

UNIVERSITI TEKNOLOGI MARA

**THE IMPACT OF STRATEGIC OUTSOURCING ON
MALAYSIAN HOSPITALS' PERFORMANCE**

ELIE AZUREEN BT ISMAIL

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ABSTRACT

Outsourcing is the procurement of products or services from sources that are external to the organization. The outsourcing of services or contracting out is seen as a way to improve the resources and the capabilities of an organization through an achievement in providing better quality in services as well as better performance. Organizations considered outsourcing when it is believed that certain support functions can be completed faster, cheaper, or better by an outside organization. Notably, organizations were typically outsourcing the support services that are particularly prevalent such as catering, information technology management, pensions and public relations and others. Outsourcing is not only seen as away to reduce cost but it has a great potential to exert influence on other operations' objectives that gives organizations different strategic advantages in order to respond to the increasing customer demands and fierce competition.

This study focuses on the strategic outsourcing, specifically on the objectives of cost reduction related to foodservice operations, improved quality, increased flexibility and improved service in the public and private hospitals in Selangor, Wilayah Persekutuan Kuala Lumpur and Putrajaya. A total of ten top management and 144 employees from the public and private hospitals had participated in this study. Data were collected through self-administered survey questionnaires. Multiple regression analyses were conducted to test the hypotheses listed in this study. This study shows that employees perceived strategic outsourcing on the objectives of improved service ($\beta=.20$, $p<.01$), increased flexibility ($\beta=.23$, $p<.01$) and improved quality ($\beta=.24$, $p<.01$) had a significant positive relationship with employees' job satisfaction. Therefore, strategic outsourcing would only achieve when it exerts positive influence on hospital performance.

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CHAPTER 1

INTRODUCTION

1.0 The Malaysian Healthcare Environment

Malaysia has achieved a number of national developmental goals since 1970. These great achievements position Malaysia in the economic and social development through the implementation of Malaysian National five-year plans systematically. Social development and economic development are interrelated in the social sector policies. Since social change is an integral part of economic development, economic growth leads to improvements in the quality of life, which leads the population to participate more fully in economic development of Malaysia.

Congruent with the social change and economic development, the government has put a priority to maintain public health standards and ensure the well being of citizens. In Malaysia, the Ministry of Health is responsible as the lead agency and the main provider of health care services for the nation. The collaboration with other relevant ministries, agencies as well as non-governmental organizations (NGOs) leads to the provision of health services. In line with the efforts in achieving better health services, the development expenditure particularly in patient care services is allocated at the amount of RM 5, 483.2 million (9th Malaysian Plan, 2006-2010).

The Malaysian healthcare systems are characterized by a strong public sector component and the public hospitals are organized into national, state and districts level. Hospital Kuala Lumpur which serves as the National Referral Centre provides a comprehensive range of tertiary care services (Abd Manaf, 2005). The state level hospitals are located in the capital of all 13 states in the country which have bed capacities ranging from 400 to 900. On the other hand, district hospitals which are located in every district of the states have bed capacities between 200 to 600 and offer basic inpatient service (Abd Manaf, 2005). The smaller hospitals tend to lag