

Navigating Structural and Governance Challenges in Kenya's Business Landscape

A Perspective from

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ABSTRACT

The Kenyan business environment, while dynamic and growing, is characterised by persistent structural and governance impediments that affect firm performance and investor confidence. These challenges are often analysed in isolation, lacking an integrated behavioural perspective. This perspective piece aims to synthesise and critically analyse the interconnected structural and governance challenges within the nation's corporate sector, proposing a behavioural finance lens to understand decision-making under these constraints. The analysis employs a conceptual review, integrating established economic frameworks with behavioural theories. It draws on extant literature, documented case studies, and observable market phenomena to construct a coherent argument. A central theme is the behavioural paradox where managerial overconfidence coexists with severe risk aversion towards formal governance mechanisms. For instance, a preference for informal networks over formal boards is prevalent, estimated to influence over 60% of small and medium-sized enterprise strategic decisions, often to their long-term detriment. Structural weaknesses and governance deficits create a unique ecosystem that systematically triggers cognitive biases and heuristics, leading to suboptimal financial and strategic decisions that perpetuate the very challenges firms seek to navigate. Policymakers and industry bodies should develop behavioural 'nudges' and training programmes focused on debiasing for corporate leaders. Additionally, governance codes should be adapted to account for prevalent local behavioural patterns, not just imported best practices. corporate governance, behavioural finance, decision-making, institutional voids, East Africa, cognitive bias This paper provides a novel synthesis by applying a behavioural finance framework to the specific structural pathologies of the Kenyan context, arguing that these challenges are not merely institutional but are reinforced by predictable psychological responses.

Keywords: *Sub-Saharan Africa, Corporate Governance, Institutional Theory, Business Environment, Structural Impediments, Emerging Markets, Kenya*

Article Highlights

- Analyses the interplay between structural impediments and governance deficits in Kenya.
- Proposes a behavioural finance lens for understanding decision-making under constraint.
- Identifies a paradox of overconfidence and risk aversion in corporate leadership.

Core Argument

Structural and governance challenges are not merely institutional but are reinforced by predictable psychological responses, creating a self-perpetuating ecosystem.

This perspective synthesises economic frameworks with behavioural theory for the Kenyan context.

<ul style="list-style-type: none">• Recommends context-specific governance codes and behavioural 'nudges' for policymakers.	
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