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GOVERNANCE

CORPORATE GOVERNANCE AND ORGANISATIONAL PERFORMANCE OF FAITH-BASED HOSPITALS IN KENYA: MEDIATING EFFECT OF SERVICE INNOVATION

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ABSTRACT

Objective of the Study: The overall objective of this paper was to determine the mediating effect of service innovation on the relationship between corporate governance and organisational performance of Faith-Based Hospitals in Kenya.

Research Methodology: This paper used cross-sectional survey research design utilizing quantitative data from the questionnaires. The study also used a cross-sectional survey study. The units of analysis comprised the 115 Level 4 and 5 Faith-Based Hospitals in Kenya. Primary data was obtained through structured questionnaires.

Results and findings: The study findings revealed a statistically significant relationship between corporate governance and organisational performance of faith-based hospitals. A partial mediation effect of service innovation on the relationship between corporate governance and organisational performance of Faith-based Hospitals in Kenya was found.

Recommendations: To guarantee strategic direction, accountability, and moral governance practices, the study advises the organization to strengthen the capability and supervisory responsibilities of hospital boards in faith-based hospitals. The empirical data generated from study findings will be useful to the government and other sectors in formulating policies aimed at improving corporate governance and performance. To guarantee accountability and strategic direction, clearly, faith-based hospitals should define the tasks and responsibilities of the board of directors. To establish credibility and trust, faith-based hospitals should use open and honest decision-making procedures and consistent communication with stakeholders, encourage a company culture built on moral precepts and religious beliefs, and make sure that these values are reflected in every aspect of the business, build the organization's leadership capabilities to lead innovation in healthcare services and overcome obstacles. On service innovation, faith-based hospitals should embrace advances made possible by technology, such as telemedicine, electronic health records, and mobile health applications in order to improve service delivery and efficiency. Invest in strong IT systems and infrastructure that encourage creativity and help healthcare providers communicate and work together.

Keywords: *Corporate Governance, Service Innovation, Organisational performance, Faith-based hospitals*

1. INTRODUCTION

The past several decades have seen an increase in interest in corporate governance (CG). The relationship between corporate governance and business performance has also been the subject of much research (Shao, 2019). Over the previous two decades, corporate governance has expanded by leaps and bounds (Shaikh & Randhawa, 2022). Its importance grew in order to prevent the numerous corporate scandals that have been seen and that have resulted in the global collapse of several organisations (Hilton & Arkorful, 2021; Tica & Weißenberger, 2022). It was strongly headed by the King Report (Foster, 2020) in South Africa and the Cadbury Report (Gorman & Ward, 2020) in the United Kingdom. In the literature on corporate governance and organisational success, several academics have contributed a great deal of information (Iqbal, Nawaz, & Ehsan, 2019). In several regions of Africa, the implementation of corporate governance standards has been happening gradually (Farah, Elias, Aguilera, & Abi Saad, 2021; Oduor and Kebba, 2019). A small number of research (Bhagat & Bolton, 2019; Chadam, 2019; Kammoun, Loukil, & Loukil, 2020) contend that exogenous or external determinants also have some bearing on corporate governance and organisational performance. As a result, via both financial and non-financial reporting, CG plays a crucial role as the connection, assisting a firm in developing its investment and communication with society.

In Kenya, poor organisational performance has been linked to poor corporate governance in health sector (Emodia, & Mwanzia, 2021; Kinyua & Ngari, 2021; Muthengi & Ragui, 2023). Sound corporate governance protects shareholders' rights by increasing corporate transparency and ensuring greater closure of financial and non-financial information (Wu, Coleman, & Bawuah, 2020; El-Chaarani, Abraham, & Skaf, 2022; Lin & Qamruzzaman, 2023). Organisations that follow clear corporate governance are better able to manage efficient systems, regulate oversight, provide more chances for growth, and have better access to resources, which improves overall performance and lowers risks (Bhagat & Bolton, 2019). Morteruel, Bacigalupe and Moreno (2021) emphasize the need for governance in the health sectors by stimulating supportive innovative and extensive public health management strategies to combat diseases through healthy living, health promotion, and early detection. This paper therefore sought to examine the relationship between corporate governance and performance of faith-based hospitals in Kenya.

Corporate Governance

Corporate governance can be defined as a collection of regulations, laws, and situations that control the different ways in which an organisation conducts its activities (Ngatno, Apriatni, & Youlianto, 2021). Again, corporate governance, can be seen as legal and regulatory examination of a company's financial statements and management practices (El Fawal & Mawlawi, 2018). As a result, management sets the policies that govern every aspect of business operations, including marketing, accounting, and finance performance, to maintain business performance, customer happiness, profitability, and the quality of helpful services (Ngatno et al., 2021. In addition to the aforementioned features, during the past few decades, operations, logistics, and supply chain management have drawn a lot of interest from both internal and external parties (Hernawati & Surya, 2019).

Effective corporate governance is essential to a business's success. Derived from the Latin word gubernare, corporate governance is sometimes likened to the steering of a ship (Dibra, 2016). This means that without corporate governance procedures in place, it is impossible to manage an organisation and work towards accomplishing organisational goals, just as a ship cannot sail without guidance. Protecting the interests of shareholders and other stakeholders in general is the main objective of corporate governance (Haldar & Rao, 2014). Corporate governance fosters strong ties between business affiliates inside an organisation and is seen as the only factor contributing to organisational success in industrialised nations. Furthermore, the consequences of corporate governance on business performance have long piqued the curiosity of bankers, economists, behavioural scientists, lawyers, and firm operators (Bonazzi & Islam, 2007). In order to gain the trust of investors and guarantee that all stakeholders receive fair treatment, an organisation must have strong corporate governance (Mahrani & Soewarno, 2018). The study of corporate governance structure and company performance has been a major area of discussion in the business environment (Nadeesha, 2019). Hence this paper provides evidence that stable, profitable, and trustworthy firms perform better overall when they have effective corporate governance. Furthermore, by enhancing financial performance, cutting capital costs, expanding access to financing, and appropriately managing stakeholders, an effective corporate governance structure benefits the organisation .

Service Innovation

Service innovation refers to the process of acquiring the required resources, (re)combining them, and creating new services (Samuelsson, Witell, Gottfridsson, & Elg, 2019; Kurtmollaiev, & Pedersen, 2022). Service innovation is defined as the introduction of new or improved processes, goods, or services based on new scientific or technological knowledge and/or organisational know-how (Casidy, Nyadzayo, & Mohan, 2020). The introduction of new services, incremental advancements, or modifications to current services constitute service innovation (Samuelsson, Witell, Gottfridsson, & Elg, 2019; Martin-Rios & Ciobanu, 2019; Tajeddini, Martin, & Altinay, 2020). The degree of social practice change affects how service innovation is perceived in the health care industry as radical, incremental, or transformative. The majority of service innovations in healthcare settings are incremental, meaning that they make minor changes to current resource integration practices rather than drastically modifying them or fully replacing them (Gustafsson, Snyder, & Witell, 2020).

Guarcello and de Vargas (2020) found a relationship between service innovation and performance in the health care industry. Similarly, Leedham-Green, Knight and Reedy (2021) study revealed a relationship between service innovation indicators (expansion and value creation) and the performance of hospital projects. Client interface, where the service meets the client, service delivery systems - processes, people, organisation, and technology alternatives -are the four areas where service innovation can occur. Additionally, Samuelsson (2021) study indicated a nexus between service innovation and performance in healthcare

Some studies have conceptualized service innovation as a mediating variable, for instance, a study by Kankam-Kwarteng, Asante-Gyabaah and Ferkah (2022) indicated a mediating role of service innovations indicators (new services, new production processes, new marketing techniques, and new organizational or managerial structures) on the relationship between knowledge management on organizational outcomes. The dimensions of service innovation manifest as new services, new production methods, new marketing strategies, and new organisational or administrative structures (Casidy et al., 2020). Healthcare service innovation has been linked to performance using parameters like outcomes, development processes, and social practices (Gustafsson et al., 2020). Nevertheless, most research is conceptual or descriptive in nature, and often only presents case studies as examples, lacking empirical cross-sectional evidence which is a prerequisite for inference of the findings to the sector. This gap therefore necessitates this study.

Service innovation has been conceptualized using parameters such as diversification of services, technological integration, process improvement, and customer-centric services (Mahavarpour, Marvi, & Foroudi, 2023; Samuelsson, 2023). The definition by Samuelsson et al. (2019) was used since it encapsulates the processes of resource acquisition, (re)combining them and introduction of new services. Service innovation was conceptualized in this study using; Diversification of services, Technological integration, Process improvement, and Customer-centric services.

Organisational Performance

Organisational performance refers to accomplishment of given tasks measured against set standards taking into consideration accuracy cost and planned time frame of accomplishment (Palaniappan, 2017). Organisational performance is the ultimate goal of all organisations (Karisa & Wainaina, 2020). Organisational performance comprises both profit and non-profits achievement by an organisation over a period of time (Adam &Kamase, 2019). Organisational performance is measured in terms of results that is output or outcomes competitiveness, financial performance or measures in terms of determinants of the results that is quality, flexibility, innovations and resource utilization of process and activities (Adam &Kamase, 2019).

Organisation performance is a multifaceted phenomenon in the management and business literature (Hamann & Schiemann, 2021). The outputs of an institution that may be compared to anticipated outcomes, goals, and objectives are included in the concept of organisational performance. Different methods of objective and subjective measurement are used to measure these outcomes (Jeong & Shin, 2019; Ali & Anwar, 2021).

There are two types of organisational performance: financial and non-financial. To evaluate an organisation's success, financial and non-financial perspectives are commonly employed (Eccles, Ioannou, & Serafeim, 2014). Financial performance is considered as a clear indicator of a company's financial health from a variety of perspectives (Cegarra-Navarro, Reverte, Gómez-Melero, & Wensley, 2016). Non-financial performance measurements comprise elements that enhance organisational and financial performance with a focus on long-term success. These non-financial metrics include organisational commitment, employee satisfaction, internal business process efficiency, and consumer satisfaction (Omran, Khallaf, Gleason, & Tahat, 2021). Additionally, non-financial metrics comprise of Effectiveness and Productivity (Elgazzar, Tipi, & Jones, 2019).

2. LITERATURE REVIEW

Resource Dependence Theory

Pfeffer and Salancik founded the theory in 1978. The theory describes how outside resources influence organisational behavior. The core principle behind Resource Dependence Theory (RDT) is that, while constrained by their circumstances, managers can take action to reduce environmental unpredictability and reliance. The theory is predicated on the idea that interactions with other people and organisations within an environment are necessary for an organisation, such a commercial firm, to obtain resources. Based on the idea that organisations are not autonomous and are dependent on others for the provision of essential resources, Resource Dependency theory, which draws from organisational theory, characterizes the organisation as an open system (Drees & Heugens, 2013; Spaulding, Zhao, Haley, Liu, Xu, & Homier, 2018). Supremacy and resource reliance are mutually exclusive in the Resource Dependency theory since resources are viewed as the foundation of positional authority (Davis & Cobb, 2010). According to the Resource Dependency Theory, companies engage in inter-organisational connections to regulate their environments and lessen their reliance on others, uncertainty, and power over others. The organisations must consistently align its internal elements with the environmental pressures.

In accordance with the Resource Dependency Theory, organisations form inter-organisational alliances to manage interdependencies, bolster their legitimacy, and regain some measure of control or autonomy over their environments (Davis & Cobb, 2010; Drees & Heugens, 2013; Vicnente-Ramos et al., 2020). By putting such agreements into place, companies are able to define their boundaries at a location where they can exert the most strategic control over important external forces (Drees & Heugens, 2013). Projects can be significantly impacted during the planning and execution phases thanks to control over critical resources and the political and financial advantages that come with it (Jiang, Luo, Xia, Hitt, & Shen, 2023).

According to Brettel and Voss (2013), the focus of resource dependency theory is on managing environmental dependencies and external resources. The effectiveness of a strategy is in its alignment to operational tactics, and vice versa, even though the theories operational focus still supports a strategic aim that will help planning at the strategic level (Spaulding, et al., 2018). The theory has however been faulted of being weak for not explaining the direct link between the deemed necessary resources and the performance or how the resources depend on the environmental factors (Vicnente-Ramos et al., 2020). The theory merely makes the assumption that important actors and the environment work together to accomplish the organization's goals (Jiang et al., 2023). The theory addresses these flaws by helping enterprises manage the internal and external obstacles that limit their projects, build their organisational capacities, increase the capabilities of their individual managers, and form alliances with other businesses to strengthen their results (Vicnente-Ramos et al., 2020). Resource Dependency Theory discusses how resources shape power relationships within the context of opportunities and needs throughout economic transformation in its dimension of technological uncertainty. The technological uncertainty of a product is a reflection of the inadequacy of foreseeing changes to the product's technical features, the clients' technical requirements, and the changes in the future. RDT views executive succession as a firm-level decision that helps it better adapt to the environment. Resource Dependence Theory provides a lens through which one can understand how organizations strategically manage their external dependencies to enhance performance

(Spaulding, et al., 2018). The application of RDT to corporate governance highlights the importance of governance structures, decision-making processes, and interorganizational relationships in managing resource dependencies and ultimately influencing organizational performance. This theory explains how performance in faith-based hospitals in Kenya can be enhanced by harmonizing their limited resources.

Theory of Disruptive Innovation

A disruptive innovation theory promoted by Christensen (1997) proposes there are two types of innovation that occur in any industry, based on market segmentation and technology performance. Innovations can be either disruptive or long-term. Sustainability innovations aim to improve the performance of existing goods or services (Christensen, McDonald, Altman & Palmer, 2018; Sousa & Rocha, 2019). The theory is significant only when technology is applied appropriately (Christensen et al., 2018). The disruptive innovations is usually initiated by one or multiple firms (Skog, Wimelius & Sandberg, 2018). The loss of market leadership in a variety of industries is explained by the disruptive innovation theory. Hardware, software, networks, and combination technologies are all affected by disruptive technology (Dastane, 2020). Businesses might choose to either adopt new technology or bring on more staff. In an organisation, fewer labor-related problems encourage the adoption of innovative technologies in the workplace (Millar, Lockett, & Ladd, 2018; Mansour & Nogues, 2022).

Disruptive innovation theory has faced some criticism despite having a significant impact on business. The theory's drawback is that disruptive innovation might, regrettably for workers, result in layoffs. Si and Chen (2020) questioned the validity and generalizability of the theory of disruptive innovation in the business setting, emphasising the importance of specifying the boundary conditions for the theory of disruption. In response to earlier criticisms of the disruptive technology / innovation proposals, Millar et al. (2018) acknowledged that there are many other "influencers" that go into the prediction of future success and that the theory of disruption does not fully explain everything that is known about business success. Disruptive innovation theory is still one of the greatest tools for comprehending the dynamics of service innovation and the long-term viability of hospitals, notwithstanding these criticisms. In light of technology and commercial disruptions, organisations must be flexible, inventive, and agile, according to the Theory of Disruptive Innovation (Sousa & Rocha, 2019). The organisational culture, strategy, and decision-making procedures that dictate how businesses react to disruptive influences are greatly influenced by corporate governance. Governance practices that foster a long-term orientation, alignment of incentives, expertise, and a culture of innovation contribute to improved corporate performance in the context of disruptive innovation. This theory was applied to explain the role of service innovation in the relationship.

The Agency Theory

The Agency theory, often known as the Principal-Agency theory was invented by Jensen and Meckling in 1976. This hypothesis suggests that managers' goals may be to maximise their own financial incentives rather than to follow "principals." As a result of the agency theory, there is a link between the principal and the agency. A principal establishes an agency relationship when he hires an agent to provide a service or act on his behalf (Jensen & Meckling, 1976). Agency theory clarifies the link between principals, such as shareholders, and agents, such as the company's executives and managers (Vitolla, Raimo, & Rubino, 2020). Businesses may benefit from adequate monitoring or control methods (Dang, Houanti, Le, & Vu, 2018; Federo, Saz-Carranza, & Esteve, 2020). Corporate governance research has made board monitoring a major priority (Farag & Mallin, 2019). Agency theory, which contends that organisational conflicts of interest can arise from the division of ownership and control, provides the core theoretical underpinning linking this monitoring role to business performance (Dong, Karhade, Rai, & Xu, 2021).

According to Sulistiyo, Wardayati, Hidayatullah, and Riesky (2020), CG has the ability to either maximise or minimise the total agency costs of an organisation. Agency theory states that the main goal of CG is to reduce the possibility of agency conflicts between the people in charge of the organisation and the people who have rights inside it (Sulistiyo et al., 2020). Agents may operate in their own interests and create agency issues inside the organisation, but they are not required to behave in the best interests of the principles. Moral hazard and opportunity-seeking behaviour both have an impact on corporate performance, and they lead to agency difficulties. CG serves as a tool for improving performance by coordinating management objectives with stakeholders (Sulistiyo et al., 2020). The primary concern in agency theory is the division of ownership and control, and many methods are businesses that have a high CG are more likely to draw investment than those that do not. The ownership structure is often regarded as a crucial factor in evaluating the firm's value. However, it also functions as a CG measure. Business performance will increase through the reduction of agency costs through effective ownership arrangements.

The agency problem is how an organisation can reduce the alleged inclination of managers to improperly leverage their advantage when managers' objectives conflict with those of owners through the ownership and stewardship of the organisation (Walsh & Brief, 2007). The definition of the agency issue (AP) is the ceding of management discretion and power by executives and managers (Liang & Renneboog, 2018). Formal contracts tend to align the interests of managers and shareholders, thus theoretically they may be a useful instrument in mitigating the agency problem (AP) (Healy & Palepu, 2001). According to Donnelly and Mulcahy (2008), the board serves as a monitoring and control mechanism that aims to assess and evaluate the work of senior management and ensure that shareholders' profits are maximised. However, agency theory holds that managers are hired by the company's owners, who may act against their best interests (Dong et al., 2021). Consequently, agency theory has an unmatched interest in the field of CG that is positive (Al-Qudah & Al Rubaiee, 2012). The evidence presented above suggests that CG was able to strengthen management accountability through the use of agency theory. Additionally, superior CG can make it easier to ensure that firms succeed. This theory explains how corporate governance enhances organisational performance through effective management and shareholder relationship in context of competing interests and limited resources.

Corporate Governance, Service Innovation and Organisational Performance

Numerous academics have studied the relationship between corporate governance and organisational performance, especially in emerging nations. Interestingly, though, there aren't many studies that have looked at how service innovation mediates this relationship. Hence, this paper sought to examine the link between corporate governance, service innovation and organizational performance. For instance, the study conducted by Asensio-López, Cabeza-García, and González-Álvarez (2018) utilised an empirical review to demonstrate a noteworthy correlation between corporate governance and innovation. However, the findings were inconclusive. The ownership structure, the ownership structure, and the board of directors were examined in the study as corporate governance indicators. Due to its examination of corporate innovation as a dependent variable, the study revealed a conceptual gap. The mediating variable in this study between corporate governance and organisational performance was thought to be service innovation. A methodological gap was evident since the present study used both qualitative and quantitative data, while the previous study used empirical review, the study also highlighted.

Using secondary data Samuelsson (2021) study indicated that there was a statistically significance between service innovation and internal efficiency in healthcare. The empirical review sought to identify how internal and external effectiveness of healthcare performance are impacted by technical and non-technical service innovation. The results of the study also showed a strong correlation, through consumer interaction, link between service innovation and efficiency. The studies also revealed that non-technical service innovation mediates the effect of technological innovation on organisational performance. A methodological gap was however evident in this study since the study relied on empirical reviews from extant literatures. In order to examine how service innovation influences the link between corporate governance and organisational performance in Kenyan faith-based hospitals, a quantitative approach was used.

Wang and Cao (2022) study indicated a statistically significant relationship between corporate governance, financial innovation and performance in Taiwan's banking industry. The study used time series and cross-sectional data sets. Data was obtained from panel data set from year 2011 to 2019. The obtained data was analyzed using descriptive and inferential methods. The study indicated a conceptual gap since innovation was considered as an independent variable. In this study, service innovation was conceptualized as a mediating variable. Contextual gap was also evident since the study was done among banks while this study was done among faith-based hospitals. Methodological gap was also evident since the study used both time series and cross-sectional data sets while this study used cross-sectional data type.

The study by Khan, Ahmad, Abdul Halim, and Ahmad (2022) discovered a significant link between service innovation orientation and the performance of 73 private hospitals in India. The link between service innovation and performance was mediated through open innovation. It was discovered that open innovation has a good link with service innovation. The study however revealed a contextual gap since it was done among medium and small private hospitals in India hence the results cannot be replicated to the faith-based hospitals in Kenya.

Kankam-Kwarteng, Osei, Asante-Gyabaah, and Ferkah (2022) discovered that service innovation mediates the correlation between knowledge creation and marketing performance of restaurants in Kumasi, Metropolis, using a structured questionnaire. A positive mediating effect of service innovation indicators (new services, new production processes, new marketing techniques, and new organizational or managerial structures) on performance was revealed. Mediating effect of service innovation was tested using multiple linear regression technique. The study had contextual gap since it was done in Metropolis. This study examined the role of service innovation as a mediating variable.

A longitudinal mixed methods study by Eide, Gullslett, Eide, Dugstad, McCormack and Nilsen (2022) showed a significant relationship between support trust-based service innovation and efficiency in the homecare. Using exploratory research design, both qualitative and quantitative data was from three city districts, three teams and 80 patients in Scandinavia. Trust-based service innovation was found to be effective and feasible. Methodological gap was evident since the study used longitudinal research methods. This study employed cross-sectional research method.

A study by Al Mamun et al. (2022) indicated process and product innovation could significantly influence strategic orientation and the performance of manufacturing SMEs. The study conducted among manufacturing enterprises found that process innovation significantly mediated the relationship between market, customer, and entrepreneurial strategy and SMEs success. The study, however, revealed a conceptual gap because it solely focused on process and product innovation. This study explored various dimensions of service innovation, including radical and incremental service innovations.

Using mixed methods approach, Joensuu-Salo, Kangas and Mäkipelkola (2021) study indicated a positively significant relationship between service innovation capability of the health care SMEs, technology orientation and market orientation. The research included both qualitative and quantitative data. This study revealed a conceptual gap since service innovation was considered a dependent variable. Service innovation was considered as a mediator in this study. The study was also revealed a contextual gap since the study was done among health care SMEs while this study was done among level 4 and 5 faith-based hospitals.

YuSheng and Ibrahim (2019) conducted research on the relationship between service innovation, service delivery, customer happiness, and loyalty in Ghana's banking sector. The study discovered that service innovation has a direct impact on non-financial aspects of performance using partial least squares structural equation modelling. The data was obtained from 450 sampled customers of commercial banks. The study was done in the banking sector in Ghana; thus, its findings cannot be extrapolated to faith-based hospitals in Kenya.

Vuorio, Torkkeli, and Sainio (2020) examined the relationship between service innovation and internationalisation in SMEs using structural equation modelling and discovered a statistically significant relationship between service innovation and internationalisation and the antecedents and profitability outcomes. The study exhibited also methodological gap as data, which was collected using online survey. Data for this study were gathered using a structured questionnaire. According to Hanif and Asgher's (2018) study, multi-dimensional service innovation has a significant impact on service innovation performance. The data obtained from 35 State Bank of Pakistan (SBP) branches was analysed using bivariate correlation and regression. Data was acquired using a cross-sectional approach and a self-administered survey questionnaire. Each dimension of service innovation was found to significantly predict service innovation performance. The study exhibited contextual gap as it was carried out among banking industries hence the results cannot be generalized to faith-based hospitals. This study was carried out among faith-based hospitals.

Conceptual Framework for the Study

This paper reviewed the mediating role of service innovation on the relationship between corporate governance and organisational performance as presented in a diagrammatical form in Figure 1.

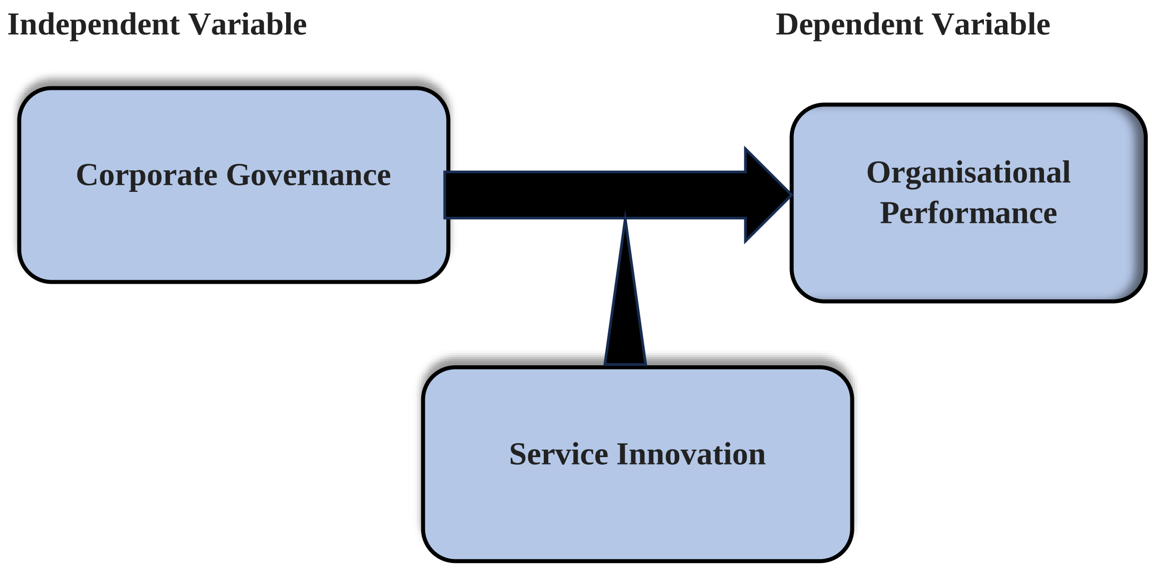

Figure 1: Conceptual Framework

3. METHODOLOGY

This paper used a cross-sectional survey research design. A cross-sectional survey design refers to an observational study that measures the study participants' exposures and outcomes simultaneously (Wang & Cheng, 2020). In cross-sectional survey design, data can be acquired more quickly and cheaply using a cross-sectional survey design than with other survey types. The cross-sectional survey makes it possible to gather primary data that aids in identifying correlations between various factors (Patten & Newhart, 2018; Shanmugam, 2020). Cross-sectional studies are observational research projects that examine demographic data collected at one particular period in time. The study population was level 4 and 5 Faith-based Hospitals (FBHs) in Kenya. According to Kenya Master Health Facility List 2023 statistics, there are 115 level 4 and 5 Faith-Based Hospitals in Kenya. The units of analysis comprised the 115 Level 4 and 5 Faith-Based Hospitals in Kenya. According to the Kenya Master Facility List of 2023, some hospitals namely; Tenwek and Mater hospital have satellite facilities registered independently from the mother hospital. Structured questionnaires were used to obtain primary data for the study. Questionnaires were preferred in this paper because they are simple to conduct, guarantee quick delivery, and allow respondents to respond at their convenience. The collected data was analysed quantitatively.

4. FINDINGS AND DISCUSSIONS

In this paper, 309 questionnaires were administered to the level 4 and 5 Faith-Based Hospitals (FBHs) in Kenya and the response results are as shown in Table 1.

Table 1: Response Rate

Category	Administered Questionnaires	Response Rate
Returned	250	80.9%
Unreturned	59	19.1%
Total	**309**	**100%**

Results in Table 1 indicate that 250 respondents completed and returned their surveys successfully, yielding an 80.9% response rate. According to Mugenda and Mugenda (2003) and Kothari and Garg (2014), a descriptive study can be considered sufficient if the response rate is greater than 50%. Babbie (2004) places return rates of 60% or above as good, and return rates of 70% or higher as very good. Thus, 80.9% was considered very good for the study.

Descriptive Statistics

Corporate Governance

The objective of the study was to establish the effects of corporate governance on organisational performance of faith-based hospitals in Kenya. The descriptive presents the results for corporate governance depicted in Table 2.

Table 2: Descriptive Statistics for Corporate Governance

Statistics	
Corporate governance	
N	250
Mean	4.2393
Median	4.3036
Mode	4.46
Std. Deviation	.45043
Skewness	-1.770.
Kurtosis	5.901

Table 2 presents descriptive data indicating the dispersion and central tendency of all corporate governance metrics. There were 250 responders in all for each measurement. While mean, median, and mode were used to assess central tenancy, skewness and kurtosis were used to measure data distribution. Dispersion was measured using the standard deviation. Assumptions about normality are tested using the measurements of kurtosis and skewness (Kline, 2005). According to Bai and Ng (2005), the distribution is considered severely skewed if the skewness is less than -1 or greater than 1, moderately skewed if the skewness is between -1 and -0.5 or between 0.5 and 1, and roughly symmetric if the skewness is between -0.5 and 0.5.

The findings indicate that the mean, median, and mode of corporate governance were 4.24, 4.30, and 4.46, respectively. This suggested that the majority agreed with the corporate governance statement, as indicated by the mean of 4.24. The group's members deviated from the observation's mean value of 4.24, as indicated by the standard deviation of 0.45. The corporate governance skewness was -1.770. We consequently infer that the distribution is severely skewed because the values were below -1. Kurtosis analysis revealed a corporate governance score of 5.901. As a result, since the values are more than 3, they are not platykurtic and do not exhibit a broad tail distribution or outliers.

Service Innovation

The second objective of the study was to determine the mediating effect of service innovation on the relationship between corporate governance and organisational performance of faith-based hospitals in Kenya. The descriptive results for service innovation are shown in Table 3.

Table 31: Descriptive Statistics for Service Innovation

Statistics	
Service Innovation	
N	250
Mean	4.2893
Median	4.3214
Mode	4.43
Std. Deviation	.40572
Skewness	-1.092
Kurtosis	1.962

The central tendency and dispersion of all the service innovation metrics are shown by the descriptive statistics in Table 3. There were 250 responders in all for each measurement. While mean, median, and mode were used to assess central tenancy, skewness and kurtosis were used to measure data distribution. The dispersion was measured using the standard deviation. The distribution is considered severely skewed if the skewness is less than -1 or greater than 1, moderately skewed if the skewness is between -1 and -0.5 or between 0.5 and 1, and roughly symmetric if the skewness is between -0.5 and 0.5 (Bai & Ng, 2005).

Service innovation had a mean of 4.29, a median of 4.32, and a mode of 4.43, according to the data. This suggested that the majority agreed with the claims about service innovation, as indicated by the mean of 4.29. The group's members deviated from the observation's mean value of 4.29, as indicated by the standard deviation of 0.41. The service innovation skewness was -1.092. We deduce that the distribution is extremely skewed as the values of skewness for service innovation were either larger than 1 or less than -1. According to Kurtosis statistics, service innovation scored a 1.962. Since the values were less than 3, we may thus conclude that they were platykurtic, with a broad tail distribution and no outliers.

Organisational Performance of Faith-Based Hospitals

Descriptive statistics were conducted on organisational performance of faith-based hospitals in Kenya. The descriptive presents the results for organisational performance of faith-based hospitals as shown in Table 4.

Table 4: Descriptive Statistics for Organisational Performance of Faith-Based Hospitals

Statistics	
Organisational Performance	
N	250
Mean	4.3468
Median	4.3929
Mode	4.39
Std. Deviation	.41893
Skewness	-.827
Kurtosis	.916

The descriptive data regarding the organisational performance of faith-based hospitals in Kenya are displayed in Table 4. There were 250 responders in all for each measurement. While mean, median, and mode were used to assess central tenancy, skewness and kurtosis were used to measure data distribution. Dispersion was measured using the standard deviation.
According to the descriptive findings, Kenyan faith-based hospitals' organisational performance had a mean of 4.35, a median of 4.39, and a mode of 4.39. According to the mean of 4.35, the majority of people in Kenya appeared to agree with the claims regarding the organisational performance of faith-based hospitals. The group's members deviated from the observation's mean value of 4.35, as indicated by the standard deviation of 0.42.

A high standard deviation indicates that the data points are dispersed throughout a large range of values, while a standard deviation of 0.42 further suggests that the data points typically tend to be extremely near to the data mean. In Kenya, faith-based hospitals' organisational performance had a skewness of -0.827. We thus determine that the distribution is significantly skewed since the values were either between 0.5 and 1 or between -1 and -0.5. Kurtosis data indicated that faith-based hospitals in Kenya had a 0.916 organisational performance. Since the values were less than 3, we may thus conclude that they were platykurtic, with a broad tail distribution and no outliers.

Inferential Statistics

Corporate Governance and Organisational Performance of Faith-Based Hospitals

The study's primary goal was to determine how corporate governance affected the organizational performance of faith-based hospitals in Kenya. The statistical relevance of the independent variable (corporate governance) on the dependent variable (organisational performance) in Kenyan faith-based hospitals was examined using a basic regression model. The first hypothesis, according to the null form, is that corporate governance has no significant effect on the organisational performance of faith-based hospitals. The hypothesis was tested by regressing corporate governance and organisational performance guided by the equation;

$OP = \alpha 0 + ß_0 CG + \varepsilon$
Where OP = Organisational performance of Faith-Based Hospitals in Kenya, CG= corporate governance and ε

Table 5: Model Summary for Corporate Governance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.783[a]	.613	.611	.47443

The coefficient of determination (R Square) is .613, as shown in Table 5. According to the model, 61.3% of the variation in Faith-Based Hospitals' organisational performance can be explained by corporate governance. This suggests that corporate governance has a major impact on organizational performance of faith-based hospitals in Kenya.

Table 5: ANOVA

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	88.279	1	88.279	392.200	.000[b]
	Residual	55.821	248	.225		
	Total	144.100	249			

a. Dependent Variable: Organisational Performance
b. Predictors: (Constant), Corporate governance

The Analysis of Variance (ANOVA) results are shown in Table 5. Analysis of Variance consists of calculations that provide information about levels of variability within a regression model and form a basis for tests of significance. This was conducted using SPSS by using average mean score of corporate governance and organisational performance of Faith-based Hospitals. The results in Table 5 indicate that F-Calculated (1, 248) = 392.200, $p<0.05$. F calculated was greater than F-Critical from an F-distribution table (1, 265) = 3.84 at 95% confidence level. Therefore, the results confirm that the regression model of corporate governance on organisational performance of Faith-Based Hospitals is significant and valid in overall.

Table 6: Regression Coefficients for CG and OP

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	1.299	.095		13.680	.000
	Corporate governance	.646	.033	.783	19.804	.000

The fitted model from the result in Table 6 was;

OP= 1.299 + 0.646CG

This suggests that improved organisational performance is a result of sound corporate governance. According to $H0_1$, corporate governance has no significant effect on the performance of faith-based hospitals in Kenya. The study found that corporate governance significantly affects the organisational performance of faith-based hospitals in Kenya, rejecting the null hypothesis since the p-value was less than 0.05.

Mediating Effect of Service Innovation

The second objective of the study was to examine the mediating effect of Service innovation on the relationship between corporate governance and Organisational performance of Faith-Based Hospitals in Kenya. Regression analysis was used to assess the hypothesis using Baron and Kenny's (1986) four-step method. Confirmation of mediation requires the fulfilment of the following four requirements. The independent variable has to have a substantial relationship with the dependent variable in the absence of the mediating variable.

In the second requirement, there ought to be a strong connection between the mediating and independent variables. The third requirement is that the mediating variable and the dependent variable must be significantly related. The fourth requirement is that the independent variable's influence on the dependent variable should not be significant when the mediating variable's effect on the dependent variable is controlled.

Thus, corporate governance was being regressed to organisational performance in the first phase. The procedure moves on to step two if step one yields statistically significant findings. If the first phase yields no significant findings, the procedure is terminated. In this case, it would be determined that service innovation does not act as a mediator in the link between organisational performance and corporate governance.

In the second level, corporate governance was regressed against service innovation. The procedure moves on to step 3 if the outcomes are noteworthy since the prerequisites for a mediating effect have been satisfied. In step three, the effect of service innovation on organisational performance is investigated using a simple linear regression model. There has to be a statistically significant impact of service innovation on organisational performance in order to test for the mediating effect.

Step four concluded by examining how corporate governance affects organisational performance while accounting for the influence of service innovation. For these tests, a simple linear regression analysis was employed. The effect of corporate governance on organisational performance ought to be statistically significant when service innovation is controlled. This is necessary condition in order to find presence of mediation effect. Tables 7, 8, 9 and 10 respectively shows the outcomes of the four steps.

Step One: corporate governance was regressed against organisational performance. The results are presented in Table 7.

Table 7: Regression Results from the Test of the Effect of CG on OP

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.783[a]	.613	.611	.47443

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	88.279	1	88.279	392.200	.000[b]
	Residual	55.821	248	.225		
	Total	144.100	249			

a. Dependent Variable: Organisational Performance

b. Predictors: (Constant), Corporate Governance

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.299	.095		13.680	.000
	Corporate Governance	.646	.033	.783	19.804	.000

a. Dependent Variable: Organisational Performance

Table 7 shows that corporate governance and organisational performance have a statistically significant and positive association (R =.783). The coefficient of determination (R2=.613) indicates that 61.3 percent of organisational performance can be explained by corporate governance. Therefore, organisational performance stays at 1.299 while corporate governance is maintained. Simultaneously, a 0.646 rise in corporate governance units will result in an improvement in the organisational performance of faith-based hospitals in Kenya. Given that the p-value is 0.00 and the F-value is 392.200, both of which are below the 0.05 level of significance, the model is statistically significant. The results validated the initial phase of investigating if Service innovation functions as a moderator in the correlation between corporate governance and organisational performance. Step two of the mediation testing entailed evaluating the impact of corporate governance on service innovation. The results of the tests are presented in table 8.

Table 8: Regression Results from the Test of the Effect CG on SI

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.812[a]	.659	.657	.43212

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	89.359	1	89.359	478.561	.000[b]
	Residual	46.308	248	.187		
	Total	135.666	249			

a. Dependent Variable: Service Innovation

b. Predictors: (Constant), Corporate Governance

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	1.242	.086		14.371	.000
	Corporate Governance	.650	.030	.812	21.876	.000

a. Dependent Variable: Service Innovation

The results in Table 8 demonstrate that corporate governance and service innovation are positively and statistically significantly correlated (R =.812). Moreover, the coefficient of variation (R2 =.659) showed that 65.9% of service innovation can be explained by corporate governance. Under these conditions, organisational performance stays at 1.242 while service innovation is held constant. Simultaneously, a 0.650 rise in service innovation units will result in an increase in the organisational performance of faith-based hospitals in Kenya. Furthermore, a P-value of .00 and an F-value of 478.561 show that the model is statistically significant. The results suggest that, in order to go on to step 3, the technique of assessing the mediating impact must be validated in the second testing phase. In Step Three, service innovation was regressed against organisational performance. The results for the step 3 are presented in Table 9.

Table 9: Regression Results from the Test of the Effect of SI on OP

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.891[a]	.794	.793	.34634

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	114.352	1	114.352	953.326	.000[b]
	Residual	29.748	248	.120		
	Total	144.100	249			

a. Dependent Variable: Organisational Performance
b. Predictors: (Constant), Service Innovation

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	.294	.093		3.164	.002
	Service Innovation	.918	.030	.891	30.876	.000

a. Dependent Variable: Organisational Performance

According to Table 9, there is a strong correlation between service innovation and organisational performance (R =.891). Service innovation accounts for 79.4% of organisational performance (R2 =.794), with the remaining percentage being explained by factors not included in the model. Organisational performance therefore stays at.294 while service innovation is maintained constant. Concurrently, a.918 growth in service innovation units would boost the organisational performance of faith-based hospitals in Kenya. An F-value of 953.326 and a P-value of 0.00, both less than the 0.05 level of significance, were obtained from the model's analysis, demonstrating the statistical significance of the model. The third round of testing for a mediating effect was therefore completed, meeting the requirements, and testing moved on to step 4.

Finally, step four looked at the effect of corporate governance on organisational performance while taking into account the effect of service innovation. These tests were carried out using a basic linear regression analysis. Complete mediation occurs when CG is not significant when SI is controlled; partial mediation occurs when CG and SI both significantly predict OP. The relevant results are summarised in Table 10.

Table 10: Regression Results Depicting Mediating Effect of Service Innovation on Corporate Governance on Organisational Performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.783[a]	.613	.611	.47443
2	.897[b]	.804	.802	.33814

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	88.279	1	88.279	392.200	.000[b]
	Residual	55.821	248	.225		
	Total	144.100	249			
2	Regression	115.858	2	57.929	506.642	.000[c]
	Residual	28.242	247	.114		
	Total	144.100	249			

a. Predictors: (Constant), Service Innovation, Corporate governance

b. Predictors: (Constant), Service Innovation, Corporate governance**,** Service Innovation_ Corporate governance

c. Dependent Variable: Organisational Performance

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	1.299	.095		13.680	.000
	Corporate Governance	.646	.033	.783	19.804	.000
2	(Constant)	.340	.092		3.709	.000
	Corporate governance	.144	.040	.175	3.629	.000
	Service Innovation	.772	.050	.749	15.531	.000

a. Dependent Variable: Organisational Performance

The results in Table 10 shows that corporate governance is statistically significant when service innovation is controlled (p-value=0.000, or less than the 0.05 threshold at a 95% confidence level). According to model 2, where the variation rose from a coefficient of 0.613 to 0.804 and the p-value was .000, service innovation contributes considerably to organisational performance. The results also show that service innovation accounts for a large portion of the variation, with the significance rising from F=392.200 in the first model to F=506.642 in the second. Due to the partial mediation effect seen, the study rejected the null hypothesis and accepted the alternative hypothesis, which states that service innovation mediates the association between corporate governance and organisational performance.

This objective was guided by the following model; OP= α+ β_1CG+ β_2SI

Where-; OP = Organisational performance

CG= Corporate governance

SI = Service Innovation (Meditator variable controlled)

- ε_ = Error term, β = the beta coefficients of independent variables

After the regression analysis the model became Y= .340 +.144CG+ .772SI

5. DISCUSSIONS AND CONCLUSION

Corporate governance (CG) has become a rapidly expanding activity in enterprises in recent years, and its significance has been emphasized globally. Even nations that do not currently have regulations governing the use of CG in enterprises have embraced it. The fact that CG forms the foundation of an organization's operational architecture explains its widespread appeal. Since the owners are dedicated to utilizing the mechanisms and principles, which in the broadest sense equate to effective monitoring of a company's activities, especially when the principles of disclosure and transparency are adopted, it is anticipated that the adoption and implementation of the Quality Assurance (QA) practice will benefit the owners. Therefore, when a company decides to adopt and implement CG, this move might positively affect decisions about both present and potential investors. Apart from the analysis done by the experts, owners and shareholders can also examine and assess judgments made on a daily basis because the information is readily available. This highlights the CG's distinct and significant function in relation to how these processes affect businesses' performance. Numerous studies demonstrate the connection between CG and business performance, yet the findings are variable and sometimes positive, both good and bad for the performance of the company.

The statistical relevance of the independent variable (corporate governance) on the dependent variable (organisational performance) faith-based hospitals in Kenya was examined using a simple regression model. The first null hypothesis claimed that there is no meaningful correlation between corporate governance and the organisational performance of faith-based hospitals in Kenya. Corporate governance was regressed against organisational performance of faith-based hospitals in Kenya and the results demonstrate that organisational performance stays at 1.299 when corporate governance is maintained.

The mediating effect of service innovation on the relationship between corporate governance and organisational Performance of Faith-Based Hospitals in Kenya was analysed in 4 steps. The results indicated that step 1, 2, 3 and 4 were met as the P-value were below 0.05. Therefore, this indicated that there exists a partial mediation effect of service innovation on the relationship between corporate governance and organisational performance of Faith-Based Hospitals in Kenya. A robust corporate governance framework can foster service innovation and support an organization's long-term viability. Organizations may withstand upheavals and pressure from the competition by consistently innovating and adapting to shifting client wants and market conditions.

Organisational performance is improved by following sound corporate governance principles and practices. Given that the p-value of less than 0.05 is smaller than the critical value, the null hypothesis-which posited that corporate governance had significant effect on the organisational performance of faith-based hospitals in Kenya - was rejected. The study concluded that corporate governance significantly affects the performance of faith-based hospitals in Kenya.

The findings of This paper are in agreement with those of Oino (2019), who found that improved risk management, enhanced auditing and compliance, and more disclosure and transparency all had a positive impact on the financial performance of financial institutions. Furthermore, when there was an increase in the amount of auditing within the banking industry as well as the degree of compliance with banking regulations, the financial performance of banks improved. This is further supported by Khan, Zahid, Saleem and Sági (2021) who indicated that board composition had a significant effect on the performance. Additionally, the CEO characteristics was found to have a positive moderating effect on the relationship between board composition and accountability in the firm. The performance of the firm was found to be affected by the gender diversity and CEO duality. Equally, the results revealed that board size and diversity had a significant effect on performance.

The outcomes also mirror the findings of Xie, Wang, and García (2021), which demonstrated that higher customer engagement levels significantly improve service innovation performance. The results of the study also revealed that relationship learning modulates the link between. Furthermore, it has been noted that greater knowledge absorptive capacity both considerably increases the impact of customer involvement in service innovation on relationship learning and increases the indirect effects of customer involvement in service innovation on service innovation performance through relationship learning. The study results are also consistent with that of Feng, Ma, and Jiang (2021) who observe that service innovation significantly improves a company's performance. Furthermore, contextual moderators (firm type, innovation type, customer variables, and attitudes toward risk) and measurement moderators (economic area and performance measurement) have an impact on the link between service innovation and firm performance. The meta-analysis's findings show that the kind of firm has a major impact on the association between service innovation and performance, with manufacturing firms seeing a greater contribution from service innovation in enhancing performance.

6. RECOMMENDATIONS

The paper has examined ways by which corporate governance affects organisational performance of Faith-Based Hospitals in Kenya. To guarantee strategic direction, accountability, and moral governance practices, the study advises the organization to strengthen the capability and supervisory responsibilities of hospital boards in faith-based hospitals. Policies requiring regular reporting and disclosure of hospital performance indicators and governance processes to stakeholders should be put in place by the government. To make sure that hospital operations meet the requirements and expectations of the communities they serve, it is also important to develop systems for including a variety of stakeholders in governance processes, such as personnel, patients, and the community. Hospital administrators and board members should have access to ongoing education and training on best practices in corporate governance and hospital management from government and regulatory organizations.

The empirical data generated from study findings will be useful to the government and other sectors in formulating policies aimed at improving corporate governance and performance. To guarantee accountability and strategic direction, clearly faith-based hospitals should define the tasks and responsibilities of the board of directors. To establish credibility and trust, faith-based hospitals should use open and honest decision-making procedures and consistent communication with stakeholders, encourage a company culture built on moral precepts and religious beliefs, and make sure that these values are reflected in every aspect of the business, build the organization's leadership capabilities to lead innovation in healthcare services and overcome obstacles. Additionally, the hospitals need to establish closer relationships with the neighborhood to better understand and address its healthcare needs, ensuring that services are in line with the goals of faith-based care.

On service innovation, faith-based hospitals should embrace advances made possible by technology, such as telemedicine, electronic health records, and mobile health applications in order to improve service delivery and efficiency. Invest in strong IT systems and infrastructure that encourage creativity and help healthcare providers communicate and work together. By using innovative services, faith-based hospitals in Kenya can find new market niches where they can serve underprivileged groups or religious communities with unique requirements and preferences. This fits with the notion of disruptive innovation, which postulates that disruptive technologies frequently appear in market niches that are neglected or underserved and eventually pose a challenge to well-established incumbents. Innovation in services provided by faith-based hospitals could result in the creation of more affordable medical options without sacrificing quality.

The use of technology, such as telemedicine, mobile health apps, or electronic health records, into healthcare delivery systems is one example of service innovation in faith-based institutions. This technological integration can make healthcare services more accessible and efficient, which is in line with the disruptive innovation idea, which emphasizes how technology can change sectors and open up new markets. Faith-based hospitals' service innovation initiatives have the potential to challenge the dominance of established healthcare providers in the healthcare industry and provide patients more control over their healthcare decisions. This is consistent with the disruptive innovation theory's claim that disruptive breakthroughs frequently upend established hierarchies of power and reassign decision-making authority. Faith-based hospitals may encourage collaborative ecosystems through service innovation, including alliances with tech firms, healthcare entrepreneurs, and other stakeholders. The disruptive innovation theory emphasizes the significance of ecosystem dynamics in propelling innovation and industrial transformation, which is in line with this collaborative approach to innovation.

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