of knowledge creation, acquisition and sharing in response to operating environment's threats and opportunities. Acquisition and alliance routine enable an organization in bringing new strategic resources into an organization. Sensing capability is concerned with the capability of promptly recognizing environment opportunities as it crops up as well as being with ways of monitoring threats in the environment (Barreto, 2010).

Competitive advantage achievement assists an organization in dictating its operating sector's price at the same time maintain leadership position (Helfat & Peteraf, 2009). Dynamic Capabilities theory is strategic management's important aspect as it gives an idea on entrepreneurial opportunities are created, defined and discovered and exploited in a volatile and complex external environment while seeking market needs and resources' strategic matching. The theory will be useful in assessing focus, differentiation and cost leadership strategies in meeting the objectives the study.

2.2 Empirical Review

2.2.1 Cost leadership strategy and Performance

In producing services and products in a cheap way than the rivals by stressing efficient operation scale, a cost leadership strategy is designed (Brooks, 2010). A study on the low-cost model's effectiveness of and airlines' profitability was done by Alamdari and Fagan (2005) and discovered that highest profits would be earned by airlines with the lowest costs in instances where there is undifferentiation of the competing product and is sold at a standard market price. Reducing cost in each activity in the value chain was emphasized by the strategy.

The empirical results in a study by Kharub and Sharma (2019) on how firm performance and cost leadership competitive strategy relate discovered that Cost leadership can be achieved as a competitive strategy in the MSMEs by constantly improving through data analysis and proper information. These studies had conceptual gaps focusing on one aspect of competitive strategies. Comparably, Njoki (2018) focused her research on Muranga based DT SACCOs' performance and competitive strategies. Descriptive research design was deployed. The study carried out a census on the eight SACCOs in Murang'a County targeting 64 respondents. She used a self-administered questionnaire which was dropped and picked to gather information. A conclusion was drawn that performance was significantly and statistically determined by cost leadership. SACCOs' performance and cost leadership related strongly positive. Focus should move to private institutions specifically private hospitals because of the existence of a contextual gaps.

2.2.2 Differentiation strategy and Performance

Kobia (2018) studied Nairobi County's Bata Shoe Company outlets performance and differentiation strategy. In her research she used customer service, packaging design, product branding, and product development as independent variables to establish their effect on performance of the Company. She adopted a descriptive research design. She used questionnaires in collecting data from sixty employees across a sample of employees across the management level. In determining how performance is affected by differentiation, regression analysis was utilized. Study findings indicated that Bata Shoe Company outlets performance is positively and significantly affected by differentiation strategy. Statistics showed differentiation enhances the company's operating performance. This was a case study and therefore presents a methodological gap on the need to expand the study to a wider scope since it may not support making generalization to the health sector and particularly Mombasa County's private hospitals. The methodological gap was addressed.

A study by King'ori (2018) in Nairobi focused on agrochemicals' performance and competitive strategies. He used the following parameters determine their effects on performance of agrochemicals in Nairobi: pack premium prices, many pack sizes and Brand name. He used a descriptive survey with a population of 83 agrochemicals across Nairobi. The study used self-administered questionnaires for data collection. The finding supported the role of differentiation in enhancing performance. Respondents' majority strongly agreed that "the company has developed various packs in every product to differentiate." This study had a contextual gap as these findings couldn't be generalized to the private hospitals.

Mbugua (2010) investigated competitive strategies Nairobi's private hospitals have adopted. He used the following parameters to establish their effect on performance of private Hospitals in Nairobi: meeting the unique customer needs, qualified personnel, offering unique services and unique physical appearances. He used a descriptive research design carrying out a census survey on the 20 private hospitals in Nairobi. His data was collected through drop and pick questionnaires. The findings were that for the hospitals to remain competitive, they have adopted various differentiation activities/strategies. Focus should move to private hospitals in other geographical regions like Mombasa because of the existence of a contextual gap.

2.2.3 Focus strategy and performance

Odunayo (2018) explored Port Harcourt's Telecommunication Companies' performance and focus Strategy. A cross sectional design was deployed, the companies' management staff were involved. the Taro Yamane formula was used in determining a 100-sample size from a population of 134 using simple random technique. For testing hypothesis and data evaluation, descriptive statistics was deployed. The study concluded that Port Harcourt's Telecommunication Companies' firm efficiency, market share and organizational profitability is significantly influenced by focus strategy. This study presents a conceptual gap in that it only focused on a single competitive strategy- focus strategy. This research sought to fill this gap by focusing on all competitive strategies.

Kamau (2017) sought to establish Kenyan Life Assurance Companies' performance and competitive strategies. She used a descriptive research design and targeted all the 26 Kenyan life assurance companies. The analysis unit included the life assurance companies' line managers, middle and top managers. From this group, the study targeted 150 respondents. Questionnaires were used for gathering information. It was disclosed that competitive strategies were employed by life assurance companies. That the companies had fairly implemented focus strategy elements. Hence, focus elements should be focused by the life assurance companies to ensure proper implementation to enhance performance. This study had contextual gaps. The current study looked at competitive strategies employed by private hospitals in Mombasa, County so as address the gap.

2.3 Conceptual Framework

A conceptual framework shows how the variables relate. In this study, the independent variables are cost leadership, differentiation strategies and Focus strategies whereas the dependent variable is performance of private inpatient hospitals as shown by Figure 1.

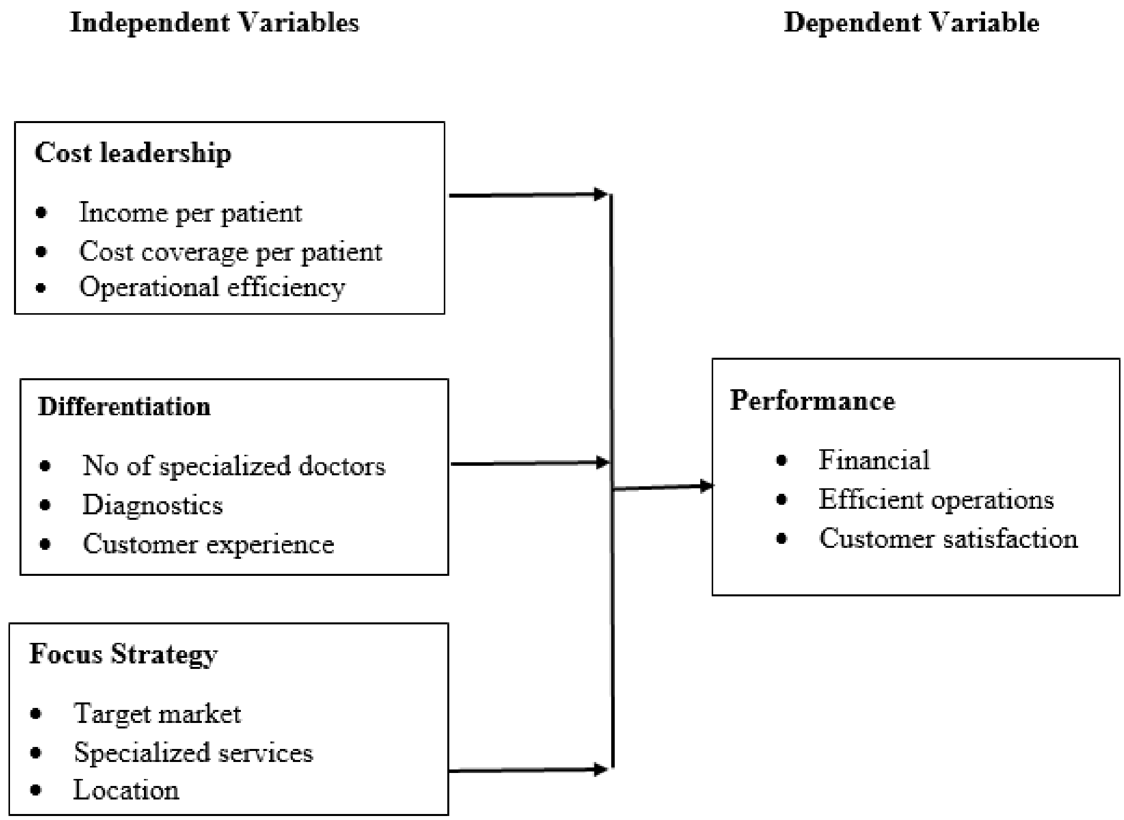

Figure 1 Conceptual Framework

3.0 Research Methodology

Given the study targets and Descriptive survey design will be used for this study. The design was used here since it is effective in analysis of non- quantified topics and issues, the design is also less time consuming. The study population was all employees in the private hospitals in Mombasa numbering thirty-seven. These health facilities are distributed across the six sub counties of Mombasa County. This study used purposeful sampling design in selecting a sample representing the whole population. The respondents were 148 senior employees drawn from Finance, medical/clinical department, customer service and the head of the institution for each of the thirty-seven private hospitals under study.

Data collection was by use of questionnaires which will be send to the respondents through electronic mail and hand delivered to those that lack a robust electronic mail system ethnography. Analysis of data entailed editing, coding, classification and tabulation of data gathered. The information collected was keyed in and analyzed using Micro Soft Excel and SPSS. In describing the findings, descriptive statistics (percentages, frequencies and Mean) was deployed. . To determine how the dependent variable is affected by independent variables, a regression analysis was deployed to generate regression output utilized. The study used the following regression for the resultant data

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3$$

Where Y = Performance of Private inpatient hospitals in Mombasa County

X_1 = Cost Leadership Strategy

X_2 = Differentiation Strategy

X_3 = Focus Strategy

$\beta 0$ is the regression intercept, 1, $\beta 2$ and $\beta 3$= are regression Coefficients and are essentially the slope of the regression and ε = Error term

4.0 Study Findings

The association between the dependent and independent variables was modeled, examined and explored using regression analysis, this helped measure the level to which change in one variable was affected by one or more variables.

Table 1: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.742[a]	.620	.813	.675	.020	.600	4	131	.000[a]

Source: Survey Data (2021)

In the model, the value of R was 0.742 which demonstrated that the variables strongly correlated. Further, it demonstrated the R-square (0.620) that measured extent of dependent variable's variation that the variation in independent variables explained. The independent variables investigated, explain a factor of 0.813(81.3%) of performance of private inpatient hospitals in Mombasa County. Thus, a factor of 0.187(18.7%) is explained by factors not investigated

The Variables' linear association was determined using Analysis of Variance (ANOVA). value of F(calculated), mean square, degrees of freedom (df), the sum of squares and its significance level was obtained. The table below displays the results.

Table 2: ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1.092	4	2.273	11.600	.000[a]
	Residual	53.277	131	1.455		
	Total	54.369	135	3.728		

Source: Survey Data (2021)

The significance value is 0.000[a] wis less than 0.05 hence, in predicting how the independent variables influenced the dependent variable, the model is statistically significant. The F critical at 5% significance level was 2.273. The overall model was significant since F calculated > the F critical (value = 11.600). The association ($p < 0.05$) demonstrated a linear association among the variables implying there existed 95% chance that the association between the variables was not due to chance.

Table 3: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.357	.651		7.308	.000
	Cost Leadership Strategy	.807	.052	4.012	1.134	.004
	Differentiation Strategy	.629	.049	3.058	4.592	.001
	Focus Strategy	.750	.121	2.040	2.412	.001

Source: Survey Data (2021)

A value of 0.357 represents the constant in this model, which is the expected performance value of private inpatient hospitals in Mombasa County when the independent variables' values are equal to zero. Among the four variables, cost leadership strategy was the most (80.7%) significant then differentiation strategy (75.0%) and focus strategy (62.9%).

From the analysis, this the regression equation was established: $Y = 0.357 + 0.807X_1 + 0.629X_2 + 0.750X_3$

Where Y = Performance of Private inpatient hospitals in Mombasa County, X_1 = Cost Leadership Strategy, X_2 = Differentiation Strategy and X_3 = Focus Strategy

Table 3 also shows that private inpatient hospitals' performance in Mombasa County was significantly and positively affected by focus strategy, differentiation strategy and cost leadership strategy as demonstrated by their beta (β) values. The relationships ($p<0.05$) are all significant with cost leadership strategy ($\beta=4.012$, $p<0.05$), differentiation strategy ($\beta=3.058$, $p<0.05$) and focus strategy ($\beta = 2.040$, $p<0.05$). The findings concur with Sifuna (2014) who studied how Kenyan Public Universities were affected by competitive strategies and concluded that the universities' performance was significantly influenced by cost leadership. The findings also agree with a study by Mbugua (2010) that investigated competitive strategies Nairobi's private hospitals have adopted and found that for the hospitals to remain competitive, they have adopted various differentiation activities/strategies. This finding concurs with Kamau (2017) who sought to establish Kenyan Life Assurance Companies' performance and competitive strategies and disclosed that competitive strategies were employed by life assurance companies.

5.0 Conclusions and Recommendations

5.1 Conclusions

The study concludes that a cost leadership strategy that is successful entails offering services or/and products with low price, acceptable attributes and features, satisfactory quality and a large clients number since in lowering costs, scale is an enabler. Of importance is getting a good product which clients can purchase willingly with the lowest cost possible. A big market share is attracted by cost leaders since a high proportion of potential clients perceive paying low costs for acceptable quality services and good more appealing.

The study concludes that differentiation strategies are based on providing customers with something unique or different, making the hospitals service distinct from the competitors. The primary assumption is that for service which in some crucial way is distinct, clients willingly pay a higher cost. Superior value is created since the service offered by the hospitals is technically superior in some way, of higher quality, come with a special appeal in some perceived way. In effect, through making clients less price-sensitive and loyal to a particular hospital service, differentiation builds competitive advantage. In addition, customers are less probable to search for alternative products if they get the satisfaction.

The study concludes that a focus strategy aids in building strong associations within every target market since clients have a feeling that the hospitals brand particularly created something for them, hence over time builds loyalty. Focus strategy allows the hospitals to identify their future clients with specificity making it simpler in creating particular messages for encouraging awareness of the products being developed. Focus strategy limits the competition by creating a natural destination business for clients within the targeted demographic.

5.2 Recommendations

The study recommends that the hospitals should rely on economies of scale to achieve efficiency which translates into operational cost savings for the hospitals. The hospitals should lower costs through creation of a technology offering more services hourly, give some other benefit to the efficiency of the process or limit the number of workers required for production. The study also recommends that the hospitals should assess their existing operations and assess their competitor’s operations so as to enhance its own processes or costs, even though it does not become a cost leader.

The study recommends that the hospitals should have an idea of their expertise in their business operations by identifying their specific services or overall brand’s weaknesses and strengths. The hospitals should research their target audience so as to align their business’ offerings potential and current customers’ needs and wants. Develop differentiators to enable them get things making their brand or services different and also, if necessary, rebrand and be creative in capturing new customers and clients within the audience targeted.

The study recommends that the hospitals should discover their threats, opportunities, weaknesses and Strengths to assist them knowing who to initially target and highlight the details of each prospective market. Scale down their niche markets of interest and explore the way logistics will be undertaken after choosing a new market. Determine the resources and time required in influencing the right individuals and reaching organizational goals. The hospitals should verify organizational and strategic goals’ alignment by evaluating whether long-term organizational objectives are met by the strategic goals.

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