Influence of Social Capital Integration Capabilities on Sustainable Competitive Advantage Among Private Hospitals in Kenya

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ABSTRACT

The healthcare ecosystem continues to be influenced by volatility and hospitals are struggling to overcome the heightened competition due to the inability to match up to the increasing demands. However, the articulation of the unique capabilities necessary for the creation of superior value for customers and a prerequisite for the achievement of sustainable competitive advantage continues to be unsettled. This study aimed to establish the influence of social capital integration capabilities on sustainable competitive advantage among private hospitals in Kenya. Positivism research philosophy guided the study and a descriptive correlational research design was used. The study population consisted of 690 managers from 46 level 5 private hospitals across Kenya. A stratified simple random sampling technique was used to select a sample size of 253 managers from the population. A structured questionnaire was applied to collect data. The study used structural equation modeling for analysing the data. Findings indicated that the private hospitals had social capital integration capabilities in all the three dimensions of cognitive capital (M = 4.24, SD = 0.425), relational capital (M = 4.13, SD = 0.481) and structural capital (M = 4.03, SD = 0.501). The study findings determined that social capital integration capabilities had a significant positive influence on the sustainable competitive advantage of private hospitals in Kenya (β = 0.651, CR = 4.453, p < 0.05). The study has practical implications for the top management team in private hospitals in Kenya to continually encourage the good working relationship between management and other employees and enhance partnership and interactions between employees within or across different departments.

Key Words: Private hospitals, Social capital integration capabilities, Sustainable competitive advantage
I. INTRODUCTION

In a globalized world, business operations are unpredictable with serious consequences unless they have strategies to deal with the volatility. The perceived source of competitive advantage, whether from internal or external factors, has led to different schools of thought (Singh, Vaibhav, & Sharma, 2018). Some scholars have addressed it from a market-based model which views it as being driven by external factors (Barney, 1997; Pearson, Pittfield & Ryley, 2015) others view it from a resource-based model, thus pegging its influence as being driven by internal factors (Barney, 1991; Bharadwaj, Varadarajan, & Fahy, 1993; Pearson et al., 2015). According to Tang et al. (2015), social capital integration capabilities are required to effectively transform knowledge into innovation, so as to advance their contribution to superior strategy creation.

Social capital integration capability sets a foundation of organizational resources and knowledge integration and promotes tacit knowledge transfer. This is in addition to its ability to develop an individual’s capacity to form new associations, aspects of which in sum lead to competitive advantage (Tsai, 2000). Accordingly, social capital is defined as the collective value of the relationship with customers, industry associations, suppliers, and markets. It represents the potential an organization has as a result of external intangibles (Daud & Yusoff, 2010). Additionally, social capital complements an organization’s innovation capabilities in response to the changing environment which makes it to be a valuable asset in determining an organization’s success (Liu, 2017; Zach & Hill, 2017). Social capital integration capabilities have been reflected upon in the dynamic capabilities theory as part of organizational resources which are principal sources of organizational level value creation from which an organization creates and sustains competitive advantage (Kemper et al., 2013; Pinho, 2011). In Kenya, the healthcare sector experiences turbulence which puts pressure on the private multi-practice hospitals (PMPH) in their bid to sustain their competitive advantage. PMPs are private hospitals that comprise medical practitioners from different specializations thus offering a variety of specialized practices and services. The Sustainable Development Goals (SDGs) goal number 3 seeks to ensure universal health coverage for all citizenry so as to promote their wellbeing (UNDP, 2015). This is reinforced in the Kenya Vision 2030 social pillar that purposes to provide equitable and affordable health care at the highest affordable standard to all citizens (GoK, 2007). Hence, the government is instituting measures to reduce service fees by seeking to harmonize practitioners’ fees (KMPDB, 2020). Thus, it is no longer business as usual, which calls for healthcare leaders and policymakers to critically relook at their strategies and their core focus (Porter & Lee, 2013).

The healthcare sector is dogged by volatility just like other sectors (Siciliani & Straume, 2019) and hence hospitals ought to institute strategies that are responsive to the shifting nature of the environment. This state essentially renders just having a pool of different services and practices not to suffice the environmental change forces (Eisenhardt & Bingham, 2017). The turbulent environment has not spared the health sector and even PMPHs are facing intense competition from different sources and having just a multispecialty offering does not suffice (Singh et al., 2020). Hospitals must acknowledge the robust changes in their ecosystem and be adequately equipped to address the same (Vahatalo & Kallio, 2015). Many have resulted in desperate and sometimes irrational responses, such as new capital expenditure, services, and marketing campaigns in a bid to find a winning mix to sustain their competitive advantage, only to find themselves with overblown expenditure and little resultant outcomes (Agwunobi & Osborne, 2016).
Earlier studies have resoundingly affirmed that the principal approach in addressing this advancing competition is to develop sustainable competitive advantage (Longo et al., 2019; Porter & Lee, 2013; Shaygan, 2018). It hence becomes vital for PMPHs to be vigilant so as to bolster their capabilities to overcome threats or seize opportunities brought about by the changes in the healthcare environment (Shaygan, 2018) and to sustain their competitive advantage. However, there remains a deficit of empirical studies on the future direction of sustainability in the healthcare sector (Rodríguez et al., 2019). Firstly, the study built on the previous work of Singh et al. (2020) that sought to identify sources of sustained competitive advantage in a dynamic environment of hospitals with several medical specialties. However, the study offered insight into the context of India and hence it would be a rich source in understanding the Kenyan context, which faces similar challenges. Secondly, this study derived support from Teece Field’s (2016) eclecticism which makes dynamic capabilities an overarching framework to build sustainable competitive advantages in heightened uncertainty. Lastly, this study purposed to address the assertion that failure to find the solution to sustaining the PMPH competitive advantage, could lead to costs escalation (Agwunobi & Osborne, 2016), over exclusionary, resulting in former private sector patients overwhelming an already ailing public sector (Edmeston & Francis, 2012) which ultimately will have a direct negative effect in efforts to attain universal health coverage for all citizenry.

The objective of this study was to establish the influence of social capital integration capabilities on sustainable competitive advantage among private hospitals in Kenya. This study was anchored on the dynamic capabilities (DC) theory which acknowledges that the environment is dynamic and competitive, and organizations that are not adequately equipped in adjusting their capabilities in line with this are bound to fail (Miles, 2012). The theory emerged in response to the RBV theory's shortcomings which failed to take cognizance of resources not just being but also having the ability to be developed and reconfigured (Galvin et al., 2014). Thereby the theory identifies how organizations combine, develop, and reconfigure both their internal and external organization-specific competencies into new competencies that align with the dynamic nature of their environment (Teece et al., 1997). It is through the organization's experience and prior paths that an organization establishes its current tangible and intangible positions and resource bases that form organizational processes. It uses its capabilities to identify and exploit opportunities subsequently improving them (Winter, 2013). These capabilities include social capital capabilities in the structural dimension, relational dimension, and cognitive dimension that enable the firm to achieve congruence with the dynamic environment (Karman & Savanevičienė, 2021). It is these new capabilities that can enable an organization to create new paths, positions, and resource pools which may lead to sustained competitive advantage (Miles, 2012).

The conceptual framework provided in Figure 1 illustrates the hypothesized linkages. Social capital capabilities are the organizational social features such as the networks, norms, and social trust that aid the cooperation and coordination of the embedded resources in an organization for mutual benefit (Ganguly et al., 2019). These include structural, relational, and cognitive capital. Structural capital encompasses the linkages between networks and the manner of organizing the networks (Leana & Pil, 2006). Relational capital relates to the qualities and nature of personal relationships such as obligations, respect, trust, and also friendship (Gooderham, 2007). Cognitive capital entails the capability of the employees to share the same group perceptions. It deals with the form of communication between them that includes common code, narrations as well as language (Salajegheh & Pirmoradi, 2013). The dependent variable in the study was sustainable
competitive advantage which was measured through valuable, rare, inimitable, and organization (VRIO) resources, increase in market share, sustainability of accreditation(s), corporate image, and superior quality products/services.

**Figure 1:**

*Conceptual Framework*

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Dependent Variable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Capital Integration Capabilities</td>
<td>Sustainable Competitive Advantage</td>
</tr>
<tr>
<td>• Structural capital</td>
<td>• VRIO</td>
</tr>
<tr>
<td>• Relational capital</td>
<td>• Increase in market share</td>
</tr>
<tr>
<td>• Cognitive capital</td>
<td>• Sustainability of Accreditation(s)</td>
</tr>
</tbody>
</table>

The role played by social capital integration capabilities on sustainable competitive advantage has been a subject of research from various scholars. Shafiee (2021) sought to examine how the organization can gain a competitive advantage through strategic intangibles such as intellectual capital which encompassed structural and relational forms of social capital. In their findings, intellectual capital was found to be positively related to competitive advantage. These findings were consistent with Garg & Zhao (2018), Kamukama (2013), and Yaseen et al. (2016). In light of this, Chuang et al. (2016) sought to empirically examine the influence of social capital on competitive advantage through collective learning and absorptive capacity. In the findings, social capital was found not to significantly influence competitive advantage. Contrary to the previous findings of Pratono et al. (2016), and Al-daibat (2017) which supported the influence.

More extant literature lends support to social capital by fronting its pivotal role in organization competitiveness through its capability of providing valuable information access (Kwon & Adler, 2014). However, some studies have posited that for some reason social capital does not have a significant impact on organization performance. A study examining the role of social capital as an aid in strategic decisions conferred a different outlook. The study which was conducted in service SMEs established a negative effect of social capital on decision effectiveness. It further noted that a higher variety of networks made decision-makers less confident in asserting decisions thus leading to lower organizational effectiveness (Jansen et al., 2011). It also concluded that the effects of social capital are equivocal but mostly negative. But on the contrary, Pratono et al. (2016) in a study conducted in Indonesia examining the impact of social capital and moderating impact of marketing on firm performance, found that organizations can seize business opportunities and attain competitive advantage by exploiting social capital constructs such as trust and cognition. Social capital was found to be a valuable resource that enables organizations to gain a competitive advantage (Pratono et al., 2016).
II. METHODOLOGY

This study was guided by the positivism research philosophy and a descriptive correlational research approach as the study sought to describe, explain and validate the findings of the influence of social capital integration capabilities of the PMPHs on sustaining their competitive advantage. The correlation aspect helped in testing and explaining the relationships among the variables under consideration (Creswell & Creswell, 2018; Saunders et al., 2016; Zikmund et al., 2013). The target population for this study comprised 690 employees drawn from the 46 level 5 private hospitals located in Kenya, as of March 2021 (KMPDC, 2021). In the unit of analysis who were the employees consisted of the 4 administrative heads, 10 heads of specialist units/ departments, and the CEO/ Administrator of each of the 46 hospitals. The sample size 253 was derived based on Yamane's (1967) sample size formula.

This study used a structured questionnaire to collect primary data. Descriptive statistics that included means and standard deviations were used in the analysis to provide a summary of the results while structural equation modeling (SEM) was used to test the influence of social capital integration capabilities on sustained competitive advantage. The study conducted preliminary analyses using descriptive analysis, exploratory factor analysis, and confirmatory factor analysis. SEM was performed using the Analysis of Moment Structures (AMOS) package that was added on into Statistical Package for Social Science (SPSS) version 26. Beta, t, and critical ratio (CR) values will be the test statistics that were used. To assess model fitness, comparative fit index (CFI), goodness-of-fit (GFI), and root mean square error of approximation (RMSEA) were applied. The regression model for the test was;

\[
\text{Sustainable competitive advantage} = \beta_0 + \beta_1 \text{Social capital integration capabilities} + \varepsilon
\]

Where, \(\beta_0\) is the constant, \(\beta_1\) is the coefficient while \(\varepsilon\) is the error term.

III. RESULTS

A total of 253 questionnaires were administered to the respondents, with 215 being properly completed and returned. This corresponded to a response rate of 85 percent. Males made up 61.9 percent of the respondents, while females made up 38.1 percent. Besides, 30.7 percent of the respondents were between the ages of 36 and 40, while just 0.5 percent were beyond the age of 63. The majority of the study respondents (50.7%) had postgraduate degrees, while just 3.3 percent had college diplomas or certificates. Additionally, 39.1% of the respondents had worked in private hospitals for a period between 6 and 10 years while only 2.8% had worked in private hospitals for more than 20 years. Further, most of the respondents (65.6%) were heads of departments and 6.5% were CEO or administrators. Moreover, most of the respondents (71.2%) had worked in their current positions in the private hospitals for five years or less while only 0.9% had worked in their current positions in the private hospitals for between 16 and 20 years.
A. Descriptive Analysis for Social Capital Integration Capabilities

The descriptive statistics provided in Table 1 indicates that the majority of respondents agreed that their private hospitals had social capital integration capabilities in all the three dimensions assessed. These comprised of cognitive capital (M = 4.24, SD = 0.425), relational capital (M = 4.13, SD = 0.481) and structural capital (M = 4.03, SD = 0.501). The standard deviations were low (below 1) indicating that there were minimal deviations around the means.

Table 1:

Descriptive Statistics for Social Capital Integration Capabilities

<table>
<thead>
<tr>
<th>Constructs</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Structural capital</td>
<td>2.20</td>
<td>5.00</td>
<td>4.0288</td>
<td>.50057</td>
</tr>
<tr>
<td>Relational capital</td>
<td>3.00</td>
<td>5.00</td>
<td>4.1340</td>
<td>.48134</td>
</tr>
<tr>
<td>Cognitive capital</td>
<td>3.00</td>
<td>5.00</td>
<td>4.2372</td>
<td>.42461</td>
</tr>
</tbody>
</table>

Exploratory Factor Analysis (EFA) was conducted and the KMO measure of sample adequacy was 0.858. This meant that the data gathered for this variable was sufficient for factor analysis. The Bartlett's test of sphericity was significant ($\chi^2 = 846.374$, df = 105, p < 0.05). This verified that correlation patterns were efficient and factor analysis for the items measuring social capital integration capabilities should give consistent and reliable factors. Using principal component analysis, three factors (structural capital, relational capital, and cognitive capital) were extracted and they explained 50.869 of the total variance in social capital integration capabilities.

B. Confirmatory Factor Analysis and SEM for Social Capital Integration Capabilities

CFA was conducted in order to assess the extent to which the observed data fitted the prespecified empirical model. The fit indices with 149 degrees of freedom had a Chi-square value of 176.291 (p < 0.05). The findings also indicated that chi-square divided by degrees of freedom ($\chi^2$/df = 1.183) was acceptable as it was below 3. Besides, the comparative fit index (CFI) was 0.94, goodness-of-fit (GFI) was 0.92, while a root means the square error of approximation (RMSEA) was 0.06. All these values indicated that the model was a good fit.

The study hence proceeded to fit the SEM. However, some diagnostic tests were conducted which included the test of outliers, linearity tests, the test of normality of residuals, and the heteroscedasticity test. The SEM was then fitted to assess the relationship between social capital integration capabilities (SCIC) and sustainable competitive advantage (SCA). The latent variables in the path diagram are the structural dimension (SD), relational dimension (RD), and cognitive dimension (CD). The findings in Figure 1 indicate that increasing social capital capabilities leads to an increase of 0.65 in sustainable competitive advantage. In the path diagram, social capital integration capabilities have a significant positive influence on sustainable competitive advantage and explained 42 percent of the variance in the sustainable competitive advantage ($R^2 = 0.42$) of private hospitals in Kenya.
Figure 11:

*SEM for Influence of Social Capital Integration Capabilities on Sustainable Competitive Advantage*

\[ \chi^2 = 177.81; \text{DF}=87; \text{CFI}=0.954; \text{GFI}=0.932; \text{RMSEA}=0.051 \]

<table>
<thead>
<tr>
<th>Relationship</th>
<th>Estimate</th>
<th>Beta</th>
<th>S. E</th>
<th>CR</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intercept</td>
<td>0.492</td>
<td>.175</td>
<td>2.808</td>
<td>0.005</td>
<td></td>
</tr>
<tr>
<td>SD --- SCIC</td>
<td>2.224</td>
<td>1.010</td>
<td>.475</td>
<td>4.685</td>
<td>0.000</td>
</tr>
<tr>
<td>RD --- SCIC</td>
<td>2.184</td>
<td>.976</td>
<td>.462</td>
<td>4.726</td>
<td>0.000</td>
</tr>
<tr>
<td>CD --- SCIC</td>
<td>1.000</td>
<td>.617</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SCA --- SCIC</td>
<td>1.426</td>
<td>.651</td>
<td>.320</td>
<td>4.453</td>
<td>0.000</td>
</tr>
</tbody>
</table>

The regression weights and estimates were also generated for the SEM model and the findings are presented in Table 2. Findings presented in Table 2 reveal a positive and statistically significant link between social capital integration capabilities (SCIC) and sustainable competitive advantage (SCA) (Beta = 0.651, CR=4.453, p < 0.05). As a result, the null hypothesis was rejected and the alternative hypothesis supported, concluding that social capital integration capabilities have a significant positive influence on sustainable competitive advantage. The findings indicate that improving social capital integration capabilities would lead to an improvement in the sustainable competitive advantage. The resultant regression model is;
Sustainable competitive advantage

\[ = 0.492 + 0.651 \text{Social capital integration capabilities} \]

The study findings determined that social capital integration capabilities had a significant positive influence on sustainable competitive advantage among private hospitals in Kenya. The findings also indicated that the majority of respondents agreed that their private hospitals had social capital integration capabilities in all three dimensions cognitive capital, relational capital, and structural capital. These findings support the dynamic capabilities theory by Teece et al. (1997) which hypothesizes that organizations that have social capital integration capabilities have the capacity to adjust their capabilities in line with the environment and hence attain a sustainable competitive advantage. The study findings on the positive influence of social capital integration capabilities on sustainable competitive advantage among private hospitals concur with the sentiments of hospital CEOs as documented by Agwunobi and Osborne (2016), that having dynamic capabilities such as structures for employees to combine and exchange resources was vital for their survival and long-term competitiveness.

The study findings that social capital integration capabilities were vital for sustainable competitive advantage concur with the findings by Ganguly et al. (2019) which had previously determined that organizational capabilities such as knowledge sharing are one of the most valuable, unique, and key resources for an organization to attain competitive advantage. Besides, Chih Hsing Liu (2017) also had similar findings to the findings in this study that social capital acts not only as a facilitator of interaction but as opportune means of advantage for leveraging valuable resources embedded in and among the employees, to provide the organization with a sustainable competitive advantage. Additionally, Al-daibat (2017) found that social capital illustrates communication and linkages among members of a network such as an organization, and enables the collective goals to be realized, thus playing a paramount role in organization competitiveness.

However, the findings from this study are disputed by Jansen et al. (2011) who found that for some reason, social capital does not have a significant impact on organization performance. Jansen et al. (2011) also concluded that the effects of social capital are equivocal but mostly negative. Besides, Torres et al. (2018) also had contradictory findings that many organizations have accessibility to valuable resources but lack an appreciation of proper realization of the capability they possess in attaining competitive advantage.

IV. CONCLUSION

The study established that social capital integration capabilities have a significant influence on sustainable competitive advantage among private hospitals in Kenya. The study, therefore, concludes that social capital integration capabilities are vital for sustainable competitive advantage. This led to the rejection of the null hypothesis that social capital integration capabilities have no significant influence on sustainable competitive advantage among private hospitals in Kenya. The findings of the study are expected to inform the management and policymakers in the multi-practice private hospitals on the best approach in their efforts to develop and harness social capital capabilities. This is expected to be beneficial for the hospitals in enabling the country to attain sustainable goals and the African Agenda 2063. It will further improve the organizations' social capital resource acquisition and utilization as it will enlighten them on key resources and
capabilities that build and enhance social capital, thus empowering their ability to attain and sustain their competitive advantage.

V. RECOMMENDATIONS

Since sustainable competitive advantage among private hospitals in Kenya is influenced by social capital integration capabilities, this research suggests that management in private hospitals should create structures whereby employees in one department in the hospital are capable of combining and exchanging resources with other departmental members. The study also recommends that senior management should have structures that enhance partnerships and interactions between employees within and across different departments. This would enable interaction with each other in order to disseminate useful information within the teams and the hospital. Additionally, it is recommended that top management should develop and nurture an environment of trustworthiness for sharing ideas, sentiments, and specific goals between organizational members.

This study focused on the influence of social capital integration capabilities on the sustainable competitive advantage of private hospitals in Kenya. The limitation of this study is that the findings may only be generalizable to private hospitals in level 5. Hence, while the study provided important findings, there are several other areas where further research may be done since the findings may not be generalizable to other lower-level private hospitals. Therefore, further research on social capital integration capabilities and sustainable competitive advantage among hospitals in the Level 4 category or lower is recommended. Such a study would provide findings that would take into account the unique context and nature of these lower-level private hospitals that could be limited in resources as compared to those in level 5.

VI. REFERENCES


