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**Factors affecting financial operations performance at Karen Hospital, Nairobi
County**

ONYANGO CHRISPINUS OTIENO

REG. NO: MBA/96450/17

**A Dissertation Submitted In Partial Fulfillment of the Requirement for the Degree
in Master of Business Administration**



Strathmore University

Nairobi, Kenya

June, 2021

DECLARATION

I declare that this work has not been previously submitted and approved for the award of a degree by this or any other University. To the best of my knowledge and belief, this dissertation contains no material previously published or written by another person except where due reference is made in the thesis itself.

Chrispinus Otieno Onyango
MBA/96450/17

Signature..... Date.....



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Signature:

Date.....

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ABSTRACT

The performance of Karen Hospital has been below its other rivals in provision of private healthcare services. There is evidence of studies that have examined the performance of the hospital in terms of their internal factors, customer perception, patient level satisfaction, and strategic management practices. There is scarcity of studies that have explored financial operations performance of the institution. This study sought to examine factors that affect financial operations performance at Karen Hospital. The study was guided by the following research questions: What is the impact of human capital management practices that affect the performance of financial operations in the finance department? How does the effectiveness of the performance measurement systems impact the performance of financial operations of finance staff? What is the role of leadership in attaining improved performance of financial operations? The study was anchored on the balanced scorecard, resource-based view, and situational leadership theories. Survey research was adopted and a structured questionnaire was distributed among 68 finance department staff from a population of 80. The descriptive-analytical methods used were percentages, averages, standard deviations, and frequencies that showed the trends and relationships within the data sets. Correlation analysis and regression analysis were respectively conducted to demonstrate association and effect between variables. The output indicated positive impact of HCMP on the performance of financial operations, that was significant at a 95 % confidence level. In terms of objective two, the results show that the performance of financial operations at Karen Hospital was positively and significantly impacted by performance measurement systems. Regarding the third objective, the output of the regression analysis indicated that an increase in leadership would contribute to the performance of financial operations at Karen Hospital. The study, then, concludes that Karen Hospital adopted human capital management practices of recruitment to keep the most qualified and experienced employees; that performance management system was not used to controlling and managing performance in the finance department of Karen Hospital; that positive relationships between leaders and employees resulted in enhancing engagement in delivering their duties at work. The study, recommends that strong policies guiding human management practices, performance measurement systems and leadership needs to be developed and engrailed in management of finance departments in hospitals in Kenya and the Karen hospital to specifically adopt positive human management practices like keeping experienced and qualified employees as well as promoting the internal ones to higher levels of management within the department and the organization at large, adopting performance management systems to help in the management of expectations and strengthen leadership to enhance the cohesion between team leaders and employees for better performance of the finance department and its operations at large.

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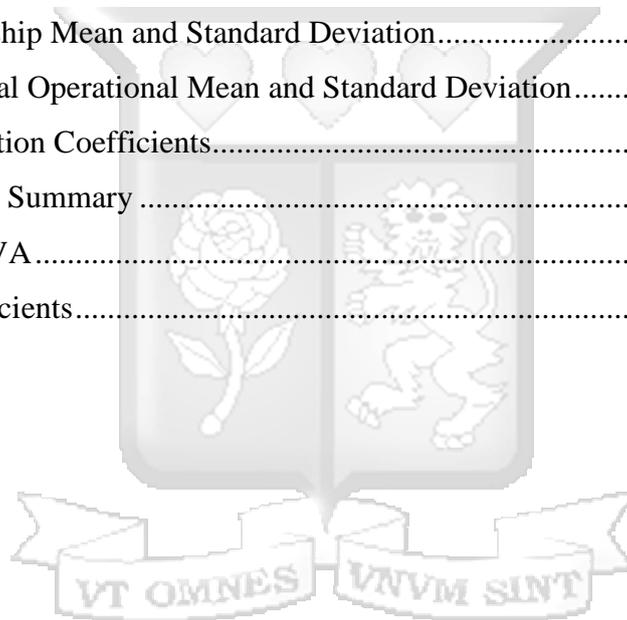
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LIST OF ABBREVIATIONS

AG	Accountant General
CBD	Central Business District
ERP	Enterprise Resource Planning
HCD	Human Capital Development
HCMP	Human Capital Management Practices
ICT	Information Communication Technology
NACOSTI	National Commission for Science, Technology, and Innovation
NAWEC	National Water and Electricity Company
PM	Performance Measures
PMS	Performance measurement Systems
RBV	Resource Based View
SLT	The situational leadership theory (SLT)
SMART	Specific, Measurable, Achievable, Relevant and Time-Bound
SME	Small & Medium Enterprises
SPSS	Statistical Package of the Social Sciences
SPSS	Statistical Package for Social Scientists.



CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Financial operations in organization are a critical component on the overall performance of the company (Onduso, 2013). The evaluation of financial operations is of particular importance because it brings to it the knowledge of the manner in which the financial assets and the way in which the business entity achieved the financial result, how the profit from the operations were attained (Vezenkoska et al., 2017).

The most important thing for successful financial operations is to have a good and solid organizational setup, proper subordinate, documentation and an adequate way of checking the documentation (Vezenkoska et al., 2017). Financial operations of a business entity contribute to improving the efficiency of the business entity, through promotion and confirmation of the accuracy and reliability of the accounting and operational data and information that are the basis for making quality business decisions (Sahiti & Aliu, 2016).

The growth in the performance of organizations is not only because of balance in financial measures or macroeconomic factors but also the result of progress in technical facets signifying the growth in the technological capacities of an organization for improvement in innovation, improved quality of human resources, relational factors that signify the relationships between various departments and work flows that, in turn, are highly influenced by investment in knowledge; education and research (Gogan, Artene, Sarca, & Draghici, 2016). These are some of the most critical and strategic investments in an organization. They can be optimized by finding creative solutions to reduce the waste of resources and secondly through the implementation of a knowledge-intensive company through adjustments in organizational structures, cultural behaviors, and business processes within the organization. These are the two most important directions that must be taken by an enterprise or organization (Wen-Ying & Wang, 2005).

In their study on an audit of financial operations, Vezenkoska et al. (2017) listed audit of cash and cash equivalents, including cash reserves held in local commercial banks, foreign exchange, securities, and receivables from business-to-business transactions as the aspects of any organization's financial operations. Sahiti and Aliu (2016) research on financial management's role in strategy execution listed finance operations, financial accounting, and

procurement as components of financial operations. Kuria (2011) study on the impact of the public financial management reforms on the ministry of finance's financial operations identified the overall financial operations objectives: allocative efficiency, operational efficiency, and aggregate fiscal discipline.

1.1.2 Determinants of Financial Operations Performance

There are several factors in the literature associated with the financial operations of organizations. According to Nyaga (2016), internal and external factors contribute to financial mismanagements in organizations. These include low management capacity, lack of professional norms, lack of transparency in public procurement regulations and finance, and less remuneration for the finance and procurement department. Lugwe (2016) established that financial skills, record keeping, and government regulations affected government agencies' financial operations. Munge, Kimani, and Ngugi (2016) found that financial controls and budget management positively and significantly affected financial operations. Njihia (2017) found that organizational leadership and culture affected sound financial operations. Mogaka (2017) found that factors that affected financial management were distribution costs, warehouse inventory costs and, supply chain personnel cost.

To achieve a businesses' functional and strategic objectives, the organization will measure its performance. Cania (2014) defined performance measurement as a planned process in which main elements have varying measurements; communication and feedback loop, continuous dialogue between employees and managers, and positive reinforcement. It entails measuring results in the form of achieved performance compared against the objectives set by the organization. Inputs and values are also elements to be considered. Inputs are the skills, technical know-how, and necessary behaviors to produce the intended results.

The company identifies needs by defining requirements and assessing the degree to which the expected performance levels are attained by using know-how, skills, and appropriate behavior. The study identified human resources management as the primary enabler in achieving the desired performance in any enterprise. It ranks human capital as the topmost asset since it uses the other assets within the organization, including know-how, systems and technology, and processes to create value and competitiveness that realize the organization's objectives (Cania, 2014).

Leadership is described by Madanchian and Taderhoost (2017) as a relationship between leaders and followers, and successful leadership is a function of how well people work, play, and execute together. To drive the success of an enterprise, you require good leadership. Small and medium enterprises fail mainly because of two factors: weak leadership and the second is insufficient skills. While examining the factors that guide success, effective leadership was an essential interpreter of an organization's continuity. Leadership effectiveness is demonstrated when leaders can influence a set of people to overcome challenges and perform their roles with positive outcomes (Madanchian & Taderhoost, 2017).

The following dimensions of leadership were studied; the ability of leaders to be accountable, be influential, be inspirational, be motivated, have positive attitudes, facilitating, and continuously monitoring. The study concluded that effective leadership would enable small and medium-sized businesses to have performance that surpasses set expectations and obtain a formidable competitive advantage. Effectiveness of leadership, without a doubt, enhances the productivity of employees. The commitment of the organization, job satisfaction of the employees, improved individual outputs, and productivity of every member is promoted by good leadership, leading to the increased overall execution of an organization. No commitment and perennial strikes by health workers are mostly perpetuated by poor leadership (Kuria, Namusonge, & Iravo, 2016).

Performance measurement systems were described by (Olsen et al., 2007) as associated with data collection and measurements of actions. Continuous improvement, control of the process, and causality are three yardsticks mentioned by the study for evaluation of performance measurement system's (PMS) effectiveness. Causality is the essential prerequisite for aligning performance measures to strategic objectives and examining its "cause-effect" relationship, the study implores. Fundamental to the design and implementation of performance measurement systems in organizations is to understand how value is created in the business and the cause-and-effect relationships between different metrics.

The organization will not integrate performance measurement systems without the causal connections, the study posits. The other goal of an organization's performance measurement system to enhance performance is continuous improvement, the ability to

analyze trends and take action for performance over time is the second criterion for assessing its effectiveness. The study also adds that the third criteria; process control, which follows two very different philosophies, continuous process improvement by broader organizational goals and monitoring and compliance of predetermined standards (Kalungu, 2013).

1.1.3 Karen Hospital

The Karen Hospital, a one hundred and two-bed multi-specialty facility, providing emergency, critical, acute medical and, surgical services. The hospital also provides diagnostics and rehabilitation and undertaking research and education through the medical and nursing school. The facility has more than four hundred staff, including locum, three operation theatres catering to over thirty specialties. The Karen Hospital strives never to lose sight of what makes our service unique (Kamau, 2014). The hospital provides various medical services, including providing critical and emergency care, medical and surgical services for acute cases, and rehabilitation services.

The hospital has other branches in City Centre in the Cardinal Otunga building, Nyeri, Nakuru, Meru, Karatina, Thika, Naivasha, and Rongai. The hospital is one of the youngest level six hospital in Kenya. The hospital has undergone some difficult period over the short period it has existed that has led to the closure of some of its branches, stagnated revenue, high staff turnover, reputational damage, among many other issues and hence insight into the hospital offers an opportunity for the industry at large to draw some best practice and lessons (Kamau, 2014).

The Karen hospital measures financial operations through full cash collection of daily cash sales and the debt-collection of generated credit revenue within the defined credit periods, timely recognition of expenditures in the Microsoft Navision ERP system, tangible savings through the procurement and inventory management, and financial reporting intended for timely decision support.

1.2 Problem Statement

The most important thing for successful financial operations is to have a good and solid organizational setup, proper subordinate, documentation and an adequate way of checking the documentation (Vezenkoska et al., 2017). Financial operations of a business entity contribute to improving the efficiency of the business entity, through promotion and

confirmation of the accuracy and reliability of the accounting and operational data and information that are the basis for making quality business decisions (Sahiti & Aliu, 2016). The optimum performance of financial operations means that Karen Hospital can be able to track any payments and expenditures to ensure that there is a constant flow of resources required and needed to enhance the overall performance of the organization.

However, Karen hospital overall profitability and performance has been waning compared to other private healthcare facilities of its reputation. Internal evaluation of this situation has been linked to stagnation in revenue growth over the years, delayed collection of revenue from insurances, inefficient financial reporting, wastage, stock losses through procurement processes, and inadequate recording expenses. This indicates that the financial operations of the hospital has not been effective in collecting of revenue, payment to suppliers, and expenditure for required resources to ensure continuous flow of service provision this is an area that requires further inquiry into the financial operations of the hospital.

Some studies have investigated Karen hospital performance using a range of parameters. These include Kamau (2014) assessment of the internal factors affecting Karen Hospital Limited's operational efficiency and profitability; Muturi (2008) research on strategic management practices adopted by the Karen hospital; and Maina (2016) examination on the effect of customer perception on performance of Karen Hospital. However, there is less evidence on studies that have explored the factors affecting financial operations performance in health institutions, a gap that this study is interested in filling.

1.3 Research Objectives

1.3.1 General Objective

The study aimed to examine the factors that affect financial operations' performance at Karen Hospital, Nairobi County.

1.3.2 Specific Objectives

- i. To examine the effect of human capital management practices on the performance of financial operations at Karen Hospital, Nairobi County
- ii. To examine the effectiveness of the performance measurement systems in the performance of financial operations at Karen Hospital, Nairobi County

- iii. To evaluate the leadership's role in enhancing financial operations performance at Karen Hospital, Nairobi, Kenya.

1.4 Research Questions

- i. What is the effect of human capital management practices on performance in financial operations sections at Karen Hospital, Nairobi, Kenya?
- ii. How do performance measurement systems affect the effectiveness and efficiency of financial operations at Karen Hospital, Nairobi, Kenya?
- iii. What is leadership's role in enhancing the teams' performance in financial operations at Karen Hospital, Nairobi County?

1.5 Scope of the Study

The study targets Karen Hospital, one of the fastest-growing private healthcare providers that Dr. Dan and Betty Gikonyo own. The hospital has eight branches located within Kenya. It was opened on 3rd January 2006 as a general hospital with the primary specialty in Cardiology and officially launched on 31st March 2006 by His Excellency President Mwai Kibaki. In the fifteen years of its existence, the realization is that the hospital has not yet optimized the business processes that improve its core operational efficiency. Inefficient financial operations result from weak performance measurement systems, human resource-related challenges, and poor leadership at various finance departments.

1.6 Significance of the Study

The study is essential to management and financial practitioners in private hospitals as the study's findings culminated in recommendations that, if adopted, would lead to improvement in the financial operations of these organizations. It is also of importance to regulators of financial practice and operations. The study aims to establish the factors that affect financial operations to make suggestions that, if adopted by regulators, can develop policies and regulations to enhance financial operations in hospitals. Third, the study is of significance to financial operations theories as findings from the survey support the resource-based view theory, situational theory of leadership, and balanced scorecard by mentioning the deviations observed from these theories while making recommendations for extending these theories by linking them to practice. Lastly, the study is vital to scholars and future researchers as it increases the body of knowledge for future research gaps that the study has identified while it also supported and reputed the existing theories adopted for this research by connecting the results with the study findings. The study also

contributes to support on human resources, leadership, and performance measurements theories used in the study.



CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Chapter two presents the theoretical underpinnings of the research, the conceptual framework that attempts to break down the cause-and-effect relationships of various factors and performance, and the literature's empirical review. The researcher has reviewed the theoretical and empirical literature on the research topic related to the survey question to determine the gaps in the research intrinsic in the studies.

2.2 Theoretical Review

Theoretical review highlights the theories that were significant to the study; the situational theory of leadership, Resource-based theory, and the Balanced Scorecard. These theories are specifically critical because they directly attempt to discuss the issues most organizations face in people's management practices, performance measurement systems, and leadership.

2.2.1 The Situational Theory of Leadership

The situational leadership theory (SLT) was proposed by Hersey and Blanchard (1969) and is a classification consisting of four styles of leadership that range from delegating to directing and a framework for correlating every type to specific related situations (Thompson & Glasø, 2015). The four leadership forms are directive, coaching, supportive, and delegating kind of leadership. Blanchard (2010) identified four different development levels of followers and their corresponding alternate optimal styles of leadership.

According to Blanchard (2010), enthusiastic beginners, which he describes as low on competence and high on commitment, directive leadership is recommended as the appropriate style. He defines directive leadership as low-supportive behavior in concurrence with high-directive action. The disillusioned learner bears low competence characteristics combined with reduced commitment and should benefit from a coaching style of leadership that the study defines as a combination of high-supportive high-directive behavior.

The capable but cautious performer, who has a viable commitment and ranges between moderate to high on competence, should benefit from a supportive leadership style that depicts high-supportive low-directive behavior. The self-reliant achiever, who is high on both competence and commitment, responds best to a delegating leadership style defined as low-supportive low-directive behavior (Thompson & Glasø, 2015; Blanchard, 2010).

The SLT has also been a target of criticisms. First, the theory is criticized for its validity in identifying and measuring the needs of the followers. Establishing follower needs for a specific leadership style has proven to be complicated even when leader styles seem reasonably understood (Thompson & Vecchio, 2009). Despite this weakness, the theory's strength is that an effective manager can utilize multiple leadership styles as conditions change. The manager can recognize the current work setting or employee condition and use the most effective leadership style given the specific challenge (Meier, 2016).

In this study, the situational leadership theory is suitable for the survey as it examines the role of leadership in financial operations performance. The approach proposed by the idea is useful for understanding and explaining the influence of managers on staff to perform their duties in the finance department. The financial department staff need support and direction from leaders and this is provided for under the situational leadership theory which emphasises the role of the leader to identify the challenges or constraints that limit financial operation performance in their department and thus take actions that support and provide direction for employees on a situational basis to meet the objectives of financial operations that are not static thereby contributing to increased performance in financial operations.

2.2.2 Resource-Based View Theory

When an organization has a human resource pool that can neither be imitated nor substituted by competitors, it is possible to build a competitive advantage. This theory is stated by (Barney, 1991) in his description of resource-based view theory. The resource-Based theory adds that organizations should sustain competitive advantage through continuous workforce evaluation for relevant skillsets. Appropriate recruitment and selection criteria are essential to make up for this shortfall (Barney, 2001). The caliber of the people employed and their working relationships' quality remains the primary source of any organization's strength or weakness (Oaya, Ogbu, & Remilekun, 2017).

The RBV has two primary arguments for firms to leverage their resources to achieve a competitive advantage: core competencies and dynamic capabilities. Prahalad and Hamel (1990) stated that collective learning forms the organization's core competence, especially in coordinating diverse production skills and integrating multiple streams of technologies. The organization can use assets to improve its performance. Competencies are perceived as the most critical business assets (Wright, Dunford, & Snell, 2001). Thus, the dynamic capabilities are the organizational and strategic routines by which firms achieve new resource reconfigurations in their life cycle, the cycle between formation, evolution, and death (Eisenhardt & Martin, 2000). The organization's processes that utilize resources to integrate, gain, reconfigure and release resources, including human resources is what is referred to as dynamic capabilities (Oaya et al., 2017)

The application of the RBV in this study is twofold; the firm's core competencies must be maintained by recruiting and selecting staff with the knowledge, skills, and experience that matches the financial department at an organization such as Karen Hospital. This application also means that the HCMP of recruitment and selection should contribute to better financial operations performance. The financial staff's dynamic capabilities should consist of appraising the team's performance and providing training and development to improve its performance. This means that for a financial department to achieve optimum financial performance, it needs to attract and retain staff that is of high quality and that meets the VRIN criteria of the RBV of the firm. The RBV is thus useful in understanding the contribution that an efficient human resource can be a significant source in enhancing the performance of financial operations.

2.2.3 Balanced Scorecard

The introduction of the Balance scorecard was done by Robert Kaplan and David Norton (1992) and has since become a significant concept in management. The idea was formulated and presented initially as a multi-dimensional performance measurement system (Kaplan & Norton, 1992). Its key objective was to provide leaders with clarity of information for both operational and strategic decision-making. The earlier version of the Balance scorecard focused primarily on the integration of financial and non-financial measures of performance (Madsen, & Stenheim, 2007).

The balanced scorecard has four perspectives: customers, learning and growth, internal business processes, and financial. Learning and growth provide an excellent balanced solution for facing organizational challenges. The BSC concept enables firms to achieve an aligned, integrated, and balanced focus between the four perspectives, which collectively stimulate the organization to attain its vision (Johanson, Skoog, Backlund, & Almqvist, 2006).

Measurement of the financial perspective is through return on equity, increased shareholder value, and utilization of assets. Customer relationships, product/service attributes, and image and reputation measure the perspective of the customer. Measurement of internal business processes is through services and commodity development, delivery of goods and services, and after-sales services. Evaluation of the learning and growth perspectives is through the Human resources capabilities; ICT capabilities, empowerment, motivation, and alignment.

The popularity of the BSC has also resulted in it being critiqued by several authors. Awadallah and Amir (2015) posit that the BSC is well suited for other sectors and not others, for instance, engineering and not service firms. For instance, the internal process may not be relevant for a consulting firm yet the BSC asserts all the four performance metrics are important. The BSC asserts that all four performance metrics are essential, yet the internal process may not be relevant for a consulting firm. Eisenberg (2016) criticizes the four perspectives of the balanced scorecard. The critics posit that Kaplan and Norton's suggestions only cater to the shareholders' interests and ignore suppliers, the government, and environmental interests.

The BSC remains a vital tool for measuring performance measurement of the accounting staff for organizations such as the Karen Hospital. The internal business processes of the BSC apply to the Karen Hospital's financial operations as the improvement of these functions of the organization is anticipated to result in better performance of the organization. The significance of the BSC in the study is grounded on the parameters used to measure performance in the organization based on the four criteria: learning and growth, business processes, customers, and finance - which is the core of the study.

2.3 Empirical Review

The empirical review section reviewed various research literature related to the study based on the research objectives and questions. A review of the existing work aims to reference the already existing literature, including the shortcomings discovered.

2.3.1 Human capital management practices and performance of financial operations

Some of the literature that has examined the relationship between HCMP has focused on its effects on the overall performance of the organization. In one such study, Nzuve and Bundi (2012) explored relationship between HCMP and forty-five commercial banks' performance in Kenya. The HCMP studied were flexible and collegial workplace, recruitment excellence, rewards, communication integrity, and accountability. The research found that professionals well recruited were well equipped to perform their duties because the recruitments were structured to support the business. At the same time, most firms had stature among most potential applicants as preferred places of work. The collegial and flexible workplace study found out that managers' primary role was to coach and mentor employees; working hours were flexible, while most banks emphasized employee security. The findings on communication integrity were that employees understood how their jobs affected customers while the organization also shared the plans with employees. It also further noted that employees had less input in hiring decisions, lacked access to communication technologies, and didn't give direct feedback to senior management.

Other studies have focused on the relationship between HCMP and the performance of employees. These include Zeb, Abdullah, Mudaser, and Khan (2018) analysis on relationship between HCM practices which include training and development, recruitment and selection, performance appraisal, and employee's job performance in the telecom sector of Pakistan. Training and development, recruitment and selection and performance appraisal system are independent variables while employee job performance is a dependent variable. The samples of this study are employees who are working in public and private sector telecommunication companies in Pakistan. The data are collected through questionnaires. The size of the sample was 272 due to the time limit and economic restraints. The overall results support that HCM practices have a prominent and indispensable role in the performance level of employees; knowledge and skill through training and development, compatibility & competence through recruitment and selection, confidence and morale through performance appraisal. one critique of the study is that it

did not focus on the performance of financial operations which is a focus of this study. Secondly, the research was conducted in the telecoms sector, while the present study was done in the private hospital sector. The difference in geographical locations is also a factor to consider as the HCM practices may also be different.

There is also evidence of research that assesses the effects of HCMP on financial operations in a company. One such study is that of Nicol-Keita (2013) at the Gambia national water and electricity company's financial operations. The study adopted an exploratory research design—secondary information, for example, the review of the literature and primary data available. The researcher utilized the qualitative method applying semi-structured interview, which was conducted personally on a face-to-face. Responses generated from the survey point out that HR practices such as selective hiring, job security, better compensation, self-managed teams, training, contingent on performance, and information sharing, when managed appropriately, would provide the desired output in terms of financial operations. The survey used qualitative methods of collecting data, and thus the findings are limited in their generalizability. These findings also mean that the variables and constructs used in the study founded on non-existing models and theories. The study was limited to a public institution where such organizations' operations varied from those of a private institution as Karen Hospital, where this study was undertaken. The research does not explicitly focus on financial operations but instead considers an organization's financial operations performance.

2.3.2 Performance Measurement System and Performance of Financial Operations

The practice of performance measurements system has been explored in different industries and sectors. For instance in the health sector, Purbey, Mukherjee, and Bhar (2007) reviewed many popular performance measurement frameworks useful for the service sector. These include performance measures for time-based competition, balanced performance measurement matrix, performance pyramid system, balanced scorecard framework, performance prism, and Brown's input, processes, outputs, outcomes framework. The study points that the measurement of performance of a healthcare institution remains unresolved. A PMS needs to be sensitive to the external and internal changes of the environment of a firm. Performance in the proposed framework is measured by , effectiveness, efficiency, and flexibility.

Still focusing on the health industry, Elg, Kollberg, and Palmberg (2013) explored circumstance of deploying measures of performance. Besides, the survey intends to make a contribution to the operations management discipline. The respondents were asked to elaborate on the short and long-term effects of the survey's findings. The sample of the study included seventeen interviewees. The results revealed that healthcare institutions aiming to implement performance measurement should integrate structures that continuously support that initiative. Measures need to be part of the operational activities as a continuous practice to recognize external influence, monitor, check the internal organizational system, and analyze variances. This research was limited to Sweden, which exhibits a different environmental setting than that of Kenya. The study was also qualitative and did not include financial operations performance, a key indicator of health institutions' performance as a variable. The survey we are conducting aims to examine the outcome of the performance of financial operations at a private health care facility.

Other studies have been conducted in the corporate context, one such that is Janudin and Ismail (2017) investigation into strategic performance measurement system's current practices and identified the level of managerial work performance among the one hundred best co-operatives in Malaysia. Quantitative research, cross-sectional survey design was employed to collect a lot of information regarding performance measurement system and performance management from a crowd, using the research construct's measurement items. The distribution of four hundred questionnaires was done to the target respondents, and one hundred and forty-five were returned. This survey's outcome is that co-operatives that have an effective performance measurement system that is effective in their operations and utilized as an internal control show that they can always measure their performance. This study was conducted in Malaysia; moreover, the study focused on managerial work performance. This is different from the proposed research, which aims to explore the influence of performance measurement systems on financial operations performance in the setting of a private hospital in Kenya.

Kalungu (2013) study was conducted on PMS implementation in large processors of food and beverage in Nairobi county. One of the objectives was to determine the performance measurement system's implementation in large food and beverage processors. The

researcher adopted a descriptive research design, and the collection of primary data using questionnaires was through a census. The study targeted forty-six large food and beverage processors in Nairobi County, and thirty-eight firms responded by filing the questionnaire. The study found that performance measurement systems had a positive impact on the performance of the firms. The study was conducted in the manufacturing sector, while the present research focuses on private health institutions. The study focused on firm performance, while this study focuses on financial operations performance, a practice in health organizations.

2.3.3 Leadership and Performance of Financial Operations

The evidence of studies on leadership and performance of financial management has been conducted in the services. One such study was conducted in the tourism sector. Omar (2016) conducted a study that sought to establish the different leadership styles used and their effect on domestic tour and travel firms' operational efficiency in Kenya. The survey utilized a descriptive research design that targeted one hundred and forty-one travel agencies. The study collected primary data using a structured close-ended questionnaire. Percentages, means, standard deviation, and frequencies of the responses were obtained. The survey established that manager involves them in decision making, were more concerned with the performance of tasks, always shares with them the vision for the company, motivates them to think of newer ways of conducting work, managers recognize achievement through remuneration, makes the unilateral decision on crucial functions in the company and leadership style adopted in the organization had an impact on timely delivery of services, the level of customer satisfaction, level of accuracy in production, and cost-efficiency. This study was done in the tourism sector with different operational efficiency parameters from the private hospital industry to which Karen Hospital belongs, and the research is being undertaken.

While most studies have been done in for profit organisations, others have been conducted in the context of public organisations. These include, Babatunde, Onodugo, and Dandago (2015) exploration on quality leadership's potentials for public expenditure management in Lagos State, Nigeria, using a descriptive research design. Both primary and secondary sources of data were obtained for the study. Preliminary data were obtained from professional accounting practitioners who can make a reasonable assessment of Accountant

General (AG) 's professional conduct through their work. Secondary data were collected by examining the financial reports for the period under review, which covered two thousand and seven to two thousand and twelve, including two thousand and six as the base year. Efficiency, fiscal discipline, and effectiveness were the parameters of measurement of leadership quality. The outcome was that prudent management of resources grew over time as a result of budgetary discipline. The study was conducted in a public sector setting which is different from the private sector in which the present study was conducted. Moreover, the research was conducted in a different geographical location from Kenya.

In Kenya, another study also focused on public organisations but was specific to the health sector. This was Kuria, Namusonge, and Iravo (2016) study on effect of leadership on performance of organizations within the health sector in Kenya. The study adopted a descriptive survey design. The researcher utilized stratified sampling techniques to select three hundred and eighty-four employees from the selected Kiambu and Machakos Level five hospitals and Kenyatta National Hospital as the respondents to the study. Primary data collection instruments were interview guides and questionnaires. The researcher conducted data analysis using quantitative and qualitative procedures. Besides, the researchers used multiple linear regression techniques to examine the correlation between the set variables. The findings of the study indicated that leadership influenced the relationship between organizational performance and employee participation. The output showed a poor connection between the employees and their leaders. In conclusion, leadership was noted to affect the performance of the employee in the health industry in Kenya. However, the study was limited to public hospitals' overall performance. Simultaneously, a sub-objective of the survey shows the association between leadership and performance of financial operations, which this study did not cover.

2.4 Literature Review Summary and Knowledge Gap

Table 2.1 summarised these research gaps by showing the main findings of the studies reviewed and captures the gaps and the means that this study filled these gaps.

Table 2.1: Research Gaps

Studies reviewed	Main findings	Gaps established	Study filling gap
Nzuve & Bundi (2012). Human Capital	Professionals well recruited were well equipped to perform	The study was conducted in the banking sector.	The study is limited to a private hospital

Management Practices And Firms Performance: A Survey of Commercial Banks In Kenya.	their duties because the recruitments were structured to support the business	The study focused on the overall performance of an organization	The study focuses on the financial operations of a private health institution
Zeb, Abdullah, Mudaser, & Khan, (2018). Impact of HCMP on employees' job performance.	HCM practices have a prominent and indispensable role in the performance level of employees;	The study was conducted among public and private telecommunication companies in Pakistan.	The study is limited to a private hospital The study focuses on the financial operations of a private health institution
Nicol-Keita (2013). The Impact of Human Capital Management on the financial operations at the Gambia National Water And Electricity Company (NAWEC).	HR practices such as employment security, selective hiring, self-managed teams, high compensation resulted in terms of financial operations	The study was conducted in a public institution. The study was qualitative and included a small sample of respondents	The study is limited to a private hospital The study focuses on the financial operations of a private health institution
Purbey et al. (2007). Performance measurement system for healthcare processes.	The study found that the measurement of performance of a healthcare organization is still an unresolved issue.	This was a desk review of performance measurement systems that apply to the service sector, specifically the health sector. The study did not examine any relationships between variables.	The study is limited to a private hospital The study focuses on the financial operations of a private health institution
Kalungu (2013). Performance Measurement Systems Implementation among Large Food and Beverage Processors in Nairobi, Kenya.	Performance measurement systems had a positive effect on firm performance.	The study was conducted in the manufacturing sector. The study is also focused on firm performance	The study is limited to a private hospital The study focuses on the financial operations of a private health institution

Janudin & Ismail (2017). The Relationship between Strategic Performance Measurement System and Managerial Work Performance of Co-operatives in Malaysia.	Co-operatives had an effective performance measurement system and used it as an internal control that is effective in their operations to demonstrate their ability always to measure their performance.	This study was conducted in Malaysia; moreover, the study focused on managerial work performance.	The study is limited to a private hospital. The study focuses on the financial operations of a private health institution.
Elg et al. (2013). Performance measurement to drive improvements in healthcare practice.	Healthcare organizations that strive to practice performance measurement as a driver for improvement need to find an integrated infrastructure for continuous healthcare practice.	The study was also qualitative and did not include financial operations performance, a key indicator of performance.	The study is limited to a private hospital. The study focuses on the financial operations of a private health institution.
Omar (2016). Leadership Styles and financial operations of Domestic Tour And Travel Firms in Kenya.	The study established that manager involved staff in their decisions, and this resulted in a positive impact on timely service delivery.	The sample of the study was domestic and travel firms in the tourism industry. This study was also conducted on operational efficiency as a dependent variable.	The study is limited to a private hospital. The study focuses on the financial operations of a private health institution.
Babatunde, Onodugo, & Dandago (2015). The Effects Of Leadership Quality On Public Expenditure Management: Evidence From Lagos State Treasury Under Akinwunmi Ambode As Accountant General.	Leadership quality in resource mobilization and management as a source of financing public expenditure management grew immensely over time, indicating a high sense of fiscal discipline.	The study was conducted in Nigeria. The study was further done in the public sector. The dependent variable of the study was public expenditure management.	The study is limited to a private hospital. The study focuses on the financial operations of a private health institution.

Kuria, Namusonge, & Iravo (2016). Effect of Leadership on Organizational Performance in the Health Sector in Kenya.	Leadership influences the relationship between employee participation and organizational performance.	The dependent variable for the study was the organizational performance. The study was conducted in the health sector, but the focus was on a public health institution	The study is limited to a private hospital. The study focuses on the financial operations of a private health institution
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Source: Researcher (2021)

2.5 Conceptual Framework

Figure 2.1 shows the conceptual framework that guided the survey. Three independent variables and one dependent variable were adopted for the study. The independent variables were factors that affect performance in operations of the finance department of Karen hospital captured through recruitment strategies, working environment, performance appraisal, training and development, business performance measurement matrix, time-based performance measures, performance pyramid systems, balance scorecard, Brown’s input process output and outcomes framework, inspiration, facilitation, accountability, ability, and influence of the leadership which were operationalized by the role of human capital management practices, performance measurement systems, and leadership initiatives. The dependent variable was the measurement of performance of financial operations of the finance department in the hospital measured through efficiency in revenue posting, growth in revenue collection, consistency in payables postings, inventory turnover rate, and readiness of financial reports every month.

Independent Variables

Dependent Variable

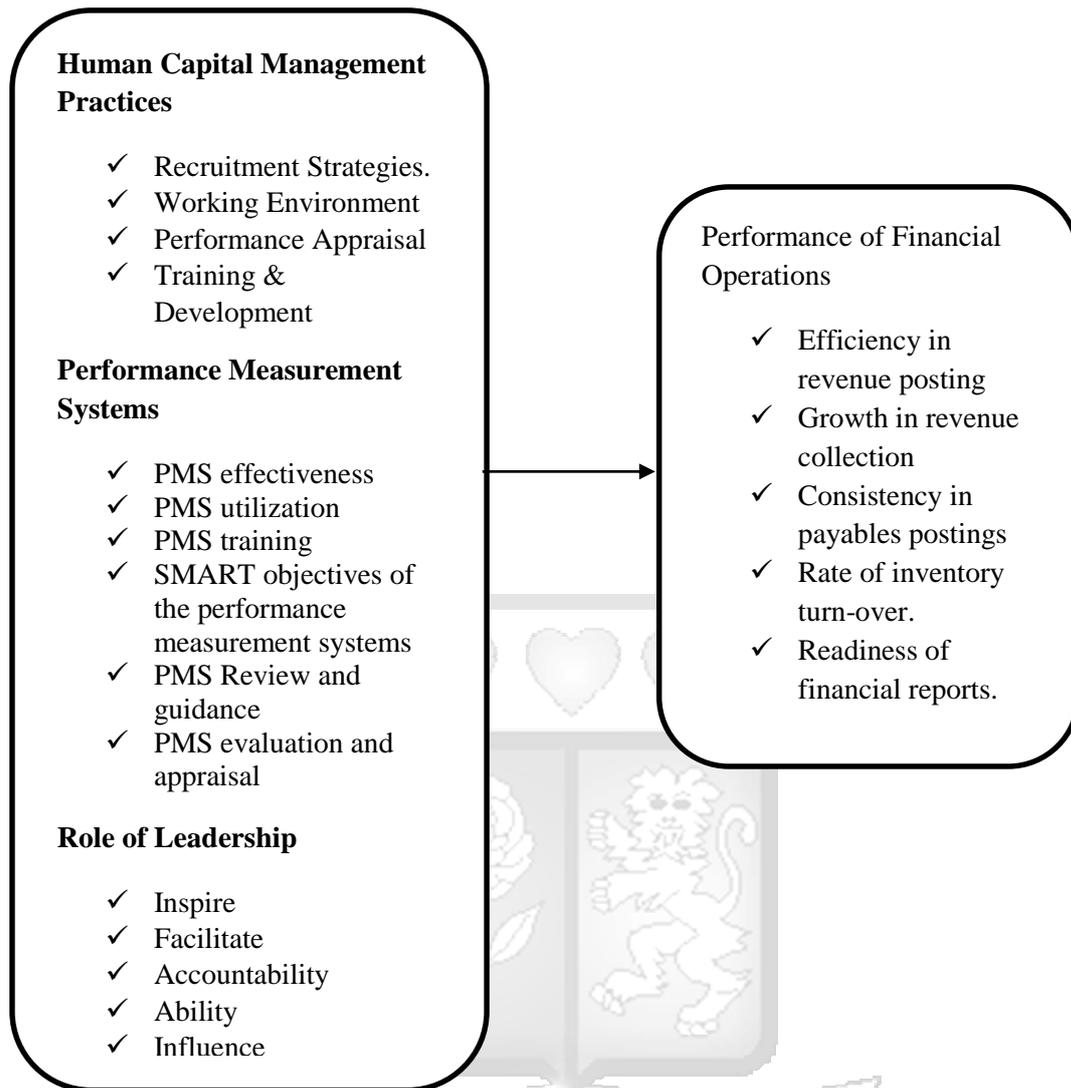


Figure 2.1: Conceptual Framework

Table 2.2: Measurement of Variables

Variable	Type of variable	Indicators	Scale of Measurement	Tools of Analysis
Human Capital Management Practices	Independent	<ul style="list-style-type: none"> • Effective Recruitment strategies. • Enabling Working environment • Effectiveness of Performance Appraisals. • Availability of training & development framework 	Ordinal	Descriptive and Inferential
Performance Measurement Systems	Independent	<ul style="list-style-type: none"> • Effectiveness of performance measurement systems • Performance measurement systems utilization • Performance measurement systems training • SMART objectives of the performance measurement systems • Review and guidance of PMS by senior managers. • Objectivity in evaluation and appraisal with the PMS 	Ordinal	Descriptive and Inferential
Role of Leadership	Independent	<ul style="list-style-type: none"> • Ability to inspire. • Facilitation of tools of the trade • Accountability • Leadership’s influence on the quality of work 	Ordinal	Descriptive and Inferential
Performance in Financial operations	Dependent	<ul style="list-style-type: none"> • Efficiency in revenue posting (Dispatch Days after revenue finalization & posting) • Increase in revenue collections (Monthly Increase in collections) • The Frequency and timeliness in posting payables on the account. • Inventory turnover (days to sell) • The readiness of financial reports (By 7th of every month) 	Ordinal	Descriptive and Inferential

Source: Researcher (2021)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presented an overview of the research methodology used in the study and defined the procedures used to carry out the research. An appropriate research method ensures the effective utilization of resources as the researcher aims to answer the survey questions. Chapter three encapsulates the research design, research population, methods of data collection, analysis of data techniques, and discussion of ethical considerations towards the end of the chapter.

3.2 Research Philosophy

The survey adopted the positivist philosophy of research. Positivism relates to the natural scientist's philosophical stance and entails working with an observable social reality to produce law-like generalizations. A researcher using this philosophy does not differentiate organizations and other social entities from physical objects and natural phenomena by taking a positivist position. The positivists assume that objective facts provide the best scientific evidence and likely lead to quantitative research methods. The subsequent research results are likely to be considered plausible and generalizable (Saunders, Lewis, & Thornhill, 2016).

As positivists, researchers should strive to uphold neutrality and remain free from their research to prevent influencing their findings. This philosophy means that you would conduct research as far as possible, in an objective way. This stance provides a factual position for positivists because of the quantifiable and measurable data that they collect (Greef, 2015). The positivist approach fits this study as the investigator aimed to be objective, generalize the data, and not have any influence on the data. The positivist philosophy was adopted for this research as the investigator was objective and there was no any bias in collecting, analyzing and interpretation of the data and findings.

3.3 Research Design

The study adopted the descriptive research design as the research aimed to examine the relationships between factors that affect the financial operations of the finance department and hence performance of the hospital and secondly to assess the effectiveness of the hospital's current operational processes in the finance department. The purpose of

descriptive research design is to gain an accurate profile of events, persons, or situations and determine how well the available strategies are coordinated and working respectively (Saunders, Lewis, & Thornhill, 2016).

3.4 Population and Study Setting

This part of the research methodology focuses on describing the population of the study while also showing the means that were used to select the sample and determine the sample size of the study.

3.4.1 Target Population

The Karen Hospital has more than four hundred staff, three operation theatres catering to over thirty specialties, and one hundred and two beds. The hospital provides various services, including critical care, emergency service, and surgical services for acute medical cases and rehabilitation services. Apart from the Karen suburb in Nairobi, the hospital has branches in the Nairobi CBD at cardinal Otunga plaza, Nyeri, Thika, Karatina, Meru, Nakuru, Naivasha and, Ongata Rongai. The population targeted encompasses the elements or components with similar stipulations and is of interest to the researcher (Mugenda & Mugenda, 1999). In my study, the target population was the eighty officers that work in the Finance department in all branches and the main hospital, including the following sections: revenue, accounts receivable, inventory & procurement, accounts payable and financial reporting and decision support.

Table 3.1: Target Population

Finance Section	Target Population
Revenue	20
Accounts Receivable	12
Inventory & Procurement	31
Accounts Payable	5
Financial Reporting & Decision Support	7
Finance Managers	5
Total	80

Source: Karen Hospital Finance Department (2020)

3.3.2 Sampling Frame and Size

This study's sampling frame was derived from the selected departments in finance from the main hospital and all the eight branches. In identifying the sample size, the study used Cochran's (1963) sample size formula, which established the sample size as 68 respondents.

$$n = \frac{n_0}{1 + \frac{(n_0 - 1)}{N}}$$

The study adopted stratified random sampling in the selection of the respondents. Stratified random sampling can either be disproportionate or proportionate stratified random sampling. The proportional stratified sampling was utilized to determine the sample size for each of the strata groups, as shown in Table 3.2. The sample size for each stratum was determined by dividing the strata' population by the overall population and multiplying the sample size's value.

Table 3.2: Distribution of sample

Finance Section	Target Population	Sample Size
Revenue (billing)	20	17
Accounts Receivable	12	10
Inventory & Procurement	31	27
Accounts Payable	5	4
Financial Reporting & Decision Support	7	6
Team Leads	5	4
Total	80	68

Source: Karen Hospital Finance Department (2020)

3.5 Collection of Data

The primary data was collected using a self-administered questionnaire, thus enabling the collection of detailed data from the respondents. The benefit of the researcher self-administering the survey is that the interview questions were clarified immediately during the interview. This method ensured that the interviewees understood the questions, thereby assuring the researcher of useful feedback. A self-administered questionnaire is a more efficient method of data collection in terms of efficiency and response rate.

A five-pointer Likert scale was employed in the questionnaire for responses to the questions. The questionnaire method of data collection has limitations that the study seeks to overcome. In instances where respondents were not reached, the administration of the questionnaire was rescheduled for another date. The researcher collected a letter of introduction from the Strathmore University Business School to aid data collection from

the desired respondents. The researcher did not engage a research assistant in the data collection process since interviewees were based within the hospital.

3.6 Analysis of Data

The data were analyzed by the use of inferential and descriptive statistics using the Statistical Package for Social Scientists (SPSS) Version 26. Descriptive statistics utilize graphical and numerical methods to explore data: to observe patterns in a data set, summarize and present the information conveniently. Inferential statistics, on the other hand, utilizes sample data to make estimates, predictions, decisions, and any other generalizations about a large set of data. The researcher used Pearson's r correlation analysis to determine the association between the variables and conducted multiple regression analysis to determine the impact of the explanatory variables on the response variable. The model regression used was:

$$Y = a + bX_1 + cX_2 + dX_3 + \epsilon_j$$

Where:

Y = Performance of financial operations

a = constant, b, c, and d, coefficients of X_1 , X_2 , and X_3 respectively.

X_1 = Human Capital management practices

X_2 = Performance measurement systems

X_3 = Leadership

ϵ_j = Error term

3.7 Reliability and Validity

Reliability is the measure of the degree to which a research instrument yields consistent results after repeated trials. The researcher adopted Cronbach's alpha reliability to test the q measurements' reliability, where q measurements here represented the questionnaire/ tests. Cronbach's alpha is a measure of reliability or internal consistency when the measurements represent multiple questionnaire/test items (Bonett & Wright, 2014). Reliability, according to Joppe (2000), is the extent of consistency of results over time and accuracy in the representation of the total population under the study. A research instrument is reliable if a study's outcome can be reproduced under a similar methodology; that is, the instrument's ability to be replicable and repeatable and a stable measurement over time.

A pilot study was conducted with 5 members of the population so as to determine the internal consistency of the instrument by adoption of the Cronbach's alpha coefficient which is used to determine reliability of Likert scale items which were used in this study. The members of the population included in the pilot were not considered in the final administration of the instrument to avoid contamination of the sample. The data from the pilot was checked for reliability using SPSS and the findings are summarized in Table 3.3. The Cronbach's Alpha coefficients for the variables were all above 0.5 and following de Vaus's (2004) recommendation that Cronbach Alpha's values seen within .50 to .70 can be considered acceptable the instrument was ready for field administration.

Table 3.3: instrument reliability

Variables	Items	Cronbach's Alpha
Human Capital management practices	5	0.621
Performance measurement systems	6	0.578
Leadership	7	0.622
Financial operations	5	0.710

3.7 Ethical Considerations

To ensure the quality of information, the researcher must consider ethical considerations in the research study. It demonstrates that the researcher prioritized the wellness of the survey. The researcher obtained a letter of introduction from the university to validate the authenticity of the study. The researcher aims to clarify the questionnaire's content to the subjects to satisfactory levels before conducting the survey. The researcher applied to the National Commission for Science, Technology, and Innovation (NACOSTI) to grant data collection permission.

CHAPTER FOUR

RESEARCH FINDINGS

Chapter four presents the outcome from the data analysis, where the researcher has illustrated graphically in tables. The chapter consists of sub-sections of the respondents' response rate, background information, and descriptive statistics for each of the study variables, correlation, and multiple regression analysis.

4.1 Response Rate

The response rate is computed by dividing completed questionnaires by the total number of eligible sample units (Marcano et al., 2015). In terms of its response rate, the study reached 88.8 % as the researcher was able to get back 56 questionnaires out of the anticipated 63 questionnaires that were administered, as shown in Table 4.1. The response rate can be associated with the restrictions and guidelines of the COVID – 19 pandemic, limiting the investigator's ability to follow-up with respondents.

Table 4.1: Research rate of response

Categories	Number	Percentage
Administered questionnaires	63	100.0
Returned Questionnaires	56	88.8

4.2 Background information

The background information sought from the respondents included the financial section that they belong to, their length of service at Karen Hospital's finance department and their level of education.

4.2.1 Financial Section

Several categories of personnel at Karen Hospital's finance departments were targeted in this study, and this included the revenue (billing), accounts receivable, financial reporting, and decision support, finance managers, account payables, inventory, and procurement. Table 4.2 indicates that the majority of the respondents were from the revenue department as represented by 50.0 % of the sample size in comparison to 16.0 % who were from the accounts receivable department, respondents from the financial reporting and decision support represented by 7.14 %, 17.9 % were from accounts payable, and 8.9 % represented the inventory and procurement section of the finance department.

Table 4.2: Finance section represented

Finance Sections	Frequency	Percent
Revenue (billing)	28	50.0
Accounts Receivable	9	16.0
Financial Reporting & Decision Support	4	7.14
Accounts payable	10	17.9
Inventory & Procurement	5	8.9
Total	56	100.0

4.2.2 Length of service

The findings show 44.6 % of respondents had 2–4 years’ experience, respondents with 4–6 years represented by 21.4 % of the sample, respondents with less than two years’ experience accounted for 17.9 %, and 16.1 % had over six years’ experience as observed in Table 4.3.

Table 4.3: Respondents length of service

Number of years	Frequency	Percent
0-2 Years	10	17.9
2-4 Years	25	44.6
4-6 Years	12	21.4
Over 6 Years	9	16.1
Total	56	100.0

4.2.3 Education level

The findings show that 67.9 % of respondents had a Bachelor’s degree, 17.9 % had a Diploma level of education, and 14.3 % had a Master’s level of education, as summarized in Table 4.4. The findings are attributed to the minimum requirements of personnel to be recruited into the finance department was a Bachelor’s degree, and this explains the high number of respondents who were in this category. Moreover, the Diploma level of qualifications in the finance profession is also observed as members of the certified professional accountants have to acquire a diploma in finance. Furthermore, accessibility to higher education has increased the chances for more individuals to pursue a Master’s degree.

Table 4.4: Academic qualifications of respondents

Level of education	Frequency	Percent
Bachelor's Degree	38	67.9
Diploma	10	17.9
Master's	8	14.3
Total	56	100.00

4.3 Human Capital Management Practices

In Table 4.5, the descriptive statistics for the human capital management practices are shown where the overall mean score was 3.67, which means that staff was in moderate agreement with the statements on human capital management practices at Karen Hospital. The findings show that respondents agreed there existed a formal policy for prioritizing internal candidates when vacancies arise in the finance department is in place and that there were periodic performance appraisals used to measure and control performance and as shown by a mean score of 4.04 and 4.02, respectively.

Table 4.5: Human Capital Management Practices Mean and Standard Deviation

Human capital management practices statements	Mean	Std. Deviation
Newer employees are well equipped to perform their tasks and duties.	3.93	0.260
Older Employees are properly equipped to perform their tasks	3.00	1.265
A formal policy for prioritizing internal candidates when vacancies arise in the finance department is in place	4.04	1.221
Promotion is on merit.	3.75	1.195
Training programs are specifically tailor-made and adequate for every area of specialization.	3.21	1.039
Working hours are flexible	3.73	1.228
Periodic performance appraisals are used to measure and control performance	4.02	0.963
Human capital management practices mean score	3.67	1.024

4.4 Performance Measurement System

Table 4.6 shows the mean and standard deviation of performance measurement system items where the overall mean score was 3.23 suggesting moderate agreement from respondents to these statements. Individual statements show that respondents disagreed that performance measurement systems were utilized by management to control and manage performance, as seen with a mean score of 2.95 and 1.313 standard deviations. The respondents were in moderate agreement with the statements as the mean scores for these statements were in the range of three scores on a five-point Likert scale. The significant finding from this variable is that there was no use of PMS to manage and control financial operations performance.

Table 4.6: Performance measurement system Mean and Standard Deviation

Performance measurement system statements	Mean	Std. Deviation
Performance measurement systems are effective in guiding the performance of finance department staff	3.57	1.305
Performance measurement systems are utilized by management to control and manage performance	2.95	1.313
Employees are trained on the performance measurement systems before implementation.	3.30	1.361
SMART objectives are set up and agreed upon in the PMS.	3.20	1.313
There are constant reviews and guidance through the PMS by senior managers.	3.23	1.293
Evaluation and appraisal are objective	3.13	1.266
Performance Measurement mean score	3.23	1.309

4.5 Leadership

The results presented in Table 4.7 show the respondents' agreement with the leadership statements. The overall mean score was 3.66, which is in the moderate agreement level suggesting that respondents moderately agreed with these statements. The results also show that respondents agreed that finance staff believed that engagement levels increased when we have a positive relationship with our leaders, as demonstrated by a mean score of 4.71 and a standard deviation of 0.594.

Table 4.7: Leadership Mean and Standard Deviation

Leadership statements	Mean	Std. Deviation
Our engagement levels increase when we have a positive relationship with our leaders	4.71	0.594
There is reduced bureaucracy in providing solutions that touch on employees and customers	3.61	1.155
Staff is empowered by leadership to perform their tasks satisfactorily	3.45	1.361
Staff prefer technical competence over leadership abilities	3.23	0.786
Technical support by leadership is always availed	3.79	1.534
There is space for creativity	3.16	1.332
Staff prefers leadership ability over technical competence	3.68	1.416
Leadership mean score	3.66	1.168

4.6 Measurement of Financial Operations

The study's dependent variable was the measurement of financial operations measured by items specified for hospitals to gauge their operational efficiency level in financial transactions. Table 4.8 shows the overall mean score was 4.02, indicating that respondents

agreed with the statements on Karen Hospital's financial operation performance. The findings show respondents agreed that the number of days taken to dispatch invoices to payers would significantly reduce ($M=4.46$, $SD=0.762$) in the presence of effective human capital management practices, performance measurement systems, and effective leadership. The respondents also agreed that a reduction in days to collect money ($M=4.11$, $SD=0.779$) and improvement with stock-outs and inventory turnover ($M=4.02$, $SD=0.798$) would be achieved if there were effective human capital management practices, performance measurement systems, and effective leadership.

Table 4.8: Financial Operational Mean and Standard Deviation

Financial operational statements	Mean	Std. Deviation
The number of days taken to dispatch invoices to payers will significantly reduce	4.46	0.762
The numbers of days it takes to collect money from payers will reduce	4.11	0.779
Consistency and time taken to book vendor invoices will improve	3.80	0.840
There will be a significant improvement with stock-outs and inventory turnover	4.02	0.798
Financial reports will be provided by the 7th of every month	3.70	0.952
Financial Operations mean score	4.02	0.826

4.7 Correlation Analysis

The researcher conducted a correlation analysis between human capital management practices, performance measurement systems, leadership, and performance of financial operations, and the results from these are presented in Table 4.9. The findings show that there was a positive and statistically significant association between the independent and response variables. A positive correlation means an increase in the explanatory variable; an increase was also observed in the dependent variable, indicating that the variables moved together. The results show that performance measurement systems have a more considerable correlation with an R -value of 0.226, followed by the leadership variable, which had an R -value of 0.109, and human capital management practices had the least correlation coefficient with an R -value of 0.023, and all these were significant at the 5 % Alpha level ($p < 0.05$).

Table 4.9: Correlation Coefficients

		Human Capital Management	Performance Measurement System	Leadership
Human Capital Management	Pearson Correlation Sig. (2-tailed)	1	.175	.017
Performance Measurement System	Pearson Correlation Sig. (2-tailed)	.175	1	.268*
Leadership	Pearson Correlation Sig. (2-tailed)	.197	.268*	1
Financial operations	Pearson Correlation Sig. (2-tailed)	.901	.046	.109
	N	.023	.226	.025
		.036	.003	.025
		56	56	56

*. Correlation is significant at the 0.05 level (2-tailed).

4.8 Regression Analysis

The researcher performed a multiple regression analysis to determine the effect and direction of influence of the independent variables on a financial operation's performance. Table 4.10 shows the results of the model summary where the R Square statistic value is 0.54, which means that the model explained 5.4 % of the variation in the performance of financial operations at Karen Hospital.

Table 4.10: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.232 ^a	.054	.001	.49780

a. Predictors: (Constant), leadership, human capital management performance measurement system

The second table derived from a multiple regression is the analysis of variance (ANOVA) output used to determine whether the model's variation is statistically significant. Table 4.11 shows that the significance level was 0.005 at the 5 % Alpha level. This finding leaves us to conclude that the model was statistically significant in explaining the performance of financial operations at Karen Hospital.

Table 4.11: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.736	3	.245	.990	.005 ^b
	Residual	12.886	52	.248		
	Total	13.622	55			

a. Dependent Variable: Measurement of Financial Operations

Table 4.13 shows the regression coefficients output where we see a positive effect of all the independent variables on the performance of financial operations, albeit with varying magnitudes. For example, the results show a considerable influence of the performance measurement system on financial operations' performance. An increase in this variable resulted in a 0.130 increase in financial operations performance. A marked increase in leadership resulted in a 0.027 increase in financial operations performance, and a unit increase in human capital management practices resulted in a 0.009 increase in financial operations performance. These effects were significant as the *p* values for these relationships were lower than 0.05.

Table 4.12: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.619	.392		9.239	.000
	Human Capital Management practices	.009	.076	.016	.116	.008
	Performance Measurement System	.103	.068	.216	1.515	.036
	Leadership	.027	.073	.051	.367	.015

a. Dependent Variable: Financial Operations

CHAPTER FIVE

DISCUSSION, CONCLUSION, AND RECOMMENDATIONS

Chapter five aims to present a discussion of the findings of the study. The researcher does this by comparing and contrasting the results of this study with past research reviewed in the survey's empirical literature section. This discussion is presented in a sub-section corresponding with the objectives of the study. The conclusion is also given corresponding to each of the objectives, and so are the recommendations for the research, which are presented in terms of policy and action recommendations.

5.1 Discussion

5.1.1 Human Capital Management Practices and Performance of Financial Operations

The output indicated a positive impact of HCMP on the performance of financial operations, which was significant at a 95 % confidence level. The highest-ranked scores were associated with two statements on respondents agreeing that there existed a formal policy for prioritizing internal candidates when vacancies arose in the finance department. There were periodic performance appraisals used to measure and control performance.

The first finding on formal policy for prioritizing internal candidates agrees with the firm's RBV theory, which states that organizations can achieve a competitive advantage achievable when organizations have an unimitable pool of human resources (Barney, 1991). According to the RBV, organizations should have better recruitment and selection methodologies to make-up for the expected shortfalls (Barney, 2001). This can be achieved by cultivating a culture of developing core competencies in the firm. This can be done by leveraging employees' experience in the organization for promotions in the finance department, transferring the experience and knowledge to other new employees who join the finance department.

The findings also showed that employees' performance appraisal was a vital contributor to the organization's performance. The results agree with those of Zeb, Abdullah, Mudaser, and Khan (2018), include recruitment, selection, training, development, performance appraisal, and employee's job performance as the main HCMP. The study's findings indicated that employees benefited from morale and confidence through their immediate supervisors' performance appraisal. This means that performance appraisals should be an

everyday activity at the Karen Hospital's finance department to cultivate a feeling of confidence and staff motivation, which would result in increased performance of financial operations.

The findings from the study support the arguments of the RBV theory that the intangible resources of an organisation influence their competitive advantage in the industry. The intangible resources in this study were the employees of the financial department at Karen in terms of its quality and ability to increase the financial operations performance. The findings show that effective management of these resources does have a positive effect on performance of financial operations thus validating the RBV theory of the firm.

5.1.2 Performance Measurement System and Performance of Financial Operations

The results show that performance measurement systems positively and significantly impacted the performance of financial operations at Karen Hospital. The findings support those of the Kalungu (2013) study conducted on performance measurement systems implementation in large food and beverage processors in Nairobi County that showed that use and application of performance measurement systems resulted in its overall performance. However, the study disagrees with that of Janudin and Ismail (2017) research that revealed firms with effective performance measurement systems and use it as an internal control that is effective in their operations show that they are always able to measure their performance.

One of the significant findings from this variable was that staff disagreed that management's performance measurement systems were utilized to control and manage performance. This means that the finance department was not using performance measurement systems to evaluate the facility's performance of financial operations. According to Purbey, Mukherjee, and Bhar (2007), there are performance measurement systems that can be used in the services sector, including performance pyramid systems, performance prism, balanced performance measurement matrix, measures for time-based competition, Brown's input, processes, outputs, and outcomes framework, and balanced scorecard framework. However, their research revealed that the application of these systems in healthcare facilities was not a resolved issue.

The findings do not support the balanced scorecard, which remains the most widely adopted performance measurement system. This framework's popularity is that it can combine both non-financial and financial aspects of managers' performance to evaluate. The BSC has four perspectives: customers, learning and growth, internal business processes, and innovation, which provide a well-balanced solution for combating faced challenges. The balanced scorecard concept enables businesses to attain a synchronized focus between these four perspectives, which collectively stimulate the vision of the organization (Johanson, Skoog, Backlund, & Almqvist, 2006).

5.1.3 Leadership and Performance of Financial Operations

The outcome of the regression analysis indicated that an increase in leadership would contribute to the performance of financial operations at Karen Hospital. The descriptive statistics showed respondents' agreement that their engagement levels increase when having a positive relationship with leaders. The study's findings agree with Kuria, Namusonge, and Iravo (2016) that the relationship between participation of the worker and performance of the organization is influenced by leadership, thus concluding that leadership was noted to affect the performance of employees in the health sector in Kenya.

The findings also provide support for Omar's (2016) study on leadership styles used and their effect on operational efficiency and found that managers who involve staff in decision making had an impact on the timely delivery of services in the organization. The study findings are in congruence with the situational theory of leadership arguments that a leader is effective by using a range of four leadership styles to bring out the best in their employees. By fostering relationships with employees in the organization, leaders can be able to decipher the category of their staff as described by the SLT.

The responses also show that there was a moderate staff preference for technical competence over leadership abilities in terms of leadership and that there is space for creativity. These results suggest that the room for creativity in the finance department was ranked lowly. This can be explained by the rigid protocols and procedures standard with financial tasks and responsibilities in an organization.

5.2 Conclusions

5.2.1 Human Capital Management Practices and Performance of Financial Operations

The findings showed that HCMP had a significant and positive impact on the performance of financial operations at Karen Hospital. The study found that Karen Hospital's finance department should prioritize existing employees for promotion in the finance department. The study, therefore, concludes that Karen Hospital should adopt human capital management practices of recruitment to keep the most qualified and experienced employees.

5.2.2 PMS and Performance of Financial Operations

The outcome of the study revealed that the performance of financial operations at Karen Hospital could be impacted by the adoption of performance measurement systems. However, the study found that PMS was not deployed to manage and control performance in the finance department. The study, therefore, concludes that the performance management system was not used to controlling and managing performance in the finance department of Karen Hospital.

5.2.3 Leadership and Performance of Financial Operations

The results indicated that leadership had a significant and positive effect on the performance of financial operations at Karen Hospital. The respondents indicated being more engaged in their finance department duties when they exhibited a constructive relationship with their supervisors. The study, therefore, concludes that positive relationships between leaders and employees resulted in increased engagement in delivering their duties at work.

5.3 Recommendations

5.3.1 Recommendations for Policy

The study recommends that hospitals in Kenya should develop and instill positive human management practices in the human resources policy frameworks for better performance of the staff and the hospitals in general. It is also evident from the study that performance measurement systems are essential for improved performance. Therefore as a matter of policy, the hospitals should endeavor to adopt them as part of critical requirements in finance departments, and lastly, leadership being a key driver in performance should be developed with strong policies on leadership training managed by industry regulators.

5.3.2 Recommendations for Action

The study recommends the adoption of HCMP that contributes positively to employees' growth and performance, promoting existing employees to higher levels in finance management and striving to keep her most qualified and experienced employees. The study also recommends that the hospital should enhance its adoption of performance management systems to monitor the performance of employees against the set objectives. The unavailability of consistent performance measurement systems slows down the monitoring process of organizational goals. Strong leadership guarantees better performance, as indicated by the study, and the hospital should ensure that this is always maintained.



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APPENDICES

Appendix I: Questionnaire

My name is Chrispinus Otieno Onyango, a student of Masters in Business Administration. As part of the academic requirement at Strathmore University, I shall be surveying the factors that affect the performance of financial operations in hospitals, a case of The Karen Hospital. You are politely requested to provide your response. The information given shall

be used purposely for survey work without any intention to victimize anyone, and the outcome will be treated with the highest level of confidentiality.

PART A: Demographics

Section of Finance

Indicate the section of finance that you work in;

Revenue	
Accounts Receivable	
Accounts Payable	
Inventory & Procurement	
Financial Reporting & Decision Support	

Length of Service

0-2 Years	
2-4 Years	
4-6 Years	
Over 6 Years	

Academic Qualification:

Master's Degree	
Bachelor's Degree	
Diploma	
Certificate	

PART B: Human Capital management practices

Marking inside the provided space indicate your consideration of the role of human capital management practices in improving operational performance in the Finance Department. **5**

– **Strongly agree 4 – Agree 3 – Neutral 2 - Disagree 1 – Strongly Disagree**

Human Capital management practices statements	1	2	3	4	5
Newer employees are well equipped to perform their tasks and duties.					
Older Employees are properly equipped to perform their tasks.					
A formal policy for prioritizing internal candidates when vacancies arise in finance department is in place.					
Promotion is on merit.					
Training programs are specifically tailor made and adequate for every area of specialization.					

Working hours are flexible					
Periodic performance appraisals are used to measure and control performance.					

PART B: Performance measurement systems

2. By marking inside the space provided, indicate your consideration as the efficacy of performance measurement systems in improving the operational performance in the finance department **5 – Strongly agree 4 – Agree 3 – Neutral 2 - Disagree 1 – Strongly Disagree**

Performance measurement systems statements	1	2	3	4	5
Performance measurement systems are effective in guiding the performance of finance department staff					
Performance measurement systems are utilized by management to control and manage performance.					
Employees are trained on the performance measurement systems before implementation.					
SMART objectives are set up and agreed upon in the PMS.					
There are constant review and guidance through the PMS by senior managers.					
Evaluation and appraisals are objective					

PART D: Leadership

3. By marking inside the space provided, indicate your confidence in leadership's role in improving the finance department's performance. **5 – Strongly agree 4 – Agree 3 – Neutral 2 - Disagree 1 – Strongly Disagree**

Leadership statements	1	2	3	4	5
Our engagement levels increase when we have a positive relationship with our leaders.					
There is reduced bureaucracy in providing solutions that touch on employees and customers.					
Staff is empowered by leadership to perform their tasks satisfactorily.					
Staff prefer technical competence over leadership abilities					
Technical support by leadership is always availed.					
There is space for creativity.					
Staff prefers leadership ability over technical competence.					

PART E. Operational Performance of finance Department.

4. By marking inside the space provided, indicate the efficacy of effective human capital management practices, performance measurement systems, and effective leadership in improving the operational performance of the finance department. **5 – Strongly agree 4 – Agree 3 – Neutral 2 - Disagree 1 – Strongly Disagree**

Financial operations performance Statements	1	2	3	4	5
The number of days taken to dispatch invoices to payers will significantly reduce.					
The number of days it takes to collect money from payers will reduce.					
Consistency and time taken to book vendor invoices will improve.					
There will be a significant improvement with stock-outs and inventory turnover.					
Financial reports will be provided by the 7 th of every month.					



Appendix 2: Ethical Clearance



21st April 2020

Mr Otieno, Chrispinus
chrispinus.onyango@strathmore.edu

Dear Mr Otieno,

RE: Evaluating the Factors Affecting Performance of Financial Operations in Hospitals. A Case of Karen Hospital-Nairobi

This is to inform you that SU-IERC has reviewed and **approved** your above research proposal. Your application approval number is **SU-IERC0787/20**. The approval period is **21st April 2020 to 20th April 2021**.

This approval is subject to compliance with the following requirements:

- i. Only approved documents including (informed consents, study instruments, MTA) will be used
- ii. All changes including (amendments, deviations, and violations) are submitted for review and approval by SU-IERC.
- iii. Death and life threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to SU-IERC within 72 hours of notification
- iv. Any changes, anticipated or otherwise that may increase the risks or affected safety or welfare of study participants and others or affect the integrity of the research must be reported to SU-IERC within 72 hours
- v. Clearance for export of biological specimens must be obtained from relevant institutions.
- vi. Submission of a request for renewal of approval at least 60 days prior to expiry of the approval period. Attach a comprehensive progress report to support the renewal.
- vii. Submission of an executive summary report within 90 days upon completion of the study to SU-IERC.

Prior to commencing your study, you will be expected to obtain a research license from National Commission for Science, Technology and Innovation (NACOSTI) <https://oris.nacosti.go.ke> and also obtain other clearances needed.

Yours sincerely,


Dr Virginia Gichuru,
Secretary; SU-IERC

Cc: Prof Fred Were,
Chairperson; SU-IERC



Appendix 3: Research Permit

 REPUBLIC OF KENYA	 NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION
Ref No: 131172	Date of Issue: 31/July/2020
RESEARCH LICENSE	
	
<p>This is to Certify that Mr.. Chrispinus Otieno Onyango of Strathmore University, has been licensed to conduct research in Nairobi on the topic: EVALUATING THE FACTORS AFFECTING PERFORMANCE OF FINANCIAL OPERATIONS IN HOSPITALS. A CASE OF KAREN HOSPITAL-NAIROBI for the period ending : 31/July/2021.</p>	
License No: NACOSTI/P/20/5916	
131172 Applicant Identification Number	 Director General NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION
	Verification QR Code
	
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