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**THE EFFECT OF SUSTAINABLE SUPPLY CHAIN MANAGEMENT AND
KAIZEN BLITZ ON SUSTAINABLE PERFORMANCE
IN PRIVATE HOSPITALS MALAYSIA**

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**THESIS SUBMITTED IN FULFILLMENT OF THE REQUIREMENT
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“I declare that this thesis entitled “The Effect of Sustainable Supply Chain Management and Kaizen Blitz on Sustainable Performance in Private Hospitals Malaysia” is the result of my own research except as cited in the references. The thesis has not been accepted for any degree and is not concurrently submitted in candidature of any other degree”.

Signature :

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Date :

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‘In the Name of Allah, Most Gracious, Most Merciful’

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ABSTRACT

The purpose of this study was to investigate the effects of Sustainable Supply Chain Management (SSCM) and Kaizen Blitz (KB) on Sustainable Performance (SP) in the Malaysian Private Hospitals. The data were collected from 230 staff in Malaysian Private Hospitals through survey method using questionnaire. The sample of study was selected using random sampling. Structural Equation Model (SEM) technique was used to test the statistical analysis of the data required in the study. Besides, exploratory factor analysis was conducted. The findings showed that there were positive and significant effect of SSCM on KB ($\beta=0.583$, $p<0.001$), SSCM on SP ($\beta=0.538$, $p<0.001$), and KB on SP ($\beta=0.328$, $p<0.05$). Findings indicated that the indirect effect of KB ($\beta=0.191$, $p<0.05$) on SSCM and SP. As an implication, the SSCM implementation could enhance the SP Malaysian Private Hospitals by integrating KB in the system.





KESAN PENGURUSAN RANTAIAN BEKALAN MAMPAN DAN KAIZEN BLITZ KE ATAS PRESTASI KELESTARIAN BAGI HOSPITAL SWASTA DI MALAYSIA

ABSTRAK

Tujuan kajian ini adalah untuk menentukan Pengurusan Rantai Bekalan Mampan (*SSCM*) dan *Kaizen Blitz* (*KB*) ke atas Prestasi Kelestarian (*SP*) bagi Hospital Swasta di Malaysia. Data telah dikumpulkan daripada 230 kakitangan di Hospital Swasta Malaysia melalui kaedah tinjauan menggunakan soal selidik. Sampel kajian telah dipilih menggunakan persampelan rawak. Teknik Model Persamaan Struktur (*SEM*) digunakan untuk menguji analisis statistik data yang diperlukan dalam kajian ini. Selain itu, analisis faktor penerokaan dan analisis faktor pengesahan juga telah dijalankan. Dapatan kajian menunjukkan bahawa terdapat kesan positif dan signifikan *SSCM* ke atas *KB* ($\beta=0.583$, $p<0.001$), *SSCM* ke atas *SP* ($\beta=0.538$, $p<0.001$) dan *KB* ke atas *SP* ($\beta=0.328$, $p<0.05$). Dapatan menunjukkan bahawa kesan tidak langsung *KB* ($\beta=0.191$, $p<0.05$) ke atas *SSCM* dan *SP*. Kesimpulannya, kajian utama menunjukkan kesan signifikan *SSCM* ke atas *KB* dan ke atas *SP*. Sebagai implikasinya, pelaksanaan *SSCM* boleh meningkatkan *SP* di Hospital Swasta Malaysia dengan mengintegrasikan *KB* dalam sistem.



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LIST OF ABBREVIATIONS

10MP	Tenth Malaysia Plan
9MP	Ninth Malaysia Plan
CC	Culture Change
CFA	Confirmatory Factor Analysis
ECP	Economic Performance
EFA	Exploratory Factor Analysis
EQS	Equations
ETP	Economic Transformation Programme
EV	Environment
EVP	Environmental Performance
GDP	Gross Domestic Product
GOF	Goodness of fit
HIMSS	Healthcare Information and Management Systems Society
ICT	Information and Communications Technology
IP	Impact Participant
IWA	Impact on Work Area
KB	Kaizen Blitz
KRA	Key Result Area
LISREL	Linear Structural Relationship
MoH	Ministry of Health
NGOs	Non-Governmental Organizations
RAM	Reticular Action Model





RM	Risk Management
SCM	Supply Chain Management
ScP	Social Performance
SEM	Structural Equation Model
SMEs	Small Medium Entrepreneurship
SP	Sustainable Performance
SPSS	Statistical Package for Social Sciences
SSCM	Sustainable Supply Chain Management
UKN	Understand Kaizen Need
WHO	World Health Organization





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CHAPTER 1

INTRODUCTION

1.1 Background of the Research

Healthcare industry is known as one of the important services in Malaysia due to its role in keeping the citizens healthy at an optimum rate. In addition, the industry plays an important role in developing and extending support to private healthcare in order to enhance the healthcare quality. Nowadays, the industry has become one of the significant contributors towards the Malaysian economy.

Nevertheless, the healthcare industry is also facing challenges due to Malaysia's recovery from economic recession. In 2013, Malaysia expected 8.38% of the total of Ministry of Health (MoH) allocation to national budget in the healthcare industry to operate and develop the Malaysia healthcare industry. Therefore, the industry brings great opportunities for the healthcare management to improve the quality of healthcare in this country.



Some of the challenges faced by the healthcare sector include rising costs of medicines and equipment, the growing demand for quality healthcare and advanced equipment, and the changing patterns of disease which will cause healthcare costs are higher in the future (Ministry of Health Malaysia, 2011). Therefore, these challenges will need to be overcome to improve the management of the healthcare industry, thereby ensuring the quality of the health sector from time to time.

Sustainable Supply Chain Management (SSCM) is now becoming a common term in the service sector in Malaysia. SSCM is responsible for the management of all managers for creating quality benefits in the healthcare industry. According to Haake and Seuring (2009), one set of policies held the supply chain management, actions, and contacts that are formed to respond to the anxiety associated with social and environmental issues associated with the design, procurement, distribution, consumption, reuse, and disposal of goods and services of the organizations.

In the healthcare industry itself, there are several studies that have been conducted on the implementation of SSCM. Haana and Sethuraman (2005) pointed out that the chain environment had become more challenging and put pressure on the healthcare organization to opportunities to boost operational efficiency and reduce the cost while enhancing the quality of healthcare. SSCM has greater complexity within the healthcare industry because the effects on human health require sufficient and appropriate care according to the needs of patients (Beier, 1995). Furthermore, SSCM in the healthcare industry comprises of a variety of major issues in the economic,



environmental, and social phases. Hence, the healthcare management should emphasize SSCM issues at all stages of their management.

The Malaysia healthcare service is provided by different healthcare providers, from the Non-Governmental Organisations (NGOs), public and private organisations that provide healthcare via complementary medicine, traditional and conventional. Even the challenges faced and issues in Tenth Malaysia Plan (10MP) could be similar to the ones shown in the Ninth Malaysia Plan (9MP). Issues of globalization and the growing trend of private healthcare spending present a huge challenge and fears in maintaining economic strength in the healthcare system.

For the 10MP, the government is targeting to become a high-income nation by 2020. To achieve these goals, Malaysia should make a minimum annual growth rate of 5.5% annually. The government had allocated RM180 billion for the development expenditure within all the sectors of RM15 billion for Private Funding Initiative Facilitation Fund. Yet another RM50 billion (minimum) would be donated by private investment below Private Funding Initiative. To reach Vision 2020 and consistent with the five National Mission Thrusts (2006-2020), 6 National Strategic Directions were identified to support this thrusts, though further research is essential (Table 1.1).

Table 1.1

6 National Strategic Mission Thrusts (2006-2020) Review

6 National Strategic Mission Thrusts (2006-2020)
<ul style="list-style-type: none"> • Competitiveness of the Private Sector as Engine of the Growth; • The productivity & Innovation through K-economy; • Creative & Innovative Human Capital with the 21st Century Skills; • Inclusiveness in Bridging the Development Gap; • Quality of Life of an Advanced Nation; and • Government as an Effective Facilitator.

Source: Country Health Plan (2011-2015)

Based on these National Strategic Missions, this research falls on the 5th thrust which is ‘Quality of Life of an Advanced Nation’ due to its significant roles in enhancing the management of healthcare industry. Quality Healthcare and Active Healthy Lifestyle was established as a major Key Result Area (KRA) for the healthcare sector in the 10MP. This ensures the provision and improvement of access to quality healthcare and sports facilities and public recreational to support an active healthy lifestyle. In relation to that, SSCM can be implemented in Malaysian healthcare industry in order to improve quality management with a good reputation and enhancing SSCM growth.

Meanwhile, Kaizen Blitz (KB) has been proven as an effective instrument for experience and work culture exchange. This is supported by Farris, Van Aken, Doolen, and Worley (2009) who indicate KB as a tool for culture adaptation in organization. KB is also viewed as lean tools which ensure the operation to go smoothly by eliminating unproductive activity from a customer’s perspective (Venkataiah & Sagi, 2012). Furthermore, KB focuses on events quickly implemented as short-term projects, a one-time or special event once a while, usually about one



week long but continuous change and improvement in the long term for process interactions and process improvement. Also, KB means the rapid increase of the process that a limited time.

Therefore, the organization should measure and understand their Sustainable Performance (SP) in SSCM perspectives that aim to address the social performances, environmental performance, and economic performance (Singh, Murty, Gupta, & Dikshit, 2009; Bartelmus, 2010; Schoenherr, 2011; Moldan, Janouskova, & Hak, 2012). This is also supported by Hamid (2011) who stated that the current reform had demonstrated significant positive correlation with the performance. Accordingly, this research focuses on three building performance such as environmental, social, and economic performance. The size of which be used in developing the model to evaluate the performance of strategic healthcare industry in their pursuit towards enhancing their efforts to improve quality and performance excellence.

By improving SSCM practices, hospitals can implement KB as the benchmark for strategic management in order to enhance SP. Thus, it is hoped that the relationship between SSCM practices and KB initiatives can contribute to the healthcare industry in order to increase the SP implementation for this industry.



1.2 Problem Statement

The World Health Organization (WHO) reported an increase in the expenditure of Malaysia healthcare in 2008, amounting to RM31, 869 Million NCU, or about 4.3% of the Gross Domestic Product (GDP) as compared to approximately 3% of GDP in 1995. In order to reduce costs and sustain profit, great efforts were made by the hospital to enforce the KB to cut cost through SSCM practices. Despite these efforts, the margins in profit directly shrunk over the years. A strategy of the cost reduction had resulted in diminishing returns. In the early stage, the largest cost savings would be recorded. However, subsequently, extra savings are few and far between.

The sustainability initiative program is one of the business strategies in an effort to improve organisational performance (Hitchcock & Willard, 2009; Soyka, 2012). However, since KB is a new global initiative, for the healthcare industry, there is still a lot to learn from the adoption and implementation of KB. There is a question whether Malaysian private hospitals would be able to subscribe to KB principles and core subjects and adopt any of the social responsibility initiatives and tools.

Byrnes (2005) stated that to increase profit and supply chain effectiveness, the management needs to focus on the productivity for controlling the cost. In this research, SSCM would continue to be reviewed within the context of private hospitals in Malaysia. Moreover, the relationship between SSCM practices and SP, the relationship between SSCM practices and KB, the relationship between KB and SP and the relationship between SSCM practices, KB, and SP will also be examined.

1.3 Research Questions

Based on the purpose and objectives of this study, four research questions were formulated to guide the study. Research questions are as follow:

1. Is there any significant relationship between SSCM practices and SP in Malaysian Private Hospitals?
2. Is there any significant relationship between SSCM practices and KB in Malaysian Private Hospitals?
3. Is there any significant relationship between KB and SP in Malaysian Private Hospitals?
4. Does KB mediate the relationship between SSCM practices and SP in Malaysian Private Hospitals?

1.4 Research Objectives

The aim of this research is to develop a structural model based on the relationship among SSCM practices, KB, and SP for the Malaysian Private Hospitals.

The objectives of this study are:

1. To examine the relationship between SSCM practices and;
2. To examine the relationship between SSCM practices and KB;
3. To examine the relationship between KB and SP; and



4. To examine the relationship between SSCM practices and SP in Malaysian Private Hospitals through the mediating of KB.

1.5 Significance of the Study

This research is essential for providing valuable information regarding the implementation of Sustainable Supply Chain Management (SSCM) among the Malaysian private hospitals. In the theoretical perspective, this research proposes to fill gaps on existing research literature on SSCM in Malaysian private hospitals to address the following issues.



First, this study aims to identify SSCM practices, KB, and SP for Malaysian private hospitals. Secondly, this research intends to develop a research model and analyze relationship between SSCM practices, KB, and SP for Malaysian private hospitals. Lastly, this study aims to investigate SSCM practices and KB from the strategic management perspective. In this research, new frameworks are made for the future research in light of the relationships among SSCM practices, KB, and SP. In terms of practical importance, the results of this research will be useful to the top management and organizational practitioners to design SSCM to improve SP and long-lasting SSCM.





1.6 Scope of the Study

To produce a more efficient and streamlined research, the scope will focus on two main areas as the following:

- i. This research focuses on relationship of strategic factors between the SSCM practices, KB, and SP for Malaysian Private Hospitals.
- ii. Population and sample of survey respondents are only targeted to the Malaysian Private Hospitals.

1.7 Research Framework



The research framework is shown in Figure 1.1. The model research aims to analyse the impact of KB to mediate relationship between SSCM practices and SP for the Malaysian private hospitals. SSCM practices and KB are potential factors that can assist the healthcare management in terms of economic, environmental, and social aspects in order to reduce costs and improve profits. To better understand the relationship among SSCM practices, KB, and SP within the Malaysian private hospitals, four hypotheses have been developed.



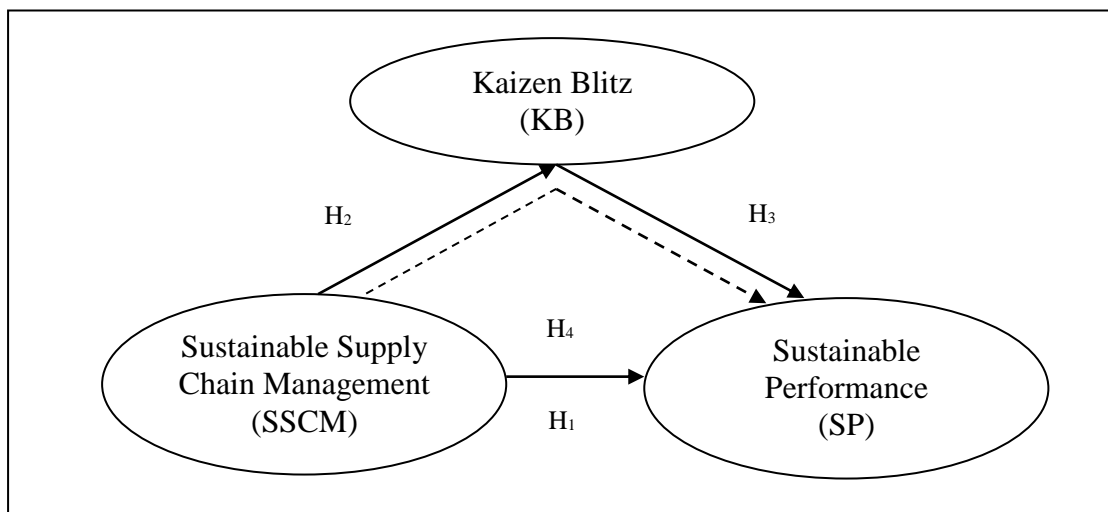


Figure 1.1. Research Framework

Source: Author

1.8 Research Hypotheses

Based on the above research questions, the study looks at four research hypotheses to guide the study. The hypotheses are as the following:

- H₁: There is a positive and direct significant relationship between SSCM practices and SP in Malaysian Private Hospitals;
- H₂: There is a positive and direct significant relationship between SSCM practices and KB in Malaysian Private Hospitals;
- H₃: There is a positive and direct significant relationship between KB and SP in Malaysian Private Hospitals; and
- H₄: There is a positive and indirect significant relationship between SSCM practices and SP in Malaysian Private Hospitals through the mediating of KB.



1.9 Research Design

According to Creswell (2005), a research design works as a blueprint which states the procedure and method for collecting, analyzing, and interpreting the data. A good design is needed to make sure the proper procedures and the data collected are in accordance with the objectives of the research. In order to understand the reality of the performance of healthcare towards quality initiatives, the research within healthcare management approach has been conducted through a structured questionnaire.

The questionnaire was developed and formatted to obtain information and answer questions relating to the perceptions and practice of management at SSCM practices and KB, the implementation of both the execution was carried out, the benefits and results as well as the factors that contribute to the success of SSCM practices and KB on SP measures in Malaysian private hospitals were identified. The research hypothesis was developed to examine the relationship among variables by using the Structural Equation Modelling (SEM) approach. As a conclusion, hopefully the SSCM model can be a guideline for Malaysian private hospitals.

1.10 Operational Definition

In this study there is the use of some specific definition of a particular purpose. The definitions of term in this study are as the following:





1.10.1 Sustainable Supply Chain Management (SSCM)

Closs, Speier, and Meacham (2011) presented SSCM as the risks associated with marketing and huge supply of chain judgements including talent management, resource availability, market decisions, channel selection, product development, security, resources, complexity of manufacture, and an alternative energy platform.

1.10.2 Kaizen Blitz (KB)

Based on Elsey and Fujiwara (2000) and Huber (2000), KB is a method for achieving continuous improvement in organizations. Thus, KB entails several unique characteristics that will be used in creating an identifiable definition.



1.10.3 Sustainable Performance (SP)

Based on Smith (2008), performance measurement is a tool to encourage achievement of the objectives of health system. Thereby, it indicates that SP refers to improvement and consistency in healthcare industry. Besides, environmental performance can be adopted by the company for cost savings in order to reduce environmental cost and maximise profit of organisation (Abiola and Ashamu, 2012). Social performance is closely related to improve the quality of workforce, enhance social welfare, and reduce social cost (Wildes, 2008).



1.11 Summary

This research explores the theory, practices, and gap between SSCM practices and KB initiatives for Malaysian Private Hospitals. Expected findings of this research contribute to the theory and practices of SSCM practices and KB initiatives within private hospitals, global industry, and future research. Furthermore, a proposed conceptual model which is developed based on SSCM practices, KB, and SP is an important and valuable model to assist in decision making processes and problem solving. For the next chapter, a current literature and research for the initiatives and measures is discussed.