

**INTEGRATED GOVERNANCE AND PROVISION OF QUALITY
HEALTH CARE IN NON-PROFIT INSTITUTIONS: A CASE OF
GERTRUDE'S CHILDREN'S HOSPITAL**

21 SEP 2006

Johnson Kinuthia Mwangi
D61/P/7061/2004

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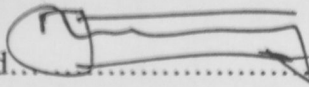
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DECLARATION

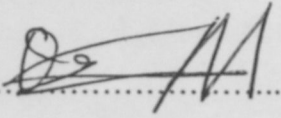
This project is my original work and has not been presented for a degree in any other university.

Signed.....

Date.....²¹ SEP. 2006

Dr. Johnson Kinuthia Mwangi
Reg. No. D61/P/7061/2004

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

Signed.....

Date.....29/9/2006

Dr. Martin Ogutu
Senior Lecturer, School of Business
University of Nairobi

DEDICATION

This study is dedicated to my wife Florence Njeri Kinuthia and my children Daniel Mwangi and Joy Waithira for their love, support and encouragement during the entire duration of the course.

This study is also dedicated to my parents Samuel Mwangi and the late Mary Waithira for the sacrifice they made to educate me and for teaching me the discipline and value of hard work.

My sincere gratitude goes to my colleagues Dr. Martin Oganda, Dr. Mary Kanini and Dr. Silas Kinyua who kindly accepted to take up my duties at Thika Dental Care Centre when I had to take time off to do the course and the project. To the CEO and Staff at Gertrude's children's Hospital, I say thank you for allowing me to use the Hospital as a case study. I am indebted to Esther Mutui for the assistance she gave in typing my work throughout the program.

To all the other people I have not mentioned but who in one way or the other contributed to the successful completion of this project, I say thank you and may God Bless all.

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The undertaking and completion of this research work was made possible by a number of people, to whom I am profoundly grateful. I am particularly indebted to my supervisor Dr. Martin Ogutu for his guidance and encouragement and for being readily available whenever I needed him. I am grateful to the faculty, School of Business, University of Nairobi, who faithfully imparted their knowledge and experience throughout the course.

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CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

2.2 The concept of corporate governance

2.3 A corporate governance framework

2.4 Emerging and trends in corporate governance

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| | |
|------|------------------------------------|
| | Development |
| HIV | Human Immunodeficiency Virus |
| AIDS | Acquired Immunodeficiency Syndrome |
| CCC | Comprehensive Care clinic |
| ICU | Intensive Care Unit |

ABBREVIATIONS

| | | | |
|-------|---|---|----|
| CEO | = | Chief Executive Officer | 13 |
| JCAHO | = | Joint Commission On Accreditation Of Healthcare Organization | 15 |
| COYA | = | Company Of The Year Award | |
| PSICG | = | Private Sector Initiative For Corporate Governance | |
| KIM | = | Kenya Institute Of Management | |
| USAID | = | United States Agency For International Development | |
| HIV | = | Human Immunodeficiency Virus | |
| AIDS | = | Acquired Immunodeficiency Syndrome | |
| CCC | = | Comprehensive Care clinic | |
| ICU | = | Intensive Care Unit | |

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The concept of 'Integrated Governance' refers jointly to the corporate governance and clinical governance duties of health care institutions. This study was concerned in studying integrated governance practices in provision of quality health care in non-profit institutions. Gertrude's Children's Hospital was used as a case study. The research objectives of the study were to establish the governance practices at Gertrude's Children's Hospital and also to establish whether there is any link between corporate governance and provision of quality health care.

To facilitate and achieve the objectives of the study, an in-depth interview on corporate governance was conducted with the chief executive officer (CEO) and the chair of the board of trustees. The medical director gave an interview on clinical governance. The research findings showed that Gertrude's Children's Hospital generally conformed well with best practice on corporate governance. The results further showed that there is correlation between good corporate governance and provision of quality health care.

ABSTRACT

Governance has become an issue of worldwide importance. The corporation has a vital role to play in promoting economic development and social progress. It is the engine of growth internationally, and increasingly responsible for providing employment, public and private services, goods and infrastructure. The efficiency and accountability of the corporation is now a matter of both private and public interest, and governance has, thereby, come to the head of international agenda.

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However, there lacked clear written guidelines and terms of reference for clinical governance at the hospital. Clinical governance issues were addressed 'piecemeal' by different committees. It is appreciated that other factors other than corporate governance play an important part in provision of quality health care. Those extraneous factors were not considered in this study. This notwithstanding, the research objectives were met.

1.1 Background

Governance refers to the manner in which the power of a corporation is exercised in the stewardship of the corporation's total portfolio of assets and resources with the objective of maintaining and increasing shareholder value and satisfaction of other stakeholders in the context of its corporate mission. It is concerned with creating a balance between economic and social goals and between individual and communal goals while encouraging efficient use of resources, accountability in the use of power and stewardship and as far as possible to align the interests of individuals, corporations and society (Private Sector Initiative for Corporate Governance (PSICG, 1999). Governance is about the relationship between management, the board of directors and the owners or shareholders. Governance stipulates the responsibility and accountability for the overall organization in the operation of the organization.

1.1.1 Integrated Governance

The concept of 'integrated governance' has emerged to refer jointly to the corporate governance and clinical governance duties of health care institutions (Scally and Donaldson 1998).

Scally and Donaldson describes clinical governance as "A framework through which healthcare organizations are accountable for continually improving the quality of their

CHAPTER ONE

INTRODUCTION

In this section, the concept of governance and how it affects provision of quality health care will be introduced. A highlight of non-profit institutions will be done. The research problem and the objectives of the study will also be highlighted.

1.1 Background

Governance refers to the manner in which the power of a corporation is exercised in the stewardship of the corporation's total portfolio of assets and resources with the objective of maintaining and increasing shareholder value and satisfaction of other stakeholders in the context of its corporate mission. It is concerned with creating a balance between economic and social goals and between individual and communal goals while encouraging efficient use of resources, accountability in the use of power and stewardship and as far as possible to align the interests of individuals, corporations and society (Private Sector Initiative for Corporate Governance (PSICG, 1999). Governance is about the relationship between management, the board of directors and the owners or shareholders. Governance stipulates the responsibility and accountability for the overall organization in the operation of the organization.

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Scally and Donaldson describes clinical governance as "A framework through which healthcare organizations are accountable for continually improving the quality of their

services and safeguarding high standards of care by creating an environment in which excellence in clinical care will flourish”.

This definition is intended to embody three key attributes: recognizably high standards of care, transparent responsibility and accountability of those standards, and a constant dynamic of improvement.

Corporate governance can be an important contributor to the provision of quality health care by ensuring that designated responsibility for clinical governance exists at board level. The board should ensure that an annual review of clinical governance report on quality of care and its maintenance is presented to the board.

1.1.2 Corporate Governance

There does not seem to be an accepted definition of what corporate governance is, though descriptions on what it entails abounds. Cadbury (1999) defines corporate governance as the system by which companies are directed and controlled and that it is the way in which boards handle the affairs of the corporation.

The capital market act (Cap 485A) in the Kenya Gazette notice number 369, defines corporate governance as the process and structure used to direct and manage business affairs of the company towards enhancing prosperity and corporate accounting with the ultimate objective of realizing shareholders long term value while taking into account the interest of other stakeholders.

According to Johnson and Scholes (2002), the issue of corporate governance has risen due to the practical need to separate ownership and management control and the increasing tendency to make organizations more visibly accountable not only to owners, but also to other stakeholder groups, including the community at large. In Kenya the need for corporate governance, as is the case in other parts of the world, is becoming more

pronounced as a way of safeguarding various stakeholder interests. Corporate governance is now generally taken as an important ingredient for the economic health of companies and society in general (Manyuru 2005).

The focus of corporate governance reforms has been on the boards of directors where the presence for transparency and disclosure of relevant information has been strong. Disclosure should extend beyond the formal financial statement. It should comprise company mission, prospects, clarification of the role of the board and, desirably, a clear distinction between direction and management. The selection of directors and the balance between executive and non-executive directors should be clear (Cadbury 1999).

Cadbury continues to argue that Boards need a mechanism to assess their performance. Companies should assess the impact of their business on society at large. One result is that the pressure for performance and accountability demand more from individual board members. Higher standards of corporate should result in improved board effectiveness and these will depend on effective leadership by the chairman, already a task that requires different qualities from those of a chief executive officer.

1.1.3 Non-Profit Health Institutions in Kenya

What makes an organization non-profit? According to Oster (1995), the easiest way to distinguish a non-profit organization is by virtue of its tax and regulatory designations. Organizations that are designated non-profit are put in a special category in terms of tax, legal and regulatory rules.

Oster continues to argue that in most countries non-profits are exempt from federal income taxes. As a result of this tax exemption these organizations are subject to some

governmental limits on how their revenues can be used. In particular, any financial surplus cannot be distributed to those in control of the corporation, its directors, staff or members. This provision of non-profit corporate governance law is known as the non-distribution constraint. Some other characteristics of non-profits include: -

1. The scope of these organizations appears principally in certain kinds of industries namely: - Social services, religion, health and cultural activities.
2. Non-profit organizations are typically quite labor intense with a heavy use of both professional and volunteer labor. The labor intensity of the non-profit sector highlights the importance of human resource management for these firms, while the presence of a supplemental, unpaid labor force in the form of volunteers and the concentration of professionals make questions of motivation and control of staff all the more complex. It has been agreed, for example that the staff of non-profit organizations have their principal allegiance to a profession or a course rather than to an organization
3. A final common characteristic of non-profits is their reliance at least to some extent on donations as a revenue source. On average, in the United States, 20% of the revenues of private non-profits come from donations. The existence of fundraising as a revenue source complicates the organizational governance, product choice and accounting systems on non-profit organizations.

A non-profit hospital is a hospital which is organized as a non-profit corporation. Based on their charitable purpose and sometimes affiliated with a religious denomination they are a traditional means of delivering medical care. As charitable non-profit institutions they pay no taxes, but nevertheless seldom offer medical services to the indigent, indeed

often charging the medically uninsured higher prices and aggressively collecting unpaid bills (Connolly, 2005).

Non-profit organizations face three main challenges by the fact that they lack the three basic accountability mechanisms of business. First they do not have the self-interest that comes with ownership and helps to ensure that managers do not receive excessive compensation, that the business accomplishes its goals efficiently, and that risks are appropriately evaluated. Second, they often lack the competition that would force efficiency. Many non-profits are near-monopolies. Finally, they lack the ultimate barometer of business success, the profit measure. Although profits are not as relevant to organizations whose primary purpose is to improve society, alternative measures of performance are hard to find.

Taylor et al (1996) notes that effective governance by the board of a non-profit organization is a rare and unnatural act. Only the most uncommon of non-profit boards functions as it should by harnessing the collective efforts of accomplished individuals to advance the institutions mission and long term welfare. They continue to argue that most non-profit boards are ineffective for a myriad of reasons. Sometimes the board is stymied by a chief executive who fears a strong board and hoards information, seeking the boards approval the last minute. Sometimes board members lack sufficient understanding of the work of the institution and avoid dealing with issues requiring specialized knowledge. Individual board members may not bring themselves fully to the task of governance, because board membership generally carries little personal accountability. And often the powerful individuals who make up the board are unpracticed in working as members of a team.

Taylor et al suggests that the key to improved performance is discovering and doing what they call the “new work” of the board. The new work has four basic characteristics. First, it concerns itself with crucial, do-or-die issues central to the institutions success. Second, it is driven by results that are linked to defined timetables. Third, it has clear measures of success. Finally it requires the engagement of the organization’s internal and external constituencies. The new work generates high levels of interest and demands broad participation and widespread support.

1.1.4 Gertrude’s Children’s Hospital

Gertrude’s Children’s Hospital was founded in 1947 by the late Colonel Ewart Grogan. The Hospital, with some 60 beds, is a charitable organization run on a non-profit making basis in that all surplus funds go back into the day to day running and improvement of the organization. Gertrude’s Hospital is the only sophisticated organization between Cape Town and Cairo that deals exclusively with children. No other specialist pediatrics hospital exists in this territory, although there are other general hospitals with pediatric departments.

A Board of trustees, who work entirely voluntarily, receiving neither fees nor emoluments for their services, governs the hospital. The hospital’s main source of income is patients’ fees. It also accepts donations from corporates, small-scale organizations and from individuals who give to the hospital in cash or in kind. Gertrude’s hospital obtains no financial assistance from the Kenya government, donor countries, the United Nations or religious organizations. It treats all children regardless of race, religion or social status.

The monies received through appeals and charitable donations, enables the hospital to expand and improve its services to patients. In the last several years, the hospital, through fundraising, has managed to build an ICU, opened one of the most modern x-ray departments in Kenya, and expanded specialist clinics that now number 20. The hospital has also opened three outpatient satellite clinics in Nairobi. In recognition of the role Gertrude's Hospital plays in the community, the Kenya Institute of Management (KIM) awarded the hospital with the Company of the Year Award (COYA) for Corporate Citizenship in the private sector for the year 2006. The COYA award was a reflection of the hospital's work with the community to improve the lives of children in projects that are sustainable. The Hospital in the financial year 2005/2006 spent close to Kenya Shillings 30 Million on corporate social responsibility activities funded by internally generated funds and partners such as Roche, USAID among others (COYA 2006).

1.3 Research Objectives

1.2 Research Problem

Considering the pertinent problems faced by non-profit organizations as enumerated above, one way hospitals can address this is through the practice of good Corporate Governance. This study will provide insight on the role of the board; it's relationship with the CEO and how decision-making at the board could affect the delivery of health services. As much as corporate governance is a very important subject, very little have been done in non-profit organizations especially hospital institutions. Previous studies have focused on for-profit organizations. Some of the studies conducted in this area include: corporate governance and organization performance: the case of companies quoted at the Nairobi stock exchange (Manyuru 2005), a survey of corporate governance practices in cooperative societies in Nairobi (Wang'ombe 2003), a survey of corporate governance among insurance companies in Kenya (Mwangi 2002), a survey of corporate

governance in the motor vehicle industry in Kenya (Mucuvi 2002), a study of corporate governance: the case of quoted companies in Kenya (Jabet 2001)

As can be seen above no studies have been done in the health care industry and hence the current study investigates integrated governance in a non-profit health institution in Kenya. Since non-profit organizations support some of the most important aspects of our lives like health and education, there is a need to balance the focus on for-profit and non-profit organizations.

In conducting this study I will endeavor to answer two main questions. First, what are the current governance practices at Gertrude's children's Hospital? Secondly, is there any link between corporate governance and provision of quality health care?

1.3 Research Objectives

- 1) To establish the current governance practices at Gertrude's Children's Hospital.
- 2) To establish whether there is any link between corporate governance and provision of quality health care.

1.4 Significance of the study

It is hoped that the information obtained from this study would be used in public hospitals in Kenya to address some of the problems they face like non-effective boards, conflict of interest in the tendering process, financial mismanagement and poor delivery of health care to the public. Other non-profit organizations in Kenya could also find the information useful in addressing governance issues.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter examines available literature on corporate governance and non-profit organizations. The literature outlines the meaning of corporate governance and its relevance in non-profit organizations. The chapter also highlights literature on clinical governance and its role in provision of health care.

2.2 The concept of corporate governance

According to Steiner and Steiner (2003) corporate governance is the overall control of activities in a normal corporation. It is concerned with the formulation of long-term objectives and plans and the proper management structure (organization, systems and people) to achieve them. At the same time, it entails making sure that the structure functions to maintain the corporation's integrity, reputation and responsibility to its various constituencies.

The focus of corporate governance reforms has understandably been on boards of directors. They are the bridge between the shareholders and the executives in charge of the running of an enterprise and they are responsible for the standing of their company in the community (Cadbury 1999).

Cadbury continues to argue that improvements in board accountability and performance are the aim of corporate governance reform. This has become a worldwide movement through the emergence of global markets. Issues for boards will include clear statements of business purpose, methods of selection, need for independent directors, board of director evaluation and directors training. Better and wider disclosure will be the basis for

ensuring compliance by boards, but the dominance of institutions will require them to become more accountable.

However, in the non-profit sector the role of the board slightly differs from that of a typical publicly traded corporation. As indicated earlier, non-profits are subject to the non-distribution constraint. As a consequence, there are no stockholders in the non-profit and there is no one with clear claims over any residuals. Thus, the usual role of the board as protector of stockholder rights over the interests of management is absent in the non-profit. On the other hand, the donor in the non-profit may need some protection against the possibility of expropriation of the benefits of donation by internal management. In this sense, the board of the non-profit can be thought of as providing protection for one of the customers of the non-profit. In a broader sense, given the tax exemption of the non-profits, the board can be thought of as providing protection to the public who have indirectly contributed to these tax savings (Oster 1995).

Herzlinger (1996) contends that non-profit organizations need to win public trust because they are entrusted with Society's most important functions – educating our minds, uplifting our souls and protecting our health and safety. She continues to argue that our collective perception of their value is evident in the monumental resources we devote to these institutions; revenues of non-profits alone have grown from less than US\$ 200 billion in 1978 to US\$ 1.1 trillion in 1993.

Unlike public traded corporations, the performance of non-profits is shrouded behind a veil of secrecy that is lifted only when blatant disasters occur. However, because of the

growing disenchantment of the public with public institutions, there have been more calls for greater reliance on non-profit organizations to solve important social problems.

Herzlinger (1996) points out that, difficulties manifested in non-profit organizations fall into four categories. First is the problem of ineffective organizations, that is, ones that do not accomplish their social missions. Second are inefficient organizations, ones that get too little mileage out of the money they spend. A third difficulty is that of private investment; in which individuals who control tax exempt organizations attain excessive benefits for themselves. Investment may also involve managers, employees or board members using resources for their own benefit instead of the organizations charitable purpose. A fourth kind of problem develops when organization take on excessive risk.

Iskander and Chamlou (2000) argue that, countries have realized that good corporate governance is a source of competitive advantage and critical to economic and social progress. With globalization, firms must tap domestic and international capital markets in quantities and ways that would have been inconceivable even a decade ago. Increasingly, individual investors, funds, banks, and other financial institutions base their decisions not only on a company's outlook, but also on its reputation and its governance. It is this growing need to access financial resources, domestic and foreign and to harness the power of private sector for economic and social progress that has brought corporate governance into prominence the world over.

2.3 A corporate governance framework

Iskander and Chamlou (2000) in their report to the World Bank – Corporate Governance: A Framework for Implementation argues that corporate governance is still a topic of

debate. They argue that corporate governance can be viewed from two perspectives; from a corporation's perspective and from a public policy perspective. From a corporation's perspective, the emerging consensus is that corporate governance is about maximizing value subject to meeting the corporation's financial and other legal contractual obligations. This definition stresses the need for board of directors to balance the interests of shareholders with those of other stakeholders – employees, customers, suppliers, investors, and communities - in order to attain the long term sustained value for the corporation.

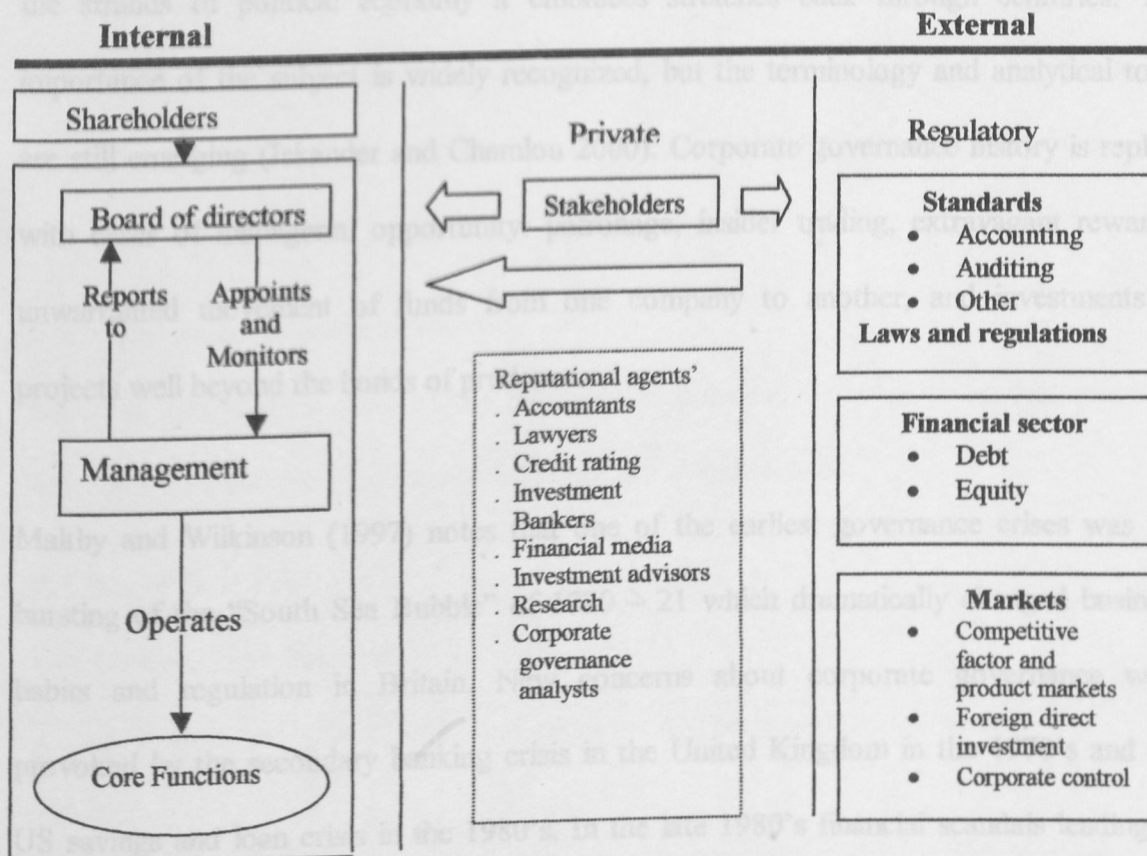
From a public policy perspective, corporate governance is about nurturing enterprises while ensuring accountability in the exercise of power and patronage by firms. The role of public policy is to provide firms with incentives and discipline to minimize the divergence between private and social returns and to protect the interests of stakeholders. These two definitions from public and private perspectives – provide a framework for corporate governance (Figure 1).

(2009). *Corporate Governance: A framework for implementation*. World Bank, Washington DC, USA.

The conceptual framework reflects interplay between internal incentives and external forces that together govern the behavior and performance of the firm.

At the centre of this system is the board of directors whose overriding responsibility is to ensure the long-term viability of the firm and to provide oversight of management.

Figure 1: Corporate Governance Framework: The Internal And External Architecture.



Source: Iskander and Chamlou (2000). Corporate Governance: A framework for implementation. World Bank, Washington DC. USA.

The conceptual framework reflects interplay between internal incentives and external forces that together govern the behavior and performance of the firm.

At the centre of this system is the board of directors whose overriding responsibility is to ensure the long-term viability of the firm and to provide oversight of management.

2.4 Evolution and trends in corporate governance

Corporate governance has only recently emerged as a discipline in its own right, although the strands of political economy it embraces stretches back through centuries. The importance of the subject is widely recognized, but the terminology and analytical tools are still emerging (Iskander and Chamlou 2000). Corporate governance history is replete with cases of managerial opportunity: patronage, insider trading, extravagant rewards, unwarranted movement of funds from one company to another, and investments in projects well beyond the bonds of prudence.

Board structure and the functions of the board are also discussed.

Maltby and Wilkinson (1997) notes that one of the earliest governance crises was the bursting of the “South Sea Bubble” of 1720 – 21 which dramatically changed business habits and regulation in Britain. New concerns about corporate governance were provoked by the secondary banking crisis in the United Kingdom in the 1970’s and the US savings and loan crisis in the 1980’s. In the late 1980’s financial scandals leading to the collapse of several prominent companies came to light in the United Kingdom. The corporate sector responded to the loss of confidence in financial reporting by setting up the Cadbury committee in 1990 to develop a code of best practice.

In the recent past the importance of corporate governance has been taken a notch higher as a result of major financial scandals. The collapse of Enron, the world’s largest energy-trading company, in October 2001, illustrate what can happen when a company’s board and top managers fail in their governance responsibilities.

Back here in Kenya, the subject of corporate governance has gained greater interest following major scandals like the Goldenberg, collapse of many indigenous banks and

more recently the Anglo-leasing scandal. As a result of this awareness, the centre for corporate governance was set up in Nairobi in March 1999. The centre's mission is to develop institutions with the human and technical capacity to promote the adoption, application and implementation of sustainable best practices in corporate governance in Africa through advocacy, information dissemination, monitoring, research and training.

2.5 Corporate governance practices

This section highlights some of the practices as outlined in the code of best practice. Board structure and the functions of the board are also discussed.

2.5.1 Board Best Practices

Table 1: Board Best Practices

| | | |
|---|------------------------------------|--|
| 1 | Composition of the Board | Balance of executive and non-executive directors |
| 2 | Appointments to the Board | Transparent procedures for nomination and appointment of new directors to the Board |
| 3 | Directors remuneration | To avoid conflict of interest, an independent remuneration committee to determine remuneration of each executive director |
| 4 | Disclosures of information | Disclosure of any business that may create a potential conflict of interest. |
| 5 | Supply of information to Directors | Access to accurate, relevant and timely information in order to make informed, intelligent, objective and independent judgments. |
| 6 | Directors training and | Formal training on role, duties, responsibilities, obligations |

| | | |
|---|--------------------------------|---|
| | Development | and Board practices and procedures on first appointment |
| 7 | Accounts: Audit and Disclosure | Directors shall cause to be kept proper and accurate books of accounts. |

Source: Private Sector Initiative for Corporate Governance (PSICG) (1999). Principles for Corporate Governance in Kenya.

2.5.2 Board structure

There is no one-size-fits-all blueprint of corporate governance. Several models of corporate governance have evolved that highlights the relative weight given to shareholder value or protection of stakeholder rights. According to Steiner and Steiner (2003) the average corporate board had 11 members. The number varies in different industries. Banks for example, average 17 members. Aerospace companies average 13 members. Board best practices generally recommend that board size should reflect the complexity of the corporation and the need for effective decision-making; 15 members is the upper limit for board effectiveness in most cases.

2.5.3 Functions of the Board

Steiner and Steiner indicate that issues to consider while considering board structure include board size, criteria for selection, composition, gender and method of recruitment to the board. Steiner and Steiner continue to argue that board membership may include both inside (managerial) directors and outside (non-management) directors. In recent years the number of outside directors on boards has grown until today the average corporate board has nine outside and two inside directors.

Oster (2000) adds that non-profit boards typically consist entirely of outsiders, non-employees of the organization. Staffing non-profit boards with outsiders with relatively short tenure reduces the probability of board capture by the executive director. The non-profit board often has large donors serve directly on the board. The presence of large donors on the board of an organization provides a direct way for them to monitor how well their funds are being used. Thus, a donor is put on board not as a benefit of giving, but as insurance for giving. It is no surprise, therefore, that trustees are active in the fundraising function. By their presence, such donor-trustees implicitly promise other potential donors that their funds will not be wasted.

On the method of selection to the board, Steiner and Steiner (2003) argues that in the past, board members were usually suggested by the CEO to the board for approval. Today, nominating committees on most boards have this responsibility, but CEO's still play a prominent part in the process. Once selected, the names of nominees are presented to the shareholders for their approval or disapproval at the annual stockholder meeting.

2.5.3 Functions of the board

The Business Round Table (1990), an organization of CEO's of the largest companies in the United States issued a policy statement on corporate board of directors. Overall, said the policy statement "the principal responsibility is to exercise governance so as to ensure the long term successful performance of the corporation". Specific responsibility duties are as follows: -

1. Select, regularly evaluate, and if necessary replace the CEO. Determine management compensation. Review succession planning.

2. Review and, where appropriate, approve the financial objectives, major strategies, and plans of the corporation.
3. Provide advice and counsel to top management.
4. Select and recommend to shareholders for election an appropriate slate of candidates for the board of directors; evaluate board processes and performance.
5. Review the adequacy of systems to comply with all applicable laws / regulations.

Drucker (1976) has added the following other dimensions to these functions if a board is to be effective: asking critical questions, acting as conscience, a keeper of human and moral values, and helping the corporation be understood by its constituencies by the outside community.

Herman (1990) adds that five chief tasks of the non-profit board have been identified:

1. Select and evaluate the CEO
2. Define and re-evaluate the mission of the organization
3. Develop a plan for the organization
4. Approve budgets
5. Help get resources.

From the list of functions of the board, we see quite a variation in the level of operations of the board. On the one hand, the board engages in strategic level functions like setting a mission and selection of CEO. On the other hand some of the functions are at the operating level like budget control and resource attraction.

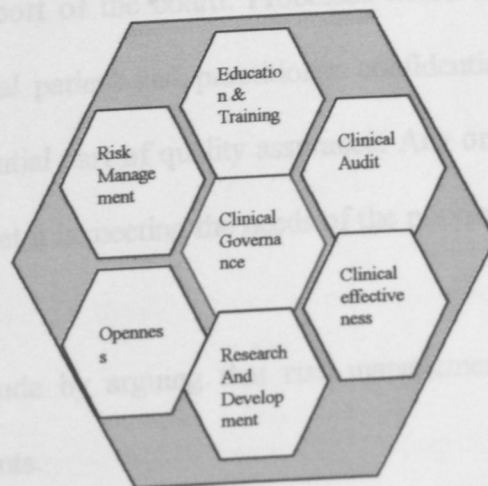
The existence of both operating and strategic functions for the board creates some clear problems in its operations. Principal among these is the unclear authority relationship that may develop between the board and the executive management of the non-profit. This

lack of clarity in turn contributes to tension between staff and board and increases the overall noisiness of a non-profit board.

2.6 Clinical Governance

Scally and Donaldson (1998) has defined clinical governance as a framework through which organizations are accountable for continuously improving the quality of their services and safeguarding high standards of care by creating an environment in which excellence in clinical care will flourish. Scally and Donaldson continue to add that there are six elements of clinical governance namely: Education and training, clinical audit, clinical effectiveness, research and development, openness and risk management.

Fig. 2: The Elements of clinical Governance



Source: Scally G., and Donaldson J. (1998), Clinical governance and the drive for quality improvement in the new NHS in England, *British Medical Journal* (4 July 1998): 61 – 65

The authors argue that it is no longer considered acceptable for any clinician to abstain from continuing education after qualification. The continuous professional development of clinicians is the responsibility of the board and clinicians themselves.

Clinical audit is the review of clinical performance, the refining of clinical practice and the measurement of performance against agreed standards or against "state of the art".

Clinical effectiveness is a measure of the extent to which a particular intervention works. The measure is enhanced by considering whether the intervention is appropriate and whether it represents value for money. In the modern health service, clinical practice needs to be refined in the light of emerging evidence of effectiveness but also has to consider aspects of efficiency and safety from the perspective of the individual patient and carers in the wider community.

Good professional practice has always sought to change in the light of evidence from research. Research and development requires huge resource outlay, which can only be done with the support of the board. Processes which are open to public scrutiny while respecting individual patient and practitioner confidentiality, and which can be justified openly, are an essential part of quality assurance. Any organization providing high quality care has to show that it is meeting the needs of the population it serves.

The authors conclude by arguing that risk management involves consideration of the following components.

1. Risks to patients: Compliance with statutory regulations can help minimize risks to patients.
2. Risks to practitioners: Ensuring that clinicians are immunized against infectious diseases and work in a safe environment.
3. Risks to the organization: Poor quality is a threat to any organization. Organizations need to reduce their own risks by ensuring high quality

employment practice, a safe environment and well designed policies on public involvement.

2.7 Board Governance and Provision of Quality Health Care

Pointer and Jennings (2002) stated that a board bears ultimate authority, responsibility, and accountability for an organizations performance.

Kazemek et al (2000) pointed to the Institute of medicine report that revealed that approximately 98,000 people die annually from medical errors. These statistics have intensified the need for boards to oversee the quality of medical care. Because trustees are rarely familiar with patient care, they depend on the medical professionals to interpret clinical data and medical terminology used in quality reports.

Pointer and Orlikoff (1999) noted that responsibility for quality of services is unique to the boards of organizations. This aspect of governance typically causes healthcare board members their greatest concern. To fulfill this responsibility a board must (a) Define quality to reflect the aspects of specific practice, (b) Credential the medical staff and (c) Monitor data to assess the quality of care provided. Credentialing is the process that appoints, reappoints and determines the clinical privileges of physicians (Pointer & Orlikoff 1999). The purpose of this process is to ensure that only qualified doctors are hired and remain as the organizations medical staff and that they provide services within their scope of competence.

Roberts and Connors (1998) reported that achieving the quality goals encompasses such abilities as rendering clinically appropriate care, meeting contemporary standards, achieving high levels of patient satisfaction and maintaining an environment of

continuous quality improvement. Trustees, therefore, must establish the standards needed to provide necessary oversight. Reinbold (2001) points out that the key features of these standards are contained in the Joint Commission on Accreditation of Healthcare Organization (JCAHO) Standards. These features are

- 1) A proactive approach to risk identification and prevention.
- 2) A culture that reflects staff willingness to report and participate in risk reduction activities as well as measure their own and patients perceptions of possible risks in the organization.
- 3) A systematic approach to integrating all safety activities to ensure coordination and eliminate duplication.
- 4) Selection of one high-risk process each year for assessment and risk mitigation and
- 5) A medical errors report given to the board at least once a year

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 The Research Design

This study will adopt the case study research design approach. The study will be a case study of corporate governance at Gertrude's Children's Hospital – a non-profit health institution. The case study research design often uses qualitative strategies for data collection. This form of research approach has also become important in science policy research (Dosi and Egibi 1991), and is increasingly used in other fields involving the study of organizational processes, such as entrepreneurship development, small firm research, and management of technology (Mwamadzingo 1996). As organizations become more complex, current theory is viewed as inadequate in 'explaining' the complex and multiple realities of organizations (Morgan 1980). Increasingly, therefore, researchers are turning to inductive approaches to theory formulation (Holland 1975). Consequently, case studies have been used to accomplish various aims: to provide descriptions of phenomenon; to test theory; or to generate new theory using inductive approaches.

Herzlinger (1996) argues that unlike publicly traded corporations, the performance of non-profits and governments is shrouded behind a veil of secrecy that is lifted only when blatant disasters occur. Unlike publicly quoted companies that are required by the Nairobi Stock Exchange and Capital Markets Authority to disclose and explain all the governance practices in their companies as part of the annual reports and accounts, non-profit health organizations in Kenya do not have such a requirement. Obtaining data on governance in these organizations can be an uphill task. In this study preliminary permission to conduct research on a number of non-profit health institutions in Nairobi was sought

(Appendix 1). Most declined to be involved and therefore, conducting a survey on the topic was ruled out. Gertrude's Children's Hospital however, granted the researcher permission to conduct the research and therefore a case study of the institution will be conducted.

3.2 Data Collection

This is a case study and will rely on both primary and secondary data. Secondary data will be used to supplement and confirm primary data and will be obtained from two sources: Gertrude's Hospital's website www.gerties.com which has extensive information on the history, functioning, management and current activities of the hospital. The hospital's magazine will also provide some of the needed information. In general, secondary data will be collected regarding governance practices such as structure, board membership, and previous decisions made by the board. Although information on some of these areas will be obtained through interviews, it will be good to confirm what is given during interview from secondary data.

Primary data will be collected using questionnaire guides (see appendices 2 & 3). The CEO, chair of the board and the medical director will be interviewed. The CEO and chair of the board would be expected to provide information on board composition, criteria for selection, board remuneration and all other hospital governance issues. The medical director will be interviewed on aspects related to clinical governance since this is a technical area, which would be handled well by a qualified medical doctor.

3.3 Data Analysis Method

CHAPTER FOUR

Content analysis will be done since the data collected will be mainly qualitative in nature.

Case studies can often yield information that could not be obtained using other methods.

Content analysis of data will be based on analysis of meanings and implications emanating from respondents information and documented data on integrated governance

at Gertrude's Children's Hospital.

This research had two objectives namely: to establish the current governance practices at Gertrude's Children's Hospital and to establish whether there is any link between corporate governance and Provision of quality health care. Data was analyzed using content analysis based on meanings and implications emanating from respondents information and documented data on integrated governance. Analysis and results are presented in the order of the objectives.

4.2 Governance Practices at Gertrude's Children's Hospital

The first objective was to establish the current governance practices at Gertrude's Children's Hospital. Primary data was collected by use of an interview guide. The CEO and the Chair of the board were interviewed. Secondary data was obtained from the hospital's annual reports. From the findings, it was found that the board had eight members out of whom two were women. All the board members were found to be non-employees of the organization except the CEO.

Skills represented at the Gertrude's board of trustees include: legal, financial, medical, auditing/accounting, social work and business management. However, the respondents felt they would like to see the following specific skills added to the board: human resource management, diversity in racial representation, fundraising and more medical representation.

CHAPTER FOUR

DATA ANALYSIS AND FINDINGS

4.1 Introduction

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Members of the board are nominated and selected to the board by other members.

The person must be of good standing in society, be known and acceptable to current board members and be willing to serve voluntarily. Members do not have set terms and their terms are renewable indefinitely. The officers of the board are very important in the proper functioning of the board in that they are the ones who nominate and elect the Chair through consensus. The board is established by the trust deed and is appointed as stipulated in the certificate of incorporation. Although it is important to include members from diverse professional backgrounds to the board, those who are mandatory board members are reviewed when inviting new trustees.

The board at Gertrude's hospital is involved in strategic planning and policy decisions. Other functions of the board include: monitoring and evaluating the organization's performance, provide legal advice to the hospital, ensure quality of service, strategic development, CEO/Executive recruitment, executive compensations, capital expenditure and fundraising. The board yields strong influence over direction and control of the organization. In most cases, the board's approval was required when a new branch is being opened, when expenses exceeds a certain amount, hiring and firing senior management, selecting or changing auditors and capital expenditure.

It was found from the study that Gertrude's Children's Hospital board had three committees namely:

- (a) Finance Committee – responsible for overseeing the finances at the hospital.

(b) Medical Advisory Committee – The mandate of this committee is to monitor and ensure that the hospital upholds high medical standards. It also advises the board on clinical issues. Both committees meet twice annually.

(c) Executive compensation committee – involved in review of executive's remuneration.

According to the study, the board meets eleven times in a year. Although there is no by-law governing the number of members required to conduct business, it was found that three members are required. The Chair with the CEO creates the agenda for the meetings. The board was found to be very committed in attending the board meetings.

Gertrude's Children's Hospital lacked clear guidelines on how the Chair's performance was evaluated. At the time of the study, there was no formal evaluation in place for board performance. Training of board members was non-existent.

From the findings, the stakeholders of Gertrude's Children's Hospital are employees, suppliers, customers who are generally the patients, admitting doctors, the local community and the government. Some of the good governance practices found included authority schedules for finances, monthly board meetings, monthly finance meetings, annual audits and separation of roles for CEO and chair. The board had oversight in the responsibility and accountability for provision of quality health care while the management ensured operational compliance. The mission statement and the trust deed delineated policies directed towards quality of health care.

The board evaluates the provision of quality health care by having a representative of the Medical Advisory Committee sit on the board on ex officio status. As the trustees of the

board are not familiar with patient care, he has to be there to interpret clinical data and medical terminologies.

Although corporate governance and Clinical governance were found to have a link, it is argued that audits and consultants constantly monitor the environment created for clinical care. It was suggested that the board should strengthen its relationship with the management by developing trust and increasing interaction. The board should also improve its relationship with the clients/stakeholders by being more visible. The respondents suggested that good governance in the organization could be improved by establishing more committees so that more board members participate in hospital affairs. Clinical governance needed to be better integrated into the governance structure.

4.3 Clinical Governance at Gertrude's Children's Hospital

The second objective was to establish whether there is any link between corporate governance and Provision of quality health care. Data was collected by interviewing the medical director (chief pediatrician) through an interview guide. The study found that a Quality Care Committee was responsible for quality health care at Gertrude's Children's Hospital. The mandate of the said committee was to address quality of care issues in the hospital and address issues depending on customer needs and responses. However, the committee lacked clear written guidelines and terms of reference. It was not represented in the board but the Chairman of the Medical Advisory Committee sat on the board to advise on medical issues.

The people who sat on the committee comprised the following heads of departments:

Medical director, marketing manager, pharmacist, outpatient manager, laboratory manager, in charge of wards and the matron. Gertrude's Children's hospital had made a

good attempt at implementing the six elements of clinical governance namely; education and training, clinical audit, clinical effectiveness, research and development, openness and risk management. From the study, the hospital had policies in each of the areas of clinical governance as follows:

4.3.1 Education and training of staff

The study revealed that the Human Resource department was responsible for the education and training of staff. The hospital had a Paediatric Training Nursing School where nurses are trained for 2 years. It was documented that doctors had a Continuous Medical Education (CME) once every two weeks. Training in pediatric advanced life support (PALS) has been conducted at Gertrude's since its inception in 1999. The hospital was in the process of harmonizing the training.

4.3.2 Clinical audit i.e. review of clinical performance

The hospital had a standard and ethics committee, which was responsible for review of clinical performance. Although there was no activity in this area, plans were under way for implementation of clinical audit.

4.3.3 Clinical effectiveness (i.e. measure of the extent to which a particular intervention works)

This was an area of concern. Clinical effectiveness information was based on observation. Although clinical protocols were in place, they were not updated.

4.3.4 Research and development

Findings indicated that research and development was carried out by individual clinicians on an individual basis. The hospital was in the process of harmonizing this.

The hospital followed international guidelines on Asthma management. HIV/AIDS data was being collected routinely.

4.3.5 Openness of process to public scrutiny

Gertrude's Children's Hospital had a process through which patients could air their grievances. This was through questionnaires where patients were able to present their complaints. The feedback system was found to be in place.

4.3.6 Risk management

To Patients: The study found out that Gertrude's Children's Hospital ensured that it operated a safe environment. Correct medicines and doses for the patients was strictly observed. The rooms and beds were designed to prevent accidents. This showed that the hospital was compliant with statutory regulations, which help minimize risks to patients.

Risk management to staff: The hospital employees were vaccinated against Hepatitis B and Typhoid. Plans to start vaccination against Flu were in process. Protection gear was provided to all employees.

Risk management to the organization: Gertrude's Hospital was found to have an insurance cover for all the staff. Financial risk policies were in place and the hospital conformed to the labour laws. Visiting doctors were required to have malpractice insurance ensuring the hospital was protected in case of litigation. This implied that Gertrude's Children's Hospital was reducing its own risk by ensuring a safe environment and well designed policies on medical practice.

4.4 Quality Health Care at Gertrude's

Quality health care at Gertrude's Children's Hospital was found to be of paramount importance. The study found that, the hospital endeavored to provide the best services to its customers. Services offered at the hospital included outpatient services, laboratory services, pharmacy, dental and hospitalization. The findings indicated that the hospital addressed the following aspects of quality health care as follows:

Access to primary Care

The hospital reserved a fund for desperate cases. The hospital admitted free cases of very sick children from children's homes, and waived fees for strays who are often brought in by the police. These children are nursed until they are well enough and are always given the same high standard of nursing as the paying patients. The study also found out that Gertrude's Children's hospital had introduced 3 satellite clinics in Nairobi. The clinics were situated in Lavington, Donholm and Nairobi West. They offered outpatients medical services, laboratory and pharmacy services.

The hospital was also involved in Corporate Social Responsibility. This is community work where hospital staffs are sent to conduct free clinics in Mathare and Githogoro slums in Nairobi. The exercise is done every week where children are treated for simple ailments and given the Gertrude's free immunization programme. BCG injections against Tuberculosis and HIV/AIDS treatments are offered free. Findings indicated that the Standards and Ethics Committee at Gertrude's Children Hospital was responsible for technical quality, appropriateness and outcomes of care. The Trustees established the standards needed for to provide necessary oversight.

Gertrude's Children's Hospital success in the provision of quality health care lay in the following:

CONCLUSION

Clinical Care: The hospital maintained clinicians who were qualified and experienced.

The hospital recognized that well qualified staff was the key to success as a leading health care provider. This includes the doctors, nurses and specialists.

Satellite clinics: this had helped bring services closer to many residents of the city and increase the number of children being treated at Gertrude's. The satellite clinics had also helped in removing the notion that the hospital was for the affluent in society due to its location at Muthaiga- an up market residential area. It was found that the hospital had continued to serve the healthcare needs of the less fortunate in the society. This was done through running weekly clinics that provided treatment and immunization services to the children in Mathare and Githogoro slums on a weekly basis. By making the services accessible and consistent, many people had benefited enormously.

However, the hospital was faced with some challenges. The study indicated that it faced shortages of specialists in cardiac surgery and renal transplant. Medical equipments are also expensive making it difficult for the hospital to handle some cases. In view of the above, the hospital should have a clinical governance structure. The one that existed at the hospital addressed issues 'piece meal'. A clinical governance structure acts as a framework through which organizations are accountable for improving the quality of their services. This is achieved by creating an environment in which excellence in clinical care would flourish.

CHAPTER FIVE

CONCLUSION

5.1 Introduction

This chapter summarizes the findings and makes conclusions on this study on integrated governance in non-profit institutions. It also includes study limitations, recommendations for further research and recommendation for policy and practice.

5.2 Summary, discussions and conclusions

The first objective sought to determine the governance practices at Gertrude's Children's Hospital. The results indicate that Gertrude's Children's Hospital is run by a board of trustees that is established by the trust deed. The members are volunteers and draw no direct or indirect allowances. The board has eight members out of whom two are women. None of them work for the organization. The organization's board is involved in strategic planning and policy decisions.

The board exercises strong influence over direction and control of the organization. In most cases, the board's approval is required when a new branch is being opened, when expenses exceeds a certain amount, hiring and firing senior management, selecting or changing auditors, and when capital expenditure is involved. This is in line with The Business Round Table (1990), an organization of CEO's of the largest companies in the United States, which issued a policy statement on corporate board of directors. It outlined Specific responsibility duties as follows: -

1. Select, regularly evaluate, and if necessary replace the CEO. Determine management compensation. Review succession planning.

2. Review and, where appropriate, approve the financial objectives, major strategies, and plans of the corporation.
3. Provide advice and counsel to top management.
4. Select and recommend to shareholders for election an appropriate slate of candidates for the board of directors; evaluate board processes and performance.
5. Review the adequacy of systems to comply with all applicable laws / regulations.

The results also showed that the board of trustees at Gertrude's is responsible for preparation of annual financial statements that are prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates. This is in conformity with International Financial Reporting Standards and the requirements of the constitution of the trust. These financial statements are open for perusal by any interested parties especially the stakeholders.

The study revealed that the board at Gertrude's had eight trustees all of whom were non-employees of the hospital. The CEO was the only employee who sat on the board. This is in line with Oster (1995) who argued that the composition of the non-profit board differs with that of the for-profit in that the former typically consist entirely of outsiders, non-employees of the organization. It was also noted that the board of trustees at Gertrude's are volunteers and do not receive any allowances. This is in line with the non-distribution constraint requirement for non-profit organizations. Oster (1995) argues that the non-profit board provides protection to the public who have indirectly contributed to the tax savings of the institution. This is a role the board of Gertrude's has performed commendably.

However, it was found that the board of trustees at Gertrude's had eight members. This is in contrast to what many authors like Oster (1995), Iskander and Chamlou (2000) advocate. Oster for example argues that a large size of a non-profit board increases interorganizational contact, allows for more monitoring and control and reflects the importance of donors. The study also revealed that several areas of corporate governance at Gertrude's fell short of best practice. These include: there were no set terms for the chair and board members, no method of evaluating the performance of the chair and board members existed and there was no training for new board members.

The second objective sought to determine whether there is any link between corporate governance and provision of quality health care. The results indicated that the Quality Care Committee is responsible for quality health care at Gertrude's Children's Hospital. The people who sit on the committee comprises the following heads of department: medical director, marketing manager, finance manager, laboratory manager, pharmacist, outpatient manager and matron/nurse. This wide representation by managers from every department of the hospital ensures that the committee addresses all issues relevant to the mission of the hospital, which is "to provide the best available medical services, care, professional and technical skills. To recognize our responsibility to patients and parents, both paying and non-paying. To maintain a constructive relationship with other hospitals, business partners and suppliers." (G.C.H. 2005)

Scally and Donaldson (1998) defined six elements of clinical governance as education and training, clinical audit, clinical effectiveness, research and development, openness and risk management.

The findings indicate that the hospital addresses most aspects of quality health care. Access to primary Care was taken care of in that the hospital reserves a fund for desperate cases. It had also introduced three satellite clinics in Nairobi offering outpatients medical, laboratory and pharmacy services. The hospital is also involved in corporate social responsibility. The hospital has a weekly outreach programme to two of Nairobi's city slums namely Mathare and Githogoro where free clinics are conducted. The hospital is also involved in a project called "Smile Train" which is undertaken in conjunction with the USA-based charity of the same name. Smile train is an on-going charity throughout the year and every week a skilled theatre team perform repair operations on about five children with cleft lip and palate at an average cost of Kenya Shillings 70,000.

The hospital also runs the Comprehensive Care Clinic (CCC), which is intended for mothers and small babies with HIV/AIDS. HIV-infected mothers can pass on the infection to their newborn babies through breastfeeding, and it is this group that Gertrude's "CCC" targets. The findings also indicate that the Standards and Ethics Committee at Gertrude's Children's Hospital is responsible for technical quality, appropriateness and outcomes of care. The Trustees establish the standards needed to provide necessary oversight.

The board evaluates the provision of quality health care by having a representative of the Medical Advisory Committee sit on the board in ex officio status. This is in line with what Kazemek et al (2000) pointed out that since the trustees of the board are not familiar with patient care, a medical professional should be there to interpret clinical data and medical terminologies.

The respondents in the study were all in agreement that the board has the ultimate responsibility for provision of quality healthcare but the operational compliance is delegated to the management through the CEO. This concurs well with what Pointer and Jennings (2002) stated, that a board bears the ultimate authority, responsibility and accountability for an organizations performance. Good corporate governance was indicated to be a key prerequisite for clinical governance in any health institution whether public or private. However, although corporate governance and Clinical governance were found to have a link, it is argued that the environment created for clinical care need to be constantly monitored by audits and consultants. However, the results revealed that the quality care committee at Gertrude's lacked clear written guidelines and terms of reference. It was not directly represented in the board but the chairman of the medical advisory committee sits on the board to help with medical issues.

5.3 Limitations Of The Study

The researcher encountered a number of limitations. Time for the study was limited. The study did not consider other factors such as political, environmental, socio-economic and technological factors, which invariably influence the quality of health care regardless of the corporate governance practices. Without taking these other factors into account, it was therefore not possible to establish the extent of contribution of corporate governance on provision of quality health care.

5.4 Recommendations For Further Research

A more comprehensive research should be carried out, preferably a survey on integrated governance in non-profit health public and private institutions. A research should also be

done in other non-profit institutions like religious organizations, educational institutions to establish their corporate governance practices.

5.5 Recommendation for policy and practice

The study revealed that there was under representation of the hospital management in the board with the CEO being the only hospital employee in the board. A balance in representation is recommended. The study also showed that the chairman of the medical advisory committee who is not an employee of the hospital is responsible for articulating clinical governance issues at the board. It is recommended that the medical director, who is involved in the daily clinical issues at the hospital, be directly answerable to the board as far as clinical governance issues are concerned.

It is further recommended that Gertrude's Children's Hospital should establish a well-documented structure where aspects of clinical governance: education and training, clinical audit, clinical effectiveness, research and development, openness of processes to public scrutiny and risk management are all clearly spelt out. Currently many of these functions are carried out 'piecemeal' by different committees. This should be harmonized under a clinical governance committee.

The study also showed that there were no written by-laws and statutes detailing some aspects of corporate governance like the length of terms for the chair and other board members, roles and responsibilities and criteria for board members selection. It is recommended that Gertrude's Hospital, being a premier health institution in the region should aspire to favorably compare with best practice in all aspects of corporate governance.

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Performance of any board largely depends on orientation and training of new board members on their roles and responsibilities. Since this is not done at the institution under study, the level and quality of contribution of some members, may be affected. It is recommended that a training program be established for current and future board members. A system for evaluating the performance of the board should be in place. The numbers of board committees were too few and it is recommended that these should be increased to allow more board members participate in the hospital affairs. Development of trust between board members and the management should be enhanced and the board members should become more visible to the stakeholders of the organization.

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APPENDICES

Appendix 1: Preliminary Permission to Conduct Research

7th JUNE 2006

DR. JOHNSON K. MWANGI

P.O. BOX 1929 – 01000

THIKA.

TO THE CHIEF EXECUTIVE OFFICER

GERTRUDE'S CHILDREN'S HOSPITAL

P.O. BOX 42325-00100

NAIROBI.

Dear Sir / Madam,

**RE: REQUEST TO USE GERTRUDE'S CHILDREN'S HOSPITAL
AS A CASE STUDY FOR MY MBA PROJECT**

I am a Kenyan private dental practitioner. Currently, I am undertaking an MBA degree course at the University of Nairobi. Having completed my course work, I need to embark on a research project. My area of interest is "CORPORATE GOVERNANCE" with a bias towards health institutions.

Gertrude's Children's Hospital, being a respected and a leading Health institution in East and Central Africa would offer me an excellent case study on Corporate Governance and its relationship with provision of quality health care.

I am therefore kindly requesting you to allow me use your institution for this research. All information obtained in the study would be treated with confidence and would be used only for academic purposes.

Please find attached a copy of the concept paper for the proposed study.

Yours faithfully,

DR. J.K. MWANGI.

Appendix 2: Corporate Governance Interview Guide (One)

1.0 Board Composition

1.1 How many members are on the board of Directors?

1.2 Of these, how many are women? (Choose one)

1.3 How many board members are employees of the organization?

1.4 What Skills are represented on your board? (Mark all appropriate)

- a) Legal
- b) Financial
- c) Medical
- d) Public relations
- e) Auditing / Accounting
- f) Others _____

What additional specific skills would you like to see added to your board?
Please List

1.5 What is the typical manner in which board members are nominated and selected? (Mark all appropriate).

- a) By CEO
- b) By Chair
- c) By other board members
- d) By executive search firm
- e) Others _____

1.6 What criteria are used to identify the board members?

1.7 What is the length of terms for board members? (Choose One)

- a) _____ 1-12 months
 b) _____ 13 – 24 months
 c) _____ 25 – 36 months
 d) _____ 37 + months
 e) _____ No set terms

1.8 Are board terms renewable? (Choose one)

- a) _____ Yes, indefinitely
 b) _____ Yes, for renewable terms
 c) _____ No
 d) _____ Not applicable

1.9 How is the chair nominated and selected? (Please Describe)

1.10. What is the length of terms for the chair (Choose one)

- a) _____ 1 - 12 months
 b) _____ 13 – 24 months
 c) _____ 25 – 36 months
 d) _____ 37+ months
 e) _____ No set terms.

1.11. Is the chair renewable? Choose one

- a) _____ Yes, Indefinitely
 b) _____ Yes, for renewable term(s)
 c) _____ No
 d) _____ Not applicable

1.12. Which officers do the board elect?

- a) _____ Chair
 b) _____ Vice Chair
 c) _____ Treasurer
 d) _____ Secretary
 e) _____ Other

1.13 How important are the officers to the proper functioning of the board? (Choose one)

- a) _____ Very important
 b) _____ Important
 c) _____ Some how important
 d) _____ Not important

2.0 Board Structure

2.1 Please complete this table that outlines the following information for all board committees, listed in order of importance to the proper functioning of the organization.

| | Committee Name | Number of members involved | Separate meetings, # times / Year | Responsibilities |
|---|----------------|----------------------------|-----------------------------------|------------------|
| 1 | | | | |
| 2 | | | | |
| 3 | | | | |
| 4 | | | | |
| 5 | | | | |
| 6 | | | | |

2.2 Are there written by-laws and statutes detailing the following issues? (Mark all that apply)

- a) _____ Number of board members
- b) _____ Meetings per year
- c) _____ Term lengths
- d) _____ Roles and responsibilities
- e) _____ Board members selection
- f) _____ Quorum requirements

3.0. Board Meetings

3.1 How often does the board meet? (# Times / Year)

3.2 What percentage of board representation is required to constitute a quorum (The number of members required to conduct business per the institutions by – law?)

3.3 Who creates the agenda for the meetings?

- a) _____ Chair
 b) _____ CEO
 c) _____ Chair with CEO
 d) _____ Other

4.0 Role of the Board

4.1 Which description best describes the nature of your organization's board? (Mark One)

- a) _____ Monitor organizational activities but leaves most decisions to the management.
 b) _____ Involved in strategic planning and policy decisions but not involved with operational decision-making.
 c) _____ Actively involved in many levels of decision-making including operational decisions.

4.2 What are the roles / functions of the board?

- a) _____
 b) _____
 c) _____
 d) _____
 e) _____

4.3 For which operational activities is board approval required? (Mark all that apply)

- a) _____ Opening new branch
 b) _____ Expenses above a certain amount
 c) _____ Hiring / firing senior management
 d) _____ Introducing new products
 e) _____ Change in credit policy
 f) _____ Selecting or changing auditors
 g) Others _____

4.4 what is the Boards overall influence over direction and control of the organization?

4.5 how important to the board is Inclusion of members from diverse professional backgrounds on board?

4.6 what is the Level of influence of non-executive directors in decision making?

4.7 what is your assessment of the Board commitment as measured by frequency and attendance of board meetings?

4.8 How is the performance of the chair of the board evaluated?

4.9 How is the board performance evaluated?

4.10 How is Training of board members done?

5.0 Governance Practices

Please use additional writing space if need be.

5.1 Who are the stakeholders of the institution?

a) _____

b) _____

c) _____

d) _____

e) _____

f) _____

5.2 What good governance practices are there in your organization?

5.3 Who between the Board and Management bears the ultimate authority, responsibility and accountability for provision on quality health care? Please explain.

5.4 Are there any policies directed towards quality of health care? _____

5.5 If the answer above is "YES" what are the policies?

5.6 How does the Board evaluate and Monitor the provision of quality health care as underscored by Gertrude's Logo?

5.7 From the Boards perspective, what is the link between corporate governance and clinical governance? (Clinical governance as a framework through which organizations are accountable for continuously improving the quality of their services and safeguarding high standards of care by creating an environment in which excellence in clinical care will flourish).

5.8 Which aspect of board-management relations is most in need of improvement?

5.9 Which aspect of board – stakeholder/client relations is most in need of improvement?

5.10 Do you have any other suggestions to improve good governance in your Organization?

5.11 Please give your suggestions on how good governance practices can be improved in public health institutions in Kenya.

1. Does Gertrude's Children's Hospital have a committee responsible for ethical governance or one responsible for quality health care?

If so, what name is given to the committee?

2. What is the mandate of the committee?

3. Who sit's on the committee and what skills does each person represent?

What is the policy of Gertrude's Children Hospital in each of these areas of clinical governance?

4. Education and training of staff.

Appendix 3: Clinical Governance Interview Guide

1. Does Gertrude's Children's Hospital have a committee responsible for clinical governance or one responsible for quality health care?

If so, what name is given to the committee?

2. What is the mandate of the committee?

6. Clinical effectiveness (i.e. Measure of the extent to which a particular intervention works)

7. Research and Development

3. Who sit's on the committee and what skills does each person represent?

8. Openness of processes to public scrutiny

What is the policy of Gertrude's Children Hospital in each of these areas of clinical governance?

4. Education and training of staff.

9. Risk management

a) To patients

5. Clinical audit i.e. review of clinical performance

c) To the organization

6. Clinical effectiveness (i.e. Measure of the extent to which a particular intervention works)

10. a) Is the above committee represented in the hospital board?

b) Does the committee receive enough support from the board?

7. Research and Development

11. Gertrude's Children's Hospital motto is provision of "Quality health care to children". Please elaborate.

8. Openness of processes to public scrutiny

How does Gertrude's hospital specifically deal and address the following aspects of quality health care?

9. Risk management

a) To patients

13. b) To staff quality

c) To the organization

14. Appropriateness of care

10. a) Is the above committee represented in the hospital board? _____

b) Does the committee receive enough support from the board?

11. Gertrude's Children's Hospital motto is provision of "Quality health care to children". Please elaborate.

16. In your opinion what do you think are the successes of your Hospital in provision of quality health care?

How does Gertrude's hospital specifically deal and address the following aspects of quality health care?

12. Access to primary care

13. Technical quality

18. What do you think could be done to improve the current standard of clinical governance?

14. Appropriateness of care

19. From a medical point of view what do you think is the role of corporate governance in clinical governance?

15. Outcomes of care suggestions on how good governance practices can be improved on public health institutions in Kenya?

16. In your opinion what do you think are the successes of your Hospital in provision of quality health care?

17. Are there some areas of want in this area?

18. What do you think could be done to improve the current standard of clinical governance?

19. From a medical point of view what do you think is the role of corporate governance in clinical governance?

20. Please give your suggestions on how good governance practices can be improved on public health institutions in Kenya?