



## **Effect Of Governace On Performanceof County Governments In Kenya**

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### **ABSTRACT**

**This study's purpose was to evaluate the effect of governance on performance of county governments in Kenya. The data collection instrument used was Questionnaire. The questionnaire collected primary data from seven counties in Kenya (Machakos, Kakamega, Murang'a, Kilifi, Migori, Nakuru and Nairobi) drawn from 47 county governments in Kenya. The researcher identified the best performing county from every region of the former eight provinces of the republic of Kenya. The study adopted correlational research design. The study adopted two tools of analysis namely: correlation and regression analysis. The correlation analysis portrayed the positive correlation between the predictor and the response variables. Regression analysis was used to explain the relationship between the predictor and response variables. To provide the strength of the relationship between the model and the response variable and determine its goodness fit, R-squared was used. F statistics was used to test the significance of the regression model. The findings articulated that governance significantly performance of county governance. From the findings, the study concludes that the county governments should enhance on further improvement in the area of governance in order to enhance the benefit of governance on performance of county governments.**

**Key Words:** Governance, Performance, County Governments

### **INTRODUCTION**

Strategic management provides overall direction that involves formulation and implementation of the organizational goals. This involves specifying the organizational objectives and from them, develops plans and policies to enable the organization achieve its set objectives as well as allocate resources to implement the plans. This is done through the consideration of resources and assessment of internal and external environments in which the organizations functions. Strategic management incorporates all management hitches that may arise soon the strategic plans are developed, when other management process functions must be performed. Strategic management vividly states that a plan is incomplete by the time it has been implemented and evaluated and hence managers in strategic management are called to consider daily operations in the context of a longer period as well as change of external environment. In order to support new initiatives that spring from certain changes in the organizational environment, organizational structure and other fundamentals of management have to be adequate (20).

Governance refers to a system of policies, values and institutions by which every society manages its social, economic and political affairs by means of interactions among and within the civil society and private sector. It operates at every level of human innovativeness. Good Governance is effectiveness, regulatory quality, stability, and absence of violence and control of corruption (7).

Governance is a variable that outlines the culture being used by the country government, who will be responsible to take the county government where it wishes to go, what systems are in place to implement the county government strategies and the structures in place to help the county governments in achieving their objectives. Governance enhances the processes, rules, or laws by which organizations are controlled, operated and regulated. It plays a great role of ensuring that the interior features, stakeholders or composition of an organization as well as to exterior powers such as suppliers, clients, and management regulations are well established (19).

### **STATEMENT OF THE PROBLEM**

Governance ensures that the organization operates within stipulated regulations and increases the organization's accountability. County governments are vital vehicles for grassroots social-economic development in Kenya. Governance is therefore, important to county government's prudent management of resources for optimal performance. However, county governments face a number of challenges in executing their constitutional mandated functions. These challenges are as a result of poor governance. Studies by (16), (11) and (14) indicate that poor governance in county governments has resulted to high levels of corruption. This study sought to establish the effect of governance on the performance of county governments in Kenya and thus fill the knowledge gap.

### **RESEARCH QUESTION**

The study sought to answer a key question:

To what extent does governance affect the performance of county governments in Kenya?

### **LITERATURE REVIEW**

This study focused on Agency theory's (9). The theory is concerned with the conflicting interests of principals and agents and holds a central role in the governance of every organization. Agency Theory hypothesizes that separation between the owners and managers of a company creates a variance of interests which eventually increase the agency costs. These costs refer to the collection of: the agent enticement costs and monitoring costs incurred by the principals in limiting the variance of interests; bonding costs incurred to discourage the agents from taking interest deviating actions; and the welfare residual loss or reduction incurred by the principal as a result of the deviation between the agents' decisions and welfare maximizing decisions expected by the principals (2). Managers in Agency theory often deploy organization assets for their own selfish interests rather than the interest of the owners. These problems are usually intensified by differences in risk preference between the agents and the principals (12).

Literature revealed expressed that Agency theory has its own limitations. First, the theory is less explainable than an explanation and is more detailed than a definition. This in other words means that the theory is less powerful as explained and it is more a description. The limitation is however overcome by the fact that, the theory will help when one is found guilty (13). Further, agency theory has another limitation in that its evasion of ways in which corruption can be organizationally encouraged by the asymmetric dissemination of power in bureaucracies. One of the key

understandings of agency theory is the notion of costs of sustaining the division of labour among the stakeholders, more so the managers as well as the shareholders. Managers have the benefit of inside information, since they know the organization close up. They are able to use this to improve their personal reputations at the cost of shareholders. Restraining the control of managers has a cost implication that end up in consuming cash that would be used in more growth and development of the organization. Limiting and monitoring managers itself sometimes contains significant costs to the organization. To overcome this limitation, the organizations should embark on strictly follow up laid down policies and procedures and the shareholders should as well understand them (6).

Agency theory is relevant to this study as it helps in explaining the behavior of executives as well as recommends the performance outcomes of managerial actions. The theory advises on the way the county governance mechanisms should be geared towards controlling executive behavior to improve on goal delivery or performance. Based on the agency theory, the study hypothesizes that governance is beneficial to the performance of county governments by checking on management excesses.

Performance in the public sector has some general features which are accomplished in a performance measurement system that involves a relationship between inputs, process, outputs and outcomes which are then guided by two objectives that answers two questions: are we doing things right and are we doing the right things. The performance measurement system allows implementing some important actions and making some decisions based on quantifying the efficiency and effectiveness of past actions using appropriate information structure (15). Performance is no longer measured only on key performance indicators (KPI) such as return on investment (ROI), revenue, overhead and operational costs in modern years, but considered to involve not only financial considerations but also other factors including employee morale and productivity, social responsibility and reputation and innovation (4).

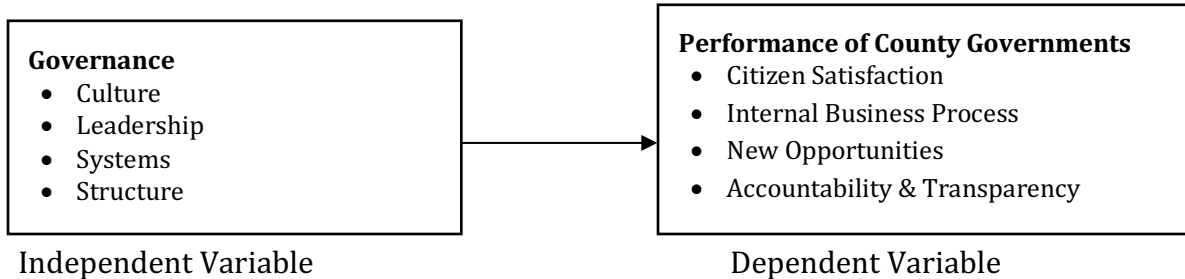
### **Conceptual Framework**

According to (1), governance is concerned with two important aspects namely accountability and enhancement of organization prosperity. Accountability has principally been in emphasis while enhancement of business prosperity, has got much less consideration. The key reasons are the challenges involved and the competency it takes to have an influence on value-creation in the organization. According to (18) corporate governance (CG) is the total organizational and institutional mechanisms, and corresponding intervention and decision-making and control rights, which help to resolve conflicts of interest between the various stakeholders which have a stake in an organization and which in segregation or in their collaboration, decide how significant resolutions are taken in an organization, and eventually regulate which decisions are taken. CG is occasionally regarded as a business culture adopting cost-effective growth by building up confidence of stockholders (17).

According to (8), governance is all about making sure that decisions are made effectively. This drive towards strategic corporate governance has been due to various factors that include collaborative quality, creative quality and strategic quality. Collaborative quality ensures that stakeholders are shielded against abuse by managers while improving access to assets for the organization itself and imparting financial stability in the management of the organization. Collaborative quality ensures that the quality decisions being taken by managers does not depend solely on their abilities in

embracing the right course of action, but also to what magnitude these resolutions are corresponding to the long-term goals of stakeholders.

Arising from the literature review, the following represents the conceptualization of the study.



**Figure 1: Conceptual Framework**

### **RESEARCH METHODOLOGY**

To test the effect of governance on performance of county governments, this study adopted correlational research design. Data was collected once over a period of one month from a sample of seven counties in Kenya to represent Kenya as a region. The correlation analysis was used to show the positive correlation between the predictor and response variables while regression analysis was used to explain the relationship between the predictor and response variables. R-squared was used to provide the strength of the relationship between the model and the response variable and determine its goodness fit. While F statistics was used to test the significance of the regression model.

### **MEASUREMENT OF VARIABLES**

This study variables were measured using continuous indicators. Governance was measured by nine items namely: Governance ensures county is accountable and operates within regulations, Leaders have set clear direction for the county, County is guided by stems already in place, Leaders symbolize values and beliefs of county, County structures and systems are well defined, There are rules and regulations on those who bleach law, County government has systems to implement strategies, County operates on an open system and Culture supports attainment of mandate. A five point likert scale ranging from one (Strongly agree) to five (Strongly disagree) was used. This measure has been adopted from previous research of (21). The Cronbach's alpha coefficient value was 0.91 and this is an indication that the internal reliability of the used scale was quite satisfactory. According to (5), for normal research, reliability that is as low as 0.7 is basically acceptable.

The results, based on coefficient value indicate that the data has high level of internal consistency. Several parameters were used to measure county government performance. They include: new opportunities benefit all stakeholders, county arrangements ensure inclusion and fairness, county cake is shared among all county residents, employee satisfaction via involvement and empowerment, lead to efficiency in internal processes, efficient public procurement practices are pursued to ensure sound management of expenditure, county relates well with all stakeholders, good communication process ensure internal processes run smoothly, suppliers are satisfied with quality and level of information in contracts and county emphasizes assessment of citizens needs and expectations. A five point likert scale ranging from one (Strongly agree) to five (Strongly

disagree) was used. The Cronbach's alpha coefficient value for performance was 0.78 and this indicates that the internal reliability of the scale was satisfactory.

## **RESEARCH FINDINGS AND DISCUSSIONS**

### **Descriptive Analysis for Governance**

Governance was measured by Culture, Leadership, Systems and Structures and on a five point Likert scale, the respondents were asked to respond to different questions as outlined in Table 1. Culture was taken to embrace attainment of mandate. The results showed that 75% of the respondents agreed with the statement while, 25% of the respondents disagreed. The research sought to establish whether the counties operated on an open system and 61.7% of the respondents reported that counties operated on an open system while 38.3% disagreed with the statement. When asked if leaders in the counties have set a clear direction for the county, 55.3% of the respondents indicated that they do while 44.7% of the respondents felt that the leaders in the county do not have a clear direction for the county.

This left an opinion that leadership in the counties is wanting. The study further sought to establish whether the governance of the counties ensured that the county operates within stipulated regulations and increases the county's accountability. Majority of the respondents (74.2%) indicated that county governance ensured county is accountable and operates within regulations while 25.8% disagreed with the statement. This is an indication that accountability was observed and governance was guided by set regulations. The respondents further reported that there are set rules and regulations on those who breach the law of the county with 79.7% of the respondents agreeing to the statement while 20.3% indicated that the set rules and regulations are not followed on those who breach the rule.

This gives an indication that set rules and regulations are important in governance. In regard to the systems, the study sought to establish if the county governments have put systems in place to implement the county government set strategies. 72.7% indicated that county government have put systems in place to implement the county government set strategies while 20.3% ruled out systems being in place. The results support systems assisting in governance of county governments. On structures, the study sought to establish if the structure and practices are well defined and 57.8% outlined that the structures and practices are well defined while 42.2% reported that they are not well defined. The results are an indication that county governments should define well their structures and practices.

**Table 1: Descriptive Statistics for Governance**

	St.D	Sl.D	D	A	St.A	Summary			
	%	%	%	%	%	Mn	Md	Mo	S.D
Culture supports attainment of mandate	0.0%	7.8%	17.2%	68.0%	7.0%	4	4	4	1
County operates on an open system	0.0%	11.7%	26.6%	56.2%	5.5%	4	4	4	1
Leaders symbolize values and beliefs of county	0.0%	21.9%	37.5%	31.2%	9.4%	3	3	3	1
Leaders have set clear direction for the county	0.0%	19.5%	24.2%	47.7%	8.6%	3	4	4	1
Governance ensures county is accountable and operates within regulations	0.0%	9.4%	16.4%	63.3%	10.9%	4	4	4	1
There are rules and regulations on those who breach law	1.6%	7.0%	11.7%	71.1%	8.6%	4	4	4	1
County government has systems to implement strategies	0.0%	2.3%	18.0%	72.7%	7.0%	4	4	4	1
County is guided by stems already in place	0.0%	14.8%	18.0%	57.8%	9.4%	4	4	4	1
County structures and systems are well defined	0.0%	23.4%	18.8%	49.2%	8.6%	3	4	4	1

Several factors were used to measure performance of County Governments in the study. The study findings showed that 81.2% of the respondents reported that their counties emphasized on assessment of citizen needs and expectations, whereas 18.8% reported that counties did not have any emphasize on assessment of citizen needs and expectations. This is an indication that needs and expectations of citizens in most counties were considered and met. Second, 51.6% of the respondents reported that the County cake is shared among all county residents, while 48.4% reported that the county cake is not shared among all county residents. The findings are an indication that the county government management should improve on sharing of county cake among citizens in their respective counties.

Sixty Five point Seven percent (65.7%) reported that employee satisfaction, via involvement and empowerment lead to efficiency in internal processes as while 34.3% of the respondents disagreed with the statement. These results show that employees in most counties were involved and empowered in running of the county governments. When asked whether good communication process ensure internal processes run smoothly, 75% of the respondents agreed with the statement while 25% of the respondents disagreed with the statement a prove that good communication resulted to improved performance. Further, the respondents were asked if county arrangements ensured inclusion and fairness, 53.9% of the respondents reported that the arrangements included stakeholders and were fair while 46.3% reported non-inclusion and unfair. These results posed a platform where the county governments should improve on inclusion and fairness in their operation management to improve on performance of county governments.

When asked if county governments pursued efficient public procurement practices to ensure sound management of expenditure, majority of the respondents (65.7%) agreed to the statement while 34.3% disagreed with the statement. The results show that most counties applied effective public procurement practices that ensured sound management of expenditure and this led to

improvement in performance. The researcher further asked the respondents whether the suppliers are satisfied with quality and level of information in county government contracts and 55.5% reported that they were while 44.5% disagreed with the statement. The results communicate that county governments should consider improving the quality and level of information in county government contracts.

**Table 2: Descriptive analysis for County Government Performance**

	St.D	Sl.D	D	A	St.A	Summary			
	%	%	%	%	%	Mn	Md	Mo	S.D
County emphasizes assessment of citizen needs and expectations	0.0%	7.8%	10.9%	78.1%	3.1%	4	4	4	1
County cake is shared among all county residents	6.2%	23.4%	18.8%	47.7%	3.9%	3	4	4	1
Employee satisfaction, via involvement and empowerment, lead to efficiency in internal processes	0.8%	22.7%	10.9%	64.1%	1.6%	3	4	4	1
Good communication process ensure internal processes run smoothly	0.0%	11.7%	13.3%	67.2%	7.8%	4	4	4	1
New opportunities benefit all stakeholders	4.7%	26.6%	25.0%	42.2%	1.6%	3	3	4	1
County arrangements ensure inclusion and fairness	5.5%	19.5%	21.1%	51.6%	2.3%	3	4	4	1
Efficient public procurement practices are pursued to ensure sound management of expenditure	2.3%	10.2%	21.9%	64.1%	1.6%	4	4	4	1
Suppliers are satisfied with quality and level of information in contracts	0.8%	20.3%	23.4%	53.9%	1.6%	3	4	4	1
County relates well with all stakeholders	0.0%	21.1%	31.2%	43.8%	3.9%	3	3	4	1

### CORRELATION ANALYSIS

Performance had a positive and significant correlation with planning ( $r = 0.600$ ,  $p\text{-value} < 0.01$ ). This means, an increase in governance leads to an increase in county government performance.

**Table 3: Correlations Analysis**

	X	Y
Planning	Correlation	1
	Sig. (2-tailed)	600**
	N	0.01
	1	128
**. Correlation is significant at the 0.01 level (2-tailed).		
*. Correlation is significant at the 0.05 level (2-tailed).		

Key: Y=County Government Performance, X= Governance

### REGRESSION ANALYSIS

**H<sub>0</sub>1:** There is no significant relationship between governance and the Performance of County Governments in Kenya

**Governance and County government performance Model Summary**

The coefficient of determination (R squared) of 0.246 indicates that 24.6% of county government performance can be explained by innovation. The adjusted R square of 24.2% explains that governance in the exclusion of the constant variable explain there is no change in county government performance. The remaining percentage can be explained by other factors not included in the model. The R indicates the correlation coefficient of the effects of governance, an R = 0.600 shows that there is a positive relationship between governance and county government performance. The standard error of estimate (0.41) shows the average deviation of the independent variables from the line of goodness fit.

**Table 4: Governance and County government performance Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.600 <sup>a</sup>	0.246	0.242	0.40001
a Predictors: (Constant), Governance				

**Governance and County Government Performance**

The F statistics was used to test for the model goodness of fit. Table 5 (F=71.030, p value =0.00) indicates that there is a significant relationship between innovation and county government performance and at least the slope ( $\beta$  coefficient) is not zero.

**Table 5: Governance and County Government Performance ANOVA<sup>a</sup>**

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	13.081	1	13.081	71.030	.000 <sup>b</sup>
Residual	22.570	126	.176		
Total	35.651	127			
a. Dependent Variable: PERFORMANCE					
b. Predictors: (Constant), GOVERNANCE					

**Governance and County Government Performance Regression Weights**

The study hypothesized that there is no significant relationship between Governance and the performance of county governments in Kenya. The study findings showed that there was a positive and significant relationship between governance and county government performance (( $\beta$ =0.246, p-value=0.019<0.05). This means that a unit increase in governance leads to an increase in county government performance by 0.246. Since the p value was less than 0.05, the null hypothesis was rejected and the alternative hypothesis was accepted. The study therefore concluded that governance has a significant influence on performance of county governments in Kenya.

**Table 6: Governance and County Government Performance Regression Weights**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.908	.176		10.658	.000
INNOVATION	.246	.103	.600	8.546	.000
a. Dependent Variable: PERFORMANCE					



## DISCUSSION

The findings of the study greatly contradict the hypothesis that governance does not affect the performance of county governments in Kenya. The results of the regression analysis indicate that governance has significant effect on performance of county government in Kenya. Governance was third compared to other variables and this is an implication that good performance by county governments is highly influenced by governance. Similar conclusions were drawn by (3) and they are as well in line with (10).

## SUMMARY AND CONCLUSION

The objective of this paper was to investigate the effect of governance on the performance of county governments in Kenya. Governance was revealed to be a positively significant factor in determining the performance of county governments in Kenya. Governance rates third in superiority when compared with other strategic management practices, planning, quality management and innovation. The county governments should therefore, put more efforts in pursuing good governance in order to achieve excellence in governance as identified in this study. The study concludes that the county governments should enhance on further improvement in the area of governance in order to enhance the benefit of governance on performance of county governments.

Based on the results of this study, it is concluded that governance as used by county governments was positive significant factor in relation to county government performance.

## RECOMMENDATIONS

From the findings of the study, the study recognized significant contribution of governance. The study, therefore, recommends more training on the leadership to have full capacity to handle the assigned duties with integrity and accountability.

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