

INFLUENCE OF HARMONIZATION ON SERVICE PERFORMANCE BY THE NATIONAL HOSPITAL INSURANCE FUND DESIGNATED HEALTH CARE SERVICE PROVIDERS IN KENYA

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Abstract: The main objective of this study was to determine the influence of harmonization service performance of the National Hospital Insurance Fund in Kenya. The five hospitals selected for the study were: Kenyatta National Hospital, Nairobi Hospital, Aga Khan, MP Shah, and Mbagathi hospitals. The population for the study consisted of members of staff of the five hospitals in management, administration and wards. The target population for each hospital was 75 members of staff, comprising of 20 managers, 25 administration members and 30 ward workers. The study used stratified random sampling where the population was divided into mutually exclusive and collectively exhaustive categories and were issued with questionnaires. An R-square value of 0.166 indicated that 16.6% of service Performance was explained by harmonization. (Laudon & Laudon, 2010) affirmed that Customer satisfaction should be aligned with the services in order to maximize on the performance of the enterprise which also is in an agreement with Zeithaml & Bitner (2007) study.

Keywords: Harmonization, National Hospital Insurance Fund, Service Performance, Health care Service Providers.

1. INTRODUCTION

There has been a surge of interest in all aspects of service management in recent times. Many books, articles, and research papers on services and service management have appeared in the popular, as well as, academic and business literature, during the 1980s and 1990s (Haksever, et al., 2006). The impetus for this phenomenon can be traced back to two major developments in recent history. First, the performance and quality movement which brought most consumers, news media, and academicians to the realization that the overall performance and quality of services around many parts of the world was not ideal, acceptable, or competitive globally. Second, the fact that services no longer formed the least important sector of the economy became obvious.

This study sought to focus on examining the factors inherent in determining service performance of NHIF designated health care service providers in Kenya, specifically, hospitals; their performance in the process of carrying out their core functions of providing effective, efficient, and satisfactory services to their customers and stakeholders. It focuses on the NHIF designated health care service providers in Kenya which are concerned with efforts of obtaining results and providing information to help determine what needs to be improved. The Institutions combine the management process in a single, interactive, and collaborative work space. The hospitals, on behalf of NHIF, have to achieve high performance which is associated with appropriate organizational structure involving how activities are divided, organized, and

coordinated. In fact, it is impossible to understand an organization's strategy, without examining its structure. High performance requires organizational behaviour, concerning how organizations function and how people relate to them through their conduct, perception and intentions, both individually or in groups (Bateman & Snell, 2010). Organizational behaviour draws heavily on the social and behavioral sciences, especially sociology and industrial psychology and on the theory and practice of organizational design. Thus, organizational behaviour can help enhance effective use of necessary skills, knowledge, and competencies in organizations like the National Hospital Insurance Fund's designated health care service providers in Kenya.

Though the intangibility of services is a primary differentiating criterion, it is always present. Therefore, the management of the intangible component of the service provided by the NHIF designated health care service providers that lead to the final product is of major concern to both the provider of the service and the recipient of the ultimate output which reflects performance. Services are difficult to inventory. If services are not used the "brown around the edges" syndrome makes them highly perishable. Unused capacity cannot be stored for future use and similarly the difficulty of inventorying services makes it troublesome to provide service backup for peak demand. To maintain constant service capacity at levels necessary to satisfy peak demand would be very expensive. The manager must, therefore, attempt to smooth out demand levels in order to optimize overall use of capacity. It is possible that NHIF on behalf of taxpayers can pay for expensive unused capacity inherent in the management performance by its designated health care service providers at the tax-payer's expense (Fitzsimmons & Fitzsimmons, 2008).

2. STATEMENT OF THE PROBLEM

When Kenya attained its independence, its government committed itself to the provision of "free" health services, as part of its development strategy. The strategy required the institutionalization of health care service provision through the designated health care service providers which were to operationalize and implement the service. Since then, these institutions have not been scrutinized to find out their service provision performances in any way – no studies on their performance have been done at all. An Act of Parliament Cap 255, LOK, established the National Hospital Insurance Fund (NHIF) on 12th July, 1966, replacing the then Europeans, Asians and Arabs Hospital Fund which catered for the three communities only.

This study focused influence of harmonization service performance of the National Hospital Insurance Fund in Kenya, namely, Kenyatta National, Nairobi, Aga Khan, MP Shah, and Mbagathi hospitals. The current information available is on the contractual relationship between NHIF and the hospitals, at institutional level, but not the detail of the latter's determinants of internal service delivery to the ultimate mutual customer. There was lack of information on market research or understanding the customer, design gap or service design, conformance gap, communication gap or managing the evidence and consumer satisfaction gap, which had not been addressed by any objective studies. This study sought to fill the gap of lack of information. This is important because the Kenyan tax payers who contribute to NHIF which designated the health care service providers are entitled to know the value and level of the services they receive from the providers.

3. LITERATURE REVIEW

The management of an open system requires techniques and sensitivities different from those of a closed system. Services managers are faced with non-routine operations in which only indirect control is possible. In services it is the human element that is central for effective operations and effective performance (Fitzsimmons & Fitzsimmons, 2008). The interaction with the customer cannot be fully controlled. For service performance not to suffer, attitude, appearance, and the presence of the customer during the process must be fully considered. The unique characteristics of intangibility, perishability, and simultaneous provision and consumption introduce special challenges for service management and performance.

A comprehensive view of the service system is necessary to identify the possible measures of service performance. In health care service delivery like the case of the designated health care service providers in Kenya, performance can be viewed from five perspectives: content, process, structure, outcome, and impact (Czinkota & Kotabe, 2009). For health care the scope of service performance obviously extends beyond the quality of care provided to the patient, but it also includes the impact on the family, community, and the nation. Customer satisfaction with a service can be defined by comparing perceptions of service received with expectations of service desired. When expectations are exceeded, service

performance is perceived to be of exceptional quality. When the opposite is true, service performance is deemed unacceptable. The expectations are based on several sources, including word of mouth, personal needs, and past experiences. Research studies have identified five principal dimensions that customers use to judge service performance – reliability, responsiveness, assurance, empathy, and tangibles – listed in relative importance to customers (Fitzsimmons & Fitzsimmons, 2008). Measuring the gap between expected service and perceived service should be a routine customer feedback process practiced by the designated health care service providers in Kenya. Customer satisfaction and the service performance are dependent on minimizing the gaps that are associated with the performance in the delivery of the service to create value.

When there is a high alignment of tasks and harmonization of roles in the organization that can lead to higher service performance. The strategic intent of NHIF of providing health care services to its clients by outsourcing the services to the designated health care service providers has the challenge inherent in a service supply chain organizations which poses the question: Does strategic intent translate into operational performance? (Fawcett, et al., 2008). Across industries and channel positions, managers have discovered that delivering customer value profitably requires more than greater efficiency (Stoner, et al., 2003). It is in the interest of NHIF that the strategic intent of alignment and harmonization goal, customer satisfaction, process integration, total costs, and intra-organizational collaboration is measurable in the health care service providers to help the hospitals improve their performance (Fawcett, et al., 2008).

4. RESEARCH METHODOLOGY

Five hospitals were selected for the study were: Kenyatta National Hospital, Nairobi Hospital, Aga Khan, MP Shah, and Mbagathi hospitals. The population for the study consisted of members of staff of the five hospitals in management, administration and wards. The target population for each hospital was 75 members of staff, comprising of 20 managers, 25 administration members and 30 ward workers.

5. FINDINGS

From the original list of six factors put forward to measure harmonization one had a factor loading of 0.117 which was below the threshold of 0.40. Consequently it was expedient to discard it leaving eight items with factor loadings of between 0.457 and 0.653 as shown in Table 1.

Table 1: Factor Loadings for Harmonization

	Harmonization	Factor Loadings
1	The organization insists on harmonization of all tasks and roles in the process of service delivery and outcome of the service	.457
2	The organization has enhanced reliability to perform service dependable and accurately at all times.	.631
3	All employees of the organization are responsive, willing to help clients and to provide prompt services all the time.	.653
4	The organization ensures that all employees possess knowledge, courtesy, ability to convey trust and confidence to assure clients.	.612
5	All employees are aligned and harmonized to care, and pay individual Attention to clients through approachability, sensitivity, and understanding their needs.	.117**
6	The physical facilities in the organization, equipment, personnel, and communication materials are modern.	.616

Service Performance

From the original list compiled to measuring Service Performance all 7 items that were considered had acceptable factor loadings of between 0.539 and 0.758 as shown in Table 2 and subsequently considered valid for inclusion in the data collection instrument and further analysis.

Table 2: Factor Loadings for Service Performance

Service Performance	Factor Loadings
1. The organization has experienced high business growth in the last four (4) years.	.586
2. New establishments and departments have been added in the organization in the last four (4) years.	.711
3. Many new innovative services and applications have been introduced in the organization in the last four (4) years.	.709
4. The working relations and motivation are very high in the organization in the last four (4) years.	.606
5. The organization is enjoying increasing number of clients in the last four (4) years.	.745
6. The organization has been practicing customer driven quality management in the last four (4) years.	.758
7. There exists continuous benchmarking service performance in the organization in the last four (4) years.	.539

Linearity Test between Harmonization and Service Performance

Similarly linearity test between Service Performance and Harmonization also show strong positive relationship as indicated by a correlation coefficient value of 0.408^{**}. This implies that there is a linear positive relationship. Thus an increase in Communication would result in a linear increase in Performance

Table 3: Harmonization Correlations Coefficients

		Performance	Harmonization
Service Performance	Pearson Correlation	1	.408 ^{**}
	Sig. (2-tailed)		.000
	N	75	245
	Pearson Correlation	.408 ^{**}	1
Harmonization	Sig. (2-tailed)	.000	
	N	75	75

******. Correlation is significant at the 0.01 level (2-tailed).

Scatter plot between Performance and Harmonization, as shown in Figure 3 clearly suggests that there was linear relationship between Performance and Harmonization or Harmonization.

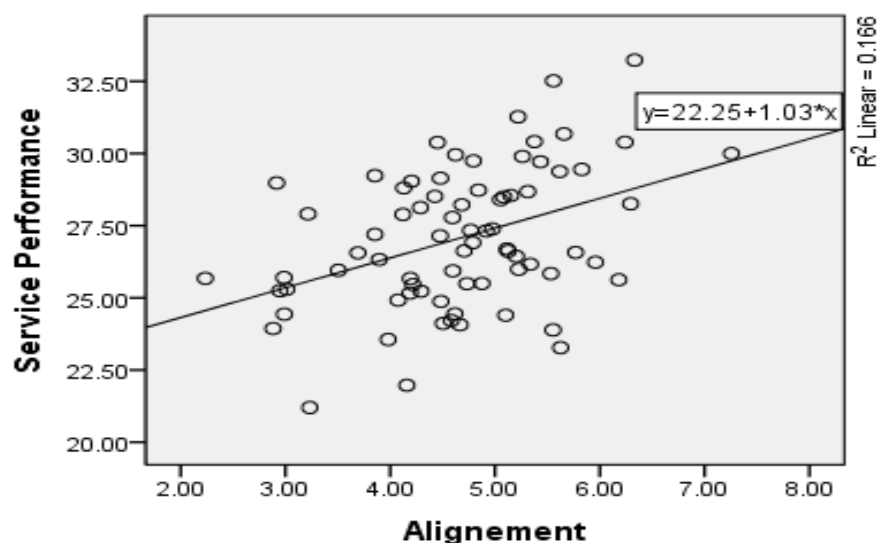


Figure 1: Scatter plot between Performance and Harmonization

Table 4:

Statement	SD	D	N	A	SA
The organization insists on harmonization of all tasks and roles in the process of service delivery and outcome of the service	7.1%	7.9%	8.6%	34.3%	42.1%
The organization has enhanced reliability to perform service dependable and accurately at all times.	2.1%	2.9%	4.3%	31.4%	59.3%
All employees of the organization are responsive, willing to help clients and to provide prompt services all the time.	6.4%	18.6%	25.7%	40.7%	8.6%
The organization ensures that all employees possess knowledge, courtesy, ability to convey trust and confidence to assure clients.	21.1%	29.0%	23.2%	18.8%	7.2%
All employees are aligned and harmonized to care, and pay individual Attention to clients through approachability, sensitivity, and understanding their needs.	6.0%	11.9%	26.9%	47.0%	8.2%
The physical facilities in the organization, equipment, personnel, and communication materials are modern.	2.9%	11.4%	8.6%	50.0%	27.1%

Table 4 indicate that 76.4% of the respondents agreed that the organization insists on harmonization of all tasks and roles in the process of service delivery and outcome of the service. 90.7% of the respondents agreed that the organization has enhanced reliability to perform service dependable and accurately at all times. 49.3% of the total population interviewed agreed that all employees of the organization are responsive, willing to help clients and to provide prompt services all the time. 50.0% of the respondents disagreed with the fact that the organization ensures that all employees possess knowledge, courtesy, ability to convey trust and confidence to assure clients. 55.2% of those interviewed cumulatively agreed that all employees are aligned and harmonized to care, and pay individual Attention to clients through approachability, sensitivity, and understanding their need. 77.1% of those interviewed agreed that the physical facilities in the organization, equipment, personnel, and communication materials are modern.

This objective was tested using hypothesis three, that; there is no association between communication and Service Performance in NHIF operations in Kenya. A simple regression analysis was conducted to establish the relationship between the harmonization and service performances.

Table 5: Harmonization (X4) and Service Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.408 ^a	.166	.155	2.19405	2.183

a. Predictors: (Constant), harmonization X₄

b. Dependent Variable: Service Performance (Y)

From Table 5, R- square value of 0.166 indicated that 16.6% of service Performance was explained by harmonization. Laudon and Laudon, 2010 affirmed that Customer satisfaction should be aligned with the services in order to maximize on the performance of the enterprise which also is in an agreement with Zeithaml and Bitner (2007) study.

ANOVA (Analysis of Variance)

The F-statistics presented in Table 6 indicated that the overall model was significant, that is, the independent variable, harmonization was a good joint explanatory for Service Performance with F-value of 14.578. P- Value =0.000<0.05 also indicates that the model was fit.

Table 6: ANOVA for harmonization (X4)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	70.176	1	70.176	14.578	.000 ^b
	Residual	351.411	73	4.814		
	Total	421.587	74			

a. Dependent Variable: Service Performance (Y)

b. Predictors: (Constant), harmonization X₃

The regression results indicated in Table 6 suggest further that there was a positive and significant relationship between harmonization and Service Performance. From the regression model every unit change in harmonization, service Performance changes by 1.032units. The regression model between harmonization and Performance is expressed as $Y=22.254+1.032X_3$

Table 7 Coefficient for Harmonization (X₄)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	22.254	1.287		17.291	.000	
	X3	1.032	.270	.408	3.818	.000	1.000 1.000

a. Dependent Variable: Service Performance (Y)

Again From the finding IN Table 7 the null hypothesis was rejected and the alternative was accepted that is there is a significant relationship between harmonization and Service Performance. This is in accordance with the studies done by Laudon and Laudon (2010); Fitzsimmons and Fitzsimmons (2008) Zeithaml and Bitner (2007) who rejected their null hypothesis and the alternative hypothesis carried the day.

6. CONCLUSION AND RECOMMENDATION

The study concluded that 16.6% of service Performance was explained by harmonization. (Laudon & Laudon, 2010) affirmed that Customer satisfaction should be aligned with the services in order to maximize on the performance of the organization. Customer satisfaction therefore should be aligned with the services in order to maximize on the performance of the organization.

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