International Journal of Small Business and Entrepreneurship Research

Vol.7, No.4, pp.35-49, September 2019

Published by ECRTD-UK

Print ISSN: 2053-5821(Print), Online ISSN: 2053-583X(Online)

ANALYSIS OF THE INFLUENCE OF MANAGEMENT OF RESOURCES ON PERFORMANCE OF NATIONAL HOSPITAL INSURANCE FUND, KENYA

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ABSTRACT: *This study was about the analysis of the influence of management of resources on performance of National Hospital Insurance Fund (NHIF), and the objective of the study was to establish the influence of management of resources on performance of NHIF. This study adopted mixed methodology, utilizing descriptive survey research design. This study utilized a sample size of 86 respondents arrived at by use of Slovin's formula. Regression analysis was carried out to test the relationship between variables. The findings indicated that management of resources influenced performance of NHIF.Management of resources influenced the performance of NHIF according to the findings, with competent human resources having the highest mean score of 3.87, followed by adequate strategic resources at mean score of 3.66; however adequate financial resources had the lowest mean score of 2.40.*

KEY WORDS: management of resources, performance, NHIF

INTRODUCTION

The concept of management of resources entails development and utilization of organizational resources in manner that is efficient and effective. Organizational resources include production and financial resources, inventory, human skills and technology. Proper utilization of such resources is required in so that the objectives of the organizations are met. Improper management and utilization of the resources quite often result to organizations not meeting their targets or become uncompetitive (Laszlo & Zhexembayeva, 2011).

Strategic firm resources are all capabilities, assets, organizational processes, organization characteristics, knowledge or information controlled by an organization that make it to think of and implement strategies that improve its effectiveness and efficiency. Organizational resources are the pillars that companies employ to effect strategy implementation. They are generally in three levels that include human capital assets, physical capital assets, and organizational capital assets. Organizational resources look at the leadership and reporting structure of the company, physical resources are the physical infrastructure at the disposal of the organization, whereas human resources are the competent personnel (Thompson & Strickland, 2010).

The exploitation of potential resources should rank high in the agenda of firms in their quest towards attaining competitive advantage. There are certain mechanisms that inhibit

Vol.7, No.4, pp.35-49, September 2019
Published by ECRTD-UK
Print ISSN: 2053-5821(Print), Online ISSN: 2053-583X(Online)

exploitation of these resources and perform a decisive part in strategy implementation. For instance, a reputation, a business culture, and interpersonal relations between different entities in the firm are unique to every firm. However, market instability compromise with the ability to focus on building resources internally, necessary a strategic alliance between firms (Leonidou, *et al*., 2013) that can sustain mutual learning and support towards effective strategy implementation. This arrangement might compromise with the ability of the company to effectively monitor evolutionary changes in the process of strategy implementation because it requires the company to rededicate additional capabilities towards managing attended partner conflicts (Grant, 20012), as is the case between the National Government and NHIF.

Statement of the Problem

The NHIF is central to the advancement of the national economy by ensuring a healthy and productive workforce towards realizing Kenya Vision 2030. This is evident in the steady growth of principal membership and dependents from 1,290,000 in 2013/2014 to 3,600,000 in 2017/2018 period, whereas principal members increased from 4,300,000 to 12,000,000 in the same period. Special schemes such as at the counties have seen some revenue growth from 0 in 2013/2014 period to Ksh, 934,000,000 in the 2017/2018 period. However, there has been stagnation in the scheme for civil servants and in the payout rates that dithered between 73% and 79% in the same period (NHIF, 2018). This demonstrated a breakdown in management of resources at NHIF.

In 2014 the National Hospital Insurance Fund (NHIF) management realized that there was a problem with its strategies because of stiff competition from private medical insures some of which came with a complete medical insurance customer value chain that included owning medical facilities (NHIF, 2014). Then the management were forced to devise some strategies outlined in the strategic plan 2014-2018. The strategies included effective management of resources. However, past studies on NHIF such as the study of challenges facing strategy implementation (Koech, 2011), and the determinants of strategy implementation (Musyoka, 2016) did not focus on the influence of management of resources on performance of NHIF, hence the need for this study.

Objective of the Study

To establish the influence of management of resources on performance of NHIF, Kenya

LITERATURE REVIEW

Theoretical Literature

This study was informed by Resource-Based View (RBV).The resource-based model which was postulated by Birge Wenefeldt in 1984 examines the firm’s internal character and capabilities. The theory focuses on skills, assets, and intangible capabilities of the firm in order to ascertain its competitive strengths. It observes that every firm is quite unique in its own possessions, making it difficult to make generalization on their competitiveness in relation to similar businesses in the same or in different market environments (Grant, 2012).

The implementation of a firm's strategy, by and large, depends on the resources at their disposal. Firms with superior structures, systems and resources towards implementation of their strategies easily become more competitive by offering lower costs and quality performance (Barney, 2018).

In addition, the theory observes that the competitiveness of a firm lies in what cannot be easily replicated by other firms. It is in essence the ability of the firm to keep moving despite fierce opposition along the way (Northouse, 2013). These potential strengths and weaknesses of an organization are explored fully by this theoretical model. The question is how best to parse such characteristic strengths and weaknesses of the firm in order to clearly understand its competitiveness.

The success of firms is clearly hinged on their ability to discover and muster such distinct competence that is unique to them (Zollo, *et al*., 2017). This realization discounts the hopes of expecting managers to wholly deliver on the success of the firm. There are systematic, significant differences in performance among firms which belong to the same strategic business. Similarly, intra-industry differences in earnings are greater than in inter-industry, suggesting the importance of unique firm conditions. The resource-based view considers both vertical integration and diversification of firms.

In the case of NHIF, this theory was important in guiding an understanding of how organizations utilize both internal and external resources to attain good performance. Utilizing both policy and financial resources unique to NHIF as a premier public medical insurer enables the firm to maximize on its performance. Even in cases where there are shared resources like beneficiaries of medical insurance schemes in Kenya, this theory explained how NHIF leverage shared resources to beat competition in the industry.

Empirical Literature

When it is implementing a value generating strategy not at the same time being implemented by any present or potential competitors, an organization is said to have competitive advantage. This competitive advantage is sustainable when the company's competitors cannot copy the advantages enjoyed by the organization. Firms paying attention to the synchronization of human resources and marketing are able to reach significantly greater accomplishments. For instance, marketing managers should aim at enhancing their relationship with their HR colleagues by focusing on two of the progress based orientations: written communication, and joint reward systems (Thompson & Strickland, 2010).

Attaining competitive advantage revolves around making difficult options about what to do and what not to do(Kaplan, et al., 2018). Competitive advantage is usually understood

Vol.7, No.4, pp.35-49, September 2019

Published by ECRTD-UK

Print ISSN: 2053-5821(Print), Online ISSN: 2053-583X(Online)

as the ability to reap benefits on investment continually above the average for the industry. Sustained competitive advantage is understood at the level of outstanding performance that an organization reaches when it crafts and adopts a value-enhancing strategy that is not at the same time being adopted by any present or potential competitors and when these organizations are either unable or not interested to reproduce the advantages of that strategy and that sustainable competitive advantage leads only from strategic assets of the organization and their intelligent application.

Among the outlined resources, human resources are the most useful in strategy implementation because no strategy implementation can survive without competent human resources (Ikileng, 2014). This calls for improvement of the employment welfare and good working environment among other incentives in order to motivate them. Good remuneration, training, medical allowances and bonuses are required. In addition, good relationship between the worker and the company should be sustained by good communication at all times. One of the most essential elements of human resources motivation is ensuring that there is proper planning of work so that the workers are not overwhelmed or so that organizational resources are used prudently (Ikileng, 2014).

Financial resources are equally important towards effective strategy implementation. Financial resources enable stability in an organization. Strategy implementation should be accomplished within budget. There is also much procurement that needs to be done using financial resources in the process of strategy implementation. The resources help in providing good working environment and in motivating staff (Laszlo & Zhexembayeva, 2011).

Financial strategies may include determination on search for affordable sources of finance, the use of outside borrowed funds, having large cash balances to sustain liquidity, or reinvestment of earned profits. Financial strategies and the way they are managed are key determinant of organization performance and this primarily relates to within the budget delivery of the best product and service value. The major concerns of many business is managing value either through enhancing value for shareholders or just taking care of the finances of the firm through such strategies as deciding the type and quantity of resources needed to accomplish the organization’s objectives (Kiveu, 2013).

The most common resources in the firm are people, materials and equipment. An approximation of such resources and changes within the resource environment are constantly ascertained in order to work within the financial limits of the organization. Otherwise, without careful management of finances within the firm it may be difficult to make certain procurements. Thus financial strategies are important towards enabling control of expenditure, resource planning and cost estimation to avoid unnecessary risks. Thus financial strategies ensure that all costs are put within firm budget, by enabling planning of resources, estimation and control of costs (Orugun, *et al*., 2017). The insurance companies in Kenya leverage use of financial resources to attain competitive advantage.

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Therefore, the main organizational resources worth paying close attention are financial and human resources. Resources are inputs that enable production of commodities and services; productive inputs become factors of production (Leonidou, *et al*., 2013). Some economists use factors of production and resources interchangeably to mean the same thing. Resources are among the most important aspects of strategy implementation. Organizations that are large such as National Hospital Insurance Fund also require a lot of resources when launching their new strategic plans.

RESEARCH METHODOLOGY

The study employed mixed methodology. This methodology takes multiple ways to approach a research problem. It involves integrating quantitative and qualitative research by collecting and analyzing data. This approach to research is used to provide a better appreciation of the research problem than either of each method utilized alone (Maxwell, 2012). The quantitative data was obtained first-hand from the respondents using closed-ended questions in the questionnaire. The qualitative data was collected using open-ended questions in the questionnaire as the study sought opinions from the respondents.

Research Design

This study adopted descriptive survey research design. In this study this research design was used to describe the situation as it is at NHIF and to demonstrate the influence of the selected factors on performance of NHIF.

Location of the Study

The research was carried out at the NHIF headquarters and branches in Nairobi County because they had the largest number of senior staff involved in strategy implementation. It was also at the NHIF headquarters that performance on strategy implementation was tracked (Northouse, 2013).

Target Population

The population for this study were the employees of all medical insurers in Kenya. The target population for this study were NHIF senior employees in Nairobi County. They comprised of 597 individuals, according to the NHIF 2017 annual report.

Sampling Procedures and Techniques

This study utilized proportionate sampling to select respondents in the different employment cadres at NHIF, and simple random sampling to select every respondent in the chosen categories. Slovin's Formula was used to calculate the appropriate sample size. The formula is important if the behaviour of the population is not known and cannot be predicted:

$$n = \frac{N}{1 + N(e^2)}$$

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Whereby,

N=Target Population
n=Sample size
e= the desired precision rate (acceptable level of sampling error)

The target population for this study was 597, which was less than 10,000; therefore, the researcher used $n=N/N+N(e^2)$ formula to compute the sample size for this study. The researcher used the desired precision (e) rate of 10% (0.1) and the target population (N) of 597 as illustrated below.

$$n = \frac{N}{1 + N(e^2)}$$

$$= \frac{597}{1+597(0.1^2)}$$

= 86

Proposed Data Analysis Techniques and Procedures

Primary data from the field was analyzed using the Statistical Package for Social Sciences (SPSS) version 24.0. Quantitative data from closed-ended questions was coded first whereby all responses were given numeric codes for ease of data capturing. This was followed by data entry into SPSS and then analyzed. Qualitative data from open-ended questions was analyzed using thematic analysis approach whereby data obtained in each open-ended question was categorized into themes and each theme assigned a subtitle. The subtitles were coded, entered into SPSS and statistically analysed like quantitative data. The findings of both quantitative and qualitative data were presented using descriptive statistics in the form of frequency distribution tables, pie charts and percentages. Finally, regression analyses were carried out to test the relationship between variables. The following regression model was used to test the hypotheses:

$$Y= \beta 0+\beta_1 X_1 +\varepsilon$$

Where,
Y = performance of NHIF
X1 = management of resources
$\beta 0$ = Constant
ε = standard error

Findings

Demographic information of respondents

Gender of respondents

There were more male than female respondents at 67.4% and 32.6% respectively as shown below.

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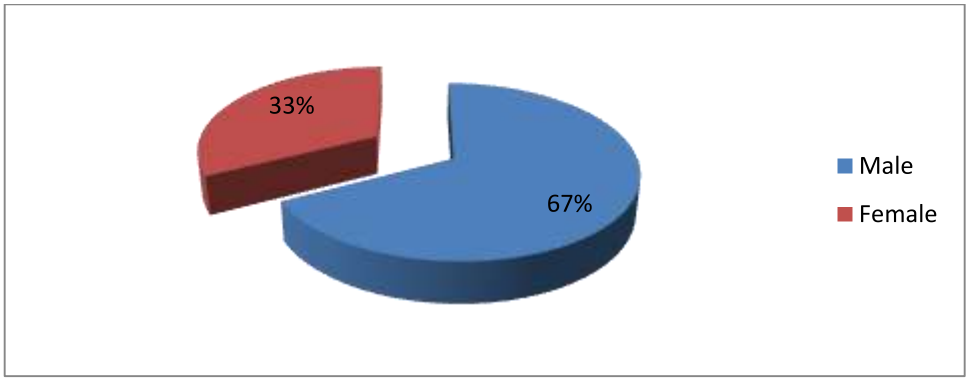

Figure 1. Gender

Level of education of respondents
The respondents with degree were more at 56.7 % followed by those with a diploma (6.7%), master (33.4%), and PhD (3.2%).

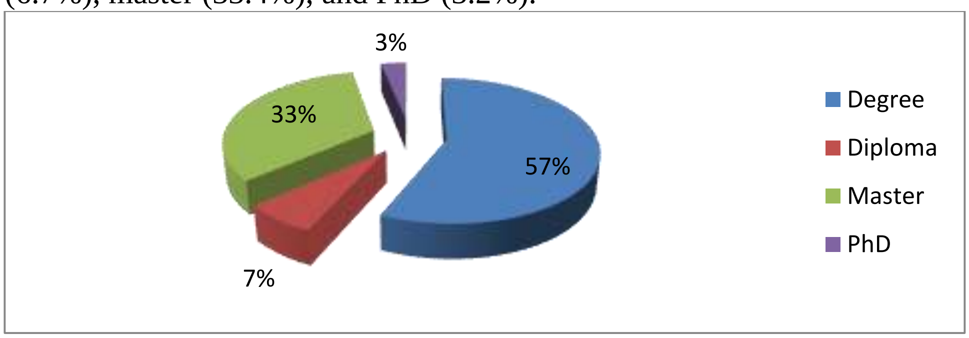

Figure 2. Level of education

Designation
Table 1. Designation of respondents

	Sample Population	%
Directors and assistant directors	1	1.2
Managers	4	4.7
Regional Managers and branch managers	3	3.5
Senior assistant managers	6	7.0
Deputy assistant managers	3	3.5
Section heads	32	37.2
Officers	37	43.0
TOTAL	86	100.0

From the table 1 above there were more officers at 43.0% followed by section heads at 37.2%, senior assistant managers at 7.0%, managers at 4.7%, deputy assistant managers, and regional and branch managers at 3.5% respectively. The directors were the least

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represented at 1.2%.

Work experience of the respondents
Table 2. Work experience

	Frequency	Percentage
Less than 5 years	6	6.2
6-10 years	10	11.4
11-15 years	16	19.1
16-20 years	30	35.0
21-25 years	19	22.4
Above 26 years	5	5.9
Total	86	100.0

The researcher went ahead to establish the duration the respondent had worked, with the findings reported in table 2 above. In terms of work experience, majority (35.0%) of the respondents had been at work for 16-20 years. This was followed by those with 21-25 years at 22.4%, 11-15 years at 19.1%, 6-10 years at 11.4%, then less than years at 6.2%. Those who had worked for more than 26 years were the least at 5.9%.

Extent of influence of management of organizational resources
To determine the extent of the influence of management of organizational resources on performance of NHIF the respondents were asked to rate on a Likert scale, where 1=Strongly Disagree (SD), 2=Disagree (DA), 3=Neutral (N), 4=Agree (A), and 5=Strongly Agree (SA). The mean (M) and Standard Deviation (SD) are also indicated as in table 3.

Table 3.Management of organizational resources

Statements	**Mean**	**SD**
Adequate strategic resources	3.66	1.027
Adequate financial resources	2.40	1.112
Competent human resources	3.87	1.082
Effective internal controls	3.50	1.163
Good resources mobilization	3.47	1.353

From the table 3 above, competent human resources had the highest mean score of 3.87 implying that majority of the respondents were of the opinion that human resource competencies was key in the management of organizational resources. This was followed by adequate strategic resources at mean score of 3.66 whose opinion was that strategic resources had significance influence on firm's performance. However adequate financial

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resources had the lowest mean score of 2.40 confirming that minority of those interviewed believed that financial resources had minimal influence on performance of NHIF. This was followed closely by good resources mobilization at mean score of 3.47 of the respondents who were of the opinion that resources mobilisation had little influence on performance of NHIF. This finding agrees that adequate and competent human resources are necessary towards effective strategy implementation(Azasu, 2012).

Influence of having enough strategic resources

Table 4. Influence of having enough strategic resources

	Frequency	**Percentage**
Strongly Disagree	4	4.9
Disagree	8	9.3
Neutral	16	18.7
Agree	29	33.6
Strongly Agree	29	33.6
Total	86	100.0

Having enough strategic resources influenced performance of NHIF to a great extent (33.6%) and to greatest extent (33.6%) respectively compared with those who were not sure at 18.7% as illustrated in table 4 above.

Regression analysis

This section tries to answer the questions by demonstrating the relationship between the independent variables (management of resources) and dependent variable (performance of NHIF).The extent to which the independent variables affected are shown by the regression results on table 5, whereas the reliability of the model employed is explained by the analyses of variance on table 6. In addition, the extent of the influence on the dependent variable performance of NHIF by the independent variable management of resources is demonstrated by the regression coefficients on table 7.

Table 5. Regression Model Summary

Model	**R**	**R Squared**	**Adjusted R Squared**	**Std. Error of the Estimation**
1	.940[a]	.883	881	.292

a. Independent variable: (Constant), management of resources

The value of the coefficient of determination (R square value) from table 5 above is 0.883. This explains that the independent variables management of resources can explain variability of the performance of NHIF to 88.3%, whereas other factors not studied by the study can explain the variability to about 11.7%. The adjusted R square is 88.1% reliable in explaining the chosen model of the study. Thus the findings from the regression analysis are significant and can be relied in explaining the influence of the predictor variable management of resources on the dependent variable performance of NHIF. This indicates

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Print ISSN: 2053-5821(Print), Online ISSN: 2053-583X(Online)

that the variability in performance of NHIF is 88.3% explained by the independent variable management of resources.

Table 6. Analysis of Variance

ANOVA

Model		**Sum of Squares**	**Df**	**Mean Square**	**F**	**Sig.**
1	Regression	55.583	3	18.527	210.534	.000[b]
	Residual	7.353	83	.088		
	Total	62.936	86			

a. Dependent Variable: Performance of NHIF

b. Independent variables: (Constant), management of resources

The F statistic is used to test the significance of the relationship between the dependent variable performance of NHIF and the predictor variable management of resources as shown on table 6 above. The F value in the table is 210.534 and the significance is at 0.000 which is less than the p-value 0.050. Therefore, there is strong indication that the regression model chosen is statistically significant.

Table 7. Regression coefficients[a]

	Unstandardized Coefficients		**Standardized Coefficients**	**T**	**Sig.**
	B	**Std. Error**	**Beta**		
Constant	1.029	.202		5.098	.000
Management of resources	.262	.061	.353	4.295	.000

a. Dependent Variable: Performance of NHIF

The table 7 above gives the regression coefficients which were used to prove the proposed regression model:

$Y = \beta 0 + \beta_1 X_1 + \varepsilon$

Where,

Y = performance of NHIF

X_1 = management of resources

$\beta 0$ = Constant

ε = Error term

Thus,

$Y=1.029+0.262X_1+0.202$

Therefore, the regression model has proven that the predictor variable management of resources has a significant relationship with the dependent variable performance of NHIF. The independent variable management of resources is strongly and positively related with

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Print ISSN: 2053-5821(Print), Online ISSN: 2053-583X(Online)

the performance of NHIF where a unit increase in selected variables would result to 1.029 times addition in the performance of NHIF. The p-values of the coefficients at 95% confidence level are less that 0.050 (the critical value).

DISCUSSION

The study was aimed at answering these questions: to what extent has management of resources influenced performance of NHIF? Adequate management of resources, especially human resources, at NHIF was found to have influenced strong leadership among the top management. This was supported by frequent meetings and trainings aimed at employee competency towards strategy implementation at the organization. There was synergy between all levels of management and a fair understanding among the employees about implementation of the strategies of the firm. The management team also incorporated changes to strategy implementation from lower management such that they felt more motivated to support the strategy implementation process. This also enabled a streamlined organizational management based on the existing structures as outlined in the 2014-2018 Strategic Plan. This competent management of organizational resources, especially human resources, to inspire confidence and motivate staff towards effective strategy implementation were observed by Kantola (2015) that to avoid some of the challenges experienced in strategy implementation, effective leadership supported by effective command and feedback channels were required.

There were a series of intense communication arrangements that were aimed at sensitizing the stakeholders, especially the lower management cadres and general staff. Some of the activities included several events for launching the strategies both at headquarters and countrywide branches. There were also a series of e-mailing, internal memos, meetings, and seminars for learning and demonstrating an understanding of the strategies. However, there was some challenge experienced by the organization in this process. Those who were charged with strategy formulation process and those present at the initial stages of strategy implementation had left the organization for various reasons such as those found with corruption cases and were out on disciplinary cases and those that resigned for greener pastures or retired voluntarily. This left some gaps in the management of resources process that needed to be filled by planning ahead and training alternative strategy implementation staff. Thus as Ikileng (2014) observed, there is need for clear planning for ownership of the management of resources process by the staff and other stakeholders and also for planning ahead of time in order to mitigate possible exit of competent management of resources staff.

According to the findings from the study, resource redistribution was seen as a major challenge in ensuring performance of the organization. While the resources were deemed adequate in ensuring implementation of the earmarked strategies, balancing between different departments was a challenge. Some departments were well-funded, whereas others were poorly funded. In addition, some departments and strategy implementation committees had more competent employees, whereas others lack them. The study observed that with adequate training of the employees, human resources balance between different strategy implementation groups can be attained. With an all-inclusive planning and budgeting strategy implementation committee, it is also possible to allocate commensurate resources to various departments and strategy implementation committees. This finding agrees with the findings carried out by Orugun, *et al.* (2017) that to curb the strategy implementation challenge of staff and other resources incongruity and continuity, there is need for continuous training, especially of new entrants to the organization, and also regular dialogue among the different resources management groups.

In addition, the study observed that appropriate definition and allocation of responsibility between various strategy implementation groups hindered synergy in the process. There were also some observed lapses once the process began and that such lapses were not adequately addressed. Similarly, technology systems and facilities upgrading was needed to keep abreast of the dynamism of the strategy implementation process. The implementers of the strategy did not follow through suggestions and important feedback from the lower cadre of staff, thereby demoralizing them. This lack of congruence in management of resources greatly impacted negatively performance of organizations according to Kiveu (2013).

Just as Makadok, *et al*. (2018) observed, there were three major challenges faced by NHIF in its management of resources process according to the study. First, staff reward system was not clear. Such useful incentive measures as promotions, bonuses, overtime allowances, etc., were not clearly spelled out. This led to cases of hard working staff leaving the resources management process because they felt both unsure and unsatisfied by the way the process was carried out; usually, the most competent workforce leave, making it difficult to replace within the shortest time possible. This compromises with smooth management of resources. This was caused by both poor resource allocation for this activity and also lack of competent staff and work frameworks. Third, the environment in which management of resources was done at NHIF was no different from day to day operations, making it susceptible to being ignored by middle level managers and lower cadre staff.
However, from the study findings, NHIF has achieved relative coordination in terms of resources and time. As spelled out in the strategic plan 2014-2018, the organization had managed to spread the available resources to cover all stages of the strategy implementation. The timelines were equally synchronized. This achieved some level of clarity and agrees with findings by Mintzberg, *et al*. (2013) on the need for clarity in management of resources process.

Implication to Research and Practice
By following through the objectives of the research and its key variables, this discussion further reflected on the relationship between the findings from this study and past studies. Some of the processes required towards effective management of resources at the organizational level included engendering strategic leaderships, allocating and

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Published by ECRTD-UK

Print ISSN: 2053-5821(Print), Online ISSN: 2053-583X(Online)

redistributing adequate and commensurate resources, crafting good and enabling policies, employing competent human resources. However, as observed by Chathoth, *et al.* (2014), having good policies is not equivalent to implementing good policies. The latter is required to reach management of resources and organizational performance successfully.

An organization's entire staff constitute its human capital: the skills and knowledge. They are the most important source of competitive advantage for a firm and require constant investment in order to be up to date. In the resource view theory of the firm human resources are more essential in ensuring good performance than even financial resources because finances are required to hire and compensate competent staff. With well-trained and competent human resources, strategy implementation stands at a higher chance of being implemented.

Therefore, more resources are needed to ensure organizational performance is attained. NHIF should pay attention to resources allocation and prioritization towards strategy implementation at all stages. Such important resources as technological, human skills, and financial should be optimized in a way that ensures that they are neither wasted not in short supply at any given stage of strategy implementation because they are susceptible to cause some implementation bottlenecks. While the employees are put under pressure to implement the strategy, they should equally be adequately be remunerated in order to sustain their productivity and to retain them from venturing out to explore better opportunities.

Conclusion

The study sought to determine the influence of management of resources on performance of NHIF. The study answered the question that there was no significant relationship between management of resources and performance of NHIF. The significance was 0.00, which was less than the p-vale 0.05 with t=4.295. Rare, valuable, and inimitable resources of the organization enable strategy implementation in a way that can help the organization to attain a competitive advantage. Human resources for instance enable accumulation of human capital that will enhance good performance at the organizational level. However, mere endowment of these human resources does not lead to development of competitive advantage or the generation of value. Value-creation is a result of firms combining, accumulating, and exploiting these resources.

Further Research

This study concentrated on management of resources and performance of NHIF. However, there is need to look at the approach of doing a further study by exploring different methodologies of management of resources such as rational or incremental models. The research design also needs to be varied by exploring the role of managers across a broad spectrum of organizations over time or within a specific period. Similarly, attention should be paid to the differences and similarities between approaches of management of resources in these organizations by developing a schema for tracking such changes and making

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Published by ECRTD-UK

Print ISSN: 2053-5821(Print), Online ISSN: 2053-583X(Online)

appropriate recommendations. The findings and conclusions are dependent on the approach adopted. This study adopted a mixed quantitative and qualitative approach. However, there is need for a comparative study of the influence of strategy implementation in other organizations, or inclusion of factors other management of organizational resources. This comparative study should employ correlation research design.

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