

# INFLUENCE OF STRATEGIC LEADERSHIP ON PERFORMANCE OF PRIVATE HOSPITALS IN NAIROBI CITY COUNTY, KENYA

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**Abstract:** The main objective of this study was to establish the influence of Strategic Leadership on performance of Private Hospitals in Nairobi City County in Kenya. To achieve this objective, the study developed research questions and was statistically tested. The theories on which the study was hinged were Transformational Leadership Theory, The Resource – Based View (RBV) Theory, Reinforcement Theory, Transaction Cost Economic (TCE) Theory and Endogenous Growth Theory. The study adopted a descriptive research design, and used both qualitative and quantitative approaches. The study looked at a population of 62 private hospitals in Nairobi City County. Simple random sampling was used to sample 96 respondents. The study used open-ended and closed-ended questionnaire as the main mode of data collection. Primary data was collected using structured questionnaires. Secondary data was collected from institutional documents. The collected data was edited, coded and entered into SPSS software for analysis. Data was analyzed using descriptive and inferential statistics. The findings indicated that strategic leadership is crucial for improving performance, aligning resources, and motivating staff. Hospitals with visionary leaders and effective communication of goals experienced better performance outcomes. The study concluded that Strategic leadership is a crucial factor, with hospitals that have visionary leaders able to effectively communicate their goals and motivate staff demonstrating superior operational efficiency and improved patient outcomes. Based on the study's findings, it is recommended that private hospitals in Nairobi City County strengthen their strategic leadership practices to enhance operational efficiency and overall performance. Hospital leaders should focus on clear communication of strategic goals, fostering a shared vision among staff, and building an inclusive environment that encourages employee engagement and innovation. Additionally, leadership development programs should be prioritized to equip leaders with the necessary skills to navigate the complex healthcare landscape and drive strategic initiatives effectively.

**Keywords:** Strategic Leadership, Performance, Private Hospitals.

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## 1. INTRODUCTION

Studies done by Muga, Kizito, Mbayah and Gukuruh (2018) provide an overview of the health system in Kenya providing a background of the Kenya Health Framework and the general organization of the health care system. They state that in 1994, the Government of Kenya (GOK) approved the Kenya Health Policy Framework (KHPF) as a blueprint for developing and managing health services. This document spelt out the long term strategic imperatives and the agenda for Kenya's health sector. To operationalise the document, the Ministry of Health (MOH) developed the Kenya Health Policy Framework Implementation Action Plan and established the Health Sector Reform Secretariat (HSRS) in 1996 under a Ministerial Reform Committee (MRC) in 1997 to spearhead and oversee the execution process.

A rationalization programme within the MOH was also initiated. Muga et al (2018) further add that policy formulated aimed at addressing the following constraints: decline in health sector expenditure, inefficient utilisation of resources, centralized decision making, inequitable management information systems, outdated health laws, inadequate management skills at the district level, worsening poverty levels, increasing burden of disease and rapid population growth.

They state that in 1999, National Census estimated Kenya's population to be 28.7 million of whom 56 percent was less than 20 years of age. In 2004, the population was estimated at 32.8 million and in 2019, the population was estimated at 47.5 million. They add that life expectancy is on the decline, morbidity and mortality remain high especially among women and children, Malaria is the leading cause of outpatient morbidity in Kenya and full immunisation coverage has declined with children receiving no vaccination at all increasing from 3 percent in 1998 to 6 percent in 2003. They state that the major causes of this decrease in coverage are the declining availability, access to and quality of public health services and the increase level of poverty.

Muga et al (2019) emphasize that the challenges facing the government is to reverse this decline. They add that the National Development Plan of 2002-2008 stated that the health care system in its current form does not operate efficiently. Areas targeted for reverse are drugs selection and quantification, staffing norms for key cadres be developed for deployment purposes and formulating a health manpower policy to develop and retain human resources in the sector. In view of the above, Muga et al (2019) state that the first National health sector strategic plan for the period 1999 – 2004 was developed as a follow-up to the Ministry of Health's effort to translate the policy objectives into an implementable programme. The document involved key stakeholders in the planning process from the start through consultative workshop within the Ministry itself and with the other stakeholders such as development partners, public sector, districts and provinces, the private sectors, NGOs, religious groups, professional organisations, communities and users of health services as well as teaching and research institutions. Muga et al (2019) however state that despite having developed health sector strategic plan, the overall execution did not manage to make a breakthrough in terms of transforming the critical health sector.

In a reviewed effort to improve the deteriorating health service delivery, Muga et al (2005) add that the Ministry of Health and stakeholders devised a new strategy for making it more effective and accessible to as many people as possible and rolled out the second Health sector strategic plan to run from 2005 to 2010. This second strategy adopted a broader approach moving from emphasis on disease burden to the promotion of individual health based on the various stages of the human cycle.

Muga et al (2019) states that the second health sector strategic plan recommended a reduction in health inequalities that exist between urban and rural population. They add that reversing the trends cannot be achieved by the government health sector alone. Active involvement and partnership with other stakeholders in the provision of care is needed. The recommendations add that a functioning health system should be established that relies upon collaboration and partnership with all stakeholders whose policies and services have an impact on health outcomes.

It also recommended that the need to strengthen monetary budgetary resources allocation and provision that fund the government health sector. Adequate resources are critical to sustain provision of health services. The government health sector is financed through the Government of Kenya health sector budgetary allocations to the Ministry of Health and related government departments, taxation, user fees, donor funds and health insurance. Tax revenues are unreliable sources of health finance because of macroeconomic conditions such as poor growth, national debt and inflation which often affect health allocations. A manifestation of the health budget shortfalls is the widespread lack of adequate drugs and pharmaceuticals, staff shortages and poor maintenance of equipment, transport and facilities. However over the past decade, real financing allocation to the public sector have declined or remains constant. Waithaka (2021) quotes Loevinsohn and Harding (2017) who state that constraints that prevent government from effectively using the resources made available to them (also known as absorptive capacity issues), inflexibility, and centralized decision making has been identified as the key stumbling blocks to attaining goals in the public health sector.

## 2. STATEMENT OF THE PROBLEM

Oketch (2018) states that of the studies done in the health context, most are of clinical studies focused on improving management of patient diseases. The studies focus on the drug regimen used in treatment of various ailments and their efficacy. She adds that a lot of studies are also done on ways of improving the equipment used in treating patients. Little studies are done on the institutions strategic plans, challenges of strategies execution which is also critical in the management of patients.

Due to the characteristics of the current environmental conditions in the industry, private hospitals in Nairobi city county, Kenya have been struggling to achieve their strategic goals. According to Joshua (2018), problems with strategy implementation cause 10 to 30 percent of Kenyan public sector firms to fall short of their strategic goals. According to Oleribe et al. (2019), issues with human resources are responsible for 34.29% of the issues with the execution of strategic goals in healthcare organizations. Poor budgetary allocation accounts for about 30% of the issues, while leadership and management issues account for 8.45% of the issues (Joshua, 2013).

Effective strategy execution is a critical determinant of organizational operation efficiency and success in today's complex and competitive business landscape (Mankins & Steele, 2017). Private hospitals, as vital players in the healthcare sector, are no exception to this reality. In Nairobi city county, Kenya's capital city and a hub for healthcare services, private hospitals play a crucial role in delivering medical care and services to the population. However, despite the importance of strategic execution, the operation efficiency of private hospitals in Nairobi City County seems to exhibit variations and challenges. While some private hospitals thrive and achieve exceptional outcomes, others face operational inefficiencies, financial constraints, and suboptimal patient care. There is a need to establish the influence of Strategic Leadership on performance of Private Hospitals within this specific context.

Strategy execution is crucial for the success and sustainability of private hospitals in Nairobi city county, Kenya. Private hospitals operate in a dynamic and competitive healthcare industry, where strategic decisions and their efficient execution can significantly impact their performance and ability to provide quality healthcare services (Mukami & Kibera, 2022). However, despite having well-defined strategies, many private hospitals in Nairobi City County face leadership challenges in translating their strategic plans into tangible outcomes and achieving their operation efficiency objectives. The problem lies in identifying and understanding these challenges that influence the operation efficiency of private hospitals in Nairobi city county (Odhiambo & Owino, 2021). The drivers, which could encompass leadership and other relevant factors, play a vital role in facilitating or hindering the successful execution of strategic initiatives.

Additionally, the complex and rapidly changing healthcare landscape in Nairobi City County presents unique challenges for private hospitals in strategy execution (Kimani et al., 2021). The evolving regulatory environment, technological advancements, and shifting patient demands require private hospitals to be adaptable and innovative in executing their strategies effectively. Furthermore, there might be variations in the execution drivers and operation efficiency among different private hospitals in Nairobi City County, leading to discrepancies in their outcomes (Mugo & Njoroge, 2020). Some hospitals may excel in executing their strategies due to strong leadership, while others might struggle due to inadequate resource allocation or stakeholder alignment.

Despite the growing recognition of the role of strategic execution in organizational success, limited research has focused on exploring this concept within the context of healthcare, particularly in the Kenyan setting. The unique challenges and dynamics of the healthcare sector, coupled with the complex environment of Nairobi City County, warrant an in-depth investigation into the strategic execution drivers that contribute to divergent hospital operation efficiency outcomes. Therefore, this study aims to establish the influence of Strategic Leadership on performance of Private Hospitals in Nairobi City County in Kenya. By understanding the challenges and opportunities associated with strategy execution, this research will contribute valuable insights to help private hospitals improve their operation efficiency, enhance patient outcomes, and ultimately, contribute to the advancement of the healthcare sector in the region.

### 3. LITERATURE REVIEW

Strategic leadership is a critical factor that significantly influences the success of strategic execution drivers within an organization. As an independent variable, strategic leadership refers to the ability of top-level executives or leaders to effectively formulate and communicate a clear vision, set strategic goals, and align the entire organization towards their achievement (Lynch, 2015). According to Johnson and Scholes (2017), strategic leadership plays a vital role in inspiring and motivating employees to work towards common objectives, fostering a culture of innovation and continuous improvement, and making crucial decisions in a dynamic and competitive business environment.

Moreover, research by Hitt, Ireland, and Hoskisson (2019) highlights that strategic leadership is positively associated with the effective implementation of strategic execution drivers. These drivers encompass various elements, such as resource allocation, organizational structure, operation efficiency measurement, and Resource Allocation systems, which are essential in ensuring that strategic initiatives are successfully translated into tangible results. Furthermore, Gupta and

Govindarajan (2016) suggest that strategic leaders are instrumental in aligning the interests and efforts of different departments or units within an organization, thus enhancing the synergy and collaboration required to execute strategic plans successfully. Organizations with strong strategic leadership are more likely to excel in their execution efforts, leading to sustainable competitive advantage and superior operation efficiency (Barney & Hesterly, 2016).

Strategic leadership plays a pivotal role in influencing various aspects of an organization's operation efficiency, including its ability to effectively execute strategic initiatives. This influence is particularly evident in its impact on what are commonly referred to as strategic execution drivers. These drivers encompass a range of factors that contribute to the successful implementation of strategic plans and the achievement of organizational goals. According to Johnson and Scholes (2016), strategic leadership involves the top-level decision-makers in an organization who are responsible for setting the direction, making critical choices, and aligning resources to achieve strategic objectives. Their leadership style, vision, and communication skills are essential in guiding the organization's efforts toward strategic execution.

Strategic execution drivers encompass elements such as clear communication of strategic goals, allocation of resources, employee engagement, and adaptability to changing circumstances (Kaplan & Norton, 2018). Effective strategic leadership influences these drivers by creating a shared understanding of the strategic vision, ensuring the availability of necessary resources, fostering a culture of commitment and ownership, and facilitating quick and informed decision-making in response to environmental shifts.

The significance of strategic leadership as an independent variable on strategic execution drivers is evident in various empirical studies. For instance, a study by Smith and Brown (2017) found that organizations with strong and visionary leadership were more likely to exhibit efficient resource allocation and effective communication of strategic objectives, leading to improved strategic execution outcomes.

Strategic leadership plays a vital role in driving the success and performance of private hospitals. According to Collins (2001), having visionary leaders committed to the organization's mission positively affects bottom-line growth and improves various facets of operations. Specifically, strategic leaders foster creativity, encourage learning, manage risk, build resilience, and ensure timely responses to environmental shifts (Collins, 2001; Drucker, 2001). They set ambitious but realistic targets, allocate appropriate resources, and align structures and systems accordingly to optimize performance (Dickinson & Needle, 2006). Additionally, they develop robust governance frameworks promoting transparency, accountability, and ethical behavior, thus strengthening internal controls and minimizing malpractice risks (Lawler, Mohrman, & Ledford Jr, 2006).

Strategic leaders inspire trust, confidence, and loyalty among followers, motivating them to strive for excellence collectively (Maxwell, 2019). When frontline workers feel valued, heard, and involved, they demonstrate increased engagement, dedication, and retention rates, ultimately translating to superior patient experience and clinical outcomes (West, Ford, & Ibrahim, 2019). For instance, one study found that nurse turnover declined significantly under transformational leaders compared to transactional ones, highlighting the importance of strong leadership in reducing costs related to recruitment and training (Shirey, 2021). Similarly, engaged physicians were shown to improve both patient safety and satisfaction scores, underscoring the significance of inspiring leadership styles conducive to nurturing talent and expertise (Stewart, Cheung, Braithwaite, Westbrook & Lehnbohm, 2020).

Effective strategic leadership entails creating enabling environments where knowledge sharing, collaborative problem solving, and informed decision making flourish (Nonaka, Toyama, & Konno, 2021). Within medical settings, multidisciplinary teams comprising diverse specialists require skilled facilitation, mediation, and negotiation abilities to harmoniously integrate disparate interests, expectations, and competencies (Rosenmair & Otte, 2023). By harnessing collective intelligence, synergies emerge, unlocking untapped potential for delivering world-class treatment modalities tailored to specific demographic needs (Batalden, Davidoff, 2022).

#### 4. METHODOLOGY

The study adopted a descriptive research design, and used both qualitative and quantitative approaches. The study looked at a population of 62 private hospitals in Nairobi City County. Simple random sampling was used to sample 96 respondents. The study used open-ended and closed-ended questionnaire as the main mode of data collection. Primary data was collected using structured questionnaires. Secondary data was collected from institutional documents. The collected data was edited, coded and entered into SPSS software for analysis. Data was analyzed using descriptive and inferential statistics.

## 5. FINDINGS

To obtain information about the first independent variable Strategic Leadership, several statements were asked and the respondents required to provide feedback on a likert scale of one (1) to five (5), for 1 being strongly disagree, 2 being disagree, 3 being neither agree nor disagree, 4 being agree and 5 being strongly agree to the statements. On the statement "Does the Strategic leadership embraced influence the development and implementation of organizational strategies within your private hospital in Nairobi City County?" 5.6% of the respondents disagreed to the statement, 23.5% of the respondents neither agreed nor disagreed to the statement, 33.78% of the respondents agreed to the statement whereas 13.1% of the respondents strongly agreed to the statement, with a mean of 3.78 and standard deviation 0.739. On the second statement "Does Strategic leadership foster a culture of innovation and adaptability leading to improved performance within your private hospital in Nairobi City County?" 19.1% of the respondents neither agreed nor disagreed to the statement, 41.0% of the respondents agreed to the statement while 38.9% of the respondents strongly agreed to the statement, with a mean of 4.21 and standard deviation 0.741. On the statement "As a Strategic leader in a private hospital in Nairobi City County, do you navigate challenges and uncertainties in the healthcare landscape that affect performance in your hospital, 2.8% disagreed with the statement, 38.6% of the respondents neither agreed nor disagreed to the statement, 32.3% of the respondents agreed to the statement whereas 26.3% of the respondents strongly agreed to the statement, with a mean of 3.82 and standard deviation 0.885. Regarding the statement "As a strategic leader in a private hospital, how effectively do you communicate and cascade strategic objectives throughout the organization to ensure alignment and cohesive action", 13.1% strongly disagreed to the statement, 10.4% of the respondents disagreed to the statement, 23.9% of the respondents neither agreed nor disagreed to the statement, 35.5% of the respondents agreed to the statement whereas 17.1% of the respondents strongly agreed to the statement, with a mean of 3.33 and standard deviation 1.79.

On the statement "As a strategic leader in a private hospital, do you monitor and evaluate the effectiveness of strategic initiatives in improving operational efficiency." 8.4% strongly disagreed to the statement, 23.9% disagreed to the statement, 23.5% of the respondents neither agreed nor disagreed to the statement, 31.1% of the respondents agreed to the statement whereas 13.1% of the respondents strongly agreed to the statement, with a mean of 3.17 and standard deviation 1.178. On the statement "As a Strategic leader in a private hospital in Nairobi City County, do you influence employee engagement, motivation and commitment." 8.0% strongly disagreed to the statement, 23.9% disagreed to the statement, 26.3% of the respondents neither agreed nor disagreed to the statement, 33.5% of the respondents agreed to the statement whereas 8.4% of the respondents strongly agreed to the statement, with a mean of 3.10 and standard deviation 1.105.

**Table 1: Strategic Leadership Frequencies**

Strategic Leadership	Response					Mean	Std. Dev.
	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree		
Does the Strategic leadership embraced influence the development and implementation of organizational strategies within your private hospital in Nairobi City County	-	5.6	23.5	33.8	13.1	3.78	.739
Does Strategic leadership foster a culture of innovation and adaptability leading to improved performance within your private hospital in Nairobi City County	-	-	19.1	41.0	38.9	4.21	0.741
As a Strategic leader in a private hospital in Nairobi City County, do you navigate challenges and uncertainties in the healthcare landscape that	-	2.8	38.6	32.3	26.3	3.82	.885

affect performance in your hospital.							
As a strategic leader in a private hospital, how effectively do you communicate and cascade strategic objectives throughout the organization to ensure alignment and cohesive action.	13.1	10.4	23.9	35.5	17.1	3.33	1.79
As a strategic leader in a private hospital, do you monitor and evaluate the effectiveness of strategic initiatives in improving operational efficiency.	8.4	23.9	23.5	31.1	13.1	3.17	1.178
As a Strategic leader in a private hospital in Nairobi City County, do you influence employee engagement, motivation and commitment.	8.0	23.9	26.3	33.5	8.4	3.10	1.105

Table 2 shows that there were strong positive significant relationships between Strategic Leadership and all other independent variables and the moderating variables. The correlation coefficients were 0.598, 0.780, 0.617, and 0.540, all with p-values less than 0.001.

**Table 2: Correlation matrix**

Correlations			
		Y	X <sub>1</sub>
	Pearson Correlation	.653**	1
X <sub>1</sub>	Sig.(2-tailed)	0	
	N	79	79

\*\* . Correlation is significant at the 0.01 level (2-tailed).

The results depict Strategic Leadership drivers significantly impacting Performance of Private Hospitals Nairobi city county ( $\beta=0.347$ ,  $p=0.001$ ). These results insinuate that Strategic Leadership is significantly influences Performance in a positive way. Meaning, a unit rise in Strategic Leadership leads to a rise in Performance, by 0.347 units.

## 6. CONCLUSION AND RECOMMENDATION

The study revealed that the strategic execution drivers—namely strategic leadership, organizational culture, employee engagement, and resource allocation—significantly influence the performance of private hospitals in Nairobi City County. Strategic leadership emerged as a crucial factor, with hospitals that have visionary leaders able to effectively communicate their goals and motivate staff demonstrating superior operational efficiency and improved patient outcomes.

Based on the study's findings, it is recommended that private hospitals in Nairobi City County strengthen their strategic leadership practices to enhance operational efficiency and overall performance. Hospital leaders should focus on clear communication of strategic goals, fostering a shared vision among staff, and building an inclusive environment that encourages employee engagement and innovation. Additionally, leadership development programs should be prioritized to equip leaders with the necessary skills to navigate the complex healthcare landscape and drive strategic initiatives effectively.

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