STRATEGIC RESPONSES TO CHALLENGES OF INTERNATIONAL EXPANSION BY AGA KHAN UNIVERSITY HOSPITAL, NAIROBI

BY

RUTH WARUGURU WANJUGU

A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT FOR THE REQUIREMENT OF THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

NOVEMBER, 2013
DECLARATION

This research project is my original work and has not been submitted for examination in any other university.

Signature……………………………                    Date………………………………………..

RUTH WARUGURU WANJUGU
D61/63891/2011

The research project has been submitted for examination with my approval as university superior.

Signature……………………………                    Date………………………………………..

ELIUD O. MUDUDA
DEPARTMENT OF BUSINESS ADMINISTRATION
LECTURER
SCHOOL OF BUSINESS
UNIVERSITY OF NAIROBI
DEDICATION

This research project is dedicated to my lovely family for encouragement and patience throughout my studies.
ACKNOWLEDGEMENTS

I thank the almighty God for giving me both the good health and the opportunity to serve my country through this research. I salute my supervisor Eliud O. Mududa who devotedly guided and encouraged me through the project while he was in the midst of a very personal family issue. I am convinced that without his support, this study would not have been a success.

Mostly especially, I am grateful to family who encouraged me to move on amid challenges and tight schedules. I also appreciate the encouragement of my MBA classmates throughout the programme who were always available with useful suggestions.
ABSTRACT

The purpose of the study is to investigate strategic responses to challenges of international expansion by Aga Khan University hospital. International expansion of business has taken on many facets in terms of trade, investment & ownership, manufacturing & sourcing, markets & customers, finance and technology. International expansion has also resulted in the creation of integrated world markets, particularly in the areas of pharmaceuticals and hospital supplies and equipment including ICTs. The literature is mainly on the international expansion in health industry and challenges of international expansion on health industry. The research design was a case study of Aga Khan Hospital in Kenya. The primary data was collected through interview guide which was targeted at senior-level managers. Secondary data on strategic plans was obtained from the records of Aga Khan Hospital in Kenya. The study found that internationalization process is very complex - first to discover the most attractive target market, then, to form a successful marketing strategy with which to enter this market, and also, to form a well working organisation which supports the marketing strategy. The study contributes to Internalisation expansion theory whose aim includes the interpretation of the current events on the international sphere in terms of development, economic conditions, social scenarios, and political and cultural influences. The management of Aga Khan University Hospital will find this study an important insight into the strategies the company has been using in responding to the challenges of international expansion. The study concludes that to respond effectively to strategic changes in globalization, AKUH needs to plan a successful strategy for internationalization the company has to know the current situation of the company itself as well as the situation in the target market. This can be done by carefully analysing the company itself and the target market. The study recommends that when a strategy is being formulated the company should first develop a mission statement that attempts to clarify an organization’s values, purposes, and directions.
TABLE OF CONTENTS

Declaration ................................................................................................................................. ii

Dedication ................................................................................................................................. iii

Acknowledgements .................................................................................................................. iv

Abstract ......................................................................................................................................... v

CHAPTER ONE: INTRODUCTION ......................................................................................... 1

1.1 Background of the Study .................................................................................................. 1

1.1.1 International Expansion ................................................................................................. 2

1.1.2 Challenges to International Expansion ......................................................................... 4

1.1.3 Teaching and Referral Hospitals in Kenya ..................................................................... 5

1.1.4 Aga Khan University Hospital, Nairobi ....................................................................... 6

1.2 Research Problem ............................................................................................................. 7

1.3 Research Objective ........................................................................................................... 8

1.4 Value of the Study ............................................................................................................ 9

CHAPTER TWO: LITERATURE REVIEW ............................................................................. 11

2.1 Introduction ....................................................................................................................... 11

2.2 Theories of International Expansion ............................................................................... 11

2.3 International Expansion in Health Industry .................................................................... 12

2.4 Challenges of International expansion ............................................................................ 15

2.4.1 Economic Effects of International Expansion ............................................................. 16

2.4.2 Global Competition ...................................................................................................... 17
2.4.3 Cultural Challenges ................................................................. 19
2.4.4 Political Challenges ............................................................... 20
2.4.5 Legal challenges ..................................................................... 22
2.4.6 Role of Regional Economic Trading Blocs ..................................... 23

CHAPTER THREE: RESEARCH METHODOLOGY ................................. 25

3.1 Introduction .............................................................................. 25
3.2 Research Design ...................................................................... 25
3.3 Data Collection ........................................................................ 25
3.4 Data Analysis ........................................................................... 26

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION ....... 28

4.1 Introduction .............................................................................. 28
4.2 Company’s performance ........................................................... 28
4.3 Influence of international expansion on organization ......................... 32
4.4 Involvement in the international expansion process ............................. 34
4.5 Top management support of international process ............................... 35
4.6 Advantages of international expansion in terms of technology ................. 36
4.7 Economic effects of international expansion ........................................ 37
4.8 How organizational challenges affect international expansion ............... 38
4.9 Global competition affects the international expansion ......................... 39
4.10 Effect of digital divide on international expansion .............................. 43
4.11 Challenges to international expansion arising from existing regional economic trade blocs ................................................................. 45
4.12 Addressing challenges arising from existing regional economic trading blocs ................................................................. 46
4.13 Other Factors that pose challenges to international expansion ............................................. 47
4.14 Solutions to the Challenges of International Expansion ......................................................... 49
4.15 Discussion of the Study ............................................................................................................. 50

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS .. 53

5.1 Introduction ................................................................................................................................. 53
5.2 Summary of the Study Findings ................................................................................................. 53
5.3 Conclusion ................................................................................................................................... 56
5.4 Recommendations ..................................................................................................................... 57
5.5 Implication On Policy, Theory and Practices ............................................................................ 58
5.5 Limitation of the Study .............................................................................................................. 58
5.6 Suggestion for Further Research ............................................................................................... 59

REFERENCES .................................................................................................................................. 59

Appendices .................................................................................................................................... 64

Appendix I: Interview Guide ........................................................................................................ 64
Appendix II: Teaching and Referrals Hospital in Kenya ............................................................... 67
CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The environment in which organizations operate is constantly changing with different factors influencing the organizations. Since the turn of the millennium, the general business environment has become more volatile, unpredictable and very competitive. Coping with the increasingly competitive environment has called on firms to rethink their marketing strategies (Pearce and Robinson, 2005). The days when firms could simply wait for clients to beat a path to their door are long gone. Organizations now realize that their services and products, regardless of how good they are, simply do not sell themselves. International expansion here refers to international business expansion and primarily your international expansion strategy.

According to international business theory each country can be characterized by specific economic, institutional and cultural barriers to business. The last two of them are often analyzed in terms of psychic and cultural distance and are considered important obstacles for a firm planning its foreign market entry (Johanson and Vahlne, 2003). The internationalization of industrial firms with aid of the network model, which describes markets as networks of relationships between players. The authors claim that this approach is superior to transaction cost based internalization theory. According to the network theory, high internationalization level and consequently high level of international knowledge influence the speed of establishment of new sales subsidiaries, and it becomes very important to coordinate efficiently all the activities (Johanson and Mattsson, 1988).
Aga Khan University Hospital has an open system which is strongly influenced by the environment in which it operates. Aga Khan University Hospital interacts with the surrounding environment to secure the resources needed for survival, adaptation and growth. Managers in Aga Khan University Hospital deal with government restrictions on international trade and investment and therefore they must develop strategies and policies for dealing with such interventions. Cross-border transactions also require that money be converted from the firm's home currency into a foreign currency and vice versa. Since currency exchange rates vary in response to changing economic conditions, an international business must develop policies for dealing with exchange rate movements.

1.1.1 International Expansion

The impulse behind a company’s initial international expansion into a foreign market is usually the prospect of profit on immediate sales, for example in response to an accidental order. Only later do most companies start to think about an entry strategy approach that is they need to create positions in foreign markets that can be sustained over the long run. A few mistakes about entry strategies are very common; an entry strategy is needed for each product in each foreign market. Every situation is different, thus requires a unique approach. Furthermore, entry strategies are not only interesting for large companies. Every company should understand the idea of planning entry strategies (Root, 1994).
The choice of entry strategy depends on the risk a company is prepared to take and the desired degree of control (Farhang, 1990). The choice of entry strategy normally changes over time, in a rather predictable way; a company becomes more experienced over time, so it is likely to take more risk. The ‘stages approach’, also known as the development approach (Morris, 1986), describes internationalization as a learning and incremental process, in which risk avoiding companies can reach different stages. In the first stage a company has no, or not regular, export.

Most companies start their internationalization according to Root’s ‘pragmatic entry selection approach’. This approach focuses at an entry mode that works, but may not be the most suitable entry mode. For that reason other kinds of entry strategy are only assessed if the chosen entry is not suitable. It is often a cheap and easy low risk export entry mode. Root’s ‘strategic entry selection approach’ is likely to find the most suitable entry mode; it demands systematic comparisons of alternative modes. Nevertheless many, often conflicting, external and internal factors influence the choice of the entry mode. Furthermore, a company has often multiple objectives in the target market; hence it is often difficult to assess all relevant factors. Different entry mode options, bounded rationality and lack of time and money, make it unlikely for managers to look at all possibilities. Trade-offs has to be made and expected benefits and costs of alternative entry modes should be compared and adjusted for risks. One of the main problems regarding market entry decisions is the fact that it is ill-defined, complex and dynamic (Young & Okoroafo, 1989).
1.1.2 Challenges of International Expansion

Rapid international expansion is one of the most salient aspects of the new millennium, particularly since the fast development of information technology (IT) in the last two decades. To different observers, different types of international expansion can be identified even though most of the attention is in the areas of economy, technology, and culture. According to Cheng (2000, 2001), there should be multiple international expansions, including technological international expansion, economic international expansion, social international expansion, political international expansion, cultural international expansion, and learning international expansion in the new millennium.

Entry barriers are present, in any market, to protect domestic industry or to ensure that companies entering from foreign markets conform to trade relations & arrangements with other countries (Johansson, 1997). These barriers may relate to entry, exit and the market place and can be both tariff and non-tariff in nature. Such barriers also include aspects that impinge on the form of international market entry such as regulations relating to local content and ownership. Exit barriers may relate to repatriation of profits, dividends & capital, taxation issues and technology transfer. Marketplace barriers can include access to skilled personnel, availability of warehouse space, transportation, allocation of critical inputs such as power, water and control over prices (De Burca, Fletcher, & Brown, 2004). According to Bradley (2005) firms pursue international strategies due to strategic or reactive reasons.
These include the need to seek opportunity for growth through market diversification because of the large market potential, the need to earn higher profit margins, intense competition in the domestic market, the need to follow and service their multinational clients as well as search for new business opportunities (Boddewyn, Halbrich, Perry, 2000).

1.1.3 Teaching and Referral Hospitals in Kenya

Kenya’s Teaching and Referrals Hospital are known for their best health practices. They have committed highly skilled doctors and nurses that are available 24 hours a day waiting to offer excellent health care services to all individuals brought to their attention. Growth in the hospital industry in Kenya will be supported by increasing expenditure on healthcare, within both public and private sectors. This expanded outlay within the public sector, coupled with rising private expenditure and greater levels of insurance coverage will drive the further growth of the medical devices and pharmaceutical industries. Kenya has an extensive network of private healthcare facilities, from small local clinics, to large, high-class hospitals.

Private healthcare can be quite good, with small but modern health facilities and well-trained medical staff. However, for any serious operations, it is advised that expats look outside the country for help (South Africa has the best medical facilities on the continent). There are a number of private hospitals and medical clinics in Nairobi and Mombasa offering all medical services at international standards.
International expansion is a complex, multidimensional phenomenon that has already influenced the way hospitals operate and will increasingly impact the healthcare landscape and patients’ experience, in Kenya and worldwide. Hospitals, particularly in large urban centres, are gradually learning to care for patients from very diverse ethnic and cultural backgrounds, with a range of different expectations. Hospitals also have to deal with diminishing public funding and identify new and alternative sources of revenues, from ancillary services to the revenues created by intellectual property.

1.1.4 Aga Khan University Hospital, Nairobi

Established in 1958, Aga Khan University Hospital, Nairobi (AKUHN) is a private, not-for-profit institution that provides tertiary and secondary level health care services. The decision to upgrade the Hospital to a tertiary level teaching hospital was taken in order to respond to the health care needs of the people of East Africa. AKUH,N is a premier provider of ambulatory care and quality in patient services, including critical care (http://www.AgaKhanhospitals.org)

The Hospital plans to strengthen existing partnerships with the Ministry of Health and other universities offering health education, with an aim to share experiences, strengthen public sector delivery systems and collaborate on teaching and research. In recent years, the Hospitals have grown, expanding services and upgrading their facilities. The expansion programme has emphasised the introduction of new diagnostic services and the raising of the quality of care to international standards (http://www.AgaKhanhospitals.org).
1.2 Research Problem

International expansion of business has taken on many facets in terms of trade, investment & ownership, manufacturing & sourcing, markets & customers, finance and technology. The abolition of distance, through improved technology, tended to generate a “uniform distance-less” called globalization in which fundamentally distinct objects became part of a homogeneous experiential mass (Heidegger, 1971). The effects have been multidimensional In as much as international expansion has opened up economies worldwide and eased trade beyond borders, companies in developing national such as Kenya have felt both the positive and negative brunt of international expansion.

International expansion on Aga Khan University Hospital, mainly focusing on the experience of academic health sciences centres. Aga Khan University Hospital operations are affected by the physical and societal factors and the competitive environment. Aga Khan University Hospital does not have to become a multinational enterprise, investing directly in operations in other countries, to engage in international business, although multinational enterprises are international businesses. As their organizations increasingly engage in cross-border trade and investment, it means managers need to recognize that the task of managing an international business differs from that of managing a purely domestic business in many ways. At the most fundamental level, the differences arise from the simple fact that countries are different.
There are a number of studies that have been done in Kenya on how firms have responded to the challenges of international expansion (Njau, 2000; Abdullahi, 2000; Kandie, 2001; Thiga, 2002; Goro, 2003; Kiptugen, 2003; Mugunde, 2003; Mugambi, 2003). The studies reveal that international growth is no easy task, yet it can offer ideal opportunities for growth. A number of challenges must be properly understood before expansion can take place. From local legislations, language and currency barriers to global company standards and location-specific risks, all pose a challenge for growing organisations. International considerations can all too often be underestimated, but managing the cultural implications of international expansion is a non-negotiable ingredient for its success. There are also a few studies that have been done on Aga Khan University Hospital but have tackled different issues in the company other than globalization (Masinde, 1986; Koech, 2002; Mwanthi, 2004; Chemayiek, 2005; Mulandi, 2005). The only study on Aga Khan University Hospital that has tackled international expansion did so but just identified the challenges and the impact of international expansion on the organization (Gichira, 2007). Against this background, this study seeks to fill in the gap by answering the following research question: how is Aga Khan University Hospital responding to the challenges of international expansion?

1.3 Research Objective

The objective of this study is to determine strategic responses to challenges of international expansion by Aga Khan University hospital.
1.4 Value of the Study

This study will add on to the growing body knowledge of strategic management and to Internalisation expansion theory whose aim includes the interpretation of the current events on the international sphere in terms of development, economic conditions, social scenarios, and political and cultural influences. Internalisation theory analyses the choices that are made by the owners, managers or trustees of organisations. Additionally, the study will be important in explaining the network theory of internationalization and to explain the factors influencing its expansion through the use of different theories and theoretical concepts. Scholars often have different opinions about the criteria influencing the choice of entry mode. Different samples, different time period. Secondly, the research findings will be useful to potential investors in the sector. They will be informed on the challenges faced by the institutions already operating and therefore prepare themselves accordingly before entering the industry.

The management of Aga Khan University Hospital will find this study an important insight into the strategies the company has been using in responding to the challenges of international expansion. This will act as an evaluation of the strategies to the organization. They will be provided with information concerning the general state of competition in the health sector and the type of competitive strategies employed by Aga Khan Hospital.
Finally, the research findings were useful to the government by informing them on the role and contribution made by Aga Khan Hospital in health care delivery in Kenya. Areas of unfair competition that require streamlining through policy guidelines shall be articulated. Finally, this is expected to contribute to the existing knowledge in the field of Strategic Management, more specifically in the area of competitive strategy in not for profit institutions in Kenya. The outcome should also be a useful source of reference for scholars and researchers who might be interested in carrying out further research based on the findings of the current study.
CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter deals with the available literature that has been reviewed for the study. The literature is mainly on the international expansion in health industry and challenges of international expansion on health industry. The chapter is hence structured into theories of international expansion and empirical review.

2.2 Theories of International Expansion

Internalisation expansion is a theory whose aim includes the interpretation of the current events on the international sphere in terms of development, economic conditions, social scenarios, and political and cultural influences (Cerutti, 2007). Internalisation theory analyses the choices that are made by the owners, managers or trustees of organisations (Hollensen, 2004). The theory assumes that these choices are rational ones. In this context, rationality signifies that the decision-maker can identify a set of options, and has an objective by which these options can be ranked, and an ability to identify the top-ranked option and select it.

The assumed form of rationality is instrumental, in the sense that it concerns not the rationality of the objective, but merely the process by which the best option is identified, irrespective of the nature of the objective. Rationality does not imply complete information. When confronted with search costs, a rational decision-maker will collect only sufficient information to make the risks surrounding the decision acceptable.
In a similar vein, the theory does not assume that the decision-makers can identify all available options; indeed, in rational action models the number of options that decision-makers consider is often restricted, in order to simplify the model. In the context of market entry, for example, only a limited number of entry strategies are usually appraised, as explained above. However, the theory always makes the set of options considered fully explicit. Thus while rationality may be “bounded” in the sense that information is incomplete, behaviour is not irrational, in the sense that the information collected is a rational response to the information available.

2.3 International Expansion in Health Industry

International expansion does affect and will affect healthcare systems, and ultimately health, this paper makes use of a conceptual framework developed by Woodward and colleagues (2001) at the World Health Organization. International expansion also affects healthcare systems. As already observed, it impacts national economies, creating interdependence among nation-states through financial and trade flows. Given the economic and political importance of healthcare systems in most countries, international expansion will impact their stability and potential for expansion through its influences on national economies. International expansion has also resulted in the creation of integrated world markets, particularly in the areas of pharmaceuticals and hospital supplies and equipment including ICTs.
Most hospitals in high-income countries prescribe the same drugs to treat pneumonia, use one of just three existing brands of linear accelerators in radiation treatment of cancer, and have Windows on their desktops (McKee and Healy 2002). Such alliances represent a second major effect of international expansion.

Hospitals, particularly large research and teaching centres, will most likely progressively specialize, by area of clinical care, characteristics of the target population, or model of integrated care, while getting involved in increasingly large collaborative networks with other institutions of comparable complexity offering a wide range of expertise. The result would be integrated, cutting-edge acute care delivered in part locally and in part remotely, through tele-health solutions. Hospitals would have to learn to become leaders in certain areas and followers in others, to allocate and use resources in the most efficient and effective way (University Health Network 2001).

A few significant changes will be produced by international expansion on patient populations. At the local level, hospitals, particularly large ones offering third- and fourth-level attention and located in major urban areas, have to care for patients from increasingly heterogeneous ethno-cultural and linguistic backgrounds, with mixed experiences and expectations, presenting new patterns of disease. These characteristics add to the complexity of the clinical encounter, usually increasing uncertainty, asymmetry of information and the relative weight of competing and often unspoken values (McKee and Healy 2002b).
Changing patterns of care require changes in hospital design. The increasing expansion of international networks of major hospitals, the growing importance of up-to-date diagnostic and therapeutic technology, telehealth in all its different forms, and the concept of "hospital without walls" or "hospital at home" will be some of the important factors influencing how hospitals are built and equipped. The hospital of tomorrow will probably have fewer beds and more facilities for diagnostic, outpatient services, day surgery and "virtual" remote care (McKee and Healy 2002).

Knowledge sharing, coupled with an enhanced definition of teamwork and the application of modern ICTs, will help improve clinical governance, defined as the set of activities that bring together the tasks of management and quality assurance, according to a broad definition of quality that simultaneously encompasses efficiency and effectiveness (McKee and Healy 2002).

Finally, the whole potential of modern ICTs has to be exploited to tailor healthcare to the personal needs of each patient, facilitate communication between patients and providers, encourage the most effective use of health services, efficiently integrate hospital services with community-based health and social services, and eventually remove the walls around hospitals, facilitating their increasing involvement in the promotion of health. It is hoped the final outcome of this process would be progressive elimination of episodic care and increased, continuous interaction of people with the healthcare system (Jadad, 2001).
2.4 Challenges of International expansion

Generally, business firms do not follow any unique pattern to internationalize their operations because they face different environmental settings (Asgari et al 2010). They may enter a particular target market through different entry strategies based on their specific resources, capabilities and strategies. Asgari et al (2010) identified two types of factors which influence international strategy as market selection and the choice of entry mode, i.e. internal and external factors. Internal factors include firm-specific resources and strategic considerations that can be managed by the firm. External factors such as country factors and industry factors are usually beyond the firms’ control.

Koch (2001) suggested that market selection and entry mode choices are determined by several internal factors such as firm resources, the strategic concerns, foreign business experience and networking, and external factors including target market potential and risk, and similarity between home and host markets.

In the study of Malaysian multinational companies (MNCs), Ahmad and Kitchen (2008) suggest that international expansion of these firms is affected by ownership advantage factors such as technological capability and business networks. Presence in the market has been the driving traditional reason although other reasons such as resource seeking, market seeking, establishment of greater presence in the market has also been identified as critical stimuli factors (Gregoriou, 2009).
Arbaugh, Camp, and Cox (2006) gave two possible explanations for lack of internationalization as domestic success and entry barriers. The domestic success argument, inherently assumed in the Uppsala model of firm internationalization (Johanson & Vahlne, 1997), suggests that firms will pursue international activities only when their domestic markets have matured.

2.4.1 Economic Effects of International Expansion

Theoretical and empirical research has shown that (high) inflation is an undesirable locational factor and a locational disadvantage in a globalised world (Wagner, 2002). Inflation is regarded as a signal of bad policy and political and economic instability (Shiller, 1997; Rogoff and Reinhart, 2003). This can adversely affect the Hospitals. As bad policy and political and economic instability are relevant locational factors or disadvantages, this contributes to capital flight in a globalized economy.

The costs of a capital drain stem from the fact that investors and (productive) mobile factors are the basis of economic growth. When firms and mobile capital leave the country (or region), this means a loss of (potential) production, a decrease in the (potential) output, an increase in unemployment and a decrease in productivity (particularly if, as is often the case, the most productive factors and the most innovative investors are the most mobile ones). This tendency for capital flight in the case of bad locational factors (such as high inflation) is stronger, the higher the integration and international expansion of the financial markets is (Wagner and Berger, 2003).
Here, various so-called locational or infrastructural factors matter, for example, on the national level: legal security, social security, economic and political stability; and on the regional level: cultural offers or infrastructure, housing, roads, safety. Major indicators or signals of macroeconomic stability are inflation, debt and tax burden (Fischer, 1991).

International expansion in the above sense forces governments to exercise greater fiscal discipline and to ensure sound institutional and political frameworks. In other words, it does act as a force for stability by limiting the scope for countries to pursue policies that are incompatible with medium-term financial stability (Citrin and Fischer, 2000). Thus, governments feel pressured by the locational competition to promote international competitiveness through macroeconomic stability particularly by lowering taxes, government debt, and inflation (on the relevance of macroeconomic and in particular price stability for FDI (Rogoff and Reinhart, 2003).

2.4.2 Global Competition

Intense global competition has forced many firms to examine their core business processes and to devise plans to respond to an increasingly competitive market place. Several factors have come together to cause this increase in competition. Foremost amongst these have been the shortening of product life cycles, rapidly changing demand patterns, the increasing presence of Japanese and European producers, and the emergence of producers from countries of the North American region as significant players in world markets (Hall, 2001).
Underlying responses to global competition has been the recognition of the role of product and process improvement in business strategy. Throughout the 1990s, firms examined and, in many cases, changed their quality focus. Instead of relying on inspecting quality into products, they emphasized improving product and process design, implementing process control, and continually improving processes (Symons and Jacobs, 1995). Total quality management became a major element in corporate strategy (Malhotra et al., 1994). Indeed significant numbers of large firms adopted quality programs during the 1990s though with mixed results (Hiam, 1993).

International expansion and the accompanying market deregulation and liberalization process increasingly exposes private agents and governments to international competition on different levels or fields. In the private sector (on a microeconomic level), global economic integration leads to lower price markups and lower excess wage on all markets.

Lack of funding is another challenge of globalization that affects Hospitals. The disciplining effect of global markets applies to the private sector, by making it more difficult to sustain unwarranted price markups and non-productivity driven wage increases” (Citrin and Fischer, 2000). This effect of international expansion, however, will tend to result in one-time downward shifts in the price level rather than ongoing restraints on the rate of inflation.
2.4.3 Cultural Challenges

Cultural environment include values, beliefs, customs, languages and religions. Unlike in the domestic markets where cultural tastes are shared, in the international markets, cultural differences require serious considerations as they affect taste and consumption trends. There is a general agreement among researchers that firms prefer to invest in markets exhibiting near and similar cultures to the home country (Johnson and Vahlne, 1977). However, some firms will successively enter markets at an increasingly cultural distance from the home country due to specific competitive advantages (Eramilli, 1990).

According to Thompson (2003), when a company is operating in the international markets where various cultural issues are at play certain specific organization cultures, if not checked, may act as bottlenecks. Cultural similarities encourage confidence and enhance universality of tastes that make products more appealing to the target foreign market. When planning the transformation to multinational status, it is important to identify such cultures and attempt to change them (Thompson, 2003).

Burnes (2000) differs and argues that changing routines and cultures can be difficult; instead he says that an organization should be restructured and people placed in new roles and relationships from which new cultures will develop to match cultures prevailing in the international arena. Some of the most important organizational cultural beliefs are: belief in supremacy of customers, superior quality of products, being the best and importance of details among others (Thompson, 2003).
To be successful in international business, managers must understand the cultures of target host country and learn how to adapt to them (Pearce and Robinson, 2003). The main challenge is how to broaden their cultural perspective, adapt new cultures and make decisions that reflect the needs and the desires of those cultures (Rugman and Hodgetts 2006). This can be achieved by understanding the elements of culture - i.e. language, religion, values, attitudes, customs & manners, material goods, aesthetics and education.

Thompson and Strickland (2001) argue that for an organization to be successful, both in the domestic and international markets, there must be a fit between the organization’s strategy, structure, systems, staff, skills, shared values and style. This wholesome unity he refers to as organization structure. Thompson (2003) argues that organization culture and values held by managers and other employees within the organization are key influences on strategies of internationalization and are thus central driving considerations to strategy creation for internationalization process.

### 2.4.4 Political Challenges

Politics as the art of governing is also important in promoting business and ensuring that local firms gain or maintain dominance in certain market areas (Moore, 2003). Erramilli, (1990) notes that business is conducted in societies governed by political ideologies which are, almost always, intertwined with economic philosophy. Political systems dictate fundamental economic themes under their control. There are two main political systems namely democracy (rule by majority) and totalitarianism (rule by minority).
According to Alan Rugman, (2003), political systems typically create the infrastructure within which the economic system functions through policies and regulations. Certain import regulations such as high tariffs or low quota limits can encourage investment. Also governments may enact laws that ban certain types of investment outright e.g Japan is contemplating discontinuation of nuclear energy.

Political systems thus create the necessary environments that can promote or inhibit business and ensure sustained economic growth. Political leadership sets policies, regulations, concessions and ensures stability & security that impact directly on business performance (Hill and Jones, 2003). Political leadership normally ensures that local firms gain or maintain dominance in the domestic market while simultaneously propping them up against opposing barriers in the foreign markets (Moore 2003). Quinn (1991) observed that broadening political support is a critical, essential and conscious proactive step in major strategy implementation.

According to Moore (1992) implementation of strategic decisions like internationalization looks up to politics for three reasons: It is in the realm that managers must search to discover what purpose are deemed publicly valuable; second, political institutions grant managers resources they need to accomplish their operational functions and third, it is politics and law that public managers are both theoretically and practically accountable.
At the organization level, stakeholder support is critical for transformation programs such as internationalization process. However, because of many stakeholders with varied interests and power, it is difficult to achieve universal support, leading to internal organization politics. Hill and Jones (2001) see organization politics as tactics that strategic managers and stakeholders engage in to obtain and use power to influence organization goals and transformation strategy and structure to further their own interests.

In this political view of decision making, obstacles to change are overcome and conflicts over goals are settled by compromise, bargain and negotiation between managers and coalition of managers and by outright use of power. Quinn (1991) recommended broadening political support for emerging new trusts as an essential and conscious proactive step in internationalization. Specifically, stakeholders who wield political power must support internationalization program if it is to succeed.

2.4.5 Legal challenges

A market will be less receptive to international players if there is laxity, by the ruling political class, in enforcement of regulations. This may injure proprietary knowledge and ownership rights (Emarrilli, 1990). Political stability represents the risk level a company will be exposed to in the foreign market. Stable political systems, even if they are frequently changed like in Japan and India, tend to encourage direct foreign investment. Unstable political system discourages direct investment (Makori, 2006). Similarity and volatility of general business regulation or practices, customer protection legislations are some of the other deterrent legal factors in internationalization (Koch, 2001).
2.4.6 Role of Regional Economic Trading Blocs

Regional integration refers to the growing economic interdependence that results when two or more countries within a geographic region come together to form an alliance aimed at reducing barriers to trade and investment (Boddewyn, Halbrich, Perry, 2000 as cited by Kimani, 2011).

According to Mugo, (2008), regional economic trading blocs play very critical roles in harnessing regional markets through policies and common markets. The economic trading blocs formulate economic guideline policies, offer professional advice to multinational enterprises, form favourable trade agreements, common tariffs, facilitate capital flow and transfer. There are four major economic blocs that have impacted on the internationalization of KenolKobil limited. These are: East African community (EAC), Common Market for East and Southern Africa (COMESA), South African Development Community (SADC) and Economic Community of West Africa (ECOWAS).

Regional economic integration led to the creation of regional markets which have influenced entry into regional & international markets. These foster regional economic competitiveness through open markets and harmonize fiscal policies which enhance internationalization (Boddewyn, 2000). By co-operating, nations within a common geographic region connected by cultural, historical, linguistic, economic or political factors can gain mutual advantages. Through integration countries expand markets size, achieve scale economies, enhanced productivity and attract Direct Foreign Investment (Boddewyn, 2000).
However, greater competition in the domestic market drives companies into more direct confrontation reducing their effectiveness in the international market (Mugo, 2008). A strong presence overseas can be seen as a strong entry barrier (Friedman, 1999). By tapping into wider and bigger markets, international sales can increase scale economies and deter entry into the same market. Substitute products or services emanating from the trading bloc easily access the international market further compounding competition.
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The Chapter presents the research methodology used in the study. It covers the research design, data collection, and research instruments and data analysis techniques.

3.2 Research Design

The research design was a case study of Aga Khan Hospital in Kenya. It involved an in-depth investigation of strategic responses that Aga Khan University Hospital employs in responding to the challenges of international expansion. A case study is a powerful form of qualitative analysis that involves a careful and complete observation of a social unit (Denscombe, 2007).

A case study was the most appropriate in meeting the research objectives by providing detailed explanation of strategic responses that Aga Khan University Hospital employs in responding to the challenges of international expansion. A case study also places more emphasis on full contextual analysis of fewer elements and their inter-relationships which relies on qualitative data (Cooper & Schindler, 2005).

3.3 Data Collection

In order to comprehensively study on strategic responses that Aga Khan University Hospital employs in responding to the challenges of international expansion, the researcher used primary and secondary sources of data for this study. The primary data
was collected through interview guide which was targeted at senior-level managers who included hospital Chief Executive Officer, Chief Finance Officer, Chief Operation Officer, Chief Nursing Officer, Chief of Staff, Chair Departments of Pathology, Radiology, Anaesthesia, Paediatrics, Internal Medicine, Family Medicine and Obstetrics and Gynaecology and Directors of Operations, Human Resource, Nursing, Medical Services and Material Management.

This allowed the respondents ample time to respond to questions asked bearing in mind that the interviews were administered during working hours. Guided interviews are useful data collection methods for enabling respondents give details about significant issues of interest. Data collection was by means of the interview guides for all respondents as this ensured confidentiality for the interviewees. The items on the interview guide sought to elicit background information, and strategic responses applied by the company.

Secondary data on strategic plans was obtained from the records of Aga Khan Hospital in Kenya. Key interviewees of the study were ten Head of Departments who are key and directly responsible for making strategic decisions at Aga Khan Hospital in Kenya.

3.4 Data Analysis

Data analysis is the process of bringing order, structure and meaning to the mass of information collected. It involves examining what has been collected and making deductions and inferences Kombo and Tromp (2006).
Data cleaning (editing) was carried out to ensure that the data is free from inconsistencies and any incompleteness (Cooper and Schindler, 2000). The content analysis technique was used because it assists in making inferences by systematically and objectively identifying specific messages and relating them with their occurrence trend. Denscombe (2007), successfully used the technique of content analysis to analyse data collected from a case study.
CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter entails data analysis and interpretations of the study findings. The main objective of the study was to determine strategic responses to challenges of international expansion by Aga Khan University hospital. The main objective of the study was achieved through examining the Economic Effects of International Expansion, global competition, Cultural Challenges, Political Challenges, Legal challenges and the role of Regional Economic Trading Blocs.

Data was collected using interview guides administered to senior-level managers who included hospital Chief Executive Officer, Chief Finance Officer, Chief Operation Officer, Chief Nursing Officer, Chief of Staff, Chair Departments of Pathology, Radiology, Anaesthesia, Paediatrics, Internal Medicine, Family Medicine and Obstetrics and Gynaecology and Directors of Operations, Human Resource, Nursing, Medical Services and Material Management.

4.2 Company’s Performance

The study revealed that Aga Khan University hospital was working towards increasing their Institutional support for areas of academic and clinical focus. They were focusing on building integrated health networks that link Aga Khan University Hospitals with Aga Khan Health Services. The hospital had increased emphasis on strengthening linkages and collaboration among AKDN agencies in MIADs.
They had increased focus on building collaborative relationships with government and other non-government organizations. The respondents indicated that there were new approaches to strengthening relationships with south-south and south-north partners that strengthen capacity.

The respondents indicated that Aga Khan University Hospital in Nairobi, which was designated a teaching hospital in 2005, aims to take forward the same commitment to quality, relevance and impact. As part of AKU’s international expansion in Eastern Africa, the hospital is to become a premier tertiary and teaching centre for sub-Saharan Africa. It already offers eight areas of specialisation in postgraduate medical education. Advanced Nursing Studies programmes are now “on-line”. It will soon feature comprehensive programmes in cardiology and oncology, cardiovascular surgery and radiation therapy services.

The study showed that since becoming a University teaching hospital in 2005, the Aga Khan University Hospital, Nairobi, has increased its clinical capacity and made significant improvements to its facilities. In collaboration with Aga Khan Health Service, Kenya, the Hospital has developed a health management information system at the district level. Another programme to help communities take charge of their primary level health facilities has also been developed in collaboration with the University’s Community Health Sciences Department at Karachi. The Hospital has launched an ophthalmology programme, and planning is continuing for the development of international standard tertiary care facilities in cardiology and oncology.
The respondents indicated that in the education sector, AKU’s Institute for Educational Development (AKU-IED) has been an agent of positive change for over 13 years, demonstrating effective ways to improve the education systems in developing countries.

The respondents indicated that the Aga Khan University Hospital, Nairobi (AKUH, N), so far is the premier healthcare teaching site of AKU in East Africa focusing on high quality care, research and postgraduate medical education (PGME) in all major clinical specialties. Academic functions are being closely integrated with clinical services with the aim of producing specialists in all the primary disciplines and thereby addressing the “brain drain”.

These efforts are supported by training in sub-speciality skills, and may be augmented with possible collaborations with AKU in Karachi and the University of Alberta in Canada. The Hospital and its programmes have also led to the establishment of Clinical Governance, which works to improve the quality of clinical care. The Hospital itself has also strengthened management in line with the hospital’s teaching status. In Kenya, the hospital has opened several laboratory collection centres in collaboration with Aga Khan Health Service.

It was noted that while AKU and its sister agencies of the Aga Khan Development Network (AKDN) provided a range of services, from search and rescue to post-earthquake reconstruction, the disaster threw into relief the need for the study of new disciplines.
The next five years will therefore be a period of significant expansion in AKU’s programmes, both in Kenya and internationally. Its permanent presence in some regions, such as East Africa, is growing rapidly. The University is expanding the range and scope of its academic programmes and services, and extending its reach in more countries. It is now planning a major Faculty of Arts and Sciences at a new campus on in East Africa. It is also an active partner with other universities in taking forward a planned programme in Human Development.

The respondents indicated that the Medical College continues to deliver innovative approaches in medical education, focusing on Problem-Based Learning and the use of in-house research to facilitate studies. It partners with government agencies in Pakistan, to assist in the formulation of policies and their implementation, especially in paediatrics, community health, infectious diseases, hypertension, and research.

The study showed that a unique combination of academic rigor and development ethos has produced a special hybrid that has redefined the notion of a University. Courses offered are meant to build human resources in key areas where those resources have until now been lacking, especially in health care and education; research it conducts must be relevant and have an impact on chronic and emerging diseases in developing societies; the models itformulates are meant to be emulated, both formally and informally; and the benchmarks and standards it sets, which are invariably high, are meant to raise the overall standard of health care and education.
The respondents indicated that since the inception of the University Hospital, the invaluable collaboration and generous support provided by Pakistani and international academic institutions, donor agencies and individual philanthropists have been important factors in facilitating greater access to AKUH and enabling the institution to expand its academic programmes, services and facilities to three continents: Asia, Africa and Europe.

4.3 Influence of International Expansion On Organization

The study established that Internationalization often means that the whole organisation is in demand of structural change. Change management and building an organisation that suits the new goals and operations the best may be challenging, especially when the new organisation is multicultural.

The respondents indicated that Internationalization affects the specific environment, or its causal texture, based on either the inward or outward or both, as new suppliers or supplying locations, respectively purchasing institutions or locations, emerge. Internationalization fundamentally alters the environment, thus it exposes an organization to a larger and more heterogeneous environment, which in turn increments the likelihood of some change occurring and changes in one country can seriously affect the position in other markets. Hence, the causal texture of the organizational environment is altered.
The respondents indicated that adopting a more organization-internal view, one may say that internationalization adds to the number and difficulty of problems for the organization, as exemplified by the many different and increasingly varied sets of customers and employees. Internationalization leads to a *quantitative* increase in the number of managerial and organizational challenges, since these problems have to be dealt with in addition to those in the home market. Simultaneously, a *qualitative* escalation of the problems occurs, owing to the diversity and complexity of managing a geographically dispersed system of value-added activities.

The respondents indicated that internationalization has not always been associated with benefits only a negative relationship between the degree of internationalization and the financial performance of corporations. Hence, there are liabilities to foreignness. However, costs of internationalization remain a neglected aspect of internationalization. The risks involved can therefore be high and again emphasize the need for more knowledge on how to internationalize properly.

The human resource manager related HRM to organizational internationalization process and indicated that formulating and implementing HR policies and activities in the home-office headquarters of multinational companies. The responsibilities include selecting, training, and transferring parent-company personnel abroad, and formulating HR policies for its foreign operations; Conducting HR activities in the foreign subsidiary of a multinational corporation (MNC), which means local HR practices are often based on the parent firm’s HR policies.
The strategic manager indicated that positive performance implications of geographic expansion include resource-based perspective, market-power perspective, and portfolio diversification perspective. The resource-based perspective provides AKUH for the positive performance slope and is rooted in industrial organization. The quality and utilization of internal resources, such as AKUH knowledge or diversity in medical services, processes and markets affect overall performance either directly or indirectly by creating entry barriers for competitors.

4.4 Involvement in the International Expansion Process

All the respondents were involved in strategic change of the organization. Each was involved in their areas of managerial position and was in charge of ensuring that the process runs smoothly and the implementation was successful.

It was noted that all staffs were involved in the internationalization process since Internationalization was not to be considered as a separate part of the company or as a strategy to be enacted only in times of reduced local demand, but to be fully integrated into the AKUH as a core part of the company’s long term strategy.
4.5 Top Management Support of International Process

The respondents indicated that top management in the AKUH all supported the internationalization process. This is because managers are social animals who tend to see situations in terms of groups to which they do or do not belong. Individuals see positively groups with which they identify and assign themselves and others to different categories. Since demographic characteristics are most obvious, they are particularly likely to play a role in shaping first impressions and categorizing oneself and other team members.

Top managers act as the force driving economic changes, and they have to take the initiative to develop a reform agenda which can deliver these benefits. This will require a strategy which has to be formulated by top managers directed to improving employment relations and which seeks changes in attitudes and behaviour in the workplace and addresses the key issues of skills development, compensation, work organization and flexibility, and cross-cultural management.

The respondents indicated that the core business of top managers and business organizations is to advocate, on behalf of the business community, for policy and regulatory change that will ensure an economic environment conducive to enterprise creation and development.
4.6 Advantages of International Expansion in Terms of Technology

The respondents indicated that rapidly changing medical technology and availability of high technology diagnostic and therapeutic equipment together with changing practice pattern of doctors has revolutionized the way health care is being delivered today in AKUH medical technology is indispensable for people's health and better quality of life in some areas; and contributes billions of dollars to the economy.

The respondents indicated that the practice of medicine these days is inherently dependent upon health technology. This is probably based on the observations that clinicians use a wide variety of technologies in diagnosing, treating and assessing the care of their patients. Today's medical technology is more advanced, more effective, and in many cases, more costly than ever before. Furthermore there is an ever increasing demand for high technology diagnostic and therapeutic health care facilities and their availability may come into conflict with medical necessity, social justice and cost effectiveness.

The respondents indicated that there was increasing pressure on health care resources that is driving more explicit and public decisions regarding the best use of these resources. The complexity of modern technology and its high marginal cost suggest to us that testimonial reviews of new technologies are no longer sufficient.1 Current trends in health care decision making favour a transition from a rationale based primarily on resources and opinion.
Medical technology industry's point of view is that they have to identify the appropriate hazards for a product or process, estimate the risks associated with them, reduce risks by appropriate risk control measures in an iterative process, taking care that we do not inadvertently introduce new risks by such actions, and consider the overall residual risks remaining after risk control measures have been implemented. The decision on the acceptability of that residual risk must take into account the benefit to the patient.

4.7 Economic Effects of International Expansion

The respondents indicated that the economy shapes the complex interactions among employment, health coverage and costs, and financial access to care and health outcomes. The effects of economic stress and surges can be observed directly, but may also surface in less obvious ways that can vary markedly across markets. In a system where employment-based coverage plays a dominant role, understanding the impact of economic shocks such as the current recession presents difficult analytical issues.

AKUH plays critical roles not only in improving access to medicines and quality care for citizens of Kenya, but also in expanding economic opportunities. Compared to many other providers of medical services, AKUH is unique in the ways it creates economic opportunity. First, because many parts of the medical services value chain require only a small number of well-educated workers, the industry is typically not well positioned to directly provide large-scale employment in developing Kenya. In addition, the markets that medical providers targets with their products are fairly limited in Kenya, and this restricts the scale of employment in those markets.
Another major competency of AKUH lies in expanding access to medicine and health care. The majority of their efforts focus on these issues through activities such as drug donation and patient assistance programs. While these programs may not always lead directly to expanded economic opportunity, they help lay the foundation for it by improving public health, an essential enabling condition for individual productivity and overall economic development.

Companies can consider a number of motivations and risks when determining how deeply or deliberately to engage in expanding economic opportunity. Motivations include the possibility of creating competitive advantage, increasing operational efficiencies, and enhancing philanthropic impact, while risks include reputational risk and regulatory risk related to intellectual property rights and counterfeit drugs.

### 4.8 How organizational challenges affect international expansion

The respondents indicated that some organizational challenges include culture. Cultural management is one of the crucial challenges of the internationalization process. Cultural management means the way a company manages people coming from many different cultures and working together. It also means how the company is able to succeed in this management as the goal is successful and profitable business operations. The difficulty in this is that the different backgrounds affect the way people behave in different situations.
In this multicultural situation it is good to try to create a new company culture, the way things are done in this one specific company. It can be a mix of all the different cultures involved in the company, or then, something completely new. The most important thing is that it suits the demand of the company and supports the goals set.

For the success of AKUH operations in any foreign target market is important to understand that people behave differently in different parts of the world. There is no one right way of conducting business or personal relations. It is crucial for a manager or an employee who is taking part in multi-cultural projects or business operations to be open-minded and to learn about the customs of their colleagues, subordinates, counterparts of business deals or managers from different cultures. The worst case is where one considers his/her own culture to be the one and only right culture.

4.9 Global Competition affects the International Expansion

Globalisation has brought a shift to the economic environment of the AKUH. The progressively disappearing barriers and borders are exposing AKUH both to new markets and to international competition. These changes include An unprecedented lowering of trade barriers worldwide. Vastly improved logistics and communications systems available to all companies; The information technology revolution which has opened the way for greater technology and knowledge exchanges and the advent of new types of economic transactions such as e-commerce. This means that trade can be conducted cheaper, faster, easier and over larger distances and the advent of previously non tradable services.
AKUH not only have greater possibilities in accessing more markets and suppliers but also of determining the organisation, management and location of most aspects of their own operations. Globalisation has effectively “shrunk” the world. Through globalisation national borders are constantly losing their significance as limitations for human interaction in general and economic collaboration in particular. This means that for all economic actors their natural spheres of activity are expanding from national into multinational or even global.

This greater integration and reduced barriers mean that international competition starts at home. Even businesses that focus primarily, or even exclusively, on the domestic market have to be competitive internationally in order to secure long-term survival and growth. This new, ever changing scenario that is globalisation will require and reward inventiveness, agility and flexibility that there are very qualities that are commonly used to define medical services. Embracing these qualities means that competitive medical services will not only be in a position to tackle globalisation but embrace it and profit from it.

Therefore, a pro-active attitude to global competition and markets is increasingly becoming not a choice but a matter of necessity. Each company must adopt internationalisation as part of the strategic search for the company’s competitiveness and not as a reaction to times of reduced national demand.
On the positive side, critical challenges to succeed in international operations are fundamentally identical to those of the home market. For this, continuous technological, managerial and operational innovation inside the medical services will be one of the key tools for their sustainability and growth.

Whether to compete globally is a strategic decision (strategic intent) that fundamentally affects AKUH, including its operations and its management. For many companies, the decision to globalize remains an important and difficult one (global strategy and action). Typically, there are many issues behind a company’s decision to begin to compete in foreign markets. For some firms, going abroad is the result of a deliberate policy decision (exploiting market potential and growth); for others, it is a reaction to a specific business opportunity (global financial turmoil, etc.) or a competitive challenge (pressuring competitors). But, a decision of this magnitude is always a strategic proactive decision rather than simply a reaction (learning how to business abroad).

To succeed in global marketing companies need to look carefully at their geographic expansion. To some extent, a firm makes a conscious decision about its extent of globalization by choosing a posture that may range from entirely domestic without any international involvement (domestic focus) to a global reach where the company devotes its entire marketing strategy to global competition. In the development of an international marketing strategy, the firm may decide to be domestic-only, home-country, host-country or regional/global-oriented.
Each level of globalization will profoundly change the way a company competes and will require different strategies with respect to marketing programs, planning, organization and control of the international marketing effort. Tracking the development of the large global corporations today reveals a recurring, sequential pattern of expansion.

The first step is to understand the international marketing environment, particularly the international trade system. Second, the company must consider what proportion of foreign to total sales to seek, whether to do business in a few or many countries and what types of countries to enter. The third step is to decide on which particular markets to enter and this calls for evaluating the probable rate of return on investment against the level of risk (market differences). Then, the company has to decide how to enter each attractive market.

Healthcare is one of the most rapidly evolving sectors in the marketplace, driven by demographic trends as well as medical and technological breakthroughs. Among the many factors driving change in this exciting field are shifts in patients’ expectations and demands, the ongoing redefinition of the who and how of healthcare provision including changing techniques and methods and far-reaching innovations in medical and health-related products. At the same time, finance for healthcare is coming under intense scrutiny, with new models and solutions emerging in many different countries and markets.
Healthcare is one of the largest and fastest-growing industries in the world. To manage these rapid and often complex changes, the healthcare sector needs skilled leaders and managers more than ever before. While individual healthcare providers are regulated on a national level, the healthcare industry as a whole is global in scale, with major international players involved in researching, developing and supplying medtech, biotech and pharmaceutical products. The provision of healthcare services including hospitals, nursing and health insurance has also become an international business

4.10 Effect of Digital Divide on International Expansion

The digital divide is not all it seems. The gap between those who can use information technology effectively and those who cannot is just one of a range of discrepancies national and international, urban and rural, rich and poor which afflicts Kenya.

The digital divide encompasses inadequate funding, a lack of necessary computer and Internet skills, and a lack of English-language proficiency that hinder expansion and use of digital information resources. Visionary individuals and organizations can assist these countries with their information needs. Aggregated full-text databases serve as a prominent tool in closing the digital divide because they provide important research resources. Participating organizations must demonstrate the value of these resources to users and supply essential training to ensure success with electronic resource initiatives.
While every nation and region has its own unique mix of challenges for providing researchers with quality electronic information, a number of themes are typically shared. Although situations and preferences differ from individual to individual, many of the library communities in Kenya, tend to be rather conservative and are not readily accepting of new services and technology. Some communities are often cautious about making dramatic changes to their methods and operations, so innovation in the libraries of Kenya typically proceeds at a slower pace.

Probably the most critical challenge associated with the digital divide phenomenon is finding funding for projects. Such a lack of funding can easily be viewed as one of the root causes of the divide upon which most of the other difficulties are often based. Kenya suffers from impoverished or sluggish economies, there are difficulties affording the necessary resources that would assist in improving the medical systems.

If citizens have better educational resources, countries can improve their overall economy through a well-educated workforce. An improved economy, therefore, would generate additional financial resources to expand access to digital information resources. This scenario is very much a vicious circle. Kenya often have to depend upon a third party to facilitate and/or supply the necessary funds to initiate the process of growth and development.
Not only does Kenya suffer from a lack of basic funding, but the cost of Internet access in the is often significantly higher than that of more industrialized regions. Due to high costs discourage online access, so this situation is yet another critical aspect of the digital divide problem. Until the costs for Internet service can be reduced in Kenya, levels of online access are not likely to increase very significantly. Even in some of the regions where it is able to scrape together the necessary funds to establish a basic infrastructure for Internet access, libraries are then left with no money to purchase the information resources that would benefit their researchers.

Funding for infrastructure and digital resources is not the only obstacle in many Kenya. When a library establishes the means for accessing online services, the next hurdle is that many of the potential users lack the necessary computer and electronic research skills to properly utilize the new services. Another significant obstacle to the dissemination of full text information in Kenya is that most of the top databases and related services that are currently available are geared toward English-speaking users.

4.11 Challenges to International Expansion Arising From Existing

Regional Economic Trade Blocs

One of the purposes of the establishment of trading blocs is to arrange easier trade within the regions, and to increase the economic efficiency and the competitiveness of their productions. The free trade or relative free trade among the member states will surely increase their dependence on each other, which will promote regionalization.
While the World Trade Organization (the WTO) is trying to eliminate trade barriers throughout the world, trading blocs are maintaining and even increasing them under the name of regional cooperation. While trading blocs are giving their member states more interest, they are building trade barriers to the outside world and preventing other countries’ and regions’ productions from importing. When they have satisfied their member states, they have also damaged the foundation of global cooperation and increased the difficulties of negotiations between countries.

There are other effects of trading blocs on globalization such as causing international political confrontation, speeding the readjustment of each country’s industrial setup, promoting direct investment and arranging keener competitiveness in international trade. Regional trading blocs do have a wide and far-reaching influence.

4.12 Addressing Challenges Arising from Existing Regional Economic Trading Blocs

The respondents indicated that due to the complexity of issues and the need for cost saving, net worked regional cooperation is more better way of addressing regional economic trading blocks. An organization and a network have their different comparative ad vantages. A formalized, clearly defined administrative and hierarchical organization is, ideal for implementing strategies and policies, especially in a stable environment and where the problem at hand is clearly defined.
4.13 Other Factors that Pose Challenges to International Expansion

The respondents indicated that the internationalization process is very complex - first to discover the most attractive target market, then, to form a successful marketing strategy with which to enter this market, and also, to form a well working organisation which supports the marketing strategy. The amount of decisions to be made and activities to be executed are enormous. Following are some business activities that are crucial for the internationalization process. These are activities that must be carried out with great deal of care and focus to improve the company’s possibilities to be successful in different markets. The product, marketing, and company itself, must be modified and adjusted.

Internationalization also usually means big changes in the structure of the company’s organisation. New organisational levels and branches are introduced to handle the new international operations, this can be also done by reforming the old organisation. However, in many cases, it is necessary to build up the whole organisational framework again.

Internationalization is a process that changes the whole structure of a company. The difficulties concerning the management of this change are resource management, cultural management and environment management. To overcome all the difficulties the company is in demand of good change leadership and management.
One of the biggest challenges of the internationalization process is the planning and decision making concerning the process. This is the basis for the whole process and therefore it is utmost critical for the success of the company’s internationalization. The planning and decision making concerning internationalization, demands both human resources and financial resources from the company. Even with adequate resources it may be difficult to start from scratch with the planning.

Internationalization of a company can be seen as a process that ables the company to operate in foreign markets besides the domestic markets. The first challenge for any company on the path of internationalization is analyzation. The company needs to analyse the attractiveness of the target market and the company itself. The attractiveness of a market depends on the size of the market, growth potential of the market, competition and on the level of operational risk.

The political and economical situation of the target market affects the operational risk. Company analyses are needed to find out the weaknesses and strengths of the company, opportunities and threats that the company possess in the target market and also competitive advantages, which play a major part in forming entry and positioning strategies. These strategies have to be thoroughly thought because the success of the whole internationalization process depends on them. The implementation of the business operations in the new market can be seen as the next challenge. The correct entry mode and well thought-out positioning strategy helps in succeeding in this challenge.
The challenges concerning the financing of internationalization, depends mainly on the company’s resources. The demand for financing of internationalization depends on the entry mode and on the level of commitment to internationalization, meaning, how big part of the company’s turnover and profit is made in foreign markets. If the commitment is high, and a subsidiary or other direct investment is the case, then the demand of external financing may be high. On the other hand, if the company’s international operations mainly involve direct or indirect exporting, it might only need financing services for single trade deals, like letter of credit or draft.

4.14 Solutions to the Challenges of International Expansion

To be able to plan a successful strategy for internationalization the company has to know the current situation of the company itself as well as the situation in the target market. This can be done by carefully analysing the company itself and the target market.

Adapt to the local reality which calls for the participation of all direct stake holders in developing both policies and programmes: national and regional governments, business associations, business support associations and banks: it will facilitate implementation, create synergies and guarantee the best possible match to the local economy. Each country should consider internationalization as part of the policies to enhance competitiveness. As countries progress through the value added ladder this will lead to merging internationalisation and innovation under one single umbrella.
The main effort should be directed towards having more internationalised companies rather than focusing on those companies with the largest potential. Although some would stem the foreign invasion through protective legislation, protectionism in the long run only raises living costs and protects inefficient domestic firms (national controls). The right answer is that companies must learn how to enter foreign markets and increase their global competitiveness. Firms that do venture abroad find the international marketplace far different from the domestic one. Market sizes, buyer behavior and marketing practices all vary, meaning that international marketers must carefully evaluate all market segments in which they expect to compete.

A successful and sustainable internationalisation will require an internationalisation strategy and the acquisition of a series of capacities, abilities and resources prior or at the first steps of internationalisation. This is probably the explanation for the proven relation between competitiveness and internationalization.

**4.15 Discussion of the Study**

Internalisation expansion is a theory whose aim includes the interpretation of the current events on the international sphere in terms of development, economic conditions, social scenarios, and political and cultural influences (Cerutti, 2007). Internalisation theory analyses the choices that are made by the owners, managers or trustees of organisations (Hollensen, 2004). The theory assumes that these choices are rational ones.
The AKUH has been able to enter the Kenyan market and been able to develop communities. The choices made by AKUH has enabled them to be accepted in the Kenyan community and their services used by majority. International expansion has also resulted in the creation of integrated world markets, particularly in the areas of pharmaceuticals and hospital supplies and equipment including ICTs.

Most hospitals in high-income countries prescribe the same drugs to treat pneumonia, use one of just three existing brands of linear accelerators in radiation treatment of cancer, and have Windows on their desktops (McKee and Healy 2002b). AGUH has been able to integrate in the Kenyan market in areas of pharmaceuticals and hospital supplies and equipment including ICTs. The hospital has worked towards increasing their Institutional support for areas of clinical focus. They have focused on building integrated health networks that link Aga Khan University Hospitals with Aga Khan Health Services.

According to Johanson and Vahlne (1977), possessing experiential knowledge about market of operations is especially important in activities based on relations to individuals, such as management or marketing. It is experiential knowledge that gives a manager ability to perceive and formulate “concrete” opportunities, whether the objective knowledge concerns only “theoretical opportunities”. The AKUH has been able to identify their key management leaders and the managers have been given the responsibility on the ability to perceive and formulate “concrete” opportunities.
There are two important patterns in the internationalization of the firm according (Johanson, Vahlne, 1990). Firstly, firms investing in foreign countries follow establishment chain, which means that investments are made in small steps. On the beginning there is no regular export activity, then companies start cooperating with sales representatives who act as independent agents. When the firm acquires enough knowledge about the market it decides often to establish a sales subsidiary and later eventual production facilities. The AKUH did not just come and start its internationalization process but rather it stated by operating in the country slowly adapting to new changes in order to tap bigger markets.
CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents summary, conclusion and recommendations from the study findings. The main objective of the study was achieved through determination of the strategic responses to challenges of globalization by establishing how the internationalization process was done at the Aga Khan university hospital and the determining the challenges which include economic challenges, global competition, cultural, political and legal challenges.

5.2 Summary of the Study Findings

The study findings are summarized according to objectives of the study; The economic challenges identified facing AGUH include health coverage and costs, and financial access to care and health outcomes. The effects of economic stress and surges can be are observed directly by AGUH, but also surface in less obvious ways that can vary markedly across markets.

Another economic challenge is that of employment since employment-based coverage plays a dominant role, understanding the impact of economic shocks such as the current recession presents difficult analytical issues lack of skills has been observed and the AGUH relies on importing doctors since the necessary skills are not available in the country.
The hospital has been involved in training doctors who are employed at the hospital to gain experience. Globalisation has brought a shift to the economic environment of the AKUH. The progressively disappearing barriers and borders are exposing AKUH both to new markets and to international competition. These changes include an unprecedented lowering of trade barriers worldwide.

Vastly improved logistics and communications systems available to all companies; The information technology revolution which has opened the way for greater technology and knowledge exchanges and the advent of new types of economic transactions such as e-commerce. This means that trade can be conducted cheaper, faster, easier and over larger distances and the advent of previously non tradable services. Therefore AKUH faces a stiff competition from other institutions who medical services.

Intense global competition has forced many AKUH to examine their core business processes and to devise plans to respond to an increasingly competitive market place. Several factors have come together to cause this increase in competition. Foremost amongst these have been the shortening of product life cycles, rapidly changing demand patterns, the increasing presence of many other institutions that offer medical services privately and internationally. Lack of funding is another challenge of globalization that affects AKUH. The disciplining effect of global markets applies to the private sector, by making it more difficult to sustain unwarranted price markups and non-productivity driven wage increases.
Cultural challenges that affect AKUH include values, beliefs, customs, languages and religions. Unlike in the domestic markets where cultural tastes are shared, in the international markets, cultural differences require serious considerations as they affect taste and consumption trends.

Changing routines and cultures can be difficult in an organization should be restructured and people placed in new roles and relationships from which new cultures will develop to match cultures prevailing in the international arena. Cultural management is one of the crucial challenges of the internationalization process. Cultural management means the way a company manages people coming from many different cultures and working together.

Political systems typically create the infrastructure within which the economic system functions through policies and regulations. Certain import regulations such as high tariffs or low quota limits can encourage investment. Also governments may enact laws that ban certain types of investment outright.

Political systems thus create the necessary environments that can promote or inhibit business and ensure sustained economic growth. Political leadership sets policies, regulations, concessions and ensures stability & security that impact directly on business performance. Political stability represents the risk level a company will be exposed to in the foreign market. Stable political systems, even if they are frequently changed like in Japan and India, tend to encourage direct foreign investment.
5.3 Conclusion

The study concludes that to respond effectively to strategic changes in globalization, AKUH needs to plan a successful strategy for internationalization the company has to know the current situation of the company itself as well as the situation in the target market. This can be done by carefully analysing the company itself and the target market.

There is also need to adapt to the local reality which calls for the participation of all direct stake holders in developing both policies and programmes: national and regional governments, business associations, business support associations and banks: it will facilitate implementation, create synergies and guarantee the best possible match to the local economy. Each country should consider internationalization as part of the policies to enhance competitiveness. As countries progress through the value added ladder this will lead to merging internationalisation and innovation under one single umbrella.

The internationalization process is very complex - first to discover the most attractive target market, then, to form a successful marketing strategy with which to enter this market, and also, to form a well working organisation which supports the marketing strategy. The amount of decisions to be made and activities to be executed are enormous. Following are some business activities that are crucial for the internationalization process. These are activities that must be carried out with great deal of care and focus to improve the company’s possibilities to be successful in different markets. The product, marketing, and company itself, must be modified and adjusted.
5.4 Recommendation

The study recommends that when a strategy is being formulated the company should first develop a mission statement that attempts to clarify an organization’s values, purposes, and directions. It may be used as a starting point in the strategic planning process or it may be developed after the process is finished. Mission statements may specify target customers and markets, principal products or services, geographical domain, core technologies, concerns for survival, plans for growth and profitability, basic philosophy, and desired public image.

A Firm should use environmental scanning to collect information about opportunities and threats facing the firm obtain data about economic, financial, political, legal, and competitive changes in various markets the firm serves or might want to serve. Political risk analysis and selection of national markets in which investment or disinvestment seem attractive (issues from section of course before midterm, plus issues related to collecting market specific information in carried out here.

A control framework should be put in place. It is the managerial and organizational processes used to keep the firm on target toward its strategic goals. The control framework can prompt revisions in any of the preceding steps in the strategy formulation process.
5.5 Implication on Policy, Theory and Practices

The implication of the study is to the players is that it may inform them on strategic responses to challenges of international expansion by Aga Khan University hospital. The theory does not assume that the decision-makers can identify all available options; indeed, in rational action models the number of options that decision-makers consider is often restricted, in order to simplify the model. In the context of market entry, for example, only a limited number of entry strategies are usually appraised, as explained above. However, the theory always makes the set of options considered fully explicit.

The implication on policy is that on strategy implementation were updated on regular monthly basis. This depicts that strategic responses to challenges of international expansion by Aga Khan University hospital to retain a competitive edge in the market. This will act as an evaluation of the strategies to the organization. They will be provided with information concerning the general state of competition in the health sector and the type of competitive strategies employed by Aga Khan Hospital.

5.6 Limitation of the Study

Due to tight schedules of the top management in Aga Khan University Hospital, the study encountered difficulties in gaining access to the respondents and the researcher had to keep rescheduling their time to align with the availability of the respondents.
Information relating to strategy implementation is always treated with sensitivity. This caused difficulties in convincing the respondents of the importance of giving sincere answers to the asked questions evidenced through reluctance of accepting invitation to participate in the study to counter the challenge, the research had to inform the respondents in advance the purpose for the research study being carried out, that it was meant for academic purpose only and not for other investigations.

5.7 Suggestion for Further Research

The study recommends further research on the effectiveness of monitoring and evaluation tools used by Aga Khan University Hospital to monitor and evaluate strategic implementation through internationalisation. The recommended further study will supplement the findings of this study by providing information on evaluation of the effectiveness of internationalization.

The study recommends carrying out the same study in other parts of the country to find out whether the same results will be obtained. A study should be carried on other private hospitals on strategic choices made in dealing with challenges of internationalization.
REFERENCES

Abdullahi O.S. (2000), A Study of The Strategic Responses by Kenyan Insurance Companies following liberalization, (Unpublished MBA Thesis), University of Nairobi


Friedman, T.L. (1990). It is a flat world after all. Newyork times magazine. (pg 33-37)


Mugambi, M.G. (2003), The Strategic Responses Of Tourist Hotels To The Changes In The Environment, A Case Of Tourist Hotels In Nairobi, (Unpublished MBA Project), University Of Nairobi


Musyoka, F.M. (2011). Competitive Strategies Adopted by KenolKobil limited in Developing Sustainable Competitive Advantage; (Unpublished MBA Project), University of Nairobi


Njau, M.G (2000) Strategic Responses By Firms Facing Changed Competitive Conditions – E.A.B. LTD, (Unpublished MBA Project), University of Nairobi


Appendices

Appendix I: Interview Guide

1) What is your position in the institution?

2) How long have you been working in your present capacity? ..........................

3) Based on your experience, how will you rate the company’s performance?

4) Does international expansion affect the running of your organization?

5) What is your involvement in the international expansion process of the company?

6) Are all staffs in the company involved in the international expansion process? If yes, how?

7) Is the international expansion process supported by top management? If yes how?

8) Which are the advantages of international expansion in terms of technology that have been enjoyed by Aga Khan University Hospital?

9) What are the economic effects of international expansion to Aga Khan University Hospital operations?

10) How do organizational challenges affects international expansion of Aga Khan University Hospital?

11) How has global competition affected the international expansion of Aga Khan University Hospital?

12) What is the effect of digital divide on international expansion of Aga Khan University Hospital?

13) What are some of the challenges to international expansion arising from existing regional economic trading blocs by Aga Khan University Hospital?
14) How are the challenges arising from existing regional economic trading blocs addressed?

15) In your view what are other factors that act as challenges to international expansion of Aga Khan University Hospital?

16) Suggest the possible solutions to the challenges of international expansion faced by Aga Khan University Hospital in the organization concept.
Appendix II: Teaching and Referrals Hospital in Kenya

1. Moi Teaching and Referral Hospital
2. Aga Khan University Hospital, Nairobi
3. The Mater Hospital
4. Kenyatta National Hospital
5. Gertrude Gardens Children’s Hospital