
Influence of Customer Relations Capabilities on Competitive Advantage of Level 5 Public Hospitals in Kenya

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Abstract

The healthcare industry in Kenya is going through many challenges including low funding, shortage of staff, technological innovation huddles and changing customer expectations which puts pressure on public hospitals to attaining competitive advantage. The purpose of this study was to examine the influence of customer relations capabilities on competitive advantage of Level 5 public hospitals in Kenya. The study was anchored on dynamic capabilities theory. Positivism philosophy applied, where a descriptive correlational research design was adopted. A structured questionnaire was applied to gather quantitative data. The study focused on 33 Level 5 public hospitals in Kenya and the study population comprised 495 Chief Executive Officers (CEOs, departmental heads and administrative heads of all the Level 5 public hospitals. Stratified random sampling was used to pick a sample of 222 respondents. The study's data analyses involved descriptive statistics (frequencies, means and standard deviations) and inferential analysis (simple linear regression analysis). The findings revealed that customer relations capabilities had a statistically significant and positive effect on the competitive advantage of Level 5 public hospitals in Kenya ($\beta = 0.629, p < 0.05$). The study concluded that customer relations capabilities are instrumental towards attainment of competitive advantage of the Level 5 public hospitals in Kenya. Based on the conclusion of the study, it is recommended to the top management of level 5 public hospitals to adopt systems and processes in their hospitals that gathers information to investigate customer needs.

Key Words: Competitive Advantage, Customer Relations Capabilities, Level 5 Public Hospitals.

Introduction

The operational context for enterprises is characterized by unpredictability within a worldwide ecosystem. Unless enterprises have strategies and capabilities in place to deal with the uncertainty, they may face significant consequences (Yuan & Ferreira, 2022). Failure to mitigate the consequences of unpredictability might potentially diminish the company's competitiveness (Rahmantlya et al., 2019). Competitive advantage is a significant outcome of an organization's capacity to surmount challenges arising from environmental changes and market competition, such as constrained funding, scarcity of skilled workforce, technological disruptions, and intense rivalry (Herrero et al., 2018). The pace of change in the healthcare landscape has quickened as a result of intensifying competition, growing demand for higher quality healthcare, and regulatory measures. According to Deloitte (2022), healthcare businesses are still confronted with many difficulties such as expensive operational and personnel expenses, shortages in workforce, an unpredictable regulatory

landscape, and increased competition. These problems negatively impact the competitive advantage and long-term viability of healthcare organizations.

To attain a competitive advantage, healthcare organizations must develop and implement better strategies to cope with the dynamic nature of the modern environment. According to Agwunobi and Osborne (2016), healthcare organizations confront a future of fierce rivalry and unpredictability, confirming the usefulness of the dynamic capabilities theory in generating competitive advantage for hospitals. Besides, Govindasamy and Wattal (2018) observe that the foundation by which a firm can gain a competitive edge in its industry can be informed by customer relations capabilities. Customer relations capabilities have emerged as a significant area of strategic planning and management that is more inclusive and concerned with improving competitive advantage through the establishment of suitable connections with important customers and customer groups (Perez-Vega et al., 2022). According to Foltean et al. (2019), seeing strategic customer relations from the viewpoint of dynamic capabilities motivates organizations to invest in customer needs assessment, customized services, social customer relations, cross-cultural skills, and customer care feedback that led to improved performance and customer satisfaction.

Gallego-Gomez et al. (2021) observe that customer relations capabilities in the present business climate are core to enhancing the competitive advantage of organizations. Managers of successful firms are aware of this phenomenon and they also know that consumers are the core of any organization and should be treated as valuable stakeholders. Besides, they consequently make every effort to successfully manage connections with clients. Top managers are also conscious that a customer's wants are not etched in stone and are thus bound to change which makes it critical to regularly conduct a customer needs assessment. Since customer requirements and purchase behaviors change over time (Ernst et al., 2011), to fulfil these shifting demands, organizations create numerous tactics. Strategic customer relations capabilities may be utilized as an applied technique in all types of organizations to effectively identify and respond to customer needs (Pedron et al., 2018).

Statement of the Problem

Public hospitals in Kenya are experiencing fierce competition from local, regional and international hospitals and challenges emanating from the changing healthcare environment. Their failure to adapt and deal with the changes and patients' expectations, poor service delivery and loss of trust from stakeholders has led to patient loss to private and faith-based hospital facilities (Lawi, 2022). Further, the Kenya Healthcare Federation (2021) observes that the healthcare system faces difficulties with ineffective processes, and inadequate personnel, as well as healthcare financing challenges factors that directly impede their competitiveness and sustainability. Besides, new entrants in the Kenyan healthcare sector with innovative business models like Linda Jamii, Penda Health, and Hello Doctor, among others, are disrupting the healthcare sector in addition to the conventional forces. Additionally, though the public sector in Kenya is 48% of the market compared to 38% of the private sector, 75% of Kenya's medical professionals, as well as 66% of its nurses and clinical officers, work in the private sector (Kenya Healthcare Federation, 2022). Besides, the Ministry of Health reports that every year, around 10,000 Kenyans go overseas, mostly to India and South Africa, for medical care at a cost of at least Kenya shillings 10 billion (Kajilwa, 2022; Lawi, 2022). All these factors show that public hospitals in Kenya lack a competitive advantage over their local and international rivals. The study context was Level 5 public hospitals in Kenya which are the key primary and secondary public healthcare facilities in the counties.

Following the background information, this study tested the following null hypothesis:

H₀: Customer relations capabilities do not significantly influence competitive advantage among Level 5 Public Hospitals in Kenya.

Literature Review

Theoretical Review

The dynamic capabilities (DC) theory by Teece et al. (1997) indicates that to gain a competitive advantage, an organization must have the capacity to integrate, develop, and reconfigure external and internal resources, skills and competencies to quickly adapt to competitive and dynamic environments. Customer relations capabilities are hypothesized in this study as dynamic capabilities that enable the firm to adapt to the needs and sentiments of clients and address their complaints. Having processes and systems for customer needs assessment and building cross-cultural skills enables the firm to understand the needs of the various customer segments and act accordingly with efficiency (Verma et al., 2013). Additionally, Defourny and Nyssens (2010) observe that engaging in customized services to certain customer segments, providing social customer relations, and having reliable and fast customer care feedback informs the firm on what customers demand and thus enables the firm to reconfigure its offerings to match the customer demands. Having strategic customer relations capabilities empowers the firm to coordinate operations, resources, and assets with the customer in mind and thus allows the firm to serve the market in ways that allow for the creation and capture of value (Perez-Vega et al., 2022).

Empirical Review

Customer relationship capabilities enable organizations to better understand the behavior of their clients and adapt their business processes to provide the best possible customer service (Alam et al., 2021). A study in Iran by Ensafi (2022) investigated the connection between customer relationship capabilities and the competitive advantage enjoyed by sports clubs located in the Province of Alborz. The findings indicated that there is a significant positive relationship between customer relationship management (customer perception and segregation, customer interaction, customer acquisition and retention, and customer relationship development and specialization), on the one hand, and the competitive advantage enjoyed by clubs, on the other. The findings of the regression analysis indicated that the aspects of customer perception and segregation have a substantial influence on a sports club's competitive advantage as do customer acquisition and retention. Other similar studies have found a positive association between customer relations capabilities and competitive advantage (Alqershi et al., 2020; Tuominen et al., 2023).

A study in Jordan by Al-zoubi (2016) investigated the function of customer needs assessment and how it influences a number of financial institutions' competitive advantages in the city of Irbid. According to the findings of the study, having qualified workers has a positive impact on gaining a competitive advantage. They strengthen relationships with the customers they already have while also drawing in new customers. In a study carried out in Kenya, Gitonga (2016) conducted research to investigate the influence of social customer relations on the performance of Safaricom Limited in Kenya. According to the findings of the study, Safaricom Limited's customer relationship management capabilities include one-on-one interaction with customers, customer follow-ups via use of calls. loyalty schemes such as 'bonga points', use of social media platforms such as Facebook and Twitter, direct emails, online partnerships and search engine optimization. The organization maintained a

workforce of knowledgeable individuals who had received extensive training in the areas of customer service and the use of client databases for the purpose of information collection. The findings further indicated that social customer relations also had a favorable influence on the overall performance of Safaricom Limited.

Conceptual Framework

The conceptual framework that guided the study is provided in Figure 1. The independent variable is customer relations capabilities which encompass customer needs analysis, customized services, social customer relations, cross-cultural skills, and customer care feedback that boost competitive advantage, and efficiency and increase satisfaction (Perez-Vega et al., 2022). The organization benefits from customer needs analysis by creating a customer-centric culture. Customized service is any service that is tailored to the needs of individual customers (Sethi, 2021). Because customizing services have a beneficial impact on the customers' level of satisfaction, customized services have been crucial in attracting new clients, building long-term relationships and gaining a competitive advantage (Maggon & Chaudhry, 2018; Sofi & Hakim, 2018). The incorporation of social media platforms into customer relationship management (CRM) systems is referred to as social customer relations (Marwa et al., 2018). Social customer relations are vital for today’s firms since businesses may now respond better, react quicker, and even foresee future client demands (Hermans, 2017). Delivering efficient, high-quality treatment to patients with a variety of attitudes, beliefs, values, and behaviors is known as cultural competency in the healthcare industry (Handtke et al., 2019). Having medical professionals who are culturally competent may enhance the quality of care, healthcare utilization, and patient satisfaction (Nair & Adetayo, 2019). Cross-cultural skills can be enhanced through training, learning from different cultures, engaging in cross-cultural interactions with patients, and having the policy to respect patients from all cultures (Brooks et al., 2019). The dependent variable is competitive advantage which, according to Porter (2005), is ability to offer lower costs or more distinctive products or services than competitors. Porter and Teinsberg (2008) pointed out that in non-profit organizations like hospitals, competitive advantage is indicated by effectiveness in managing costs to patients, high-quality care, market share and service differentiation. These competitive advantage metrics will be used in this research since the setting is Kenya's level 5 hospitals.

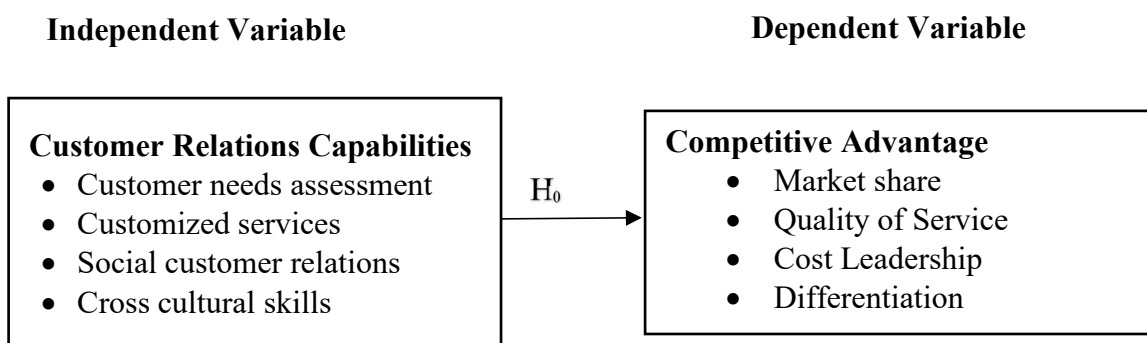


Figure 1: Conceptual Framework

Methodology

This study used the positivism research philosophy since it sought to test hypotheses that was generated from the dynamic capabilities theory. Descriptive correlational research design was adopted to discover and document connections or causality illustrating how

variables are related in the study. The population for this study was 495 senior staff members from Kenya's 33 Level 5 public hospitals as of June 2022 (Kenya Medical Practitioners and Dentists Council, 2022). The study used the proportional stratified sampling to select a sample of 222 which included 6.6% CEOs, 66.7% heads of departments and 26.7% administrative heads. The study collected data using a structured questionnaire which was pretested before the data collection. The study adhered to ethical standards that included informed consent, data protection and secrecy, justice, non-maleficence and beneficence, conflict of interest, and integrity. Data analysis was done using Statistical Package for Social Sciences (SPSS) version 28.0, whereby both descriptive (means, percentages, and standard deviations) and inferential statistical analyses (correlations and regression analysis) were used. The hypothesis was tested using simple linear regression analysis.

Results

Demographic and General Information

The study obtained a total of 210 responses of the 222 that were administered, resulting in a response rate of 94.6%. The findings on gender revealed that 50.5% of the participants were male whereas 49.5% were female. On the education level attained by the respondents, 45.2% of the respondents had college level of education, 31% had undergraduate level of education while 23.8% had postgraduate education. Regarding the years of service in the hospitals, 41% of the study participants indicated that they had served in the hospitals for a period of one to five years while 9% had served in the hospitals for 11 to 15 years. The findings demonstrated that 67.6% of hospitals had been in operation for over 10 years while only 9% of the hospitals had been in operation for one to three years.

Descriptive Analysis of Competitive Advantage

The dependent variable was competitive advantage, which was measured using four constructs which were market share, quality of service, cost leadership and differentiation. Respondents were asked to express their level of agreement, ranging from 1 (strongly disagree) to 5 (strongly agree), with the statements pertaining to the competitive advantage of their respective Level 5 public hospitals. Their responses were analyzed using means (M) and standard deviations (SD). The findings are provided in Table 1.

Table 1. Descriptive Statistics for Competitive Advantage

Statements on competitive advantage	Mean	SD
This hospital's consultation fees are the lowest compared to other similar hospitals in the region	3.88	1.060
This hospital has lower specialized service charges compared to other similar hospitals in the region	3.96	.909
This hospital has the lowest bed charges compared to other similar hospitals in the region	4.13	.949
The pharmacy in this hospital provides prescription medicine at the lowest costs compared to other facilities in the region	4.10	.983
Cost of surgery in this hospital is the lowest compared to other similar hospitals in the region	3.90	.993
Patients and their relatives who visit this hospital rate the quality of care highly	3.90	.964
Health services in this hospital are safe	3.90	1.051
Health services in this hospital are people-centred	3.84	.994
This hospital offers the best quality healthcare services compared to other similar hospitals in the region	3.74	1.133

This hospital experiences very few adverse events from healthcare services	4.09	.903
Our hospital is the most preferred healthcare service provider in the region	3.91	1.015
The hospital offered w wide variety of healthcare services to serve the whole population	3.99	.878
This hospital is perceived as a competent healthcare facility by the public	4.07	.938
This hospital attracts patients from various parts of the region and even the country	3.83	1.132
Physicians in this hospital have the capacity to provide the various services that patients require	3.73	1.160
This hospital provides quality of services which is above other hospitals in the region	3.96	1.004
This hospital has a higher level of patient satisfaction compared to other hospitals	3.98	1.000
This hospital is a centre of excellence around particular disease categories	3.91	1.032
This hospital has a mix of numerous services that it offers	4.03	1.009
This hospital provides a variety of long-term or chronic care services	3.90	1.163

The study results as shown in Table 1 indicate that the participants exhibited agreement with all the statements provided relating to competitive advantage. The study participants agreed that the hospitals have the lowest bed charges compared to other similar hospitals in the region ($M = 4.13$, $SD = 0.949$) and also agreed that the pharmacies in the hospitals provide prescription medicine at the lowest costs compared to other facilities in the region ($M = 4.10$, $SD = 0.983$). Additionally, respondents agreed that the hospitals experience very few adverse events from healthcare services ($M = 4.09$, $SD = 0.903$) and likewise agreed that the hospitals are perceived as competent healthcare facilities by the public ($M = 4.07$, $SD = 0.938$). In addition, the participants agreed that the hospitals have a mix of numerous services that they offer ($M = 4.03$, $SD = 1.009$) and further agreed that the hospitals offered wide variety of healthcare services to serve the whole population ($M = 3.99$, $SD = 0.878$).

The findings in Table 1 further indicate that the respondents agreed that the level 5 public hospitals have a higher level of patient satisfaction compared to other hospitals ($M = 3.98$, $SD = 1.000$) and agreed that the hospitals have lower specialized service charges compared to other similar hospitals in the region ($M = 3.96$, $SD = 0.909$). Moreover, respondents agreed that the hospitals provide quality of services which is above other hospitals in the region ($M = 3.96$, $SD = 1.004$) and also agreed that the hospitals are the most preferred healthcare service providers in their regions ($M = 3.91$, $SD = 1.015$). The results presented in this section suggest that the participants were of the opinion that their level 5 public hospitals had competitive advantage in market share, quality of service, cost leadership and differentiation.

Descriptive Analysis of Customer Relations Capabilities

Customer relations capabilities were measured using four constructs which were customer needs assessment, customized services, social customer relations and cross-cultural skills. Study participants were requested to indicate their level of agreement, ranging from 1 (strongly disagree) to 5 (strongly agree), with the statements pertaining to customer relations capabilities in their Level 5 public hospitals. The responses were analyzed by using means (M) and standard deviations (SD). Table 2 provides a summary of the findings.

Table 2. Descriptive Statistics for Customer Relations Capabilities

Statements on Customer Relations Capabilities	Mean	SD
The hospital regularly gathers information to investigate customer needs	3.99	.981
This hospital measures customer satisfaction regularly	3.87	1.013
The hospital uses various channels such as email, phone, checkout, and face to face interviews to gather information from customers	3.92	.960
The hospital applies the information gathered from customers to identify needs	4.01	.855
This hospital aligns its product and service offerings in line with the established customer needs	3.89	1.013
The hospital maintains close contact with all patients to understand their needs	3.66	1.156
The hospital is flexible such that it can modify services to fit the needs of specific patients	3.91	1.046
Employees in this hospital are creative in customizing services to fit customer needs	3.83	1.067
The hospital has various adaptable services that fits the needs of different patients	3.60	1.231
Employees in this hospital has the autonomy to customize services so long as they meet quality standards	3.77	1.039
The hospital has presence in various social media platforms such as Facebook, Twitter, and YouTube	3.77	1.074
The social media platforms of this hospital are always managed by competent employees	3.85	.996
This hospital interacts with various current and potential clients on its social media pages	3.81	1.059
This hospital promptly responds to queries from customers in its social media pages	3.82	1.096
The information derived from social media pages is communicated to the relevant departments in this hospital	3.75	1.109
Healthcare professionals in this hospital have skills to deal with a wide diversity of patients	3.80	1.083
Healthcare professionals in this hospital have been trained on how to give healthcare to people of different ethnic groups, languages, race, and religions	3.66	1.160
Employees in this hospital are conversant in the major languages of the hospital's patients	3.72	1.121
The employees in this hospital engage in cross-cultural interactions with patients	3.82	1.065
This hospital has a policy of respect for patients from all cultures	4.30	.881

The research results provided in Table 2 portray that the respondents strongly agreed or agreed with all the statements provided regarding customer relations capabilities. The findings depict that the respondents strongly agreed that the level 5 hospitals have a policy of respect for patients from all cultures ($M = 4.30$, $SD = 0.881$) while they agreed that the hospitals apply the information gathered from customers to identify needs ($M = 4.01$, $SD = 0.855$). Besides, respondents agreed that the hospitals regularly gather information to investigate customer needs ($M = 3.99$, $SD = 0.981$) and likewise agreed that the hospitals use various channels such as email, phone, checkout, and face to face interviews to gather information from customers ($M = 3.92$, $SD = 0.960$). Additionally, the participants agreed that the hospitals are flexible such that they can modify services to fit the needs of specific patients ($M = 3.91$, $SD = 1.046$) and further agreed that the hospitals align their products and service offerings in line with the established customer needs ($M = 3.89$, $SD = 1.013$).

The study findings in Table 2 also indicate that the respondents agreed that the hospitals measure customer satisfaction regularly (M = 3.87, SD = 1.013) and agreed that the social media platforms of the hospitals are always managed by competent employees (M = 3.85, SD = 0.996). Additionally, respondents agreed that employees in the hospitals are creative in customizing services to fit customer needs (M = 3.83, SD = 1.067) and also agreed that the employees in the hospitals engage in cross-cultural interactions with patients (M = 3.82, SD = 1.065). The study findings provided in this section show that the respondents felt that their level 5 public hospitals had effective customer relations capabilities that comprised of customer needs assessment, provision of customized services, social customer relations and cross-cultural skills.

Regression of Customer Relations Capabilities on Competitive Advantage

The objective of the study was to examine the influence of customer relations capabilities on competitive advantage among Level 5 public hospitals in Kenya. This objective was accomplished through simple linear regression analysis. The linear regression model was fitted after regression assumptions on linearity, normality, and heteroscedasticity were tested and met. Table 3 presents the regression findings of the model summary which includes the correlation coefficient (R) and the value of R-squared.

Table 3. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.660	.436	.433	.51749

- a. Predictors: (Constant), Customer Relations Capabilities
- b. Dependent variable: Competitive advantage

The results portray that customer relations capabilities have a moderate and positive linear relationship with competitive advantage of Level 5 Public Hospitals in Kenya (r = 0.660). The study findings further show that customer relations capabilities explain 43.6% of the variation in the competitive advantage of Level 5 Public Hospitals in Kenya (r-squared = 0.436).

The model's fitness was evaluated using the analysis of variance (ANOVA) test, and the results are shown in Table 4. The research findings indicate that the f-value had a statistical significance, hence indicating the significance of the model (F = 160.472, p < 0.05). The findings suggest that the regression model appropriately fits the data. Furthermore, the findings show that customer relations capabilities had a statistically significant influence on the competitive advantage of Level 5 public hospitals in Kenya.

Table 4. ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	42.973	1	42.973	160.472	.000
	Residual	55.701	208	.268		
	Total	98.674	209			

- a. Predictors: (Constant), Customer Relations Capabilities
- b. Dependent variable: Competitive advantage

The regression coefficients were computed to evaluate the magnitude and direction of the effect of customer relations capabilities on the competitive advantage of Level 5 public hospitals in Kenya. The research findings are provided in Table 5.

Table 5. Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.525	.194		7.872	.000
	Customer Relations Capabilities	.629	.050	.660	12.668	.000

a. Predictors: (Constant), Customer Relations Capabilities

b. Dependent Variable: Competitive advantage

The study findings provided in Table 5 led to the following regression model:

$$\text{Competitive advantage} = 1.525 + 0.629 (\text{Customer Relations Capabilities}) + \varepsilon$$

The study findings in Table 5 reveal that when the Level 5 public hospital has no customer relations capabilities, the competitive advantage is 1.525 (constant = 1.525). The findings also revealed that the t-statistic for customer relations capabilities was significant ($t = 16.037$), indicating that customer relations capabilities made a substantial contribution to the model. Furthermore, the study findings indicated that customer relations capabilities had a statistically significant and positive effect on the competitive advantage of Level 5 public hospitals in Kenya ($\beta = 0.629$, $p < 0.05$). The findings of the study portray that when customer relations capabilities are increased by one level, competitive advantage, with increase by 0.629 and vice versa. Therefore, the findings resulted in the rejection of the null hypothesis which stated that customer relations capabilities do not significantly influence competitive advantage among Level 5 Public Hospitals in Kenya.

Discussion

The findings indicated that customer relations capabilities had a statistically significant and positive effect on the competitive advantage of Level 5 public hospitals in Kenya. These findings support the findings by Verma et al. (2013) that having processes and systems for customer needs assessment and building cross-cultural skills enables the firm to understand the needs of the various customer segments and act accordingly with efficiency. Additionally, Defourny and Nyssens (2010) had similar findings to the findings of this study that engaging in customized services to certain customer segments, providing social customer relations, and having reliable and fast customer care feedback informs the firm on what customers demand and thus enables the firm to reconfigure its offerings to match the customer demands.

Correlation results revealed that customer relations capabilities had a moderate and positive correlation with the competitive advantage of Level 5 public hospitals in Kenya. These findings agree with the findings by Ensafi, (2022) who investigated the connection between customer relationship capabilities and the competitive advantage enjoyed by sports clubs located in the Province of Alborz in Iran. The findings of the regression analysis indicated that the aspects of customer perception and segregation have a substantial influence on a sports club's competitive advantage as do customer acquisition and retention. The findings also agreed with the results by Al-zoubi (2016) who investigated the function of customer needs assessment and how it influences a number of financial institutions' competitive advantages in the city of Irbid in Jordan. According to the findings of the study, having assessing customer needs and fulfilling them has a positive impact on gaining a competitive advantage.

Conclusions

The conclusion made in the study following the discussion of the findings is that customer relations capabilities are instrumental towards attainment of competitive advantage of the Level 5 public hospitals in Kenya. The study also concludes that Level 5 public hospitals were able to attain a competitive advantage through regularly gathering information to investigate customer needs, aligning products and service offerings in line with the established customer needs, flexibility to allow modification of services to fit the needs of specific patients and presence in various social media platforms such as Facebook, Twitter, and YouTube. The study also concluded that healthcare professionals in the hospitals have skills to deal with a wide diversity of patients and enabling cross-cultural interactions with patients provided the level 5 public hospitals with a competitive advantage.

Recommendations

The study recommends to management in Level 5 public hospitals to have systems and processes in their hospitals that gathers information to investigate customer needs. The management should also lead in enabling the use of various channels such as email, phone, checkout, and face to face interviews to gather information from clients that would inform improvement in service delivery. In the age of social media, policymakers such as the county governments and the Ministry of Health should require all Level 5 public hospitals maintain close contact with all patients and other stakeholders through various social media platforms such as Facebook, Twitter, and YouTube. Additionally, county governments and the Ministry of Health should ensure that healthcare professionals in the level 5 hospitals have skills to deal with a wide diversity of patients and have cross-cultural skills.

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