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**Abstract**

*This research examined the relationship between Internal Processes and organizational performance in National Referral Hospitals in Kenya. In particular, the study investigated the inconsistency in the relationship between Internal Processes and Organizational Performance. Several studies have been conducted in this field and they delivered inconsistent results with some arguing that there is a positive direct relationship between the two variables while others say that there is no relationship between the two variables while others recommend further research in this field since they argue that the relationship is not clear. The findings of the study indicated that Internal Processes have a significant relationship with organisational performance in referral hospitals in Kenya and that Internal Processes explained 54% of the variations in performance. The results further indicated that a unit change in Internal Processes results in 0.168 increase in performance. Internal processes positively and significantly influenced the performance of referral hospitals in Kenya. (B1=0.168, P=0.000).*

**Keywords:** Internal Relations, Work Climate, Organizational Performance, National Referral Hospitals

## **Introduction.**

During the past two decades, service organisations have started to focus on productivity improvement, on customer satisfaction and, generally, on a more effective management (Mouritsen, Thorbjørnsen, Bukh & Johansen, 2005). In such a scenario, a renewed interest about the role of intangible resources in determining organisational performances has risen. This is particularly valuable for healthcare services. Several scholars have discussed the relevance of intangible resources such as internal processes as drivers of outstanding performances in the health sector. The Internal Processes dimension of organizational climate is derived from an organic or natural view of organizations, which are seen as political arenas where multiple stakeholders and coalitions interact and where emphasis is placed on the satisfaction of stakeholders' needs and on activities required by the organization to survive (De Simone, 2014). The sub-climate dimension that represent this dimension include tradition and Formalisation (Patterson *et al.*, 2005).

## **Statement of the Problem**

Internal Processes as part of the work environment of employees, has significant consequences for the organization (Adenike, 2011). According to Tibbs and Langat (2016), internal business processes are the mechanisms through which organization performance expectations are achieved. Management must put in place proper internal processes that will carry them through even challenging and difficult times. They need to focus on those critical internal operations that enable them to satisfy customer needs Kaplan & Norton, (2002). Organizations should decide at what processes and competencies they must excel and specify measures for each. Key internal processes are monitored to ensure that outcomes will be

satisfactory. A number of factors continue to constrain the performance and limit the output of health care providers in Kenya that have led to many industrial actions like strikes that have been witnessed in agitation for improvement (Lesiyampe, 2013). Despite the fact that many studies have been conducted in different sectors, clearly indicating how important it is to have proper internal processes in place, this has not been the case in the health sector in Kenya and further still, the studies that have been conducted relating Internal Processes which is an organizational climate dimension with organizational performance have not yielded consistent results. It is also clear that most empirical studies were conducted in the West and less is known about the effect of human relations elsewhere and especially in the health sector in Kenya. Further, specific calls by Lutherns (2008) and Putter (2010) that further studies need to be conducted in the field to establish the relationship between organizational climate and performance, made this study noble.

## **Hypothesis**

**H<sub>0</sub>** Internal processes have no significant relationship with organizational performance in referral hospitals in Kenya.

**H<sub>1</sub>** Internal processes have a significant relationship with organizational performance in referral hospitals in Kenya.

## **Literature Review**

The Internal Process dimension represents the classic bureaucracy. The sub-dimension that represent this dimension are Formalization which is concerned with formal rules and procedures and Tradition which is the extent to which established ways of doing things are valued (Patterson *et al.*, 2005). Formalization refers to the extent to which

the organization is concerned with implementing and upholding a system of strict rules and procedures (Patterson *et al.*, 2005). It also concerns the degree to which jobs in the organization are standardized. Formalization is high in companies where everything is done strictly according to the book and the breaking of rules is not tolerated.

It is an integral part of modern bureaucratic organizational structure. Organizations are required to adhere to formal practices and rules in order to ensure smooth functioning. The absence of rules and regulations may lead to chaos and anarchy in an organization and behavioral uncertainty within employees. Formalization serves as the rudder which helps steer the boat of an organization in the right direction. The concept formalization is an organizational characteristic. It refers to the amount of written documentation in an organization. The documentation can be about rules, job descriptions, procedures and policy manuals. The purpose of these documents is to describe behavior and activities; it ensures that all employees respond to recurrent situations in a specific way that suits the organization. Because formalization describes procedures about jobs, it can be assumed that the degree of formalization has an influence on how jobs and tasks are done (Bunderson & Boumgarden, 2010).

A number of studies have focused on the need for formalization in service-intensive companies. One benefit of a formalized process is claimed to be that it becomes more predictable and manageable. Some studies claim to have proven the benefits of formalization in these contexts. Crevani, Palm and Schilling (2009) for example, have shown that a more formalized process can contribute to increased speed of new service development and positively influence the effectiveness of service-intensive companies like the health sector. Organizational formalization has been a frequent focus of both theoretical and empirical investigation in organization behavior literature for a long time.

Formalization has also been identified with organizational bureaucracy.

The concept of organizational formalization has its roots in Weber's theory of bureaucracy (Bunderson & Boumgarden, 2010). Weber (1978) defined the bureaucratization process as 'discharge of business according to calculable rules and without regard to persons'. The concept of formalization is vital to the characterization of a bureaucracy (Joseph & Ganesh, 2011). Traditional organizations have a conventional approach to running the business and adhere to set long-established rituals. These organizations are said to have strong cultures (Patterson *et al.*, 2005).

Managers will keep doing things the same way they have always done and be resistant to new ideas, methods and procedures. Organizations with a strong culture create clear and coherent values and expect that members agree with and care intensely about those values. Academics and practitioners have touted the virtues of strong organizational cultures that emphasize strategically relevant values. By increasing members' understanding of organizational Objectives, ties to one another, and commitment, organizations with strong cultures increase the chances that members can execute those objectives collectively thus increase organizational performance. Though some researchers have questioned how well strong cultures improve bottom-line performance, a growing body of research and a host of salient examples demonstrate how organizations attain strategic advantages through strong cultures. Strong cultures may, however, impose a level of stability on organizations, and such stability has mixed implications for performance. Yu and Wu (2009) found that stability traits such as a firm's mission, consistency, and normative integration, were related to its profitability.

Specifically, organizations with strong cultures had greater returns on investments, but only in the short run; after three years the relationship

between cultural consistency and performance became negative (Ahmad, 2012). Strong cultures may enhance short-term success but inhibit long-term organizational performance; they may even contribute to long-term failure by preventing organizations from adapting to changing contingencies. Muendo (2014) found that organizations with stronger cultures were most effective when their environments favored exploiting, or fully executing existing objectives using existing organizational knowledge and approaches, rather than exploring, or discovering and developing new objectives using new approaches. He reasoned that incremental adjustments to organizational routines were easier in strong culture firms because participants have an agreed upon framework for interpreting environmental feedback and a common set of routines for responding to different signals from the environment. Using the same reasoning, however, the agreed upon framework and set of routines may inhibit an organization's ability to embark on more radical strategic shifts. Latta (2009) suggested that organizations with strong cultures are capable of only limited change because members are especially resistant to changing those strongly held and widely shared values. This resistance limits the range of permissible value changes to those that are compatible with existing core values. Thus, even when strong culture organizations could benefit from changes that require modifying their core values, resistant members may prevent such change from occurring. According to Yu and Wu (2009), strong cultures can be adaptive, but cannot withstand radical changes that directly challenge their basic assumptions.

### Purpose of the study

This study aimed to address the gap that exists in the relationship between internal processes and

organizational performance. According to Vashti, Gadot and Shlom (2013), studies relating internal processes and organizational performance have been conducted but the results yielded inconsistent results.

### Conceptual Model

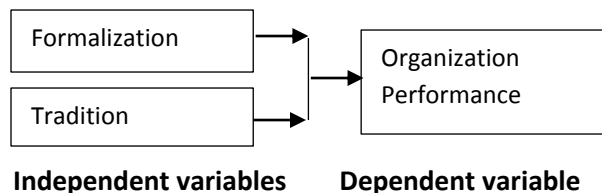


Figure 1: Conceptual Mode

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## Organization Performance

The concept of organizational performance is based upon the idea that an organization is the voluntary association of productive assets, including human, physical, and capital resources, for the purpose of achieving a shared purpose. Those providing the assets will only commit them to the organization so long as they are satisfied with the value they receive in exchange, relative to alternative uses of the assets. As a consequence, the essence of performance is the creation of value. So long as the value created by the use of the contributed assets is equal to or greater than the value expected by those contributing the assets, the assets will continue to be made available to the organization and the organization will continue to exist (Wienand et al., 2007).

## Research Method

This study employed a survey research design. Descriptive survey research design is a method of collecting information by administering questionnaires to a sample of individuals. It can be used when collecting information about people's attitudes, opinions, habits or any of the variety of education or other social issues (Dolnard & Delno, 2009). Further this study used the mixed methods approach of inquiry. According to Creswell (2003), in the mixed method of inquiry, both qualitative and quantitative methods of data collection are used.

The target population for this study was 2961 drawn from the two National referral hospitals in Kenya namely, Kenyatta National Hospital and the

Moi Teaching and Referral Hospital and the study used Yamane (1967) simplified formula to calculate sample size for the population of individuals at 95% confidence level and a p of 0.05%

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

Where

n = Sample size

e = level of precision, 5%

N = Population size; 1100 for MTRH and 2096 for KNH

On data collections, the study used a structured questionnaire to solicit responses and the researcher also took care of the common methods bias.

## Data Analysis and Interpretation

### Test of Hypothesis

***H<sub>01</sub> – Internal Processes have no significant relationship with organisational performance in referral hospitals in Kenya.***

To test the null hypothesis that Internal Processes have no significant relationship with organisational performance in referral hospitals in Kenya, a linear regression was carried out. The results of the linear regression indicate that R<sup>2</sup> is equal to 0.41. The results of the linear regression indicate that the R<sup>2</sup> is equal to 0.54. This indicates that Internal processes have a significant relationship with organisational performance in referral hospitals in Kenya, and that internal processes explained 54% of the variations in performance. The remaining 44% of variation was explained by other variables.

**Table 1: Internal Processes**

Model Summary	
R	R Square
0.738	0.544

a. Predictors: (Constant), x2 (Internal Processes)

Table 1: showed results of ANOVA. F-test results of 624.302 and the critical values of F-test at 0.05 degrees of freedom. This means that the model is valid ( $F=624.304$ ,  $P=0.000$ ). P-value is .000 which is less than 5% level of significance. Internal Processes have a significant effect on organizational performance, hence the explanatory variable

internal processes is good in explaining total variation in the performance of referral hospitals in Kenya. Therefore, we reject the null hypothesis and conclude that there is a significant relationship between internal processes and organizational performance in referral hospitals in Kenya.

**Table 2: Anova**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	76.927	1	76.927	624.304	.000 <sup>b</sup>
	Residual	64.444	523	.123		
	Total	141.372	524			

To test this hypothesis further, the beta coefficient was computed and t test used to test the relationship between internal processes and organizational performance. The hypothesis  $H_0: B_1 = 0$  versus  $H_1: B_1 \neq 0$  was tested. This was tested at 5% significance level. The results indicated that t test found that  $B$  coefficient was statistically significant since t value at 5% is  $20.409 > \text{critical } t = 1.96$ . The null hypothesis was rejected since t test indicated that  $\beta$  coefficient was different from zero

at 5% significant level. The equation  $Y = B_0 + B_1X_1 + e$  was then replaced by  $Y = 1.880 + 0.168X_1 + e$ . This showed that when other factors are zero, a unit change in internal processes, would result to 0.168 increased in performance. Internal processes positively and significantly influenced the performance of referral hospitals in Kenya. ( $B_1 = 0.168$ ,  $P = 0.000$ ). Since the t test indicated that the  $B$  coefficient was different from Zero, the null hypothesis was rejected.

**Table 3: Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	1.880	.092		20.409	.000
	x2	.168	.007	.738	24.986	.000

- 
- a. Dependent Variable:  $y$  (Organizational Performance)
  - b. The equation  $Y=B_0+B_1X_1+e$  now becomes  $Y=1.880+0.168X_1+e$

### **Discussion of findings on the relationship between internal processes and the performance of referral hospitals in Kenya**

The stated null hypothesis for this study was  $H_02$ : Internal processes have no significant relationship with organisational performance in referral hospitals in Kenya. According to the study, there is a linear relationship between internal processes and the performance of referral hospitals in Kenya. It also revealed that internal processes have a significant effect on performance in referral hospitals in Kenya, this is because internal processes explained 54% of the variations in performance. The study indicates that compared to the other three variables, (human relations, open systems and rational goals), Internal processes have the strongest and significant influence on the performance of National referral hospitals in Kenya.

According to Patterson *et al.*, (2005), the Internal Process dimension represents the classic bureaucracy. The sub-dimensions that represented this dimension are *Formalization* which is concerned with formal rules and procedures and *Tradition* which is the extent to which established ways of doing things are valued. All of the respondents agreed that there are some formal procedures in place in the national referral hospitals in Kenya. Therefore, from the findings we can infer

that the referral hospitals in Kenya have internal processes (formalization and traditions) that positively influences their performance. These findings are in agreement with a study by Crevani, Palm and Schilling (2009) that have shown that internal processes can contribute to increased speed of new service development and positively influence the effectiveness of service-intensive companies like the health sector.

### **Conclusion**

According to the study, internal processes significantly influenced performance in National referral hospitals in Kenya. Having established formal rules and procedures ensures smooth functioning and the absence of rules and regulations may lead to chaos and anarchy organization and also behavioral uncertainty among employees. The findings indicate that there are established traditions in the referral hospitals in Kenya. 72% of the respondents said that there is an established way of doing things. This is an indicator of strong culture which according to Strong cultures may, however, impose a level of stability on organizations, and such stability has mixed implications for performance. Nevertheless, there is a linear and significant relationship between internal processes and organizational performance in National referral hospitals in Kenya.

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