

## EFFECT OF STAKEHOLDERS' PARTICIPATION ON PERFORMANCE OF COUNTY GOVERNMENTS IN KENYA. A CASE OF KITUI COUNTY GOVERNMENT

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### ABSTRACT

*Corporate governance helps the organization in coming up with the structure that assists in formulating objectives, and the ways of accomplishing the set goals and monitoring performance. The performance management in public service sector entails successful management of the policies and plans aimed at achieving the targets and the anticipated benefits. Government officials concentrate more on policy, regulation and operational matters while on the other hand, the public who are the employees ought to be productive in an organization for them to secure and continue in their employment position, and lastly other stakeholders have concerns in various societal and environmental issues. Stakeholders are individuals with an interest in a project or who will be impacted by it. Project success and improved decisions result from stakeholder participation. Project sustainability depends on fostering local ownership, which is accomplished through participation. Stakeholder involvement in projects results in a number of benefits. Stakeholders are able to develop their capacities and identify their own projects in the future. In turn, this promotes effectiveness and sustainability. The adoption of a devolved system of government in 2013 gave county governments the chance to improve local service delivery, but to this day, many counties continue to face rising demands from their citizens for the delivery of better services in an equitable and transparent manner. Counties should develop a structured and inclusive stakeholder engagement strategy that identifies key stakeholders, outlines their roles, and establishes communication channels. This strategy should promote meaningful participation, transparency, and collaboration among stakeholders, ultimately contributing to better decision-making and improved county performance.*

**Key words:** *Stakeholder Participation, Organizational Performance, County Governments*

### BACKGROUND OF THE STUDY

The corporate governance stipulates the responsibilities and rights to be shared amongst diverse members in the corporation, for example, the board of directors, executives, members of the organization, the community, and other stakeholders, which will exhibit the norms and procedures

for community decision-making. Corporate governance helps the organization in coming up with the structure that assists in formulating objectives, and the ways of accomplishing the set goals and monitoring performance (Fung, 2014). The goal of a good corporate governance system is to allow the management board the liberty to run the government/organization onward nonetheless to apply the liberty contained by a structure of effective accountability (Brown, 2017).

The performance management in public service sector entails successful management of the policies and plans aimed at achieving the targets and the anticipated benefits (Holbein, 2016). Government officials concentrate more on policy, regulation and operational matters while on the other hand, the public who are the employees ought to be productive in an organization for them to secure and continue in their employment position, and lastly other stakeholders have concerns in various societal and environmental issues (Fung, 2014). Africa's predominance of family ownership, involvement from the government, relationship-based transactions, and generally poor legal and law enforcement systems lead to agency issues such significant gaps between control and cash flow rights and little protection for minority rights. Agency issues cannot be resolved by traditional corporate governance practices like takeovers and boards of directors. Agency issues are made more difficult by the cross-holding structure and group operations. In addition to resulting in subpar business performance and hazardous financing patterns, these agency issues and bad corporate governance also contribute to macroeconomic crises (Claessens et al. 2017)

### **Stakeholder Participation**

Stakeholders are individuals with an interest in a project or who will be impacted by it. Project success and improved decisions result from stakeholder participation (Jäger, 2014). Project sustainability depends on fostering local ownership, which is accomplished through participation. Stakeholder involvement in projects results in a number of benefits. Stakeholders are able to develop their capacities and identify their own projects in the future. In turn, this promotes effectiveness and sustainability. (Kumar, 2002) a number of program participation gains were noted: Participation ensures effectiveness because people form a pool of resources to meet common goals; when people participate, initiatives are concluded on schedule and also they can be involved in conducting Monitoring and evaluation which helps them to keep track of the project. This increases effectiveness of the project (Deverka, 2012)

The presence of an effective leader is one of the factors that can improve performance of employees. One of the key elements that impacts how well the team members perform their duties and contributes to job satisfaction is an effective leader (Idaba & Isiraojie, 2010). A successful corporation has been thought to be based on two factors: effective leadership and increased employee performance. According to (Widitmoko, 2007) the desire and dedication of leaders and government officials to practice good governance have a significant impact on increasing the quality of public services.

### **Performance of Kitui County**

In a broad sense, performance is a concept that quantifies or qualitatively assesses what was accomplished as a result of an activity that was intended and planned. The performance focuses on determining whether predetermined goals have been met. Performance evaluation in this context focuses on the relation between objective cause and effect (nar, 2014). According to Apaydn (2017), performance is the correlation between the efficient output produced at the lowest possible cost and the outcome that was attained. A variety of data is used to gauge performance. Both objective (financial - quantitative data) and subjective (non-financial - qualitative data) methods can be used to assess business performance (Burak, 2017).

The success of developing new services or products as well as the rise in the quality of those services or products are essentially evaluated as qualitative performance criteria. These criteria include the increase in employees' commitment to the company, the rise in their job satisfaction, the business' overall performance, and the success of developing new services or products. The total asset (active) profitability, turnover profitability (profit / total sales), equity capital/return on investment (profit / equity capital), increase in sales, and increase in market share are the quantitative performance criteria listed (Ergün, 2013). First, a strong organizational strategy is required for a strong measuring system, as performance criteria are established in light of data from the analysis of the strategy and of crucial success factors that the organization requires to focus on reaching the vision (Brown and Caylor, 2004).

## **County Governments in Kenya**

With the implementation of county governments following the promulgation of the 2010 constitution to keep up with other developed nations, Kenya has not lagged behind (CMA, 2016). The Independent Electoral and Boundaries Commission (IEBC) decided on Kenya's 47 counties based on the population of each region. Chapter 6 of the Kenyan Constitution (2010) states that in order to establish an effective corporate governance initiative, it is necessary to follow a well-developed code of best practices for Kenyan corporate governance, coordinate corporate governance developments in Kenya with other East African, African, Commonwealth, and international projects, and find ways to create a national apex body, which is the foundation in the Kenyan national corporate sector for the promotion of corporate governance (KIPPRA, 2015).

## **Statement of the problem**

The adoption of a devolved system of government in 2013 gave county governments the chance to improve local service delivery, but to this day, many counties continue to face rising demands from their citizens for the delivery of better services in an equitable and transparent manner. This coupled with increased transfer of funds to devolved unit calls for accountability in use of public resources. According to Auditor General Report (2016), Kitui County government was mentioned among the counties with an audit query, they could not account for over Kshs.10 billion. The same report identified a deficiency in corporate governance as a catalyst for the embezzlement of county funds. (Ndengwa, 2016) states that some of the documented evidence includes lack of employee inclusion in policy making, where policies are implemented as they are from the national government, functions of regulatory bodies that are not flexible to the management bodies in the counties, and practices of consensus orientation to involve all stakeholders in the county's performance are not well specified in the counties, reducing stakeholders' participation. The political climate, where those connected to the ruling party appear to be more favored than those in the opposition, has an additional impact on public funds management.

## **OBJECTIVE OF THE STUDY**

The study sought to evaluate the effect of stakeholders' participation on performance of County governments in Kenya.

## **SIGNIFICANCE OF THE STUDY**

The study benefited management theory, policy, and practice. It helped people comprehend how stakeholder procedures and performance are related. As a result, the study added to the body of knowledge. The study examined how well the theories supporting it applied to Kenya's County government. The study would be significant to the policy makers as it would provide them with a platform through which devolution processes can be assessed and highlighting the areas which have remained a challenge to the new system of governance and how well they can be addressed.

## **LITERATURE REVIEW**

### **Stewardship Theory**

According to the stewardship theory, managers will act in the owners' best interests (Wan Yusoff, & Alhaji, 2012). Stewardship theory's foundations are based on social psychology, which focuses on the actions of executives who feel it is their responsibility to protect the interests of the principal. According to stewardship theory, an organization's corporate governance is essential to ensuring that stakeholders' interests and the institution's long-term survival are realized (Keay, 2017). The steward's behaviour is more useful than individualistic self-serving behaviour because it is pro-institutional and collectivistic.

Keay (2017) asserts that because the steward seeks to maximize the institution's goals, whereby the steward's utilities are also maximized as organizational success rises, their behaviour won't stray from the institution's interests. This is crucial to achieving the stewards' mission (Smallman, 2004). This theory contends that corporate governance is essential to ensuring that an organization is moving in the right direction, with the interests of stakeholders serving as that direction (Prasad, 2017). Stewardship theory, according to Gordon (2017), is based on the idea that leaders can engender a shared understanding of values within an institution and that stewardship has the power to encompass and incorporate efficiency concerns into a more socially responsible, normative framework.

According to stewardship theory, there is a significant correlation between stewards and the success or performance of a firm. As a result, stewards work to safeguard the institution, maximize performance, and satisfy as many stakeholder groups as possible. According to Gordon (2017), three fundamental presumptions about corporate governance and organizational survival are made

by stewardship theory. Members of an organization must accept management in order to fulfil this leadership role (Davis, Schoorman & Donaldson, 1997). Therefore, the theory supports the variable on principles of governance and internal control systems in the research study. Furthermore, Awoyemi and Abioye (2015) add that the interests of principals, who are defined more broadly to include stakeholders, should be considered when determining how an organization is led.

### **Empirical Literature Review**

Stakeholders, according to Boddy (2003), are people or organizations that can have an impact on or are affected by a program's decisions, actions, or outcomes. Stakeholders may have an interest that is directly impacted by the program or may have an interest that is positively or negatively impacted by its successful conclusion. If the potential resultant conflict is not avoided or effectively handled, stakeholders may have conflicting interests that could affect the performance of the program. In order to achieve a set of results that serve their business interests or other needs, they may also exert influence over the project teams, the program, and its deliverables.

Stakeholders in any project include the entire project team and all interested parties, whether they are internal to the organization or external. In order to decide on the project's requirements and the expectations of all parties involved, it is the responsibility of the project team to identify internal and external, destructive and constructive, advising and performing stakeholders (Williams, 2008). According to their level of interest in the topic, different groups varied their level of activity, according to Grunig & Huang (2020). These changes can be made almost instantly in the era of social media. Because of this, participation levels, awareness of the problems and limitations, and other factors can all change suddenly. In fact, the media and third parties can describe stakeholders who were previously not thought to be crucial to organizations and issues, which complicates the conventional understanding of who matters and why organizations exist (Luoma-aho & Paloviita, 2010).

According to the stakeholder theory, businesses should run in a way that benefits those who have an interest in them (Govender & Abratt, 2016). The viewpoint alludes to the ostensibly ongoing conflict that organizations experience when trying to manage for their stockholders while also taking their stakeholder base into account. According to Clark, Steckler, and Newell (2016), the

debate mentioned above only takes place on a theoretical level; in actuality, managers of organizations hold a different perspective. Empirical research demonstrates that businesses can deal with the paradoxical tension that exists between management, shareholders, and stakeholder balance (Clark et al., 2016). Additionally, they contend that because the administration is actively responding to accept the paradox, tension can be a source of innovation and change., (Clark et al: 2016).

The study also discovered that, in order to boost performance, communication from counties should go through sub counties in order to interpret and disseminate in a way which can be understood by all residents. It was also made clear that all county governance structures must make sure that decisions made in forums where the public participated, and consensus was built are strictly followed. The establishment of suitable and adequate engagement forums for inclusivity, equality, and efficient citizen participation in management and development matters was stressed in order to create policy that promotes performance. The study therefore focused on the impact of stakeholder involvement on Kenya's County government's performance.

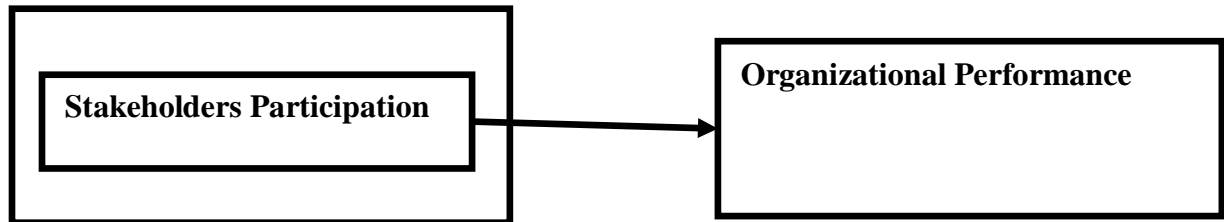
## Literature Review Summary

Author	Focus of The Study	Findings	Research Gaps	Focus of this Study
Ahenkan (2012)	How to Improve on citizens' participation in local government planning and financial management in Ghana	There hasn't been much room for local involvement, and the majority of the stakeholders don't fully understand how the district assemblies' planning, budgeting, and financial management systems work.	Contextual, methodological and empirical gaps on the need to replicate the study locally.	Gaps was filled by conducting the study in Kenya.
Atieno (2017)	The investigate the relationship between public participation and performance of devolved governance systems in Kenya	Improved performance of Kenya's devolved governance systems depend on stakeholders handling conflicts of all kinds and their underlying causes effectively.	Methodological gaps on the need to consider other factors of Corporate Governance such as internal controls, principles of governance oversight role of county assemblies	The current study focused on internal controls, principles of governance, public participation and oversight role of county assemblies

## CONCEPTUAL FRAMEWORK

**Independent Variable**  
**Variable**

**Dependent**



**Figure 1: Conceptual Framework**

## METHODOLOGY

The study adopted descriptive research design. According to (Orodho & Kombo, 2002). A descriptive research design involves interviewing subjects or giving a sample of people a questionnaire to gather information. Additionally, it can be used when collecting information about individual's attitudes, views, habits or any other social factor. The design chosen for this study was appropriate since it used a questionnaire to collect data and establish a link between corporate governance practices and County government performance.

A descriptive research design is also used when data is collected to characterize people, organizational settings, or phenomena. The study covered employees at Kitui County government where a target of 2487 employees. To determine the proportion of sample size under each Ministry, following the determination of study sample size of 166 employees who were to participate in the study, proportionate stratified sampling technique was used. A questionnaire consisted of open and closed ended questions in order to allow for intense and rich individual perception in responses. Reliability was tested using Cronbach's alpha with  $\alpha > 0.7$  serving as the threshold.

Convergent validity was used in the study to assess whether the instruments captured the data they were designed to capture. Organizational performance was modeled as a function of Stakeholder participation as shown in the equation below

$$Y = \beta_0 + \beta_1 SP + \varepsilon$$

Where:

Y = Performance of county government in Kenya

SP = Stakeholder participation

## RESEARCH FINDINGS AND DISCUSSIONS

### Descriptive Statistics

#### Stakeholder participation

<b>Stakeholders Participation</b>	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>	<b>Variance</b>
Involvement of different stakeholders in planning activities of the Kitui County helps in quality decisions	142	4.1620	0.96490	0.931
Stakeholders has enhanced quality assurance of services offered by the county Government	142	4.1549	0.82768	0.685
Different stakeholders support the activities of the County	142	4.0352	0.82867	0.687
The County activities consider the local needs of the people	142	4.0775	0.93075	0.866
Stakeholders monitor efficiency in the procurement and supply of various goods and services in the County	142	3.3239	0.97158	0.944

<b>Stakeholders Participation</b>	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>	<b>Variance</b>
Monitoring by different stakeholder has led to accountable use of resources	142	3.8310	3.55897	12.666
Stakeholders act as checks and balances in the use of resources by the County	142	3.5070	1.05014	1.103
The stakeholders ensure that the County fulfils its role	142	3.8099	2.67887	7.176
There is timely stakeholder feedback about performance of the County	142	3.3732	1.02181	1.044
There is increased prominence of stakeholder voice	142	3.5845	0.88521	0.784
Public views influence activities of the County	142	4.0493	0.96996	0.941
Is the attitudes of stakeholders put in consideration when implementing programs of the County	142	3.6549	0.91517	0.838
Valid N (list wise)	142			

The respondents were asked to indicate the extent to which they agreed with the statements that describe their County on how stakeholders' participation influence the performance of County government in Kenya. According to the findings, the respondents agreed with a mean of 4.16 and a standard deviation of 0.96 that Involvement of different stakeholders in planning activities of the Kitui County helps in quality decisions. Again, the respondents agreed with a mean of 4.15 and a standard deviation of 0.82 that Stakeholders has enhanced quality assurance for the services offered by the county Government.

Further, the respondents agreed with a mean of 4.04 and a standard deviation of 0.83 that Different stakeholders support the activities of the County. Again, the respondents agreed with a mean of 4.08 and a standard deviation of 0.92 that The County activities consider the local needs of the people. On stakeholder’s support, the respondents agreed with a mean of 3.77 and a standard deviation of 1.22 that different stakeholder Support the activities of County Government and with a mean of and 3.32 a standard deviation of 0.97 that Stakeholders monitor efficiency in the procurement and supply of various goods and services in the County.

The findings are consistent with other past studies examining stakeholders, according to Boddy (2003), are people or organizations that can have an impact on or are affected by a program's decisions, actions, or outcomes. Stakeholders may have an interest that is directly impacted by the program or may have an interest that is positively or negatively impacted by its successful conclusion. If the potential resultant conflict is not avoided or effectively handled, stakeholders may have conflicting interests that could affect the performance of the program. In order to achieve a set of results that serve their business interests or other needs, they may also exert influence over the project teams, the program, and its deliverables

### Inferential Statistics

The researcher conducted a simple linear regression analysis to determine the relationship between the performance of County government of Kenya and the four independent variables.

The regression model was;

$$Y = \beta_0 + \beta_1 X_1$$

### Regression Coefficient

Model	Unstandardized		Standardized T	Sig.	
	Coefficients				
	B	Std. Error	Beta		
(Constant)	6.072	3.061	1.652	.106	
Stakeholder participation	0.362	0.073	0.204	2.221	0.001

The regression model explaining the results in table is given by  $Y = 6.072 + 0.362SP$ . The study concluded that stakeholder participation is statistically significant and positively influences performance of county governments in Kenya.

### **CONCLUSION AND RECOMMENDATIONS**

According to the findings, the respondents agreed that Involvement of different stakeholders in planning activities of the Kitui County helps in quality decisions. Again, the respondents agreed that Stakeholders has enhanced quality assurance for the services offered by the county Government. Further, the respondents agreed that Different stakeholders support the activities of the County, and the County activities consider the local needs of the people. On stakeholder's support. The finding is in agreement with study by UNDP, which state that Stakeholder participation fosters the growth of enduring, beneficial, and responsive relationships that are essential to the effective planning and execution of projects.

The social and environmental sustainability is strengthened by effective stakeholder engagement, which also increases project acceptance and ownership. Additionally, projects related to peace, human rights, the environment, and democratic governance reap this dual benefit. The type and scale of the project, its threats and potential effects, and the level of stakeholder concern should all be considered when determining the pattern, degree, and frequency of stakeholder involvement. The required participation strategies and methods will depend on how much the project will impact various stakeholders' rights and interests as well as their power and influence.

The viewpoint alludes to the ostensibly ongoing conflict that organizations experience when trying to manage for their stockholders while also considering their stakeholder base. The debate mentioned above only takes place on a theoretical level; in actuality, managers of organizations hold a different perspective. Empirical research demonstrates that organisation can deal with the paradoxical tension that exists between management, shareholders, and stakeholder balance additionally; they contend that because the administration is actively responding to accept the paradox, tension can be a source of innovation and change.

In conclusion, this study underscores the paramount importance of stakeholders' active involvement in corporate governance. Their engagement not only enhances transparency and accountability but also fosters sustainable corporate practices. Recognizing and promoting stakeholder participation should be a fundamental element of modern corporate governance frameworks. Further, the study concludes that a unit increase in Stakeholder participation will lead to a positive increase in Performance of County Governments of Kenya; this means that there is a significant relationship between Stakeholder participation and Performance of County Governments of Kenya.

Counties should develop a structured and inclusive stakeholder engagement strategy that identifies key stakeholders, outlines their roles, and establishes communication channels. This strategy should promote meaningful participation, transparency, and collaboration among stakeholders, ultimately contributing to better decision-making and improved county performance. Counties should establish clear performance metrics and accountability mechanisms linked to stakeholder participation. This includes regularly tracking and reporting on progress made in response to stakeholder input and involving stakeholders in the monitoring and evaluation process. By tying performance directly to stakeholder engagement, counties can foster a culture of responsiveness and continuous improvement.

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