

**EFFECT OF CORPORATE GOVERNANCE STRUCTURES ON PERFORMANCE  
OF PRIVATE HOSPITALS IN NAIROBI COUNTY**

**BY**

**ROSE RUKWARO**

**MASTER OF BUSINESS ADMINISTRATION  
(CORPORATE MANAGEMENT)**

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**A DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT OF THE  
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**AUGUST, 2023**

**DECLARATION**

I declare that this dissertation is my original work and has not been previously published or submitted elsewhere for the award of a degree. I also declare that this contains no material written or published by other people except where due reference is made and the author duly acknowledged.

Sign.....

Reg. No...17/04617

Date.....

I do hereby confirm that I have examined the master’s dissertation of

**ROSE RUKWARO**

And have approved it for examination.

Sign..... Date.....

Dr Rose Gathii

(Dissertation Supervisor)

## ABSTRACT

The improvement of Kenya's healthcare delivery structures depends on effective corporate governance frameworks. Correctly implemented corporate governance structures have a significant impact on preventing business scandals, fraud, and legal issues, while also enhancing the organization's reputation as a trustworthy and self-regulating entity. The main objective is to investigate how corporate governance structures influence the performance of private hospitals in Nairobi County. The research aimed to analyze the impact of board size, gender composition, age, and organizational processes on the performance of private hospitals in Nairobi. The study used descriptive research design. The target population for this study was private hospitals listed on [www.ehealth.or.ke](http://www.ehealth.or.ke), which offer various medical treatments. Data collection for this study involved the use of a questionnaire. The Cronbach alpha coefficient was used to assess the instrument's reliability after a pilot study was conducted, and it was computed using SPSS. After data collection, a series of operations, including editing, coding, classification, and analysis using the statistical package for social science (SPSS), was performed. Descriptive statistics such as frequencies and percentages were utilized to analyze the data. To determine the current relationship between the dependent variable and the independent variables, several tests, including Normality Test, Multicollinearity Test, heteroscedasticity test, and Linearity Test, were conducted. After data analysis, the study established that board size and performance of SMEs is positively and significantly related. Gender composition and performance of private hospitals in Nairobi County is positively and significantly related. Government regulations and performance of private hospitals in Nairobi County is positively and significantly related. Organizational procedures and performance of private hospitals is positively and significantly related. The study therefore recommended that private hospitals should invest in their board size especially on its gender composition with articulations with the government regulations without compromising on their procedures they undertake to fully be compliance.

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## **DEDICATION**

I dedicate this work to my entire family and all others who have been instrumental in supporting in many ways. God bless you all.

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## **LIST OF ABBREVIATIONS/ACRONYMS**

<b>CEO</b>	Chief Executive Officer
<b>CVAC</b>	Violence against Women
<b>DEA</b>	Data Envelopment Analysis
<b>NGOs</b>	non-governmental organizations
<b>NSE</b>	Nairobi Stock Exchange
<b>UK</b>	United Kingdom
<b>US</b>	United States
<b>VIF</b>	Variance Inflation Factor

## DEFINITIONS OF TERMS

<b>Board Size</b>	Refers to the number of members serving on the governing board of a private hospital. Different studies and reports have examined the relationship between board size and organizational performance, decision-making efficiency, and effectiveness of corporate governance (Beck2019).
<b>Gender Composition</b>	Refers to the representation of men and women on the governing board of a private hospital. Research has shown that gender diversity on boards can positively impact decision-making and performance in various industries, including healthcare (Carter 2016)
<b>Government Regulation</b>	Set of rules, laws, policies, and guidelines established and enforced by government authorities to govern the behavior, practices, and operations of individuals, organizations, or industries within a particular jurisdiction. (Wasike, 2017).
<b>Organization Procedures</b>	Refer to the formal processes, policies, and guidelines established within a private hospital to govern its operations and decision-making. These procedures are essential for ensuring transparency, accountability, and compliance with internal and external standards (Demirgüç-Kunt 2019)
<b>Performance</b>	Implies to the hospitals overall effectiveness and achievements in delivering healthcare services and meeting its strategic objectives. Evaluating hospital performance involves various indicators, such as patient outcomes, financial metrics, and patient satisfaction (Wasike, 2017).

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Background of study**

The performance of private hospitals is influenced by several factors, including board size, gender composition, government regulation, and organizational procedures. In the United States, economic expansion after World War II brought about significant developments in internal control and corporate governance frameworks. During this period, board members and shareholders were often expected to carry out the directives of managers, reflecting a strong administrative influence on board director selection (Aguilera & Crespi-Cladera, 2016).

Research on corporate governance structures, particularly from the US and UK, highlights the impact of various factors on healthcare trustees' involvement and board engagement in healthcare facilities. Hospital size, management expertise, financial stability, emphasis on quality discussions, and the frequency of board monitoring of quality metrics all play a role in determining the extent of board engagement and its effect on organizational performance and Key Performance Indicators (KPIs) (Brown, 2019).

In the UK, private hospitals typically adopt a unitary board approach, where the entire board comprises executive directors who also hold responsibility for specific departments (Clay-Williams and Braithwaite, 2017). Alternate directors are chosen from the public to bring diverse commercial experience and skills to the decision-making process. However, the unitary board strategy is not the only one in use. Dual board structures, which combine a management board with a board of part-time independent directors supported by the CEO, are more common in central Europe and New Zealand (Perez-Guzman et al., 2020).

Governor boards in the UK face challenges due to their large size, exceeding 40 representatives, which can make accommodating individual desires and ensuring adequate representation difficult during sessions (Ntim & Broad, 2017). The evolution of corporate governance structures in industrialized nations has led to complex frameworks that encompass laws, politics, professions, state organizations, regulations, and codes of ethics. In contrast,

developing nations still have nascent corporate governance frameworks that lack essential components (World Bank, 2010). Transitioning economies often experience delays in developing governance structures due to challenges like inadequate legal and regulatory frameworks, weak institutions, underdeveloped human resources, and complex ownership structures (Almashhadani, 2021).

Encouraging diversity through participant inclusion and implementing sound corporate governance practices can attract a wide range of skills, expertise, and abilities to private medical institutions' management boards. This diversity fosters responsibility and formulates common guidance, ensuring ethical handling of assets and elevating assessment standards. These crucial components become vital in ensuring the survival and success of for-profit private health providers, including private hospitals, in various regions such as the UK, the USA, Africa, and Kenya (Barasa et al., 2018). Private hospitals like Mayo Clinic in the USA, Bupa Cromwell Hospital in the UK, Aga Khan University Hospital in Kenya, and Netcare Group in South Africa must adhere to effective corporate governance frameworks to maintain their performance and uphold the trust of stakeholders (Massie, 2017).

In the Africa region, including Kenya, the performance of private hospitals is also influenced by factors such as board size, gender composition, government regulation, and organizational procedures. Corporate governance frameworks in the healthcare sector of African countries, including Kenya, are still in their early stages of development. This presents both challenges and opportunities for private hospitals seeking to improve their performance through effective governance (Gaturu, 2018).

Private hospitals in Kenya often face unique governance challenges due to the diverse nature of the region and varying levels of economic development. Inadequate legal and regulatory frameworks, weak institutions, and underdeveloped human resources can hinder the establishment and implementation of robust corporate governance structures. However, private



hospitals can leverage these challenges as opportunities for growth and improvement (Almashhadani, 2021).

An essential component of effective corporate governance for private hospitals in Kenya is board size. While large boards might be common in the region, private hospitals should consider adopting more focused and streamlined boards to enhance decision-making efficiency. Having a smaller, well-qualified, and diverse board of directors, private hospitals can better address the specific needs and challenges of the healthcare industry in Kenya. Private hospitals such as Aga Khan University Hospital in Nairobi, Kenya, benefit from a board that includes professionals from diverse backgrounds, including healthcare experts, business leaders, and legal advisors, to ensure a comprehensive approach to governance (Kinyua and Ngari, 2021).

Gender composition on boards is another critical aspect that private hospitals should address to enhance their performance. Studies have shown that diverse boards, including gender diversity, lead to improved decision-making and overall organizational performance. Private hospitals in Kenya actively strive to achieve gender balance on their boards, ensuring that women have equal representation and leadership roles. A private hospital like Gertrude's Children's Hospital in Nairobi, Kenya, benefit from appointing more female directors to foster a more inclusive and innovative decision-making process (Brown, 2019).

Government regulation is also a significant factor influencing the performance of private hospitals in Kenya. While adequate regulation is essential to maintain quality and safety standards, excessive or ambiguous regulations can create barriers to growth and hinder innovative practices. Private hospitals must navigate the regulatory landscape effectively and work with relevant authorities to strike a balance between compliance and flexibility. Private hospitals like Karen Hospital in Nairobi, Kenya, actively engage with government agencies

and policymakers to ensure that regulations align with industry best practices and support the delivery of quality healthcare services (Mok and Yeen, 2021).

Organizational procedures play a crucial role in ensuring effective corporate governance and, consequently, the performance of private hospitals in Kenya. Well-defined and transparent procedures for decision-making, risk management, financial reporting, and stakeholder engagement are essential for building trust and confidence among investors, patients, and other stakeholders. Private hospitals regularly review and update their organizational procedures to adapt to changing circumstances and emerging challenges. A private hospital like Nairobi Hospital in Kenya implement standardized procedures for reporting adverse events, conducting quality audits, and maintaining financial accountability (Kyerere and Ausloos 2021).

### **1.1.1 Corporate Governance Structures**

The political makeup of private hospitals is significantly influenced by the board's size (Alumran, 2021). The board's responsibility is to keep an eye on hospital administration and make sure it operates within moral and legal bounds. A big board can result in decision-making delays and inefficiencies, whereas a small board may not have the essential knowledge and diversity (Alumran, 2021). Atmon's (2019) research shows that organizations with gender-diverse boards have stronger financial results and better governance. Academics who look at how well a corporation operates typically reference corporate governance structures.

The success of a company's corporate governance framework affects how well it performs. Decisions on the capital structure or corporate funding are assumed to be impacted by corporate governance, which therefore has an impact on the success of the company. Corporate governance with lax frameworks is the root of poor organizational performance, which also fuels macroeconomic crises (Honghui, 2017). The link between corporate governance structures and organizational effectiveness is still a subject of research controversy.

Stuebs and Sun (2015) identified a positive relationship between accomplishment and management. It was determined using performance metrics like as return on equity, profit margin, and sales growth that effective governance is virtually always linked to success (Stuebs *et al.* 2015).

### **1.1.2 Performance**

In reference to this study performance of private hospitals is assessed through two key parameters, profitability and market share (Martin and Alexander, 2019). Private hospitals hold a significant position in the global healthcare landscape, offering an alternative to public healthcare facilities. The success of private hospitals is directly tied to their ability to achieve profitability and secure a substantial market share within the healthcare industry (Abdallah and Malik, 2018). Martin and Alexander, (2019) argued that for private hospitals to uphold high standards of care, they must rely on skilled healthcare professionals, advanced medical technologies, and evidence-based practices. Continuous monitoring and evaluation of medical outcomes are crucial in maintaining their performance and competitiveness.

Patient experience is a pivotal aspect of private hospital performance, exerting a direct influence on their profitability and market share. Factors such as timely access to care, comfortable facilities, effective communication, and accommodating patient preferences contribute significantly to a positive patient experience. The implementation of patient satisfaction surveys and feedback mechanisms aids private hospitals in assessing and improving their services, thus impacting their profitability and market share (Cheagle, 2023).

Operational efficiency emerges as a critical factor for the success of private hospitals). Key metrics, including patient wait times, length of hospital stays, and capacity utilization, are measured and optimized to enhance healthcare delivery. Efficiently managed private hospitals facilitate patient flow, reduce waiting times, and achieve better patient outcomes, all of which contribute to increased profitability and market share. (Cheagle, 2023). Ensuring financial sustainability is paramount for the long-term viability and market share of private hospitals

(Kruse and Jeurissen, 2020). These institutions must generate sufficient revenue to cover expenses, invest in infrastructure, and retain qualified staff. Key indicators such as revenue generation, profitability, cost management, and adaptability to changing market dynamics directly influence their financial stability. Maintaining financial viability allows private hospitals to continue providing quality healthcare services, further enhancing their market share and overall performance (Malcarney and Seiler, 2017).

Adherence to regulatory standards and guidelines is fundamental to private hospitals' performance and reputation. Compliance with licensing requirements, quality assurance guidelines, and safety regulations is crucial to ensuring patient safety and building trust in the hospital. Regular inspections and audits assess their compliance, directly impacting their market share and profitability (Nuhu and Ngussa, 2020). Malcarney and Seiler, (2017) affirmed that the adoption of advanced healthcare technologies is increasingly vital for improving private hospital performance. Integration of technologies such as electronic medical records, telemedicine, and digital health solutions enhances efficiency and effectiveness in healthcare delivery. Private hospitals that embrace these advancements can improve diagnostic accuracy, streamline processes, and offer remote access to healthcare services, ultimately boosting their profitability and market share.

Malcarney and Seiler, (2017) attested that beyond clinical services, private hospitals play a broader role in the community, influencing their reputation and market share. Engaging in health education programs, preventive care initiatives, and collaborations with local organizations demonstrate their commitment to public health. A positive community impact reflects favorably on a private hospital's performance, leading to increased market share and profitability

### **1.1.3 Top of Form Private Hospitals in Nairobi County**

Private hospitals in Nairobi are essential pillars of the healthcare system, catering to a substantial portion of the population (Agili, Onditi, & Monari, 2020). These hospitals offer a

diverse array of medical specialties, ranging from general medicine and surgery to pediatrics, obstetrics and gynecology, orthopedics, oncology, cardiology, and more. Some private hospitals in Nairobi even take pride in their specialized centers of excellence, focusing on specific medical areas (Kiptoo, 2021). Nairobi County, one of Kenya's 47 counties, holds particular significance as the most populated and smallest among them. The county shares a border with Nairobi, the capital city of Kenya. The healthcare landscape in Nairobi County comprises numerous hospitals, with a notable count of thirty being private institutions, as per the (Appendices iii, List of Private Hospitals in Nairobi County) (GoK, 2022).

Distinguishing themselves from other healthcare facilities, private hospitals have the capacity to admit and provide comprehensive care for inpatients. Owino (2016) defines private hospitals as those owned by either for-profit or non-profit companies and financed privately through payments for medical or healthcare services made directly by patients, insurance companies, or foreign embassies. This funding model allows private hospitals to operate as both for-profit and non-profit institutions (Meesala, 2018). Private hospitals in Nairobi significantly contribute to meeting the diverse healthcare needs of the population. Offering a wide range of medical specialties and specialized centers of excellence, these institutions ensure accessible and high-quality healthcare services for patients in the region. Their ability to admit and care for inpatients sets them apart as crucial components of the healthcare system in Nairobi County (Kiptoo, 2021)

## **1.2 Statement of the Problem**

In an ideal healthcare structure, hospitals hold a pivotal role, and the governance within these institutions receives significant attention and scrutiny. Various critical factors such as board size, management expertise, financial stability, governmental oversight, healthcare costs, consumer expectations, diseases, technological advancements, and more are recognized as essential considerations for corporate governance in private hospitals (Meesala, 2018). However, the current situation in Kenya's private hospitals presents a range of pressing issues,

including patient security, escalating operating costs, medical errors, challenges in caring for uninsured patients, racial bias, declining revenues, difficulties with health insurance, and intensified competition (Agili, Onditi, & Monari, 2020). These challenges raise concerns about the effective implementation of corporate governance frameworks to address these issues in private hospitals in Kenya. Furthermore, with Kenya's population projected to reach 79.5 million by 2040, there is a 47.7% increase in demand for health services anticipated over the next two decades (Kiptoo, 2021).

Despite several studies investigating corporate governance in various sectors, such as academic institutions, financial services, and agriculture, there remains a significant gap in the literature regarding corporate governance in private hospitals in Kenya. Notable contributions in the Kenyan context have been made by Agili, Onditi, and Monari (2020), Mathuva, Tauringana, and Owino (2016, 2019), Meesala (2018), Ngui, Nginyo, and Ntale (2018), and Ocharo, Kiptoo, and Kariuki (2021). However, these studies have not specifically addressed the corporate governance practices within private hospitals.

This research aims to fill this knowledge gap by examining corporate governance structures and their impact on private hospitals in Nairobi County. Specifically, the study seeks to explore how corporate governance practices influence the performance of private hospitals, with a focus on the unique context of Nairobi County. Understanding the relationship between corporate governance and hospital performance in this specific setting can provide valuable insights into addressing the challenges faced by private hospitals in Kenya. By conducting a comprehensive investigation into this area, the research will contribute to the existing literature on corporate governance and healthcare management, enabling policymakers and hospital administrators to make informed decisions and improve the overall quality of healthcare services in the country.

### **1.3 Objectives of the Study**

#### **1.3.1 General Objective**

To examine the effects of corporate governance structures on performance of Private Hospitals in Nairobi County

#### **1.3.2 Specific Objectives**

- i. To determine the effect of board size on performance of private hospitals in Nairobi County
- ii. To determine the effect of gender composition on performance of private hospitals in Nairobi County
- iii. To determine the effect of government regulation on performance of private hospitals in Nairobi County
- iv. To determine the effect of organization procedures on performance of private hospitals in Nairobi County

### **1.4 Research Questions**

- i. How does board size at hospital effect on performance of private hospitals in Nairobi County?
- ii. How does gender composition affect performance of private hospitals in Nairobi County?
- iii. How does government regulation affect performance of private hospitals in Nairobi County?
- iv. What are the effect of organization procedures on performance of private hospitals in Nairobi County?

### **1.5 Significance of the Study**

#### **1.5.1 Management of Private Hospitals**

The review will provide new insight into the corporate governance mechanisms of private hospitals, supplement existing knowledge in other domains, and serve as a roadmap for further investigation.

### **1.5.2 Scholars**

The investigation will be useful for instruction offered in a number of scholarly subjects since it serves as a source of literature. This closes crucial informational gaps and makes way for novel viewpoints. The study will broaden our knowledge of corporate management by bringing a completely new contextual perspective to the field. The study will add to the scant corpus of prior scholarly material on corporate governance structures in private clinics.

### **1.5.3 Policy makers**

A variety of lawmakers will be able to make better decisions and come up with workable solutions for governing-related issues with the aid of the study's understanding of the governance strategies used by private hospitals. Given the importance of corporate governance on a global scale, leaders must have a thorough understanding of these issues in order to make judgments that will advance both the economy and society. They need to understand how delivering high-quality services and products promotes global growth through effective corporate governance.

### **1.6 Justification of the Study**

Hospital management may be the responsibility of a for-profit or nonprofit business. These demographics are regarded as moral boards as well. Advisory groups are often present in clinics. The board must account to owners as well as authorities. In order to further human development, it is essential to achieve exceptional health since it promotes a healthy society that can contribute to the political, social, and economic development of the nation. According to Schultz (2018), there is a significant connection between economic development and human health. In developed nations, where decades of healthcare investment have paid off, there is a clear correlation between population health and production.

### **1.7 Scope of the study**

Finding out how corporate governance regulations affect the operational efficiency of private hospitals in Kenya would be the major goal of the study. The parameter takes into account the facility's size, management experience, the economy, and compliance with regulations.



Participants for the report will be chosen from all of Nairobi County's accredited private hospitals. According to a study by the Coalition against Violence Against Women (CVAC), there are 30 accredited private hospitals in Nairobi City County. Therefore, Data was collected from 30 private hospitals, and the board size of each hospitals, gender composition, Government regulation and management committee consisting of (1 Chief Executive Officer, 1Chief Medical Officer, 1 Chief Financial Officer, 1 Chief Nursing Officer, 1 Chief Operating Officer, 1 Chief Information Officer and 1 Chief Marketing Officer) from each of the 30 private health facilities in Nairobi County will form the target population. The research begun in July 2023.

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.1 Introduction

This part covers the theoretical review, imperial review, conceptual framework, and operationalization of notions.

#### 2.2 Theoretical Review

This study focused on the ideas put out to explain corporate governance frameworks namely, upper echelon theory, stewardship theory, institutional theory, resource, dependency theory and value chain theory.

##### 2.2.1 Upper Echelon Theory

The Upper Echelon Theory, first put forth by Hambrick and Mason in 1984, contends that the characteristics of company executives have a significant influence on organizational outcomes and decision-making processes. This theory contends that the company's outcomes and strategic choices are influenced by top executives' ideas, experiences, personality traits, and social position (Frankl and Robert, 2018). When considering how corporate supervision structures affect the profitability of medical facilities in Nairobi County, the Upper Echelon Theory is relevant.

The concept strongly emphasizes the importance of understanding the backgrounds and character features of important managers inside organizations, in this case, hospital trustees and executives (Obino, 2022). The Upper Echelon Theory was developed in response to the rising understanding that individual managers play a crucial role in formulating the business strategy. It looks at how executive traits affect decision-making and tactical choices using the disciplines of psychology and sociology.

It emphasizes how important it is to understand the backgrounds, experiences, and prejudices of executives in order to gain insightful knowledge about how they make decisions.

The Upper Echelon Theory offers a comprehensive viewpoint by highlighting the influence of managers and accounting for external and internal variables that affect organizations (Neely et al. 2020). Having a diverse executive team may enable a company to develop plans that are more innovative and adaptable, giving them a competitive advantage (Robert et al. 2018).

The theory relies on a direct, linear relationship between executive traits and attaining its goals rather than complex relationships and contextual factors. Scientific research have shown confusing or contradictory results when examining the direct impact of executive qualities on organizational success. By paying less attention to environmental aspects that could affect organizational results, the method could lessen the complexity of tactical decision-making (Obino, 2022). In the context of private hospitals in Nairobi County, corporate monitoring mechanisms—which include the composition of the governing board of governors and the degree of managerial competence—are significant for influencing decisions and, ultimately, hospital performance. The Upper Echelon Theory postulates that the backgrounds, experiences, and cognitive biases of these senior executives may have an impact on the way they make strategic judgments and choices about issues such as patient security, operational costs, healthcare quality, and competitiveness.

The decision-making process can benefit from the viewpoints of a group of specialists with varied backgrounds in healthcare administration, financing, and government. This might result in better management and greater institutional effectiveness. On the other hand, if there is a lack of diversity or insufficient experience in some areas, the board and management may be less competent to handle the particular difficulties faced by private hospitals in Nairobi County (Regge and Eeckloo, 2020). According to Dimba (2021), by connecting the top Echelon Theory to the study of corporate governance frameworks in private hospitals, academics may investigate how the characteristics and attributes of top management and board members effect decisions and performance outcomes. This study can provide insight on the

relationship between corporate governance and hospital performance and identify areas that could use better governance practices.

Because it provides a framework for understanding how the characteristics and attributes of senior executives affect business results, this theory—which is used to support the impact of board size on performance—is pertinent to our study. This theory highlights the importance of understanding the pasts and pasts of prominent decision-makers, which makes it suitable for examining how governance systems affect the performance of private hospitals in Nairobi County (Dimba, 2021).

### **2.2.2 Stewardship Theory**

Donaldson and Davis first put out this idea in 1989. This idea, which is grounded in agency theory, tries to lessen conflicts between investors and management. A highly placed corporate representative would be motivated to complete a task and demonstrate excellent asset management, according to Donaldson and Davis (1991). A higher proportion of insider directors, according to them, is excellent for generating greater effectiveness. According to this perspective, in order to assure decision-making competence, the CEO and board chairman posts should continue to be held by different individuals.

Stewardship theory, which emphasizes the constructive motivations and behaviors of managers in organizations, originated as a challenge to the conventional agency perspective. It uses sociology and psychology to comprehend the elements that encourage stewardship behavior. In order to promote a proactive managerial mindset, stewardship theory focuses on managers' innate desire to act responsibly and achieve the long-term success of the firm (Zogning, 2017). The notion emphasizes how giving managers autonomy and power can improve their motivation, dedication, and ability to make decisions. In order to create a positive work environment, Stewardship Theory emphasizes the value of collaboration and relationships built on trust between managers and stakeholders (Feldermann, 2022).

The idea may neglect the requirement for oversight and accountability within organizations by placing less focus on monitoring methods. Stewardship Theory presupposes that managers are fundamentally driven by the success of the firm, although this may not always be the case since managerial conduct can still be influenced by personal interests. The theory offers general ideas and principles, but falls short of providing detailed instructions on how to measure and practice stewardship behaviors, which restricts the theory's applicability (Feldermann et al., 2022). According to Davis, Schoorman, and Donaldson (1997), stewardship linkages appear when management is driven by fulfilling the company's stated goals as opposed to maximizing personal advantage. Although this is frequently untrue, it was once said that management was happier when the company's goals were achieved than when they pursued their own interests.

According to Muth and Donaldson (1998), management functions as a captain and takes into account factors other than money. The manager's desire for approval, respect, and moral authority drives them to succeed. Since leaders are expected to protect the interests of shareholders and make wise decisions on their behalf, this idea is utilized to support the gender composition on performance of private hospitals in Nairobi County. They are mostly focused on starting and maintaining a profitable firm that pays off the investors.

### **2.2.3 Institutional Theory**

Using institutional theory as a framework, it examines and analyzes social processes that are characterized by rigid laws, customs, and structures. The history of social theory can be used to determine the institutional theory's genesis. The current institution theory, however, is linked to the writings of DiMaggio and Powell (1983) and Meyer and Rowan (1977). Meyer and Rowan (1977) made the case that organizations now operate in a highly institutionalized environment made up of a variety of professions, policies, and programs that act as potent myths. They claimed that many organizations ceremoniously incorporate their goods, services,

methods, regulations, and plans in accordance with the preconceived logic. Therefore, in order to achieve stability and get the resources required for industry survival, firms align their organizational structures within the institutional context

On the other hand, DiMaggio and Powell (1983) identified three isomorphic processes and saw institutional processes as a way by which the business setting causes firms to appear similar in their behaviors. Coercive isomorphism, which can result in the government, competitors, or even market forces imposing formal or informal forces on the enterprises in the organizational environment. On the other side, mimetic isomorphism develops when technology and market dynamics are unknown, driving institutions to adopt organizational structures that mimic those of other top players in the same industry. Normative isomorphism is a result of the standards and cognitive frameworks established and upheld by professions and other organizations that establish moral standards. Due to these reasons, these organizations are more similar in terms of the organizational structures, rules, and guidelines that over time constitute its culture.

The institutional theory (Hogan & Coote, 2014) outlines the procedures by which structures like conventions, routines, schemas, and rules are developed within an organization as a social behavior. Organizational behavior is shaped by institutional theory, which also empowers businesses to act in a socially responsible manner. In the framework of contemporary business, the state and professional organizations have a big influence on the institutional contexts. Professional companies in the knowledge-based sector view knowledge as their key input. As a result, knowledge competencies are crucial for the organizations in this sector. Such businesses should operate in accordance with the regulations set forth by the appropriate regulatory agencies (Hogan & Coote, 2014).

This theory on how the government regulates private hospitals in Nairobi County is anticipated to have an effect on how corporate governance structures and overall performance are related.

#### **2.2.4 Resource Dependency Theory**

The resource dependency theory was developed by Pfeffer and Salancik (1978) to describe how an organization's behavior is influenced by the outside resources it has access to. They support businesses negotiating with and modifying their external environment to have access to the resources they require to operate. Interdependence, in the opinion of Pfeffer and Salancik (1978), is essential for a corporation to achieve its goals, which are dependent on the availability of resources. With this approach, the board of members, which has administrative oversight duties, and leadership, which has strategic oversight duties, will depend less on one another.

They added that increased cooperation is the best way to address the problem of unpredictable resource availability and that access to resources lessens dependence among the many parties who depend on them. Resource dependency, according to (Hillman and Thomas 2003), looked at how a board's position, guidance, and connections to other groups help a corporation obtain resources. The methods employed by businesses to take advantage of regional resources and change their surroundings were the subject of (Josiah et al., 2013). They believed that a firm might acquire resources both internally and externally through the board of directors.

Since these strategies deal with important issues regarding how resources are acquired and set up in order to accomplish the desired objectives, the theory is utilized to support the organizational procedures on performance of private hospitals in Nairobi County. Since the theory is used to explain why some hospitals operating in the same market setting perform

better than others and it also analyzes the relationship between competitive advantage and performance, it was also used to support performance.

### **2.2.5 Value Chain Theory**

Porter developed this idea in 1985, and it was predicated on the Value Chain Analysis model.

A value chain is described as a collection of business operations carried out with the intention of generating value for consumers. This is due to the fact that adding value for customers gives a company an advantage over rivals in its industry while also enhancing overall corporate performance. As a result, value addition boosts the organization's profitability. This demonstrates that businesses that have embraced the appropriate value chain models have high operational success and performance, according to Elloumi (2014).

The discovery that organizations are not independent entities but rather depend on relationships and outside resources led to the development of resource dependency theory. It combines ideas from organizational behavior, economics, and sociology (Roundy and Bayer, 2019). Resource Dependency Theory provides a comprehensive explanation of how companies obtain and use resources by taking into account the external environment and inter-organizational interactions. By acknowledging the influence of the external environment, the theory encourages organizations to adapt and develop strategies to cope with changes in resource availability (Roundy and Bayer, et al 2019). The theory emphasizes the potential benefits of forming strategic alliances and partnerships to manage resource dependencies, facilitate resource acquisition, and reduce uncertainty.

Resource Dependency Theory lays more emphasis on external elements than it could otherwise, potentially overlooking internal aspects that are similarly important for organizational performance. The theory gives descriptive understandings of resource dependencies, but it does not offer any advice on how businesses can manage these dependencies or make strategic decisions. The complexity of an external environment that is



constantly changing and how companies can actively modify their resource requirements are not fully addressed by the theory (Arango, 2017).

One of the major pillars of the theory is that organizations engage in a range of activities and must make organizational strategies, corporate structures, and customers their guiding principles (De Mozota, 2018). The organization's structures connect the operations of the organization with other structures while highlighting the financial implications (Walsh, 2019). This suggests that the organization of the business's core and support functions is necessary for it to prosper and attract customers. Value chain theory is used to analyze the performance of private hospitals, and it is pertinent to this study because some of the primary processes immediately affect how services are provided (Finne, 1997). Some of these corporate activities include production, marketing, and internal and external logistics.

The fourth and final purpose of the study, the influence of culture, is supported by Michael Porter's value chain theory because it enables businesses to better manage their human capital processes, enhance new technologies, and improve their sourcing strategy as part of their support operations to promote performance. As a result, the company will be in a better position to manage risks, comprehend its fundamental processes, and raise the bar for quality control. This is crucial for generating fresh ideas for the company's operations and future endeavors (Elloumi, 2004).

## **2.3 Empirical Review**

### **2.3.1 Board Size on Performance of Private Hospitals**

Tulung and Ramdani (2018) looked at the autonomy, scope, and efficiency of the board. The objective was to establish a correlation between board independence, board size, and BPD (regional development bank) success in order to explain corporate governance in regional development banks. According to the study's findings, this methodology was used to assess the

relationship between board autonomy, board size, and BPD efficacy. The results show a favorable correlation between board impartiality, board size, and BPD efficacy.

Orozco et al. (2018) looked at the evolution of the relationship between board size and business economic and ethical success. The objective was to investigate the effects of board size (B-SIZE) on the financial and moral performance of top Colombian companies listed in MERCO's Business Monitor of Corporate Reputation. The results of this study show that big boards are associated with both superior financial success as suggested by the agency theory and strong corporate image performance as predicted by the resource dependency theory. However, the results demonstrate that there is no relationship between social and economic success. Only significant enterprises identified by MERCO were considered in this analysis.

By establishing the existing research on the connection between B-SIZE and corporate performance and evaluating the financial and reputational outcomes for the case of private hospitals in Kenya, this study will close the knowledge gap. Bhatt (2017) looked into Singapore's corporate structure and economic growth. The aim of the study was to assess how Singapore's listed firms' performance was impacted by the Malaysian Code on Corporate Governance (MCCG, 2007 and 2012). The agency theory and resource dependency theories contend that organizations with strong corporate governance outperform those with weak leadership. The study looked at this connection in a developing country like Singapore, which has a different institutional atmosphere than Western countries. The authors' findings show a positive and significant connection between corporate governance as measured by the MCGI and a company's ability to succeed. Second, MCCG 2012 considerably enhances sample companies' corporate governance when compared to MCCG 2007. The new study will fill a research gap by demonstrating the relationship between board size and efficiency in Kenya's private healthcare institutions, which was not found in the earlier study. It will also support the need for strong business conduct regulations to be imposed by government agencies.

Rehman (2020) used information from the listed banking industries in China and Pakistan to examine the impact of board size and makeup on financial success. The main objective of this study was to ascertain the impact of board composition and size on bank profitability. The study's participants were two countries with listed banks: China and Pakistan. Using annual data from 2009 to 2018, the goal of this study was established. The study's findings confirmed that board size value coefficients were favorable for ROA and unfavorable for ROE, but they also revealed insignificant performance for the Pakistani banking sector. In contrast, board size coefficient values were favorable for ROA and ROE at 10% levels in the Chinese banking industry. By identifying the sector where the correlation coefficient of board makeup is minimal for both ROA and ROE, the current study will fill the research gap, nonetheless.

Sart and Veronesi (2016) looked at how clinical leadership affected hospital performance in the UK. The primary focus of the study was on English-language scientific articles that were published in international journals and conference proceedings. The research requirements were determined to be satisfied by 19 papers, which were then categorized based on six separate criteria. Based on the kinds of performance data analyzed following a theme mapping, three main research sub-streams have been identified. Only a small number of studies emphasized a negative impact on financial and social performance, and the findings show that clinical leadership has a positive impact on a number of outcome variables. As a result, our analysis is in favor of the general modification of health structures.

Locally, Mandala (2018) investigated the relationship between board structure and the performance of the Kenyan banking system. The results show that the board structure has a significant independent influence on the effectiveness of the banking industry. Following board type, the factor with the greatest independent influence on accomplishment was the frequency of board meetings in a given year. The results provide credence to both the agency theory and

the convergence-of-interests theory. The results imply that there is an optimum number of board meetings that have a significant impact on productivity. It has been demonstrated that between 11 and 15 board meetings are required annually to produce the greatest outcomes for the business.

Mutuku (2012) looked into the corporate accountability and governance frameworks as well as the challenges faced by the private hospitals in Kiambu County. The study came to the conclusion that private medical centers used corporate governance and accountability mechanisms because there, directors were chosen for fixed terms of three years with the approval of owner representatives, the executive officer of the hospital was separate from the CEO, and there was a clear division of responsibilities between the CEO and chairman in the management of hospital settings. The study also demonstrated that due to their organizational structure, culture, management styles, and regulatory frameworks, private healthcare facilities found it challenging to embrace corporate governance and accountability standards. To ensure better hospital management in Kiambu County, the research recommends that all private hospitals implement thorough corporate governance and accountability frameworks.

The impact of board size on the publishing of property rights by Kenyan listed businesses was examined by Abeysekera (2010). This study generated data by analyzing the material, and it divided the companies into those that disclosed more and those that disclosed less based on the mean across all businesses for each disclosure outcome. Rajula (2016) conducted research on the effect of board diversity on the financial performance of Kenyan commercial banks. The findings of this study amply demonstrated that, in addition to executive offices, other industries may also view heterogeneity as a crucial element of corporate governance. The directors' age, average years of experience, sexual orientation, and level of education should all be improved. Doing so would have a positive effect on how successfully commercial banking organizations operate.

### **2.3.2 Gender Composition on Performance of Private Hospitals**

Garanina and Muravyev (2021) used a special longitudinal dataset of publicly listed Russian enterprises from 1998 to 2014 to study the gender mix of CEOs and corporate efficiency. The study used a range of identification approaches, various measures of gender diversity, and a variety of performance criteria to find some evidence that businesses with female-diverse boards have more valuable assets and more profitability. The critical mass hypothesis states that these effects become more apparent when companies choose several female directors. The implications seem more severe during lean economic times. The study found some supporting data for "the business case" for having more women serve on corporate boards.

Lauring and Villesèche (2019) looked on the effectiveness of gender diverse teams. According to responses from 1,085 academic team leaders surveyed for the research study, openness to diversity is significantly connected with team effectiveness. The study found that the amount of gender diversity had a moderating effect, which means that as the team's gender composition becomes closer to numerical balance, the influence of openness to diversity and positive team-level attitudes toward diversity becomes stronger. These findings bridge the critical mass theory with diversity and performance research by demonstrating the joint effect of component and context-specific factors on the success of gender diverse teams.

Fenwick (2001) examined how the gender composition of a group affects production. According to the study, group size and individual performance on previous course evaluations had no bearing on productivity and report grade output. The quantity, percentage, and gender ratio of women in each group all correlated well with simulation performance, with few women-dominated groups finishing lower than first or second in any industry. Very few all-male teams placed first or second. The results imply that groups may perform better when women outnumber or equate males, particularly in difficult administrative activities requiring

substantial data handling, production, planning, and decision-making over protracted phases. However, extrapolating work-related studies from classroom settings is difficult.

The results show how discrimination is produced through predictable interactions between gender stereotypes, the sex mix of workplaces, and organizational rules, frequently through the use of discretionary policies. Earlier studies by Bobbitt-Zeher (2011) focused on "Gender discrimination at work: Connecting institutional policies, institutional norms, and professional demographic diversity." According to the findings of a local investigation by Kirui and Onyuma (2019) into the effects of group formation and enrollment on the financial health of shareholder organizations in Kenya, regulations that support gender equality among investors and the registration of investment groups with participants from different racial backgrounds have a positive and significant influence regarding the ability of investment groups to make money.

Sang and Ngure (2018) examined the ethical issues surrounding the selection, management, and hiring of staff at public colleges. The study's findings revealed that prejudice is a particularly immoral method of hiring and firing staff, and that ethical hiring and firing practices have a positive and significant impact on worker performance. Results from an investigation by Nyangueso and Sheba (2020) into the impact of gender equality initiatives on Kenyan rural transport structures show that efforts to normalize gender have influenced rural transportation organizations' hiring, human resource management, spending, and the implementation of gender-responsive transportation projects.

To achieve gender equity in rural transport institutions in Kenya and elsewhere, a change in approach and sustained, continuous work are required. According to the survey, the majority of entities in the transport industry do not fully understand the meaning and goals of gender integration. Furthermore, neither publicly accessible nor used gender-disaggregated statistics are used to rural transit design and execution. Board size, director compensation, and

member autonomy have a strong negative relationship with social outcomes, but multiple directorship and the establishment of board committees have a positive relationship, according to Waithaka and Wanjau's (2013) investigation into how board qualities affected the cultural effectiveness of lending organizations in Kenya. In rural Kenya, Masuda and Zhang's (2022) pilot study to demonstrate equality in access to opportunities was conducted.

### **2.3.3 Government Regulation on Performance of Private Hospitals**

However, age heterogeneity alone has a negative impact on a person's efficiency, according to Borowczyk & Lalé (2019), and there are no notable benefits to age variability that might offset the increased costs brought on by greater age variability in the context of routine work. As a result, increasing age variability typically results in a decline in productivity in enterprises that use regular types of labour. Joshi and Jackson (2008) found no evidence that employees with older age groups perform less well than those with younger age groups.

Rigid rules prevent businesses from being innovative and entrepreneurial (Bailey & Thomas, 2017). According to Muithya (2021), the corporate environment, which is governed by governmental regulations and policies, has a significant impact on the relationship between innovation and performance. Jiang et al. (2018) found that regional regulations have a positive impact on creativity but that local regulations have a negative impact on innovation performance because they limit output. For the study, data on Chinese technology-intensive manufacturers was obtained, and conclusions were derived based on earlier studies. This left a methodological and contextual gap.

How successfully SMEs comply with regulations is significantly impacted by the choice of government policy, according to a 2015 study conducted in Nigeria by Eniola and Entebang. However, the study relied on previously published research to get its conclusions and ignored elements like product, process, and marketing innovation, all of which wre

negatively impacting SMEs' capacity to compete. The study focused on manufacturing companies in Kenya and used a descriptive research design, which performs poorly at identifying connections between variables. The study considered the regulatory framework as an independent variable rather than a moderator variable. Methodological, conceptual, and contextual shortcomings. Mwasiagi (2019) found that government policies have an impact on how well firms run in Kenya in addition to the findings of other studies.

Organizations give efficiency at work a lot of consideration as it is now crucial to any firm, but it is also influenced by the scope of the activities, the organization's perspective, its goals, and the authorized behaviors there, according to Mete, Sökmen, and Biyik (2016). Older employees are skilled at managing their emotions so they can maintain a positive view and contribute significantly to organizational efficiency.

The two basic subtypes of job effectiveness: labor and intellectual processing, as well as each employee's job performance, demonstrate how they have handled the primary responsibilities listed in their work performance information, are provided by Motlou et al. (2016). An additional duty job has a professional home mindset.

Wasike (2017) investigated how financial oversight affected the success of investment banks in Kenya by mitigating the effects of corporate governance, institutional quality, human capital, and firm size. The study found that, with the exception of company size, all four variables had an impact on the efficiency of banking organizations. According to a study by Odhiambo and Rambo (2018) on the relationship between staff productivity at governmental organizations in Western Kenya and age diversity, longer-lived older people tend to be more mature and capable of handling problems more successfully. She goes on to state that older



and younger employees needed to collaborate. Children who are still in the developmental phase of learning are more receptive to acquiring novel material and embracing novel concepts.

It also demonstrates the attitudes and behaviors that members of a group control and employ in order to achieve their goals. The honest dispositions that a person experiences at work are also covered by (Khamisa, Peltzer, Ilic, & Oldenburg, 2017) concept of job satisfaction. According to Kajwang's study (2022), a worker's actual wage performance is assessed in the context of a set of targets that are precisely defined and supported by precise job directions. Additionally, it is essential that a person's thinking matches the goals of the company in order for a corporate purpose to be achieved. (Nagele & Awuor, 2018) contend that achievement factors ought to be considered as well since they reflect a mentality that includes evaluation rather than the rigid definition of job accomplishment that emphasizes advancement.

This justification is also consistent with an affirmative procedure that evaluates employees' performance using assessments from mentorship and other organizational leaders. Additionally, it is essential that a person's thinking matches the goals of the company in order for a corporate purpose to be achieved. (Nagele & Awuor, 2018) contend that achievement factors ought to be considered as well since they reflect a mentality that includes evaluation rather than the rigid definition of job accomplishment that emphasizes advancement. The findings also showed that the financial performance of private hospitals in Kenya's western area is significantly negatively correlated with the records of transaction and standard operating procedures.

The major finding is that the legal and regulatory requirements for the practice and provision of private healthcare have serious weaknesses, which need to be addressed.

### **2.3.4 Organization Procedures on Performance of Private Hospitals**

Rehan, M. (2017) investigated organizational cynicism and its relationship to worker productivity in Pakistani universities. The study's overall findings revealed a poor correlation between organizational cynicism and worker efficiency, and implications and suggestions for future research were made in light of those findings. Aug (2020) argued that values and beliefs are essential to organizational affiliation. Internalizing common ties that support effective organizational processes is facilitated by a strong organizational culture. Increased productivity results from improved work performance, which is strongly influenced by an effective organizational culture. Ogbonnaya and Valizade (2018) examined the relationship between high-performance job practices (HPWP) and organizational success, focusing on the mediating role of employee outcomes. They found that while a positive relationship between HPWP and patient satisfaction was only communicated by job fulfilment, the relationship between HPWP and staff absenteeism was influenced by both work contentment and staff involvement.

To better understand how organizational practices and performance in the healthcare industry are related, Argote & Park (2021) conducted a study. The study's findings revealed that when a company's procedures were simple and well-known, it performed better overall in terms of efficiency, effectiveness, and performance. To improve performance, the research advises businesses to prioritize developing and communicating clear processes. The results of a study by Qi et al. (2020) on the effects of routinely evaluating and improving organizational practices on performance revealed that organizations with regular protocol reviews and updates outperformed those without them in terms of productivity, efficacy, and all-around effectiveness.

Results from Ahmad's (2012) investigation into the effects of organizational culture on Pakistani appraisal practices demonstrated a significant relationship between a quality improvement methodology and performance excellence, as well as a less direct but still

significant relationship between an enhancing quality strategy and operational or financial success. Comparable to improving quality techniques, productivity improvement approaches also assist in the prediction of quality, operational, and financial performance. The purpose of the study was to determine how e-tendering, e-invoicing, and e-payment affected the organizational efficiency of schools under Uasin Gishu County's county administration. Chegugu and Yusuf (2017) investigated the impact of electronic procuring practices on organizational success in public facilities in the county government of Uasin Gishu with the aim of discovering how online purchasing procedures affected organizational performance.

Chegugu and Yusuf's (2017) study on tendering found that the hospital's tendering bid was more competitive; on e-invoicing, it was found that the adoption of e-invoice is able to indicate charges from buyers to vendors; and on e-payment, it was found that e-payment makes it affordable to promptly pay suppliers on supply delivery due to lower fees incurred upon sending money through e-banking structures. The study recommends that hospitals adopt e-invoicing. The stated objectives of Okemwa's study, which formed the basis for its research questions, were to ascertain how much expertise supervisors are practiced by government-owned organizations, how many of these organizations are "learning organizations," how they choose the knowledge they need and the formats in which it should be delivered, and whether there are any current administration practices, processes, or difficulties in Kenyan state-owned organizations.

This study's focus is limited to parastatals under the supervision of the Kenyan government that have comparable organizational structures and operate in environments that are deemed to be information-intensive.

## **2.5 Summary of the Literature and Research Gaps**

Literature studies focused on different contexts such as board size, gender composition, government regulation and organization procedures generally rather than specifically

addressing private hospitals. Thus, there is a research gap in understanding the direct impact of gender composition on the performance of private hospitals. Further research is needed to investigate the relationship between gender composition and hospital performance in order to gain specific insights into this field. The existing literature suggests that there is a positive relationship between board size, gender composition, and government regulation and organization procedures.

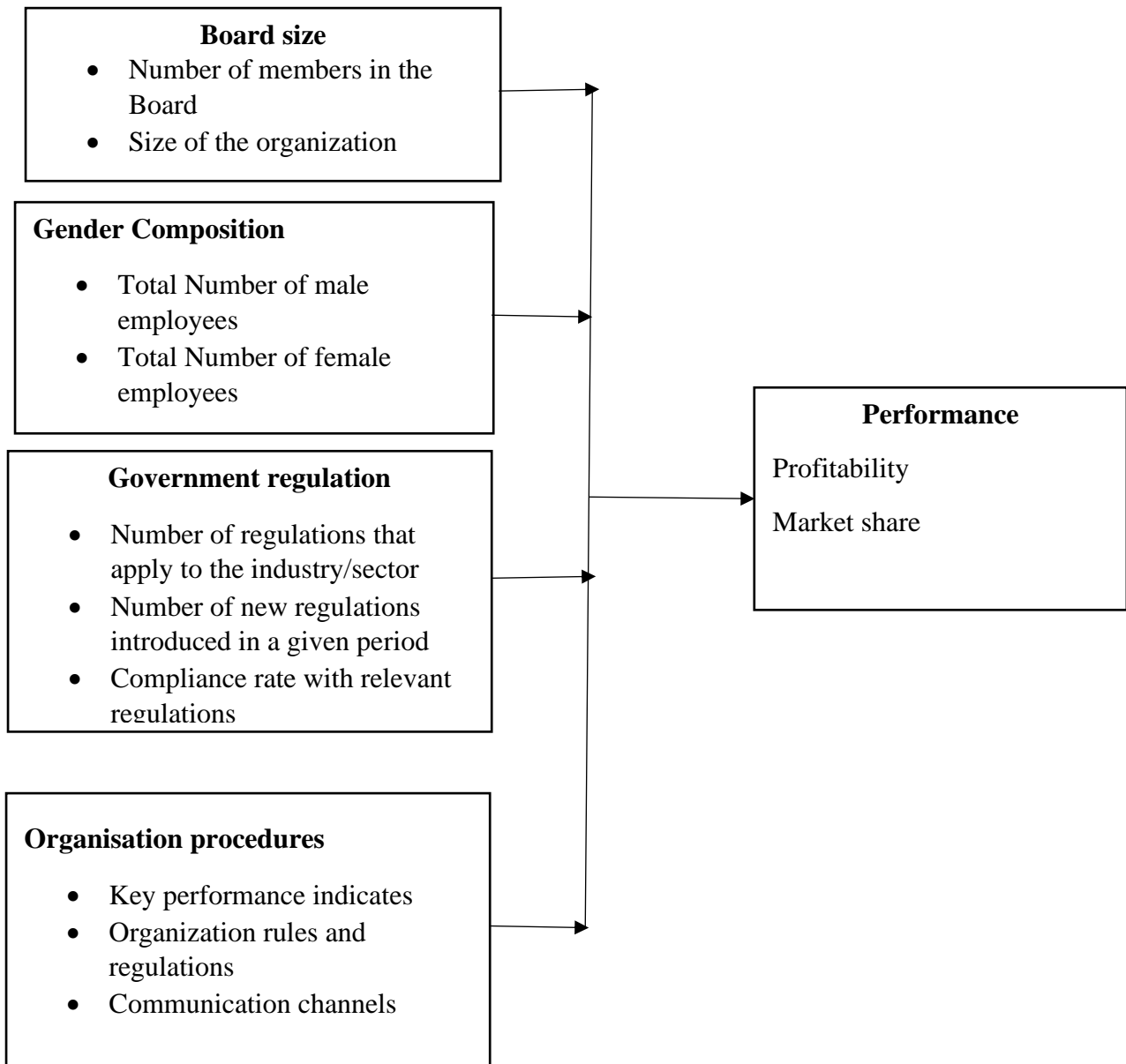
Additionally, larger boards tend to be associated with higher corporate reputation but may exhibit lower financial performance. Moreover, better corporate governance practices, as measured by governance indices, are linked to improved firm performance. In the context of financial sectors, board size, particularly the frequency of board meetings, has a significant impact on performance. However, there is a research gap regarding the specific impact of board size on the performance of private hospitals in Nairobi County. Further studies are needed to understand the unique dynamics and outcomes in this specific context.

#### **2.4 Conceptual Framework**

The conceptual framework incorporates both independent and dependent variables, with the former being a variable that can be altered without affecting other variables, while the latter is a variable whose value is influenced by another variable. This definition of independent and dependent variables was provided by Smyth in (2014).

**Independent Variables**

**Dependent Variables**



**FIGURE 1**  
**Conceptual Framework**

## 2.5 Operationalization of Variables

**TABLE 1**

**Operationalization of Variables**

<b>Type</b>	<b>Variable</b>	<b>Indicators</b>	<b>Measurable Scale</b>
Dependent Variable	Organization performance	Profitability Market share	Likert scale
Explanatory Variable	Board size	Number of members in the Board Size of the organization	Likert scale
Explanatory Variable	Gender Composition	Total Number of male employees Total Number of female employees	Likert scale
Explanatory Variable	Government regulation	Number of regulations that apply to the industry/sector Number of new regulations introduced in a given period Compliance rate with relevant regulations	Likert scale
Explanatory Variable	Organization procedures	Key performance indicators Organization rules and regulations Communication channels	Likert scale

## CHAPTER THREE

### RESEARCH METHODOLOGY

#### 3.1 Introduction

This chapter provides an overview of the study's target demographic, populace, and sample strategy. Additionally, it discusses the methods used to gather data, the tools used to do so, data management strategies, and variable definitions.

#### 3.2 Research Design

Research design is defined as the way a study is designed, that is, the method used to conduct the field survey (Lune & Berg, 2017). This study employed descriptive design. This technique enables the describing the relationship between restructuring strategies and performance of private hospitals in Kenya. The broad strategy and plan that specify how a study was carried out to address research questions or test hypotheses is known as research design (Bryman and Harley, 2022). It offers a structure for gathering, analysing, and interpreting data.

The research design ensures the study is well-structured hence enabling researchers to collect trustworthy information and make correct inferences. Descriptive research approach is appropriate for this study, according to Abutabenjeh and Jaradat (2018), since it tries to describe and examine the traits, behaviours, or phenomena of a specific topic without modifying or controlling factors. It concentrates on giving a precise and thorough depiction of the study issue, frequently by observation, surveys, or analysis of preexisting data. A descriptive study approach was used to ascertain the influence of corporate governance frameworks on the performance of private hospitals in Kenya. Without interfering or changing the variables, this strategy would enable researchers to learn more about the current corporate governance structures in private hospitals and how they affect hospital performance.

#### 3.3 Target Population

Scholars such as Hennink, and Kaiser (2022) posits that a target population refers to the group of individuals or objects to which the study's findings are intended to be applied. In this study, the target population consisted of the 30 licensed private hospitals in Nairobi County, as

provided by statistics from the Ministry of Health Report 2022 (refer to Appendix 3). This selection is justified because private hospitals offer a wide range of medical services, and only those with an extensive array of services, professionals, and both inpatient and outpatient services were included in the research. Since the target population size was small, this study used a census survey approach, which involves a complete enumeration of all items in the population (Cooper & Schindler, 2018). The unit of analysis for studying the relationship between board size and hospital performance was individual private hospitals within Nairobi County.

Data was collected from 30 private hospitals, and the board size of each hospitals, gender composition, Government regulation and management committee consisting of (1 Chief Executive Officer, 1 Chief Medical Officer, 1 Chief Financial Officer, 1 Chief Nursing Officer, 1 Chief Operating Officer, 1 Chief Information Officer and 1 Chief Marketing Officer) from each of the 30 private health facilities in Nairobi County formed the target population this 210 respondent assisted fill the questionnaires, as shown on table 3.1. The management committee plays a central role in the governance structure of private hospitals. It is responsible for making crucial decisions that directly impact the hospital's operations, finances, and overall performance. Understanding the composition, practices, and effectiveness of the management, this justifies the target population picked.

**TABLE 2**  
**Target Population**

<b>Number of Private Hospital in Nairobi County</b>	<b>Categories of respondents</b>	<b>Frequency</b>
30	Chief Executive Officer	30
	Chief Medical Officer	30
	Chief Financial Officer	30
	Chief Nursing Officer	30
	Chief Operating Officer	30
	Chief Information Officer	30
	Chief Marketing Officer	30
<b>TOTAL</b>		<b>210</b>

**Source: Ministry of Health (2023)**



### 3.4 Sampling and Sampling Procedures

A sample refers to a small portion or representation of a larger population. It could be a specimen, segment of data, or a test used to illustrate or analyze something. A sampling technique is a method used to select a subset (sample) from a larger population to gather information or data Rai, &Thapa (2015). Different sampling techniques are like random sampling or stratified sampling. The study used stratified random sampling. Stratified random sampling is a sampling technique used to ensure that the sample selected for a study is representative of the larger population. It involved dividing the population into subgroups, or strata, based on certain characteristics that are relevant to the research objective. Each stratum represents a homogeneous subgroup within the population. This study was based on the large target population. Thus Taro Yamane (1986) provided a simplified formula to calculate sample sizes. This formula was used to calculate the sample sizes.

$$n = N / (1 + N(e)^2)$$

Thus  $n = \frac{210}{1 + 210(0.1)^2}$  = is 67.7419 (then round up to 68)

$$1 + 210(0.1)^2$$

Therefore the sample was 68 respondents

Where;

N= population size

e= margin of error which is 0.1 based on the researchers' estimation

n= sample size 68 respondents

### 3.5 Instrumentation

The data collection method for this study was through the use of a questionnaire. To ensure that the questionnaire provides comprehensive information, it included both open-ended and closed-ended questions. The research instruments was developed based on the study's

objectives and research questions. The questionnaires were distributed to staff directors for completion.

The questionnaire were divided into five sections. Section A gathered data on the demographic characteristics of the respondents. Section B focused on the impact of Board size on the performance of private hospitals. Section C solicited data on the impact of Employee work Experience on the performance of private hospitals. Section D collected data on the effect of corporate governance structures on the performance of private hospitals, while section E gathered data on the impact of Government regulation on the performance of private hospitals.

### **3.5 Data Collection**

This section outlines the procedures that was used to collect data for the study. Data collection involves the process of obtaining raw primary data from one or more sources. In this study, primary data was collected using questionnaires that was distributed to the respondents. The collected data was then analyzed to draw conclusions. The questionnaires were self-administered and delivered by hand to the respondents. The distribution and collection process took approximately one week. An introductory letter was included with the questionnaires to inform the respondents of the study's purpose and importance. To ensure that the respondents provide accurate and honest information, they were not required to provide their names. This helped to maintain their anonymity and confidentiality, and increase the likelihood of getting unbiased responses.

### **3.6 Research Quality**

Upon construction of the data collection instrument, it needs to be pretested for fitness. To pretest the instrument, a pilot study is conducted. To carry out pilot study, 7 respondents, from a different hospital outside Nairobi County will be selected and given the questionnaires for their input. The choice for a 3-person pilot represents 10% of the sample size, which makes it a sufficient sample to run a pilot study. The 3 respondents was randomly selected from air

private hospitals not included in the sample. The feedback from the pilot sample was then tested for validity and reliability.

### **3.6.1 Validity of Research Instrument**

The validity of a study refers to the extent to which an instrument accurately measures what it is meant to measure or the truthfulness of study findings (Golafshani, 2003; Kothari, 2018). Content validity was conducted in this study because it ensured that the research instrument (such as the survey questionnaire) covers all relevant aspects of Corporate Governance Structures being studied. To ensure content validity, the researchers carefully reviewed the literature and consult with experts in the field. Construct validity was also conducted, which refers to the extent to which the research instrument accurately measures the construct or concept being studied (such as Board size, Gender Composition, Age, and Organizational culture). To ensure construct validity, the researchers used established measurement tools or develop Governance Structures history measurement tools that have been validated in previous research. This enabled the researchers to identify any errors or weak points in the questionnaire. A pretest was conducted among 10% of the target population to validate the questionnaire.

### **3.6.2 Reliability of Research Instrument**

Reliability refers to the degree to which research findings accurately represent the entire population and remain consistent over time (Golafshani, 2003). The aim of reliability analysis is to determine how well a measuring method produces consistent results when the same procedure is repeated under the same circumstances. According to Kothari (2018), there are two components to reliability: the stability component, which focuses on ensuring consistency in results from repeated measurements using the same instrument by the same person, and the equivalence component, which considers how many errors may be introduced by different examiners or different samples of the items under examination. There are several methods to assess reliability, but in this study, the Cronbach alpha coefficient was used, and it was computed using SPSS version 25 to evaluate the instrument's dependability.

### **3.7 Data Processing and Analysis**

Data analysis refers to the application of statistical and analytical techniques to describe, summarize, and compare data. The purpose of this study is to analyze the effects of corporate governance structures on performance of private hospitals in Kenya. After collecting the data, it was subjected to a sequence of operations, including editing, coding, classification, and analysis using statistical package for social science (SPSS). The analysis involved the use of descriptive statistics such as frequencies and percentages, which was conducted using Microsoft Excel computer application.

Regression Analysis was used to establish the relationship between variables.

$$Y = \beta_0 + \beta_1(X_1) + \beta_2(X_2) + \beta_3(X_3) + \beta_4(X_4) + \alpha \text{ where;}$$

Y is the Organization Performance which is measured by Profitability

X1, is Board size

X2, is Gender Composition

X3 is Government regulation

X4, is Organisation procedures

$\beta_0$ , is the constant term,  $\alpha$ , is the error term

### **3.8 Diagnostic Tests**

In order to determine the current relationship between the dependent variable and the independent variables, several diagnostic tests was conducted on the linear regression model. Specifically, the research performed tests for collinearity and normality. These tests are important in ensuring the validity and reliability of the regression model.

#### **3.7.1 Normality Test**

The study used diagnostic tests to determine the current relationship between the dependent and independent variables. Specifically, the linear regression model was utilized for this purpose. Standard error and t-tests was conducted to examine the consistency of the variation in importance. The researchers ensured that all data points and targets for the sample are

distributed equally and consistently for all estimates with only one incorrect component. The normalcy test for the study was conducted using Shapiro Wilk test method. The null hypothesis of the test is that the standard error components are randomly distributed. If the p-value falls below the significance level of 5%, the null hypothesis was rejected.

### **3.7.2 Multicollinearity Test**

The study used a variation inflation factor (VIF) to assess multicollinearity. If the VIF value was less than 10, it was considered acceptable. Specifically, if the VIF for the independent and dependent variables was less than 3, there is no multicollinearity, but if it was greater than 3, multicollinearity was present. A VIF score of greater than 10 indicates a serious multicollinearity issue (Myers, 1990), which required eliminating some factors.

### **3.7.3 Heteroscedasticity tests**

This test is ideal in linear regression or when adopting time series analysis to be able to describe variances of the errors across the model at different times of observation (Klein, Gerhard, Büchner, Diestel & Schermelleh-Engel, 2016). In heteroscedasticity, one assumption is that the variance is homogenous and the errors in the model are evenly distributed (Huang, Jia, Guo, Williams, Shi, Wei & Cao, 2017).

### **3.7.4 Linearity Test**

The linearity test is conducted to determine whether there is a linear relationship between two variables (Luke, 2017). It helps assess whether the relationship between the variables can be adequately modeled using a linear regression approach or if a nonlinear model would be more appropriate. This was conducted by creating a scatterplot with one variable on the x-axis and the other variable on the y-axis. Each data point represented the values of the two variables for a specific observation. The study inspected the scatterplot to assess whether there appears to be a linear pattern between the two variables.

## CHAPTER FOUR

### DATA ANALYSIS AND DISCUSSION

#### 4.1 Introduction

This chapter is set out to provide the results of analysis of the data that was gathered. The chapter is structured into response rate, the general information, descriptive statistics and inferential analysis covering correlation and regression analysis.

##### 4.1.1 Response Rate

The researcher distributed a total of 68 questionnaires to the different staffs working in different private health facilities in Nairobi County. A total of 52 research questionnaires were responded to which was equivalent to 76%. The researcher therefore affirmed the utilization of the responded questionnaires for data analysis as this response rate supported those of Babbie (2010) who was of opinion that good response rate starts from 60% going upwards.

**TABLE 3**

#### **Response Rate**

<b>Category</b>	<b>Frequency</b>	<b>Percentage</b>
Responded	52	76
Not responded	16	24
<b>Total</b>	<b>68</b>	<b>100</b>

**Source: Researcher (2023)**

#### 4.2 General Information

The analysis of the years of operations of the respective Constitutional Commissions and Independent Offices, gender, age, and qualification in terms of education as well as the years of experience is summarized in the subsequent sections.

##### 4.2.2 Gender of Respondents

The gender of the respondents was presented in Table 4 based on their response.

**TABLI E 4**

**Gender**

<b>Category</b>	<b>Frequency</b>	<b>Percentage</b>
Male	29	56
Female	22	44
<b>Total</b>	<b>52</b>	<b>100</b>

**Source: Researcher (2023)**

Table 4 was based on the gender presentation of the respondents. Form the analysis it was found out that these private hospitals in Nairobi County were male dominated in terms of managerial level. This was based on the fact that the majority of the respondents were male totaling to 29 which was equivalent to 56% while the female counterpart were 22 (44%). The researcher therefore opined that the gender was well presented based on the requirements of the Kenyan constitution of 2010 which stipulates that one of the gender was be presented at 1/3 rate in employment.

#### **4.2.3 Age of Respondents**

The study was in dire need to understand the age of the respondents which was part of the research question whereby heir response was as presented in Table 5

**TABLE 5**

**Age of respondents**

<b>Age</b>	<b>Frequency</b>	<b>Percentage</b>
Below 30 yrs.	2	4
Between 30-40 yrs.	16	31
Between 40-50 yrs.	13	25
Above 50 yrs.	21	40
<b>Total</b>	<b>52</b>	<b>100</b>

**Source: Researcher (2023)**

The study findings based on the age bracket of the respondents confirmed that 4% (2) of the respondents were below age 30 years. Those who were in between 30-40 years of age were 16 (31%). More also the study from data analysis affirmed that 25% (13) of the respondents were

aged between 40-50 years while those who were above the age of 50 years were 40% (21). From these findings, the study confirmed that majority of those who were the key employees of these private hospitals were of age which signified that they were very experienced in terms of their work hence very vital in their operations. This more also signified that based on their age, they understood what their roles were hence could not be compromised.

#### 4.2.4 Education Level

Based on the education status of the respondents, the researcher articulated the data findings as indicated in Table 6

**TABLE 6**  
**Educational Level**

<b>Educational level</b>	<b>Frequency</b>	<b>Percentage</b>
Diploma	10	19
Degree level	15	29
Post-graduate	20	38
Others	7	13
<b>Total</b>	<b>52</b>	<b>100</b>

**Source: Researcher (2023)**

The study findings of Table 6 was based on the educational level of the respondents whereby from the analysis, it was revealed that a those who had diploma level of education were 10(19%). Those who had degree level of education were rated at 29% (15). In relation to those who had postgraduate level of education were rated at 38% (20) who were the majority and those who had other level of education were rated at 13% which was equivalent to a total of 7. This response signified that the respondents in their areas of jurisdiction they were well educated to handle their mantle with effectiveness.

#### 4.2.5 Work Experience

The researcher was in need of understanding the respondent’s level of experience in their areas of operations and this was as presented in Table 7



**TABLE 7**  
**Work Experience**

<b>Work experience</b>	<b>Frequency</b>	<b>Percentage</b>
Below 4 yrs.	4	8
Between 4-9 yrs.	8	15
Between 9-14yrs.	22	42
Above 14 yrs.	18	35
<b>Total</b>	<b>52</b>	<b>100</b>

**Source: Researcher (2023)**

The analysis in Table 7 was based on work experience of the respondents from their specific roles. The established findings revealed that from a total of 52 respondents, those who had work experience of below 4 years were rated at 8% (4). Those who had work experience of between 4-9 years were rated at 15% (8). In the category of those who had work experience of between 9-14 years were 22 (42%) and those who had above 14 years work experience were rated at 35% (18) who were the majority. The researcher opined that the work experience was correlated to the age and therefore the respondents within their age factored in their work experience. According to (Mambo et al., 2015) respondents with a high level of professional experience aid in giving trustworthy data on the sought topic since they have a working knowledge of the issue being studied in their respective areas of work.

### **4.3 Reliability Results**

The study research tool that is the questionnaire was checked for reliability using Cronbach Alpha as presented in the Table 8

**TABLE 8**  
**Reliability Test**

<b>Variables</b>	<b>No. of items</b>	<b>Cronbach alpha</b>	<b>Comment</b>
Performance	3	.765	Reliable
Board size	8	.726	Reliable
Gender composition	7	.702	Reliable
Government regulation	6	.717	Reliable
Organization procedure	10	.733	Reliable
<b>Average</b>		<b>.729</b>	<b>Reliable</b>

The questionnaire was composed of Likert scales with five-point Likert-type items that were used to gauge respondents' attitudes toward the study's underlying constructs. To assess the internal consistency of the Likert scale data sets, the study used Cronbach's alpha. Three Likert-type items were used to assess the performance , which resulted in a Cronbach's alpha of 0.7265; eight Likert-type items were used to assess the board size, which resulted in a Cronbach's alpha of 0.726; seven Likert-type items were used to assess the gender composition, which resulted in a Cronbach's alpha of 0.702; six Likert-type items were used to assess government regulation which resulted in a Cronbach's alpha of 0.717; and 10 Likert-type items were used to assess organization procedure , which resulted to a Cronbach alpha of 0.733. All of the Likert scales' Cronbach's alpha test results were  $>0.7$ , indicating that they were accurate in capturing the study's underlying components. This signified that the research instrument was reliable.

#### **4.4 Descriptive Statistics**

This section was based on the study variables. These variables were analyzed descriptively from their Likert scale format whereby means and standard deviation were used to indicate their attributes based on the question under study.

##### **4.4.1 Board size**

The findings in Table 9 were based on response from the respondents on how board size had affected the performance of private hospitals in Nairobi County.

**TABLE 9**  
**Board size**  
**Descriptive Statistics**

	Mean	Std. Deviation
A smaller board size is more effective in decision-making and oversight.	3.6154	1.44377
A larger board size allows for greater diversity of expertise and perspectives.	3.5192	1.43473
The optimal board size for a private hospital in Nairobi County is between 5-10 members.	3.8462	1.31931
Board size has no significant impact on the performance of private hospitals in Nairobi County.	3.8077	1.38675
Larger private hospitals in Nairobi County benefit from larger board sizes.	3.7308	1.40189
Smaller private hospitals in Nairobi County benefit from smaller board sizes.	3.9808	1.27557
Board size has no significant impact on the performance of private hospitals in Nairobi County, regardless of size.	3.6154	1.41635
The optimal board size for a private hospital in Nairobi County varies depending on the size of the organization	3.7308	1.34478

**Source: Analytical Data (2023)**

The results in Table 9 indicated that a smaller board size is more effective in decision-making and oversight. (M=3.62) while a larger board size allows for greater diversity of expertise and perspectives (M=3.52). The optimal board size for a private hospital in Nairobi County is between 5-10 members (M=3.85), the management treated all staff in a conflict equally when seeking a resolution (M=3.77). On the other hand, Board size has no significant impact on the performance of private hospitals in Nairobi County (M=3.81) and this is attributed by the fact that larger private hospitals in Nairobi County benefit from larger board sizes (M=3.73). The study further noted that smaller private hospitals in Nairobi County benefit from smaller board

sizes (M=3.98). this was accompanied by the aspect of board size has no significant impact on the performance of private hospitals in Nairobi County, regardless of size (M=3.62) The study further noted that The optimal board size for a private hospital in Nairobi County varies depending on the size of the organization (M=3.73).

#### 4.4.2 Gender Composition

The study consider evaluating gender composition on how it affects performance as stipulated by the research questions under study as shown in the Table 10.

**TABLE 10**  
**Accommodation Strategy**

	Mean	Std. Deviation
The diverse gender identities within the hospital staff positively contribute to the overall performance of private hospitals	3.8462	1.31931
Gender expression influences the perception of competence and professionalism in private hospital settings	3.9808	1.19624
The assignment of gender-specific roles and responsibilities within private hospitals affects overall organizational efficiency	3.9615	1.23608
A higher number of female employees in leadership positions positively impacts the performance of private hospitals in Nairobi County.	3.9038	1.27202
A higher number of female employees in non-leadership positions positively impacts the performance of private hospitals in Nairobi County.	3.7885	1.31859
A higher number of female employees has negatively impacts the performance of private hospitals in Nairobi County, regardless of their position.	3.9038	1.31745
The gender composition of employees has no significant impact on the performance of private hospitals in Nairobi County.	4.0385	1.18754

**Source: Analytical Data (2023)**

From Table 10, it was found out that the diverse gender identities within the hospital staff positively contribute to the overall performance of private hospitals (M=3.85) while Gender expression influences the perception of competence and professionalism in private hospital settings (M=3.98). The assignment of gender-specific roles and responsibilities within private hospitals affects overall organizational efficiency (M=3.96) while A higher number of female employees in leadership positions positively impacts the performance of private hospitals in Nairobi County (M=3.90). This was factored in through the aspect of a higher number of female employees in non-leadership positions positively impacts the performance of private hospitals in Nairobi County (M=3.79) which was based on the fact that a higher number of female employees has negatively impacts the performance of private hospitals in Nairobi County, regardless of their position (M=3.90) and that the gender composition of employees has no significant impact on the performance of private hospitals in Nairobi County(M=4.04).

#### **4.4.3 Government Regulations**

The findings of descriptive statistics on government regulations were determined and summarized as shown in Table 11

**TABLE 11**  
**Government Regulations**  
**Descriptive Statistics**

	Mean	Std. Deviation
Number of regulations that apply to the industry/sector influence performance of private hospitals in Nairobi County	3.9038	1.20879
Number of new regulations introduced in a given period influence performance of private hospitals in Nairobi County	4.0577	1.21128
Compliance rate with relevant regulations influence performance of private hospitals in Nairobi County	4.1538	1.21081
Government regulations enhance the quality of healthcare services provided by private hospitals in Nairobi County.	4.0385	1.20394
Government regulations strike an appropriate balance between oversight and autonomy for private hospitals in Nairobi County.	3.8654	1.25290
Government regulations effectively monitor and enforce compliance with standards in private hospitals in Nairobi County.	4.1923	1.12090

**Source: Analytical Data (2023)**

From Table 11, the study established that number of regulations that apply to the industry/sector influence performance of private hospitals in Nairobi County (M=3.90) and that number of new regulations introduced in a given period influence performance of private hospitals in Nairobi County (M=4.06). Compliance rate with relevant regulations influence performance of private hospitals in Nairobi County (M=4.15) attributed by government regulations enhancing the quality of healthcare services provided by private hospitals in Nairobi County (M=4.04). Government regulations strike an appropriate balance between oversight and autonomy for private hospitals in Nairobi County (M=3.87) and Government regulations

effectively monitor and enforce compliance with standards in private hospitals in Nairobi County (M=4.19).

#### 4.4.4 Organization Procedure

The findings on organizational procedure and its effect on performance were presented in Table 12 aligned to Likert scale questions format

**TABLE 12**  
**Organization procedure**  
**Descriptive Statistics**

	Mean	Std. Deviation
The procedures in my organization are clear and well-communicated.	3.9423	1.28968
The procedures in my organization are consistently followed.	4.0577	1.14470
The procedures in my organization are efficient and effective.	3.8846	1.27808
The procedures in my organization are regularly reviewed and updated.	3.8269	1.30941
Employees are involved in the development and implementation of procedures in my organization.	4.1346	1.02954
The standardization of procedures has led to increased consistency in operations in my organization.	3.7692	1.33747
My organization's procedures have a positive impact on overall organizational performance.	3.9038	1.24080
My organization's procedures have a positive impact on customer satisfaction.	3.9231	1.25004
My organization's procedures have a positive impact on employee satisfaction.	3.6731	1.18357
My organization's procedures are aligned with our organizational goals and objectives	3.6154	1.43012

**Source: Analytical Data**

The results in Table 12 showed that the procedures in my organization are clear and well-communicated (M=3.94) while analyzing the procedures in my organization are consistently followed (M=4.06). This was confirmed by the fact that the procedures in my organization are

efficient and effective (M=3.88), confirmed by procedures in my organization are regularly reviewed and updated. (M=3.83) as employees are involved in the development and implementation of procedures in my organization (M=4.13). This was in line with issues that the standardization of procedures has led to increased consistency in operations in my organization (M=3.77), affirmed by the respondents organization's procedures have a positive impact on overall organizational performance (M=3.90). More also respondents organization's procedures have a positive impact on customer satisfaction (M=3.92) which is through respondents organization's procedures have a positive impact on employee satisfaction (M=3.67) and on the other hand, respondents were neutral on organization's procedures are aligned with our organizational goals and objectives (M=3.62).

#### 4.4.5 Performance

The study analysis on performance was descriptively presented as indicated in the Table 13

**TABLE 13**  
**Performance**  
**Descriptive Statistics**

	Mean	Std. Deviation
The profitability of private hospitals is crucial for their long-term sustainability	3.7692	1.38076
Investing in the latest medical technologies positively impact the profitability of private hospitals.	4.0385	1.31300
Private hospitals prioritize cost control measures to improve profitability	4.2885	1.19372

**Source: Analytical Data (2023)**

From Table 13 the study noted that respondents strongly agreed that the profitability of private hospitals is crucial for their long-term sustainability (M=3.77) which is signified by the fact that investing in the latest medical technologies positively impact the profitability of private



hospitals they consistently met their targets (M=4.04) and that private hospitals prioritize cost control measures to improve profitability (M=4.29).

#### 4.5 Diagnostic Tests

Diagnostic Tests were conducted to test whether the data was in line with the assumptions of regression analysis. The specific tests that were conducted include normality, multicollinearity and Heteroscedasticity.

##### 4.5.1 Multicollinearity Test

This test is concerned with existence of nearly exact linear relationship for two or more independent variables. It measures the degree to which one variable is capable of predicting another variable. Correlation matrix variance has been used to examine the presence of multicollinearity through variance impact factor (VIF). Multicollinearity was determined through Variance of Inflation Factor (VIF) and the findings are as shown in Table 14.

**TABLE 14**  
**Multicollinearity Test**  
Collinearity statistics

Model	Tolerance	VIF
1 (Constant)		
B.S	.401	2.491
G.C	.361	2.770
G.R	.575	1.739
O.P	.437	2.290

From Table 4.12, the value of mean VIF is 2.323, this value happens to be within the range 1-10. Usually, VIF values between 1-10 shows that there is no multicollinearity in the data set (Winship & Western, 2016).

#### 4.5.2 Normality Test

**TABLE 15**  
**Test of Normality**

	Shapiro-Wilk		
	Statistic	df	Sig.
Organization Procedure	.921	52	.002
Performance	.801	52	.000
Board Size	.822	52	.000
Gender Composition	.806	52	.000
Government .Regulations	.857	52	.000

**Source: Analytical Data (2023)**

The Shapiro-Wilk test was used to look for normalcy. This test looks for skewness, kurtosis, or both to evaluate how normal the data are. The Shapiro-Wilk statistic has a range of 0 to 1, and values higher than 0.05 are indicative of normal data. The data significantly deviates from the normal distribution when it is less than 0.05. Data normality was verified using the Shapiro-Wilk test, and the results showed that all variables had a p-value greater than 0.05 ( $p > 0.05$ ). In this case, p-value was less than 0.05 which signified that the data was not normally distributed

#### 4.5.3 Heteroscedasticity

When the variance of the errors in the dependent variable is not constant across the entire set of data, heteroscedasticity takes place. It happens when the values of the independent variables change the variance of errors. Heteroscedasticity in regression analysis is a systematic change in the dispersion of the residuals over the spectrum of measured values. Ordinary least squares regression makes the assumption that residuals come from a population with constant variance. High levels of heteroscedasticity in this regression can significantly skew the results, undermine the analysis, and increase the likelihood of a type 1 error. In this study, homogeneity

was assessed using the heteroscedasticity Breusch-Pagan/Cook-Weisberg test. The variances between groups are uneven if the Breusch-Pagan/Cook-Weisberg test for heteroscedasticity is statistically significant = 0.05. It is a test to see whether the scores for the variables have about the same dispersion. The results are as shown in Table 16.

**TABLE 16**  
**Heteroscedasticity Results**

Breusch-Pagan / Cook-Weisberg test for heteroscedasticity		
Ho: Constant variance		
chi2(1)	=	32.68
Prob <chi2	=	0.000

**Source: Analytical Data (2023)**

Table 4.12 findings demonstrate that the p-value is less than 5%. Since the reported Chi2 (1) = 32.68 and p-value was 0.000<0.05 and the data did not suffer from homoscedasticity, the hypothesis was rejected at a crucial p value of 0.05.

**4.6 Correlation Analysis**

The researcher performed both correlation and regression analysis to draw relevant inferences on conflict management strategies and performance of staff. The subsequent sections detail the results of the analysis.

**4.6.1 Correlation analysis.**

Table 17 provides the findings of the correlation analysis.

**TABLE 17**  
**Correlation Analysis**

		Performanc e	Board Size	Gender Compositio n	Governme nt Regulation	Organizati on Procedure
Performance	Pearson Correlation	1				
	Sig. (2- tailed)					
	N	52				
Board size	Pearson Correlation	.618**	1			
	Sig. (2- tailed)	.000				
	N	52	52			
Gender Composition	Pearson Correlation	.474**	.728**	1		
	Sig. (2- tailed)	.000	.000			
	N	52	52	52		
Government Regulations	Pearson Correlation	.686**	.573**	.616**	1	
	Sig. (2- tailed)	.000	.000	.000		
	N	52	52	52	52	
Organization Procedures	Pearson Correlation	.505**	.681**	.702**	.552**	1
	Sig. (2- tailed)	.000	.000	.000	.000	
	N	52	52	52	52	52

\*\* . Correlation is significant at the 0.01 level (2-tailed).

The results in Table17 revealed that board size and performance of private hospitals in Nairobi is positively and significantly related ( $r= 0.618$  \*\*,  $p=0.000$ ). The results further indicated that gender composition and performance of private hospitals in Nairobi County is positively

and significantly related ( $r = .474^{**}$ ,  $p = 0.000$ ). Government regulations and performance of private hospitals in Nairobi County is positively and significantly related ( $r = .686^{**}$ ,  $p = 0.000$ ). Lastly, results showed that organizational procedures and performance of private hospitals in Nairobi County is positively and significantly related ( $r = .505^{**}$ ,  $p = 0.000$ ). This implies that an increase in board size, gender composition, government regulations and organization procedures leads to an increase in performance of private hospitals in Nairobi County since the coefficients are positively related.

#### 4.6.1 Regression Results

Regression analysis was used in the study to determine the statistical significance of the relationship between board size, gender composition, government regulations, organization procedures and performance of private hospitals in Nairobi County. Regression analysis, according to Chatterjee and Hadi (2015), is a statistical procedure for determining the relationship between variables. When the emphasis is on the relationship between a dependent and one or more independent variables, it encompasses numerous approaches for modeling and evaluating multiple variables. Regression analysis, more particularly, enables one to comprehend how, when any one independent variable is changed while the other independent variables are kept constant, the usual value of the dependent variable varies (Gunst, 2018). The findings in Table 18 demonstrate the suitability of the regression model that was utilized to describe the research occurrences.

**TABLE 18**

**Model Summary**

<b>Model</b>	<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Std. Error of the Estimate</b>
1	.750 <sup>a</sup>	.562	.525	.73837

a. Predictors: (Constant), O.P, G.R, B.S, G.C

Table 4.16 established that the value of R is given as 0.750; this means that there existed strong and positive relationship between corporate governance structures and performance of private hospitals in Nairobi County. The value of R square is 0.562; this meant the overall regression model of the study was fit. The value of adjusted R square was given as 0.525, this meant that 52.5% change in performance of private hospitals in Nairobi County was explained by the corporate governance structures that were in place. The residual effect of 47.5% accounted for factors that affect corporate governance structures that were excluded from the scope of the study.

#### 4.6.2 Analysis of Variance

**TABLE 19**  
**Analysis of Variance**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	32.878	4	8.220	15.076	.000 <sup>b</sup>
	Residual	25.624	47	.545		
	Total	58.502	51			

a. Dependent Variable: P

b. Predictors: (Constant), O.P, G.R, B.S, G.C

A regression of coefficient analysis was used in the study to assess the statistical significance of the relationship between the independent variables, board size, organizational procedures, gender composition and government regulation and the dependent variable, namely performance of private hospitals in Nairobi County. The importance of the regression model is further supported by the fact that the results' p-values were 0.000, which is less than 0.05, and F= 15.076, (p=0.000).

#### 4.6.3 Summary of the coefficients and significance.

Regression coefficients

**TABLE 20**  
**Regression Coefficients**

Model		Unstandardized		Standardized	t	Sig.
		Coefficients	Coefficients	Beta		
		B	Std. Error	Beta		
1	(Constant)	-.308	.655		-.471	.640
	Board Size	.545	.202	.411	2.696	.010
	Gender Composition	-.296	.227	-.209	-1.301	.199
	Government Regulations	.745	.176	.538	4.229	.000
	Organizational procedures	.118	.230	.075	.512	.611

**Source: Analytical Data (2023)**

Table 19, the following equation is predicted between corporate governance structures and performance of private hospitals in Nairobi County:

$$Y = -.308 + .545X_1 - .296X_2 + .745X_3 + .118X_4$$

+Y= performance

X<sub>1</sub>=Board Size

X<sub>2</sub>= Gender Composition

X<sub>3</sub>=Government Regulations

X<sub>4</sub>= Organizational procedures

The constant of -.308 showed that when board size, gender composition, government regulations and organizational procedures are held constant, performance of private hospitals

in Nairobi county would remain at -.308units. The regression of coefficients results show that board size and performance of private hospitals in Nairobi county is positively but insignificantly related ( $\beta=0.411$ ,  $p=0.640$ ). The results further indicated that gender composition performance of performance of private hospitals in Nairobi county is negatively but significantly related ( $\beta=-0.209$ ,  $p=0.010$ ). The results further indicated that government regulations and performance of performance of private hospitals in Nairobi county is positively but insignificantly related ( $\beta=0.538$ ,  $p=0.199$ ). Lastly, results showed that process organizational procedures and performance of performance of private hospitals in Nairobi county is positively but insignificantly related ( $\beta=0.075$ ,  $p=0.611$ ).

#### **4.7 Discussion of Findings**

The purpose of this study was to determine the effect that corporate governance structures had on the performance of private hospitals in Nairobi County. The variables of interest on the performance of private hospitals in Nairobi County included board size, gender composition, governmental regulations, and organizational procedures. The outcomes of the pre-estimation tests for heteroscedasticity, multicollinearity, and normality demonstrated the suitability of the underlying assumptions for regression analysis.

##### **4.7.1 Board Size and Performance**

The first objective of the study was to determine the effect of board size on performance of private hospitals in Nairobi County. Correlation results indicated that board size and performance of SMEs is positively and significantly related ( $r= 0.618^{**}$ ,  $p=0.000<0.05$ ). The regression of coefficients results show that board size and performance of private hospitals in Nairobi County is positively but insignificantly related ( $\beta=0.411$ ,  $p=0.640>0.05$ ). This implies that a unitary increase in board size leads to increase in performance of SMEs by 0.411 units holding other factors constant. The findings was in consistent with the findings of Tulung and Ramdani (2018) whom established that board impartiality, board size, and BPD effectiveness



are all positively correlated. This was contrary to the findings of Mandala (2018) who established that ideal quantity of board conferences significantly affected productivity.

#### **4.7.2 Gender composition and Performance**

The second objective of the study was to determine the effect of gender composition on performance of private hospitals in Nairobi County. Correlation results indicated that gender composition and performance of private hospitals in Nairobi County is positively and significantly related ( $r = .474^{**}$ ,  $p = 0.000 < 0.05$ ). The regression of coefficients results show that gender composition and performance of private hospitals in Nairobi county is negatively but significantly related ( $\beta = -0.209$ ,  $p = 0.010 < 0.05$ ). This implies that a unitary increase in gender composition leads to decrease in performance of private hospitals in Nairobi County by -0.296 units holding other factors constant. The findings were consistent with Fenwick (2001) who evaluated how gender makeup affected group output and established that Group size and individual achievement in prior course assessments had little impact for efficiency and report grades. The findings by Bobbitt-Zeher, (2011) who focused on Gender discrimination at work: Connecting institutional policies, institutional norms, and professional demographic diversity established the importance of cultural, structural, and interactional influences on gender discrimination.

Kirui and Onyuma (2019) findings revealed that group establishment and enrollment have a positive and significant influence regarding investment groups' ability to make money. The findings by Waithaka and Wanjau (2013) on how board size, director compensation, and autonomy of members have a strong negative relationship with social outcomes, but multiple directorship and the establishment of board committees have a favorable relationship.

#### **4.7.3 Government regulation and Performance**

The third objective of the study was to determine the effect of Government regulations on performance of private hospitals in Nairobi County. Correlation results indicated that

government regulations and performance of private hospitals in Nairobi County is positively and significantly related ( $r = .686^{**}$ ,  $p = 0.000 < 0.05$ ). The regression of coefficients results show that government regulations and performance of private hospitals in Nairobi County is positively but insignificantly related ( $\beta = 0.538$ ,  $p = 0.199 > 0.05$ ). This implies that a unitary increase in government regulations leads to increase in performance of private hospitals in Nairobi County by 0.745 units holding other factors constant.

This correlated to the findings of Muithya (2021), the corporate environment, which is controlled by governmental regulations and policies, has a substantial impact on the relationship between innovation and performance. These findings were in contrary to the findings of Jiang et al. (2018) found that government regulations had a negative impact on innovation performance because strict local regulations limit output. Similarly, it was in line with findings of Eniola and Entebang (2015) found that limitations hinder SMEs from operating to their fullest capacity and negatively impact their capacity to compete. Which was also based on the fact that how successfully SMEs comply with regulations is significantly impacted by the choice of government policy

#### **4.7.4 Organizational procedures and Performance**

The fourth objective of the study was to determine the effect of organizational procedures and performance of private hospitals in Nairobi County. Correlation results indicated that organizational procedures and performance of private hospitals is positively and significantly related ( $r = .505^{**}$ ,  $p = 0.000 < 0.05$ ). The regression of coefficients results show that organizational procedures and performance of private hospitals is positively and insignificantly related ( $\beta = 0.075$ ,  $p = 0.611 > 0.05$ ). This implies that a unitary increase in organizational procedure leads to increase in performance of private hospitals by 0.118 units holding other factors constant.

The findings agrees with those of Bhumika Raval (2016) came to the conclusion that an honest workplace culture, job stability, and the well-being of programmes all contribute to employee happiness and career advancement. The findings by Ogbonnaya and Valizade (2018) who looked at the link amongst high-performance job practices (HPWP) and organizational success, specifically the mediating role of employee outcomes indicated that the connection between HPWP and staff absenteeism was influenced by both work contentment and staff involvement, although a positive association between HPWP and patient satisfaction was only communicated by job fulfilment. Ahmad (2012) found out that there existed a significant correlation between a quality improvement methodology and performance excellence. Nyamoita (2015) findings demonstrated a positive factually noteworthy relationship between sale of power, a proportion of the prepaid process innovation and money related execution pointer of profit for resources.

## CHAPTER FIVE

### DISCUSSION, CONCLUSION AND RECOMMENDATIONS

#### 5.1 Introduction

This chapter was based on summarizing the study findings, making conclusions and recommendation. The study more also provided an aspect of further research areas that would be carried out in the future based on the current study findings.

#### 5.2 Discussion

This section basically considered summarizing the study findings after data analysis.

##### 5.2.1 Board Size and Performance

The first objective of the study was to determine the effect of board size on performance of private hospitals in Nairobi County. Correlation results indicated that board size and performance of private hospitals is positively and significantly related. The regression of coefficients results show that board size and performance of private hospitals in Nairobi County is positively but insignificantly related. The results indicated that a unit increase in board size leads to increase in performance of private hospitals in Nairobi County by 0.545 units holding other factors constant.

##### 5.2.2 Gender Composition and Performance

The second objective of the study was to determine the effect of gender composition on performance of private hospitals in Nairobi County. Correlation results indicated that gender composition and performance of private hospitals is positively and significantly related. The regression of coefficients results showed that gender composition and performance of private hospitals in Nairobi is positively and insignificantly related. The results indicated that a unit increase in gender composition leads to decrease in performance of private hospitals by 0.296 units holding other factors constant.

##### 5.2.3 Government regulation and Performance

The third objective of the study was to determine the effect of government regulation on performance of private hospitals in Nairobi County. Correlation results indicated that

government regulation and performance of private hospitals is positively and significantly related. The regression of coefficients results show that government regulation and performance of private hospitals is positively and significantly related. The results indicated that a unit increase in government regulation leads to increase in performance of private hospitals by 0.745 units holding other factors constant.

#### **5.2.4 Organizational Procedures and Performance**

The fourth objective of the study was to determine the effect of organizational procedures on performance of private hospitals in Nairobi County. Correlation results indicated that organizational procedures and performance of private hospitals is positively and significantly related. The regression of coefficients results showed that organizational procedures and performance of private hospitals in Nairobi County is positively but insignificantly related. The results indicated that a unit increase in organizational procedures leads to increase in performance of private hospitals by 0.118 units holding other factors constant.

#### **5.3 Conclusion**

Based on the findings, the study concluded that corporate governance structures affects the performance of private hospitals in Nairobi County. This is based on the fact that corporate governance which is entitled to oversees the overall undertaking of the health institutions considers are the regulations which are entitled to be undertaken such as how board size is structured, how the gender is entitled to be composed of, adherence with government regulations as well as considerations of organizations procedures are articulated to the latter. This was confirmed by the regression model which confirmed that corporate governance structures affected the performance of Private hospitals in Nairobi County.

The effects of board size, government regulations and organizational procedures are statistically significant apart from gender composition on private hospitals in Nairobi County. The study, hence, concludes that corporate governance structures has a positive effect on

private hospitals performance. Lastly, through effective application of the corporate governance structures, the private hospitals have been able to increase their market share attributed by having a wider pool of clients who have trust in them and therefore competitively engaging in businesses like their counterpart in public hospitals.

#### **5.4 Recommendations**

Based on the study findings, the following recommendations were made;

The study recommends that the private hospitals in Nairobi County should invest more in corporate governance structures so as to survive intense competition currently experienced in the sector especially from the public hospitals. The study recommended that private hospitals should invest in their board size especially on its gender composition with articulations with the government regulations without compromising on their procedures they undertake to fully be compliance. This will help the private hospitals to be more feasible due to the way they are adhering to what is all about corporate governance structure and therefore have a competitive advantage of operations hence performance improvement.

Further, the study recommends that the private hospitals should continuously ensure that their corporate governance structure composer is based on their stipulated policy guidelines so that they are able to meet their obligation. In so doing, they will be able to achieve their mandate especially making sure that the performance is an overall contribution from their own. More to that, through especially embracing a competent gender composition, they will have a clear manifestation of their long term engagement hence improving on their outcome. This study therefore recommends that there is the need for the private hospitals to embrace corporate governance structure that is very competent especially when it comes to issues related to gender complacency and strictly adhering to government regulations

The study more also recommends that there is the need for the overall private hospital to be very vigilant when it comes to the way they undertake their mandate. This is basically

based on the aspect of following the organizational procedure as part of their corporate governance so as they don't deviate from what is expected of them especially following up on the structure of management within their operationalization.

### **5.5 Limitations of the Study**

Due to the fact that the study was limited to private hospitals in Nairobi County, some of the findings may not be fully applicable to other health sectors in Kenya as a whole. Thoughts on corporate governance structures in private hospitals are thought to be addressed by the findings. Board size, gender composition, government regulations and organizational structures, innovation on performance were the only four factors included in the study. In order to overcome the respondents' concern over confidentiality, it was made clear to them that their identities would be kept private and that their responses would only be utilized for research.

### **5.6 Areas for Further Research**

Regression analysis results showed that corporate governance structures accounted for 52.5% of the improvement in private hospitals performance. This showed that future studies could explore and elucidate additional elements in addition to the creative tactics. The scope can also be extended to additional organizations, which would increase the representativeness of the results.

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**APPENDICES**

**Appendices I: Introduction Letter  
KCA University**

**Nairobi**

**April 2023**

**Dear Sir/Madam,**

**RE: REQUEST FOR COLLECTION OF DATA**

I, **ROSE RUKWARO – 17/04617** is a Post Graduate student at KCA University. I am conducting a research study titled the “**EFFECTS OF CORPORATE GOVERNANCE STRUCTURES ON PERFORMANCE OF PRIVATE HOSPITALS IN NAIROBI COUNTY**”. Kindly assist by filling in the attached questionnaire. The identity of respondents will be treated in strict confidence. Do not indicate your name or details on the questionnaire. Your assistance and cooperation will be highly appreciated.

Yours Sincerely,

.....

**ROSE RUKWARO**

## Appendix II: Questionnaire

Kindly fill this questionnaire as openly and honestly as possible. This research instrument is designed to solicit for empirical data for the conduct of academic exercise on the topic;

### Section A: Demographic Information

	Respondent Characteristic
Gender of respondent	1. Male
	2. Female
Age of respondent	1. Below 30 years
	2. 30-40
	3. 40-50
	4. Above 50
Education level of respondent	1. Diploma
	2. Bachelor's Degree
	3. Post-graduate
	4. Other (specify)
Indicate your years of service	1 below 4 Year
	2. Between 4-9 Years
	3. Between 9-14 Years
	4. Over 14 Years
Name of Hospital	

### Section B: How does board size at hospital effect on performance of private hospitals in Nairobi County

Kindly rate your level of agreement with the following board size effect on performance of private hospitals in Nairobi County. In rating the statements below, indicate your response based on a Likert Scale of 1-5 where: 5= Strongly Agree; 4=Agree 3= Uncertain; 2= Disagree and 1=Strongly Disagree; (Use a tick (√) to mark the applicable box).

Statements	1	2	3	4	5
A smaller board size is more effective in decision-making and oversight.					
A larger board size allows for greater diversity of expertise and perspectives.					
The optimal board size for a private hospital in Nairobi County is between 5-10 members.					
Board size has no significant impact on the performance of private hospitals in Nairobi County.					
Larger private hospitals in Nairobi County benefit from larger board sizes.					
Smaller private hospitals in Nairobi County benefit from smaller board sizes.					
Board size has no significant impact on the performance of private hospitals in Nairobi County, regardless of size.					
The optimal board size for a private hospital in Nairobi County varies depending on the size of the organization					

### Section C: Gender Composition

To what extents do you agree with the following gender composition effect on performance of private hospitals in Nairobi County? In rating the statements below, indicate your response based on a Likert Scale of 1-5 where: 5=Strongly Agree; 4=Agree 3= Uncertain; 2= Disagree and 1=Strongly Disagree; (Use a tick (√) to mark the applicable box).

Statement	5	4	3	2	1
The diverse gender identities within the hospital staff positively contribute to the overall performance of private hospitals					
Gender expression influences the perception of competence and professionalism in private hospital settings					
The assignment of gender-specific roles and responsibilities within private hospitals affects overall organizational efficiency					
A higher number of female employees in leadership positions positively impacts the performance of private hospitals in Nairobi County.					

A higher number of female employees in non-leadership positions positively impacts the performance of private hospitals in Nairobi County.					
A higher number of female employees has negatively impacts the performance of private hospitals in Nairobi County, regardless of their position.					
The gender composition of employees has no significant impact on the performance of private hospitals in Nairobi County.					

**Section D: How does government regulation affect performance of private hospitals in Nairobi County?**

To what extent do you agree with the government regulation effect on performance of private hospitals in Nairobi County? In rating the statements below, indicate your response based on a Likert Scale of 1-5 where: 5= Strongly Agree; 4=Agree 3= Uncertain; 2= Disagree and 1=Strongly Disagree; (Use a tick (√) to mark the applicable box).

Statement	5	4	3	2	1
Number of regulations that apply to the industry/sector influence performance of private hospitals in Nairobi County					
Number of new regulations introduced in a given period influence performance of private hospitals in Nairobi County					
Compliance rate with relevant regulations influence performance of private hospitals in Nairobi County					
Government regulations enhance the quality of healthcare services provided by private hospitals in Nairobi County.					
Government regulations strike an appropriate balance between oversight and autonomy for private hospitals in Nairobi County.					
Government regulations effectively monitor and enforce compliance with standards in private hospitals in Nairobi County.					



**Section E: How does organization procedures affect performance of private hospitals in Nairobi County?**

To what extent do you agree with the effect of organization procedures on performance of private hospitals in Nairobi County? In rating the statements below, indicate your response based on a Likert Scale of 1-5 where: 5= Strongly Agree; 4=Agree 3= Uncertain; 2= Disagree and 1=Strongly Disagree; (Use a tick (√) to mark the applicable box).

Statement	5	4	3	2	1
The procedures in my organization are clear and well-communicated.					
The procedures in my organization are consistently followed.					
The procedures in my organization are efficient and effective.					
The procedures in my organization are regularly reviewed and updated.					
Employees are involved in the development and implementation of procedures in my organization.					
The standardization of procedures has led to increased consistency in operations in my organization.					
My organization's procedures have a positive impact on overall organizational performance.					
My organization's procedures have a positive impact on customer satisfaction.					
My organization's procedures have a positive impact on employee satisfaction.					
My organization's procedures are aligned with our organizational goals and objectives					

**Section F: Performance of private hospitals in Nairobi County**

To what extent do you agree with the effect of on performance of private hospitals in Nairobi County? In rating the statements below, indicate your response based on a Likert Scale of 1-5 where: 5= Strongly Agree; 4=Agree 3= Uncertain; 2= Disagree and 1=Strongly Disagree; (Use a tick (√) to mark the applicable box).

<b>statement</b>	5	4	3	2	1
The profitability of private hospitals is crucial for their long-term sustainability.					
Investing in the latest medical technologies positively impact the profitability of private hospitals.					
Private hospitals prioritize cost control measures to improve profitability.					

**Appendices III: List of Private Hospitals In Nairobi County**

	<b>Registered Name of the Private hospital</b>	<b>Location</b>	<b>No of Target Respondents</b>
1	The Nairobi Hospital	Nairobi County	1
2	The Aga Khan University Hospital	Nairobi County	1
3	M P Shah Hospital	Nairobi County	1
4	The Mater Hospital	Nairobi County	1
5	Metropolitan Hospital, Nairobi	Nairobi County	1
6	Gertrude Garden Childrens Hospital	Nairobi County	1
7	Guru Nanak Ramgarhia Sikh Hospital	Nairobi County	1
8	Avenue Hospital	Nairobi County	1
9	Coptic Hospital	Nairobi County	1
10	Jamaa Hospital	Nairobi County	1
11	The Karen Hospital	Nairobi County	1
12	The Nairobi Womens Hospital	Nairobi County	1
13	Masaba Hospital	Nairobi County	1
14	Nairobi West Hospital	Nairobi County	1
15	Nairobi Equator Hospital	Nairobi County	1
16	Parklands Ambulatory Surgical Centre	Nairobi County	1
17	T Marys Mission Hospital	Nairobi County	1
18	South B Hospital	Nairobi County	1
19	Chiromo Lane Medical Centre	Nairobi County	1
20	Melchizedek Hospital	Nairobi County	1
21	Familycare Medical Centre	Nairobi County	1
22	New Langata Medical Centre	Nairobi County	1

23	Madina Nursing Home	Nairobi County	1
24	Mother And Child Hospital	Nairobi County	1
25	Mariakani Cottage Hospital	Nairobi County	1
26	Scion Medical Hospital	Nairobi County	1
27	Penda Medical Hospital	Nairobi County	1
28	Bristol Park Hospital	Nairobi County	1
29	Savannah Healthcare	Nairobi County	1
30	<b>Karen Hospital</b>	Nairobi County	1
TOTAL			30

Source: Ministry of Health Report (2022)

**Appendix IV: Work Plan 2023**

Activity	March 2023	April 2023	May 2023	June 2023	July 2023	August 2023
Topic selection						
Topic approval						
Proposal writing						
Questionnaire Development						
Work plan and Budget Development						
Proposal Submission to supervisor						
Proposal Defense						
Proposal writing						
Proposal Submission						

**Appendix V: Research Budget**

ITEM	COST IN KSHS
Transport Expenses	8,600.00
Stationary	5,400.00
Backup Device	3,400.00
Printing and Photocopy	2,900.00
Telephone	5,000.00
Binding the research	3,210.00
Indirect Costs	12,000.00
Total Expenses	40,510.00