

# Organization Structure as a Determinant of Strategic Plan Implementation and Performance of public Level Four Hospitals in Kericho County, Kenya

Winnie Chebet<sup>1</sup>, Dr. Alfred Bett<sup>2</sup>, Dr. Wilter Rop<sup>3</sup>

<sup>1</sup>(MBA, School of Business and Economics, University of Kabianga, Kenya)

<sup>2</sup>(Lecturer, School of Business and Economics, University of Kabianga – P.O Box 2030-20200 Kericho, Kenya)

<sup>3</sup>(Lecturer, School of Business and Economics, University of Kabianga – P.O Box 2030-20200 Kericho, Kenya)

DOI: 10.29322/IJSRP.9.10.2019.p9410

<http://dx.doi.org/10.29322/IJSRP.9.10.2019.p9410>

## ABSTRACT

Success of any organization depends not only on how good its strategic plan is, but also on how well the strategic plan is implemented. Many reforms have taken place in the health sector since devolution came into force, some mid-term and long – term development policies and implementation plans have been advanced to improve the health sector and provide quality services to the public. Implementation of various strategies in the health sector has faced a myriad of issues ranging from insufficient resources, technology, issues in organizational structures and culture. Some of these issues are brought due to devolution of health sector. The objective of the study was to determine the relationship between organization structure as a determinant of strategic plan implementation and organization performance of level four hospitals in Kericho County. Exploratory research design was used for the study. The study targeted 198 employees among them: medical officers, human resource personnel, clinicians, nurses, finance officers, procurement and subordinate staff in the public level four hospitals within the county out of which a sample size of 132 respondents were selected for the study using stratified sampling method. Data was collected using structured and unstructured questionnaires. Content validity was checked together with the supervisor and subject matter experts while instrument reliability was determined through Cronbach’s Alpha method where a reliability score of 0.7 was considered ideal. Data was analyzed using both descriptive and inferential statistics and presented using tables, graphs and charts. The results indicated that organization structure affect significantly the performance of level four hospitals in Kericho County ( $\beta = 0.332$ ,  $p < 0.00$ ) indication a strong relationship between the variables under study. The study recommended that there is need to adapt to an organization structure that can allow easy and efficient implementation of strategies. Employees should also be in cooperated well in decision making so as to motivate them and ensure that they cooperate while implementing strategies. The research study may enable hospitals to establish the importance of implementing effective strategic plans in order to enhance organizational performance

**Key Words:** Strategic Management, Strategic Plan Implementation, Level four hospitals, Kericho County, Kenya

## Introduction

In today's business environment, it is not how many competitors you have but rather how well you can position yourself in the market in order to catch the customer's eye and provide to him need and want satisfying goods and services. Organizations achieve this by laying proper strategies through strategic plans and implementing them well in order to have a competitive advantage. Strategic plan implementation is a management process which puts this plans and strategies of an organization into action so as to reach desired goals Noe, *et al* (2017).

Strategic planning is a process that requires an elaborate situational analysis to understand the organization's current position and where the organization should be in future. The planning process involves strategy formulation, implementation and periodic evaluation. In real sense, developing a roadmap to success involves formulation of organizational intent, all constituting strategic plan (Huiru, 2011). Freeman (2010) indicates that, the importance of proper and efficient strategic plan implementation can be explained from four points of view including environmental scanning, proper strategy formulation, and linking goals to budgets and strategic planning as a process. The strategic plan implementation process starts where the planning process stops, it begins with setting organizational goals to conform to new intended strategies, introducing changes to the current organizational structure, enhancing the communication systems within the organization, resource allocation and managing human resource in a manner that will ensure that the strategies are implemented effectively (Nyakeriga, 2015).

Another study by Machuki (2015) found out that those institutions that use strategic plans have their organization perform well and concluded that hospitals should be encouraged to use suitable strategic plans. Moreover, a study by Karuri, Waiganjo, Daniel and Many (2014) in Kenya found out that the main problem with hospitals had been very low adoption record of strategic plans partly attributed to weak mechanisms and hence poor performance.

Organization structure refers to a pattern in which departments are interrelated (Bourgeons and Birodwin 1984 as cited by Koskei 2017). From strategic management perspective, organizational structure is considered as a very critical and important aspect in management. Explicitly, organization structure is seen as one of the variables that management can utilize to attain the intended mission. Koskei (2017) asserts that organization structures are means of creating relationships that bring about control, management, motivation of employees to cooperate in order to realize organizational goals. He describes a structure as a tool in which an organization is distinguished and unified.

Kericho 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 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, two level-3 (sub-district) hospitals, 9 level-two (health centres) and 105 level-ones (dispensaries) distributed within the county. Others are seven medical clinics, three VCT Centres and seven uncategorized institutions.

## Problem Statement

Organizations pursue specific objectives in order to achieve specific performance metrics that they have set. These goals or objectives are normally drawn from the vision and mission of the organization as enshrined in the strategic plans that guide's organization's activities. For organizations to pursue such objectives successfully, the implementation process of strategic plans has to be effective and efficient (Ooko, 2015). Many reforms have taken place in the health sector since devolution came into force, some mid-term and long-term development strategies and implementation of plans have been advanced to improve the health sector and provide quality services in the public healthcare sector. The strategic plan implementation according to some scholars has failed due to a number of challenges including but not limited to, lack of proper understanding of the role of staff in

implementation, inadequate resource allocation and others. Since devolution of the primary healthcare was fully implemented in 2013, it is still not clear as to what influences effective strategic plan implementation and their relationship to organization's performance in particular public level four hospitals in Kenya. Therefore, this study aimed at examining whether Organization Structure can determine the success of strategic plan and ultimately Performance of public Level Four Hospitals in Kericho County.

The main aim of the study was to determine the influence of organization structure on the relationship between strategic plan implementation and performance of level four hospitals in Kericho County

## **Theoretical Review**

### **Stakeholders' Theory**

This theory was postulated by Freeman in 1984 who based his argument on Chester's 1938 structure of "inducement-contribution" (Freedman and Philips, 2002). He advanced a closer link between corporate social responsibilities and the role of managers in managing organizations. From Freeman's point of view, managers have a greater influence on how resources are utilized in an organization on behalf of the stakeholders who are essentially the main interested parties to the activities of an organization. Stakeholders include internal customers (employees), suppliers, customers, intermediaries, the community etc. The managers' perspective from this viewpoint may not fully satisfy both stakeholders and managers. As different stakeholders in an organization try to establish a strategic fit for their own benefit or for the organization's, the planning process and implementation of various strategies is affected due to lack of order of direction. Stakeholder theory conceptualizes a situation where the organization tries to meet each of the stakeholder's objectives and therefore there is a need to create a balance the needs of each stakeholder and realize them as expected.

The thought of stakeholder's theory looks at a firm as trying to achieve all stakeholders' conditions therefore there is a need to balance the conditions of each stakeholder. Donaldson and Davis (1991) as cited in (Huiru, 2011) likened this theory to that of stewardship theory which holds that a manager as a steward should do anything in an organization that he deems "right" without putting much importance on organization performance. Just like Clarkson, Organizations are envisioned by Pauli (1995) as being relational. He indicates that an organization is a set of stakeholder groups with a multifaceted set of connections between them. Each set of group has its own right with different objectives, expectations and responsibilities which have to be managed effectively by management. Likewise, Hospitals can be likened with any other organization whereby as much as the hospital management may want to implement its strategies accordingly, they will have to involve all the stakeholders so as to be successful. The community and customer represent the stakeholders in the study. Stakeholder's theory plays a crucial role in resource allocation, organization structure, culture and policies process in the organization.

### **Organization Structure**

Organization structure refers to a pattern in which departments are interrelated (Bourgeois and Birodwin 1984 as cited by Koskei 2017). From a strategic management perspective, organizational structure is considered as a very critical and important aspect in management. Explicitly, organization structure is seen as one of the variables that management can utilize to attain the intended mission.

Koskei (2017) organization structures are means of creating relationships that bring about control, management, motivation of employees to cooperate in order to realize organizational goals. He describes a structure as a tool in which an organization is distinguished and unified.

Barnat (2016) asserts that, the effectiveness of proper resource allocation is given by the level at which the organization realizes its objectives, however, effective resource allocation is limited because of some factors including: availability of resources, conservative management styles, politics within the organization, emphasis on short term financial plans criteria, unmeasurable strategic targets, lack of necessary skill and risk aversion among others.

As stated by Maduenyi, Oke, and Ajagbe, (2015) a relationship exists between different sub units in the organization and the manner in which these relationships are managed by managers determines the performance of organizations. Additionally, the study indicated that division of labour and work specialization influences labour productivity and this implies that organization performance is highly influenced by performance of employees.

Organizations must have organized structures present for them to achieve their goals. The manners in which jobs and responsibilities are assigned and tasks grouped to various departments represent the organization structure (Hargrove et al 2011). According to Quangyen and Yezhuang, (2013), organizational structure give a direction on how a company can achieve its main goals.

Adebayo (2010) adduces that appropriate organization structure as ensures that organizations achieve their goals and targeted objectives. It determines the amount of allocations to the human resource, allocation to various projects and tasks. Efficiency, effectiveness and flexibility of these structures are important for improved organizational performance.

Martinelli, (2001) affirms that unless there are appropriate systems and well structured and conceived cultures exist in the organization then the idea of organization structure is useless. Organization structure creates a management role and hence links the human resource in the organization to management to make work easy. An hierarchy is created where assignment of roles and accountability mechanisms are created for intergration within the work force is ensured (Thompson, 1966).

### Conceptual Framework

Organization structure was the independent variable for the study and organization performance as the dependent variable. The relationship between these two variables is illustrated in figure 1

#### Independent Variable

#### Dependent Variable

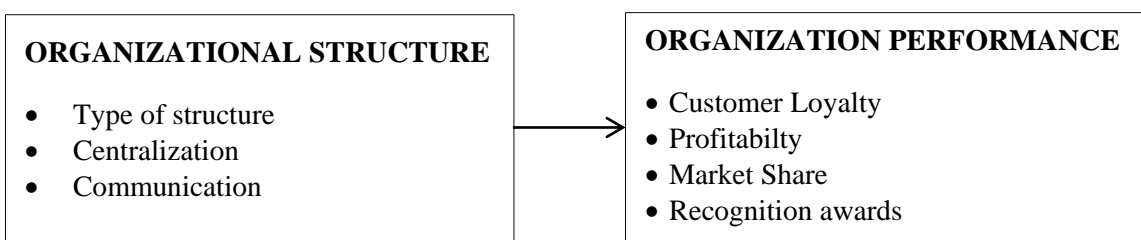


Figure 1: Conceptual Framework

### Research Design

This study adopted both qualitative and quantitative research methodology in order to examine the influence of organization structure as determinants of strategic plan implementation and organizational performance in public level four hospitals in Kericho County, Kenya. The target population for the study was 198 employees from departments of Procurement, Finance, Administration, Human Resource and Technical departments of Kericho Hospital, Sigowet Hospital, Kapkatet Hospital and

Londiani Hospital in Kericho County. A sample of 132 was selected using stratified sampling method. Questionnaires were used in collecting data. The testing of relationship between variables was done using correlation analysis.

### Validity and Reliability of the Instruments

Validity shows a clear representation of the instrument measuring what it was intended to measure, Mugenda and Mugenda, (2003). Expert judgment was used to uphold content validity.

For a tool to be considered reliable, it has to give consistent results every time that it is put to use (Martyn, 2014). To ensure reliability of the instrument, Reliability coefficient was determined by Cronbach alpha research instrument where a score of 0.83 was obtained. The instrument is considered reliable if it gives coefficient greater than or equal to 0.7, (Orodho, J. 2005).

### Results and Discussion

Data analysis was done with use of both descriptive and inferential statistics.

#### Descriptive Analysis

Descriptive statistics were represented using Likert scale where mean was computed and interpreted

#### Organizational Structure and Performance

**Table 1: Frequency table and Mean for Organizational Structure**

Organizational Structure and Organization Performance	SA 5	A 4	N 3	D 2	SD 1	mean
The type of organization structure adopted by our hospital allows effective strategy implementation	23(18.1)	78(61.4)	19(15.0)	4(3.1)	3(2.4)	3.8976
Departmental heads in the hospital cooperate well with other employees in order to achieve the hospitals objectives	27(21.3)	65(51.2)	24(18.9)	8(6.3)	3(2.4)	3.8268
A good balance between centralization/decentralization of power and authority at the top management leads to effective implementation of strategies	28(22.0)	70(55.1)	23(18.1)	0(0.0)	6(4.7)	3.8976
Proper and clear task allocation leads to effective strategic plan implementation	54(42.5)	49(38.6)	13(10.2)	8(6.3)	3(2.4)	4.1260
Flexible organizational structure affects strategic plan implementation	47(37.0)	58(45.7)	14(11.0)	6(4.7)	2(1.6)	4.1181

#### Source: Research Data (2019)

From the data in table 1, the researcher established that the type of organization structure adopted by our hospital allows effective strategy implementation where 23(18.1) of the respondents strongly agreed, 78(61.4) agreed 19(15.0) were neutral 4(3.1) and 3(2.4) strongly disagreed and this translated to a mean of 3.8976.

About whether departmental heads in the hospital cooperate well with other employees in order to achieve the hospitals objectives, 27(21.3) of the respondents strongly agreed, 65(51.2) of the respondents agreed 24(18.9), while 8(6.3) were neutral and 3(2.4) of the respondents strongly disagreed.

On whether a good balance between centralization/decentralization of power and authority at the top management leads to effective implementation of strategies: 28(22.0) of the respondents strongly agreed, 70(55.1) agreed while 23(18.1) were neutral, there was no respondent who disagreed with this question and 6(4.7) strongly disagreed. a good balance between centralization/decentralization of power and authority at the top management leads to effective implementation of strategies to some extent (mean of 3.8976).

When asked about whether Proper and clear task allocation leads to effective strategic plan implementation 54(42.5) of the respondents strongly agreed, 49(38.6) agreed, 13(10.2) of the respondents were neutral while 8(6.3) disagreed and 3(2.4) of the respondents strongly Disagreed Proper and clear task allocation leads to effective strategic plan implementation to a large extent (mean of 4.1260).

On Flexible organizational structure affects strategic plan implementation 47(37.0) of the respondents strongly agreed, 58(45.7) Agreed 14(11.0) were neutral 6(4.7) disagreed and 2(1.6) strongly disagreed. Flexible organizational structure affects strategic plan implementation to a large extent (mean of 4.1181).

**Inferential Analysis**

**Table 2: Regression Coefficient**

Model	Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.	Collinearity Statistics	
	B	Std. Error				Tolerance	VIF
1 (Constant)	.398	.531		.749	.455		
Organization Structure	.332	.102	.290	3.261	.001	.744	1.344

a. Dependent Variable: Organization Performance

Source: Research Data (2019)

Based on the results in table 2 above, the organization structure has a strong significant relationship to organization performance of the level 4 public hospitals (P= 0.000 <0.05).

These findings were also supported or consistent with those of (Bourgeons and Birodwin 1984 as cited by Koskei 2017). It was also found that proper and clear task allocation leads to effective plan implementation. Other scholars of similar views includes Hargrove, Quick, Nelson & Quick,( 2011) and Quangyen & Yezhuang (2013). Organization structure is one of the important variables that any organization can manipulate in order to achieve its desired objectives

## Summary

The findings from the study indicated that there was a significant relationship with a correlation coefficient showing a strong relationship. Majority of the respondent agreed that the type of organizational structure adopted by the hospitals allows effective strategy implementation. It was also found that there was good relationship and cooperation between employees and other departmental heads.

## Conclusion

In conclusion, the study indicated that the public level 4 hospitals in Kericho County had good structural designs that enabled efficient strategic plan implementation. It was indicated that majority of the departmental heads coordinated well with their colleagues in order to achieve the objectives of their organization. Further, the organization structures adopted allowed easy flow and sharing of information important for implementation of strategic plans. Centralization of power also lead to effective strategy implementation

## Recommendations

After analyzing the findings of this study, the following recommendation were necessitated; first, there is need to adapt to an organization structure that can allow easy and efficient implementation of strategies. Employees should also be in cooperated well in decision making so as to motivate them and ensure that they cooperate while implementing strategies. Further, management should ensure proper and clear task allocation and a good balance between centralization and decentralization of power at the top management. This will ensure that there is a clear line of communication and orderliness in the organizations hence leading too effective and efficient implementation of strategic plans in the public level 4 hospitals

Another recommendation is that organizations should adopt a human relations approach where personal factors that influence employee performance should be examined carefully and addressed. Employees should be given an opportunity to experiment and explore, there should be limited delegation of leadership in the organization. In addition, to ensure that employees perform their roles effectively, management should sponsor them to various human resource development programs for capacity building. This will create original harmonious industrial relations which is good for strategic plan implementation. This will also be enabled by ensuring that there is a good work life balance among employees in order to motivate them to ensure that strategic plans are implemented efficiently.

## Reference

- Adebayo, O. S., Olusola, A. G., & Abiodun, O. F. (2013). Relationship between corporate governance and organizational performance: Nigerian listed organizations experience. *International Journal of Business and Management Invention*, 2(9), 1-6
- Barnat, R. (2012). Tools for developing organizational strategies. *Introduction to Management*.
- Bourgeois, L.J., & Brodwin, D.R. (1984). 'Strategic plan Implementation: Five Approaches to an Elusive Phenomenon. *Journal of Strategic Management*, 5, 24-264.
- Donaldson, L., & Davis, J. H. (1991). Stewardship theory or agency theory: CEO governance and shareholder returns. *Australian Journal of management*, 16(1), 49-64.
- Freeman, R. E. (2010). *Strategic management: A stakeholder approach*. Cambridge university press.

- Freeman, R. E., & Phillips, R. A. (2002). Stakeholder theory: A libertarian defense. *Business ethics quarterly*, 12(3), 331-349.
- Hargrove, M. B., Quick, J. C., Nelson, D. L., & Quick, J. D. (2011). The theory of preventive stress management: a 33-year review and evaluation. *Stress and Health*, 27(3), 182-193.
- Huiru, D. (2011). *The importance of strategic management: A case study of H&M*. (Business Administration Bachelor's Thesis, Savonia University of Applied Science, Kuopio).
- Kalali S. Anvari M. Asghar A. & Karimany (2011), Why does Strategic plans implementation fail? *A study in the health sector of Iran*, Vol. 5 (23), pp 9831-9837, 7 October, 2011
- Karuri, J., Waiganjo, P., Daniel, O. R. W. A., & Many, A. (2014). DHIS2: the tool to improve health data demand and use in Kenya. *Journal of Health Informatics in Developing Countries*, 8(1)
- Koskei, E. C. (2017). *Strategic plan implementation and organizational performance in ainamoi sub-county hospitals*, Kericho County, Kenya (doctoral dissertation, Kisii University)
- Machuki N.V. (2015). *Challenges to Strategy Implementation at CMC Motors Group Limited*. Unpublished MBA Project, University of Nairobi.
- Maduenyi, S., Oke, A. O., Fadeyi, O., & Ajagbe, A. M. (2015). Impact of Organisational structure on Organisational performance.
- Martinelli, P., D., (2001). Systems Hierarchies and Management. *System Research and Behavioral Science*, 18(1), 68-82.
- Martyn. (2014). Middle management's strategic influence and organizational Performance *Journal of Management studies*, 34(3), 465-485.
- Mugenda, O. M., & Mugenda, A. G.(2003). *Research methods*
- Nelson, R. R., & Winter, S. G. (2002). Evolutionary theorizing in economics. *Journal of economic perspectives*, 16(2), 23-46.
- Noe, R. A., Hollenbeck, J. R., Gerhart, B., & Wright, P. M. (2017). *Human resource management: Gaining a competitive advantage*. New York, NY: McGraw-Hill Education
- Nyakeriga, C. K. (2015). *Factors influencing strategic plan implementation in the newly established public Universities in Kenya* (Doctoral dissertation).
- Ooko, M. (2015). Challenges of Strategy. *International Journal of Current Business and Social Sciences*, 1(3), 193-213
- Orodho, J. A. (2009). Elements of education and social science research methods. *Nairobi/Maseno*, 126-133.
- Pauli, G. (1995). *Industrial Clusters of the Twenty-First Century*. In F Capra and G Pauli (eds), *Steering Business Towards Sustainability*.
- Quangyen, T., & Yezhuang, T. (2013). Organizational Structure: Influencing Factors and Impact on a Firm. *American Journal of Industrial and Business Management*, 3, 229 - 236.
- Thompson, J. (1966). *Organization in Action*. New York: McGraw-Hill.