

INFLUENCE OF ORGANIZATIONAL STRUCTURE ON ORGANIZATIONAL PERFORMANCE OF LEVEL FOUR HOSPITALS IN KENYA

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Abstract: *The goal achievement of any organization generally transfers upon not just on how great its strategic plan is, but yet additionally on how appropriate the strategic plan is put into action. A lot of changes have been experienced in the field of health sector ever since devolution came into existence, some mid-term and long – term development policies and usage plans have been progressed to upgrade the health sector and offer best quality types of help to the general public. It is on this ground that this study tried to find out the determinants of strategic plan implementation and organizational performance with a specific objective to determine the relationship between organizational structure and organizational performance of level four hospitals which were devolved in Nairobi County. Exploratory research design was used for the study. The study targeted 198 employees, from various departments out of which a sample size of 132 respondents was therefore selected for this study. The study established that organizational structure had a positive correlation between organizational structure and organizational performance supported by $r = .325$ with a p value of $.006 < .05$ statistically significant. The coefficients of; organizational structure $\beta = .338$, implied that a change in one unit of organizational structure results to a change in organizational performance by 33.38% statistically significant at $p < .05$.*

Keywords: organizational structure, organizational performance, strategic plan implementation

1. Organizational Performance

Performance is defined as an action or behaviour that is relevant to the attainment of organization's objectives that can be measured (Rahim, 2017). Campbell's theory further states that performance measurements can either be quantified or un-quantified. Measurement options can be obtained from managers, friends and colleagues, self-assessment or simulated from work samples. Other measures include evaluating income generated against estimated standards, efficiency in terms of cost saved, customer feedback in terms of satisfaction and also electronically from computer performance assessments. Performance measurement options should be reliable and valid and free of influence from sources variables that are not under control off the individual or organization under review. In many organization studies done today, organizational performance is the most common used dependent variable. It has also remained the common less precisely and loosely defined construct (Cania, 2014). From the strategic management perspective, this construct has been perceived to only measure performance quantitatively, that is, in terms of financial measures only. Conceptually, performance of an organization should be a measurable comparison of the actual performance of an organization with the preset standards or organization's expectations over time. Performance can be negative when organizations goals are not met, positive when goals are met.

The linkage between strategic plan implementation and organizational performance needs analysis to get a better understanding on how strategic plan implementation is applied in practice and to improve performance. Several studies have been done to identify this link. Smith (2013) in the USA carried out a study on effects of strategic planning process in organizations. He found out that most of the activities in strategic planning were associated to the strategic plan achievements. This implied that there are key factors that needed to be activated in order for the plans to be useful, that is, control systems, communication systems, a set of consistency and consensus building in the organization. Another study done by Schneider *et al* (2013) in the United Kingdom argued that organizations executives, workforce, and institutional infrastructure must work collectively to bring a high level of accomplishment competence, which can make available an institution with a good proficiency. In addition, Van den et al., (2013) also pointed out that strategic planning in health sector possess numerous gain: the institution's intentional map can assist an institution to chart its potential course, to institute main concerns, to expand its yield or activities and handle efficiently with fast varying situations (Schneider et al, 2013).

In Kenya, Letting, Nicholas, Aosa and Machuki (2012) discovered that taking part in the accomplishment of strategic arrangements differed with several businesses displaying soaring contribution whereas others had little participation as uttered by their management practices (Senge, 2014).

Another study by Machuki (2015) discovered that those institutions that utilize strategic plans have their organization perform well and inferred those hospitals should be urged to utilize appropriate strategic plans. In addition, a study by Karuri, Waiganjo, Daniel and Manya (2014) in Kenya discovered that the fundamental issue in health sectors had been extremely low appropriation record of strategic plans halfway credited to powerless systems and henceforth horrible general performance.

Organizations seek after explicit objectives to accomplish explicit performance metrics that they have set. These objectives are typically drawn from the vision and mission of the organization as revered in the strategic plans that guide's organization's exercises. For organizations to seek after such objectives effectively, the implementation process of strategic plans must be compelling and productive (Ooko,2015).

Numerous changes have occurred in the health sector since devolution came into compel, some mid-term and long – term improvement strategies and implementation of plans have been progressed to improve the health sector and offer quality types of assistance in the public healthcare sector. After devolving the health sector in 2013, implementation of strategic plans became a challenge as formulation of strategic plans became separate from the implementation function. The various challenges witnessed in the sector before devolution includes structural challenges, technological challenges, leadership and resource constraints. (Hambrick & Cannella, 2013).

Most studies done in the health sector are clinical and tend to focus on disease prevention, management and clinical diagnosis, but they have overlooked areas of strategic implementation in Nairobi hospitals which are important in health care service delivery. The absence of strategic plan implementation in Nairobi Health sector has affected operations of health facilities hence lack effective and reliable health care services in both private and public hospitals in Nairobi (Ochieng, 2015).

Various surveys have been conducted regarding determinants of strategic implementation (Arumonyang, 2009; Patrick, 2009; Njoki; 2009; Martha, 2010; Aosa, 1992; & Awino, 2002). Arumonyang (2009) did a survey on strategic plans implementation challenges facing commercial banking in Kenya. Njoki (2009) did a study on strategy implementation in the Insurance Companies in Kenya. Martha (2010) conducted a survey to identify various difficulties encountered in the implementation of strategic plan at the ministry of road and public works

in Kenya. Another survey which aimed to investigate formulation and implementation of strategic plan in large private owned manufacturing companies within Kenya was conducted by (Aosa, 1992). Further, survey involving strategies in purchasing and supply chain especially the benefits, challenges, was conducted by (Awino, 2002).

2. Strategic Plan Implementation and Organizational Performance

Strategy implementation can be defined as a process through which a selected strategy is put into action. The implementation of a given strategy is concerned with the design and management systems to achieve the best integration of human resources, processes other resources in order to reach the organization purposes (Steiner *et al.*, 2014).

Over a period of time now, the concept of efficient strategic plan implementation has been used globally and among private and public entities as it is believed that it has a positive contribution to organizational growth and that it can fast track its performance in the long run. Susan & Wagoki (2014), stated that strategic planning indicates the steps undertaken in selecting a set of strategies that can contribute to the attainment of organization's desired goals. Developing strategic plans entails a systematic process whereby an organization evaluates its main reason of its being, its strengths, weakness, opportunities and threats that it is likely to face in the foreseeable future. Strategic thinking involves making choices and decisions in regards to its long-term future of the firm.

Implementation of strategic plans is an important aspect in the strategic management process and it is always considered as that process which converts the formulated strategies into a series of actions to ensure that the organization's vision and mission are successfully achieved as intended. According to Nyakeriga (2015) connotes that strategic plan implementation involves taking action, looking for consensus and adapting organization dimensions to a strategy and managing the strategy to fit the environment which in turn leads to better performance of the organization.

3. Level Four Hospitals in Nairobi County

Nairobi is the densely populated county and form the capital city of Kenya. The health sector in the country is on transition mode with respect to strategic plans, which was the requirement of the government (GOK, 2012). The units that were basically traditional in orientation had to find ways of dealing with emerging issues that includes increasing competition sectors in the same service. Nairobi County just like any other county has witnessed a series of challenges from poor management through poor leadership, inadequate resource allocation, poor strategic planning and implementation etc. that needs to be analyzed for a solution to be found. Currently there are a total of 136 health facilities spread across the county with four level-4 (district) hospitals.

4. Statement of the Problem

Hospitals in Nairobi are required to formulate strategic plans by the Ministry of Health's strategic plans to foster governments' agenda to provide quality, affordable and accessible healthcare to all Kenyans (Awino, 2016). Besides this being a government policy, the limited resources, the turbulence of the environment and high competition has made strategic planning implementation as an important practice (Muturi, 2008). Since devolution of the primary healthcare come into implementation in 2013, it is still not clear as to what influences effective strategic plan implementation and their relationship to organizational performance in particular public level four hospitals in Nairobi County. Therefore, this study aims at examining the determinants of strategic plan implementation, specifically organizational structure and organizational performance by looking at public level four hospitals in Nairobi County, Kenya.

5. Objectives of the study

The general objective of this study was to examine the determinants of strategic plan implementation and organizational performance guided by a specific objective to determine the influence of organizational structure on organizational performance of level four hospitals in Nairobi County.

6. Research Methodology

Cross-sectional study designs of descriptive nature was utilized in conducting the research. It was efficient to use a cross-sectional survey since it employs diverse methods like questionnaires, interviews and reference documents which ensure proper arrangement of a collection of intended data in a way whose purpose is to combine the survey purpose and the economic procedure. The target population for the study was 198 employees from departments of Procurement, Finance, Administration, Human Resource and Technical departments of Kihara level four hospital, Igeganja level four hospital, Mama Lucy Hospital and Mbagathi level four hospital in Nairobi County.

The research employed stratified sampling Technique. The SST Technique was used because it is meant to be unbiased representation of a group; it's a fair-minded way of getting a sample from a large population. Each member of the subset has the equal probability of being chosen.

The sampling strata for this study was middle level managers from the following departments'; medical officer's department, human resource department, clinician's department, nurses' department, finance department, procurement department, and subordinate staff department. Consequently, different departments of the Level four public hospitals in the same county may continually think in the same way over a given matter. The researcher employed Yamane's (2011) formula where a statistical significance 5% error of tolerance was considered in the sample size calculation. The sample size for the study was achieved based on the following formula

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

where;

n= Sample size.

N=Population size

e= Statistical significance (5% error of tolerance)

From Eqn 1, $n = 198 / \{ 1 + 198(0.05)^2 \}$

$n = 198 / \{ 1 + 0.495 \}$

$n = 132$ (which is 66.67 % of the population)

7. Reliability

Questionnaires were assessed in terms of reliability using the Cronbach alpha technique. According to Mugenda and Mugenda (2009) reliability is a measure of the degree of a research instrument to replicate consistent results after repeated trials. To ensure reliability of the instruments, the researcher conducted a pilot study in Nairobi level four hospital by circulating 20 questionnaires. The researcher pre-tested the questionnaire to the pilot sample. The instrument was administered once to avoid familiarity with the items. These respondents did not participate in the main study. In this study, 0.70 Cronbach's Alpha was considered as the study threshold.

Cronbach alpha provides a clear measure of reliability because holding other factors constant the more similar the test content and conditions of administration appear, the greater the internal consistency hence high reliability. A questionnaire with a high reliability would receive similar answers repeatedly or by other researchers (Cooper & Schindler, 2008). Fraenkel and Wallen (2006) have recommended that reliability test which produces Cronbach alpha (α) values of greater than 0.70 is sufficient in declaring the questionnaires reliable. The formula for Cronbach alpha is given as by Mugenda and Mugenda (2009):

$$KR_{20} = \frac{(K)(S^2 - \sum s^2)}{(S^2)(K - 1)}$$

Where:

KR_{20} =Reliability coefficient of internal consistency, thus Cronbach alpha

K = Number of items used to measure the concept

S^2 = Variance of all scores

s^2 =Variance of individual items

8. Results and Discussion

The study sought to establish the influence of organizational structure and organizational performance of level Four Hospitals in Nairobi County. The respondents were required to indicate their opinions in Likert's scale from; 5= strongly agree, 4= Agree, 3 = Neutral, 2 =Disagree, 1=Strongly Disagree. The study then computed mean and standard deviation to aid in the analysis.

Table 1: Organizational Structure and Organizational Performance

Statement	N	Mean	Std. Deviation
The type of organizational structure adopted by our hospital allows effective strategy implementation	120	4.7021	.78740
Departmental heads in the hospital cooperate well with other employees in order to achieve the hospitals objectives	120	1.3511	.85141
A good balance between centralization/decentralization of power and authority at the top management leads to effective implementation of strategies	120	4.0851	1.26712

Proper and clear task allocation leads to effective strategic plan implementation	120	3.7447	.96092
Flexible organizational structure affects strategic plan implementation	120	3.5826	.87921

9. Correlations

The Correlation analysis was done to determine the relationship between independent variable and dependent variable as presented in table 2.

Table 2: Correlation matrix

		Organizational Structure
	Pearson Correlation	1
Organizational Structure	Sig. (2-tailed)	
	N	120
	Pearson Correlation	.325**
Organizational performance	Sig. (2-tailed)	.006
	N	120

Table 2 showed organization structure had a positive correlation between organizational structure and organizational performance supported by $r = .325$ with a p value of $.006 < .05$ statistically significant. The study indicated that there was a positive correlation between management style and organizational performance at a Pearson correlation coefficient value of $.394^*$ with $p .001 < .05$ statistically significant, organizational culture had a positive correlation between strategy implementation and organizational performance at a value of $r = .241^*$ with p value of $.046 < .05$ statistically significant, and finally there was a positive correlation between allocation of resources and organizational performance with correlation value of $r = .454$ with p value of $.000 < .05$ statistically significant.

Table 3:1 Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error			
1	(Constant)	1.358	1.241	1.0943	.007
	Organizational Structure	.338	.129	.251	.011

a. Dependent Variable: Organizational Performance

Therefore, the regression model would be: $Y = 1.358 + .338X_1 + \epsilon$ (2)

The regression coefficient table above shows that the constant $\alpha=1.358$ is significantly greater than $.007<.05$. The coefficients of; organizational structure $\beta = .338$, implied that a change in one unit of organizational structure results to a change in organizational performance by 33.38% statistically significant at $p<.05$.

The study concluded that organizational structure had an influence on organizational performance. A good balance between centralization / decentralization of power and authority at the top management leads to effective strategy implementation and supports organizational performance. Proper and clear task allocation leads to effective strategic plan implementation. This significantly and positively influences performance of level four hospitals.

Therefore, the study recommends that the management of the level four hospitals should ensure that the organizational structure in place supports strategic plan implementation since it positively influences organizational performance.

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