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# Effect of strategic partnership on organizational performance of the health sector in Kenya

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### ABSTRACT

Strategic supply chain partnership is a collaborative coalition of two or more firms in a market to facilitate joint efforts collaborations in one or more core values. Many different stakeholders are involved in health care supply chain practices. Therefore, the application of supply chain management practices in a health care setting is almost by definition related to organizational aspects like building relationships, allocating authorities and responsibilities, and organizing interface processes. The performance of most public health facilities in supply chain management has been wanting. The study therefore sought to establish effect of strategic partnership on organizational performance. The study adopted descriptive survey design. The target population was 3500 employees in Moi Teaching and Referral Hospital. Purposive sampling was used to select employees in the procurement department that gave a sample size of 133 respondents. Questionnaires was used to collect data. The data collected was analyzed using descriptive statistics with the aid of Statistical Package for Social Sciences (SPSS v 21.0). The study established that the organization maintains good relationship with suppliers and distributors, collaborates with suppliers in coming up with specification, involves major suppliers in their planning and collaborates with major suppliers in implementing business activities. Strategic partnership has significant effect on organizational performance. The study recommended that the organizations should explore other avenues that they can benefit on strategic partnership with the suppliers.

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### Introduction

The health care sector has changed rapidly due to increased competition, the growing influence of patient-associations and a necessity to deliver health services in a more efficient and effective way. Many health care organizations have started projects in the area of patient logistics, clinical pathways, data interchange and vertical integration (Aptel and Pourjalali, 2001). Moreover, the redesign of hospital services and the implementation of integrated care programs are frequently addressed as being critical strategies to decrease resource utilization and improve health care quality. Related to health service providers, supply chain management often refers to the information, supplies and finances involved with the acquisition and movement of goods and services from the supplier to the end user in order to enhance clinical outcomes while controlling costs. In doing so supply chain management puts a strong emphasis on the integration of processes. Within the healthcare sector these processes might refer to physical products like pharmaceuticals, medical devices and health aids but also to processes associated with the flow of patients. In both cases the basic rationale of a supply chain management approach is founded in the belief that intensive co-ordination and integration between operational processes might lead to a better health supply chain performance (McCutcheon & Stuart, 2000).

Strategic supply chain partnership is a collaborative coalition of two or more firms in a market to facilitate joint

efforts collaborations in one or more core values. Many different stakeholders are involved in health care supply chain practices. Therefore, the application of supply chain management practices in a health care setting is almost by definition related to organizational aspects like building relationships, allocating authorities and responsibilities, and organizing interface processes. Different studies have highlighted the importance of organizational processes when applying supply chain management practices. Moreover, recent studies reveal that elements like organizational culture, the absence of strong leadership and mandating authority, as well as power and interest relationships between stakeholders might severely hinder the integration and co-ordination of processes along the health care supply chain (McCutcheon & Stuart, 2000).

Countries such as the UK, US and Canada have long employed SCM in the management of their procurement and logistics. For instance, Gangster *et.al* (2004) acknowledged that the Department of Defense (DOD) in the US has minimized cost through lead time in the management of its logistics by employing SCM practices. Also, the office of Government of Commerce (OGC) in the UK releases year to year updates about best practices of SCM in the public sector. Adebayo (2012) conducted study on SCM Practices in Nigeria Today: Impact on SCM Performance. The SCM practices considered in this paper were namely strategic supplier partnership, customer relations practices, information sharing, information quality and postponement.

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This paper provides empirical justification for five key dimensions of SCM practices identified and describe the relationship among SCM practices and SCM performance as well as the impact of these practices on SCM performance. The study thus showed that SCM practices definitely impacts SCM performance.

In Kenya, supply chain management in government institutions is guided by the Public Procurement and Disposal Act, 2005 that came into effect in October 2005. In the health sector, the user generates a requisition form to request for the item required. The stores then fill in the order if the item is available. If not available, the requisition form is forwarded to the medical superintendent who then verifies the availability of funds to purchase the items. This is discussed at the facility procurement committee. Depending on the value of the item, it may be procured directly through cash payment for items whose value is less than Kshs. 10,000 or may require raising of quotations (minimum three quotations) or may require tendering if of higher value or the items may be sourced from KEMSA directly.

### Statement of the problem

The performance of most public health facilities in supply chain management has been wanting. In a report by the Public Procurement Oversight Authority review of procurement functions and procedures at New Nyanza Provincial General Hospital in 2009 it was found that the NNPGH does not have an internal audit unit. Record keeping, data and documentation controls and contract management is a major challenge. Some records pertaining to execution of procurement process was incomplete. The adverse risks from non-compliance with procurement regulations include fraud, corruption and financial loss (PPOA, 2010). At Thika District Hospital for example, the purchases were found to be uncoordinated and uneconomical without planning of quantities, competitive bidding and scheduling of deliveries.

### Literature review

Health care supply chain integration not only relates to the integration and co-ordination of planning processes but can also be linked to joint market development and offering new care products. Within the automotive industry, it is common practice that supply chain partners collaborate in the process of developing new products. Product co-development is a recognized phenomenon in the field of supply chain management and within industrial supply chains many joint efforts are made to develop new products across suppliers, customers and organizational units. It is interesting to note that the same development is visible in the area of health care supply chains.

The choice of suppliers and how businesses are effectively integrated to obtaining proper complementary skills are important issues. Strategic sourcing consists of strategic outsourcing and supplier capability analysis. In addition, the construct strategic supplier partnership is an integral element to the second order construct of SCM (Li *et al.*, 2006). The defining elements of strategic sourcing have been identified to be: the status of supply management within the organizational hierarchy, internal coordination of supply management with other functions in a firm, active information sharing with suppliers, and comprehensive supplier development activities (Kocabasoglu and Suresh, 2006).

Tan, (2000) pointed out that partnerships have several advantages which include, having the latest technologies and market information access, increasing the ability to provide

wider range of product and services to customers, reaching to economies of scale with the joint production and research activities, risks sharing, increased knowledge assessment outside the organization boundaries. Although less common, examples can be found of health care service providers communicating jointly to patient groups about the services they provide. In doing so, they emphasize the benefits of the intensive collaboration between the health care organizations for clients in terms of throughput time, quality of care and the services being provided. Additionally, care providers have taken the initiative in different countries to develop new care-products in close collaboration with each other.

In Netherlands for instance, several hospitals started up joint centers for hemodialysis. Other examples can be found in the field of Breast centers. Clearly, the above-mentioned modes of integration cannot be considered in isolation. Studies in the field of industrial companies indicate that organizations often go through several stages of integration, starting with a transparency stage via a commitment/coordination stage to a full integrated stage encompassing all the different modes of integration addressed above (Van der Vaart & van Donk, 2008). Product development, marketing, sales and distribution. The objective of supply chain partnership is to reduce costs of acquisition, possession and disposal of goods and services (Maheshwari, 2006). It is important that all existing and potential partners have a shared vision and purpose, as these shared aims unite members in achieving common goals (Boydell, 2007). When vision and purpose are mutual, the organizations involved in partnering experience an increase in organizational capacity and therefore possess a competitive advantage. As a result, organizations increasingly rely on strategic alliances in various forms to stay ahead in today's global and local economy.

Boydell, (2007) explains that partnering relies on the development of relationships between the parties involved and that partners not only need to connect with one another, but also begin to connect one another to networks outside the partnership. These contacts are invaluable, as they inform and connect partners with other industry leads, which enable them to function more effectively within the partnership. In the same way, partnerships provide access to complementary expertise and he support and capacity to further organizational strength (Cassidy & Paksima, 2007). Another benefit to partnering is the creation of innovative approaches to problem-solving and the opportunity for reevaluating institutional operations and practices. Tan, (2000) pointed out that partnerships have several advantages which include, having the latest technologies and market information access, increasing the ability to provide wider range of product and services to customers, reaching to economies of scale with the joint production and research activities, risks sharing, increased knowledge assessment outside the organization boundaries.

Supply partnership with suppliers enables organization to work more efficiently and effectively with few important suppliers who are willing to share responsibility for the success of the products. Strategic partnership has been reported to yield specific benefits, Maylee and Veeke, (2006) said that SC partnership impacts significantly on the performance of an organizational SC performance and it also acts as a tool making the organization achieve a competitive advantage over other organizations. The strategic partnership with the supplier will help in improving the supplier

performance, and will help to reduce the time to the market and will also results in the responsiveness and satisfaction of the customer (Power, Sohal, & Rahman, 2001).

### Research Methodology

#### Research Design

The researcher adopted descriptive survey design. Kothari (2001) observes that a descriptive research design is used when one wants to get information on the current status of a person or object. Descriptive survey allowed collection of qualitative and quantitative data to establish the associations among the key study variables, to verify results and enable greater accuracy in measurement.

#### Target Population

According to Hair *et al.* (2010), target population is said to be a specified group of people or object for which questions can be asked or observed made to develop required data structures and information. The study targeted employees in Moi Teaching and Referral hospital. From the records, there are 3500 employees in the organization that have been employed on permanent basis. The study targeted the employees in the procurement department, since they possess the information relevant to this study. The employees working in the procurement department are 200, distributed as indicated in table 1

**Table 1. Sample size.**

Designation	Population
Procurement officer	4
Supply chain manager	4
Senior purchasing officer	22
Purchasing officer	36
Clerks	134
Total	200

#### Sample Size

Sampling is the process of selecting a number of individuals or objects from a population such that the selected group contains elements representative of the Characteristics found in the entire group (Kombo and Tromp, 2006). The sample size was determined using formula proposed by Yamane, (1973).

$$n = \frac{N}{1 + Ne^2}$$

This study allowed the error of sampling on 0.05. Thus, sample size was as follows:

$$\begin{aligned} n &= (N) / (1 + Ne^2) \\ &= 200 / (1 + 200 * 0.0025) \\ &= 133 \end{aligned}$$

**N** = Total Population

**n** = Sample Size

**e** = Sampling Error (0.05)

The 133 respondents were selected proportionately across all the sections in the procurement department.

**Table 2. Sample Size.**

Designation	Population
Procurement officer	4
Supply chain manager	4
Senior purchasing officer	14
Purchasing officer	20
Clerks	91
Total	133

#### Sampling procedures

The study adopted purposive sampling, this method of sampling is appropriate where the researcher uses his judgment on the subjects that possess the relevant information to the research. The researcher purposively selected employees in the procurement department. Given the small

number of the employees in the procurement department, all the employees were therefore selected as the respondents.

#### Data Collection Instruments

The main instrument for data collection was structured questionnaire that allowed for uniformity of responses to questions. The questionnaire is a fast way of obtaining data as compared to other instruments (Mugenda & Mugenda, 2003). Questionnaires give the researcher comprehensive data on a wide range of factors. Questionnaires allows greater uniformity in the way questions are asked, ensuring greater compatibility in the responses. A five point Likert scale was used for the closed ended questions. Likert scales are easy for the respondents to read, understand and respond appropriately to the statements put across. The Likert scale also enhanced the production of highly accurate results during analysis.

#### Data Analysis

After the data collection, the research instruments were checked for completeness, and coded into the computer. The data was then analyzed using descriptive statistics. The analysis was done with the aid of statistical package of social science (SPSS). Correlation analysis was conducted to establish effect of strategic partnership on organizational performance.

#### Findings

The objective of the study was to determine the effects of strategic partnership practices on organizational performance. The respondents were presented with question rated on Likert scale; strongly disagree (SD-1), Disagree (D-2), Undecided (UD-3), Agree (A - 4) and strongly agree (SA-5). The study established that the organization maintains good relationship with suppliers and distributors, as indicated by 31(32.3%) of the respondents who agreed and 63(65.6%) of the respondents who strongly agreed with the statement. The organization collaborates with suppliers in coming up with specification, as evidenced by majority of the respondents 54(54.2%) who agreed, and 38(39.6%) who strongly agreed while a minority 2(2.1%) strongly disagreed with the statement.

Majority of the respondents 50(52.1%) strongly agreed and 43(44.8%) agreed that the organization involves major suppliers in their planning, while 2(2.1%) disagreed. Majority of the respondents 58(60.4%) agreed and 36(37.5%) strongly agreed while only 1(1.0%) strongly disagreed. On statement that the organization collaborates with major suppliers in implementing business activities, 53(55.2%) of the respondents agreed, 41(42.7%) strongly agreed while 1(1.0%) strongly disagreed.

The study established that strategic partnership has resulted in the quality improvement by suppliers, as indicated by 65(67.7%) of the respondents who agreed and 30(31.3%) who strongly agreed. The study further established that the organization has adopted collaborative business process with its suppliers. On the statement that the organization takes collaborative decision making on matters relating to suppliers, 55(57.3%) of the respondents agreed and 38 (39.6%) strongly agreed, as indicated in table 3.

#### Organizational Performance

The dependent variable for the study was organizational performance that was measured by rating; customer satisfaction, cost reduction, professionalism, efficiency, quality, and employees' competent. The study established that the customers are satisfied with the level of service delivery in the organization, as indicated by 74(77.1%) of the

**Table 3. Response on Effect of Strategic Partnership.**

Strategic partnership	SD		D		U		A		SA	
	F	%	F	%	F	%	F	%	F	%
The organization creates and maintains good relationship with suppliers and distributors	2	2.1	0	0.0	0	0.0	31	32.3	63	65.6
The organization collaborates with the suppliers in coming up with specifications	2	2.1	0	0.0	0	0.0	52	54.2	38	39.6
The organization involve the major suppliers in their planning	0	0.0	2	2.1	0	0.0	43	44.8	50	52.1
Suppliers provides goods and services prior to payment	1	1.0	0	0.0	0	0.0	58	60.4	36	37.5
The organization collaborates with the major suppliers in implementing business activities	1	1.0	0	0.0	0	0.0	53	55.2	41	42.7
Strategic partnership has resulted in quality improvement by the supplies	0	0.0	0	0.0	0	0.0	65	67.7	30	31.3
The organization has adopted collaborative business process with its suppliers.	1	1.0	1	1.0	0	0.0	47	49.0	46	47.9
The organization takes collaborative decision making on matters relating to supplies	2	2.1	0	0.0	0	0.0	55	57.3	38	39.6

**Table 4. Response on Organizational Performance**

Organizational performance	SD		D		U		A		SA	
	F	%	F	%	F	%	F	%	F	%
The customers are satisfied with the level of service delivery in the organization	1	1.0	1	1.0	0	0.0	74	77.1	20	20.8
There has been overall reduction on cost due to adoption of efficient supply chain practices	1	1.0	1	1.0	0	0.0	60	62.5	34	35.4
There improved levels of professionalism in the organizations supply chain management	1	1.0	1	1.0	0	0.0	69	71.9	25	26.0
There is real time delivery of goods and services to the organization	1	1.0	1	1.0	0	0.0	60	62.5	34	35.4
There is low rejects/ returns of goods experience by the organization after employing modern supply chain management practices	1	1.0	0	0.0	0	0.0	69	71.9	25	26.0
The customer's requirements are met in terms of quality and delivery time.	0	0.0	0	0.0	0	0.0	62	64.6	32	33.3
Supply chain management practices adopted has reduce the challenges of regular stock out in the organization	0	0.0	0	0.0	0	0.0	77	80.2	17	17.7
The capacity of employees in supplies department has improved due to adoption of the modern supply chain practices.	1	1.0	0	0.0	0	0.0	52	54.2	41	42.7

respondents who agreed and 20(20.8%) who strongly agreed. There has been also an overall reduction on cost due to adoption of efficient supply chain practices, since 60(62.5%) of the respondents agreed and 34(35.4%) strongly agreed. Majority of the respondents 69(71.9%) agreed that there is improved level of professionalism in the organizations supply chain management, and 25(26.0%) strongly agreed. Similarly, 60(62.5%) of the respondents agreed that there is real time delivery of goods and services to the organization and 34(35.4%) strongly agreed.

The study established that there is low rejects/ returns of goods experienced by organization after employing modern supply chain management practices, as indicated by 69(71.9%) of the respondents who agreed and 25(26.0%) who strongly agreed. On statement that customers' requirements in terms of quality and delivery times are met, 62(64.6%) of the respondents agreed and 32(33.3%) strongly agreed.

Most respondents 77(80.2%) agreed that supply chain management practices have reduced the challenge of regular stock out in the organization and 17(17.7%) of the respondents strongly agreed.

It was also established that the capacity of the employees in the supplies department has improved with adoption of modern technologies, as indicated by 52(54.2%) of the

respondents who agreed and 41(42.7%) of the respondents who strongly agreed, the information is presented in table 4.

#### Correlation analysis

Pearson correlation was conducted to establish the effect of strategic partnership on organizational performance. The results indicated a significant positive correlation ( $r = 0.285$ ,  $p = 0.005$ ) between strategic partnership and organizational performance.

**Table 5. Correlation analysis.**

		Organizational performance	Strategic partnership
Organizational performance	Pearson Correlation	1	.285**
	Sig. (2-tailed)		.005
	N	96	96
Strategic partnership	Pearson Correlation	.285**	1
	Sig. (2-tailed)	.005	
	N	96	96

#### Discussions

The study established that the organization maintains good relationship with suppliers and distributors, as a result the organization collaborates with suppliers in coming up with specification. Majority of the respondents agreed that the organization involves major suppliers in their planning.

On statement that the organization collaborates with major suppliers in implementing business activities, most of the respondents agreed. The study further established that strategic partnership has resulted in the quality improvement by suppliers, since the organization has adopted collaborative business process with its suppliers, and key suppliers are involved in decision making on matters relating to suppliers. The findings agree with (Tan, 2000), the study pointed out that partnerships have several advantages which include, having the latest technologies and market information access, increasing the ability to provide wider range of product and services to customers, reaching to economies of scale with the joint production and research activities, risks sharing, increased knowledge assessment outside the organization boundaries.

The regression analysis indicated that strategic partnership significantly affect organizational performance ( $\beta = 0.081$ ,  $p = 0.31$ ). The results concur with (Maylee and Veeke, 2006), the study revealed that said that Supply chain partnership impacts significantly on the performance of an organizational performance and it also acts as a tool making the organization achieve a competitive advantage over other organizations. Similar sentiments were presented by (Power, Sohal, & Rahman, 2001), the strategic partnership with the supplier will help in improving the supplier performance, and will help to reduce the time to the market and will also results in the responsiveness and satisfaction of the customer.

#### Conclusions

The study established that the organization maintains good relationship with suppliers and distributors, collaborates with suppliers in coming up with specification, involves major suppliers in their planning and collaborates with major suppliers in implementing business activities. The study further established that strategic partnership has resulted in

the quality improvement by suppliers, and key suppliers are involved in decision making on matters relating to suppliers. Strategic partnership has significant effect on organizational performance.

#### Recommendations

The study established that the organization has adopted, through collaboration with suppliers in coming up with specifications, and involving major suppliers in the decisions affecting them, the undertaking has resulted in quality improvement by suppliers. The organizations should therefore, explore other avenues that they can benefit on strategic partnership with the suppliers.

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