

# Impact of Working Relations on Service Performance of the National Hospitals Insurance Fund Designated Health Care Service Providers in Kenya

Isaac Moss-Omije Mirenga<sup>1</sup>, Elegwa Mukulu<sup>2</sup>, Martin Ogutu<sup>3</sup>

College of Human Resource Management, Jomo Kenyatta University of Agriculture and Technology

---

**Abstract:** The main objective of this study was to determine the impact of working relations on 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. There was a significant relationship between working relations and service Performance. Because of the relationship between the two, it seems that the organization understands the meaning of the working relationship and even how it works and the relationship with performance is also positive. The extent of its positivity towards performance cannot go without say. The study hence recommends that the variable should be enhanced wherever necessary and as much as possible for the benefit of the public.

**Keywords:** Working Relations, Service Performance, and Health Care Services.

---

## 1. INTRODUCTION

This study sought to focus on examining how working relations impacts on 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.

## 2. STATEMENT OF THE PROBLEM

The introduction of performance contracting, by the Government of Kenya, through Gazette Notice created Performance Contracts Steering Committee in August, 2003, to spearhead the introduction and implementation of Performance Contracts in public service (Ndung'u, 2009). The technological and innovative advancement in all fields of human

endeavor, including breakthroughs in global improvements in service delivery, made the immediate and future priority, therefore, becoming the realization of cost effectiveness and provision of quality and satisfactory services. In line with the above developments the Fund embarked on operationalization of such concepts like – Results Based Performance Management (RBPM) the implementation of which should help improve the health care service provision performance and accountability to its members, the government and stakeholders. In a further effort to focus on transparency, accountability and improved service delivery, the Fund also developed Customer Service Charter. Measures were also put in place to help strengthen the internal capacity of the Fund. There are possible risks arising from lack of direct control in the designated health care service providers over quality; employee loyalty may be jeopardized by job loss fears; exposure to data security and customer privacy issues; dependence on suppliers which can compromise future negotiation leverage; coordination expense and delay – and atrophy of in-house capability to perform out sourced services. This study focused on the determinants of service performance of NHIF designated health care service providers 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**

Interactive actions in the organization between service personnel and management can help bring about alignment of tasks or harmonization of roles, resulting in better service performance by the designated health care service providers. Gaps in service performance are a measure of the gap between expected service and perceived service. Heterogeneity in service provision means the combination of the intangible nature of services and the customer as a participant in the service delivery system results in variation of services from customer to customer (Fitzsimmons & Fitzsimmons, 2006). The interaction between customer and employee in services, however, creates the possibility of a more complete human work experience, because, in services work activity is generally oriented towards people rather than towards things, except in communication services. Personal attention creates opportunities for variability in the service that is provided which, however, is not bad unless the customer perceives significant variation in quality. The direct customer-employee contact has implications for service and/or industrial relations, as well (Haksever *et al.*, 2006). A disgruntled service employee can do irreparable harm to the organization, such as, a health care service provider where the employee is often the sole contact with the customer. Therefore, what the management of these hospitals must be concerned about is the employees' attitudes, as well as, their performance (Czinkota & Kotabe, 2009). Through training and genuine concern for employees' welfare, the goals of both the health care service providers and, by extension, the goals or performance of NHIF can be internalized.

### **4. RESEARCH METHODOLOGY**

The research adopted the descriptive method, giving details of current performance management procedures and practices, as administered in the three organizations. For this study, the population was the members of staff of the five hospitals in management, administration and wards. The target population for each of the five hospitals were seventy five (75) members of staff; 20 managers, 25 administration staff, and 30 ward staff. From the target population suggested above, under population, a representative sample was selected. The researcher used purposive sampling method. Questionnaires was distributed to 75 employees - 20 in management, 25 in administration and 30 in the wards departments of each hospital. The data for this study was collected using structured, direct survey questionnaire that captures the various variables which was administered to at least two managers from every selected institution, as control for any personal bias. For the purpose of this study, the researcher analyzed and presented data, using descriptive and inferential statistical tools. Data was processed using Statistical Package for Social Scientists (S.P.S.S.). The resultant information was presented by tables and charts. Data analysis was descriptive and inferential.

### **5. FINDINGS**

The study intended to measure the effect of working relationships by using 5 items. All the 5 items had factor loadings above 0.40 as shown in Table 1 that is between 0.553 and 0.842. Therefore all were found to be valid enough for use in the study.

**Table 1 Factor Loadings**

	Working relationships	Factor Loadings
1	The organization emphasizes and enhances high interactive actions among all employees.	.671
2	All departments and sections in the organization relate harmoniously with each other.	.632
3	There is a high level of both internal and external customer relationship culture in the organization	.736
4	There is a policy of interactive relationships connecting market research, communication, alignment of roles and tasks in the entire organization.	.842
5	There are regular meetings and seminars organized for continuous assessment of organizational cohesiveness.	.553

**Linearity test between working relationship and Service Performance**

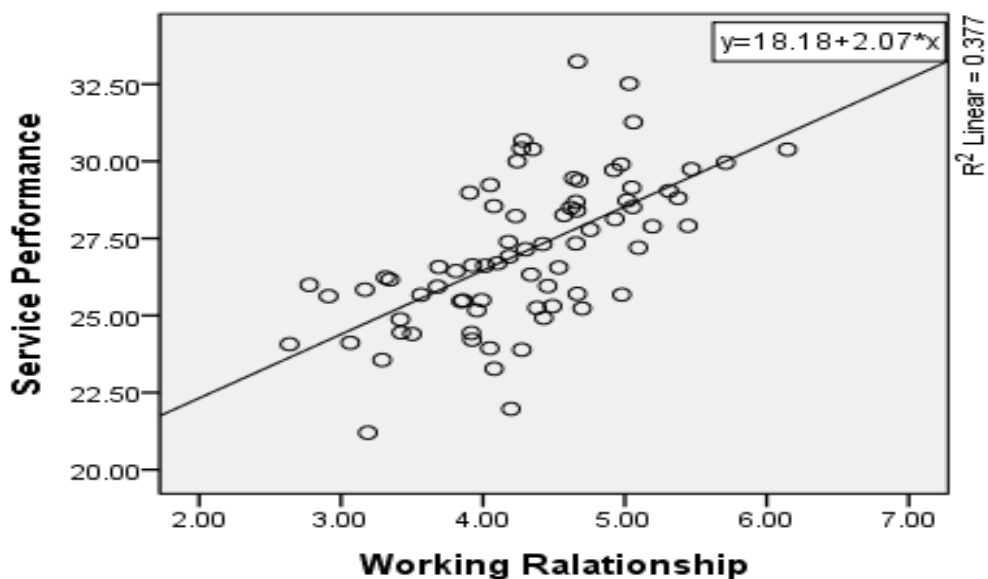
The linearity test between Service Performance and working relationship also show strong positive relationship as indicated by a correlation coefficient value of 0.614<sup>\*\*</sup>. This implies that there is a linear positive relationship. Thus an increase in working relationship would result in a linear increase in Performance

**Table 2 Working Relationship Correlations Coefficients**

		Performance	working relationship
Service Performance	Pearson Correlation	1	.614 <sup>**</sup>
	Sig. (2-tailed)		.000
	N	75	75
working relationship	Pearson Correlation	.614 <sup>**</sup>	1
	Sig. (2-tailed)	.000	
	N	75	75

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

Scatter plot between Performance and working relationship as shown in figure 1 shows clearly that there was linear relationship between Performance and working relationship.



**Figure 1 Scatter plot between Performance and Working Relationship**

**Table 3 Descriptive Statistics**

Statement	SD	D	N	A	SA
The organization emphasizes and enhances high interactive actions among all employees.	22.1%	32.9%	23.6%	17.9%	3.6%
All departments and sections in the organization relate harmoniously with each other.	48.6%	30.7%	7.1%	11.4%	2.1%
There is a high level of both internal and external customer relationship culture in the organization	5.0%	26.4%	19.3%	44.3%	5.0%
There is a policy of interactive relationships connecting market research, communication, alignment of roles and tasks in the entire organization.	6.5%	13.7%	17.3%	48.2%	14.4%
There are regular meetings and seminars organized for continuous assessment of organizational cohesiveness.	4.3%	17.9%	15.7%	54.3%	7.9%
The organization emphasizes and enhances high interactive actions among all employees.	8.9%	18.5%	27.4%	27.4%	5.2%
All departments and sections in the organization relate harmoniously with each other.	16.4%	34.3%	12.9%	26.4%	10.0%
There is a high level of both internal and external customer relationship culture in the organization	2.9%	9.3%	9.3%	50.7%	27.9%
There is a policy of interactive relationships connecting market research, communication, alignment of roles and tasks in the entire organization.	20.0%	32.9%	10.0%	27.1%	10.0%
There are regular meetings and seminars organized for continuous assessment of organizational cohesiveness.	8.6%	19.3%	11.4%	45.7%	15.0%

From Table 3, the following were the response from the respondents: 22.1% strongly disagreed, and 32.9% disagreed that the organization emphasizes and enhances high interactive actions among all employees with this statement. Looking at the second statement of all departments and sections in the organization relate harmoniously with each other, 48.6% of the respondents strongly disagreed and 30.7% of the respondents disagreed. On the third statement of there is a high level of both internal and external customer relationship culture in the organization, cumulatively, 49.3% of the respondents agreed with this statement. The fourth statement of there is a policy of interactive relationships connecting market research, communication, alignment of roles and tasks in the entire organization 62.6% agreed. The study also sought to establish if the organization emphasizes and enhances high interactive actions among all employees where 22.1% strongly disagreed, and 32.9% disagreed with this statement. On the statement of all departments and sections in the organization relate harmoniously with each other, 48.6% of the respondents strongly disagreed and 30.7% of the respondents disagreed. The study also sought to establish whether there is a high level of both internal and external customer relationship culture in the organization, cumulatively, 49.3% of the respondents agreed with this statement. On the statement of there is a policy of interactive relationships connecting market research, communication, alignment of roles and tasks in the entire organization 62.6% agreed.

The main objective was tested by the hypothesis which states that;  $H_0$ : There is no association between Working relationships and Service Performance at NHIF. The Pearson's product moment correlation statistic was used to test the relationship between the Working relationships and Service Performance. The R square value for the model was 0.377 showing that (37.7%) of Service Performance was explained by Working and the model was significant at 0.05 level of significant. In his study on the National Hospital Insurance Fund Mission in Nairobi, Arasa (2009), found out that 39.7% of service performance was explained by the model which is a slight departure from the current study. This means therefore that the current study is in conformity with some of the past studies and the R – square is valid.

**Table 4 Model Summary<sup>b</sup> for Working relationships ( $X_2$ ) and Service Performance**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.614 <sup>a</sup>	.377	.368	1.89755	2.219
a. Model (Constant) Working Relationships $X_2$					
a. Dependent Variable: Service Performance					

**ANOVA (Analysis of Variance):**

From the Analysis of Variance (ANOVA) shown in Table 5 it is clear that the model was significant with p-value of 0.00 which was less than 0.05. Statistically this means that there was a significant relationship between Working relationships and Service Performance.

**Table 5 ANOVAa for Working relationships (X2)**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	158.735	1	158.735	44.084	.000 <sup>b</sup>
	Residual	262.852	73	3.601		
	Total	421.587	74			
b. Dependent Variable: Service Performance						
c. Predictors: (Constant), Working RelationshipX2						

**Coefficient: Working Relationships (X<sub>2</sub>)**

The regression coefficient table also shows that p- value of 0.000 was recorded and it was less than 0.05, level significance. The model generated from the coefficient table was expressed as

$$Y=13.939+ 0.461X_2$$

**Table 6 Coefficients<sup>a</sup> for working relationships (X<sub>2</sub>)**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1		18.179	1.357		13.395	.000	
	X2	2.071	.312	.614	6.640	.000	1.000
a. Dependent Variable: Service Performance (Y)							

From the linear regression analysis it was conclusively decided that there was significant relationship between Working relationships and Service Performance. This as indicated in Table 6 and hence the null hypothesis was rejected and the alternative adopted that there is significant statistical effect of working relationships on Service Performance. Arasa (2009) in the study of National Hospital Insurance Fund Mission and Charnes, *et al.*, (1978), as cited by Haksever, *et al.*, (2006) in the study of Measuring Efficiency of Decision Making Units concurred with the findings of the current study.

**6. CONCLUSION**

Based on the main objective, the regression coefficient table shows that p- value of 0.000 was recorded and it was less than 0.05, level significance. The model generated from the coefficient table was expressed as  $Y=13.939+ 0.461X_2$ . From the linear regression analysis it was conclusively decided that there was significant relationship between Working relationships and Service Performance, hence the null hypothesis was rejected and the alternative adopted that there is significant statistical effect of working relationships on Service Performance.

**7. RECOMMENDATION**

There was significant relationship between the two variables and it seems that the organizations understood the meaning of the working relationships and how it works and the relationship with performance is also positive. The extent of its positivity towards performance cannot go without mention. The study hence recommend that the variable should be enhanced wherever necessary and as much as possible for the benefit of the public.

#### REFERENCES

- [1] Arasa, R. (2009). *National Hospital Insurance Fund Mission, (NHIF Journal Edition, 2009)*. Nairobi: National Hospital Insurance Fund.
- [2] Bateman, T.S., & Snell, S.A. (2010). *Management – Competing in the New Era (9<sup>th</sup> Ed)*. New Delhi: Tata McGraw Hill.
- [3] Charnes, A., Huang, Z. M., & Semple, J. (1978), Cited by Haksever, et al., (2006). Measuring Efficiency of Decision Making Units. *European Journal of Operational Research*, 2(6): 429-444.
- [4] Czinkota, M.R., & Kotabe, M. (2009). *Marketing Management. (4<sup>th</sup> Ed)*. New Delhi: Cengage Learning.
- [5] Fitzsimmons, J.A., & Fitzsimmons, M.J. (2008). *Service Management (Operations, Strategy, Information Technology) (5<sup>th</sup> Ed)*. New Delhi: Tata McGraw – Hill Edition.
- [6] Haksever, C., Render, B., Russel, R.S., & Murdick, R.G. (2006). *Services in Our Society, Service Management and Operations, (2<sup>nd</sup> Ed)*. New Delhi: Pearson Education.
- [7] Ndung'u, M.N. (2009). *Performance Management and Contracting (Kenya Perspective)*. Nairobi: Jitegemea Press.