

A Theoretical Framework for Diagnosing Structural and Governance Challenges in Kenyan Enterprises (2000–2026)

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ABSTRACT

The persistent underperformance of domestic enterprises, despite economic growth, points to deep-seated structural and governance deficiencies. Existing frameworks often analyse these elements in isolation, lacking an integrated diagnostic tool tailored to the institutional and socio-economic context of the region. This article develops a novel, integrated theoretical framework to systematically diagnose the interrelated structural and governance challenges constraining enterprise performance. It aims to provide a holistic analytical lens for researchers and policymakers. The framework is constructed through a synthesis of institutional theory, agency theory, and resource-based view logic, adapted to contextual realities. It employs a conceptual modelling approach to define core constructs and their hypothesised relationships. The framework posits that governance failures, particularly in family-owned firms, are not merely agency problems but are structurally reinforced by limited access to equity finance. A central proposition is that ownership concentration exceeding 70% significantly reduces the likelihood of adopting independent board oversight. The proposed framework offers a coherent system for analysing how structural constraints and governance mechanisms interact to create path dependencies in enterprise development. It moves beyond descriptive analysis to provide a diagnostic structure for identifying root causes of underperformance. Future empirical research should apply this framework to test its diagnostic propositions. Policymakers and development finance institutions should consider integrated interventions that simultaneously address governance and capital structure constraints. This paper's novel contribution is the development of an integrated diagnostic model that explicitly links macro-level structural constraints with micro-level governance mechanisms, providing a new analytical tool for behavioural finance research in emerging markets.

Keywords: *Institutional theory, Corporate governance, Emerging markets, Sub-Saharan Africa, Organisational structure, Diagnostic framework, Kenyan enterprises*

Article Highlights

- Links macro structural constraints with micro governance mechanisms
- Diagnostic model for root causes of enterprise underperformance
- Ownership concentration above 70% hinders independent board oversight
- Integrated framework for researchers and policymakers

Core Proposition

The framework posits that governance deficiencies are not isolated agency problems but are structurally embedded through financial constraints and ownership patterns.

This conceptual framework requires empirical validation through applied research.

ABSTRACT-ONLY PUBLICATION

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