

EFFECTS OF STRATEGIC RESPONSES ON COMPETITIVE ADVANTAGE IN HEALTH INSURANCE SECTOR

(A CASE OF NATIONAL HOSPITAL INSURANCE FUND - NAIROBI COUNTY)

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Abstract: The main objective of this study was to determine the effects of strategic responses on competitive advantage in the health insurance sector in Nairobi County. The independent variables were new products, information communication technology, and customer orientation and stake holders' involvement with competitive advantage as the dependent variable. The scope of the study was the NHIF offices in Nairobi County where a total of 64 respondents were targeted. The study adopted a descriptive research design. Data was collected using Questionnaires which were both closed ended and open ended, where descriptive statistics will be utilized to organize and describe the data while excel computer package will be used to present the analysis in tables, pie charts and bar graphs. The study will benefit National Hospital Insurance fund in strategy formulation. The findings will also help NHIF in future policy making process as it will always be used as a reference tool. Other Institutions will use the report to benchmark their strategy formulation. Lastly, other Researchers will also base their studies on this study. The study established that NHIF has set various strategies which have boosted its competitive advantage and the effect of the competitive pressure faced by NHIF is moderately viable. In response to the competition NHIF has developed and launched new products in the past 5 years, the products have increased the strategic options by the firm and that the new products launched have been successful. ICT is a key element of NHIF's strategic business plan and business objectives, NHIF has invested in adequate hardware such as PCs, Tablets, Printers and servers to support information systems, investment in ICT has improved the firm's competitive position, the use of ICT tools has enhanced organizational effectiveness and reputation helping to overcome competitive pressure, NHIF was vulnerable to external competition due to lagging behind in the adoption of ICT and that NHIF has adopted an enterprise resource planning system (ERP). The study concludes that ICT has positive impact on organizational performance of all sampled organizations. The study further deduces that that NHIF's customer orientation is excellent in its competitiveness. Customer orientation emphasizes the seeking of opportunities and constraints from the perspective of customers in order to create value for potential customers. The study concludes that managing stakeholder relationships can enhance the firm's competitive and performance against others. The relationship between the organization and its stakeholders is designed to leverage the strategic and operational capabilities of individual participating organizations to help them achieve significant ongoing benefits. The study recommends that NHIF should strive to deliver products with benefits that exceed those of competing products by adopting differentiation strategy to realize differentiation advantage and overall gain a competitive advantage over other firms. NHIF should adopt new technologies are to save costs, to improve customer relationships, business processes and performance and to open new opportunities. NHIF should adopt customer orientation and then implement customer integration in order to receive a high level of competitive advantage. Stakeholder involvement the study recommends NHIF to recruit workers who have the necessary knowledge and competencies in the business to minimize on the induction and training costs.

Keywords: Effects, Strategic, Competitive.

1. INTRODUCTION

Back ground of the Study:

In the developed countries such as the United States of America (USA) and United Kingdom (UK), the public health insurance tends to be more developed than those found in the developing countries. In the USA, the public health insurance and OOP account for 44.9% and 13.5% of the health expenditure respectively while the Private Health Insurance (PHI) account for 35% of the total health expenditure (Karanja, 2014). On the other hand, the UK has a tax based health system the National Health Service (NHS), the PHIs and OOPs accounting for 86%, 2.9% and 11.1% of the health care expenditures respectively (Carrin, James, Adelhardt, Doetinchem, Eriki, Hassan & Zipperer, 2014). Various African governments have created public insurance schemes for their citizens including countries such as Nigeria, Ghana, Rwanda, and Tanzania amongst others (Abuor, 2012). For example, the Nigerian government established the National Health Insurance Scheme (NHIS) under the Act 35 of 1999 with an aim of removing financial barriers in access to health care for Nigerians with the civil servants in scope for this service (Wellum, 2014).

The NHIS is a social security that guarantees the provision of needed health services to persons on the payment of token contributions at regular intervals (Lekashingo, 2012). On the other hand, Rwanda established a mutual health insurance in 1999 to ensure that all Rwandese had access to health care. In Tanzania, the National Health Insurance Fund (NHIF) was established by an act of parliament number 8 of 1999 (Barnes et al., 2014). The NHIF in Tanzania had the aim of instituting a permanent and reliable system for the provision of health services to formal sector employees, improve on the accessibility and quality of health services, and establish a reliable method for the formal sector employees to contribute towards their own health and those of their families (Ochiel, 2012).

The scheme which is compulsory in nature is an alternative financing option to the cost sharing option in the public health sector (Carrin *et al.*, 2014). It covers the civil servants and their children up to four children. Kenya's development in the health care financing followed a similar curve with the rest of the African countries with the introduction of the cost-sharing programme in 1989 (Abuor, 2012). National Hospital Insurance Fund (NHIF) as a state corporation is the government's vehicle towards building the social pillar in Kenya's vision 2030.

NNHIF has been given the mandate to receive contributions from salaried and self-employed employees for them to receive insurance covers in the event of being hospitalized. Thus, it has strived to extend its social health insurance cover to as many Kenyans as possible. Just like any other corporate body operating in a free market, NHIF has not been immune to competition. There has been intense competition from the private insurance companies that offer health insurance products which is comprised of private healthcare insurance schemes of several varieties ranging from traditional indemnity insurers, community based health schemes and employer schemes health maintenance organizations. As a result, the market has many, fragmented risk pools. Competition plays an important role in the strategy process. It is on this basis that this study will be formulated to determine the strategic responses that NHIF has taken to have a competitive advantage in the health insurance sector in Nairobi County.

According to Nthigah (2015), strategic management is the process through which organizations analyze and learn from their internal and external environment to establish competitive plans and implement them in order to achieve specific objectives. Strategic management is an activity that is a preserve of senior or top management, on behalf of the owners involving utilization of resources, to enhance the performance of firms in their external environments. According to Pisano (2015), a strategy is nothing more than a commitment to a set of coherent, mutually reinforcing policies or behaviors aimed at achieving a specific competitive goal. Strategic management provides the overall direction to the organization. It provides processes, policies and programs that will enable an organization to achieve its objectives.

Strategic response refers to the process of reactionary measures and/or processes geared at mitigating present adverse circumstances. According to Ansoff (2000), through strategic response, a firm will be able to position and relate itself to the environment to ensure continued success and secure itself from surprises brought about by the changing environment. He further argues that this can be done by first, positioning of the firm through strategy and capability planning in its rightful competitiveness, secondly, use of real time response through issue management and thirdly, systematic management of resistance during strategic implementation. Coping with the increasingly competitive environment has called on firms to rethink their marketing strategies (Kotler, 2005). Strategic responses are concerned with decisions and actions meant to achieve business objectives and purpose. Strategy answers the fundamental questions of 'where the organization needs to be; where the organization is currently positioned and what are the means the organization has set aside to reach where it intends to be. Three areas of a company strategy are important in identifying the responses of a firm to its environmental challenges. These include Objective setting, the Vision and Mission of the company,

Competitive Strategy where after considerations of the firm's competitive strengths and weaknesses vis-à-vis competition and customer needs, the company establishes a position of competitive advantage (Lowes, 1994). Survival and success of an organization occurs when the organization creates and maintains a match between its strategy and the environment and also between its internal capability and its strategy (Grant, 2002). Strategic response requires organizations to change their strategy to match the environment and also to redesign their internal capability to match this strategy. If an organization's strategy is not matched to its environment, then a strategy gap arises. If its internal capabilities are not matched to its strategy, then a capability gap arises. Porter (1985) affirms that it is important that organizations be able to shift strategy with changes in the environment and match their capabilities to the selected strategy in order to survive, succeed and remain relevant. In order to achieve a competitive advantage, strategy needs to focus on unique activities.

The NHIF was established under Cap 255 of the laws of Kenya in 1966 as a department in the Ministry of Health to provide health insurance exclusively for those in formal employment over the age of 18 and with monthly income of over Ksh. 1000 (Deloitte, 2011; GoK, 2004). The then monthly contribution was Ksh. 20. This was revised in 1988 and was until March 2015, Ksh. 320. As from 1st April, 2015 the rates shot 431% amid protests from civil union organizations (NBR, 2015). The fund is managed by an all-inclusive board with representatives from stakeholders and interest groups such the Central Organization of Trade Unions (Kamau & Holst, 2008). The NHIF operates under the social principle that "the rich should support the poor, the healthy should support the sick and the young should support the old". In order to ensure countrywide coverage for its members, the NHIF cooperates with both public and private health providers given certain minimum requirements are met.

The hospitals are categorized into three different categories each with a different level of coverage. Category A comprises of government hospitals providing full cover for maternity and medical diseases including surgery. Category B corresponds to private and mission hospitals, and these offer similar coverage as the government hospitals except for surgery. Category C is mainly private hospitals, and members will only receive limited services such as overnight bed coverage (Ministry of Health, 2013). A report issued by World Bank Group Investment Climate (2014) indicates that by the year 2008, NHIF had 2,175,255 members where only 253, 267 members (11.6%) were from the non-formal sector while the other 1,921,985 members (88.4%) were from the formal sector (WBGIC, 2014). As at 2015 the membership had risen to 6, 325,060 as reflected in the strategic plan 2014/2017. Private insurance firms share increased in number and thus stiffened competition driven by innovative and the ever changing market conditions. Banks have also come up with various innovative bank assurance products eyeing the same market that NHIF seeks to serve.

The private insurance organizations control a larger market share and present better returns to the customers served. On the contrary, the NHIF benefits are limited and thus many customers prefer subscribing to the private insurers (Nyamperi & Kaswira, 2016). As a result, this justifies the low membership growth at NHIF and therefore necessitates the response strategies to competition in the health insurance sector. The NHIF has gone through several transformations aimed at challenging the fund's status quo as the "rulers" to reinventing itself with the emergence of competitive health insurance products in the market as contained in the 2014/2018 strategic plan which also outlines various competitive strategies the organization makes in order to have a competitive advantage. This includes recognizing and exploiting market opportunities through the use of advanced technology, creating new contribution and collection channels, strategic innovation of products, services and processes with a focus on customers, the organization's competitive capabilities for purposes of gaining competitive advantage in the market.

Insurance companies in Kenya constitute the Insurance Industry which is governed by the Insurance Act CAP 487 of the laws of Kenya and regulated by the Insurance Regulatory Authority. As at 31st December 2014, there were 53 insurance companies (IRA, 2014). Among them, there are 28 medical insurance providers. Basher, (2002) observes that insurance industry plays an important role in the political, social, and economic development of a society by offering diverse benefits to individuals, groups, countries and the world in general through capital management by protecting existing capital against loss, significant investment in property, equity and bond markets.

Private health insurance is mainly accessible to the middle and higher-income groups (Kimani, Muthaka & Manda, 2004). Community-based health insurance is relatively new in Kenya having been established in 1999, and, as a result, it has limited coverage. According to the Kenya Community-Based Health Financing Association (KCBHFA), currently, there are 38 CBHF schemes, with 100,510 principle members who contribute for a total of 470, 550 insured beneficiaries (Kimani *et al*, 2012). This is a paltry 1.2% of the total Kenyan population.

Health insurance in Kenya can be accessed through three health scheme programs: public health insurance, private insurance firms and to some extent community-based health insurance (CBHI) organizations. Kenya has one public health insurance scheme, the National Health Insurance Fund (NHIF). Affiliation to NHIF is according to households and the insurance unit comprises the whole family and dependent relatives. The number of spouses is limited to one, but there is no limit on the number of children and other dependents. It is only the breadwinner who contributes to the scheme. In families where two (or more) members are working and earning own salaries, they all have to pay contributions to NHIF. Entitlement to health care services includes all dependent household members. Children under 18 automatically benefit from NHIF through their parents' affiliation. Children over 18 years must proof their economic dependency through schooling or university certificates.

A major challenge is that NHIF coverage is limited to inpatient care while outpatient and preventive services are currently excluded. Even though the NHIF Act confers the fund with the mandate to cover in-and-outpatient care, coverage extension to non-hospital health benefits has not yet been implemented. This fact is likely to be a reason for the increase in competition in health insurance industry since an inpatient cover alone might not be sufficient for their health care needs of the society. It is such concerns that might necessitate strategic changes in the policy framework of the NHIF.

Statement of the Problem:

Significant changes and challenges in the health insurance industry including the economic boom and the trend of private healthcare insurance uptake in the past 10 years or so have worked in synchrony to heap competitive pressure on the NHIF. The increased demand and pressure on the existing limited healthcare outlets, the increased cost of healthcare provision, a surge in the national population and high costs of running the national fund have posed a major challenge to the fund's ability to continue to offer attractive and competitive services to its members. This necessitated far reaching strategic responses by the fund. According to Cucculelli and Ermini (2012)

Kenya's Vision 2030 envisions a health care system that is more preventive than curative (Njau, 2011). The NHIF scheme is supposed to reduce out of pocket expenditure on health issues through an outpatient cover. Kenya's Economic Recovery Strategy for Wealth and Employment Creation (as cited by Swallow, 2005) asserted that the high cost of healthcare in the country is one of the leading causes of poverty. This is the policy gap that this study wishes to address. Empirical studies in the area are scarce. Njau (2011) examined the implementation challenges faced by NHIF. Mathauer, Schmidt and Wenyaa (2008) analyzed the factors affecting health insurance in the informal sector whilst Xu, James, Carrin and Muchiri (2006), established an empirical model for healthcare and poverty in Kenya. From the above studies, it was clear that none of the studies focused on the strategy implementation in NHIF. This study sought to find out effects of strategic responses on competitive advantage in health insurance sector in Kenya.

2. LITERATURE REVIEW

Market Based Theory (Hungenberg, 2011):

The study was underpinned by the Market-based theory. This theory explains a firm's performance through the external industry structure and the strategic conduct of competitors within the industry (Hungenberg, 2011). Market-based theory (MBT) of organizations, notably firms, refers to a conceptual paradigm that puts markets center stage in its explanation of the nature, growth, and strategies of firms. The disciplinary foundation of such theories is economics, in particular microeconomics and industry organization (IO) economics (Clegg & Bailey, 2007). This perspective considers markets and the analyses of markets and industries as sufficient, by itself, to address all major questions of economic interest pertaining to firms and organizational behavior, and it treats the firm as a black box (Clegg & Bailey, 2007).

The Resource Based Theory ((Hungenberg, 2011):

The resource-based theory (RBT) provides an important framework for explaining and predicting the basis of a firm's competitive advantage and performance (Barney *et al.*, 2011; Slotegraaf *et al.* 2003; Vorhies & Morgan 2005). The resource based theory relies on two fundamental assumptions about firm-based resources to explain how they generate SCA and why some firms may persistently outperform others. Firstly, firms possess different bundles of resources, even if they operate within the same industry (Peteraf & Barney, 2003). This resource heterogeneity assumption implies that some firms are more skilled in accomplishing certain activities, because they possess unique resources (Peteraf & Barney 2003). Secondly, these differences in resources may persist, due to the difficulty of trading resources across firms (the resource immobility assumption), which allows the benefits from heterogeneous resources to persist over time as well (Barney & Hesterly, 2012).

Industrial Organization Theory (Hungenberg, 2011):

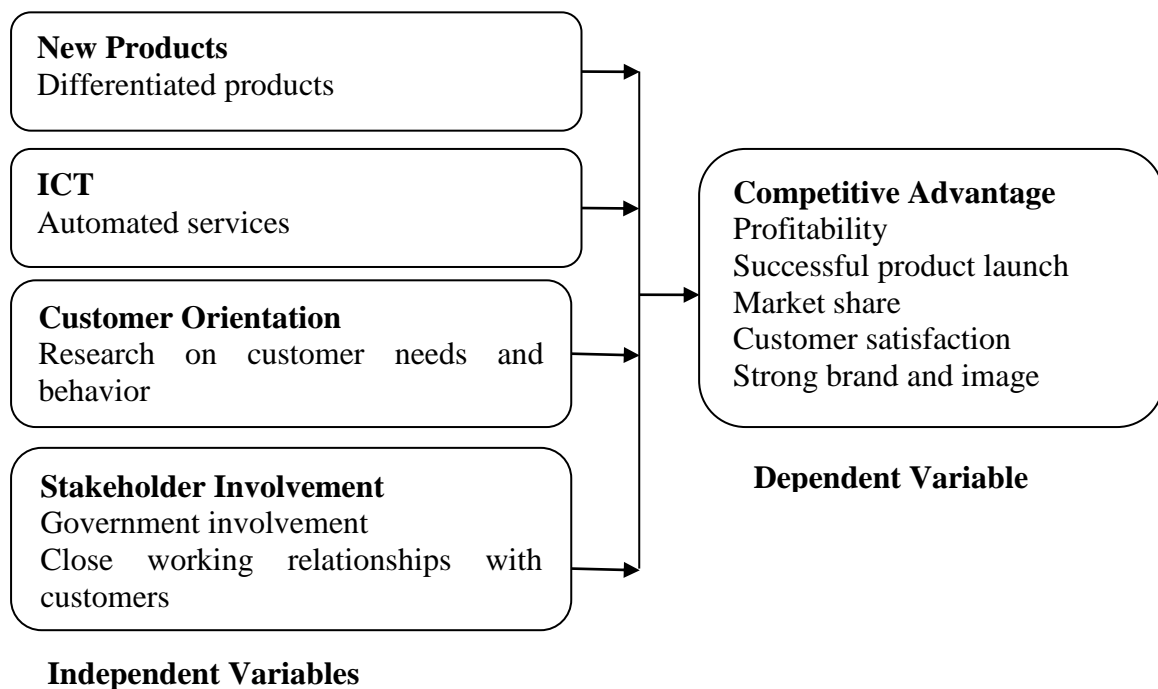
The industrial organization economics (IOE) theory anchors the Structure-Conduct- Performance (SCP) by Mason (1939) and (Bain, 1951) paradigm in strategic decision making. It is also with along the strategic management equivalent of Environment Strategy-Performance (ESP) paradigm which suggests that a change in the external environment or the structure of the industry in which a firm operates will dictate the strategic response or conduct of the firm thus informing performance of these firms (Pearce et al, 2012). The IO assumes that the attractiveness of an industry, in which a company operates, is determined by the market structure due to the reason that market structure affects the behaviour of market participants (Raible, 2013).

Porter’s Five Forces (Whittington, 2008):

The basis of Porter’s Five Forces is the approach of the industrial organization theory (IO). The Five Forces framework is a useful starting point for strategic analysis even where profit criteria may not apply (Johnson, Scholes & Whittington, 2008). In addition to the competition among the existing competitors, the model identifies another four forces that characterize the intensity of competition within an industry: bargaining power of supplier, bargaining power of buyer, threat of substitutes and threat of new entrants (Porter, 1979). The interaction of these five forces is a constant threat to the success of a company. The force ‘Rivalry Among Existing Competitors’ includes several forms of competition, for instance price discounting, new product introductions, advertising campaigns, and service improvements (Porter, 2008).

Conceptual Framework:

The conceptual model (figure 2.1) provides a basis for addressing the research gaps highlighted in the review of conceptual and empirical literature.



3. DATA PRESENTATION, ANALYSIS AND INTERPRETATION

Response Rate:

The self-developed questionnaires were presented to the respondents on a personal basis to increase the response rate. The study targeted 321 managers in charge of strategic direction and strategic responses at NHIF. These staff were drawn from NHIF Headquarters, Nairobi Area Office, Buruburu, Gikomba, Eastleigh, Ruaraka, Pumwani Maternity Hospital, Kenyatta National Hospital, Westlands, Kangemi, Industrial Area and Mama Lucy Kibaki Nairobi, Kenya. From the target population, a sample of 64 respondents was selected using stratified random sampling method. The results are based on the responses obtained from the field as shown on Table below.

Table: Response Rate

Category	Frequency	Percentage
Responded	56	87.5
Not responded	8	12.5
Total	64	100.0

From the study, 56 questionnaires were received fully filled which accounted for 87.5% response rate. On the other hand 8 of the questionnaires were either not received at all or were received incomplete and therefore not considered in the analysis. According to Mugenda and Mugenda (2012) 50% response rate is adequate, 60% is good, while 70% and above is rated to be very good.

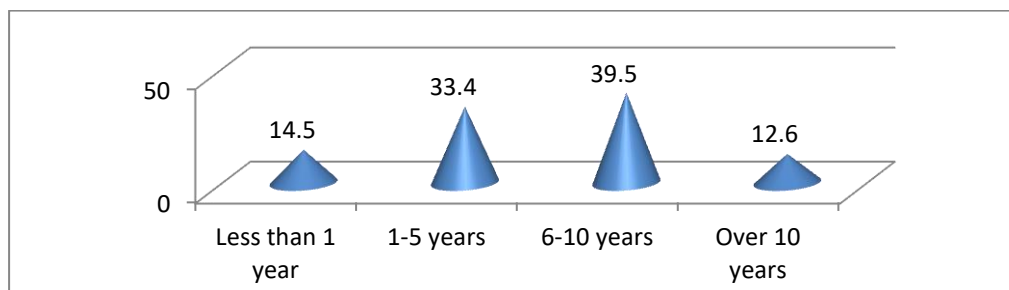
The respondents were required to indicate the branches of NHIF they were drawn from. The responses are as depicted in Table below.

Table: Distribution of Respondents in NHIF branches in Nairobi

NHIF branches in Nairobi	Frequency	Percentage
NHIF Headquarters	31	55.4
Nairobi Area Office	11	19.6
Buruburu	3	5.4
Gikomba	0	0.0
Eastleigh	1	1.8
Ruaraka	3	5.4
Pumwani Maternity Hospital	0	0.0
Kenyatta National Hospital	2	3.6
Westlands	2	3.6
Kangemi	0	0.0
Industrial Area	3	5.4
Mama Lucy Kibaki	0	0.0
Total	56	100.0

From the results depicted in, most of the respondents were drawn from NHIF Headquarters. This category comprised of 55.4% of the respondents. In addition, 19.6% of the respondents were from Nairobi Area Office, 5.4% of them were respondents from Buruburu, another 5.4% worked in Ruaraka and 5.4% of them were drawn from Industrial Area.

The length of continuous service/working in an organization determines the extent to which one is aware of the issues sought by the study. The respondents were therefore requested to indicate the number of years that they had been working in the Institution. From the study, 39.5% of the respondents unanimously indicated that they had worked with NHIF for a period of 6 - 10 years, 33.4% of them had been working in the Institution for a period of 1 to 5 years, 14.5% of them had been working in their organizations for less than one year whereas 12.6% of them had worked in the NHIF offices for a period of more than 10 years. This implies that most of the staffs participating in this study had been operating for an ample time thus they were conversant of the information sought by the study.



Working Experience in NHIF Offices:

The study targeted to collect data from the staff comprising of managers working in NHIF offices in Nairobi. From the study, majority of the respondents were managers, followed by unit/departmental Managers while the least were assistant managers. These findings show that the respondents that participated in the study were mainly those involved in the formulation and implementation of the strategic responses decisions in the Organization.

Strategic Responses and Competitive Advantage:

Competitive Advantage:

The general objective of the study was to find out the effects of strategic responses on competitive advantage in health insurance sector in Kenya. In this regard, the study provided a list of some statements regarding competitive advantage and required the respondents to indicate their level of agree for each statement. A scale of 1 to 5 was provided where 1= Strongly Disagree; 2= Disagree; 3=Neutral; 4=Agree; 5=Strongly Agree.

Table : Respondents' Agreement with Statements on Competitive Advantage

Competitive Advantage	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Mean	Std. Dev.
Brand equity and image have grown due to the strategic responses by NHIF to competition	0	8	30.1	40.7	21.2	3.7522	0.8816
The firms overall profitability has improved in the past 5 years	0	3.1	45.8	45.8	5.2	3.5313	0.6481
NHIF is in an overall more competitive position due to the strategic responses	0	17.6	26.9	47.2	8.3	3.4630	0.8799
NHIF has been facing significant competition from private insurers	0	2.3	44.2	53.5	0	3.5116	1.3641

In this section, the calculated weighted mean is rounded off to the nearest whole and the result counter-checked against the matching number in the key provided. Accordingly, most of the respondents agreed that brand equity and image have grown due to the strategic responses by NHIF to competition as shown by a mean of 3.7522, the firms overall profitability has improved in the past 5 years as shown by a mean of 3.5313 and NHIF has been facing significant competition from private insurers as shown by a mean of 3.5116. However, the respondents indicated neutrality with that NHIF is in an overall more competitive position due to the strategic responses as shown by a mean of 3.4630. These results concur with those of Peteraf and Barney (2003) that a firm achieves a competitive advantage when it is able to generate more economic value than the marginal (breakeven) competitor in its product market.

New Product Development:

The first objective of the study sought to find out how development of new products affects competitive advantage at National health insurance fund. In this regard the respondents were required to indicate their level of agreement with various statements listed regarding new product development.

Table: Agreement with Statements Regarding New Product Development

New Product Development	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Mean	Std. Dev.
In response to the competition NHIF has developed and launched new products in the past 5 years	0	2.1	39.6	54.2	4.2	3.6042	0.6066
The products have increased the strategic options by the firm	0	3.1	40.6	51	5.2	3.5833	0.6434
NHIF invests in market intelligence to establish relevant product offerings	0	3.1	49	43.8	4.2	3.4896	0.6323
The new products launched have been successful	0	5.2	43.8	46.9	4.2	3.5000	0.6649
The firms revenues have improved due to successful new products	0	6.3	45.8	43.8	4.2	3.4583	0.6792

According to Table 4.5, most of the respondents showed agreement with that in response to the competition NHIF has developed and launched new products in the past 5 years as shown by a mean score of 3.6042, the products have increased the strategic options by the firm as shown by a mean score of 3.5833 and that the new products launched have been successful as shown by a mean score of 3.5000. In addition, majority of the respondents remained neutral with that NHIF invests in market intelligence to establish relevant product offerings as shown by a mean score of 3.4896 and that the firms' revenues have improved due to successful new products as shown by a mean score of 3.4583. These results show a reflection of the findings by Yasai-Ardekani (2008) who found out that by implementing a competitive strategy the firm is able to gain performance benefits over the time.

Adoption of ICT:

The second objective of the study was to examine how information communication technology affects competitive advantage at National Health insurance fund. Accordingly the respondents were required to indicate their level of agreement with various statements regarding adoption of ICT.

Table: Agreement with various Statements Regarding Adoption of ICT

Adoption of ICT	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Mean	Std. Dev.
NHIF was vulnerable to external competition due to lagging behind in the adoption of ICT	0	3.1	45.8	45.8	5.2	3.5313	0.6481
The vulnerability and susceptibility to competition has been reduced by the adoption of ICT	0	17.6	26.9	47.2	8.3	3.4630	0.8799
NHIF has adopted an enterprise resource planning system (ERP)	0	2.3	44.2	53.5	0	3.5116	1.3641
NHIF has invested in adequate hardware such as PCs, Tablets, Printers and servers to support information systems	0	3.1	40.6	51	5.2	3.5833	0.6434
NHIF has developed and information management system policy to ensure success of ICT	0	12.5	14.6	25	29.2	3.3322	1.4923
NHIF has trained its staff of use of ICT tools and infrastructure	0	7	16.3	76.7	0	3.4651	0.5915
The use of ICT tools has enhanced organizational effectiveness and reputation helping to overcome competitive pressure	0	27	7	41	23	3.5528	1.1843
ICT is a key element of NHIF's strategic business plan and business objectives	0	2.1	39.6	54.2	4.2	3.6042	0.6066
ICT has improved efficiency and economy reducing costs associated with doing business	0	17.6	26.9	47.2	8.3	3.4630	0.8799
ICT resources are an integral part of the firms strategic responses including market surveillance and product development	0	16.7	50	27.8	0	3.0000	0.8401
Investment in ICT has improved the firm's competitive position	0	3.1	40.6	51	5.2	3.5833	0.6434
ICT tools have enhanced the management of both internal and external stakeholders at NHIF	0	3.1	49	43.8	4.2	3.4896	0.6323

According to the results Tabulated in, the largest proportion of the respondents agreed that ICT is a key element of NHIF's strategic business plan and business objectives as shown by a mean score of 3.6042, NHIF has invested in adequate hardware such as PCs, Tablets, Printers and servers to support information systems as shown by a mean score of 3.5833, investment in ICT has improved the firm's competitive position as shown by a mean score of 3.5833, the use of ICT tools has enhanced organizational effectiveness and reputation helping to overcome competitive pressure as shown by a mean score of 3.5528, NHIF was vulnerable to external competition due to lagging behind in the adoption of ICT as shown by a mean score of 3.5313 and that NHIF has adopted an enterprise resource planning system (ERP) as shown by a mean score of 3.5116.

Customer Orientation:

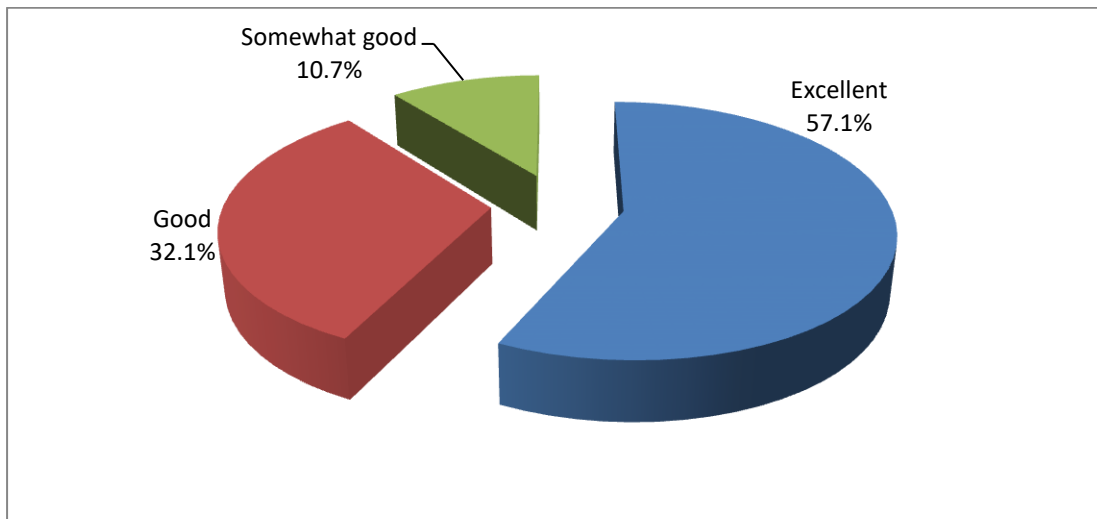
In order to fulfill the purpose of the study, the third objective sought to determine how customer orientation affects competitive advantage at National health insurance fund. As such the respondents were required to indicate their agreement with statements regarding customer orientation.

Table: Agreement with Statements Regarding Customer Orientation

Customer Orientation	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Mean	Std. Dev.
The industry competition faced by NHIF adversely affected its customer base	0	4.5	54.5	34.8	6.3	3.4286	0.8799
NHIF changed its customer orientation in response to competition from private insurance firms	0	0	56.3	42	1.8	3.4554	1.3641
The new customer focus has enhanced the product innovativeness at NHIF	0	5.7	36.1	57.4	0.8	3.5330	0.7725
NHIF carries out customer needs identification in order to respond effectively and with the right products	0	4.2	45.8	37.5	12.5	3.5831	1.3641
NHIF effectively markets its new products and services to ensure they are known to the customers	0	10.7	56.3	33	0	3.2232	0.8799
NHIF has developed a customer care desk to handle customer queries and complaints	0	0	56.3	42	1.8	3.4554	1.4923
NHIF has a customer loyalty scheme to enhance loyalty	0	39.3	41.1	19.6	0	2.8036	0.6481
NHIF is more customer centric today than it was in the past	0	8.9	58	33	0	3.2411	0.8799
Customer satisfaction has improved tremendously due to customer centricism and focus	0	7	39.5	53.5	0	3.4651	0.6323
Our customer orientation has improved significantly over the past 5 years	0	9.3	39.5	51.2	0	3.4186	1.4923
The customer focus has helped ease competitive pressure from private insurance firms	0	11.6	37.2	51.2	0	3.3953	0.6481

According to Table, majority of the respondents reiterated that NHIF carries out customer needs identification in order to respond effectively and with the right products as shown by a mean score of 3.5831 and the new customer focus has enhanced the product innovativeness at NHIF as shown by a mean score of 3.5330. In addition, the respondents remained neutral on that customer satisfaction has improved tremendously due to customer centricism and focus as shown by a mean score of 3.4651, NHIF changed its customer orientation in response to competition from private insurance firms as shown by a mean score of 3.4554, NHIF has developed a customer care desk to handle customer queries and complaints as shown by a mean score of 3.4554, the industry competition faced by NHIF adversely affected its customer base as shown by a mean score of 3.4286, customer orientation has improved significantly over the past 5 years as shown by a mean score of 3.4186, the customer focus has helped ease competitive pressure from private insurance firms as shown by a mean score of 3.3953, NHIF is more customer centric today than it was in the past as shown by a mean score of 3.2411, NHIF effectively markets its new products and services to ensure they are known to the customers as shown by a mean score of 3.2232 and NHIF has a customer loyalty scheme to enhance loyalty as shown by a mean score of 2.8036. According to Kotler (2011) one element of key strategic orientation is customer orientation reinforced by the sharing of information and intelligence across a firm continuously. This leads to improvements in the accuracy of demand information, which helps to reduce the manufacturer’s product design and production planning time and also enable it to have a better response to customer needs

The respondents were further required to indicate their views on the effect of NHIF’s customer orientation on its competitiveness. The figure below 57.1% of the respondents reported that NHIF’s customer orientation is excellent in its competitiveness, 32.1% of them rated the effect to be good, while 10.7% of the responses were of the view that effect of NHIF’s customer orientation on its competitiveness was somewhat good. These results coincide with the findings of Kotler (2011) who concluded that successful companies optimize performance through utilization and customer satisfaction leading to improved organizational growth, profitability and market share.



Effect of NHIF's Customer Orientation on its Competitiveness:

When asked to comment on NHIF's customer focus/centricity, the respondents indicated that customer orientation emphasizes the seeking of opportunities and constraints from the perspective of customers in order to create value for potential customers. These results confirm the previous findings by Kirca *et al.*, (2005) that interaction with critical customers can enable a firm to acquire external resources and the necessary information that a manufacturer uses to satisfy and retain its customers. Accordingly, firms collaborate with their key customers in order to acquire market information to respond to their target customers' needs and create value for their customers.

Stakeholder Relationship:

The fourth objective of the study sought to establish how stake holders' involvement affects competitive advantage at National health insurance fund. The respondents were thus required to indicate their agreement with some statements provided regarding stakeholder relationship in NHIF.

Table: Agreement with statements on Stakeholder Relationship in NHIF

Stakeholder Relationship	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Mean	Std. Dev.
Stakeholder relationships are key to the competitiveness of the national insurer NHIF	0	12.5	14.6	25	29.2	3.3322	1.4923
Customers are key external stakeholders	0	6.3	33.3	51	9.4	3.6354	0.7415
NHIF has gradually improved its focus on managing stakeholder relationships in the past few years	0	0	49	47.9	3.1	3.5417	0.5604
NHIF has benchmarked its stakeholder management against industry and global best practice	0	3.1	45.8	45.8	5.2	3.5313	0.6481
NHIF has improved its corporate governance structures and practices in order to improve the effectiveness of stakeholder management	0	10.4	44.8	33.3	11.5	3.4583	0.8325
There are plans to create an online stakeholder forum	0	3.1	42.7	47.9	6.3	3.5729	0.6608
NHIF reporting includes social and environmental impacts of their activities and operations	0	5.2	43.8	46.9	4.2	3.5000	0.6649
The focus on stakeholder analysis and more so industry competitiveness has improved response capabilities	0	4.2	45.8	37.5	12.5	3.5845	0.77251
Competition has caused NHIF to increase its stakeholder involvement and focus	0	3.1	50	42.7	4.2	3.4792	0.7415

The main finding of the study is that majority of the respondents agreed that customers are key external stakeholders as shown by a mean score of 3.6354, the focus on stakeholder analysis and more so industry competitiveness has improved response capabilities as shown by a mean score of 3.5845, there are plans to create an online stakeholder forum as shown by a mean score of 3.5729, NHIF has gradually improved its focus on managing stakeholder relationships in the past few years as shown by a mean score of 3.5417, NHIF has benchmarked its stakeholder management against industry and global best practice as shown by a mean score of 3.5313 and NHIF reporting includes social and environmental impacts of their activities and operations as shown by a mean score of 3.5000. However, there was neutrality with that competition has caused NHIF to increase its stakeholder involvement and focus, NHIF has improved its corporate governance structures and practices in order to improve the effectiveness of stakeholder management and stakeholder relationships are key to the competitiveness of the national insurer NHIF as shown by mean scores of 3.4792, 3.4583 and 3.3322 respectively. This is in accordance with Choi and Wang (2009) that managing stakeholder relationships can enhance the firm's competitive and performance against others. The relationship between the organization and its stakeholders is designed to leverage the strategic and operational capabilities of individual participating organizations to help them achieve significant ongoing benefits.

Inferential Statistics

Inferential statistics was conducted using regression model. The study sought to identify the relationship between the independent variables and the resulting level of effect that they had on the dependent variable. The findings were then presented in Table below.

Table: Multivariate Regression Analysis

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.738 ^a	.544	.531	.43606

a. Predictors: (Constant), New products, information communication technology, customer orientation and stakeholders involvement

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	0.595	5	0.119	43.231	.000 ^b
	Residual	9.300	50	0.186		
	Total	9.895	55			

a. Dependent Variable: Competitive advantage
 b. Predictors: (Constant), New products, information communication technology, customer orientation and stakeholders involvement

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.469	.465		5.306	.000
	New products	.702	.060	.787	11.724	.001
	Information communication technology	.202	.061	.219	3.330	.011
	Customer orientation	.105	.070	.007	.077	.039
	Stakeholders involvement	.121	.082	.130	1.464	.014

a. Dependent Variable: Competitive advantage

The value of R square which is considered to be one measure of the quality of the prediction of the dependent variable was found to be 0.544 and this was considered to mean that there is a good level of prediction which is 54.4% reliable. The F-ratio in the ANOVA table tested whether the overall regression model was good and fit for the data. $F(5, 50) = 43.231, p < .000$ (i.e., the regression model is a good fit of the data). The regression model was:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon$$

Thus, the estimated model with the coefficients substituted becomes:

$$\text{Competitive advantage, } Y = 2.469 + 0.702 X_1 + 0.202 X_2 + 0.105 X_3 + 0.121 X_4$$

The regression equation above has established that holding all factors (new products, information communication technology, customer orientation and stakeholders involvement) constant at zero competitive advantage in NHIF will be 1.376. The findings presented also show that taking all other independent variables at zero, a unit increase in new products would lead to a 0.702 increase in the scores of competitive advantage in NHIF, a unit increase in information communication technology would lead to a 0.202 increase in competitive advantage in NHIF, a unit increases in customer orientation would lead to a 0.105 increase in the scores of competitive advantage in NHIF while a unit increase in stakeholders involvement would lead to a 0.121 increase in the scores of competitive advantage in NHIF. Overall, new products and information communication technology had the greatest effect on the competitive advantage in NHIF. All the variables were significant ($p < 0.05$).

4. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Summary of Findings:

The study found that brand equity and image have grown due to the strategic responses by NHIF to competition, the firms overall profitability has improved in the past 5 years and NHIF has been facing significant competition from private insurers. However, there was neutrality with that NHIF is in an overall more competitive position due to the strategic responses. NHIF faces rising competition from other insurance firms in Kenya and the level of competition of NHIF is facing as an organization from other insurance firms was found to be moderate. The study established that NHIF has set various strategies which have boosted its competitive advantage and the effect of the competitive pressure faced by NHIF is moderately viable.

With regard to new products, the study found that in response to the competition NHIF has developed and launched new products in the past 5 years, the products have increased the strategic options by the firm and that the new products launched have been successful. However there was neutrality on that NHIF invests in market intelligence to establish relevant product offerings and that the firms' revenues have improved due to successful new products. The Hospital Fund had set out to develop new products to meet the changing customer needs and wants.

The study found that information communication technology affects the competitive advantage at National Health insurance fund. The study established that ICT is a key element of NHIF's strategic business plan and business objectives, NHIF has invested in adequate hardware such as PCs, Tablets, Printers and servers to support information systems, investment in ICT has improved the firm's competitive position, the use of ICT tools has enhanced organizational effectiveness and reputation helping to overcome competitive pressure, NHIF was vulnerable to external competition due to lagging behind in the adoption of ICT and that NHIF has adopted an enterprise resource planning system (ERP). The study established that new ICT implemented have been instrumental in enhancing efficiency and productivity in NHIF through fast processing of NHIF products, registration of members, collection of contributions and pay out benefits. ICT has ensured development and maintenance of strong customer relationships as well as development and retention of relevant competencies. From the study the overall effectiveness of adoption of ICT on NHIF's competitiveness include reduction of costs.

On customer orientation, the study found that NHIF carries out customer needs identification in order to respond effectively and with the right products and the new customer focus has enhanced the product innovativeness at NHIF. In addition, there was impartiality on that customer satisfaction has improved tremendously due to customer centricism and focus, NHIF changed its customer orientation in response to competition from private insurance firms, NHIF has developed a customer care desk to handle customer queries and complaints, the industry competition faced by NHIF adversely affected its customer base, customer orientation has improved significantly over the past 5 years, the customer focus has helped ease competitive pressure from private insurance firms, NHIF is more customer centric today than it was in the past, NHIF effectively markets its new products and services to ensure they are known to the customers and NHIF has a customer loyalty scheme to enhance loyalty.

The study found that customers are key external stakeholders, the focus on stakeholder analysis and more so industry competitiveness has improved response capabilities, there are plans to create an online stakeholder forum, NHIF has gradually improved its focus on managing stakeholder relationships in the past few years, NHIF has benchmarked its stakeholder management against industry and global best practice and NHIF reporting includes social and environmental impacts of their activities and operations.

From the ANOVA test it was clear that there is a significant relationship between new products, information communication technology, customer orientation and stakeholders involvement with competitive advantage in NHIF. The four variables that were studied explain 54.4% of the competitive advantage in NHIF. In general, new products and information communication technology had the greatest effect on the competitive advantage in NHIF.

Conclusions:

The study concludes that a firm achieves a competitive advantage when it is able to generate more economic value than the marginal (breakeven) competitor in its product market. The study concludes that the increased competition facing NHIF has created a fundamental shift in the economic environment where the Organization cannot hope to stay afloat if it fails to come up with proper strategic responses.

The study deduces that there has been an attempt by NHIF to develop new product to meet the changing customer needs and wants. It is also clear that a well differentiated product offer both aesthetic benefit and functional benefits to the customer and therefore constant innovation is important to ensure introduction of new or similar things in the organization.

The study concludes that ICT has positive impact on organizational performance of all sampled organizations. From the findings, there has been an attempt by NHIF to develop new ICT services in the recent past, NHIF has invested in new ICT to reach members and support the delivery of its mandate and ICT has led reduced claims process and the rebates on its inpatient package have increased alongside the number of accredited hospitals included in the NHIF network.

The study further deduces that that NHIF's customer orientation is excellent in its competitiveness. From the findings, customer orientation leads to improvements in the accuracy of demand information, which helps to reduce the manufacturer's product design and production planning time and also enable it to have a better response to customer needs. Customer orientation emphasizes the seeking of opportunities and constraints from the perspective of customers in order to create value for potential customers.

The study concludes that managing stakeholder relationships can enhance the firm's competitive and performance against others. The relationship between the organization and its stakeholders is designed to leverage the strategic and operational capabilities of individual participating organizations to help them achieve significant ongoing benefits.

Recommendations:

The study established that NHIF has engaged in developing new products to respond to the rising competition. As such the study recommends that NHIF should strive to deliver products with benefits that exceed those of competing products by adopting differentiation strategy to realize differentiation advantage and overall gain a competitive advantage over other firms.

On information technology, NHIF should adopt new technologies are to save costs, to improve customer relationships, business processes and performance and to open new opportunities. It might also help the Organization to respond better to existing challenges and improve the anticipation of future developments. Information technology needs to be embraced in the entire the supply chain in order to ensure that relevant information is shared throughout the strategic functions. Some technological models could enhance efficiency in replenishment and downstream management by streamlining open sharing of information and quality of information (accuracy, timeliness and formatting of the information).

The study also recommends that NHIF should adopt customer orientation and then implement customer integration in order to receive a high level of competitive advantage. Since customer orientation has the capabilities to systematically facilitate the role of customers in product development, leading to improved product development and organizational performance, the Organization is required to gain knowledge on the mechanisms through which customer orientation and integration influence the competitive advantage. Using different communicational channels for gathering customer-related information may be regarded as the input for organizational functions and overall performance.

To enhance stakeholder involvement the study recommends NHIF to recruit workers who have the necessary knowledge and competencies in the business to minimize on the induction and training costs. The staff should also be remunerated fairly and have better work condition and terms to ensure clarity, creativity and intelligence that supports stakeholder involvement competitors.

Suggestions for Further Studies:

This study on effects of strategic responses on competitive advantage in health insurance sector in Kenya was narrowed to NHIF where the focus was on new products, information communication technology, customer orientation and stakeholders involvement. However, there are numerous aspects of strategic responses that affect the competitive advantage of public institutions in Kenya especially now that quality health care is major aspect of the social pillar in

Kenya's Vision 2030 as well as an emerging issue in developing economies. As such similar surveys to this can also be replicated in a few years to come to establish the effects of strategic responses on competitive advantage in the health sector as well as other sectors in Kenya.

In addition, further research is needed to enhance the suggested framework for strategic responses and competitive advantage. Such a research should explore the organizational issues of strategic responses and elaborate on how they affect the competitive advantage of firms. Finally, continuous research efforts would contribute to further studies that develop a consistent theory for strategic responses and competitive advantage.

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