# Effects of Corporate Governance Reforms on Delivery of Health Care Services in Embu Level Five Hospital, Embu County, Kenya

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# ABSTRACT

Corporate governance reforms are essential in in proving performance in both private and public sectors. When implemented effectively, it can avert corporate scandals, fraud, and criminal liability and enhance an organizations reputation. The August 2010 constitution of Kenya provided for devolution of power through the establishment of County governments in March 2013. Consequently, some functions that had been under the national government such as agriculture, water, mining and the health sector were devolved. Devolution of the health sector meant management functions which included, planning, budgeting and financial management, human resources, tendering and provision of medical supplies fell under the County governments. To improve performance and delivery of health care services, the County government of Embu instituted corporate governance reforms in Embu Level Five Hospital. This study generally focused on the effects of implementation of corporate governance reforms on delivery of health care services in Embu Level Five Hospital. This study explored the independence and autonomy of the appointed board of directors, examined conflict of interest between appointed management and the board of directors and assessed effects of implementation of corporate governance procedures on service delivery in Embu Level Five Hospital. This study was anchored on two complementary theories namely; the agency and the stewardship theories. The agency theory explained the pursuance of self-interests by managers who have been trusted by the principals to run organizations. The stewardship theory argued that performance can be enhanced if managers truly identify with the goals of the organization. A total of 380 respondents were selected for field interviews. Questionnaires were distributed to 360 residents randomly selected of Embu County who included men, women and the youth. Interview schedules were administered to 20 purposively selected respondents who include; members of the board, management and medical personnel in Embu Level Five Hospital, personnel from County health sector, politicians from the county and experts in corporate governance. Data collected was analyzed and interpreted quantitatively and qualitatively. Findings from the study indicated that although the adoption of corporate governance procedures in Embu Level Five Hospital has translated to improvement of the delivery of health care services to patients there still exist challenges of lack of an independent and autonomous board of directors and the existence of conflict of interest among managers entrusted with the running of the hospital.

**Key word: Corporate Governance, Political Patronage, Conflict of Interest**

**1.1 Introduction**

Corporate governance entails internal system that includes policies, processes and personnel recruited by shareholders and other stakeholders to direct and control management in an organization. Recruited managers are expected to run the firm with objectivity, accountability and integrity (Muriithi, 2004; Mang’unyi, 2011). Corporate governance aims at putting checks on the powers of managers and at the same time controlling the interests of shareholders.

Denis and McConnell (2003), attribute growing interest in corporate governance in the 21st C to increased globalization of economies and global financial markets. The financial crisis of 2008 coupled with the 2012 European crisis that had serious ramifications on the economies of previously stable countries leading scholars to advocate for corporate governance reforms in both private and public enterprises (Dockery and Herbert, 2000). Corporate governance reforms were necessitated by deterioration in integrity and morality and loss of confidence in the manner in which public organizations were managed.

Wong and Mwanzia (2010), document of the instrumental role played by corporate governance reforms in economic development of both developed and developing nations. Shleifer and Vishny (1997) attribute the failure and collapse of public organizations to the absence of corporate governance reforms. Bradbury (1999) and Clatworthy et al (2000) add that to gauge economic performance in the public sector one must factor in efficiency and how effective resources are mobilized to meet targeted objectives. At the core of effective public sector governance is the need to reform the structure of management systems to be effective and efficient.

Scholarly contributions exist on corporate governance procedures and public enterprise performance in Kenya abound. Odoyo et al (2014) identifies accumulated losses, debt, and financial misappropriation as major serious facing the management of public enterprises in Kenya) reports that the appointed a new board of directors in the new Kenya Cooperative Creameries (KCC) led improved financial performance. . Gitari (2008) and Ong’wen (2010), note of the direct relationship between levels of corporate governance adopted and performance in public enterprises in Kenya. Similarly Otieno (2010) and Miniga (2013), document of a strong influence of corporate governance procedures on financial performance of public enterprises in Kenya.

Beginning March 2013 Kenya entered into a new constitutional dispensation that gave provisions for the adoption of devolution and creation of semi-autonomous counties. As a result, a number of functions that had previously been managed by the national government such as mining, agriculture, water, and health care were devolved. Devolution of the health sector meant management functions which included, planning, budgeting and financial management, human resources, tendering and provision of medical supplies fell under the County Government of Embu.

Kinyeki (2022) examines the implementation of corporate governance on health service delivery in six counties in Kenya. The study observed that corruption and lack of accountability had negatively affected the delivery of health care services. Although devolution was adopted to enhance community participation, accountability, efficiency and equity in management of resources, it faces a number of challenges that tend to cancel the gains made. Mismanagement, corruption and poor delivery of health care services prompted the County Government of Embu to institute corporate governance reforms in Embu Level Five Hospital. In spite of the adoption of corporate governance procedures, autonomy of the appointed board of directors and conflict of interest among managers raise questions as to the effectiveness the reforms in management. It is against this background that this study examines the effects of corporate governance reforms on delivery of health care services in Embu Level Five Hospital in Embu County, Kenya.

## 1.2 Statement of the Problem

The main objective of devolving the health sector was to improve the delivery of health services to the people at the county level. This has not been the case as the health sector in Embu County has faced challenges on performance and service delivery since it was devolved. This has raised questions as to how the County hospitals are being managed. The capacity of the Embu Level Five Hospital to meet the expectations of the public through effective and efficient delivery of health services is highly depended on management decisions concerning allocation, utilization and investment of resources both human and financial. The effectiveness and efficiency of the hospitals is highly depended on strategic decisions made by managers. Lack of effective corporate governance in devolved functions has contributed to poor service delivery to the public.

There has been increased recognition that appropriate corporate governance arrangements should be adopted by Counties for effective service delivery. This has necessitated the County government of Embu to institute reforms aimed at introducing corporate governance in County hospitals. Corporate governance forms the basis of a responsive framework required for service delivery and accountability in the health sector. In spite of the benefits associated with the adoption of corporate governance, challenges such as interference in the running of the hospital and conflict of interest among managers tend to militate against the gains made. This study filled this gap by examining the effects of corporate governance reforms on delivery of health care services in Embu Level Five Hospital.

**1.3 Research Questions**

This study responded to the following question;

1. How independent and autonomous is the appointed board of directors in Embu Level Five Hospital
2. Does conflict of interest exist between management and the board of directors in Embu Level Five Hospital
3. How has the implementation of corporate governance procedures impacted on health service delivery in Embu Level Five Hospital

**1.4 Review of Related Literature**

In the developing world,

Although public enterprises in developing countries are not profit making organizations, they are tasked with the responsibility of delivering essential product and services to citizens. Mismanagement and financial misappropriation in public enterprises has called for reforms which involve adopting effective corporate governance procedures (Dockey and Herbert, 2000). Such a move is expected to improve the operations of SOE and at the same time reduce deficits and make them competitive. Solomon and Solomon (2003) opine that corporate management in public enterprises occurs at four levels, namely the principals (government), board, agents (management) and citizens who are the ultimate beneficiaries of government services.

Corporate governance Reforms in the management of Embu Level Five Hospital through the appointment of a board of directors were meant to improve delivery of medical services to citizens who are the ultimate clients. This study assessed whether the institution of a board to supervise the management of Embu level Five Hospital has translated to improved performance.

Independence and autonomy are fundamental requirements of an effective board of directors in public enterprises (Wong and Mwanzia, 2010; Scrimgeour and Duppati, 2014). Liu and Fong (2010) identify the appointment of a board which is the highest organ in hierarchy as the first step in reforming the running of both private and public enterprises. As representatives of the shareholders, members of the board have the responsibility of ensuring that managers stick to the objectives of the firm (Gillan (2006). An independent and autonomous board of directors in public hospitals has the potential and ability to guarantee efficient and effective delivery of health care services to citizens. The existence of an independent board free from political interference in Embu Level Five Hospital was a subject of inquiry in this study.

Conflict of interest among managers entrusted with the running of public organizations has negative implications on performance and service delivery. According to the agency theory, persons who are the agents facilitate the goals of the principal who is a stakeholder by acting on their behalf. In this arrangement, agents serve their own private interests as well as those of the shareholders (Gadi, 2015). Accordingly, Agency costs arise due to the different interests between managers and shareholders (Ferlie and Ashburner, 1995). This study unveiled the factors that contribute to conflict of interest in the management of Embu Level Five Hospital.

In public enterprises the appointed board acts as a watch dog for the government whereby they are vested with the authority to ensure that managers run the organization effectively and efficiently. The board is vested with powers to make crucial decisions concerning how public hospitals are run. It was the interest of this study to examine how the board of directors of Embu Level Five Hospital has used its extensive powers to make prudent decisions and how this has impacted on delivery of medical services to citizens

Aguilera and Cuervo (2009) address the conflict of interest in firms. They argue here that managers have a natural propensity to pursue private interests. Ryan (2000) and Donaldson (2003) add that conflict of interest is bound to arise in the event that managers are appointed by shareholders to manage the organization in their absence. Managers would in some cases take advantage of the absence of shareholder in management to pursue their own objectives as opposed to those of the organization.

The sentiment above support the idea that conflicting interests between managers and shareholder can negatively impact on firm performance. In this case managers might prioritize spending more of personal luxuries and allowances as opposed to making financial decisions that add value to the firm. Agency cost will rise in engaging a board to supervise the activities of managers. Agency costs ultimately increase the cost of doing business. Control mechanisms through the appointment of a board are crucial for the organization to improve its overall performance.

Scholars have widely documented on the influence of corporate governance on performance in public organizations. Fung (2014) notes that any corporate governance system aims to achieve an effective financial reporting system based on strict rules and regulations. Subsequently a sound financial reporting should have complete and quick disclosures to help prevent any illegal dealings that can prevent the organization from achieving its objectives. Financial transparency enables the organization to make good use of their financial resources by making prudent and better informed investments.

Barratt (2001) decries the lack of financial accountability in government owned enterprises. The author notes that public organizations must take serious reforms and adjustments for corporate governance to be implemented successfully. Boland and Schultze (1996) define accountability in terms of showing personal responsibility for action taken. Ahrens (1996) distinguishes between managerial and ‘political accountability. Political accountability refers to the responsibility of governments to their citizens while managerial accountability is between managers and shareholders. Political accountability in public enterprises in Kenya has remained a big problem. The lack of political accountability in public organizations has compromised the delivery of crucial services to citizens. This study examined the various steps taken in Embu Level Five Hospital to curb corruption and instill financial discipline. The effectiveness of these financial reforms was also assessed.

Rampant financial malpractices have necessitated strict guidelines and advanced accounting standards only possible through effective corporate governance. An enhanced corporate governance procedure acts to strengthen the framework of accountability and checks on the instances of officials engaging in fraudulent activities. The health sector in in the developing world has been marred with rampant fraud and financial scandals. This has led to increasing concern among health policymakers, planners and donors on how the trend can be reversed.  Corruption and related financial malpractices has been a great impediment to the attainment of intended objectives by SOE. This has in effect negatively on provision of essential services to the public. Implementation of corporate governance procedures can streamline financial dealings and act to prevent corruption and other financial malpractices in an organization. The health sector in Kenya has been associated with rampant corruption which includes the soliciting of direct bribes, fraudulent tendering processes and theft of essential drugs. The level of corruption and the strategies put in place to curb the vice in Embu Level Five Hospital was investigated by this study.

Gitari (2008) examines corporate governance in the New KCC in Kenya. Miring’u and Muoria (2011) examine the financial performance, board composition and company size in SOEs in Kenya. Ong’wen (2010) assesses the level of corporate governance adopted and performance of SOEs in Kenya. This study monitored the working relations between the board and the management of Embu Level Five Hospital and how it has impacted on delivery of health services. This study also attempted to establish whether the adoption of corporate governance in Embu Level Five Hospital has improved financial performance of the hospital.

Kinyeki (2022) undertakes a general study on the effects of corporate governance on health care service delivery in six counties in Kenya. The study found out that the size of the hospital board appointed influences the delivery of health services. Building on the research by Kinyeki, this study specifically attempted to establish the relationship between board size and service delivery in Embu Level Five Hospital.

Scholars have further documented on challenges faced by corporate governance in public organizations. Tsamenyi et al. (2007) identify risks and uncertainties such as political instability, weak laws and policies, political interference and poor protection of investors as notable problems facing the management of corporate firms in Third World economies. The adoption of effective structures of corporate governance remains a crucial strategy in strengthening and transparency which ultimately increases investor confidence. Poor governance results in weak enforcement of law where different forms of corruption proliferate. A high independence of the board from the shareholders is recommended for the firm to achieve its intended objectives as monitoring is improved and agency problems reduced.

A study by Meyer and Hinrik ([2006](#_bookmark1)) reveals that adoption of administrative reforms in the public sector has been ineffective in guarding against politicization by the ministerial bureaucracies. In spite of administrative reforms interference by the ministry has increased in extent and intensity. The ministerial bureaucracies continue to exert political influence in the running of SOEs. Mwaura (2007) adds that implementation of reforms in the management of SOEs in Kenya was meant to make them efficient; it will not bore fruits until the Chief executives are recruited competitively, given increased autonomy, and government makes commitment to redesign performance contracts, set realistic targets and be able to enforce this effectively.

Corporate governance developing countries has faced several challenges a situation that has been the main cause of rampant economic crises affecting developing countries. Although developing countries have invested heavily in public organization, they have poor and ineffective systems of accountability, governance and regulations. In Kenya political interference and conflict of interest have negative implications on the management of public hospitals.

## 1.5 Theoretical Framework

This study was informed by two complementary theories namely; Agency and stewardship theories. Agency as a theory in corporate governance is anchored on economic theories of Alchian and Demsetz (1972). The agency theory argued that managers are not obliged to maximize returns to owner of the firm unless strong governance structures are instituted to safeguard shareholders’ interests. It is argued in this study that the self and opportunistic interests of the managers of Embu Level Five Hospital have led to corruption and deterioration of health services to the people of Embu County.

Stewardship theory in corporate governance is anchored in the works of Donaldson and Kay (1991). The foundation of the stewardship theory lies in the questioning of the agency theory’s argument that human self-interest is the biggest problem in corporate governance. Proponents of this theory centered on pro-organizational motives of managers rather than the sweeping assumptions of the agency theory that managers would naturally pursue their selfish interests. Anchored on the stewardship theory this study argued that aligning the interests of the principals (Embu County government), the directors and management (agents) in the maximization of the long-term stewardship of the hospital will lead to an improvement of the quality of health services provided**.**

**1.6 Research Methodology**

This study took the form of a descriptive research design to assess the effects of corporate governance reforms on health service delivery in Embu Level Five Hospital. A total of 380 respondents were selected for field interviews. Questionnaires were distributed to 360 residents randomly selected who included; 120 men, 120 women and 120 youth. Interview schedules were administered to 20 purposively selected respondents who include; 2 members of the board, 3 member of management, 5 senior medical personnel, 5 senior non- medical personnel in Embu Level Five Hospital, 2, politicians and experts in corporate governance. Data collected was analyzed and interpreted quantitatively and qualitatively.

The main research instruments for this study comprised questionnaires and interviews schedules with both closed and open ended questions. Interview guides comprised of open ended questions to give the respondents room to respond to questions without much restriction. Questionnaires were semi-structured and composed of closed ended question. Data collected in this study was analyzed qualitatively and quantitatively. This study administered 360 questionnaires to residents of Embu County out of which 300 representing 83.3% responded. Interview schedules attained 100% response rate.

**1.7 Findings of the Study**

## 1.7.1 Level of Independence and Autonomy of the Board of Directors

In corporate governance, the appointed board of directors’ primary responsibility is to oversee and counsel managers on how to effectively run the company. Given this, a board that is autonomous is more productive and efficient. The only way that an organization can accomplish its goals is having an independent and autonomous board that can guarantee that the interests of the management and shareholders align.

Fundamental qualities of an efficient board in SOEs are independence and autonomy. Wong and Mwanzia (2010), note that appointing independent directors to the board is the best course of action. They go on to say that independent directors must be appointed to the board in order for corporate governance to be successful in both public and private enterprises. According to Scrimgeour and Duppati (2014), a public enterprise can only be efficiently directed by an independent board of directors, free from any external influence.

The interests of the stakeholders are ultimately served by an independent and autonomous board of directors, which has the capacity to ensure returns to shareholders, reassure staff, secure creditors, and safeguard the common good. As a result, corporate governance guidelines increasingly endorse the idea that every company should have at least one independent director. The degree to which significant ownership affects managerial choices in public organizations has drawn criticism. In the end, this undermines the autonomy and independence of the board that was chosen to supervise the organization's management (Brickley et al, 1997; La Porta et al, 1999).

On average 45.7% of those interviewed strongly agreed that the appointed board of directors operated independently and autonomously while 23% agreed. On the other hand 21% strongly disagreed while 3% disagreed. Cumulatively, 68.7% were of the opinion that that the appointed board of directors operated independently and autonomously. On the other hand 31.3% of those interviewed were of contrary opinion. The results are presented in graph 1.1 below.

#### Graph 1.1 Level of Independence and Autonomy of the Board of Directors

Respondents who were of the opinion that the level of independence and autonomy of the appointed board of directors was high argued that the foundation of an efficient health care sector that encourages accountability, openness, and moral behavior in Embu Level Five Hospital had been achieved by the appointment of an independent board of directors to oversee the running of the hospital. Ensuring strong corporate governance procedures it was noted had been crucial in improving health care services in the County Hospital. This ensured that the hospital was managed in a way that takes into account the interests of all of its stakeholders. The appointment of independent directors, who are essential to maintaining accountability, ethics, and openness, was praised by respondents.

It is generally seen as best practice to have independent directors on the board of directors. Independent directors are required to serve on the board of directors according to the various corporate governance standards that apply to public and private companies. The Board's unrestricted ability to properly and impartially oversee the company's operations without interference from interested parties or conflicts of interest is ensured by the independence of the directors (Miniga, 2013).

Since they are supposed to keep an ear to the ground in order to obtain inside knowledge and perspectives, independent directors are not entirely reliant on the chief executive officers for information. This includes independence from management. Furthermore, board members only take compensation for their work on the board. Also board member's affiliation with any organization or activity that might put the organization on whose board they serve in a conflict of interest should be avoided. A truly independent board of directors is one which has made its mission to serve shareholders with honesty, diligence, and sound judgment, as well as the confidence to advocate for their own viewpoint. Given its many advantages, including higher returns for shareholders and advantages for other stakeholders, the significance of director independence cannot be overstated (Odoyo, Omwono & Okinyi, 2014).

Independence is crucial to corporate governance in a variety of situations. It's critical that non-executive members on a board maintain some degree of independence from their executive counterparts, and that external auditors remain impartial toward their clients and internal auditors remain impartial against the colleagues they audit. Independence of the board generally means avoiding being overly swayed by a vested interest and removing any obstacles that would prevent the right course of action from being chosen. It is the capacity to "stand apart" from unsuitable influences and to be free from managerial capture in order to make the best possible choice that is untainted on a particular matter. Assuring independence in settings where its absence could pose an ethical danger is a common issue in many organizational contexts. In real-life settings, networks and friendships develop over many years with relationships existing at various intensities. Fundamental features of an efficient board in SOEs are independence and autonomy.

According to Wong and Mwanzia (2010) the appointment of an independent of directors is essential in smooth running of SOEs. They add that independent directors must be appointed to the board in order for corporate governance to be successful in both public and private enterprises. The above sentiments are supported by Scrimgeour and Duppati (2014) who note that it is only through an independent add that it is only through an independent board of directors that public organizations can operate free from political interference. An independent board of directors has the capacity to check on the excesses of managers and safeguard the interests of the shareholders. Such a board is also able provide assurance to workers in the organization and at the same time create confidence among suppliers and other creditors. In corporate governance the advisory and monitoring functions need to be independent in order for directors to carry out their oversight duties with objectivity. Above all the board members should only make choices that are best for the shareholders which eliminates any potential conflicts of interest.

## 1.7.2 Conflict of Interest between Managers and Stakeholders

The agency theory states that those who act as agents help the principle, a stakeholder, achieve their goals by taking action on their behalf. Under this arrangement, agents look out for both the shareholders' interests and their own. The agency theory provides an explanation for the issues that develop in corporate governance when competent executives are trusted by shareholders to run the company. It is still very likely that the CEO will act in his or her own best interests rather than the interests of the partners. Because managers and stockholders have distinct interests, agency problems can occur.

Aguilera and Cuervo (2009) discuss conflicts of interest in corporate governance. They contend that managers are inherently inclined to look out for their own interests. To support the aforementioned, McConnell (2003) adds that drawing on the traditional principal-agent model, managers are more likely to make decisions that maximize their own interests than the interests of the shareholders. Ryan (2000) and Donaldson (2003) also point out that if managers are appointed by shareholders to run an organization in their absence, conflicts of interest will inevitably arise. In certain instances, managers would take advantage of the absence of shareholders to further their personal objectives as opposed to that of the organization. These opinions bolster the theory that managers' and shareholders' competing interests may have a detrimental effect on a company's success. In this situation, managers can place a higher priority on using their personal allowances and luxuries than on making financial choices that benefit the company. The expense of hiring a board to oversee managers' actions will increase. The cost of conducting business eventually rises due to agency charges. The establishment of control systems, such as a board of directors, is essential for the business to perform better overall.

On average 48.5% of those interviewed strongly agreed that the appointed board of directors operated independently and autonomously while 25.7% agreed. On the other hand 16.4% strongly disagreed while 9.3% disagreed. Cumulatively, 74.3% were of the opinion that that the appointed board of directors operated independently and autonomously. On the other hand 25.7% of those interviewed was of contrary opinion. This is presented in graph 1.2 .

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**Graph 1.2 Conflict of Interest between Managers and Stakeholders**

Respondents interviewed noted that conflict of interest among the management has detrimental effects on the overall performance of the County Hospital. In this situation, managers can place a higher priority on using their personal allowances and luxuries than on making financial choices that don’t benefit the hospital. The establishment of a board of directors therefore provides the hospital with the control mechanisms it needs to operate effectively and efficiently. A crucial concern was the congruence of managers' and shareholders' interests. The principals or owners of the company, the shareholders, appoint managers as their representatives. However, because they could have different objectives, tastes, or motivations, managers could not always behave in the best interests of shareholders. This puts management and stockholders in a conflict of interest, or presents an agency dilemma.

The conflict of interest between managers and stakeholders in public organizations has been widely discussed. Aguilera and Cuervo (2009) contend that managers are inherently inclined to pursue their own interests. McConnell (2003) add that managers are more likely to make decisions that maximize their own interests than the interests of the company's owners. Ryan (2000) and Donaldson (2003) also point out that if managers are chosen by shareholders to run the company while they are away, conflicts of interest will inevitably develop. In certain instances, managers would use the lack of shareholders in management to further their personal goals rather. The engagement of managers by shareholders in running the organization raises a significant problem for absent shareholders who rely on professional managers to efficiently run the organization. The agency theory holds that appointed agents are likely to pursue private and opportunistic interests at the expense of shareholders’ interests.

**1.7.3 Effects of Corporate Governance Reforms in Embu Level Five Hospital, Embu County, Kenya**

Scholars have variously documented on corporate governance and financial accountability. Sarbanes and Oxley (2002) document that widespread financial malpractices have made stringent regulations and sophisticated accounting standards necessary, and these can only be achieved through efficient corporate governance. They add that implementation of an upgraded corporate governance system serves to fortify the accountability structure and prevent officials from engaging in fraudulent actions. Mwaura (2007) on the other hand opines that financial scandals and widespread fraud have tainted the health industry in the developing countries. Health regulators, planners, and donors are becoming increasingly concerned about how to buck the trend.

According to Boland and Schultze (1996), accountability is accepting personal responsibility for one's actions. Ahrens (1996) makes a distinction between "political accountability" and management. Whereas managerial accountability is the relationship between managers and shareholders, political accountability is the obligation of governments to their constituents. In the developing world, opinions on political responsibility in SOEs have not changed. The provision of essential services to citizens has been jeopardized by SOEs' lack of political responsibility. Appointing cronies to SOE boards has been accused by the Kenyan government of rewarding them. This calls into question the board of directors' independence and autonomy when making important decisions for the company.

Any corporate governance system, according to Fung (2014), attempts to create an efficient financial reporting system built on stringent laws and regulations. As a result, thorough and prompt disclosures are essential to effective financial reporting in order to assist thwart any illicit activities that would hinder the organization from accomplishing its goals. By making wiser and more informed investment decisions, the organization may effectively utilize its financial resources thanks to financial transparency. Barratt (2001) criticizes government-owned businesses for their lack of financial transparency. The author points out that in order to properly adopt corporate governance, public entities.

This study explored corporate governance reforms initiated by the County government of Embu in Embu Level Five Hospital. This study identified the following reforms forms; Appointment of a an independent board of directors, reforms towards having a transparent tendering and procurement procedures, stringent financial accountability, strategies to curb corruption and bribery, introduction of performance contracting and cleaning of the payroll to eliminate ghost workers. The effects of the institution of corporate governance reforms in Embu Level Five Hospital were assessed. The challenges impeding the efficient and effective performance and delivery of health care services were explored.

Out of the 300 administered questionnaires, 75 representing 25% strongly agreed that the implementation of corporate governance procedures had improved the delivery of health services in Embu Level Five Hospital while 69 representing 23% agreed. On the other hand 102 respondent representing 34% strongly disagreed while 54 representing 18% disagreed. Cumulatively, 144 representing 48% were of the opinion that that that the implementation of corporate governance procedures had improved the delivery of health services in Embu Level Five Hospital. On the other hand 156 representing 52% of those interviewed was of contrary opinion. This is represented in Graph1.3 below.

**Graph 1.3 Effects of the Implementation of Corporate Governance Procedures on Service Delivery**

Respondents interviewed noted that before the adoption of corporate governance in Embu Level Five Hospital corruption and related financial malpractices had been a great impediment to the provision of quality health care services. Implementation of corporate governance reforms helped streamline the financial sector by introducing stringent financial accountability measures that acted to prevent corruption and other financial malpractices in the hospital. The County hospital had previously been associated with rampant corruption which included the soliciting of direct bribes, fraudulent tendering processes and theft of essential drugs.

It was noted that the adoption of effective corporate governance reforms was a crucial strategy in strengthening and transparency in the management of the County Hospital. It was further noted that poor governance within the County resulted in weak enforcement of law where different forms of corruption became rampant. The high degree of autonomy and independence of the board of directors was lauded by respondents as the best strategy to improve performance and delivery of health care services to residents. This study found a direct link between the adoption of corporate procedures and improvement in performance and delivery of health care services in Embu Level Five Hospital. Adoption of corporate governance was also found to have instilled greater accountability and transparency.

This noted that the County Government of Embu lacks explicit procurement policies for buying medical supplies. It was argued that the Kenyan Medical Supply Agency (KEMSA) which has been buying in bulk and boosting economies of scale while simultaneously assessing the medicines' efficacy for purposes of continual improvement is not obligated to provide County Governments with drugs. As supported by Kimathi (2017), this has created a chance for corruption in the purchase of supplies, as vendors are working together with dishonest county authorities to provide medical supplies of dubious quality at exorbitant costs. Not only does this result in waste, but it also put people's lives at peril. Respondents linked corruption to the provision of fake and sub-standard drugs. It was alleged that senior county government officials would conspire with commercial vendors to secure payment for these inferior projects.

This study revealed that the county government did not always hire and promote employees based only on merit. Bribes and political favoritism occasionally had an impact on hiring and promoting staff. The latter was made feasible in part by unofficial agreements that allowed political influence to enter the county staff hiring process by involving county assembly members and other local political leaders. It further reported that favoritism influenced the selection of staff to undergo training. Lack of merit in recruitment of employees negatively impacted on efficiency and quality of health services delivered.

The study findings further indicate that although responsiveness, accountability, transparency, and equity significantly improve performance, this has not been the case for the adoption of corporate governance in Embu Level Five Hospital. It was noted that rules and policies of the government affect the relationship between a government's performance and its governance practices. To improve accountability, established protocols must also be followed and implemented in order to safeguard the integrity of the hospital financial operations. Additionally, for the hospital to improve the transparency of their tendering processes, strict adherence to procurement legislation is necessary.

**1.8 Conclusion**

This study noted that prior to the adoption of corporate governance reforms in Embu Level Five Hospital there existed rampant corruption and related financial malpractices which had negative implications on the running of the hospital and provision of health care services. Implementation of corporate governance procedures it was noted helped streamline the financial sector by introducing stringent financial accountability measures that acted to prevent corruption and other financial malpractices in the hospital. The County hospital had previously been associated with rampant corruption which included the soliciting of direct bribes, fraudulent tendering processes and theft of essential drugs.

It was noted the adoption of corporate governance reforms is a crucial strategy in improving performance and service delivery in public enterprises. Findings from the study indicated that although the adoption of corporate governance procedures in Embu Level Five Hospital has translated to improvement of the delivery of health care services to patient, there still exist challenges of lack of an independent and autonomous board of directors and the existence of conflict of interest among managers entrusted with the running of the hospital. The lack of an independent and autonomous board has led gross interference in the running of the hospital by politicians who influenced the appointment of member of the board. Conflict of interest among appointed managers has contributed to corruption, fiscal indiscipline and misuse of Hospital resources.

**1.9 Recommendations**

* Individual Counties in Kenya should institute corporate governance reforms to improve the management and health service delivery in County run hospitals.
* County Governments should appoint independent and autonomous board of directors free from political interference for efficient and effective running of County hospitals. Political connection should not be a consideration in the nomination of members of the board of directors in County hospitals.
* Measures should be taken by County Governments to eliminate conflict of interest between managers and stakeholders in the management of County hospital. This can be achieved by appointing a board of directors that has the capacity to supervise hospital management.

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