RELATIONSHIP BETWEEN ADOPTION OF BEST BUDGETING PRACTICES AND PROFITABILITY IN PRIVATE HOSPITALS IN NAIROBI COUNTY

BY:

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D61/75201/2009

Research project Submitted in Partial Fulfillment of Requirement for the Degree of Masters in Business Administration (MBA), School of Business, University of Nairobi

November 2012

DECLARATION

This research project is my original work and has not been submitted for a degree in any other University.

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This research project has been submitted for examination with my approval as University Supervisor.

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ACKNOWLEDGEMENT

I am deeply indebted to my supervisor Dr. Josephat Lishenga whose help, stimulating suggestions and encouragement helped me in all the time of research.

I would like also to thank my parents. They were always supporting me and encouraging with their best wishes.

Especially, I would like to give special thanks to my wife Ann whose patient love enabled me to complete this work. To my children, Jocylene, Claire and Sherlyne, accept my gratitude for your understanding and endless love, through the duration of my studies.

DEDICATION

This research paper is lovingly dedicated to my wife, our children and parents who have been my constant source of inspiration.

ABSTRACT

Budgeting has been considered as an integral element of management control systems. The changes in external environment are uncontrollable and require the budgeting practices to keep paces with the recent developments. The current research intends to establish the extent of adoption of best budgeting practices in private Hospitals in Nairobi County and gain a deeper understanding of how budgeting practices impacts on financial performance.

The research design used was descriptive survey study. A census of 28 medium and large private hospitals in Nairobi County was surveyed. The researcher used primary data which was obtained through self-administered questionnaire with closed and open –ended questions. The data analysis method used was based on quantitative approach using descriptive statistics. The analyzed data was presented in tables and bar chart.

The study established that there is partial adoption of best budgetary practices. The extent of adoption of individual best budgeting practices varies. Participation of managers in the budgeting process and long-term goal of budget rank highly. The study indicates less adoption of technology in the budgeting process. Secondly, the study established that, the degree of adoption of best budgetary practices positively impact on financial performance.

The researcher recommends that private hospital adopt best budgetary practices to enhance financial performance. In particular the hospitals need to embrace technology in budgeting process, as this was noted as the least adopted practice from the study.

TABLE OF CONTENT

LIST OF TABLES

LIST OF TABLES

ABBREVIATIONS

ABB	Activity Based Budgeting
ABC	Activity Based Costing
AMREF	African Medical Research Foundation
BB	Beyond Budgeting
FBOs	Faith Based Organizations
GFOA	Government Finance Officers Association
ICT	Information and Communication Technology
KHA	Kenya Hospital Association
KIPPRA	Kenya Institute of Public Policy and Analysis
MOMS	Ministry of Medical services
MOPHS	Ministry of Public Health and Sanitation
NHIF	National Hospital Insurance Fund
NSSF	National Social Security Fund
SACCO	Savings and Credit Co-operative Organization
WHO	World Health organization

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

The firm's organizational architecture is comprised of several systems where decisions rights, performance and measurement rewards are gauged and administered. Within the confines of organizational architecture is the process of budgeting. Budgets are used in organizations for diverse purposes. They include, for example; performance measurement and evaluation; staff motivation, pricing decisions and cost control. Hence, budgeting has been considered in the past as an integral element of management control systems. (Covaleski et al, 2003).

Recent developments such as globalizations, intense competition, rapid advances in technology and shorter product cycles have substantially transformed the environment in which business operate. As a result, various financial management systems including budgeting have come under greater scrutiny. The changes in business environment have profound implications for the cost management systems. It is even more critical now that business which want to remain competitive have excellent control over their cost, otherwise the business may not be able to compete effectively (Kaplan and Norton, 2008). The changes in external environment are uncontrollable and require the budgeting practices to keep paces with the recent developments. Likewise, Hospitals in Kenya operate in a dynamic environment hence the need of the budgeting practice in the sector to keep paces with the recent development.. The current research intends to gain a deeper understanding of how budgeting practices impacts on the performance of Hospitals.

1.1.1 Best budgeting practices

A study by Finney (1993) defined best budgeting process as one that provides information and focuses on outcomes. It provided the right climate for good decisions, excellence and controls all activities, and is intelligent and timely for organizations. It can also directly aid in downsizing, integration of new acquisition, pricing and "reengineering" activities that are poorly performed or wrongly budgeted. Every budgeting system must be customized and its success measured by the extent to which it can provide necessary motivation for individuals in order to maximize their contribution in achieving organizational goals (Campbell, 1985).

Characteristics of best budgeting practices are defined to include: managers' involvement; a clear definition of long-term goals; the rational allocation of resources; control processes that lead to continuous improvements in the business; linking budget development to corporate strategy; basing incentives on performance measures other than meeting budget targets; linking cost management effort to budgeting; reducing budgeting complexity and cycle time; and, all of these attributes are supported by sound accounting information systems (Campbell (1985), Finney (1993) and Murray (1990)).

1.1.2 Financial Performance Measurement in Hospitals

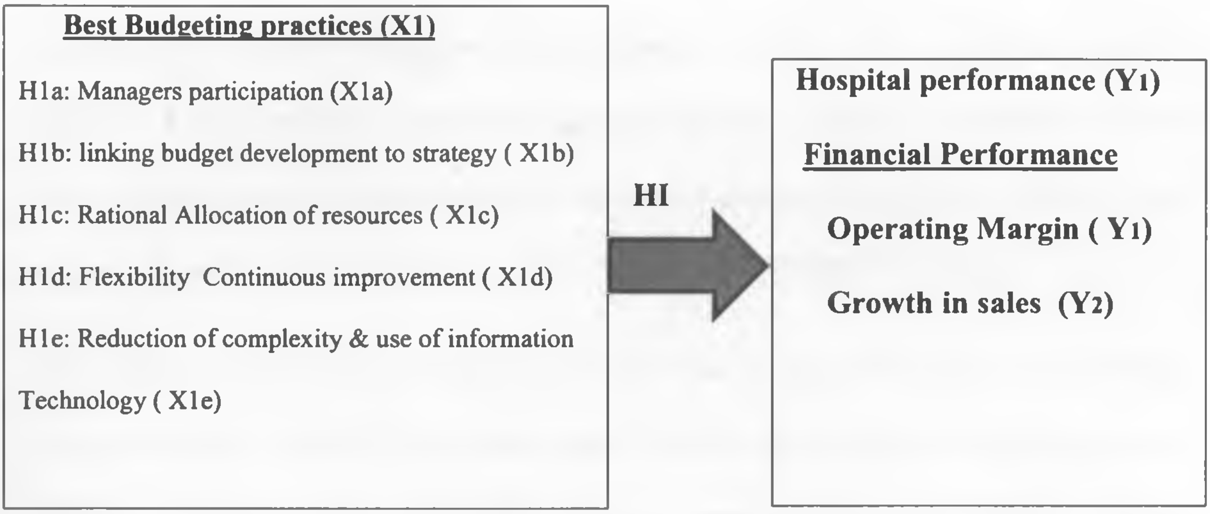
Financial performance is generally defined as the use of outcome-based financial indicators that are assumed to reflect the fulfillment of the economic goals of the firm (Murphy, et al. 1996). It has been widely used to measure business performance , it is argued that, financial measures are beneficial because they are objective and certain to provide a summary view of the success of the organization's and operating tactics.

Financial measures are most widely practiced, and popular management accounting tool because they focus on "what matters most in most organizations- profitability (Kaplan and Atkinson (1998). Financial measures consists of a wide range of dimensions, but efficiency (such as return on investments, return on assets etc), profitability (such as return on sales, net profit margin, gross profit margin etc), and growth (such as sales growth, market share growth , change in net income etc.) are the commonly chosen output measures (Murphy, et al. 1996).

Measuring hospitals financial performance is commonly performed by analyzing margins. The operating margin is commonly used financial ratios; it compares total operating revenue against its total operating expenses, often referred to as net from operations. If total operating revenue exceeds total operating expenses, the hospital is operating at a profit and will have a positive operating margin and vice versa. Total margin ratio compares a hospital's net income against its total operating revenue. Whereas the operating margin looks only at revenue derived from operations, total margin includes all other sources of revenue and expenses that are not related to operations (World bank, 2010). Operating margin will be used as a measure of financial performance in this study due to its wide application and inclusivity.

1.1.3 Relationship between Best Budget practices and performance

The basic conceptual model of this study is the relationship between the budgeting practices and financial performance



The guided hypothesis for purpose of testing the results of the analysis is;

H1a: The higher the budgetary participation, the better the performance

H1b: Linking budget development to strategy results to better performance.

H1c: Rational allocation of resources results to better performance.

H1d: Flexibility in budgeting and continuous improvement results to better performance.

H1e: Reduction of budgeting complexity and use of information technology results to higher profitability

1.1.4 Health Sector in Kenya.

There are three types of health facilities in Kenya, namely; hospitals, health centre and health sub-centre's including dispensaries and mobile clinics. Kenya has followed a strategy of pluralism in healthcare provisions, therefore allowing a large and diverse non-governmental health sector to develop. Out of the 4,125 health facilities in the country in 1997, the public sector operated about 51 percent of them while private companies, Christian mission organization and the ministry of local governments operated the remaining 49 percent. Non-governmental health providers are a significant part of Kenya's overall healthcare provision capacity (KIPPRA, 2004). The National Health Sector Strategic plan, classifies hospitals into three categories using the number of beds namely: large (over 50 beds), medium (26- 50 beds) and small (1- 25 beds).

Maintenance of public sector health facilities has been a big problem and a major burden for the Ministry of Health. Healthcare policy reforms have therefore been adopted as a strategy of supplementing government budgets to revitalize healthcare delivery systems. The most notable health reforms the Government has adopted include decentralization and cost sharing (KIPPRA, 2004). The Ministry of Medical Services Paper defining role of the public and private in the implementation framework to social health and protection strategy, identify improved efficiencies and lowering the cost of delivery of services as core to healthcare reforms (World Bank, 2010).

1.2 Statement of the problem

The changes in external environment are uncontrollable and require the budgeting practices to keep paces with the recent developments There are a wide variety of previous management accounting studies with many focusing on budgeting practices in the manufacturing, service and public sector. Mohamad et al (2010), performed a survey of good budgeting practices in Malaysian public universities. Their finding indicates partial application of so-called 'good budgeting practices' in public universities. Yang Qi (2010) conducted a survey on the impact of the budgeting process on performance in small and medium-sized firms in China; the researcher concluded that there is significant and positive impact of the budgeting process on performance. In Kenya and in particular the University of Nairobi the researcher identified 26 studies conducted on budgeting from the year 1974 to 2010. The studies are summarized in Appendix D where they are arranged by the year of study starting from the latest. From the summary, 50% of the studies focused on challenges of budget preparation and implementation, budgetary control and allocation; where 54% of the studies on this category were on public institutions, 15% on SACCOs, and 31% on manufacturing sector, financing institution, non-governmental organizations (NGOs) and insurance sector. 27% of the studies were on capital budgeting, supplementary budgets and cash budgeting, mainly focusing on capital budgeting techniques, the relationship between capital budgeting and financial performance of the organization and effectiveness of cash budgeting, and, factors that lead to supplementary budgets. The researchers focused on public institutions, banking sector and companies quoted, at Nairobi Stock exchange (NSE).

The researcher identified only a few studies carried out at the University of Nairobi since 1974 on budgetary practice. Kalungu (2010), survey was on the composition of the budget committee; budgeting approach (bottom-up budgeting or top-bottom budgeting, zero-based budgeting, incremental budgeting and line item budgeting), factors that results to budget deficit or surplus. Ongonge (2007), considered reasons for budgeting, information used when setting budgets, budgeting approach, the extent of use of zero based budgeting and performance measure used in the organization. Maina (2008), considered types of budget prepared in the manufacturing sector in Kenya, the source of information used in budgeting process and how long the budgeting process last in the organization. Kaguara (2009) conducted a survey on the membership of the budget committee, office responsible for the final decision on budget proposal, effectiveness of the budgeting process and challenges in the budgeting process. Kagochi (2008), carried out a survey existence of budget committees, basis that the operational budget are broken down, types of budget prepared by the company, purpose of operational budget and whether operational budgets served the purpose and main stages of operational budgeting process. Oyaro (2009), considered capital budgeting and performance and whether capital investment decisions increases the company's long-term effectiveness and efficiency. Ambetsa (2004), conducted a survey of the budgeting practices focusing on the types of budget prepared, budget approach (zero based or incremental) and challenges faced in the budgeting process. Ototo (2009), carried out a survey on budget implementation process emphasizing on effectiveness of the process, budget variances and budget evaluation. The previous studies carried on budgeting practices were limited in scope and only focused on the budgeting activities such as types of budget, budget participation, composition of budget committees, basis that the operational budget are broken down, how long the budgeting process takes, performance measure used by the organizations and the extent of use of budget manual. The proposed study is on the impact of best budget practices on financial performance and will cover a broad spectrum not covered in the previous studies. The study will benchmark the existing practices against the best budgeting practices identified in various research by Campbell (1985), Finney (1993) and Murray (1990) and establish if there is significant impact on financial performance.

Further, Even though private sector constitute virtually half of the health sector, there have been only very limited research studies on their internal management processes, particularly in the Kenyan context. It is only Kaguara (2010), who has attempted to research on budgetary practices in the sector in Kenya. However the researcher focused on documenting the existing practices without reference to the best practices and limited her scope to budget planning and participation, purpose of budgeting, types of budget prepared, effectiveness of budgeting process and problem of budgeting. As a result managers lack adequate literature to refer to if they desire to enhance their current budgeting practices. The lack of research on best budgeting practices and in particular in the health sector, especially under the Kenyan context motivated this study. The study aims to obtain a broad overview of budgeting practices in private hospitals in Nairobi and find out to what extent the organization applies the best budgeting practices as previously identified by various studies into budgeting practices. The study may also potentially provide some input to hospitals as they move forward into a more challenging environment and attempt to improve their current budgeting system.

1.3 Research Objective

The objectives of the study are;

i. To find out the extent medium and large- sized private Hospitals in Nairobi County adopts the best budgeting practices identified in the literature.

ii. To understand how adoption of best budget practices impacts on performance in medium and large- sized private Hospitals in Nairobi County.

1.4 Importance of the study

Kenya's private sector is one of the most developed and dynamic in Sub-Saharan Africa. The private health sector plays a very significant role in providing quality care to Kenyans. It is estimated that, 47 percent of Kenyans seek services from the private health sector (World Bank, 2010). Findings of this study would be beneficial to Hospital Management; Government and other Stakeholders; and Researchers and Academicians.

1.4.1 Hospital Management

Budgeting is an involving process that require Managers to take time away from operational duties, it involves making targets of which management are committed to the board and other stakeholders. This study would assist Management to appreciate good budgeting practices that enables them, to prepare budgets that provide information and focuses on outcome.

1.4.2 Government

Government would be informed of the budgeting practices in the health sector, this would be useful as the government work on strategies to develop and partner with the sector.

1.4.2 Researchers and Academicians

Researchers and Academician will get insight on the best budgeting practices in the health sector and how they impact on financial performance. The study would also form basis for further research on best budgeting practices in Kenya in other sectors that have not been studied.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents literature review on best budget process and best budgeting practices. The facets of this chapter include theories of budgeting, background information on budgeting, benefits and limitation of budgeting, budgeting process and best budgeting practices.

2.2 Theories of Budgeting

Theory in budgeting has been of two kinds, descriptive and normative. Descriptive theory is based on close observation or participation Theorist describe trends, sequence of events , infer causes, paying attention to local variation as well as uniformities across cases. Descriptive theory to establish what is, how decision are made, how strategies are selected. It is the main theory today but partially discredited. Normative theory-advice-may be based on much narrower range of observation than descriptive theory and its proposed solution may be based on values rather than observations. Normative theory is about what should be (Rubin, 1990). Wildavsky (1997) concludes that normative theory is impossible and utopian. If the explanatory power of the descriptive theory is too weak, or if the advice of normative theory is not adopted or is adopted and adopted because it does not work, the gap between theory and practice may become unacceptably wide (Schick,1986).

2.2.1 Evolution of Budgeting theory

In the 1960s "incrementalism" became the dominant theory of budgeting. Incrementalism is a style of policy-making based on small, marginal changes from existing policies. It contends not only that comprehensive rationality is impossible, but also that policies are seldom changed radically as a result of extensive reviews. Budget process were seen as stable, predictable, changing little from year to year and based on well-defined roles that could be represented by relatively simple decision rules. (Schick,1986) and (Wildavsky, 1997). By late 1970s incrementalism was seriously challenged as a theory of budgeting because of the narrowness of its analytical focus and changes in the environment and processes of budgeting. Due to the apparent limitation of incrementalism as a budgeting practice, a number of techniques or attempts to reforming budget systems have been introduced to make decisions more rational. A key development in budget theory has been the differentiation between "microbudgeting" and "macrobudgeting" and inherent tensions between them. Macro-budgeting refer to high level decisions on decision, revenue and deficit aggregates and relative budget share, often made from top to down. Microbudgeting refer to intermediate level decisions on agencies, programs, and line-items, usually made from the bottom up. The basis conceptualization of budgeting has shifted from cycle of micro-level, incremental executive requests and legislative actions to a complex series of political responses to short-term economic changes and projections of a relatively inflexible long-term trends in outlays and revenues. Key questions now concern how to balance micro-decisions within macro-level parameters. (Leloup,1978) and (Leloup,1988).

2.3 Budgeting Process

A budget is a systematic method of allocating financial, physical, and human resources to achieve strategic goals. Companies develop budgets in order to monitor progress toward their goals, help control spending, and predict cash flow and profit. The budgeting process consists of activities that encompass the development, implementation, and evaluation of a plan for the provision of services and capital assets. Budgeting is not simply an exercise of balancing revenues and expenditure, but strategic in nature. A good budget process provides incentives and flexibility to managers that can lead to improved program efficiency and effectiveness (GFOA, 1998). Budget serve to aid control, aid short rem planning, communicates plan, and coordinate activities and also measure performance Ongo'onge (2007).

2.3.1 Limitation/Criticism of Budgeting

The universal use of budgetary control is largely is largely due to its ability to put together the distinct thread of the organization into a comprehensive plan that serve different purpose, particularly planning and evaluation of actual performance against the plan. Despite performing these crucial functions, budgeting has many limitations (Hansen et al, 2003).Neely et al.(2001), cited weaknesses of budgeting and budgetary control from practitioner literature as: Budgets are time consuming to put together; constrain responsiveness and are often a barrier to change; rarely strategically focused and often contradictory; add little value , especially given the time required to prepare them; concentrate on cost and not value creation; strengthen vertical command and control; do not reflect the emerging network structures that organization are adopting; encourages gaming and preserve behaviors; developed and updated too infrequently , usually annually; based on unsupported assumptions and guesswork; reinforces departmental barriers rather than encourage knowledge sharing; and, make people feel undervalued. Kaguara (2007), concludes that most organization are faced with macroeconomic uncertainties and unrealistic cost estimates as a problem of budgeting.

The recurring criticism is that by the time budgets are used, their assumptions are typically outdated, thus reducing the value of budget process. The radical version of this is that conventional budgets can never be valid because they cannot capture the uncertainty involved in rapidly changing environments (Wallander, 1999). Another common criticism on budgeting is that, it impose a vertical command and control structure , centralize decision making, stifle initiative, and focus on cost reduction rather that value creation. In this case, budgeting impedes the pursuit of strategic goals by supporting such mechanical practices as last- year-plus budget setting and across-the board cuts (Hansen et al, 2003).

2.3.3 Developments in budgeting practice

Most firms are upgrading their budgeting systems to deal with the limitation of budgeting (Otley, 1999). This resulted to practice-led developments such as activity based budgeting (ABB) that advocates for improving budgeting system by marrying a more complete, operational based model with a detailed financial model. Its focus is on improving budgeting's support of operational planning. ABB first balance the operational requirements, thus avoiding unnecessary calculations of the financial effects of operationally infeasible plans. It focuses on generating a budget explicitly from activities and resources and highlights the sources of imbalances, inefficiencies, and bottlenecks. The operational model in the budgeting systems provides a richer set of tools for balancing capacity (Hansen & Torok , 2003).

Beyond Budgeting (BB) recommends a two-stage approach. The first stage addresses the problems with budgeting when used for performance evaluation; it recommends either radically changing traditional budget-based performance evaluation or completely eliminating the budget process. The second stage is to radically decentralize the organization and empower lower –level managers and employees. BB –approach seeks to avoid what is labeled as, the annual performance trap. This trap involves dysfunctional behaviors that stem from evaluating managers against budget targets that may be set without reference to credible source and remain fixed for the next budget year, in some cases allowing manager to adopt inappropriate methods of attaining their annual budget. These range from manipulating estimates, generally to obtain easier targets. BB-approach proposes to replace the annual budget –based performance evaluation with performance evaluations based on relative performance contracts with hindsight. The relative performance component sets budget targets using benchmarked performance, where benchmarks are either internal (e.g., different units in the same organization) or external (e.g., performance in comparison with leading competitors) (Hansen et al, 2003).Benchmarked performances are difficult to argue against and allow adjusting for uncontrollable factors. These features are likely to increase the accuracy and perceived fairness of performance evaluation hence potentially increasing motivation. In addition, the BB-approach recommends evaluating performance using various nonfinancial measures that are aligned with strategic objectives. The assumption is that, by attaining appropriate level of performance on the measures included, the desired financial performance and strategic objectives of the organization will be achieved. This is similar to balanced score card measurement system (Kaplan & Norton, 1996).

2.4 Best Budgeting Practices

Good budgeting practice is the one that provide information and focuses on the outcome. It provides the right climate for good decisions, excellence and controls all activities, and is intelligent and timely for organizations (Finney, 1993). Recognition of both technical and behavioral aspect of budgeting is essential if organizational goals are to be achieved. Good budgeting has both special behavioral and technical characteristics implications. Every budgeting system must be customized and its success measured by the extent to which it can provide necessary motivation for individual in order to maximize their contribution in achieving organizational goals (Campbell, 1985).Best budgeting characteristics include:

2.4.1 Linking Budget development to Strategy

The budget expresses how resources will be allocated and what measures will be used to evaluate progress, budget development is more effective when linked to overall corporate strategy. The Linkage gives managers and employees a clearer understanding of strategic goals, to enhance support for the goals, better coordination of tactics, and, ultimately, to better overall performance of the organization (Fisher et al, 2000). Communication plays an important role; top management must take the lead in developing and communicating strategic goals. When developing those goals, top management needs information about customers, competitors, economic and technological change. Setting goals before budgeting begins makes it easier for budget developers at all levels since a budget that support strategic goals is developed (Finney, 1993).

2.4.2 Managers Involvement

Workers involvement in the process of setting and developing organizational budgeting is a major determinant of good budgeting. Staff participation in budgeting process helps to strengthen the perception among workers that organizational goals are fair, and therefore the budget would be more relevant to them. This is in line with the budgeting concept that workers' participation may contribute to greater willingness from them to accept the budgetary goal (Fisher et al, 2000). Information gathered from lower-levels managers can facilitate the process of budget preparation. This provides opportunity to improve the organizational performance (Campbell, 1985). Organizational goals are the objective or the performance target that every worker should seek to achieve. When individual is committed to achieve the goal, it influences their actions and consequently the performance of the organization (Reckers, 2002). Definition of long-term goals must be clear and must be derived from all levels in the organization. This helps management to decide the appropriate long-term strategies, and the input captured becomes a part of the organization's objectives and policies. Organizational goals must be realistically formalized and attainable, logically follow diagnosis, be specific and measurable and consider uncertainty and uncontrollability of environment (Holland, 2000). Ong'onge (2009), findings was that, majority of SACCOs involve the heads of various department, other staff members are partially involved. The study did not however provide details such as, if the responsibility, role and authority of the managers is clearly defined, whether managers have the prerequisite skills, if top management provide the required results or if the managers are satisfied with the current budgeting system.

2.4.3 Rational Allocation of Resources

Supply of resources is limited, thus organizations must compare costs and benefits of each potential activity and select those that are considered to result in the optimal allocation of resources. Management must ensure the rationality of resource allocation by comparing cost and benefit of each activity, communicate where the emphasis and priority have been placed and what is the performance sought and also establish a balance between the service level of each activity and resources requirement (Grifel, 1993) Within any organization, there is competition for resources between function and business unit for funding of both capital and operating expenses - usually in excess of the actual resources available. This makes it critically important for companies to design procedures so that resources are allocated to support key strategies. This requires coordination of review of operating and capital budgets to gives managers insight into the ways in which changes in one budget affect the other. Another practice is to develop sophisticated measures for evaluating proposed budgets. The measures may vary by industry, but most take into account the company's weighted average cost of capital and assessment of the degree of risk involved in competing plans of action, the costs or advantages associated with deferring action, as well as factors such as expected developments in interest rates (Fisher et al, 2000).

2.4.4 Budget Monitoring

Budget performance should be monitored continuously throughout the period using variance analysis. This is to ensure continuous improvement by taking corrective action on timely basis. Further continuous performance improvement could be revised to reflect changes in the organizations strategy and structure (Schmidt, 1992). Most organization evaluates managers primarily on how closely they achieve budget targets. Though it may seem logical, in reality this type of one-dimensional evaluation may tempts managers to achieve the set targets by playing games with budget targets which may be in some cases not in the organization's best interest. At best practice companies, meeting budget targets is secondary to other performance measures. In such organization, a balanced set of performance measures to chart progress toward strategic goals is used. The same measures in their incentive programs. This reinforces the importance of key strategies and communicates what results will be rewarded. The participation of business unit manager is critical in identifying the measures that are most relevant for their operations (Schmidt, 1992).

2.4.5 Linking Budgeting to cost Management

Linking cost management efforts to budgeting, enables the organizations to improve the quality of information available for managers to use in developing their budgets. Accurate cost information is fundamental to budgeting. Organizations that use accurate cost management techniques and provide budget developers with ready access to cost information improve both the accuracy and the speed of their budget process. Standardizing the cost management system organization wide is a crucial step in improving the link between cost management and budgeting. Activity-based costing (ABC) is helpful in identifying the real cost of producing, selling, and delivering products and services. Another best practice in linking cost management to budgeting is the strategic use of variance analysis; this entails the study of differences between budgeted and actual costs, or the study of costs at one organization compared with industry averages. Variance analysis can help managers to identify weak areas that need to improve its performance (Reckers, 2002).

2.4.6 Reducing complexity and Support by information system.

Best budgeting practice strive to reduce budget complexity and streamline budgeting procedures. Such streamlining allows management to collect budget information, make allocation decisions, and communicate final targets in less time, at lower cost, and with less disruption to the company's core activities. Use of information technology and minimizing the amount of detail included in the reports used to develop budgets are other key steps Technology has an important role in improving the efficiency of the budgeting process. Budgetary systems and control is a visible user of accounting information in the management process. By setting standard of performance, and providing feedback by means of a variance report, an accountant supplies much of required information for overall planning and control. Structure of business, the function, scope and management of budget have become more complex hence the need for technology (Hansen et al, 2003).

2.4.7 Flexibility and continuous improvement

Developing budgets that accommodate change ensures that, organization can respond to competitive threats or opportunities more quickly and with greater precision. Resources can be used more efficiently to take advantage of the most promising opportunities. Budgets are reviewed quarterly, monthly, or even weekly. By including in these reviews reports on changes in business conditions, managers are alerted on the need to change tactics. Best budget practice allows for the revision of budget to reflect on the current conditions, this may include changes in the organization strategy and structure (Schmidt, 1992). In some cases “continuous" forecasts rather than on traditional annual budgets is applied, in this case, the forecast is updated with actual results as the company moves through the year. Figures for three or more subsequent quarters are projected in decreasing degree of detail. One way in which companies build flexibility into budgets is to prioritize according to strategic importance action plans that were rejected due to resource limitations. By doing this, they can act swiftly and decisively if additional resources become available. Another way in which best practice companies develop budgets that accommodate change is to require managers to create scenarios based on a variety of assumptions about business conditions (Hansen et al, 2000).

2.5 Budgeting Process in Health Sector

The healthcare industry operates in a highly fragmented industry. Multiple industry players include hospitals, nursing homes, laboratory, clinics, dentist offices, daycare facilities, and family and social services providers. Operations are constantly being pressurized by multiple market forces that affect the healthcare industry. They require a regular form of measurement and analysis to ensure outcome and effect prove to be favorable for the organizational. An aging population, advances in medical care technology, a multi-payer system, increasing government regulations, staffing shortages, rising cost, and changing patients services challenge healthcare providers on a daily basis- all requiring a steady and reliable financial status update of the business (World bank,2000). Hospitals plan their budgets not only based on the projected volume but also on the projected reimbursement for the services rendered. The hospital's ability to pay for the operating expenses depend on how well they forecast the volume and factors; therefore, translating the volume into staffing , supplies and other operating expenses. The continuously eroding operating and contributing margins of the hospitals can be impacted significantly if the budgets are impractical to begin with. The hospital operating budget is usually a rollup of the individual entities/departments' budgets. (Ganti,2004).

2.6 Review of Empirical Studies

There are various studies carried out on budgeting practices in Kenya in particular in the University of Nairobi that have benefited this study. Ototo (2009), recommends that, proposed budget should be used properly in order to ensure that organization's resources are utilized efficiently. The researcher further recommends that, budgets should be prepared in such a way that everybody who is required to use it will be able to understand it without any difficulties. Oyaro (2009), concludes that capital budgeting techniques enhances performance and the most commonly used techniques is the net present value. Operational budgets serve the purpose of forecasting, assisting in control,, act as a means by which management communicates to other level of department, act as a means of performance appraisal and also it motivates employees to do better (Kigochi, 2008).

Ongo'onge (2009), recommends that, all stakeholders need to be involved in the budgetary process. The researcher further recommends that, budget committee members be trained on budgeting issues. Kaguara (2009), concluded that most organization prepared master budgets and most budget committees are constituted mainly by finance personnel. Kalungu (2010), identified budgeting challenges to include in CDF to include; cost escalation beyond set limit, time limit in preparation, lack of trained personnel, unrealistic budget targets and conflicts among members.

2.7 Conclusion

The studies have contributed to this research in assisting to identify the key issues in the sector previously studied as well as focusing the study on unexplored areas of good budgeting practices in the Kenyan context. However the researcher consider the scope covered by the various research on operational budgeting to be limited in scope. As detailed above the studies focused on the budgeting activities such as types of budget, budget participation, composition of budget committees, basis that the operational budget are broken down, how long the budgeting process takes, performance measure used by the organizations and the extent of use of budget manual. The studies are limited in that; the existing practices are not benchmarked against the best practices, previously identified in the literature review. This includes linking budgeting to corporate strategy, criteria of rational allocation, linking budgeting to cost management and use of technology as well as reducing budgeting complexity.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Design

The research design of the project will be a descriptive survey. The method is appropriate for the study as it will allow the researcher to examine the adoption of good budgeting practices. A study aimed at determining who, what, when, where and how of a phenomenon is a descriptive study. Descriptive study can be used when the purpose is to: describe characteristics of certain items; estimate proportions of people who behave in a certain ways; and, make specific predictions (Kinner & Taylor, 1998). This is the focus of the intended study.

3.2 Population of Study

The population of study is all medium and large private Hospital in Nairobi currently accredited by National Hospital Insurance Fund (NHIF). The private sector healthcare is often defined to include all providers outside the public sector. The private sector includes both for-profit and not-for-profit entities, such as faith based organizations (FBOs) (World Bank, 2010). The National Health Sector Strategic plan, classifies hospitals into three categories using the bed capacity namely: large (over 50 beds), medium (26-50 beds) and small (1-25 beds).The information obtained from NHIF directory indicates that there are 28 accredited private medium and large hospitals in Nairobi. The study will be a census of all 28, medium and large private hospitals in Nairobi(See Appendix C).

3.3 Data Collection

Both primary and secondary data will be collected for the study. A questionnaire, which includes both open and close-ended questions, will be administered to the management accountants of each institution, in order to collect primary data on extent of adoption of best budgeting practices. The questionnaire is designed to include the following: Section A, captures demographic information; Section B focuses on the current budgeting systems practiced by the hospitals. Section c focuses on financial performance. The questions are designed in this section are based on good budgeting characteristics discussed in the literature review. Secondary data will also be collected for purpose of analyzing profitability. The pattern in the data will be identified and useful inference will therefore be studied with regression approach

3.4 Data Analysis

The primary data collected from the field will be carefully edited and screened for errors and omissions, accuracy, uniformity and completeness. The data will then, be coded and entered into an SPSS spreadsheet. The mean and standard deviation of each question will be determined and consequently summarized by good budgeting practices. This will be used to determine the extent to which Private hospitals in Nairobi adopted good budgeting practices as identified in this study. Graphical presentation as appropriate will be used to present the data collected to enhance understanding and analysis.

The regression model is the following

$$Y = a_{1-a} + b_{1-a1}X_{1a} + b_{1-a2}X_{1b} + b_{1-a3}X_{1c} + b_{1-a4}X_{1d} + b_{1-a5}X_{1e}$$

Where Y =Hospital performance/ operating margin; X1a = Managers participation ; X1b = Linking budget development to strategy; X1c = Rational allocation of resources; X1d = Flexibility and continuous improvement ; X1e = Reduction of complexity and use of information technology.

To support the hypothesis, T- statistics must significant and the coefficient value in equation must be positive. The guided hypothesis for the purpose of testing the results of the analysis is given below:-

Ho: Adoption of best budget practice has no significant impact on profitability in private hospitals in Kenya.

H1: Adoption of best budget practice has significant impact on profitability in private hospitals in Kenya.

3.5 Data validity

The validity of an instrument is the degree to which it measures what it is intended to measure. (Polit and Hungler 1993). Content validity represents the extent to which the instrument represents the factors under study. For primary data, the questionnaire that will serve as data gathering instrument, will be subject to a pretest administered to 10% of the population in order to determine whether the questions are clear and well understood.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the findings for analysis of data collected from the study unit. The data was collected through questionnaire sent to management accountants of private hospitals in Nairobi County. The data was purely quantitative. In the analysis the study aimed to determine the extent of adoption of best budgetary practices and the impact of their adoption on profitability. The findings are presented in three sections namely: respondent profile, extent of adoption of budgetary practices and impact on profitability.

4.2 Characteristics of Respondents

The questionnaires were sent out to all 28 large and medium size hospital in Nairobi County and response were collected personally. Of the 28 questionnaire distributed, 21 were returned, this represent a response rate of75 percent. Among these responses, 10 out of 21 are medium sized hospitals awhile 11 are large hospitals. This is summarized in table 4.1 below.

The table 4.1: characteristics of the respondent.

Bed Capacity	Sample size	Response	Response rate
Medium (26-50)	15	10	67%
Large (over 50)	13	11	85%
Total	28	21	75%

4.3 Extent of adoption of the best budgetary practices.

The respondents were asked to indicate the extent of adoption of various best budgetary practices.

4.3.1 Manager Participation

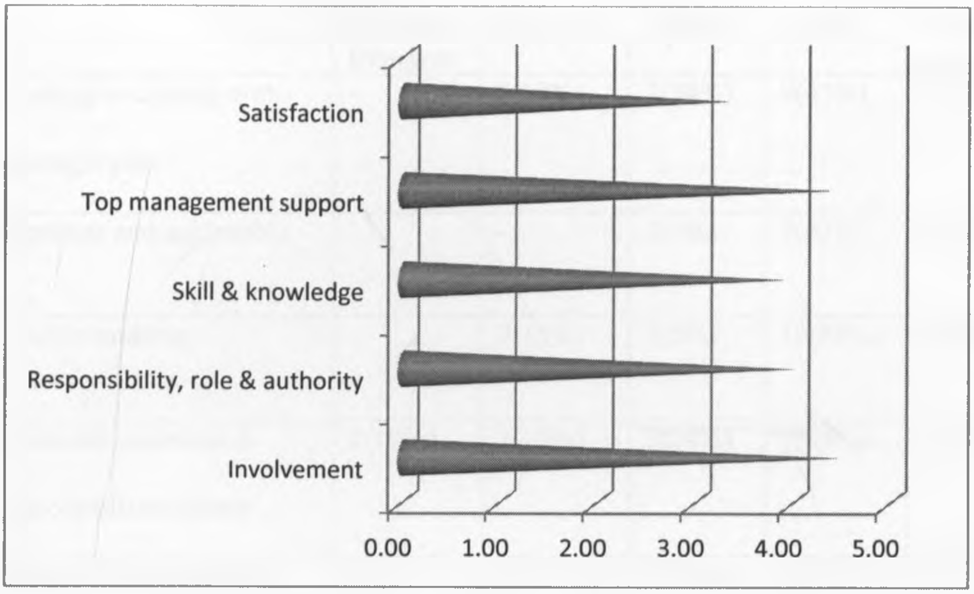
The results from descriptive statistics shows the overall degree of manager participation in the budgeting process is 4 (the mean number is 4.0 with the likert scale ranging from 1 to 7). The study shows that, eighty six percent of the respondents agree that they have been given opportunities to suggest ideas for the budget preparation process. The findings also indicated that about ninety six percent of the respondents get the required management support. However only 38% of the respondent indicated they are satisfied by the budgeting process. This is depicted by table 4.2 and fig 4.1 below.

Table 4.2: Managers' Participation

	Strongly Disagree	Disagree	Neutral	Agree	Strongly agree	Mean (middle value is 3)
Involvement	-	-	3(14%)	5(24%)	13(62%)	4.4762
Responsibility, role & authority	-	-	9(43%)	3(14%)	(9(43%)	4.0000
Skill & knowledge	-		9(43%)	5(24%)	7(33%)	3.9048
Top management support	-	-	1(5%)	11(52%)	9(43%)	4.3810
Satisfaction	-	2(10%)	11(52%)	7(33%)	1(5%)	3.3333
Overall	-	2%	31%	30%	37%	4.0190

Note: the likert scale to measure the variable above is used from "1" to "5"

Fig: 4.1: Manager' Participation



4.3.2 Long term goals of the Budget

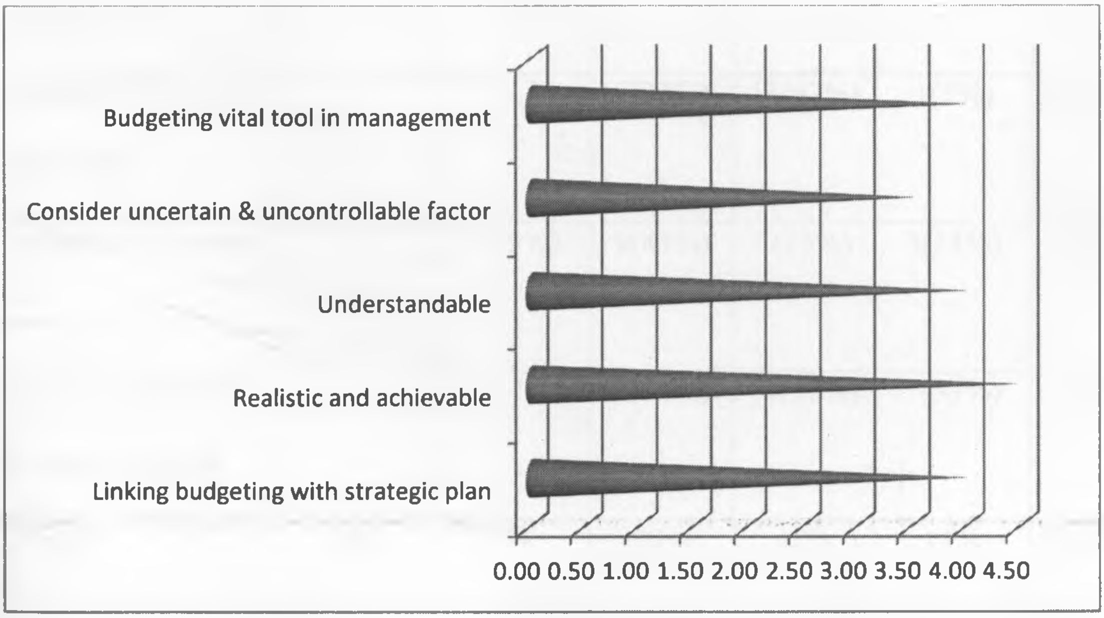
Goals influence the individual's action and consequently the performance, thus the goals must be realistic and attainable. The results of the study indicate that, the extent of adoption of this practice is a mean of 4 on a likert scale of between 1 to 5. Table 4.3 shows that 95 percent of the respondents agree that their hospitals have realistic and achievable long-term goals, while 76 percent indicates that the budgeting process is linked to long-term goal of the organization as depicted in the strategic plan. Eighty six percent indicates that the long term goals of the organization are understandable, while 66 percent agrees that budgeting is a vital tool in management of their hospitals. In addition, 57 percent of the respondents agree that their hospitals consider uncertain and uncontrollable factor in the budgeting process. The results are summarized in table 4.3 and figure 4.2 below.

Table 4.3: Long- term Goals of the budget

	Strongly Disagree	Disagree	Neutral	Agree	Strongly agree	Mean
Linking budgeting with strategic plan	-	2(10%)	3(14%)	9(43%)	7(33%)	4.0000
Realistic and achievable	-	-	1(5%)	9(43%)	11(52%)	4.4762
Understandable	-	2(10%)	1(5%)	13(62%)	5(24%)	4.0000
Consider uncertain & uncontrollable factor	2(10%)	2(10%)	5(24%)	7(33%)	5(24%)	3.5238
Budgeting vital tool in management	-	-	7(33%)	7(33%)	7(33%)	4.0000
Overall	2%	6%	16%	43%	33%	4.0000

Note: the likert scale ranged from "1" to "5" is used to measure all variables in the table above.

Fig. 4.2: Long- term Goals of the budget



4.3.3 Rational allocation of resources

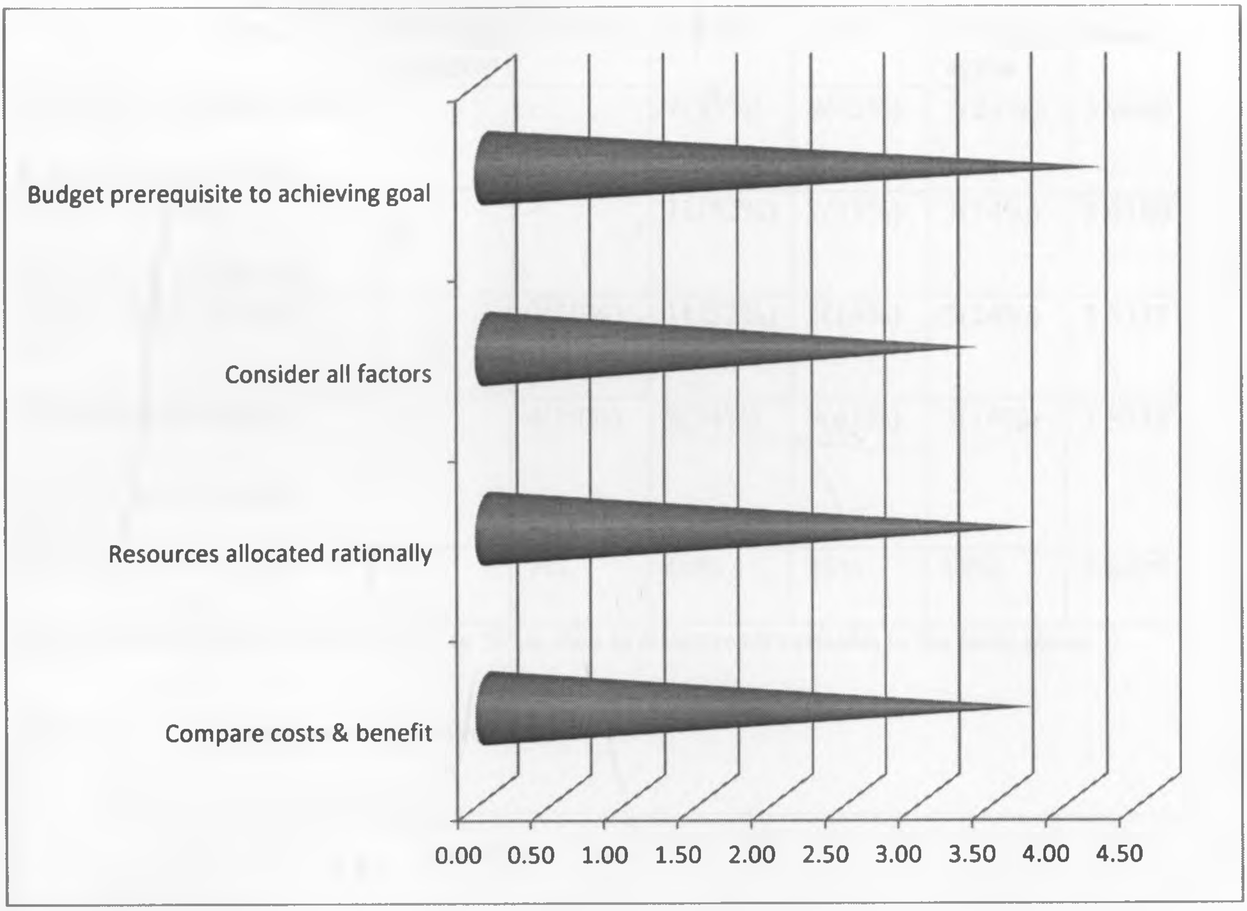
Due to limited supply of resources, organization must compare costs and benefit of each potential activity and select the optimal allocation of resources. This is reflected on Table 4.4 showing that 66 percent of the respondents agree that their hospital management do compares cost and benefits of each potential to be implemented when allocating resources. Sixty three percent of the respondents indicate that resources in their hospital are rationally allocated, while eighty five percent agree that budget is a prerequisite to achieving the goal of their hospital. However only 38 percent of the respondents indicate that, their hospital considers all factors in the budgeting process.

Table 4.4: Rational Allocation of Resources

	Strongly Disagree	**Disagree**	**Neutral**	**Agree**	**Strongly agree**	**Mean**
Compare costs & benefit	-	2(10%)	5(24%)	11(52%)	3(14%)	3.7143
Resources allocated rationally	-	-	7(33%)	13(62%)	1(5%)	3.7143
Consider all factors	-	4(19%)	9(43%)	5(24%)	3(14%)	3.3333
Budget prerequisite to achieving goal	-	-	3(14%)	11(52%)	7(33%)	4.1905
Overall	0%	7%	29%	48%	17%	3.7381

Note: the likert scale ranged from "1" to "5" is used to measure all variables in the table above.

Fig 4.3: Rational Allocation of Resources



4.3.4 Continuous Improvement

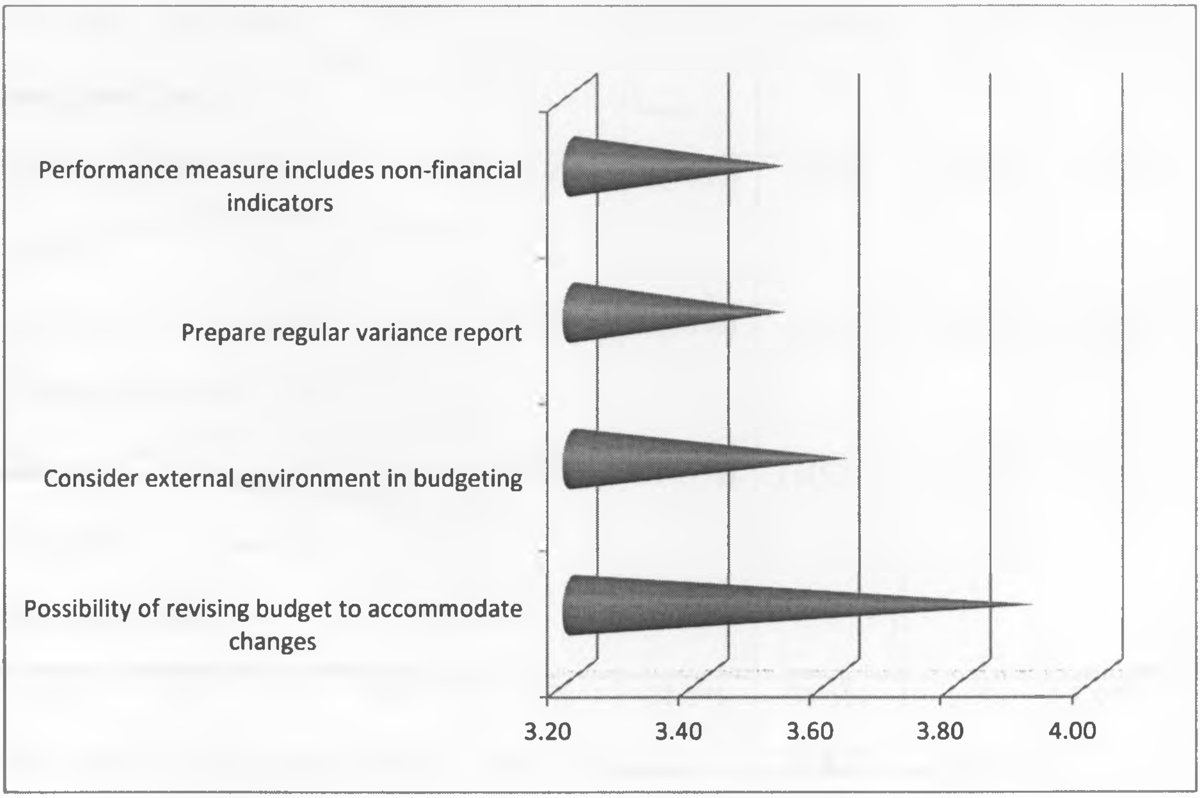
Table 4.5 represents the results of how far the current budgeting systems adopt continuous improvement concept. The study shows that 67 percent of the respondents agree that there is a possibility of revising the budget to accommodate change in the external environment. Fifty seven percent of the respondents indicated that their hospital consider non-financial performance indicators to measure performance. However only 38 and 47 percent of the respondent indicated that, they consider external environment in budgeting and prepare regular variance report respectively.

Table 4.5: Continuous improvement

	Strongly Disagree	Disagree	Neutral	Agree	Strongly agree	Mean
Possibility of revising budget to accommodate changes	-	-	7(33%)	9(43%)	5(24%)	3.9048
Consider external environment in budgeting	-	-	11(52%)	7(33%)	3(14%)	3.6190
Prepare regular variance report	-	2(10%)	11(52%)	3(14%)	5(24%)	3.5238
Performance measure includes non-financial indicators	-	4(19%)	5(24%)	9(43%)	3(14%)	3.5238
Overall	-	7%	40%	33%	19%	3.6429

Note: the likert scale ranged from "1" to "5" is used to measure all variables in the table above.

Fig 4.4: Continuous improvement



4.3.5 Accounting information System and complexity of Budgeting

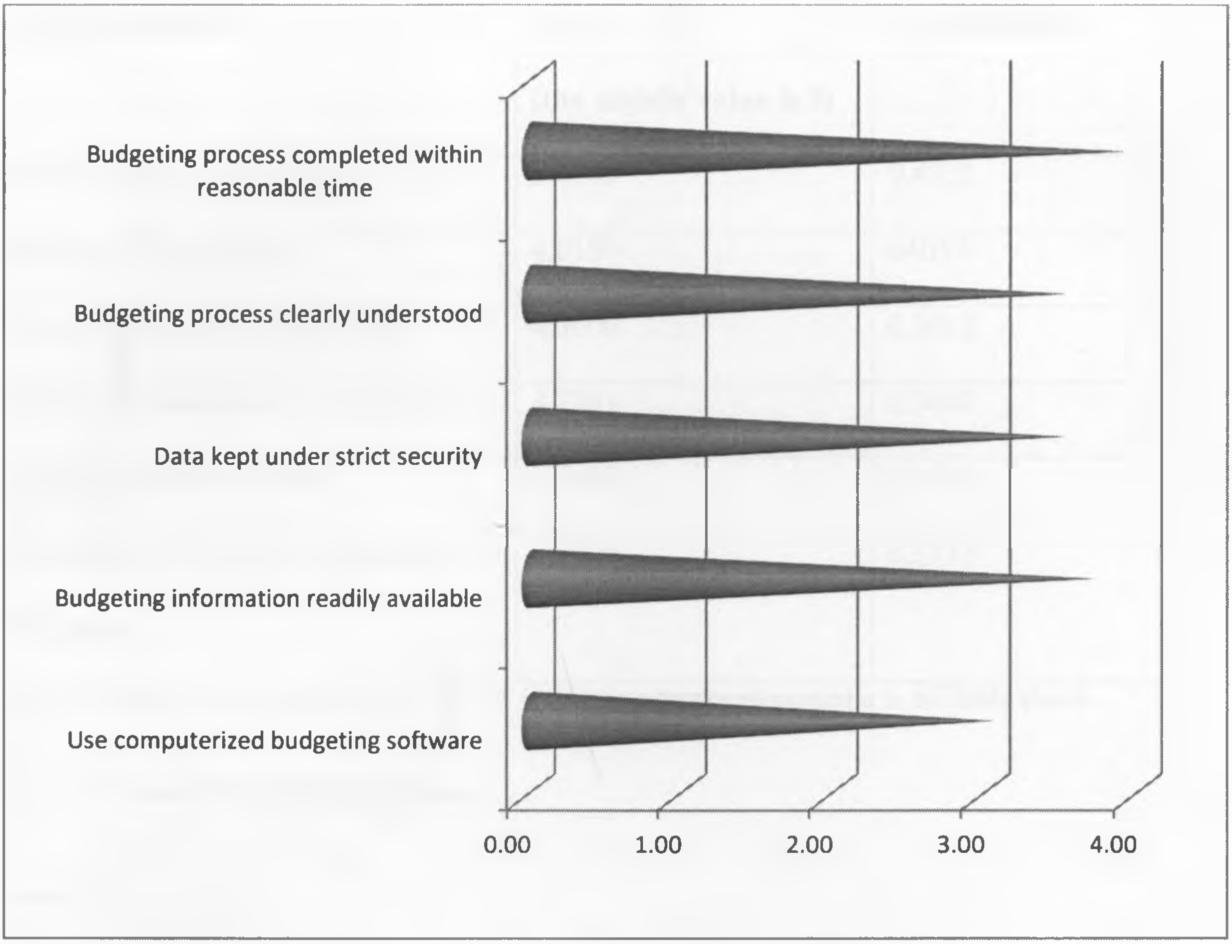
Table 4.6 shows that 76 percent of the respondent indicates that the budgeting process is completed within a reasonable time. Sixty seven percent of the respondents indicated that the budget information is readily available. However only 34 and 48 percent indicated that the budget data is kept under strict security and budgeting process is clearly understood respectively.

Table 4.6: Information System & complexity of budgeting

	Strongly Disagree	Disagree	Neutral	Agree	Strongly agree	Mean
Use computerized budgeting software	-	8(38%)	7(33%)	3(14.5%)	3(14.5%)	3.0476
Budgeting information readily available	-	-	7(33%)	13(62%)	1(5%)	3.7143
Data kept under strict security	-	4(19%)	9(43%)	1(5%)	7(33%)	3.5238
Budgeting process clearly understood	-	4(19%)	7(33%)	5(24%)	5(24%)	3.5238
Budgeting process completed within reasonable time	-	2(10%)	3(14%)	11(52%)	5(24%)	3.9048
Overall	0%	17%	31.5%	31.5%	20%	2.9524

Note: the likert scale ranged from "1" to "5" is used to measure all variables in the table above.

Fig 4.5: Information System & complexity of budgeting



4.3.6 Good Budgeting Practices

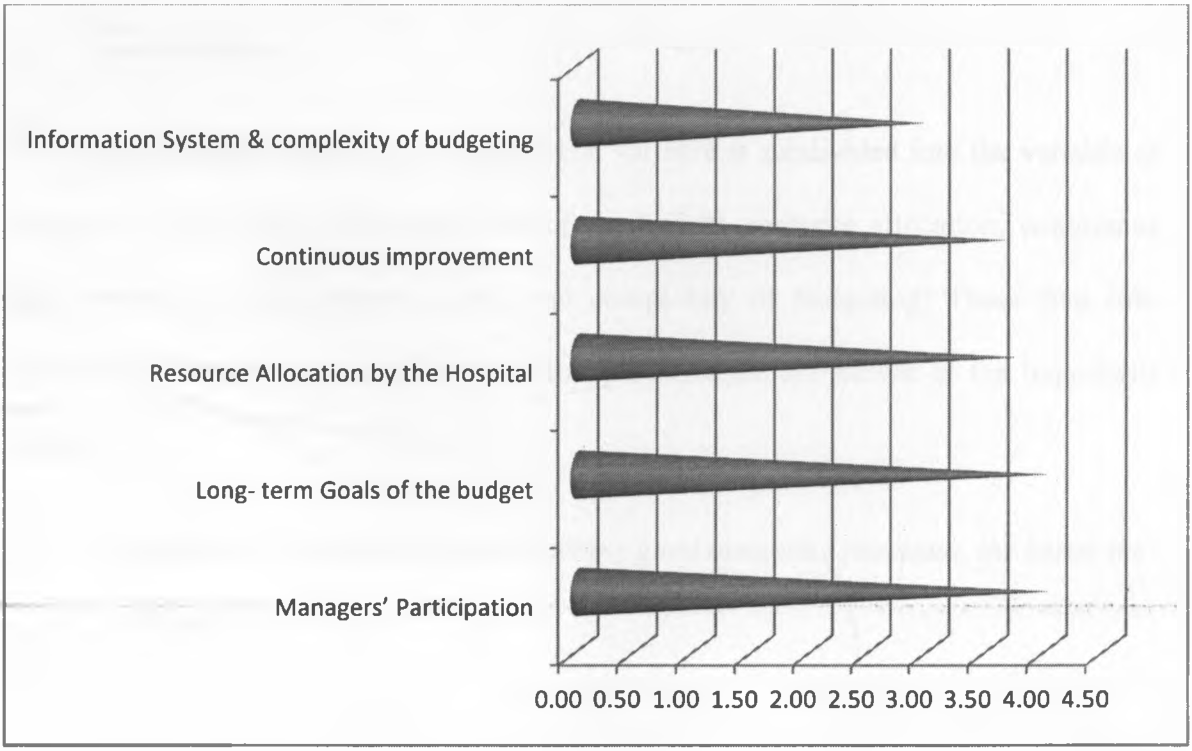
Table 4.7 presents a summary of good budgeting practiced by medium and large private hospitals in Nairobi County. Use of information system and complexity of budgeting was ranked the lowest from other good budgeting practices. This indicates that private hospital put less emphasis on the use of information technology in budgeting and that budgeting remains complex to most of the respondents. Other good budgeting practices were ranked average with managers' participation and long term goal setting were highly ranked.

Table 4.7: Good Budgeting Practices

Characteristics	Mean (the middle value is 3)	Std. Deviation
Overall extent of adoption	3.6389	0.4333
Managers' Participation	4.0190	04059
Long- term Goals of the budget	4.0000	0.3012
Resource Allocation by the Hospital	3.7381	0.3040
Continuous improvement	3.6429	0.1561
Information System & complexity of budgeting	2.9524	0.3733

Note: the likert scale ranged from "1" to "5" is used to measure all variables in the table above.

Fig 4.7: Good Budgeting Practices



4.4 Financial Performance

The result from descriptive statistics (in Table 4.8) shows that the average overall firm performance for sampled hospitals was 2.5. The mean value for growth in revenue was 2.6 while the mean of surplus margin was 2.5.

Table 4.8: Mean and Standard Deviation for the performance

Performance	**Mean (the middle value is 2)**	**Std. Deviation**
Overall performance	2.5238	0.0673
Surplus Margin	2.4672	0.4512
Growth of sales	2.5714	0.3616

Note: the likert scale ranged from "1" to "4" is used to measure all variables in the table above.

4.5 Empirical Results: The extent of adoption of best budget characteristics and performance

The best budgeting characteristic as a general variable is subdivided into the variable of managers' participation, long-term goal of the budget, resource allocation, continuous improvement and information system and complexity of budgeting. These five sub-variables and their assumed effects on firm performance are shown in the hypothesis below.

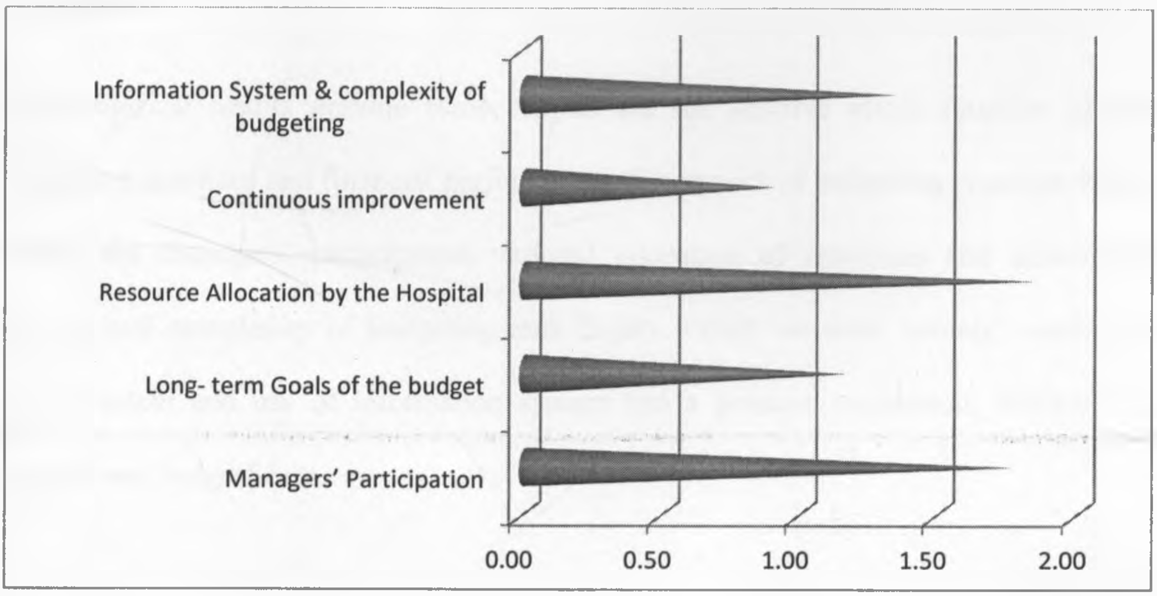
- *Hypothesis: the more the hospital adopts good budgeting practices, the better the performance.*

Table 4.9 below shows the impact of all variables on performance. By checking each variable in the model individually, we can see that there are only three variables significantly and positively affecting the hospitals performance. These three variables are the managers' participation, rational allocation of resources and information system and complexity of budgeting. Their t values are 1.76, 1.84 and 1.34 respectively, and their coefficient values are 0.26, 0.3 and 0.21 respectively.

Table 4.9: Regression Results on Firm Performance (Y_1)

Variable	Coefficient	Coefficient value	Mean (X1)	T- stat Value
X1a	b1-a1	0.26	4.0190	1.76
X1b	b1-a2	0.11	4.0000	1.16
X1c	b1-a3	0.3	3.7381	1.84
X1d	b1-a4	0.05	3.6429	0.90
X1e	b1-a5	0.21	2.9524	1.34
	a1-a	0.72		
R2 =0.30, N= 21				

Fig 4.8: Regression results (T-stat value)



CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a summary of the findings from chapter four, and also gives the conclusions and recommendations of the study based on the objectives of the study.

5.2 Summary of the Findings

The objectives of this study was to establish the extent of adoption of good budget practices identified in the literature review in Private hospitals in Nairobi county and the relationship between best budget practices and financial performance. The study established that the extent of adoption of individual best budgeting practices varies. Participation of managers in the budgeting process and long-term goal of budget rank highly. The study indicates less adoption of technology in the budgeting process. Overall, the study established that the hospitals do to some extent adopt the good budgeting practices. .

The empirical results provide some support for the positive effect adoption of best budgeting practices and financial performance. The impact of budgeting practices varies, where the managers' participation, rational allocation of resources and information system and complexity of budgeting rank highly. Other variables namely; continuous improvement and use of information system had a positive correlation, however the impact was insignificant.

5.3 Conclusion

The study concludes that, private hospitals in Nairobi do to some extent adopt the best budgeting practices. This indicates that the budgeting practices can be used as a control mechanism to strengthen performance measurement systems. This is important because the environment in which they operate is dynamic hence they need a good budget and performance evaluation process in order to gain or maintain competitive analysis.

Secondly, the study confirms that there is a positive relationship between adoption of best budgeting practices and financial performance. Adoption of best budget practices leads to improvement of the hospitals financial performance (revenue growth and profitability).

5.4 Recommendations

From the study findings, there is an indication of partial adoption of best budgeting practices in private hospitals. Secondly, there is an indication that a positive relationship exist between extent of adoption of the best budgeting practices and financial performance. The study therefore recommends that, for improved performance in this industry, the hospitals should adopt the best budgeting practices in totality. The hospitals in particular, need to embrace technology in the budgeting process, ensure rational allocation of resources and adopt a flexible budgeting system that can accommodate changes in external environment and ensure continuous improvement

5.5 Limitation of the study

The study only captured 21 Hospitals of the targeted 28 hospitals. The study was also limited to Nairobi County. Some of the respondents were reluctant to fill the questionnaire due to what they considered as confidential nature of some of the information sought. In some cases some respondent took a long time to respond due to their busy work schedule and in some cases lack of understanding of what was required. The performance measure was only limited to revenue growth and surplus. The hospitals sampled had a different ownership structure, where some are purely private organization with no external funding but others had varying external funding component.

5.6 Suggestions for future Research

The study suggests that further research should be done to examine the quality of budgeting systems practiced in Private hospitals. Further research can also be undertaken, to determine the performance indicators used in private hospitals in Kenya.

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APPENDICES

Appendix A: LETTER OF INTRODUCTION

UNIVERSITY OF NAIROBI,

School of Business

P.O. Box 30197,

Nairobi

To Whom It May Concern

Re: MBA Research Project

The bearer of this letter; Mr. Joel Waruigu; RegistrationNo. D61/75201/2009 ID. 12942529 Mobile 0720396113 is a post graduate student in the school of business of the University of Nairobi pursuing a master's degree in business administration. The student is required to submit, as part of the course work assessment, a research project report on a given management report affecting firms in Kenya today.

We would therefore appreciate if you assist the student collect data in your organization to this end. The information collected would be treated as confidential and be used strictly for academic purposes. A copy of the final project would be provided for your records.

Any assistance which you can extend to the student will be greatly appreciated.

Thank you.

The coordinator, MBA program

APPENDICES

Appendix B: **RESEARCH QUESTIONNAIRE**

Information that you will provide herein will be treated with maximum confidentiality.

SECTION A: GENERAL INFORMATION

1. What is the bed capacity of your Hospital?

☐ 0-25 ☐ 26-50 ☐ over 50

2. What your hospital average annual turnover in the last three last three years

☐ 0-100 Million ☐ 101-500 Million ☐ 500 – 999 Million ☐ Over 1 billion

SECTION B: BUDGETING PRACTICES

In this section, you are required to provide your opinion on operational budgeting practices adopted by your organization.

3. Please indicate your opinion on the operational budgeting practice in your hospital using the rating scale below.

Key :1. Strongly disagree 2. Disagree 3. Neutral 4 – Agree 5 – Strongly agree

a	**Managers Participation**	**1**	**2**	**3**	**4**	**5**
i	Non-Finance managers participate actively in the budgeting process?					

		1	2	3	4	5
ii	Managers responsibility, role and authority in the budgeting process is clearly defined?					
iii	Managers have the prerequisite skills and knowledge in budgeting					
iv	Top management provide the required support					
v	You are satisfied with the current budgeting system					
b.	**Long-term Goals of the budget**					
i	Budgeting system is linked with the strategic plan					
ii	Objectives of the budget are realistic and achievable					
Iii	The long term objective of budgeting are understandable and act toward achieving the goals.					
iv	The strategy of your hospital consider uncertain and uncontrollable factors.					
v	Budget is a vital tool in management in your hospital					
C	**Resource Allocation by the Hospital**					
i	Your hospital carry out costs and benefit analysis when allocating resources in the budgeting process.					
ii	Resources are allocated rationally and realistically in your budgeting process.					
iii	All factors are considered when allocating resources in the budgeting process.					

		1	2	3	4	5
iv	Budgeting is a prerequisite to achieving your hospital goals.					
d	**Continuous Improvement**					
I	There is possibility of revising the budget if there are changes in structure or business environment					
Ii	You hospital consider the external environment while budgeting?					
iii	Your hospital prepare regular budget variance report.					
iv	Performance measure includes non –financial indicators					
e	**Information System & complexity of budgeting**					
I	You have a computerized budgeting software					
Ii	Information required for the budgeting process is readily available in your hospital					
iii	Budgeting data is kept under strict security .					
Iv	Budgeting process in your hospital is clearly understood					
V	Budgeting process is completed within a reasonable period					
vi	Budgeting does not unnecessary disrupt normal operations in your hospital					

SECTION C: FINANCIAL PERFOMANCE

The following section of the questionnaire seeks some information relating to your hospital's performance in the recent past year. If you have no definite figures we would appreciate approximate figures.

Please indicate the interval which best depicts your hospitals performance by ticking an appropriate number for question (a) and (b)

(a) Please indicate the growth in sales revenue of your hospital over the past 3 years;

Below 10%

11-20%

21-30%

31-40%

41-50%

Over 50%

(b) Please indicate your average operating margin/surplus margin of your hospital over the past 3 years (operating margin may be computed as net profit/surplus before tax as a percentage of total revenue.

Below 10%

11-20%

21-30%

31-40%

41-50%

Over 50%

APPENDICES

Appendix C: **LIST OF MEDIUM & LARGE PRIVATE HOSPITAL IN NAIROBI**

	Name of Hospital	Bed Capacity
1	Edelvale Trust Jamaa H Hospital	46
2	Huruma Nursing and Maternity	26
3	Kayole Hospital	40
4	Mater Misericordiae Hospital Nairobi	135
5	Metropolitan Hospital	35
6	Nairobi Equator Hospital	40
7	Nairobi West Hospital	66
8	St. James Hospital	63
9	Coptic Church Nursing	37
10	Divine World Parish Health Centre	32
11	Karen Hospital Limited	102
12	Kenyatta National Hospital (Amenity wing)	225
13	Kilimanjaro Nursing and Maternity	26
14	Langata Hospital	30
15	Magadi Soda Company Hospital- Nairobi	50
16	Masaba Hospital	156
17	Midhill Maternity & Nursing Home	28
18	Nairobi Hospital	220
19	Nairobi Womens Hospital	50
20	Ngong Hills Hospital	40
21	Sinai MT. Hospital	30
22	Avenue Healthcare Limited	60
23	Getrudes Garden Children's Hospital	72
24	Guru Nanak Ramgarhia Sikh Hospital	85
25	H. H. Agakhan Hospital	165
26	Lion Sight First Eye Hospital	52
27	Maria Immaculate Hospital	28
28	S.S League M.P Shah Hospital Nairobi	108

Source: NHIF website

APPENDICES

Appendix D: SUMMARY OF STUDIES ON BUDGETING IN THE UNIVERSITY OF NAIROBI FROM 1974 TO 2010

Author	Title	Objective	Methodology
Gachuthi E. W. (2010)	The challenges of Budget Implementation in public institutions. A case study of University of Nairobi.	Identify budget implementation challenges	Case Study
Kalungu P. M (2010)	A survey of the Budgetary practices among constituency development funds in Nairobi county.	Identify budgetary practices among CDF	Survey
Kariuki M. (2010)	An investigation into challenges of budgeting in Kenya public sector. A case of Kenya government ministries.	-Identify budgeting practices in ministries	Survey
Macharia G.(2010)	A survey of challenges of Budgeting preparation among manufacturing companies quoted at the NSE in Kenya	Identify budgeting challenges in manufacturing sector.	Survey

Author	Title	Objective	Methodology
Munyao P. (2010)	The relationship between capital budgeting and financial performance of companies listed in NSE.	Establish if there is a relationship between capital budgeting and performance	Survey
Mwaura E. (2010)	The relationship between budgetary participation and financial performance of companies quoted at the NSE.	Determine the impact of budgeting participation on market share price.	Survey
Kalungu A. (2009)	Factors that lead to supplementary budget in banking institution. A case of commercial banks in Kenya.	Identify the factors that lead to supplementary budget in banks.	Survey
Chemweno C. (2009)	Survey of operational budgetary process and challenges in the mortgage financing institutions in Kenya	Identify budgeting practices and challenges in mortgage financing institutions	Survey
Ototo G. (2009)	A survey of budget implementation process in Kenyan commercial banks	Establish the budget implementation process in commercial banks	Survey

Author	Title	Objective	Methodology
Oyaro G. (2009)	A survey of capital budgeting practices for insurance companies in Kenya.	Identify capital budgeting practices in insurance industry	Survey
Ongo'nge L. (2009)	The challenges of budgeting practices among SACCOs in Kenya.	Identify budgeting practices in SACCOs.	Survey
Kaguara A. (2009)	A survey of budgetary practices in private/mission hospitals in Nairobi	Establish the budgetary practices in hospitals.	Survey
Kiringa G. 2009)	Challenges of operational budgeting at the ministry of finance—Kenya.	-Identify challenges of operational budgeting in ministries.	Case study
Maina J. (2008)	Budgeting practices in manufacturing firms in Kenya	Identify budgeting practices in manufacturing firms.	Survey
Kigochi J. (2008)	A survey of operational budgeting challenges in the insurance industry in Kenya	Determine operational budgeting challenges in insurance industry.	Survey

Author	Title	Objective	Methodology
Ndiritu M. (2007)	Effectiveness of cash budgeting in public institutions. A case study of Telkom Kenya.	Determine the effectiveness of cash budgeting in public institutions.	Cash study
Ambetsa W. (2004)	A survey of the budgeting practices by commercial airlines operating at Wilson airport.	Identify budgeting practices adopted by commercial airlines	Survey
Ondudo P. (2002)	Budget implementation in the public sector. The case of the office of the president	Establish the process budget implementation.	Case study
Museri A. (2001)	A survey of Budgeting practices among major British non-governmental organizations in Kenya.	Identify budgeting practices among British NGOs	Survey
Makori O. (2001)	Budgetary control in NGOs in Kenya. A case of World Vision.	Establish budgetary control applied in NGOs	Case study
Biwott E. (1987)	The budgetary allocation process in public sector institutions. The case of University of Nairobi.	Identify budgetary allocation process in public sector.	Case study