

**“CORPORATE GOVERNANCE IN PUBLIC HOSPITALS IN
THE COAST PROVINCE OF KENYA”**

BY: JULIUS OGOLA MUGWANG'A

**A MANAGEMENT RESEARCH PROJECT
SUBMITTED IN PARTIAL FULFILLMENT OF THE
REQUIREMENTS OF THE DEGREE OF MASTER
OF BUSINESS ADMINISTRATION. SCHOOL OF
BUSINESS, UNIVERSITY OF NAIROBI**

OCTOBER 2008

University of NAIROBI Library

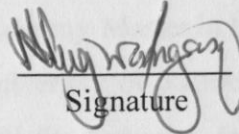


0442819 9

DECLARATION

This project is my original work and has not been presented for award of any degree in any University.

Name: **JULIUS OGOLA MUGWANG'A**

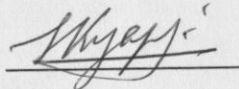

Signature

11/11/2008
Date

D61/P/7974/2004

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

Name: **DR. JOHN YABS**


Signature

12/11/2008
Date

Lecturer: School of Business

ACKNOWLEDGEMENTS

I wish to acknowledge my deep appreciation of my supervising lecturers, Dr. John Yabs and Dr. Martin Ogutu, for their endless commitment and in providing me guidance and support throughout the research period. I also wish to thank the staff of Ministry of Health in Coast Province and the hospital committees, for their time to answer questionnaires during my research. I would like to extend my gratitude to University of Nairobi for giving me an opportunity to undertake my Master in Business Administration course. Special thanks to my colleagues at University of Nairobi, Bandari Campus, for their input and constant encouragement. To all the lecturers, thank you for a job well done. To these and many others not mentioned here your support was a major contribution towards completion of this research project.

DEDICATIONS

To my loving family, for their encouragement and continuous inspirations all through till I completed my research project

ABSTRACT

Business corporate governance principles have been recently discussed in managerial literature in regards to management practice in the public sector. Among the largest public sectors in Kenya is Health Services. Efficient governance of public hospitals requires the effective, responsible and transparent use of funds, professional management and competent governing structures. This study set to determine corporate governance practices in public hospitals in the Coast Province of Kenya and to establish factors that influence corporate governance practices in public hospitals in the Coast Province of Kenya.

This study was a cross sectional study aimed at establishing the existence of an independent governing body, such as hospital board, its operations, and the relationship between such board, management and the clients/beneficiaries of the organization as the operational indicators of governance. On the part of public hospitals, there also exists relationship with the government. Both primary and secondary data as research instruments were employed and covered all the public hospitals in the Coast Province of Kenya.

The study found out that, public hospitals in Coast Province of Kenya have put in practice most principles of good corporate governance even though the concept is new to them. However, some provisions of the Legal Notice No. 162 of the Public Health Act tend to limit application of best principles and practices of corporate governance.

TABLE OF CONTENTS

CONTENTS

Declaration	i
Acknowledgement	ii
Dedication	iii
Abstract	iv
Table of contents	v
List of tables	vii
1.0 CHAPTER ONE: INTRODUCTION	
1.1 Background information	1
1.1.1 Corporate Governance	1
1.1.2 Public Hospitals	2
1.2 Statement of the Research Problem	4
1.3 Research Objectives	5
1.4 Importance of the Study	6
2.0 CHAPTER TWO: LITERATURE REVIEW	
2.1 Introduction	7
2.2 The Concept and Meaning of Corporate Governance	7
2.3 Importance of Corporate Governance	8
2.4 Principles of Good Corporate Governance	10
2.5 Factors affecting Corporate Governance	12
2.6 Public Management	14
3.0 CHAPTER THREE: RESEARCH METHODOLOGY	
3.1 Introduction	18
3.2 Study Population	18
3.3 Operationalizing the Study Variables	18
3.4 Data Collection Techniques	19
3.5 Data Analysis Techniques	20
4.0 CHAPTER FOUR: DATA ANALYSIS	
4.1 Introduction	21
4.2 Findings	21
4.2.1 Response Rate	21
4.2.2 Existence of Independent Governing Body	21
4.2.3 Relationship between the Board, Management, and Community....	33
4.2.4 External Relations	38
4.2.5 Views on Governance Practices in Public Hospitals	41

4.3	Discussions	42
-----	-------------------	----

5.0 CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS

5.1	Introduction	43
5.2	Summary of Corporate Governance Practices	43
5.3	Conclusion	44
5.4	Study Limitations	44
5.5	Recommendations for further Research	44

6.0	REFERENCE	45
-----	-----------------	----

7.0 APPENDIX

1.	List of Surveyed Public Hospitals in the Coast Province of Kenya	50
2.	Letter of Introduction	51
3.	Questionnaire	52

LIST OF TABLES

Table 1: Existence of Hospital Board.....	22
Table 2: Number of Members on the Hospital Board	22
Table 3: Existence of Policies and Guidelines for the Board	23
Table 4: Inclusion of Members of Diverse Professional Backgrounds	24
Table 5: Skills Represented on the Board	24
Table 6: Selection of Board Members and the Chair	26
Table 7: Length of Service by Board Members and the Chair	27
Table 8: Board Commitment as measured by attendance	27
Table 9: Frequency of Board Meetings	28
Table 10: Boards Overall Influence over the Hospital	28
Table 11: Number of Board Members in Hospital Management	29
Table 12: Existence of Written Documents of Board Meetings.....	29
Table 13: External Audits Carried out on Hospital Resources.....	30
Table 14: Extent to which Audit Issues are addressed by Management	30
Table 15: Extent to which Audit Issues are addressed by the Board	31
Table 16: Extent to which Performance of Chair of the Board is evaluated	31
Table 17: Extent to which the Board Performance is evaluated.....	32
Table 18: Training of Board Members	32
Table 19: Assessment of Internal Governance Structures.....	33
Table 20: Management Influence on Board Decisions	34
Table 21: Influence of Community on Board Decisions	34
Table 22: Board's Involvement in Operational Matters of Hospital	35
Table 23: Extent to which roles are differentiated	35
Table 24: Involvement of Board in evaluation of Hospital Superintendent	36
Table 25: Influence of District Medical Officer on Board Decisions	36
Table 26: Communication between Board and Community	37
Table 27: Relationship between Board, Management and Community	37

Table 28: Relationship between Board and Hospital Stakeholders	39
Table 29: Extent to which Management is involved in PR activities	39
Table 30: Extent to which Conflict of Interest is managed by Board	40
Table 31: Extent to which Board protects interests of Stakeholders	40
Table 32: Overall level of satisfaction with Governance Practices	41

CHAPTER ONE: INTRODUCTION

1.1 Background Information

This section introduces the concept of corporate governance and its application to public hospitals in the Coast Province of Kenya. Due to inadequacies in the literature available on practice of corporate governance in public hospitals in Kenya, this study contributes by finding out what factors could be affecting corporate governance in these institutions.

1.1.1 Corporate Governance

Corporate governance concerns the exercise of power in corporate entities. The OECD provides the most authoritative functional definition of corporate governance. "Corporate governance is the system by which business corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as the board, managers, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs. By doing this, it also provides the structure through which the company objectives are set and the means of attaining those objectives and monitoring performance" (OECD 2004). However, the significance of corporate governance for the stability and equity of society goes further than just business corporations to include social organizations like public hospitals as captured in the definition of the concept offered by Sir Adrian Cadbury (2002): "Corporate governance is concerned with holding the balance between economic and social goals and between individual and communal goals. The governance framework is there to encourage the efficient use of resources and equally to require accountability for the stewardship of those resources. The aim is to align as nearly as possible the interests of individuals, corporations and society.

The United Kingdom Audit Commission (2003) defines corporate governance as "the framework of accountability to users, stakeholders and the wider community, within which organizations take decisions, and lead and control their functions, to achieve their objectives". The Commission further ascertains that good corporate governance combines robust systems and processes with effective leadership and high standards of behaviour.

It incorporates both strong internal characteristics and the ability to scan and work effectively in the external environment. This includes external focus on the needs of the service users and the public, reflecting diverse views in decision making, producing greater ownership among stakeholders and maintaining clarity of purpose.

Good governance supports effective decision making; poor governance is often seen as creating the climate, structures and processes that lead to poor decisions. The Private Sector Initiative for Corporate Governance-Kenya, (2000) argues that governance “is a vital ingredient in the maintenance of a dynamic balance between the need for order and equity in society, the efficient production and delivery of goods and services, accountability in use of power, the protection of human rights and freedoms, and the maintenance of an organized corporate framework within which each citizen can contribute fully towards finding innovative solutions to common problems.”

There are two major models of corporate governance around the world. They differ in the type of capitalism in which they are embedded. The liberal model that is common in Anglo-American countries tends to give priority to the interest of shareholders. Non Anglo-American Model recognizes the interests of workers, managers, suppliers, customers, and the community. Public Hospital Boards in Kenya take care of interests of parties mentioned in the Non Anglo-American Model, and this model will be taken as the one applicable in this study.

1.1.2 Public Hospitals in Kenya

The World Health Organization (WHO 1992) envisages that a public hospital should be able to offer diagnostic; treatment; care; counseling; and rehabilitation services provided by predominately generalist practitioners spanning disciplines in primary health care, medicine, rehabilitation, surgery, pediatrics and geriatrics. Such hospitals provide 24-hour care and supplying first referral-level care for both outpatients and inpatients. As a part of a broad policy objective, the Ministry of Health has made bold steps towards decentralization to enhance governance, efficiency and effectiveness in the delivery of

health services at Public District Hospitals. The effort by the Ministry of Health has transferred the responsibility for resource generation, allocation and management away from the central government and its agencies to the periphery. At the same time, it tried to devolve power and resources from rigid structures of the state control at the headquarters, to the periphery. By taking the decision making process closer to the communities, it is envisaged that the latter would become more involved in identifying their needs and participate more actively in health service delivery. Cheema and Rondinelli (1983) and (Mills et al, 1990) generally argue that decentralized system can lead to improved allocative efficiency, technical efficiency, equity, quality, accountability, and transparency.

Among the agendas of the 1994 Kenya's Health Policy Framework and the National Health Sector Strategic Plan 1999-2004 is the decentralization of planning and budgetary control to the lowest possible level and the implicit task to empower those responsible for it to efficiently and effectively undertake those tasks. The levels include the dispensary, health centre and the district hospital. The district hospital, under the guidance of hospital board, is mandated to provide among other services, technical and management back up to the health centres and dispensaries. It manages facility supplies, financing and accounts and auditing, including revolving funds and locally generated revenue. Through this, decentralization as a policy may promote efficient organization, increased consciousness and better integration of community needs into the national health system.

Even before then, there had been gradual shifts to decentralization as evidenced by, among others, the restructuring and strengthening of the ministry's district-level management capacity under the District Focus for Rural Development programme started in 1983. In 1992, the Legal Notice No 162 of the Public Health Act stipulated the establishment of Hospital Boards. The expected outputs of effective hospital management board governance include an effective legal and regulatory framework with the necessary capacities to implement health sector reform such as management, planning and budgeting, more equitable distribution of financial resources, and better coordination of

health service promoted and provided by various stakeholders including Ministry of Health.

Specific roles of hospital management boards include representation of the community interests in the health planning process; review, approve, and forward cost sharing authority to incur expenses requests of recurrent and development budgets; work with hospital management teams to coordinate and monitor the implementation of government and Non government health programs; identify implementation problems and seek corrective actions; advocate for cost sharing and promote the awareness among the general public, and make policy recommendations to the Minister of Health on health matters through the Provincial Medical Officer.

1.2 Statement of the Research Problem

To oversee health care delivery and health reforms at the public hospitals, hospital boards were created through Legal Notice 162 of The Public Health Act (Cap. 242) in 1992. This notice reiterated government commitments towards the transfer of resource generation, allocation and management responsibility away from headquarters command. The aim was to empower the hospital boards to superintend hospital management, be fully involved in planning for cost-sharing resources, and encourage community participation in health issues. Hospital boards were therefore to make management and governance of health care services at the district more inclusive and responsive (Maina 2005)

Since 1990s, it has been hypothesized that autonomous public hospitals would be more efficient and responsive to end-users, since they would be increasingly responsive for their own fate (Govindaraj and Chawla 1996: 1-64). This trend of argument has been advanced by other scholars (Hodges, Wright and Keasey, 1996; Clatworthy, Mellet and Peel, 2000) who suggest that corporate governance principles ought to be applied in the public sector, particularly in health care organizations, including hospitals. Organizations with good corporate governance have the capacity to maintain high-quality services and

deliver improvements. The Public Hospital Boards are poorly constituted and lack the requisite capacity to undertake many of their functions. Further, there is lack of clarity in the duties, responsibilities, and chain of command among the stakeholders (Owino, et al., 2001). Many Boards are unsure about where or who in the Ministry of Health is responsible for preparing Terms of Reference and guidelines for their operations. The Board members feel that their advisory status does not give them adequate powers to effectively perform a control function in as much as hospital resources are concerned (Owino 2001). It is against this background that this study would attempt to determine factors affecting corporate governance in public hospitals in the Coast Province of Kenya.

Jabet (2001) acknowledges the fact that in Kenya little is known about the different factors that affect governance practices in the country. Recent studies on corporate governance has been on companies Mucuvi (2002) – motor vehicle industry, Mwangi (2002) – insurance industry, Wainaina (2002) MFIs, Gakuo (2003) – NGOs, Mburu (2004) – Co-operative Union. Kimathi (2003) researched on boards of mission hospitals, and Owino (2001) focused on human resource development issues on governance on district health systems. According to Maina and Kibua (2005), literature on the capacity of district health systems to perform is very thin. It is against this background that the researcher found it necessary to study the factors affecting corporate governance in public hospitals in the Coast Province of Kenya. This study therefore addresses the following research questions:

To what extent are good corporate governance principles applied in public hospitals in the Coast Province of Kenya?

What are the factors that affect corporate governance practices in public hospitals in the Coast Province of Kenya?

1.3 Research Objectives

1. To determine corporate governance practices in public hospitals in the Coast Province of Kenya.

2. To establish factors that influence corporate governance practices in public hospitals in the Coast Province of Kenya.

1.4 Importance of the Study

This study is of importance to the government of Kenya, the public hospital employees, the academia and the general readership. To the government, it is important in support of The Private Sector Initiative for Corporate Governance-Kenya, (2000) which argues that governance “is a vital ingredient in the maintenance of a dynamic balance between the need for order and equity in society, the efficient production and delivery of goods and services, accountability in use of power, the protection of human rights and freedoms, and the maintenance of an organized corporate framework within which each citizen can contribute fully towards finding innovative solutions to common problems.” The same paper further justifies that Corporate Governance promotes the manner in which the power of an entity is exercised in the stewardship of the entity’s total portfolio of assets and resources with the objective of maintaining shareholder value and satisfaction of other stakeholders in the context of its corporate mission. This supports the modern thinking that encourages devolution of decision making and empowering citizens.

The employees of public hospitals will benefit as a result of empowering and improving the quality of hospital boards as a fundamental step in improving the corporate governance of public hospitals. Strong boards will act in the interest of the hospitals and effectively monitor management without undue political interference. To academia, this study adds to the body of knowledge, closes some knowledge gaps and opens avenue for further research in related topics. The general readership constitutes, among others, the citizens of Kenya who benefit from the expected outputs of effective hospital management board governance including an effective legal and regulatory framework with the necessary capacities to implement health sector reform such as management, planning and budgeting, more equitable distribution of financial resources, and better coordination of health service that is promoted and provided by various stakeholders including Ministry of Health.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter contains a review of available literature on corporate governance. It includes its relation to public management, the concept of corporate governance, meaning, importance and the principles of good governance as well as factors affecting corporate governance.

2.2 The Concept and meaning of Corporate Governance

The OECD provides the most authoritative functional definition of corporate governance. "Corporate governance is the system by which business corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as the board, managers, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs. By doing this, it also provides the structure through which the company objectives are set and the means of attaining those objectives and monitoring performance" (OECD 2004). "Corporate governance is concerned with holding the balance between economic and social goals and between individual and communal goals. The Private Sector Initiative for Corporate Governance-Kenya, (2000) refers to Corporate Governance as the manner in which the power of an entity is exercised in the stewardship of the entity's total portfolio of assets and resources with the objective of maintaining shareholder value and satisfaction of other stakeholders in the context of its corporate mission.

The heightened interest in corporate governance has been as a result of first, the financial crisis in 1998 in Russia, Asia, and Brazil when the behavior of the corporate sector affected entire economies and deficiencies in corporate governance endangered the stability of the global financial system. Secondly, confidence in the corporate sector was sapped by corporate governance scandals in the United States and Europe that triggered some of the largest insolvencies in history around 2001. In the aftermath, not only has the

phrase corporate governance become nearly a household term, but economists, the corporate world, and policymakers everywhere began to recognize the potential macroeconomic consequences of weak corporate governance systems (Stijn Claessens 2003). Corporations work within a governance framework. That framework is set by law, by regulations, by the corporation's own constitution, by those who own and fund them, and by the expectations of those they serve. John and Senbet (1998) propose that corporate governance deals with mechanisms by which stakeholders of a corporation exercise control over insiders and management such that their interests are protected. They include as stakeholders, not just shareholders, but also debt-holders and even non-financial stakeholders such as employees, suppliers, customers, and other interested parties. These arguments support the need to include public hospitals in the framework of corporate governance.

Corporate governance represents the moral framework, the ethical framework and the value framework under which an enterprise takes decisions. The basic elements of corporate governance fairness, transparency, accountability and responsibility are relevant all over the world. The term corporate governance is a relatively new one both in the public and academic debates, although the issues it addresses have been around for much longer (Jorge Farinha, 2003). The governance framework also changes shape and develops through time (Cadbury, 2003). There has been considerable interest in the corporate governance practices as a result of the high-profile collapses of companies like Enron Corporation, Worldcom and Uchumi Supermarkets. Public hospitals would avoid such failures if they engage in good corporate governance.

2.3 Importance of Corporate Governance

Corporate governance provides the manner in which power of an organization is exercised in the stewardship of the organization's resources and promotes corporate fairness, transparency and accountability. It is the system by which organizations are directed and controlled and covers the manner in which the power of an organization is exercised in the stewardship of the organization's resources and advocates for promotion

of corporate fairness, transparency and accountability. Cadbury (2002) addresses the significance of corporate governance for stability and equity of society with his broad definition of the concept of corporate governance. The governance framework is there to encourage the efficient use of resources and equally to require accountability for the stewardship of those resources. The aim of corporate governance is to align as nearly as possible the interests of individuals, corporations and society. Organizations with good corporate governance have the capacity to maintain high-quality services and deliver improvements. Good governance can attain better performance and better management in business as well as in public institutions. As Wolfensohn (1999: 21) tells us “the governance of corporations is now as important in the world economy as the government of countries”. The quality of governance also affects levels of trust in public services. Trust is at the heart of the relationship between citizens and government. It is particularly important in relation to services which influence life like health (Audit Commission 2003). The Commission further ascertains that good corporate governance combines robust systems and processes with effective leadership and high standards of behaviour. It incorporates both strong internal characteristics and the ability to scan and work effectively in the external environment. This includes external focus on the needs of the service users and the public, reflecting diverse views in decision making, producing greater ownership among stakeholders and maintaining clarity of purpose.

Corporate governance has implications for economic development especially in helping to increase the flow of financial capital to firms in developing countries. Without investment, companies will stagnate and collapse. If business enterprises do not prosper, there will not be economic growth, no employment, no taxes paid and invariably the countries will not develop. Developing countries, in particular, need well-governed and managed business enterprises that can attract investments, create jobs and wealth and remain viable, sustainable and competitive in the global market place. Good corporate governance, therefore, becomes a prerequisite for national economic development (Charles Okeahalam and Oludele Akinboade 2003).

Effective hospital boards are in the best position to contribute to the success of their hospitals. They do this by making informed decisions that take all pertinent factors into account, thereby promoting appropriate hospital activities. Effective boards also create an important accountability link between the hospital, the Ministry of Health and the community. Given the formal and legal responsibility of hospital governance to maintain organizational viability and effectiveness, many health care experts contend that hospital boards are being compelled to adopt a more active, critical role in strategy formulation, environmental adaptation, and internal control of hospital management (Weiner, 1993). Weiner adds that governance and governing boards in hospitals serve a key role in linking the organization to important segments of its external environment. Whether or not boards engage in active management or policy making in hospitals, their existence and structure show the community that the hospitals are indeed conforming to what society believes is the best way to organize health care services. The hospital is a community organization with close ties and responsibilities to the community it serves. As proposed by numerous scholars (Hodges, Wright and Keasey, 1996; Clatworthy, Mellet and Peel, 2000) corporate governance principles ought to be applied in the public sector, particularly in health care organizations, including hospitals. They convincingly argue that the corporate model, with its streamlined decision-making process and greater integration of governance and management, allows a more rapid strategic response to volatile market condition. The private Initiative for Corporate Governance (119) in Kenya, acknowledges that corporate governance is a vital ingredient in the maintenance of a dynamic balance between the need for order and equality in society, the efficient production and delivery of goods and services, accountability in use of power, the protection of human rights and freedoms, and the maintenance of an organized corporate framework within which Kenyan citizens can contribute fully towards finding innovative solutions to common problems.

2.4 Principles of Good Corporate Governance

The Great Boards newsletter (2001) sets forth nine principles and best practices for effective governance. These include the need for the board to understand its

accountability to see that the organization acts in the best interest of the stakeholders who it serves such as patients and the community; define the ends, policies and goals of the organizations; exhibit trust and respect toward colleagues and management, honor the confidentiality of sensitive information and observe the conflict of interest; board composition, structure and work are designed to enhance the mission, vision, values and strategic direction of the organization; lean structure; competency-based composition; enhancement of competence through education and development; value-added work; and continuous self-renewal. Although these principles are set to suit the health sector governance, they conform to generally accepted principles as laid down by OECD 2004. The principles set by OECD 2004 are: Ensuring the basis for an effective corporate governance framework. This requires that the corporate governance framework should promote transparent and efficient markets, be consistent with the rule of law and clearly articulate the division of responsibilities among different supervisory, regulatory and enforcement authorities; The corporate governance framework should protect and facilitate the exercise of shareholders' rights; The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. All shareholders should have the opportunity to obtain effective redress for violation of their rights; The corporate governance framework should recognize the rights of stakeholders established by law or through mutual agreements and encourage active co-operation between corporations and stakeholders in creating wealth, jobs, and the sustainability of financially sound enterprises; The corporate governance framework should ensure that timely and accurate disclosure is made on all material matters regarding the corporation, including the financial situation, performance, ownership, and governance of the company; The corporate governance framework should ensure the strategic guidance of the company, the effective monitoring of management by the board, and the board's accountability to the company and the shareholders.

These principles would require the board members to be inducted in their roles and to continuously strengthen governance skills. They should equally identify key risk areas and monitor them. The board should understand its accountability to see that the organization acts in the best interests of the stakeholders who it serves such as patients

and the community. To govern, the board focuses its work on major responsibilities which include defining the ends, policies and goals of the organizations, beginning with the mission, vision, values and strategic plan. The Board members should be chosen to bring specific competencies and personal characteristics that will enhance the mission, vision and work of the board. As proposed by numerous scholars (Hodges, Wright and Keasey, 1996; Clatworthy, Mellet and Peel, 2000) corporate governance principles ought to be applied in the public sector, particularly in health care organizations, including hospitals. These writers argue convincingly that the corporate model, with its streamlined decision-making process and greater integration of governance and management, allows a more rapid strategic response to volatile market condition. Hospitals face similar problems to their business counterparts including how to protect owners, investors, against creditors and selfishness of managers and other stakeholders, and how to develop and maintain good image and financial stability.

2.5 Factors Affecting Corporate Governance

Corporate governance, like any other organizational structure is significantly affected by the legal, institutional, financial, cultural, and political circumstances in each country. The traditional governance of the public hospital, where it is operated as an arm of the government, is a critical issue that compromises the viability of those institutions (Edward A. Stolzenberg 1999). Board members are supposed to be focused on the best interest of the hospital and are the source of community support of the hospital. The current situation allows board members to be appointed who may be more sensitive and responsive to the needs and demands of private constituents than they are to the public hospital they have stewardship over, a situation that leads to conflict of interest.

Effective governance requires that the board be vested with sufficient authority to determine the course of hospital operations and policy, that it be focused on the interests of the hospital, and it be as free as possible from political intervention (American College of Healthcare executives). Government control of hospital operations is in and of itself anathema of efficient and effective management of the facility. A public hospital, as a

department of government, often does not have control of many of its most significant operations. Services such as purchasing, engineering and maintenance, personnel and information systems are often delivered under the jurisdiction of other government departments. These departments are generally slow to react to the needs of the hospital and do not always deliver a quality service. Purchasing systems of a government are often multi-stepped, inflexible and take on fixed rates determined by the district tender board. Public hospital employees are generally civil service employees. As such, these employees are selected through systems that often do not relate to the hospital environment. Job descriptions and compensation are arrived at through inflexible classification systems; promotion is accomplished through examination; and removal is accomplished through a quasi-judicial disciplinary process. All this is contrary to effective business operations and the rigidity of the system tends to increase the cost of operating the hospital.

Hospital goals are not well-defined, and may conflict. Hospital goals are not differentiated from sectoral goals. They may include delivery of quality health services, efficient use of government resources, poverty alleviation (equity), and delivery of social goods (April Harding and Alexander S. Preker, 2000). Governments often experience difficulty in clarifying which services they wish to ensure delivery and targeting subsidies effectively. The vision of the Ministry of Health in Kenya is to provide sustainable quality healthcare that is acceptable, affordable and accessible to all Kenyans. These goals are not easy to reconcile.

A study done by James J. H. Harrison (1998) identified some factors that could make some boards vulnerable and at worst open to unacceptable governance risks. The higher than expected prevalence of under strength boards means, inevitably, that power is concentrated in much fewer hands Harrison (1998). This situation increase perceptibly where the chairman/Chief Executive Officer axis is strong; where non-executive directors lack a clear focus and play a peripheral role in strategy formulation, and, where executives continue to play out a specialist and, or senior managerial rather than

corporate role. This combination can result in an imbalanced board where the chairman or Chief Executive Officer plays an increasingly dominant and unchecked part in events.

The independence of Board members of state enterprises, in their various forms, in many emerging and transition economies, especially those in Africa, remains a challenge, not only for the board members themselves, but also those with whom such enterprise contract (Okeahalam, 2003). There is a particular problem associated with the shortage of skills and lack of familiarity with board functions and fiduciary responsibilities. Many corporate board members in Africa, especially state-owned companies, some private companies and management committee of cooperatives have limited understanding of their roles, and are usually open to manipulation by management, chairmen, or principal shareholders. Some are outright incompetent (Okeahalam, 2003).

Voice captures citizens' ability to get information, challenge government and hospital boards, and ensure that services meet their needs. Information is necessary but may not be sufficient for the community to be empowered. In Uganda, informing Citizens of fiscal transfers from the central government by posting budget receipts on school doors and announcing them in local press led to significantly higher receipt, a more informed public and a better financed school system (Maureen Lewis, 2006). Similar initiatives would apply to health since local public hospitals are financed mainly through central allocations. It is possible that not sufficient information is given to local community in the Coast Province of Kenya to enable effective challenge to the work of hospital boards. It could be worse that the hospital management does not also give sufficient information to the hospital boards.

2.6 Public Management

Reform in the public sector has been endemic for more than two decades. Gunn (1989) describes a process of transition from public administration through business management to public management. Hood (1991) characterizes this new public management as a doctrine, a feature of which includes a stress on private sector styles of

management practice. This process also presupposes that there is a standardized set of private sector practices and those measures are both appropriate to public sector and constitute a superior approach (James Harrison, 1998). The appeal of new public management lies in the claim that it delivers improved public services and that it represents an empowerment of those it employs and those it seeks to serve. Indeed, as a reading of the growing literature reveals, much of what constitutes the new public management is borrowed from private sector managerial techniques themselves rooted in a long tradition founded on Scientific Management and Human Relations approaches (Jim Barry and Mike Dent, 2001). New public management attempts to transform the public sector through organizational reforms that focus on results in terms of efficiency, effectiveness, and quality of service that appears to fit nicely into the larger, political theory of governance (Jo Ann, 2001). New public management often uses ideas from the private sector and provides many options for trying to achieve cost-effective delivery of public goods, like separate organizations for policy and implantation, performance contracts, and much more. Its principles include hands on professional management, explicit standards and measures of performance, emphasis on output controls and entrepreneurial management, disaggregation of units, competition in the public service, stress on private sector styles of management practice, and greater stress on discipline (Dele Olowu, 2002). Many countries, whether rich or poor, authoritarian or democratic, have pursued decentralization policies. Decentralization involves a central government transferring to local communities some of its political authority and also, crucially, some of its responsibility for delivering social services. Decentralization, then, brings government closer to the people- or putting it in a stronger way, decentralization enables local people to actually participate in government (Aga Khan Health Services Kenya, Policy Brief No. 4).

Part of public management reforms includes embracing corporate governance. Corporate governance was once something akin to a minority, even elite, interest and unlikely to ever become a feature of popular, and especially public sector management culture (Harrison, 1998). Since 1980, and in pursuit of new public management, Kenya has gone through three waves in its public service reforms-structural reforms, capacity building,

and now service improvement. The current wave focuses on service delivery improvement and emphasizes six factors: the need to demonstrate early results from reform; public demands for transparency and accountability; the shift to market economies and private sector-led economic growth; influence of new public management; the need for public sector reforms to support sector-wide approaches; and pursuit of an integrated systems approach (Mutahaba and Kiragu, 2004).

Public hospitals form an integral part of public management. Globally, constraints on public funding, combined with rising costs, have forced public hospitals to cut costs wherever possible while still endeavoring to guarantee universal, and often free, access to public patients. Governments have used different strategies to address these problems, such as narrowing the basic package of services available to all citizens, linking hospital funding to outputs and efficiency, increasing autonomy, and introducing user fees (Rob Taylor and Simon Blair, 2002). In Kenya, the Ministry of Health has made bold steps towards decentralization to enhance governance, efficiency and effectiveness in the delivery of health services at the District level. This process has seen the Ministry establish the Health Sector Reform Secretariat to spearhead the reform process. At the provincial level, the Provincial Health Management Teams were created to supervise district projects including the enforcement of regulations and maintenance of standards. Public hospital boards were formed to superintend hospital management, be fully involved in planning for cost-sharing resources, and encourage community participation in health issues. District Health Management Teams have the mandate to superintend and implement health reforms at the district level. Kenyatta National Hospital and a few Provincial General Hospitals have guided autonomy to operate as individual entities. Further, at the community level, institutional structures have been formed to enhance participation of households in the health reform process. Districts have been empowered to develop their own Health plans based on the local needs Owino, (2001). In the Coast Province of Kenya, public hospitals have recently produced strategic and business plans. Even with desired changes, public hospitals as departments of government do not have many controls over their most significant operations. Service such as purchasing, engineering and maintenance, personnel and information systems are usually delivered

under the jurisdiction of other government departments. Some research even suggests that use of the strategic management conceptual and the emphasis on managerial efficiency may have limitations when applied to public hospitals. This conclusion derives from the public goods argument that public institutions exist because of the type of services they provide and suggests that public hospitals should be measured against benchmarks that take into account not only their efficiency but also their uniqueness as social institutions (Partners for Health Systems, 2002).

1.3 Study Population

The study was carried out in the country of Kenya. Three provinces (parts) of the country were selected and these were the Western, Central, Eastern, Northern, and Southern provinces. The study was carried out in the public hospitals in these provinces. The study was carried out in the public hospitals in these provinces.

1.3.1 Operationalising the Study Variables

The existence of an independent governing body such as a board, its composition, and the relationship between the board, management and the shareholders are the operationalisations of governance. In the case of public hospitals, the study was carried out in the public hospitals. The operational variables are defined below.

- Existence of an independent governing body

Existence of a governing body such as a board whose roles are clearly defined and accepted as a condition for effective and efficient government. This variable was measured in terms of the number of board members, composition in terms of gender and self-representation, and existence of defined roles and objectives.

- Relationship between the board, management, and social beneficiaries

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This study was a cross sectional study, a common method of data collection in the social sciences (Nachmias and Nachmias, 1996). This study allows the researcher to collect a large amount of descriptive information that will be statistically analyzed. It also allows for the generalization of the findings.

3.2 Study Population

This study was carried out in the Coast Province of Kenya. Coast province has a mix of both urban and rural settings and would therefore appear to be representative of the country. It is made up of seven districts namely Kilifi, Kwale, Lamu, Mombasa, Taita Taveta, Tana River and Malindi. Each of the districts has a GOK public hospital. This survey covered all the public hospitals in the Province.

3.3 Operationalizing the Study Variables

The existence of an independent governing body, such as hospital board, its operations, and the relationship between such board, management and the clients/beneficiaries of the organization are the operational indicators of governance. On the part of public hospitals, there also exists relationship with the government. The operational variables are explained below:

- Existence of an independent governing body

Existence of a governing body such as hospital board whose roles are clearly defined and controlled is a condition for effective and efficient governance. This variable was assessed in terms of the hospital boards' existence, composition in terms of gender and skill representation, and existence of defined roles and operations.

- Relationship between the board, management, and client/Beneficiaries

Governance is about the use of power and responsiveness to the wishes of stakeholders. The efficiency and effectiveness of governance practices within the organization are affected by how power is shared among the board, management and the community served. Transparency and accountability is also affected if the relationships are weak and the flow of information between the actors is little. This variable was assessed by considering the relationships, influence in decision-making and information sharing between the three actors.

- External Relations

Protecting the reputation of the organization, mobilizing and using resources in ways that ensure effective performance and sustainability of the organization is important for good governance. This variable was assessed by analyzing the extent of external information sharing and external involvement by public hospital boards and management.

3.4 Data Collection Techniques

The research instruments employed included both primary and secondary data. Primary data was collected through the survey method using a questionnaire format with both open-ended and closed questions. The questionnaire was self-administered and was distributed to the hospitals in the Coast Province of Kenya. The target respondents were 7 District Medical Officers, 7 hospital superintendents, all hospital board members and 3 household heads or spouses from communities served by each of the seven hospitals. A letter of introduction was sent to the hospitals, together with the questionnaire, introducing the survey, and explaining the intentions of the study. This was followed up with telephone calls to ensure that the questionnaire has been received and the hospital intends to participate in the survey. The questionnaire was then be picked up during which time, completeness of questionnaires was verified and personal interviews undertaken to clarify answers where necessary. These actions were expected to increase the response rate.

3.5 Data Analysis Techniques

Data collected was edited and cleaned to ensure that all questionnaires are completed and that the responses are legible and consistent. The responses were then coded along the key study variables to facilitate data entry and analysis using Statistical Package for Social Sciences. The analysis was mainly undertaken using descriptive statistics to summarize the findings and to enable the researcher make comparisons across the hospitals studied.

CHAPTER FOUR: DATA ANALYSIS

4.1 Introduction

This chapter presents the findings and analysis based on the research objectives. The data collected from the field was analyzed and presented as descriptive statistics and summarized in tables. The findings will be presented in three sections that correspond to the key variables of the study. These include the existence of independent governing body; relationship between the board, management and beneficiaries/community; and external relations. A final section looks at the respondents' views and recommendations on governance practices in their hospitals.

4.2 Findings

4.2.1 Response Rate

Out of the 7 hospitals on which the questionnaire was administered, 6 responded. This gives a response rate of 85 percent. However, each hospital had 14 individual respondents giving a total of 98 out of which on 33 responded resulting in 34 percent response at individual level. Due to low cooperation of respondents, and time constraint, only 33 individual responses have been analyzed.

4.2.2 Existence of Independent Governing Body

Existence and operations of governing bodies determine the governance practice of an organization. Governance and governing boards in hospitals serve a key role in linking the organization to important segments of its external environment. Whether or not boards engage in active management or policy making in hospitals, their existence and structure show the community that the hospitals are indeed conforming to what society believes is the best way to organize health care services (Weiner, 1993). The Great Boards newsletter (2001) sets forth principles and best practices for effective governance among them being lean structures, competency-based composition and enhancement of competence through education and development.

Table 1: Existence of Hospital Board

	Frequency	Percent
Valid Yes	33	100.0

All respondents agree that there exist hospital boards.

Table 2: Number of Members on the Hospital Board

	Frequency	Percent
Valid 1	3	9.1
2	2	6.1
3	1	3.0
4	3	9.1
5	4	12.1
6	1	3.0
7	5	15.2
8	4	12.1
9	4	12.1
10	1	3.0
11	5	15.2
12	4	12.1
13	4	12.1
14	1	3.0
Total	28	84.8
Missing System	5	15.2
Total	33	100.0

The number of members sitting on the boards was diverse ranging from 1 to 14 with a mean of 10.

The respondents were asked what the role functions of the Board were and they gave the following answers:

1. Oversee Health activities (Hospital Management).
2. Deliberate and pass cost sharing budgets

3. To implement MOH policies.
4. To advise the MOH on matters affecting their criteria
5. To protect the interest of the community
6. Review and approve cost sharing AIE (Cost Sharing Budget)
7. Work with DHMT to coordinate and monitor the implementation problems and seek corrective action.
8. Create a good working relationship between staff and community
9. Create awareness to community about good health, cost sharing budget
10. Staffing
11. Stimulate better coordination between the DHMT and DHMB for effective financial management at the Hospital and Rural Health Facilities

All roles mentioned are in keeping with good governance practices as they touch on policy decisions and communication with community and other stakeholders.

Table 3: Existence of Policies and Guidelines for the Board

Valid	33
Missing	0
Mean	3.82
Median	4
Std. Deviation	1.014
Variance	1.028
Minimum	1
Maximum	5

Out of a maximum of 5, respondents agree that there exist policies and guidelines for the operation of the board at a mean score of 3.82.

Table 4: Inclusion of Members from Diverse Professional Background on Board

Valid	33
Missing	0
Mean	3.48
Median	4.00
Std. Deviation	1.034
Variance	1.070
Minimum	2
Maximum	5

On a scale of 1 to 5, with 1 representing no inclusion, a mean score of 3.48 agree that indeed diverse professional back grounds are represented on the board.

Table 5: Skills Represented on the Board

(a) Are legal skills currently represented on your board?

	Frequency	Percent
Valid Yes	7	21.2
No	26	78.8
Total	33	100.0

(b) Are financial skills currently represented on your board?

	Frequency	Percent
Valid Yes	17	51.5
No	16	48.5
Total	33	100.0

(c) Are public relations skills currently represented on your board?

	Frequency	Percent
Valid Yes	19	57.6
No	14	42.4
Total	33	100.0

(d) Are health skills currently represented on your board?

	Frequency	Percent
Valid Yes	27	81.8
No	6	18.2
Total	33	100.0

(d) Are other skills currently represented on your board?

	Frequency	Percent
Valid Yes	10	30.3
No	23	69.7
Total	33	100.0

Health skills are represented at 81.8 percent, public relation skills at 57.6 percent and financial skills at 51.5 percent. Legal skills and other skills are not well represented. Health skills are very important in a hospital institution. Corporate governance being the framework of accountability to users, stakeholders and the wider community, financial skills become essential. Public relations skills would ensure that corporate governance aligns as nearly as possible the interests of individuals, corporations and society.

Table 6: Selection of Board Members and their Chair

Method of identification	Board members Percent	Chair percent
Selection by Ministry of Health Headquarters	21.4	18.5
Election by other board members	10.7	55.6
Selection by local community	35.7	7.4
Others	32.1	18.5

The quality of governance affects levels of trust in public services. Trust is at the heart of the relationship between citizens and government. The majority of the respondents at 35.7 percent answered that board members are selected by local community which increases trust. 55.6 percent say that the chair is elected by other board members, which is also good practice.

Respondents gave the following answers as being criteria used to identify the board members:

1. Social Standing and Professional background
2. Community participation
3. The District Development Committee Member rotates
4. Credible leaders within community recommended by the board with technical advise from MOH
5. Those with financial experience, health knowledge, religious affiliations and community leaders
6. A member of the community and should know how to read and write (form 4 and above)
7. Stipulated in Legal Notice No. 162 Public Health Act. (Criteria Specified by Ministry)
8. Merit and Experience / Discussion and Assessment
9. No idea

Respondents gave varied factors that are taken into account in selecting board members, all of which look reasonably representative and equitable.

Table 7: Length of Service by Board Members and Chair

Years in service	Board members Percent	Chair percent
2	3.7	3.8
3	88.9	92.3
5	7.1	3.8

88.9 percent state that members serve on the board for 3 years and 92.3 percent say the chair serves also for 3 years. This conforms to the Legal Notice No. 162 of the Public Health Act (Cap. 242).

Table 8: Board commitment as measured by frequency & board attendants

Valid	33
Missing	0
Mean	3.97
Median	4.00
Std. Deviation	0.984
Variance	0.968
Minimum	2
Maximum	5

Out of a maximum of 5, 3.97 mean score represent board commitment as measured by frequency and attendance of meetings.

Table 9: Frequency of Board Meetings

	Frequency	Percent
Valid 1	23	69.7
2	1	3.0
3	3	9.1
4	1	3.0
5	1	3.0
Total	29	87.9
Missing System	4	12.1
Total	33	100.0

The majority at 69.7 percent state that the hospital boards meet once a year. This is not adequate given the importance of the governing board in exercising the stewardship of the organization's resources and promotion of corporate fairness, transparency and accountability.

Table 10: Boards overall influence over direction and control of the hospital

Valid	33
Missing	0
Mean	3.18
Median	4.00
Std. Deviation	1.261
Variance	1.591
Minimum	1
Maximum	5

On a scale of 1 to 5, with maximum being 5, a mean of 3.18 represent rating of the extent the board influences the direction and control of the hospital. This influence and control is necessary for the hospitals to have the capacity to maintain high quality services and deliver improvements.

Table11: Board members are in hospital management

	Frequency	Percent
Valid 1	6	18.2
2	7	21.2
3	6	18.2
4	2	6.1
7	2	6.1
10	1	3.0
Total	24	72.7
Missing System	9	27.3
Total	33	100.0

The majority state that 2 board members are in hospital management against the requirement by Legal Notice No. 162 of the Public Health Act (Cap. 242) that only the District Medical Officer of Health will be the only hospital staff allowed on the board.

Table 12: Existence of written document of Board meetings

Valid	33
Missing	0
Mean	4.64
Median	5.00
Std. Deviation	0.549
Variance	0.301
Minimum	3
Maximum	5

All respondents agree that there exist written record of board meetings with a mean score of 4.64.

Table 13: external audits carried out on the use of the hospital's resources

	Frequency	Percent
Valid Yes	24	72.7
No	3	9.1
Total	27	81.8
Missing System	6	18.2
Total	33	100.0

The majority at 72.7 percent agree that external audits are carried out on the resources of the hospitals. This enhances integrity to the financial and other reports.

Table 14: Extent to which audit issues are addressed by management

Valid	31
Missing	2
Mean	3.58
Median	4.00
Std. Deviation	1.455
Variance	2.118
Minimum	1
Maximum	5

Table 15: Extent to which audit issues are addressed by the Board

Valid	31
Missing	2
Mean	3.16
Median	3.00
Std. Deviation	1.267
Variance	1.606
Minimum	1
Maximum	5

Addressing issues raised by external auditors confirm the seriousness the management and board take their responsibilities. It appears majority of the respondents, at a mean of 3.16; agree that the audit issues are addressed.

Table 16: Extent to which the performance of the chair of the Board is evaluated

Valid	30
Missing	3
Mean	3.30
Median	3.00
Std. Deviation	1.119
Variance	1.252
Minimum	1
Maximum	5

Respondents gave a mean score of 3.30 when asked the extent to which the performance of the chair is evaluated on a scale of 1 to 5 with 5 being the maximum.

Table 17: Extent to which the Board performance is evaluated

Valid	31
Missing	2
Mean	3.10
Median	3.00
Std. Deviation	1.221
Variance	1.490
Minimum	1
Maximum	5

On a scale of 1 to 5, respondents gave a mean score of 3.10 when asked the extent to which the board is evaluated.

Table 18: Training of the board members

Valid	30
Missing	3
Mean	2.37
Median	2.00
Std. Deviation	1.474
Variance	2.171
Minimum	1
Maximum	5

On a scale of 1 to 5, with 1 representing no training for board members, representatives gave a mean score of 2.37. This compromises the necessity to enhancement of competence through education and development.

Table 19: Assessment of Internal Governance Structures

Assessment Parameters	Mean
Existence of policies and guidelines for the board	3.82
Board's influence over direction and control of hospital	3.18
Diverse professional backgrounds on the board	3.48
Board commitment measured by frequency and attendance of meetings	3.97
Written documentation of board meetings	4.64
Evaluation of performance of chair	3.30
Evaluation of board performance	3.10
Training of board members	2.37
External audits carried out on use of hospital resources	1.1
Extent to which audit issues are addressed by board	3.16

This rating is on a scale of 1 to 5, with 1 representing “to no extent” and 5 representing “to a very large extent”.

4.2.3 Relationship Between the Board, Management and Community

This section assesses the linkage between the board, management, and the community. The United Kingdom Audit Commission (2003) defines corporate governance as “the framework of accountability to users, stakeholders and the wider community, within which organizations take decisions, and lead and control their functions, to achieve their objectives. The relationship between these parties was assessed through the level of interaction between them in the form of influence and information sharing.

Table 20: Management influence on board decisions

Valid	31
Missing	2
Mean	3.29
Median	3.00
Std. Deviation	1.160
Variance	1.346
Minimum	1
Maximum	5

At a mean score of 3.29 with 5 being the maximum score, the independence of the board is compromised.

Table 21: Influence of hospital community on board decisions

Valid	30
Missing	3
Mean	2.83
Median	3.00
Std. Deviation	1.147
Variance	1.316
Minimum	1
Maximum	5

The mean score of 2.83 shows that the community influences the board decisions implying that community needs are taken into account.

Table 22: Board's involvement in operational matters of the hospital

Valid	31
Missing	2
Mean	3.32
Median	3.00
Std. Deviation	1.222
Variance	1.492
Minimum	1
Maximum	5

On a scale of 1 to 5, the mean score of 3.32 shows the involvement of the board in operational matters. Board members should not involve themselves in the operational matters of the hospital except for the District Medical Officer of Health.

Table 23: Extent to which the role of management and the Board is differentiated

Valid	31
Missing	2
Mean	3.29
Median	3.00
Std. Deviation	1.160
Variance	1.346
Minimum	1
Maximum	5

On a scale of 1 to 5, mean score of 3.27 shows that the role of management and board is differentiated. This allows checks and balances.

Table 24: Involvement of the Board in evaluation of Hospital superintendent

Valid	30
Missing	3
Mean	2.67
Median	3.00
Std. Deviation	1.398
Variance	1.954
Minimum	1
Maximum	5

A mean score of 2.67 of respondents agree the board is involved in the evaluation of the hospital superintendent.

Table 25: Influence of District Medical Officer on Board decisions

Valid	30
Missing	3
Mean	3.90
Median	4.00
Std. Deviation	0.995
Variance	0.990
Minimum	1
Maximum	5

Mean score of 3.90 show the District Medical Officer of Health influences board decisions. This could lead to concentration of power in few hands.

Table 26: Frequency and quality of communication between Board & community

Valid	30
Missing	3
Mean	3.27
Median	3.50
Std. Deviation	1.337
Variance	1.789
Minimum	1
Maximum	5

On a scale of 1 to 5, a mean of 3.27 of the respondents rank high the frequency and quality of communication between the board and community.

Table 27: Assessment of Relationship between the Board, Management, and Community

Assessment Parameters	Mean
Management influence on board decisions	3.28
Influence of community on board decisions	2.83
Board's involvement in operational matters	3.32
Differentiation of the role of management and board	3.27
Involvement of board in evaluation of hospital Superintend	2.67
Influence of District Medical Officer on board decisions	3.9
Frequency and quality of communication between board and hospital stakeholders	3.8
Relationship between management and hospital stakeholders	3.9
Extent to which board protects interests of stakeholders	3.84

This rating is on a scale of 1 to 5, with 1 representing "to no extent" and 5 representing "to a very large extent".

Table 28: Relationship between Board and hospital stakeholders

4.2.4 External Relations

This section seeks to assess external relations with key stakeholders including the Ministry of Health Headquarters.

Asked about the information the hospital provides to the Ministry of Health Headquarters, respondents gave the following answers:

1. Quarterly Reports as per the performance contract.
2. Staff, Drugs and Financial Requirements/ Planning Budget.
3. Cost Sharing Reports
4. General Operations Data and Financial Information
5. Different Programs Reports
6. Annual District Health Reports
7. Diseases treated and admissions
8. Malaria, HIV reports
9. Bank reconciliations, monthly collections, targets, user fee
10. Developed annual health plan
11. Management and Financial Reports

This indicates detailed and important information is given to the ministry to allow necessary monitoring.

	3.0
	3.80
	4.00
	1.269
	1
	ranked highly at a mean
	management is involved in external PR
	hospital
	3
	3.37
Std. Deviation	1.033
Variance	1.068
Minimum	1
Maximum	5

At a scale of 1 to 5, a mean score of 3.37 responded that management is involved in external Public Relations activities.

Table 28: Relationship between Board and hospital stakeholders

Valid	30
Missing	3
Mean	3.80
Median	4.00
Std. Deviation	1.126
Variance	1.269
Minimum	1
Maximum	5

The relationship between board and hospital stakeholders is ranked highly at a mean score of 3.80.

Table 29: Extent to which management is involved in external PR activities for the hospital

Valid	30
Missing	3
Mean	3.37
Median	3.00
Std. Deviation	1.033
Variance	1.068
Minimum	1
Maximum	5

On a scale of 1 to 5, a mean score of 3.37 responded that management is involved in external Public Relations activities.

Table 30: Extent to which conflict of interest is managed by the Board

Valid	32
Missing	1
Mean	3.31
Median	4.00
Std. Deviation	1.230
Variance	1.512
Minimum	1
Maximum	5

A mean of 3.31 shows that conflict of interest is managed by the board.

Table 31: Extent to which the Board protects interests of stakeholders

Valid	32
Missing	1
Mean	3.84
Median	4.00
Std. Deviation	0.884
Variance	0.781
Minimum	2
Maximum	5

A mean score of 3.84 shows that conflict of interest is highly managed by the board.

4.2.5 Views on Governance Practices in Public Hospitals

Table 32: overall level of satisfaction with governance practices in hospital

Valid	31
Missing	2
Mean	3.29
Median	3.00
Std. Deviation	1.160
Variance	1.346
Minimum	1
Maximum	5

The respondents are satisfied with the governance practices in hospitals at a mean score of 3.73.

Asked about what good governance practices are there in their hospitals, respondents answered:

1. All budgets have to be approved and monitored by the board before other budgets are considered
2. Roles are specified for each cadre and job descriptions are adhered to.
3. Good cooperation and Networking between hospital and Board members.
4. An efficient and well coordinated DHMTs/HMTs
5. Display of services Charter and Transparency & Accountability
6. 5 year Strategic Plan
7. MOH is conversant with the government system.
8. Most is efficient acts promptly to complaints
9. Regular meetings by DHMB, Sub-committees
10. Team Work and Partnership

11. Accountability
12. Monitoring and Evaluation of Performances
13. Financial Management
14. Adequate Manpower and Resources
15. Quarterly / Regular Meetings Budgets
16. In patient & Maternity wing is cared for well

4.3 Discussions

This section discusses the findings in line with the literature reviewed for this research. The key areas of discussion will include the existence of an independent governing body; the relationship between the board, management and other stakeholders; and external relations. This is in line with observation that corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as the board, managers, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs (OECD 2004).

From the findings of this study, all hospitals have independent governing bodies called hospital boards. These boards are set up as a requirement by Legal Notice No. 162 of the Public Health Act (Cap. 242). The boards are functional as attested by frequency of meetings and attendance. They communicate with the community, Ministry of Health Headquarters and other stakeholders. The roles and functions of the boards are clear to the members. However, in selection of members and chair, the boards seem to go against Legal Notice No. 162 of the Public Health Act (Cap. 242). The board members do these themselves while the notice reserves that role to the Minister of Health. It also appears that training of board members as a means of enhancement of competence through education and development is non-existent.

5.0 CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The objectives of this study were to determine corporate governance practices in the public hospitals in the Coast Province of Kenya and to establish factors that influence corporate governance practices in those hospitals. In my search for literature on the subject, I found that not much has been written on corporate governance in public institutions in Kenya. The ministry of Health has however made steps towards decentralization to enhance governance, efficiency and effectiveness through establishment of public hospital boards. Public Hospitals in the Coast Province of Kenya have made further steps by producing strategic and business plans.

5.2 Summary of Corporate Governance Practices

This study established that corporate governance principles are, to a large extent, practiced by public hospitals in the Coast Province of Kenya even though those involved have limited knowledge of the concept of corporate governance. These institutions have functional boards with well defined roles. The appointment of board members is transparent. Rights and duties among different participants in the hospitals such as board, managers and community are specified and distributed. Board composition is representative with professional diversity. There exist functional communication channels between various stakeholders including the Ministry of Health Headquarters, the community, the board and management. To further enhance transparency, external audits are carried out on the use of hospital resources. However, this study reveals that very little efforts are made to enhance the board members competence through training and development.

5.3 Conclusion

From the study, public hospitals in Coast Province of Kenya have put in practice most principles of good corporate governance even though the concept is new to them. However, the Legal Notice No. 162 of the Public Health Act should be reviewed with the view of devolving the appointing authority of board members and chairmen from the Minister of Health to the District level. It should also allow formation of board sub committees to effectively deal with specific matters of audit, finance and strategic policy issues.

5.4 Study Limitations

Respondents in this study were scattered all over the vast region of Coast Province of Kenya. Responses were slow and time short to allow adequate follow up. Some of the respondents were getting the concept of corporate governance for the first time during the conduct of this study and were therefore not very comfortable with the questionnaire in so far as to appropriateness of the answers and confidentiality of information. These two factors contributed to a low response rate of 34 per cent at individual level.

5.5 Recommendations for Further Research

This study took public hospitals in Coast Province of Kenya as a sample. It could be interesting if further studies could be done on practices of corporate governance at each hospital and comparison made with view of relating service delivery with good corporate governance practices.

6.0 REFERENCES

- United Kingdom Audit Commission (2003) *Corporate Governance: Improvement and trust in local public services*
- Barry J., and Dent M. Reconfiguring Professional Autonomy? *New Public Management and the Professions in the UK*
- Blas E. and Limbambala M. (2001) User-payment, decentralization and health service utilization in Zambia, *Health Policy and Planning* 17(Suppl. 2): 19-28
- Bossert, T.J. and Beauvais (2002), Decentralization of health systems in Ghana, Zambia, Uganda and the Philippines: a comparative analysis of decision space, *Health Policy and Planning* 17(1): 14-31
- Clatworthy, M.A., Mellet, H.J. and Peel, M.J. (2002). Corporate Governance under New Public Management: An Exemplification, *Corporate Governance*, 8(2): 166-176
- Farinha, J. (2003). Corporate Governance: a Review of the Literature, *Portugues Review of Financial Markets*, 2004, 6 (1 & 2), 5-52
- Gakuo W. (2003). Governance Practices among NGOS in Nairobi, Unpublished MBA Project, University of Nairobi
- Gilson L. and Travis P. (1997), *Health system decentralization in Africa: an overview of experiences in eight countries*. Paper prepared for WHO regional seminar on decentralization. Bamako: WHO
- Government of Kenya (1992), Legal Notice No. 162, Government Printers, Nairobi.

Government of Kenya, MOH (2005b), The second National Health Sector Strategic Plan (NHSSP II 2005-10) Reversing the trends, Health Sector Reform Secretariat

Govindaraj, Ramesh and Mukesh Chawla, (1996). *Recent Experiences with Hospital Autonomy in Developing Countries. What Can We Learn?* Data for Decision Making Project, Harvard School of Public Health

Gunn, L. (1989). The Public Management Approach to NHS, *Health Service Management Research*, 2:1, 10-19

Harding, A. and A.S. Preker (2002) Understanding Organizational Reform: The Corporatization of Public Hospitals. HNP Discussion Series

Harrison, J.J.H., (1998). Corporate Governance in NHS, *Corporate Governance*, 6:3, July

Hodges, R., Wright, M. and Keasey, K. (1996). Corporate Governance in the Public Services: Concepts and Issues, *Public Money and Management*, 16(2): 7-13

Hood, C. (1991). A public management for all seasons, *Public Administration*, 69:1, 3-19

IAIM (2001) Corporate Governance Review: Report & Commentary

Jebet, C., (2001). A study of Corporate Governance: *The case of quoted companies in Kenya*, Unpublished MBA Project, University of Nairobi

Kamathi L.M. (2003). A Survey of the Practices & Features of Board of Directors in Mission Hospitals in Kenya, Unpublished MBA Project, University of Nairobi

Kenya National Health accounts 2002: Country Policy Brief: Estimating Expenditures on General health and HIV/AIDS Care March 2005

Lewis M. (2006). Governance and Corruption in Public Health Care System. Center for Global Development: Working Paper No. 78

Maina T. M. and Kibua T. N. (2005). *An Assessment of the Service Delivery Capacity of the District Health Systems in Kenya*. Institute of Policy Analysis and Research Discussion Series

Mburu M.N. (2004). Corporative Governance Practices. A Case Study of the Kenya Union of Savings and Credit Coops Ltd, Unpublished MBA Project, University of Nairobi

Mills, Anne. et. al., eds. (1990). *Health Systems Decentralization: Concepts, Issues, and Country Experience*. Geneva: World health Organization.

Mucuvi E.M. (2002). A Survey of Corporate Governance Practices in the Motor Vehicle Industry in Kenya, Unpublished MBA Project, University of Nairobi

Mutahaba, G. and Kiragu, K. (2002). Lessons of International and African Perspectives on Public Service Reform: Examples from Five African Countries. *African Development*, 27 (3 &4): 48-75

Mwangi A.K.G. (2002). A Survey of Corporate Governance Practices among Insurance Companies in Kenya, Unpublished MBA Project, University of Nairobi

OECD (2004), Guidelines on the Corporate Governance of State-Owned Enterprises

OECD (2004), Principles of Corporate Governance

Okeahalam, C.C. and Akinboade O.A. (2003). A review of Corporate Governance in Africa: Literature, Issues and Challenges, Global Corporate Governance Forum

Olowu, D. (2002). New Public Management: African Management Reform Paradigm? *Africa Development*, 27 (3 & 4)

Owino, W., Odundo, P. and Oketch T. (2001). *Governance of the District Health Systems: A Focus on the Human Management Boards and Human Resources Development Issues*. Institute of Policy Analysis and Research

Principles for Corporate Governance in Kenya and Sample Code of Best Practice for Corporate Governance: Prepared by the Private Sector Initiative for Corporate Governance, ASBN 9966-9969.0.12).

Wanyo, J. and Anderson, J. A. (1993). *Corporate and Philanthropic Models of Hospital*
Republic of Kenya, Ministry of Health, 1994, Kenya's Health Policy Framework

Republic of Kenya, Ministry of Health, 1999, The National Health Sector Strategic Plan: 1999-2004, Health Sector Reform Secretariat

Randinelli, D. A., Nellis, J. R. and Cheema, G. S. (1983). *Decentralization in Developing Countries: A Review of Recent Experience*. World Bank Staff Working Papers No. 581. Washington D. C.: The World Bank

Sir Adrian Cadbury in "Global Corporate Governance Forum", (World Bank, 2002) – www.02.com/02_glossary.asp.

Stijn C. (2003). Financial Development, Property Rights, and Growth. *Journal of Finance* 58 (6): 2401-2436

Stolzenberg E.A., (1999). Governance change for Public Hospitals, American College of Healthcare Executives

Strach P., Hall E, and Pirozek P. (2004): *Analyzing Corporate Governance in Czech and New Zealand Hospitals*: University of Otago

Taylor, R. and Blair S. (2002). Public Hospitals: Options for Reform through Public-Private Partnerships. *UNDP*

The Effective Board: Principles and Best Practices for Effective Governance (June 2001)
www.greatboards.org

Trunbull S., (1997). Corporate Governance: Its scope, concerns and theories, *Corporate Governance*, 5:4

Weiner, B.J. and Alexander, J.A. (1993). Corporate and Philanthropic Models of Hospital Governance: A Taxonomic Evaluation, *Health Services research*, 28(3): 325-355

Wolfensohn, J.D. (1999) A battle for Corporate Honesty: The World in 1999, *The Economist*, 38, 21-34

APPENDIX 1

LIST OF SURVEYED PUBLIC HOSPITALS IN THE COAST PROVINCE OF KENYA

1. Hola District Hospital
2. Lamu District Hospital
3. Malindi District Hospital
4. Kilifi District Hospital
5. Port Reitz District Hospital
6. Msambweni District Hospital
7. Voi Moi District Hospital

Julius Ogola Mugwang'a
P. O. Box 3938 - 00100
Nairobi

for MBA Research Project

I am a post graduate student at the University of Nairobi pursuing a Master of Business Administration (MBA) Degree. In partial fulfillment of the requirements of the degree, I will be undertaking a research project on Governance practices among public hospitals in the Coast province of Kenya.

I am kindly requesting you to participate in this study by filling in the attached questionnaire to the best of your knowledge. The information provided will be treated in the strictest confidence and will be used solely for academic purposes.

Your kind assistance will be highly appreciated.

Julius Mugwang'a
MBA Student

Dr. John Yero
Project Supervisor

APPENDIX 11

LETTER OF INTRODUCTION

Julius Ogola Mugwang'a

P. O. Box 8938 – 00300

Nairobi

Dear Respondent,

Re: MBA Research Project

I am a post graduate student at the University of Nairobi pursuing a Master of Business Administration (MBA) Degree. In partial fulfillment of the requirements of the degree, I will be undertaking a research project on Governance practices among public hospitals in the Coast province of Kenya.

I am kindly requesting you to participate in this study by filling in the attached questionnaire to the best of your knowledge. The information provided will be treated with the strictest confidence and will be used solely for academic purposes.

Your kind assistance will be highly appreciated.

Julius Mugwang'a
MBA Student

Dr. John Yabs
Project Supervisor

SECTION A

CORPORATE GOVERNANCE IN PUBLIC HOSPITALS IN COAST PROVINCE OF KENYA

This questionnaire seeks to establish the current governance practices in public hospitals in the Coast Province of Kenya today. The information on this questionnaire will be treated confidentially, and will not be used for any other purposes other than academic. The researcher will be at hand to clarify issues during the data collection process.

INSTRUCTIONS

The questionnaire has five sections, A, B, C, D, E. Kindly answer all questions in each section. If a question is not applicable, kindly mark "N/A", if you simply do not have the knowledge, marks "N/K".

PLEASE WRITE AS LEGIBLY AS POSSIBLE, THANK YOU.

SECTION A

1. Name of hospital
2. Name of respondent.....
3. Title/relation to hospital
4. Area covered by the hospital

SECTION B

5. Do you have a hospital board in your hospital? Yes No
6. How many members are there on the board (total)? Women
7. How are Board members identified? (Circle as applicable)
 - a. Selection by MOH headquarters
 - b. Election by other Board members
 - c. Selection by local community
 - d. Other (Specify)
8. What criteria are used to identify the Board members?
9. What skills are currently represented on your Board? (Circle those that apply)
 - a. Legal
 - b. Financial
 - c. public relations
 - d. Health
 - e. Other (Specify)
10. How many of the Board members are in management positions in the hospital?
11. How long do members serve on the Board?
12. How is the chair of the Board identified? Circle as appropriate)
 - a. Selection by MOH headquarters
 - b. Election by other Board members
 - c. Selection by local community
 - d. Other (Specify)
13. How long does the chair serve on the Board?
14. What are the roles/functions of the Board?
 - a.
 - b.

- c. information is shared between the Board and the hospital's community?
 - d.
 - e.
15. How frequently does the Board meet per year?
16. Who creates the agenda for the Board meetings?

Please circle the level that closely matches the situation in your hospital. The rating is as follows: (1) to no extent (2) to a less extent (3) to a moderate extent (4) to a large extent (5) to a very large extent

17. Existence of policies and guidelines for the Board 1 2 3 4 5
18. Boards overall influence over direction and control of the hospital 1 2 3 4 5
19. Inclusion of members from diverse professional background on Board 1 2 3 4 5
20. Board commitment as measured by frequency and attendance of Board meetings 1 2 3 4 5
21. Existence of written document of Board meetings 1 2 3 4 5
22. Extent to which the performance of the chair of the Board is evaluated 1 2 3 4 5
23. Extent to which the Board performance is evaluated 1 2 3 4 5
24. Training of Board members 1 2 3 4 5

SECTION C

25. What information is shared between the Board and management?

26. What information is shared between the Board and the hospital's community?

27. What information is shared between the management and the hospital's community?

28. Are external audits carried out on the use of the hospital's resources: Yes
No

Please circle the level that closely matches the situation in your hospital. The rating is as follows: (1) to no extent (2) to a less extent (3) to a moderate extent (4) to a large extent (5) to a very large extent

29. Management influence on Board decisions 1 2 3 4
5

30. Influence of hospital community on Board decisions 1 2 3
4 5

31. Board's involvement in operational matters of the hospital 1 2
3 4 5

32. Extent to which the role of management and the Board is differentiated 1
2 3 4 5

33. Involvement of the Board in evaluation of Hospital superintendent 1
2 3 4 5

34. Influence of District Medical Officer on Board decisions 1 2
3 4 5

35. Frequency and quality of communication between Board and community
1 2 3 4 5

36. Relationship between Board and hospital stakeholders 1 2 3
4 5

- | | | | |
|-----|--------------------------------------------------------------|---|---|
| 37. | Relationship between management and hospital stakeholders | 1 | 2 |
| | 3 4 5 | | |
| 38. | Extent to which the Board protects interests of stakeholders | 1 | 2 |
| | 3 4 5 | | |
| 39. | Extent to which conflict of interest is managed by the Board | 1 | 2 |
| | 3 4 5 | | |
| 40. | Extent to which audit issues are addressed by management | 1 | 2 |
| | 3 4 5 | | |
| 41. | Extent to which audit issues are addressed by the Board | 1 | 2 |
| | 4 5 | 3 | |

SECTION D

What information/reports does the hospital provide to Ministry of Health Headquarters?

Please circle the level that closely matches the situation in your hospital. The rating is as follows: (1) to no extent (2) to a less extent (3) to a moderate extent (4) to a large extent (5) to a very large extent

- | | | | | | | |
|-----|-----------------------------------------------------------------------------------|---|---|---|---|---|
| 42. | Extent to which management is involved in external PR activities for the hospital | 1 | 2 | 3 | 4 | 5 |
|-----|-----------------------------------------------------------------------------------|---|---|---|---|---|

SECTION E

43. What good governance practices are there in your hospital
44. What aspects of the Board/management relations is most in need of improvement?

45. What aspects of the Board-stakeholder/client relations is most in need of improvement?
46. Do you have any other suggestions to improve good governance practices in your hospital?
47. Please indicate your overall level of satisfaction with governance practices in your hospital 1 2 3 4 5