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A Theoretical Framework for Business Diagnostics and Governance in Kenya

Navigating Challenges and Prospects (2000–2026)

Kamau Ochieng¹|Njeri Mwangi^{2,3}

¹ Maseno University

² Pwani University

³ Department of Interdisciplinary Studies, Maseno University

Correspondence: kochieng@outlook.com

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ABSTRACT

The Kenyan business landscape has undergone significant transformation, characterised by rapid technological adoption and evolving market structures. However, persistent challenges in governance, strategic diagnostics, and institutional frameworks continue to impede sustainable growth and resilience. This article develops a novel, integrated theoretical framework for business diagnostics and governance tailored to the Kenyan context. It aims to synthesise behavioural, economic, and institutional perspectives to analyse systemic challenges and identify pathways for improved corporate health and oversight. The framework is constructed through a critical synthesis and extension of established theories, including behavioural finance, agency theory, and institutional economics. It employs logical deduction and conceptual modelling to propose new relational constructs specific to the operating environment. The framework posits that a predominant theme in governance failures is the misalignment of managerial incentives with long-term stakeholder value, exacerbated by informal institutional norms. It proposes that integrating behavioural nudges into diagnostic tools could improve strategic decision-making accuracy by an estimated margin. The constructed framework provides a coherent lens for analysing business health and governance efficacy, highlighting the interdependence of formal governance mechanisms and informal behavioural norms in driving organisational outcomes. Future research should operationalise the framework's constructs into testable models. Policymakers and boards are advised to consider diagnostic tools that incorporate behavioural audits alongside traditional financial metrics. theoretical framework, corporate governance, business diagnostics, behavioural finance, institutional theory, Kenya This paper's novel contribution is the integration of a behavioural lens with traditional diagnostic and governance models, creating a unified framework for analysing firm performance and oversight in a dynamic African market.

Keywords: *Business Diagnostics, Corporate Governance, Sub-Saharan Africa, Institutional Theory, Emerging Markets, Strategic Management, Kenya*

Article Highlights

- Synthesises behavioural, economic, and institutional perspectives for the Kenyan context.
- Identifies misaligned incentives and informal norms as core

Framework Application

Policymakers and boards should consider diagnostic tools that incorporate behavioural audits alongside traditional financial metrics to improve governance efficacy.

<p>governance challenges.</p> <ul style="list-style-type: none">• Proposes integrating behavioural audits with traditional financial diagnostics.• Provides a unified lens for analysing firm performance in dynamic African markets.	<p><i>This theoretical framework requires operationalisation into testable models for empirical validation.</i></p>
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ABSTRACT-ONLY PUBLICATION

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