

**CORPORATE GOVERNANCE PRACTICES AND PERFORMANCE OF ENTERPRISE RISK  
MANAGEMENT IN THE HORTICULTURAL FARMS IN KAJIADO COUNTY, KENYA**

**BY**

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**MASTER OF BUSINESS ADMINISTRATION**

**(CORPORATE MANAGEMENT)**

**KCA UNIVERSITY**

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**A DESSERTATION REPORT SUBMITTED IN PARTIAL FULFILLMENT OF THE COURSE  
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## DECLARATION

I declare that this project report is my original work and that it has not been presented to any other institution for award of a certificate.

**Name:** JUSTUS MUIRURI GITAU

**Date:** 9/3/2023

**Signature:**



This project report has been submitted for examination with my approval as the university supervisor

**Name:** Dr. Brigitte Wabuyabo-Okonga

**Date:** 6<sup>th</sup> Oct 2023

**Signature:**



## **DEDICATION**

This project report is dedicated to my dear wife Jeniffer Mukene and my three daughters Ticy, Kyla and Sky.

## **ACKNOWLEDGEMENT**

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## ABSTRACT

Corporate governance mechanisms are established to ensure proper management and transparency within firms, aiming to enhance firm value for the benefit of shareholders and other stakeholders. Following the 2007 global financial crisis and various corporate failures, there had been significant calls for the implementation of effective corporate governance practices in the operation and management of corporations. However, in recent years, many flower farms have been closed because of various reasons such as unable to meet their financial obligation among other things. The study investigated the impact of corporate governance on the performance of risk management in Kenyan flower farms. Specifically, the research explored how managerial skills, internal control systems, organizational transparency, and ownership structure influenced the effectiveness of risk management in these flower farms. A descriptive research design was utilized, targeting all 40 flower farms in Kajiado and involving a sample of 170 respondents. The researcher gave questionnaires to the respondents to fill using drop and pick method where the questionnaires were given to the respondents, they were given two days to fill and then on the third day, the researcher went back to collect the filled questionnaires. One on one interviews were conducted in which the researcher booked an appointment with the management of the flower farms and did interview guide. Focused group discussion was done with all the workers whereby they were grouped in to groups of ten people and then the discussion took place. Data collection employed questionnaires, while data analysis was carried out using SPSS version 25. The collected data was presented through frequency tables, means, standard deviations, and inferential statistics. The inferential statistics aimed to establish the relationships between the dependent and independent variables of the study, formulated as  $Y = a_1 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \epsilon$ . The study's findings were significant, revealing that the combined independent variables exerted a significant influence on risk management within the flower farms. The study found out that managerial skills have positive and significant influence on risk management and thus the null hypothesis which presumed that managerial skills has no significant influence on risks management was rejected. Also, the study findings showed that organizational internal control has positive and significant influence on risk management. The study rejected the null hypothesis which stated that organizational internal control has no significant influence on risk management. It was also discovered that transparency and accountability influence risk management in flower farms since the correlation value was positive. The study therefore rejected the null hypothesis which presumed that transparency and accountability has no significant influence on risk management. Finally, the results indicated that ownership structure has positive influence on risk management and consequently, the study rejected the null hypothesis which stated that ownership structure has no significant influence on risk management. The conclusion of this study underscores the critical role that various factors, including managerial skills, internal control systems, organizational transparency, and ownership structure, play in influencing the effectiveness of risk management practices within the horticulture industry. The study's conclusion highlights that these factors are not isolated elements but are interrelated and collectively contribute to the effectiveness of risk management practices. This insight underscores the complexity of risk management within the horticulture industry. It suggests that addressing risk management challenges requires a holistic approach that considers multiple facets of corporate governance and operational practices. The findings stress the importance of managers in corporate world to ensure that there is strong mechanism of identifying various risks which may befall an organization, mitigate and manage them before they may pose risk to the continuity of the organization.

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

Risk management refers to the systematic process of identifying, assessing, and mitigating potential risks that may arise in an organization. It involves the implementation of strategies and measures to minimize the likelihood of risks occurring, as well as the development of contingency plans to address risks if they do materialize (Carleton, & Lineberry, 2016). Risk management encompasses various aspects, including ethical considerations, participant safety, data integrity, financial implications, and project timelines. It involves anticipating and proactively addressing potential risks that may impact an organization on its daily activities, Kerzner, (2017).

As per the research conducted by Cooper et al. in 2017, the board of directors carries out two primary functions: monitoring and providing strategic guidance. To fulfill these roles effectively, the board should exhibit both independence and diversity, encompassing a blend of various skills and areas of expertise. It is crucial that shareholders possess the authority to elect directors, give their approval for significant corporate actions, and receive comprehensive information regarding the company's performance. This framework serves as a safeguard, ensuring that the organization is adept at identifying and handling risks that could potentially pose threats to the company or its stakeholders. In recent years, the significance of corporate governance has been magnified within the realms of both investor circles and policy-making spheres. This prominence has been attributed, in part, to a series of high-profile corporate scandals such as Enron and WorldCom. These incidents served as stark reminders of the critical role that effective corporate governance plays in preventing fraudulent activities and safeguarding the interests of shareholders. Cooper *et al*, 2019, collectively underscored the multifaceted nature of corporate governance. The board's oversight functions, the importance of independence and diversity, the role of shareholders, and the integration of risk management practices all coalesce to form a comprehensive framework that shapes organizations' operations, accountability, and overall sustainability in an increasingly complex business landscape

The role and significance of corporate governance in modern business have been extensively explored by various researchers and organizations. This elaboration will delve into the key points raised by Cooper et

al. in 2017, insights from Shleifer and Vishny, and the recommendations of the Organization for Economic Cooperation and Development (OECD) regarding corporate governance. Cooper et al. (2017) highlighted that the board of directors primarily serves two fundamental functions - monitoring and providing strategic guidance. Monitoring involves overseeing the company's management to ensure it acts in the best interests of shareholders and complies with legal and ethical standards. Providing strategic guidance involves contributing to the development of the company's long-term vision and strategy. To perform these functions effectively, the board should be both independent and diverse. Independence is crucial to ensure that the board can make impartial decisions that prioritize shareholder interests. An independent board is less likely to be influenced by conflicts of interest or the interests of management. Diversity in the boardroom, encompassing a variety of skills and expertise, is also essential. A diverse board can bring different perspectives, which can lead to better-rounded decision-making.

Shareholders play a vital role in corporate governance. They should have the authority to elect directors, as this gives them a say in who represents their interests on the board. Additionally, shareholders should approve significant corporate actions and receive comprehensive information about the company's performance. This transparency and accountability help maintain trust between the company and its shareholders. Shleifer and Vishny's insights in 2017 emphasize the role of corporate governance mechanisms in reinforcing the dynamics of corporate governance. Mechanisms such as proxy voting, takeover defenses, and shareholder activism allow shareholders to exert influence and ensure that the board and management act in their best interests. Corporate governance also involves risk management. The OECD recommends that a robust corporate governance system includes a well-structured risk management framework and effective internal controls. This framework serves as a safeguard against potential risks that could threaten the company or its stakeholders. It ensures that risks are identified, assessed, and managed appropriately.

The issue of insufficient corporate governance in Kenya has been a recurring problem across various sectors, and it has led to catastrophic consequences for organizations, investors, and the economy as a whole. One prominent case that illustrates this problem is the Nyaga stockbrokers, which was placed under statutory management in 2008. The primary reason behind this intervention was the stockbroker's inability to meet its financial obligations. This situation had a ripple effect, causing significant financial losses for investors who had entrusted their funds to Nyaga.

Another instance that highlights the gravity of the issue is the Charter House Bank, a commercial bank that also faced statutory management due to deficiencies in corporate governance. These governance shortcomings had serious implications not only for the bank itself but also for its customers, shareholders, and the broader financial system. Imperial Bank Kenya Limited presents yet another alarming case. In 2015, it was placed under management by the Deposit Protection Fund for similar reasons related to corporate governance lapses. This event sent shockwaves throughout the financial industry and eroded trust in the sector. These cases collectively underscore the adverse consequences of weak corporate governance. They are indicative of a broader problem in Kenya's business landscape, where organizations often fail to implement and adhere to sound governance practices.

### **1.1.1 Corporate Governance Practices**

Corporate governance constitutes a systematic framework that guides and governs an organization, focusing on the establishment of effective pathways for making strategic decisions. The ultimate authority and comprehensive responsibility for corporate governance lie with the Board of Directors. In the contemporary market-driven economy, the demand for robust corporate governance has risen, driven by factors like efficiency enhancements and the impact of globalization. Meisel (2016) underscores that corporate governance is pivotal in generating additional value for stakeholders. To facilitate shareholder participation and engagement, as advocated by the International Corporate Governance Network (ICGN), companies should adopt practices such as proxy voting and shareholder activism. These practices empower shareholders by allowing them to have a say in decision-making processes. Collectively, these elements illustrate the multifaceted nature of corporate governance. It functions as a navigational tool for organizations, steered by the Board of Directors, and serves as a critical means to achieve sustainable value creation for stakeholders. The inclusion of independent directors, aligned executive compensation, and practices fostering shareholder engagement stand as fundamental components within this framework, contributing to enhanced transparency, accountability, and long-term success.

Adeboye and Rotimi (2016) suggest that the primary aim of efficient corporate governance is to enhance the profitability and efficiency of organizations. This improvement consequently leads to heightened wealth generation for shareholders, better employment prospects along with enhanced conditions for employees, and advantages for stakeholders. Asemeit (2014) highlights that transparency, accountability, and integrity stand as vital constituents for organizations striving to project themselves as responsible,

considerate, truthful, and authentic generators of wealth within society. By embodying these attributes, organizations can establish a favorable reputation and become acknowledged as credible contributors to societal well-being.

Corporate governance practices encompass the systems and processes through which companies are directed and controlled, aimed at achieving long-term value creation for shareholders while ensuring accountability, transparency, and fairness to all stakeholders. These practices provide a framework for the governance of companies, outlining the roles and responsibilities of various actors, such as shareholders, boards of directors, executives, and regulators, in decision-making and oversight processes. Effective corporate governance practices are crucial for maintaining investor confidence, attracting capital, and fostering sustainable economic growth. According to a study by Yermack (2017), corporate governance practices have gained significant attention in recent decades due to high-profile corporate failures and scandals that highlighted the need for stronger oversight and accountability mechanisms. Prominent cases, such as Enron, WorldCom, and Lehman Brothers, led to a loss of public trust in corporate leadership and emphasized the importance of robust governance practices in preventing fraud, mismanagement, and unethical behavior.

Bebchuk and Fried's study in 2004 suggests that executive compensation should be structured to align with long-term shareholder interests. This means that executives should be rewarded based on the company's performance and value creation over time. Executive compensation packages often include performance-based incentives, such as stock options or bonuses tied to specific financial metrics. These incentives are designed to align the interests of executives with those of shareholders, reducing agency problems where executives may prioritize their interests over the company's. Transparent disclosure of executive compensation is crucial for corporate governance. Shareholders and the public should have access to detailed information about how executives are paid, including base salaries, bonuses, stock options, and other perks. This transparency enables shareholders to assess the link between executive pay and the company's performance.

Shareholder rights and engagement are integral to effective corporate governance. Research by Black (2001) emphasizes the importance of shareholder activism in holding management accountable and influencing corporate policies. Shareholder rights, such as voting rights, proxy access, and the ability to nominate directors, empower shareholders to voice their concerns and influence decision-making

processes. Enhanced shareholder engagement through regular communication channels and shareholder meetings can facilitate the alignment of management actions with shareholder interests. Regulatory frameworks and codes of best practices play a crucial role in shaping corporate governance standards. The Sarbanes-Oxley Act of 2002 in the United States, for instance, was enacted in response to accounting scandals and aimed to enhance financial reporting, internal controls, and board independence. Similarly, the UK Corporate Governance Code, issued by the Financial Reporting Council, sets out principles and provisions for good corporate governance in the United Kingdom.

### **1.1.2 Enterprise Risk Management**

Enterprise Risk Management (ERM) is an all-encompassing methodology enabling managers to oversee risks and uncertainties across the entire organization. This is accomplished by comprehensively examining all dimensions of enterprise projects. By assigning specific business segments to either engage in or abstain from certain activities, managers can effectively influence the overall risk posture of the firm. ERM adopts a holistic perspective encompassing various risk types, both internal and external, while taking into consideration the broader context from a board's viewpoint. The core objective of ERM is to foster awareness throughout the organization and augment shareholder value through an ongoing process of risk mitigation and the exploitation of opportunities.

The objective of risk management is a critical aspect of modern organizational strategy. It involves finding a balance between the potential risks an organization faces and the rewards it seeks to achieve. In this elaboration, we will explore the various categories of risks that organizations encounter, with a specific focus on enterprise risk management (ERM) as outlined by Dabari and Saidin in 2017. We will also discuss the framework proposed by Woods and Dowd in 2018, which categorizes risks impacting organizations into five primary groups. Organizations operate in a complex and dynamic environment, facing a wide array of risks. Enterprise risk management, as delineated by Dabari and Saidin in 2017, is a comprehensive approach to managing risk within an organization. It goes beyond individual risk categories and considers the holistic risk landscape. ERM aims to identify, assess, prioritize, and mitigate risks across the organization, ensuring a coordinated and strategic approach to risk management.

While all organizations confront some degree of risk that necessitates management, the adoption of enterprise risk management (ERM) not only offers a more efficient approach to risk management but also

instills confidence within organizations. ERM equips organizations with the capability to promptly recognize cumulative risks and institute preemptive measures to alleviate their repercussions before they materialize. Should a risk manifest, the organization can swiftly rebound. While ERM doesn't assure success outright, it substantially heightens the probability of promptly identifying and effectively addressing pivotal risks. Enterprise Risk Management (ERM) entails an encompassing framework and processes that organizations implement to pinpoint, evaluate, and control risks that could potentially impact their strategic objectives and overall performance. It provides a systematic approach to proactively address risks across the entire enterprise, considering both potential threats and opportunities. Effective ERM practices aim to enhance decision-making, resource allocation, and value creation while minimizing potential adverse impacts.

According to the Committee of Sponsoring Organizations of the Treadway Commission (COSO), ERM is "a process, effected by an entity's board of directors, management, and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives." The COSO ERM framework is widely recognized as a leading reference for implementing ERM practices. The importance of ERM has grown significantly in recent years due to the increasing complexity and interconnectedness of business environments. Organizations face a wide range of risks, including operational, financial, strategic, legal, reputational, and compliance risks. Research by PwC (2018) emphasizes the need for organizations to adopt a holistic approach to risk management and integrate it into their strategic decision-making processes. This integrated approach enables organizations to better anticipate and respond to risks, enhancing their resilience and ability to create long-term value.

The ERM process typically involves several key steps. First, organizations identify and categorize risks relevant to their specific industry, operations, and strategic objectives. This process requires a thorough understanding of the internal and external factors that can impact the organization's performance. Research by Hillson and Murray-Webster (2007) highlights the importance of effectively identifying risks and differentiating between threats and opportunities to ensure a comprehensive understanding of the risk landscape. Various quantitative and qualitative techniques, such as risk scoring, scenario analysis, and expert judgment, can be employed to assess risks. A study by Kolarik and Mitrova (2016) explores the

application of quantitative risk assessment methods in the energy sector, demonstrating their effectiveness in evaluating and comparing different risk scenarios.

Following a thorough risk assessment, organizations proceed to formulate and put into action strategies and controls to mitigate these identified risks. These strategies encompass a range of approaches, such as evading risks altogether, transferring them through insurance or contractual agreements, reducing risks through process enhancements or diversification, and, when the potential advantages outweigh the risks, accepting them. Kaplan and Mikes' research from 2012 underscores the significance of factoring in risk appetite – that is, the extent of risk an organization is prepared to assume – when aligning risk management choices with strategic objectives. Monitoring and review of risk management activities are vital to ensure the effectiveness and adaptability of ERM practices. Organizations should establish key risk indicators (KRIs) and regularly monitor and report on risk exposure and the effectiveness of risk mitigation measures. Ongoing communication and feedback loops between different levels of the organization facilitate continuous improvement and enable timely response to emerging risks.

### **1.1.3 Horticultural Sector**

The horticultural sector plays a significant role in the global economy, contributing to food security, employment, and economic development. According to the Food and Agriculture Organization (FAO), horticulture encompasses fruits, vegetables, flowers, ornamental plants, and spices. The global horticultural industry has experienced steady growth, driven by increasing consumer demand, changing dietary preferences, and urbanization. According to (European Commission, 2020, Europe has a well-established horticultural sector and is a significant player in the global market. The European horticulture industry comprises both large-scale commercial operations and small-scale family farms. It focuses on the production of high-quality fruits, vegetables, and ornamental plants. The European Union (EU) has implemented policies and regulations to ensure food safety, traceability, and environmental sustainability within the horticultural sector.

The horticultural sector holds a pivotal position within the economy, offering essential commodities such as cut flowers, fruits, and vegetables. It serves as a substantial source of employment, benefiting both rural and urban regions and contributing significantly to the broader economic landscape. Beyond its role in supplying raw materials for agro-processing, the horticultural industry is a key driver of income generation

and foreign exchange, boasting foreign earnings exceeding US\$ 300 million and sustaining an impressive average annual growth rate of 15% to 20%. Particularly noteworthy is its profound impact on rural areas, where it plays a critical role in alleviating poverty, fostering wealth creation, and promoting gender equity, as evidenced by FPEAK's findings in 2014.

Over the course of its history, Kenya's horticultural sector has transformed into a significant contributor to the nation's economic prosperity. This evolution has seen the sector shift from a subsistence-oriented model to a modern, export-driven industry. Presently, horticulture stands as Kenya's second-largest foreign exchange earner, trailing only behind the tourism sector. The roots of horticultural production in Kenya can be traced back to the early 20th century when European-owned farms were established in the highlands. Initially modest in scale, these farms primarily cultivated vegetables and fruits for local consumption. However, the industry entered a phase of rapid expansion during the 1960s, driven by government initiatives aimed at promoting export-oriented horticultural production as a means to diversify the economy (Muya et al., 2014).

Kajiado County is known for its arid and semi-arid climate, which poses a significant challenge for flower farms. Water scarcity is a major issue, and flower farms often struggle to secure a reliable water supply for irrigation. The limited availability of water resources can impact the growth and quality of flowers, (Muya et al., 2014). The lack of adequate irrigation infrastructure can be a problem. Many flower farms in Kajiado County rely on outdated or inefficient irrigation systems, leading to water wastage and suboptimal irrigation practices. Improving and modernizing irrigation infrastructure can help optimize water usage and improve farm efficiency. Like many agricultural sectors, flower farms in Kajiado County are vulnerable to the effects of climate change. Changing weather patterns, including irregular rainfall and increased temperatures, can disrupt flower production cycles and make it more challenging to predict and manage crop yields. Adapting to climate change and implementing sustainable farming practices are crucial for the long-term viability of flower farms, (Kenya Horticultural Council, 2021).

The horticultural sector in Kenya plays a significant role in the country's economy, contributing to export earnings, employment generation, and poverty reduction. Kenya has emerged as one of the leading exporters of horticultural products in Africa, specializing in the production of cut flowers, fruits, and vegetables. The sector has experienced substantial growth and development over the years, driven by favorable agro-climatic conditions, technological advancements, and increased global demand. According

to a study by Wanjiku et al. (2018), Kenya's horticultural sector has experienced remarkable growth since the 1980s. The country's equatorial climate, with favorable temperature and rainfall patterns, provides conducive conditions for year-round horticultural production. The availability of abundant land and water resources further supports the expansion of commercial horticulture. As a result, Kenya has become a major exporter of cut flowers, particularly roses, as well as fresh fruits and vegetables to international markets.

The horticultural sector in Kenya is a vital component of the country's economy, contributing significantly to its export earnings, employment opportunities, and efforts to alleviate poverty. Kenya's emergence as a leading exporter of horticultural products in Africa, with a specialization in cut flowers, fruits, and vegetables, underscores the sector's remarkable growth and development. Several factors have contributed to this success, making it a compelling case study in the realm of agricultural and economic development. One of the foundational reasons for Kenya's success in horticulture is its unique agro-climatic conditions. The country's equatorial climate provides relatively stable temperatures and consistent rainfall patterns throughout the year. This means that Kenya can engage in year-round horticultural production, unlike many other countries limited by seasonal variations. This climate stability is particularly beneficial for crops with specific growth requirements, such as flowers, fruits, and vegetables.

Kenya's horticultural sector has embraced technological advancements and best practices in agriculture. The adoption of modern farming techniques, irrigation systems, and pest control measures has increased productivity and quality. Greenhouses, for instance, have allowed for precise control over environmental conditions, enabling the production of high-quality flowers and vegetables even in less favorable areas. The horticultural sector's growth is also attributable to increased global demand for fresh produce. Kenya has strategically positioned itself as a reliable supplier of horticultural products to international markets. The country's proximity to key consumer markets in Europe and the Middle East, combined with its adherence to international quality standards, has facilitated exports.

Kenya boasts abundant land and water resources that support the expansion of commercial horticulture. This availability of resources has encouraged both large-scale and smallholder farmers to engage in horticultural production. It has also facilitated crop diversification, with a wide range of fruits, vegetables, and flowers being cultivated. The horticultural sector in Kenya has benefited from research and knowledge-sharing initiatives. Collaboration between government agencies, research institutions, and

industry players has led to the development of new varieties, improved farming techniques, and pest management solutions. This research-driven approach has contributed to the sector's competitiveness.

The horticultural sector in Kenya has benefited from significant investments in infrastructure and technology. Research by Thurairaja and Kariuki (2019) highlights the role of improved transportation networks, such as well-connected roads and airports, in facilitating the export of horticultural products. The sector has also embraced technological innovations, including modern irrigation systems, greenhouses, and post-harvest handling technologies, to enhance productivity, quality, and shelf life of horticultural produce. These investments have contributed to the competitiveness of Kenyan horticultural products in the global market. Export-oriented horticulture has been a major driver of economic growth and foreign exchange earnings for Kenya. According to the Kenya National Bureau of Statistics (KNBS), horticulture exports accounted for a significant portion of the country's total export earnings. The cut flower sub-sector, in particular, has been a key contributor, with Kenya being one of the world's largest exporters of cut flowers. Research by Kinyanjui and Muturi (2018) emphasizes the role of horticultural exports in enhancing Kenya's balance of trade and improving the livelihoods of farmers and workers in the sector.

The horticultural sector has also played a crucial role in employment creation and poverty reduction in Kenya. The sector is labor-intensive, providing employment opportunities to a large number of people, particularly in rural areas. The Kenya Flower Council (KFC) estimates that the horticulture industry employs over 500,000 people directly and indirectly. Research by Gollin et al. (2014) highlights the positive impact of horticultural production on rural poverty reduction, as it provides income-generating opportunities for smallholder farmers and creates employment in ancillary services, such as packaging, transportation, and marketing.

Despite the positive growth and contributions of the horticultural sector, challenges persist. These challenges include limited access to finance for smallholder farmers, inadequate infrastructure in rural areas, high energy costs, and concerns related to pesticide use and environmental sustainability. Research by Omiti et al. (2018) emphasizes the need for supportive policies and interventions to address these challenges and promote sustainable growth and development in the horticultural sector.

## 1.2 Statement of the Problem

Instabilities and the death of certain flower farms within Kenya's flower farm industry have potentially stemmed from inadequate corporate governance practices (Kuria, 2018). Gaps in internal control mechanisms, risk management strategies, and regulatory oversight have engendered conflicts of interest among stakeholders and heightened exposure to risks (Kuria, 2018). The horticultural sector in Kenya grapples with a spectrum of corporate governance complexities, exemplified by instances like the recent dissolution of Karuturi and a decline in exports for select enterprises (Kenya Flower Council, 2021). Assessments of tax compliance conducted by the Kenya Revenue Authority have exposed numerous flower farms' non-adherence to tax regulations, resulting in substantial penalties and overdue payments (Kenya Revenue Authority, 2020). These revelations underscore an absence of robust risk management protocols and underscore the exigency for enhanced corporate governance practices within the flower farm domain.

In recent years, Kajiado County in Kenya has faced a severe problem with the collapse of flower farms, leading to significant economic and social consequences for the region. The genesis of this issue can be traced back to multiple factors. Firstly, the county has experienced the effects of climate change, resulting in unpredictable weather patterns. Fluctuating temperatures, irregular rainfall, prolonged droughts, and extreme weather events like floods have taken a toll on the flower farms. These plants require specific climatic conditions to thrive, and the changing climate has made it increasingly difficult for farmers to maintain their crops.

Water scarcity is another crucial concern in Kajiado County. The region heavily relies on water from rivers and boreholes for irrigation in flower farming. Unfortunately, these water sources have been severely depleted due to overexploitation, droughts, and pollution. As a result, flower farms struggle to secure a consistent and sufficient water supply, leading to reduced flower production and compromised quality. Additionally, the prevalence of pests and diseases has contributed to the collapse of flower farms. Inadequate pest control measures, combined with the changing climate, have created favorable conditions for pests and diseases to thrive. These infestations weaken the plants, reduce flower yields, and escalate production costs due to the need for expensive pesticides and treatments.

Numerous research studies have been conducted to investigate the collapse of flower farms in Kajiado County and shed light on the situation. One such study, titled "Climate Change and its Impact on Flower Farming in Kajiado County" by John Mwangi (2019), examined the relationship between climate change and flower farming. The findings indicated that rising temperatures, irregular rainfall, and extreme weather events negatively affected flower production. The study stressed the importance of implementing climate-resilient farming practices and adaptive strategies to mitigate the impact of climate change on flower farms. Another study titled "Water Scarcity and its Effects on Flower Farms in Kajiado County" conducted by Grace Wanjiru (2020) focused on the issue of water scarcity in the region. The research highlighted the declining water levels in rivers and boreholes, emphasizing the need for sustainable water management practices. It recommended adopting water-efficient irrigation techniques, rainwater harvesting systems, and fostering collaboration between farmers, the government, and water management authorities.

Similarly, a study by Sarah Njeri (2021) titled "Pests and Diseases in Flower Farming: A Case Study of Kajiado County" examined the prevalence of pests and diseases in flower farms. The research revealed that inadequate pest control measures, coupled with changing climatic conditions, contributed to increased pest and disease incidences. The study advocated for integrated pest management strategies, regular monitoring, and training programs to enhance farmers' capacity in pest and disease management. Consequently, there is a substantiated rationale for conducting a study that investigates the impact of corporate governance practices on enterprise risk management within the horticultural sector. Such a study holds the potential to furnish valuable insights into optimal strategies for effectively managing risks within this particular industry.

### **1.3 Objectives of the Study**

The primary objective of this study was to investigate the interplay between corporate governance and enterprise risk management within the horticultural sector, centering on flower farms situated in Kajiado County, Kenya. This research aimed to achieve the following specific objectives:

- i. To determine the influence of managerial skills' level on risk management among flower farms in Kajiado County, Kenya.

- ii. To establish the influence of organization internal control system practices on risk management among flower farms in Kajiado County, Kenya.
- iii. To determine the influence of transparency and accountability practice on risk management among flower farms in Kajiado County, Kenya.
- iv. To determine the influence of ownership structure on risk management among flower farms in Kajiado County, Kenya.

#### **1.4 Research questions**

This research report was guided by the following research questions:

- i. To what extent does managerial skills' level on risk management influence risk management among flower farms in Kajiado County, Kenya?
- ii. How does organizational internal control system influence risk management among flower farms in Kajiado County, Kenya?
- iii. To what extent does transparency and accountability practice influence risk management among flower farms in Kajiado County, Kenya?
- iv. How does ownership structure influence risk management among flower farms in Kajiado County, Kenya?

#### **1.5 Significance of the study**

The research aims to shed light on the role of corporate governance in effectively managing risks, including operational, marketing, and foreign exchange risks, which are common challenges in the flower industry. By providing insights into how corporate governance practices can impact risk management, this study can help flower companies develop more robust risk mitigation strategies. This, in turn, can lead to greater stability and profitability for these companies. The study is likely to generate recommended best practices for flower company management. These best practices can serve as practical guidelines for flower farm managers and executives to navigate the complexities of risk management. Implementing these recommendations can lead to more effective risk mitigation strategies and improved overall business performance. The findings of this study can have far-reaching implications for the regulatory landscape of Kenya's horticultural sector. Entities such as the Horticultural Crops Development Authority (HCDA), the Ministry of Agriculture, and other affiliated ministries, including the Ministry of Trade and Foreign Affairs, are likely to be significantly impacted. The insights from the research can influence the

development of policies and regulations that are conducive to a dependable and thriving horticultural industry in Kenya. This could lead to more supportive and conducive regulatory frameworks that foster growth and innovation within the sector.

The study's findings may pave the way for the formulation of innovative policies. As policymakers gain a deeper understanding of the factors that contribute to effective risk management in the flower industry, they can craft policies that encourage and incentivize the adoption of these practices. This could result in a more dynamic and adaptive regulatory environment that promotes sustainability and competitiveness. Beyond its immediate practical implications, this study can serve as a valuable reference point for scholars and researchers in the fields of corporate governance, risk management, and horticulture. Researchers can use the study's findings to identify areas that warrant further exploration and to guide the direction of their own research endeavors. This research can contribute to the body of knowledge in these domains, fostering ongoing research and academic inquiry.

## **1.6 Scope of the study**

This study aims to conduct an in-depth exploration of the factors influencing risk management practices within Kenyan flower farms. It places specific emphasis on managerial competencies, organizational transparency, ownership structure, and the level of independence on the board of directors. The research is designed to provide insights into how these fundamental components impact the strategies employed by flower farms in managing different categories of risk. These risk categories encompass operational, production, financial, and compliance risks, all of which hold significant importance within the flower farming industry. The study selects a sample of 40 flower farms that are members of the Kenya Flower Council in Kajiado, a region known for its active participation in the flower farming sector. The study recognizes that the skills and competencies of managers play a pivotal role in shaping how a flower farm identifies, assesses, and mitigates risks. Effective management can lead to better decision-making and risk management strategies. Transparency within an organization refers to the openness and clarity of its operations, financial reporting, and communication. This study aims to explore how transparent practices can contribute to risk management, as transparency can help identify risks early and facilitate proactive responses. The ownership structure of a flower farm can influence risk management practices. For example, family-owned farms might approach risk differently than publicly traded corporations. Investigating this aspect can provide insights into the relationship between ownership and risk

management. The composition of a company's board of directors, particularly the degree of independence of board members, can affect the oversight and risk management functions. Independent boards often bring unbiased perspectives and stronger governance, which can be beneficial in managing risks effectively.

### **1.7 Assumptions of the study**

This research study starts with the assumption that the individuals taking part in the study, who represent various flower firms, possess a solid understanding of corporate governance and risk management practices relevant to their respective flower farms. This assumption is critical because it means that the participants are expected to have the necessary knowledge to provide well-informed responses and insights during the research. Without this understanding, the data collected may lack depth and accuracy. This study also assumes that participants have a good grasp of the subject matter which is essential because it is anticipated to result in higher-quality research data. Essentially, it means that participants are likely to offer valuable and accurate information, leading to more meaningful findings. This assumption underscores the significance of having knowledgeable participants to enhance the credibility and reliability of the research outcomes.

The study also assumes that all flower firms and their participants will fully cooperate as required by the research plan. This cooperation is crucial for obtaining access to the necessary information and resources within these organizations. It implies that the research team anticipates a high level of willingness from the firms and participants to actively engage in the research process. This study also assumes that the respondents, the individuals participating in the study, will be open and candid in their interactions with the researchers. This implies that participants are expected to provide honest and transparent information voluntarily, without holding back important details or introducing biases. This assumption is significant because it contributes to the trustworthiness of the research findings and the validity of the collected data.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter is dedicated entirely to reviewing existing literature by fellow researchers who have conducted studies in the same area of interest. The literature review encompasses theoretical, empirical, and conceptual frameworks, organized to align with the research question under consideration. The primary aim of this review is to avoid duplicating prior research efforts and to develop a comprehensive understanding of the existing insights related to the research topic.

#### **2.2 Theoretical Framework**

This study was guided by the following theories:

##### **2.2.1 Steward Theory**

The concept of Steward Theory, also recognized as stewardship theory, was initially introduced by Donaldson and Davis in 1991. This theory proposes that corporate managers should undertake the role of stewards, assuming accountability for the organization's enduring prosperity and prioritizing the shareholders' best interests. In accordance with this theory, managers should dedicate their efforts to preserving the organization's resources and functioning as responsible guardians of these assets, rather than exclusively concentrating on the maximization of shareholder profits. Consequently, the steward theory underscores the significance of ethical and moral deliberations in the decision-making process, along with the enduring sustainability of the organization.

Extensive scholarly research has delved into the utilization of stewardship theory within the realm of corporate governance. Scholars have undertaken a comprehensive examination to elucidate how this theory can serve as a guiding framework for managerial conduct and ultimately lead to improved organizational results. A particular point of emphasis has revolved around the stewardship theory's impact on fostering responsible risk-taking practices within organizations. According to stewardship theory, when managers view themselves as stewards, they tend to engage in actions that effectively harmonize the concerns of various stakeholders, encompassing shareholders, employees, and customers.

Moreover, stewardship theory offers insights into the correlation between stewardship and the efficacy of risk management frameworks in enterprises. In a study conducted by Kang et al. (2008), the connection between stewardship and risk management practices was scrutinized. The results of the investigation revealed that organizations exhibiting elevated levels of stewardship tend to possess more proficient risk management systems. This implies that managers oriented toward stewardship are inclined to give precedence to long-term perspectives when addressing risk, and they display a greater willingness to allocate resources to risk management systems that yield advantages over an extended duration. The integration of stewardship principles into corporate governance can have profound implications for organizational performance and sustainability. By embracing the role of stewards, managers are compelled to consider not only the short-term financial gains but also the long-term viability of the organization. This mindset fosters ethical decision-making, which takes into account the interests of all stakeholders. Moreover, the stewardship approach encourages managers to engage in responsible risk-taking, balancing the potential rewards and risks associated with their decisions.

The Steward Theory offers valuable insights and applications in the context of risk management within organizations. This theory emphasizes the responsibility of corporate managers to act as stewards who prioritize the long-term prosperity of the organization and the best interests of shareholders. In practice, the Steward Theory encourages managers to move beyond a sole focus on short-term profit maximization and consider ethical and moral dimensions in their decision-making processes.

When managers see themselves as stewards, they are more likely to make decisions that harmonize the interests of various stakeholders, including shareholders, employees, and customers. This holistic perspective can lead to more balanced risk management practices that take into account the potential impact of decisions on all stakeholders. By adopting the stewardship mindset, managers are more likely to consider the long-term sustainability of the organization and weigh the potential benefits and risks of their decisions.

The Steward Theory also correlates with the efficacy of risk management frameworks. Research has shown that organizations with a strong stewardship orientation tend to have more effective risk management systems. This suggests that managers who embrace stewardship principles are more willing to allocate resources to risk management practices that provide long-term benefits. This integration of stewardship into corporate governance can significantly impact organizational performance and

sustainability, as it encourages ethical decision-making and responsible risk-taking. Ultimately, the Steward Theory provides a framework for aligning risk management practices with the enduring prosperity and ethical concerns of the organization and its stakeholders.

### **2.2.2 Stakeholder Theory**

As outlined by Wheeler et al. (2002), stewardship theory emerges as a synthesis of sociological and organizational disciplines. Conversely, Edward Freeman's stakeholder theory posits that a company's stakeholders encompass anyone impacted by the company and its operations. This stands in stark contrast to the long-established shareholder theory advocated by economist Milton Friedman, which asserts that corporations in a capitalist society should exclusively prioritize their shareholders and financial outcomes. According to Friedman, corporations bear the responsibility of generating profits, serving shareholder interests, and ensuring a favorable growth trajectory. In contrast, stewardship theory aligns with principles and ideals related to the interconnectedness between businesses, individuals, and governing entities. This is because it resonates more closely with societal expectations and perspectives regarding corporate governance.

Although many people regard shareholders and stakeholders as distinct entities, stakeholder theory claims that shareholders are a subset of the greater stakeholder category. Shareholders have a financial stake in a company's success, whereas other stakeholders may have non-financial concerns that might influence the company's success or failure. Attempts to separate shareholders from stakeholders, known as the "separation thesis," are wrong because they create unnecessary friction and usually favor the interests of individuals with financial stakes over the broader societal impact of the organization. In practice, stakeholders are typically overlooked in favor of shareholders, with their responsibilities frequently plagued with ambiguity and endowed with limited rights and symbolic involvement. Notteboom and Winkelmanns (2002) emphasize procedural problems associated with stakeholder participation.

Although many people think of shareholders and stakeholders as separate entities, stakeholder theory contends that Stakeholder theory provides a framework within management and business ethics that emphasizes the importance of accounting for the interests and entitlements of all stakeholders influenced by a firm's activities. This paradigm deviates from just boosting shareholder interests. Stakeholders are recognized in this construct based on the tangible or probable benefits or drawbacks they may experience

as a result of the firm's actions or inactions. Turnbull (2000) further divides stakeholders into "strategic stakeholders," based on the extent to which their interests affect the firm's existence. These strategic stakeholders encompass entities like customers, employees, suppliers, local communities, and government agencies. The actions of a firm bear substantial consequences for the well-being of these stakeholders. Consequently, their contentment or dissatisfaction significantly influences the firm's triumph and continuance. To illustrate, a firm embarking on unethical practices like environmental contamination or exploitative labor practices might incur adverse repercussions from stakeholders like customers, employees, and local communities. This can result in a ruined reputation, reduced revenue, increased employee turnover, and legal penalties, all of which endanger the firm's survival. In contrast, a company that prioritizes the interests of these stakeholders and follows ethical standards may gain benefits such as increased consumer loyalty, improved employee morale, and a good image. These advantages can all contribute to the firm's long-term growth and resilience.

While stakeholder theory advocates a unified goal of benefits accruing to a firm's stakeholders, Jones and Wicks (1999) challenge this presumption, asserting that it inadequately takes into account vital aspects influencing a firm's efficacy—such as communication, interpersonal dynamics, and the work milieu. In response to this critique, an extended version of the theory, termed enlightened stakeholder theory, emerged. Nonetheless, this extension's applicability is curtailed by the complexities encountered in empirical validation. Nevertheless, the theory maintains its pertinence in illustrating how boards can institute mechanisms that compel managers to conduct themselves in a manner safeguarding the interests of all organizational stakeholders.

### **2.2.3 Hazard Moral Theory**

The Hazard Moral Theory delves into the intricate dynamics of risk and responsibility within enterprise management. At its core, this theory examines the inherent conflict of interest stemming from the separation of power and control, a cornerstone concept in agency theory. This separation lays the foundation for opportunistic behavior among managers who act as agents, which may not necessarily align with the interests of the shareholders, the principals, whose ultimate goal is to maximize shareholder wealth (Demsetz et al., 1985; Bonazzi et al., 2007; Lan et al., 2010; Abdullah, 2009; Smith, 2011).

In essence, this conflict of interest creates a fertile ground for moral hazard and opportunistic behavior driven by the self-interest of managers. The theory of moral hazard, a central tenet within agency theory, revolves around the idea of concealed actions or opportunistic conduct exhibited by managers (Hendrik, 2003). Concealed actions are a natural consequence of asymmetric information held by the parties involved (Arrow, 1968; Eisenhardt, 1989), while opportunistic actions stem from human inclinations (Jensen, 1994). Hendrik (2003) and Smith (2011) assert that moral hazard is determined by two critical factors: the conflicting interests of the principal and agent, and the presence of hidden actions and opportunistic behavior resulting from information asymmetry. The consequences of moral hazard can be dire, including declining performance and, in extreme cases, business failure.

Dinga (2009) further emphasizes that moral hazard can be accelerated by an excessive degree of insurance against risk. For example, during the financial crisis that began in 2007, banks extended loans with the expectation that the government would intervene to restore liquidity, such as by relaxing minimal legal reserve requirements. Therefore, the Hazard Moral Theory is intrinsically tied to managerial remuneration policies. The imperative to structure these policies in a way that fosters a common interest between managers and shareholders, thus mitigating moral hazard, is a contemporary concern and a subject of extensive research in the realms of economics, finance, and management.

In the context of remuneration policy, the Corporate Governance Code issued by the Bucharest Stock Exchange in 2008 (Art. VI, Recommendation 21) stipulates that a remuneration committee should be established among board members to aid in formulating a remuneration policy for directors and managers. The committee should also define its internal regulations. Until a remuneration committee is established, the board should undertake these tasks and responsibilities at least annually. Moreover, the remuneration policy should be subject to approval at the Annual General Meeting (AGM).

The Hazard Moral Theory offers a critical perspective on the dynamics of risk and responsibility within organizational management and its direct applicability to risk management. At its core, this theory underscores the inherent conflict of interest arising from the separation of power and control, a foundational concept in agency theory. This separation creates a fundamental misalignment of interests, with managers acting as agents and shareholders as principals, aiming to maximize shareholder wealth. The potential for opportunistic behavior among managers, driven by self-interest and not necessarily

aligned with shareholder interests, is a central concern in this theory. This misalignment of interests and the propensity for opportunistic actions create fertile ground for moral hazard within the organization.

Moral hazard, a concept central to the Hazard Moral Theory, refers to concealed or opportunistic actions by managers. These actions result from information asymmetry and the conflicting interests of principals and agents. The consequences of moral hazard can have severe implications, such as declining organizational performance and even business failure. The theory also highlights the role of managerial remuneration policies in exacerbating moral hazard, particularly when managers are protected by excessive risk insurance, leading them to engage in riskier behavior. This underlines the importance of structuring remuneration policies that align the interests of managers and shareholders to mitigate moral hazard, a concern that has gained significant attention and research in the fields of economics, finance, and management.

## **2.3 Empirical Review**

This section was dedicated to delineating the study's objectives and forging connections with pertinent research materials to effectively address the research questions. It is poised to delve into four pivotal domains, comprehensively investigating the ramifications of corporate governance practices on enterprise risk management.

### **2.3.1 Organizational Internal Control and Risk Management**

Internal controls, which comprise mechanisms for recognizing, managing, and overseeing risks, are heavily relied on in risk management systems. Companies can integrate internal controls into their governance structures and reporting systems that span the whole lifespan of a program. Robust internal controls and effective risk management are crucial for preserving a business's viability, improving its performance, and ensuring its long-term sustainability. Furthermore, they have a significant impact on safeguarding against business failure, a concept emphasized by Morris (2011). Flourishing organizations skillfully seize opportunities arising from their environment and adeptly navigate challenges, continuously striving to enhance their overall performance and profitability.

The absence of controls within an organization can lead to a lack of commitment among its members, creating an environment where fraud and unethical behaviors can flourish. Merely imposing strict

penalties is insufficient to effectively reduce business risk. For the management and directors of SACCOs (Savings and Credit Cooperative Organizations), the key to success lies in establishing systems, allocating resources, cultivating a culture, defining processes and structures, and assigning responsibilities to pursue their business objectives. Achieving successful enterprise risk management entails seamlessly integrating these mechanisms into the organization's core, a critical step in fulfilling its mission and strategy (Morris, 2011). Maintaining precise accounting records and implementing robust financial controls are vital aspects of internal control. These practices serve as protective measures against avoidable financial risks and uphold the integrity of financial data used for both operational purposes and public reporting. Furthermore, they play a crucial role in safeguarding assets and detecting and preventing fraudulent activities (Yanhong & Qing, 2013). Given the ever-changing nature of an organization's goals, internal control structures, and operational landscape, associated risks are also likely to evolve over time.

In this study, the researchers employed a panel data model to comprehensively assess the various impacts of internal governance mechanisms on firm performance. The investigation aimed to understand how different aspects of corporate governance influence the overall success of a company. The findings of the research pointed to two key factors that had the most significant influence on governance and subsequently led to improvements in firm performance: ownership concentration and internal control. Ownership concentration, referring to the degree to which a company's ownership is concentrated in the hands of a few shareholders, was identified as a major driver of governance effectiveness. When ownership was concentrated, it appeared to enhance the firm's performance. This result suggests that having a clear and influential ownership structure can provide focus and direction, potentially leading to more effective decision-making and strategic planning.

However, the study also uncovered a counteractive effect associated with ownership concentration. It was found that in some cases, high ownership concentration could hinder the effectiveness of the board of directors and supervisory boards in their governance roles. This counterintuitive finding implies that an overly concentrated ownership structure may limit the independence and decision-making authority of these governing bodies, ultimately hindering the overall performance of the company. The study was conducted in an Italian context, specifically focusing on privately-owned Italian corporations. One of the key objectives was to evaluate the integration of Enterprise Risk Management (ERM) practices within these organizations. ERM is a framework for identifying, assessing, and managing various risks that a

company may face. The research aimed to uncover the factors that influenced the adoption of ERM practices among these Italian enterprises.

The data for the study were collected from 78 participants, providing insights into the state of ERM adoption in privately-owned Italian corporations. The findings indicated that these Italian companies displayed a relatively high level of ERM adoption. This suggests that they recognized the importance of managing risks systematically and had taken significant steps to implement ERM practices within their organizations.

### **2.3.2 Managerial Skills' Level and Risk Management**

The exploration of managerial skills has garnered substantial attention within the scholarly realm, with a particular emphasis on the determinants of adept acquisition management. Presented below is a concise overview of pivotal studies within this domain: In an investigation by Dikova et al. (2010), the spotlight was cast upon the influence of managerial acquisition experience on acquisition performance. This study unearthed that enterprises helmed by more seasoned managers exhibited enhanced proficiency in navigating acquisitions. This efficacy was gauged through financial performance metrics like return on assets and return on sales, with firms under experienced management displaying superior outcomes.

Hitt et al. (2001) investigated the effect of managerial cognition in affecting acquisition decisions. The study's findings revealed that managers with a strategic view and a varied range of experiences and competences were more likely to make competent acquisition selections. Meanwhile, Kale et al. (2002) investigated the relationship between senior management team qualities and acquisition performance. Their study revealed that companies boasting top management teams characterized by diverse functional backgrounds and educational qualifications demonstrated heightened success in steering acquisitions. Similarly, the study conducted by Dussauge et al. (2000) scrutinized the repercussions of acquisition experience and learning on acquisition performance. The outcomes of their research underscored that companies possessing richer acquisition experience and a heightened capacity to extract lessons from previous acquisition undertakings showcased greater proficiency in managing acquisitions. The significance of top management in shaping organizational trajectories remains paramount. For top managers to attain triumph, strategic management is indispensable, necessitating the prioritization of coherence, feasibility, and harmony in decision-making (Ogollah & Bolo, 2009). Scholarly exploration

has indicated that leadership, decision-making acumen, approach, and cognitive aptitude stand as pivotal competencies imperative for effective management (Molina-Azorin, 2015).

Rutledge et al. (2015) established that middle managers who possess more resilient and deeply ingrained competencies tend to outperform their peers who lack such qualities. The departure of these skilled managers can have a significant impact on a company's survival. Furthermore, managers with enhanced planning abilities, a propensity for calculated risk-taking, increased persuasiveness, and the ability to motivate others tend to advance in their careers more rapidly compared to those lacking these competencies.

The research conducted by Javadin, Amin, Tehrani, & Ramezani in 2010 was aimed at investigating the link between managerial skills and the overall effectiveness of bank branches. This study held significant implications for the banking industry, particularly emphasizing the critical role of enhancing managerial skills, particularly in the context of commercial banks, and highlighted the importance of adeptly managing organizational change. To carry out this research, the scholars employed a random sampling approach, selecting 43 bank branches in Iran as their subjects. Through a meticulous analysis of the data collected, the study unveiled a compelling and positive relationship between the efficiency of bank branches and the competence of their managers. In other words, it indicated that branches with more capable and skilled managers tended to operate more efficiently and effectively.

One noteworthy finding of the research was the strong correlation between the managerial skills of bank branch leaders and the incorporation of robust risk management practices within the daily operations of commercial banks. This suggests that managers with well-developed skills are better equipped to navigate and mitigate risks effectively, contributing to the overall soundness and stability of the financial institutions they oversee. The study conducted by Javadin et al. highlighted the pivotal role of managerial skills, especially in the context of change management, in determining the success and efficiency of bank branches. It also emphasized the importance of these skills in the implementation of effective risk management practices within the banking industry. These insights have implications not only for the management of individual bank branches but also for the broader strategies and policies of commercial banks seeking to enhance their operational effectiveness and risk mitigation efforts.

### **2.3.3 Organizational Transparency Level and Risk Management**

Corporate governance is fundamentally rooted in the principle of transparency, which encompasses two pivotal dimensions. The first dimension is centered on fostering trust, establishing a vital connection between the organization and the public. This underscores the significance of being open and willing to provide credible evidence and information that can be relied upon by the public when making decisions related to the organization and its stakeholders. Meijer (2013) highlights these dimensions, while Armstrong, Core, and Guay (2014) emphasize the importance of accountability. This facet empowers both major donor organizations and smaller civil societies to effectively respond to the needs and voices of the individuals they serve. In alignment with this perspective, Martin (2012) further underscores that transparency not only plays a critical role in decision-making but also in measurement. This transparency proves indispensable for effective risk management, facilitating open discussions about the threats affecting the organization's financial stability and the quality of its products or services, engaging all stakeholders.

Transparency is a fundamental aspect of organizational behavior and management, representing the extent to which information, decisions, and actions are readily accessible and visible to a diverse group of stakeholders, including employees, customers, investors, and the broader public. This concept of transparency has garnered growing attention in recent years, prompting numerous scholars to delve into its impact on various organizational outcomes, such as trust, performance, and reputation. Lee and Kim (2018) conducted a noteworthy study aimed at examining the intricate relationship between organizational transparency and employee trust within an organization. Their research findings shed light on the profound implications of transparency for the internal dynamics of an organization.

According to their study, when organizations prioritize and exhibit higher levels of transparency, they tend to foster increased trust among their employees. This heightened level of trust, in turn, has a ripple effect within the organization. Employees who trust their organization are more likely to experience greater job satisfaction, as they have confidence in the decisions and actions taken by their employers. Moreover, they exhibit stronger commitment to the organization, feeling a sense of loyalty and dedication to its mission and objectives. In essence, the study by Lee and Kim highlights the vital role of transparency in shaping the internal culture and dynamics of organizations. It suggests that by promoting transparency, organizations can not only build trust among their employees but also enhance job satisfaction and

commitment, ultimately contributing to improved organizational performance and overall success. This research underscores the growing recognition that transparency is not just a buzzword but a tangible factor that can significantly impact an organization's overall health and effectiveness.

Furthermore, in a study conducted by George and Chattopadhyay (2017), they delved into the exploration of how transparency impacts employee creativity. Their research unveiled that employees who perceived their organization as more transparent displayed a greater propensity for engaging in innovative behaviors. These behaviors encompassed activities such as generating novel ideas and conducting experiments, ultimately resulting in heightened levels of creativity among the workforce. Shifting the focus to another facet, researchers have also scrutinized the correlation between organizational transparency and financial performance. In a study led by Dincer and Hacıoglu (2019), it was revealed that there exists a positive association between transparency and firm financial performance. Transparent organizations were found to attain greater profitability, increased market value, and a decreased level of financial risk.

The board and management team of an organization shoulder a significant responsibility when it comes to maintaining the organization's performance, financial well-being, and the accuracy of its financial reporting. This responsibility is paramount in upholding the credibility and trustworthiness of the financial reports that the organization produces. To effectively meet these obligations, several key factors come into play. Having a strong level of financial literacy within the board and management team is crucial. Financial literacy ensures that decision-makers understand and interpret financial data accurately. It empowers them to make informed choices regarding resource allocation, investment strategies, and financial planning, all of which have a direct impact on the organization's performance and financial health.

In addition to financial literacy, the establishment of an audit committee and an internal audit function is vital. These mechanisms serve as checks and balances within the organization. The audit committee, typically composed of independent directors, oversees the financial reporting process, ensuring that it is accurate and transparent. The internal audit function conducts internal reviews to identify and mitigate risks, ensuring that the organization's operations are in compliance with established policies and procedures. Seeking external financial expertise, as recommended by the AICD (Australian Institute of Company Directors) in 2013, can provide valuable insights and an objective perspective. External

financial experts can assist in conducting audits, financial analyses, and risk assessments, adding an extra layer of assurance regarding the organization's financial health and integrity.

The scope of accountability for organizations extends beyond their internal operations. They are answerable to a wide array of external stakeholders, including donors, beneficiaries, government bodies, and, in the case of businesses, owners and regulatory authorities. Donors and beneficiaries rely on organizations to use their resources efficiently and ethically to achieve their intended missions. Government bodies expect organizations to adhere to legal and regulatory requirements, ensuring proper governance and transparency. Business owners seek profit generation and financial growth, making financial health and accurate reporting critical. Regulatory bodies exist to enforce industry standards and maintain market integrity. Organizations have a responsibility to their customers, particularly in the business sector. Ensuring long-term profitability is not just about maximizing short-term gains but also about maintaining trust and delivering quality products or services. Customer satisfaction and loyalty are crucial for sustainable success.

#### **2.3.4 Organizational Ownership Structure and Risk Management**

Organizations encompass five principal ownership types, encompassing family or individual ownership, state ownership, ownership by widely held financial institutions, ownership by widely held corporations, and miscellaneous ownership by various groups. Notably, state control constitutes a distinct category owing to its concentrated ownership under government purview, which might prioritize political agendas over public interests. In the realm of ownership structure, Fan, Wong, and Zhang (2013) pinpoint three pivotal factors exerting influence: the pursuit of value-maximizing size, potential for control, and amenity potential. A prevailing characteristic shared across large corporations and diverse organizations is the segregation of decision-making and risk-management functions. This trait extends to entities like significant professional partnerships, financial mutual, and non-profit organizations. The rationale behind this practice is rooted in the advantages conferred by specialized management and risk-management functions.

The organizational ownership structure pertains to the configuration of ownership and control within a company, carrying significant ramifications for its strategy, performance, and conduct. This concise review of pertinent literature will furnish a synthesis of pivotal research on ownership structure. It shall

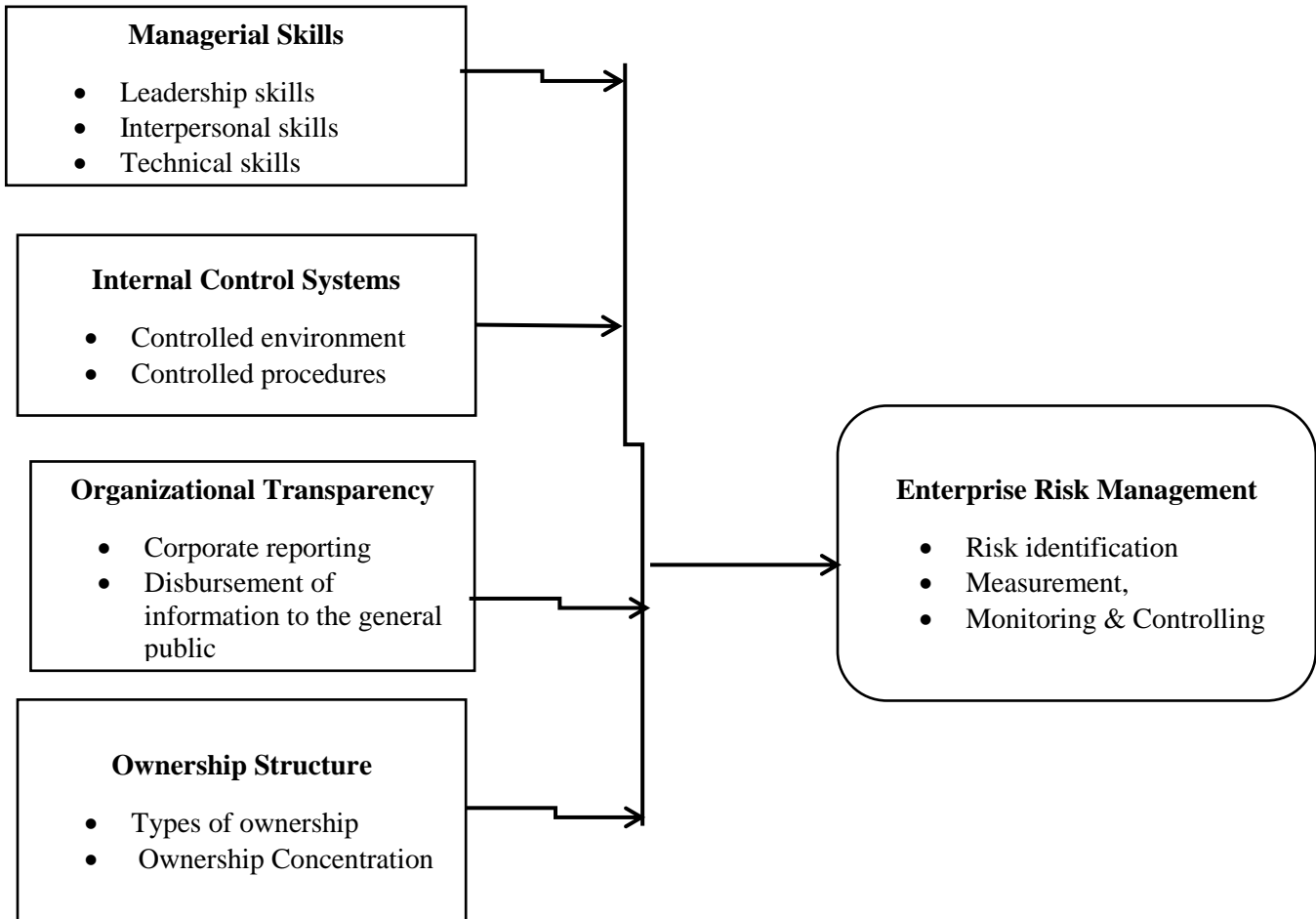
encapsulate citations and references to seminal studies that have significantly contributed to this domain. Central to the discourse is the agency theory, a highly influential framework concerning ownership structure. This theory posits that ownership concentration can serve as a mechanism to align managerial interests with those of shareholders, thereby curbing agency costs and bolstering firm performance. The foundational groundwork for this theory was laid by Jensen and Meckling (1976), who were among the pioneers in conceptualizing that ownership concentration can alleviate the information asymmetry between managers and shareholders. Consequently, this affords shareholders enhanced capabilities to more efficiently supervise and oversee managerial activities.

Nonetheless, the agency theory has faced challenges from other researchers who contend that it may offer an oversimplified perspective, failing to encompass the entirety of influences dictating ownership structure. This complexity is exemplified by the work of Demsetz and Lehn (1985), who articulated that ownership structure may be shaped by an array of variables beyond the theory's purview. These variables include a company's dimensions, maturity, industry, and even the inclinations of its founders and managers. In recent times, scholars have ventured into exploring the influence of institutional investors on the configuration of ownership structure. Institutional investors, holding substantial shares across various companies, wield potential clout over the conduct of the entities in which they invest. Illustrating this point, Davis et al. (2002) unveiled a positive correlation between the presence of institutional investors and both firm value and profitability. These investors demonstrated an inclination toward proactive engagement and vigilant oversight of companies where their ownership stakes were significant.

## 2.4 Conceptual framework

### Independent Variables

### Dependent Variable



*Figure 2.1: Conceptual framework*

Source: Author 2023

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter defines the methodology to be used in the research project, including aspects such as research design, target population, sampling technique, approach to data collecting, data collection procedures, data analysis methodologies, and ethical issues.

#### **3.2 Research Design**

The descriptive research strategy was used because it is the best approach for detecting and analyzing correlations between variables and producing a full depiction of the current situation (Cooper and Schindler, 2018). This methodology is well-suited for examining and describing the study population's features while providing a detailed snapshot of the current state of affairs, which will permit further investigation. A survey is the preferable way for studying a situation and appreciating the causes underlying its character, according to Kontogianni (2016). This method is helpful because of its low cost and efficiency in producing unbiased data on respondents' attitudes, behaviors, opinions, and emotions. The descriptive survey approach allows for exact evaluations of phenomena, correlations, and inferences, making it appropriate for this study. The descriptive survey design enables precise evaluations of phenomena, relationships, and inferences, making it suitable for this study to establish the impact of corporate governance on risk management among the 40 flower farms located in Kajiado.

#### **3.3 Target Population**

According to Asiamah, Mensah, and Oteng-Abayie (2017), the term "population" refers to a group of people who share common features that a researcher is interested in while addressing a research issue. Majid (2018) defines population as a group of people from which a sample is obtained. This collection indicates a group of people, things, or events that have similar observable characteristics. In the context of this study, the target population comprised all the 40 flower farms in Kajiado County that the researcher was interested in. Finance, human resources, production, and supply chain were the four primary divisions studied inside these farms.

To select participants for the study, a census of the 40 flower farms in Kajiado was conducted using the Census Survey method, considering the relatively small number of farms. This approach facilitated the selection of appropriate respondents who could provide information aligned with the research objectives. The study involved a total of 170 respondents.

### **3.4 Instrumentation and Data Collection**

To streamline the data collection process and facilitate subsequent analysis, the primary approach employed for data collection in this study was the utilization of questionnaires. This method was chosen for its standardized response format, which ensures uniform and comparable answers across all participants. Moreover, the questionnaire format offers the advantage of anonymity and confidentiality, which are crucial for encouraging candid and authentic responses without the concern of intimidation or reprisal.

The questionnaires encompassed four sections, with Section A focusing on gathering demographic information from the respondents. Section B gathered data related to the dependent variable, while Sections C, D, E, and F collected data pertinent to the four independent variables of the study. Additionally, responses from key informants were acquired through individual key informant interviews, personally conducted by the researcher. To further corroborate the data collected from respondents, focused group discussions were carried out. These discussions involved grouping 3-5 respondents together, enabling a comprehensive exchange of perspectives. In these discussions, the researcher played the role of a facilitator.

### **3.5 Validity and Reliability**

To ascertain the questionnaires' reliability and validity, a pre-test was carried out. Ensuring validity involved a meticulous examination of the piloted questionnaire to eliminate any unclear or ambiguous phrasing, ensuring it effectively extracted the requisite information. Additionally, the researcher collaborated with the supervisor to fine-tune the research tools. Reliability, conversely, pertains to the stability and trustworthiness of the data source. As Pierce (2008) observes, consistency forms the bedrock of reliability, and data attains reliability when it is dependable, genuine, reputable, and trustworthy. Thus, the pre-test was instrumental in certifying the final questionnaire's reliability and validity. A pilot group comprising 20 respondents was employed to assess the research instrument's reliability.

To gauge the internal consistency of the items within the instrument, the Cronbach's Alpha Test was utilized, given its established reputation as a reliable measure of scale consistency. This test ascertains the interrelatedness of items within the scale, with higher internal consistency indicating less variability among the items. A threshold of 0.7 or higher was considered satisfactory for reliability (Shuttleworth, 2015).

Subsequent to the piloted questionnaires, analysis was performed using SPSS version 25. This analysis yielded valuable insights into the research instrument's performance and facilitated essential adjustments to validate its reliability and validity. By conducting a comprehensive evaluation of reliability, the study bolstered its confidence in the precision and consistency of the collected data, thereby enhancing the trustworthiness of the research findings.

### **3.6 Data Analysis and Presentation**

Upon completion of the data collection phase, the subsequent step involved the commencement of data analysis, which encompassed the processing of data to derive results and formulate conclusions based on the findings (Kothari, 2008). In this study, descriptive statistics served as the analytical approach for the collected data. Descriptive statistics, as outlined by Mugenda and Mugenda (2003), succinctly depict the scores and measurements in a study through a few key indices or statistics. Before proceeding with analysis, the questionnaires were rigorously examined for completeness and accuracy. Subsequently, the data underwent editing, coding, and summarization, utilizing descriptive statistics such as measures of central tendency, variability, reliability, and frequency.

Various measures of central tendency, including mean, median, and mode, were employed to ascertain the anticipated score or measurement from a set of scores. For the evaluation of independent and dependent variables, Statistical Package for Social Sciences (SPSS) Version 25 was harnessed. The study's outcomes, encompassing both quantitative and qualitative data, were presented through tables and thematic analysis. The study's independent variables encompass managerial skills, internal control systems, organizational transparency, and ownership structure, while the dependent variable is risk management.

To explore the relationship between the dependent and independent variables, multiple regression analysis was applied. A widely used model in social science research, multiple regression analysis aids in variable prediction. The formula for multiple regression analysis is as follows:

$$Y = a_1 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where:  $Y$  = Risk Management

$\varepsilon$  = Error term

$a_1$  = Constant  $\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$  = Coefficients representing the effects of corporate governance on risk management

$X_1$  = Managerial Skills

$X_2$  = Internal Control Systems

$X_3$  = Organization Transparency

$X_4$  = Ownership Structure

$\varepsilon$  = Error Term

Through the utilization of multiple regression analysis, the study pinpointed the variables that notably influenced risk management and predicted the manner in which these variables impact risk management in flower farms within Kajiado.

### **3.7 Diagnostic Tests**

The researcher used diagnostic test to assess the quality and reliability of regression estimates.

#### **3.7.1 Multicollinearity test**

The multicollinearity test was employed to ascertain whether there existed substantial correlation within the dataset of two or more independent variables in a multiple regression (Mathew & Ross, 2014). To identify potential multicollinearity within the study's variables, the Variance Inflation Factors (VIF) were calculated. Should any two variables exhibit a high correlation of  $r=0.8$  or greater, it would signal the presence of collinearity.

### **3.7.2 Normality of residual test**

In accordance with the Gauss Markov Theorem, in order for the regression analysis coefficients to be the optimal linear unbiased estimates, the residuals should exhibit normal distribution with a consistent variance and a mean of zero. To test for the normality of residuals, a P-P plot was conducted. If the plot appears linear, it suggests that the residuals adhere to a normal distribution.

### **3.7.3 Heteroscedasticity Test**

Heteroscedasticity was employed to assess whether the variance of all random variables in the sequence is consistent. The Breusch-Pagan test was employed to detect heteroscedasticity. If heteroscedasticity was present, it was addressed by re-fitting the model using Robust Standard Errors.

### **3.8 Ethical Consideration**

The researcher initiated the process by obtaining an introductory letter from KCA University, which was subsequently used to request a research permit from NACOSTI. This combined documentation was then presented to the flower farms' managers in order to secure authorization to conduct employee sampling within the farms. Once permission was granted by the management, the researcher introduced themselves to the respondents and elucidated the study's objectives. The participants were informed about the voluntary nature of their involvement and were assured that they could withdraw confidential

**Table 3.1 Operationalization of variables**

	<b>Objective</b>	<b>Variable</b>	<b>Indicators</b>	<b>Measurement scale</b>	<b>Data collection method</b>	<b>Data analysis techniques</b>
<b>1</b>	To determine the influence of managerial skills' level	Managerial Skills	Leadership skills Interpersonal skills Technical skills	Nominal, ordinal	Questionnaire, Interview	Mean, standard deviation, regression
<b>2</b>	To establish the influence of organization internal control system	Internal Control Systems	Controlled environment Controlled procedures	Nominal, ordinal	Questionnaire, Interview	Mean, standard deviation, regression
<b>3</b>	To determine the influence of transparency and accountability practice	Organizational Transparency	Corporate reporting Disbursement of information to the general public	Nominal, ordinal	Questionnaire, Interview	Mean, standard deviation, regression
<b>4</b>	To determine the influence of ownership structure	Ownership Structure	Types of ownership Ownership Concentration	Nominal, ordinal	Questionnaire, Interview	Mean, standard deviation, regression

## CHAPTER FOUR

### DATA ANALYSIS, PRESENTATION AND INTERPRETATION

#### 4.1 Introduction

This chapter presents the results of the study in accordance to the objectives and research questions. The presentation is presented based on each objective and finally inferential statistics is presented which show the relationship between the independent and dependent variable. The return rate and demographic information of the respondents is also presented.

#### 4.2 Response rate

This study gave 170 questionnaires to the respondents and out of the 170, 121 questionnaires were returned having been fully filled and returned. This translates to 71.6% return rate. This return rate is considered sufficient according to Saunders et al., (2017) who noted that a response rate of 70% and above is very good. This response rate is presented in Table 4.1 as shown:

*Table 4.1 Response rate*

	Frequency	Percentage
Questionnaires returned	121	71.6
Questionnaires retained	49	28.4
<b>Total</b>	<b>170</b>	<b>100</b>

**Source: Author 2023**

#### 4.3 Demographic Information of the Respondents

This section presents the demographic profile of the respondents including, level of education, position held, and number of years worked in the organization.

##### 4.3.1 Level of Education of the Respondents

This section sought to establish the highest level of education attained by the respondents who took part in this study. Their responses were presented in Table 4.2 as shown:

**Table 4.2: Highest level of education**

<b>Level</b>	<b>Frequency</b>	<b>Percentage</b>
Secondary	56	46.2
Diploma	19	15.7
Degree	25	22.4
Post graduate	19	15.7
<b>Total</b>	<b>121</b>	<b>100</b>

This table show that majority of the respondents 56(46.2%) of the respondents had attained secondary school education, with 15.7%, 22.4% and 15.7% attaining diploma, degree and postgraduate degree respectively.

#### **4.3.2 Years Worked in an Organization**

The study sought to establish the number of years with which they have worked in the organization. It is assumed that the longer the respondent has stayed in the organization; the more knowledge they have concerning the operations of the organization.

**Table 4.3 Years worked in an organization**

<b>Years</b>	<b>Frequency</b>	<b>Percentage</b>
Below 5	9	7.4
5-10	37	30.7
10-20	19	15.7
20-30	28	23.1
Over 30	28	23.1
<b>Total</b>	<b>121</b>	<b>100</b>

The results in table 4.3 indicate that majority of the respondents 30.7% had stayed in the flower farms between 5-10 years, the results also show that cumulatively 56 (56.2%) of the respondents had stayed in the flower farms for between 30 and above years. This indicates that the respondents had knowledge on the operations of the flower farms.

#### 4.4 Analysis of the Variables

This section presents analysis of the objectives whereby the mean and standard deviation of each parameter is calculated and presented.

##### 4.4.1 Managerial Skills

The first objective was to establish the influence of managerial skills. The respondents were given questionnaire to give their opinion on the variables under study. Their responses are presented in Table 4.4

**Table 4.4: Managerial skills**

Statement	SD	D	N	A	SA	Mean	Std.
	%	%	%	%	%		
The organization's top management team is highly skilled at delegating work effectively to others	6.21	11.9	14.39	44.21	24.10	3.68	1.13
The organization's top management team is able to supervise People	6.4	7.5	19.21	44.69	22.10	3.62	1.08
The organization's top management team have skills in organizing tasks effectively	6.80	9.80	11.05	41.85	30.50	3.78	1.17
Expertise in a technical area of top management team is one of key strengths in this organization.	5.05	7.35	12.55	43.65	31.40	3.88	1.08

**Source: Author (2023)**

The results from the table show that on average, the respondents agreed that the organization's management team is highly skilled at delegating work effectively to others with a mean score of 3.68. Moreover, there was widespread consensus with the statement that the organization's top management team is able to supervise people (3.62). With a mean of 3.78, the respondents additionally indicated an acceptable degree of assent with the statement that the organization's top management team have skills in organizing tasks effectively. The statement that expertise in a technical area of top management team is one of key strengths in this organization also received a popular opinion from the respondents who agreed with the statement with a mean of 3.88.

#### 4.4.2 Internal Control System

The researcher appraised the relationship between internal control system and risk management. The respondents expressed their opinion on the statements given. The results are presented in table 4.5

**Table 4.5: Internal control system**

Statement	SD	D	N	A	SA	Mean	Std.
	%	%	%	%	%		
There are clear laid down policies and procedures in this organization	8.40	16.00	16.80	34.50	23.20	3.46	1.24
Financial statements are prepared on periodic basis in this organization	8.20	13.70	20.10	34.50	23.50	3.60	1.21
There are systems in place to prevent fraud in this organization	7.50	15.30	16.50	37.80	22.60	3.46	1.20
Procedures for reporting theft are clear to all employees	9.70	11.10	21.50	37.80	19.90	3.52	1.20
The overall effectiveness of internal control system is evaluated on routine basis	13.50	18.10	35.20	16.40	16.80	3.02	1.23
Audit procedures exist to test on a periodic basis the compliance with the set company policies and procedures	9.10	19.00	26.30	25.40	20.10	3.28	1.23

**Source: Author 2023**

According to the analyzed results, there was agreement that there are clear laid down policies and procedures in this organization (mean=3.46). On average, the respondents agreed with the statement that financial statements are prepared on periodic basis in this organization with a mean of 3.60, that there are systems in place to prevent fraud in this organization (mean= 3.46), that procedures for reporting theft are clear to all employees with a mean of 3.52, that the overall effectiveness of internal control system is evaluated on routine basis with a mean of 3.02 and that audit procedures exist to test on a periodic basis the compliance with the set company policies and procedures with a mean of 3.28. These results indicate that, on average, respondents believe that the organization has established clear policies and procedures, periodic financial statement preparation, fraud prevention systems, clear theft reporting

procedures, routine evaluation of the internal control system's effectiveness, and periodic compliance audits in place as part of its internal control system.

#### 4.4.3 Organizational Transparency

The study sought to establish the influence of organizational transparency on risk management. The respondents were a questionnaire to fill and their results are presented in table 4.6 as shown

**Table 4.6: Organizational structure**

Statement	SD	D	N	A	SA	Mean	Std.
	%	%	%	%	%		
The established line of communication exposes the organization to threats/ risks	22.10	22.10	17.50	23.90	14.40	2.85	1.35
Accurate information on the performance of the organization is accessible by all stakeholders'	7.10	18.80	29.90	28.30	15.90	3.65	1.15
The business complies with statutory requirements	13.30	11.10	26.50	27.20	21.90	3.32	1.29
This farm is an equal opportunity employer	11.50	16.40	29.90	27.20	15.10	3.59	1.19
This firm upholds labor laws for its employees.	16.20	9.30	27.20	25.90	21.50	3.54	1.32
This firm takes every precaution necessary to prevent environmental damage	4.20	11.30	28.50	33.80	22.10	3.68	1.07

**Source: Author 2023**

Results in Table 4.6 show that on average, the respondents disagreed or neutral on the statement that the established line of communication exposes the organization to threats/ risks with a mean of 2.85. However, the respondents agreed that accurate information on the performance of the organization is accessible by all stakeholders with a mean of 3.65. Respondents agreed with the statements that the business complies with statutory requirements (3.32), that the farm is an equal opportunity employer with a mean of 3.59, that the firm upholds labor laws for employees with a mean of 3.54 and that the firm takes every precaution necessary to prevent environmental damage with a mean of 3.68. The results imply respondents generally believe that the organizational structure ensures the accessibility of accurate information to stakeholders, complies with statutory requirements, operates as an equal opportunity employer, upholds labor laws for employees, and takes precautions to prevent environmental damage.

However, they tend to disagree or remain neutral regarding the notion that the established line of communication exposes the organization to threats or risks.

#### 4.4.4 Ownership Structure and Risk Management

Ownership structure defines the framework through which ownership, control, and decision-making are distributed within an organization. This encompasses the types of ownership present, such as sole proprietorship, partnership, corporation, and more, as well as the degree of ownership concentration exhibited by shareholders. The researcher gave questionnaires to respondents and their responses are presented in Table 4.7 as shown

**Table 4.7 Ownership structure**

<b>Theme/ Statement</b>	<b>SA</b>	<b>A</b>	<b>U</b>	<b>D</b>	<b>SD</b>	<b>Mean</b>	<b>Std. Dev</b>
The concentration of ownership in our flower farm affects how major decisions are made.	9.2	36.8	18.2	35.5	0.0	3.61	0.987
High ownership concentration leads to quicker decision-making in our flower farm.	43.4	10.5	14.5	26.3	5.3	3.91	1.098
Ownership concentration influences the degree of alignment between shareholders' interests and business strategies.	15.8	17.1	36.8	1.3	28.9	3.08	0.993
The level of ownership concentration impacts the influence of individual shareholders on our flower farm's direction.	6.6	30.3	25	14.5	26.7	3.97	0.886
Ownership concentration affects the stability and long-term planning of our flower farm.	7.9	48.7	3.9	22.4	17.1	4.01	1.002
The concentration of ownership in our flower farm affects how major decisions are made.	15.8	0.0	21.1	15.8	47.4	2.97	0.643

Results in Table 4.7 show that respondents had varied opinion of various statements meant to measure the influence of ownership structure. Majority of the respondents agreed with the statement that the concentration of ownership in our flower farm affects how major decisions are made at 36.8% agreed with

this statement. The mean for this statement was 3.61 which leans towards score 4 which is agree and thus, the statement was true that concentration of ownership in our flower farm affects how major decisions are made. The respondents also strongly agreed that high ownership concentration leads to quicker decision-making in our flower farm in which 43.4% of the respondents agreed with the statement. The statement had a mean score of 3.91 and a standard deviation of 1.098 which indicate that the responses had a small variation. The analysis indicates that a majority of the respondents agreed that ownership concentration in the flower farm affects major decision-making, with a mean score leaning towards agreement (3.61). Additionally, a significant percentage strongly agreed that high ownership concentration leads to quicker decision-making

On whether ownership concentration influences the degree of alignment between shareholders' interests and business strategies, the respondents had a neutral opinion. The respondents noted that the level of ownership concentration impacts the influence of individual shareholders on our flower farm's direction. The results indicate that the respondents agreed with the statements ownership concentration affects the stability with 30.3%. On the last statement, the respondents strongly disagreed that the concentration of ownership in our flower farm affects how major decisions are made with a score of 47.4%. The analysis reveals that the respondents had a neutral opinion on whether ownership concentration influences the alignment between shareholders' interests and business strategies.

#### 4.5 Analysis of the Dependent Variable: Risk Management

The study sought to establish the influence of risk management and the researcher gave out questionnaires, the respondents filled and returned the questionnaires. The results are presented in Table 4.7

**Table 4.8 Risk management**

<b>Statement</b>	<b>SD</b>	<b>D</b>	<b>N</b>	<b>A</b>	<b>SA</b>	<b>Mean</b>	<b>Std.</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>		
Risks are identified in this organization	18.6	17.5	25.2	26.5	12.2	3.95	1.291
Risks are measured in this organization	6.0	11.5	27.0	42.0	13.5	3.56	1.052
Risks are monitored in this organization	7.5	8.6	16.8	42.9	24.1	3.65	1.151
Risks are controlled in this organization	9.3	10.2	17.3	37.8	21.0	3.44	1.229
All employees are involved in the risk management process	6.9	11.5	21.9	38.7	21.0	3.56	1.145

**Source: Author 2023**

The respondents strongly agreed with the statement that risks are identified in the organization (mean=3.95). Moreover, they also expressed concurrence, albeit with varying degrees, with the statements that risks are measured in this organization mean (3.56), that risks are monitored in this organization mean (3.65), that risks are controlled in this organization with a mean of 3.44 and that all employees are involved in the risk management process with a mean of 3.56.

**4.5 Diagnostic Tests**

The researcher undertook diagnostic test to ensure that the data conforms to the classic linear regression assumptions. In this, the researcher tested the data for multicollinearity, heteroscedasticity and normality of residuals and the results are presented as follows:

**4.5.1 Testing for Collinearity**

The researcher tested multicollinearity using the variance inflation factors. If the variance inflation factor for any variable exceeds 5, this is an indication that of the existence of multicollinearity and therefore the problem should be addressed before any further analysis.

**Table 4.9 Testing multicollinearity**

<b>Variable</b>	<b>VIF</b>	<b>1/VIF</b>
Management skills	1.33	0.769897
Internal control systems	1.21	0.756260
Organizational transparency	1.01	0.881125
Risk management	1.03	0.980151
<b>Mean VIF</b>	<b>1.15</b>	

**Source: Author 2023**

The results in table 4.8 show that all variable inflation factors were less than 5 and therefore, the researcher concluded that there was no multicollinearity in the data hence it was fit for analysis

**4.5.2 Testing for Heteroscedasticity**

The research tested the data for heteroscedasticity using the Breusch Pagan test. Heteroscedasticity is present when the variance of the error term is not constant, and this can be a major problem since it tends to inflate the standard errors. This in turn increases the probability of committing a type II error in testing hypothesis i.e. failing to reject a false hypothesis. If the P value of the Breusch Pagan test is greater than 5%, this is an indicator of the presence of heteroscedasticity.

**Table 4.10 Heteroscedasticity**

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Breusch- Pagan/Cook-Weisberg test for heteroscedasticity	
H0:	Constant Variance
Variables:	Fitted values of C Satisfaction
Chi2(1)	=2.00
Prob> chi2	=0.1437

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**Source: Author 2023**

The results in Table 4.9 show that the null hypothesis of the constant variance should not be rejected since the P value was greater than 5% hence the conclusion that there was no heteroscedasticity in the dataset. This meant that the researcher can go on to make inferences from the data.

#### **4.6 Inferential statistics**

The study carried out inferential statistics to establish the strength between the independent and dependent variable. The study carried out Model summary, analysis of variance ANOVA and coefficients of determination as shown.

**Table 4.11 Model summary**

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<b>Model</b>	<b>R</b>	<b>R-Square</b>	<b>Adjusted R- Square</b>	<b>Std. Error of the Estimate</b>
1	.825	.755	.754	.44410

---

**a.** (Constant)

**b.** Predictors: management skills, internal control system, organizational transparency, risk management

The results in the model summary show that the data analysed yielded a coefficient of determination of 75.5% which illustrates an acceptable goodness of fit. This reveals that the four indicators of corporate governance examined in this study jointly account for 75.5% variation in risk management. The results imply that management skills, internal control system, and organizational transparency predict project risk management. The findings also imply that 24.5% of the variations in risk management in projects were explained by other factors not considered in the empirical model summary. Also as shown from the Table 4.10, the adjusted R- Squared is 0.754 and this shows that the independent variables jointly explained 75.4% variation in the outcome variables while the rest is

explained by the error term. These results are clear implication that the four objectives have a positive contribution to risk management.

**Table 4.11 Analysis of Variance ANOVA**

The variance of ANOVA was computed to evaluate the significance of the overall model and the results are presented in table 4.11 as shown.

**Table 4.12 Analysis of Variance ANOVA**

Model	Sum of Squares	Df	Mean square	F	Sign.
Regression	14.002	3	4.658	121.602	.000
Residual	4.887	117	0.036		
<b>Total</b>	<b>18.889</b>	<b>121</b>			

- a. **Dependent variable:** Performance of enterprise risk management
- b. Predictors (Constant), managerial skills, internal control systems, organization transparency

The results show that F-statistic is 121.602 which is greater than the critical value of 2.675 at 0.05 and a P value of 0.000. This is less than 0.05; and it implies that the model is statistically significant and therefore fit for use. The results show that the overall model was statistically significant.

**Table 4.13 Coefficients**

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	T	Sig.
Constant	0.731	0.192		4.843	.000
Internal control systems	0.173	0.075	0.186	2.313	0.022
Organization transparency	0.659	0.081	0.731	8.159	0.000
Managerial skills	0.298	0.08	0.319	3.728	0.000
Ownership structure	0.487	0.06	0.456	3.618	0.004

- c. Predictors: (Constant), managerial skills, internal control systems, organization transparency

Results in Table 4.12 implies that the optimal equation of the study can now be obtained as: performance of enterprise risk management = 0.731 + 0.173 Internal control systems + 0.659 organization transparency + 0.298 managerial skills + ε i.e. (Y=0.731+0.173X1+0.659X3+0.298X3+ 0.487+ε).

The study sought to test the null hypothesis that internal control systems has no significant effect on performance of enterprise risk management of projects in Kajiado County. Hence, internal control systems had a coefficient of  $\beta=0.173$ , p-value =0.022. Since p-value was less than 0.05, the null hypothesis was rejected implying that holding other factors constant, internal control systems significantly affected performance of enterprise risk management of projects in Kajiado County, Kenya. The results imply that improving internal control system will contribute to improving the performance of risk management of projects.

The study sought to test the null hypothesis that organization transparency has no significant effect on performance of enterprise risk management of projects in Kajiado County. From Table 4.12, organization transparency had a coefficient of  $\beta= 0.659$ , p-value =0.000. Since p-value was less than 0.05, the null hypothesis was rejected. Thus, holding other factors constant, organization transparency significantly affected performance of enterprise risk management of projects in Kajiado County, Kenya. The findings imply that improving organization transparency would result to improving performance of enterprise risk management. The study's findings underscore the pivotal role of organization transparency in shaping the performance of enterprise risk management in Kajiado County, Kenya. The demonstrated positive relationship implies that organizations should prioritize transparency initiatives as a means to foster more effective risk management practices and achieve better project outcomes.

The study sought to test the hypothesis that managerial skills has no significant effect on performance of enterprise risk management of projects in Kajiado County, Kenya. According to the results, managerial skills had a coefficient of  $\beta= 0.298$ , p-value =0.000. The null hypothesis was thus rejected, inferring that holding other factors constant at zero, managerial skills positively and significantly affected performance of enterprise risk management projects in Kajiado County. The results also showed that increase in managerial skills indicators would contribute to an increase in performance of enterprise risk management projects in Kajiado County, Kenya.

The study sought to test the hypothesis that ownership structure has no significant influence on performance of enterprise management of flower farms in Kajiado County. According the results obtained, ownership structure had a coefficient of  $\beta= 0.487$ , p-value =0.004. This therefore means that the null hypothesis which presumed that ownership structure has no significant influence on the risk management was rejected. These results show that an increase in ownership structure will lead to 48.7% increase in the performance of risk management in flower farms in Kajiado County Kenya.

## CHAPTER FIVE

### SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

#### 5.1 Introduction

This chapter presents summary of the findings of the study based on each objective, conclusion of the study and recommendations for further study.

#### 5.2 Summary of the Findings

This study looked at influence of corporate governance practices on the performance of enterprise risk management in the horticultural farms in Kajiado County, Kenya. The study looked at managerial skills, organization internal control system, transparency and accountability and finally ownership structure as the independent variables which affect risk management in an organization.

##### 5.2.1 Managerial Skills and Risk Management

The first objective looked at the skills of the managers who are in charge of these flower farms. The analyzed results indicated that the respondents agreed with various statements on influence of managerial skills on the risk management. Similarly, inferential statistics showed that there is positive relationship between manager's skills and risk management in the organization. This variable had a score of 0.298 which indicates that if all other factors are held constant, then a unit increase in managerial skills would lead to 29.8% increase in risk management. During the focused group discussion and interviews, the respondents echoed these findings by noting that "Yes, I agree that manager's management skills are very important and they help in risk management because for example if the manager is careful enough and prudent, he/she will be aware when the farm is doing poorly financially because if the organization has financial challenges, then it stares at a risk of being closed. If like us workers can go for three months without being paid and the flowers are being plunked each day and they are flown to other countries, now what is that that there is no money for us to be paid? I think that is a question of the manager to be prudent in managing resources especially money, so this issue of managerial skills is very fundamental in the performance of any organization not even the flower farms". It is therefore very important for managers to have good managerial skills to avert any risks in the organization.

The findings paint the picture of how managerial skills are very important in an organization. A good manager will be in a position to note or discover when things are not going on well. Some of the risks

which the respondents pointed out like the effects of pesticides can be prevented to a greater level if the management takes early precaution and cushion the workers from coming into contact with the insecticides. Payment issues were also forming bulky of the complaints from the respondents who noted that most of the flower farms close due to financial woes. It is very important to note that financial challenges does not come out in a single day and hence if the management is capable of identifying such a problem in early stages, appropriate measures can be taken and mitigate such an effect. It is thus very important for the management to be very cautious in order prevent the organizations from collapsing.

Effective managers possess the ability to keenly observe and discern when things are not going well within the organization. This skill is invaluable as it allows them to identify issues early on, before they escalate into major problems. This awareness is crucial for maintaining the organization's stability and productivity. One of the highlighted risks is the adverse effects of pesticides on workers. A competent manager can take early precautions to protect employees from exposure to harmful substances. This includes implementing safety measures, providing appropriate training, and ensuring that protective gear is used correctly. By addressing these risks proactively, the organization can prevent accidents and health issues among its workforce.

Payment issues and financial woes were identified as significant concerns. Financial challenges often develop gradually and do not arise suddenly. Competent managers should possess financial acumen and analytical skills to detect early signs of financial stress within the organization. This enables them to take timely measures to address cash flow issues, improve financial management, and explore strategies to avoid insolvency. When managers identify potential problems in their early stages, they can take proactive measures to mitigate their effects. For example, in the case of impending financial difficulties, they might implement cost-cutting measures, seek additional financing, or diversify revenue streams. Proactive management can significantly improve the organization's resilience and ability to weather financial storms.

The ultimate goal of effective managerial skills is to prevent the organization from collapsing. A manager's ability to foresee and address risks, whether they are related to safety, financial stability, or other aspects of operations, directly impacts the organization's long-term survival. Preventing a collapse is not only crucial for the organization itself but also for the well-being of its employees and stakeholders. Additionally, managers play a vital role in crisis management. Even with the best preventive measures,

unforeseen challenges may arise. Competent managers are equipped to handle crises efficiently, minimizing the negative impact and facilitating a quicker recovery.

### **5.2.2 Internal control system and risk management**

Risks can be identified internally and be controlled before they escalate. This is because an organization has department of monitoring and evaluation which should be able to identify a risk, monitor it and mitigate it before it causes problem to the organization. This objective therefore sought to establish the influence of internal control system on the risk management. The respondents agreed with the statements on this variable even though with varied opinion. The regression analysis showed that there is positive relationship between internal control system and risk management. This variable had a score of 0.173 indicating that if all other factors are held constant, then a unit increase in internal control system would lead to an increase of 17.3% on risk management. The key informants also asserted to these where they noted that “Internal controls are very important because I can tell you when there is a problem and the management observes it early, then they can put in some measures to avert a possible risk, for example if the organization is not doing well financially and the managements understands that, then they can put in some austerity measures to cushion the organization form collapsing and this entirely is done internally. The people outside might not know what is happening but the people in the leadership knows what is happening. So to me, this internal control system is very important and no organization should ignore this”. It thus very important for the organization to pay a serious attention to the internal control system for they are very instrumental in managing risks in the organization.

The first step in an internal control system is the identification of potential risks. These risks can be financial, operational, compliance-related, or related to the organization's reputation. It's essential to have a thorough understanding of the different risks the organization might face. Once the risks are identified, the next step is to develop mechanisms and procedures to prevent these risks from escalating into more significant issues. This could involve establishing clear guidelines, protocols, and policies to govern various aspects of the organization's operations. Effective internal control systems require ongoing monitoring and oversight. This means that the organization should continuously assess whether the established controls are working as intended. Regular reviews and audits are essential to ensure that the preventive measures are effective.

Monitoring helps in identifying any deviations or weaknesses in the internal control system promptly. When issues are detected, timely action can be taken to rectify them, preventing the risks from spiraling out of control. This proactive approach helps minimize potential damage. Internal control also includes safeguarding sensitive information within the organization. By managing risks internally, an organization can maintain confidentiality and prevent sensitive data from reaching unintended individuals or competitors. This is particularly crucial in industries where proprietary information is a valuable asset.

Many organizations operate in heavily regulated environments. Internal control systems help ensure that the organization complies with relevant laws and regulations. Failing to do so can result in legal consequences and reputational damage. Beyond risk prevention, internal controls can improve operational efficiency. By streamlining processes, reducing errors, and ensuring compliance, organizations can operate more smoothly and cost-effectively. A strong internal control system also plays a critical role in protecting the organization's reputation. Preventing risks from spilling over into uncontrolled states can avert public scandals or negative press, which can be damaging to an organization's image. Internal control is often closely tied to financial management. It helps ensure the integrity of financial reporting, preventing fraud and mismanagement of funds. This is especially important for maintaining the trust of shareholders, investors, and other stakeholders.

### **5.2.3 Organizational Transparency Level and Risk Management**

The study sought to establish the influence of organizational transparency level on risk management. The analyzed data show that organizational transparency has a positive influence on risk management. The respondents agreed with the statements presented to them. The inferential statistics showed that organizational transparency has a positive influence on risk management with a score of 0.659 which translates to 65.9%. This variable had the highest score meaning that if the organization was to adopt these variables, then organizational transparency would be the best variable to be considered first then the rest. The findings are in agreement with those of Martin (2012) who notes that transparency in both decision-making and measurement is essential for effective risk management and open discussions on the risks to the organization's bottom line and quality of products or services by all stakeholders are crucial. The findings also agree with Lee and Kim (2018) who found that higher levels of organizational transparency were associated with higher levels of employee trust, which in turn predicted higher levels of job satisfaction and organizational commitment. It is therefore very important for the organization to embrace organizational transparency for effective risk management.

During the interview guide and focused group discussion, the respondents were categorical that organizational transparency is very key for the harmony in the organization. “You see transparency is everything. Let me tell you that most of these flower farms are state owned and so they must present their information to the public so that whatever done in the organization can be known. If some of the important information and decisions which touch on us are scanty, don’t you think that is wanting? I cannot remember the last time we were called for an AGM meeting and therefore, this tells you so that much is going on but we hope things will change with time”.

Effective managers have a keen sense of observation and the ability to detect issues in their early stages. This not only helps in preventing problems from worsening but also reduces the costs and resources needed to address them. Conclusion: Proactive managers can save the organization time and money by nipping issues in the bud. The reference to preventing the effects of pesticides and ensuring worker safety highlights the moral and legal responsibilities of an organization. A good manager not only protects the bottom line but also values the well-being of employees. Conclusion: Ethical and responsible management is essential for maintaining a positive organizational culture and reputation.

Financial challenges can be devastating for any organization. A manager with financial acumen can identify early warning signs such as declining profits, increasing debt, or cash flow issues. Conclusion: Financially astute managers are vital for the long-term financial health and sustainability of the organization. Effective management involves anticipating future challenges and adapting to changing circumstances. Proactive managers are better equipped to handle unexpected crises and ensure the organization remains resilient. Conclusion: Managers who embrace change and innovation are more likely to lead the organization through evolving markets and competitive landscapes.

Preventing organizational collapse is a primary goal. When managers demonstrate their ability to foresee risks and take action, they instill confidence in stakeholders, including employees, investors, and customers. Stakeholder’s trust is critical for long-term success, and skilled managers play a pivotal role in maintaining that trust. Even with the best preventive measures, unexpected crises can occur. Managers who can handle crises efficiently can minimize damage and restore stability more quickly.

#### **5.2.4 Ownership Structure and Risk Management**

The nexus between ownership structure and risk management is intricate and profound. The composition of ownership, whether concentrated or dispersed, influences the extent of control wielded by various

stakeholders, thereby impacting the agility and effectiveness with which risks can be identified and addressed. Different types of ownership come with distinct risk appetites and approaches to risk management. A sole proprietor may approach risk differently than a publicly traded corporation with diverse shareholders and fiduciary responsibilities. This study sought to establish the influence of ownership structure on risk management and the results showed that risk management has a positive contribution on the performance of risk management.

As flower farms navigate an evolving global landscape punctuated by uncertainties, disruptions, and emerging challenges, understanding the intricate dance between ownership structure and risk management becomes not only a theoretical endeavor but a pragmatic imperative for organizations striving for resilience, growth, and enduring success. The findings agree with Fan, Wong, and Zhang (2013) identified three important factors that influence ownership structure: value-maximizing size, control potential, and amenity potential. The separation of decision-making and risk-management functions is a common feature observed in large corporations as well as in other organizations, such as large professional partnerships, financial mutual and non-profit organizations. This is due to the advantages of specialization in management and risk-management. This claim was also echoed by respondents who noted that “When there are people with high shares in these companies, they are the ones who makes decision even if these decisions do not favor us the ones on the ground. Now, if these policies they make are implemented then we end up suffering then what can we do? Nothing because us we do not have a say and when you try to complain, you will be sucked in the morning. We operate in a difficult situation”

Ownership structure is a pivotal aspect of organizational governance. It determines who holds decision-making power, control, and ownership stakes within the organization. In the face of evolving global challenges, how ownership is structured can profoundly impact an organization's ability to manage risks effectively. The statement references the work of Fan, Wong, and Zhang (2013), who identified three critical factors influencing ownership structure: value-maximizing size, control potential, and amenity potential. These factors reflect the complex interplay between financial considerations, control dynamics, and the preferences of owners or stakeholders.

Large organizations often separate decision-making and risk-management functions. This separation is driven by the advantages of specialization. Decision-makers focus on strategy and growth, while risk-bearers, such as employees or smaller shareholders, may face the consequences of these decisions. This

arrangement is not limited to corporations but is also seen in various organizational types. The statement also highlights a common challenge associated with ownership structures where a few individuals or entities with high shares have significant decision-making power. This power dynamic can sometimes lead to decisions that do not align with the interests of those directly affected by them, such as employees. The lack of influence can result in frustration and perceived injustice.

Respondents' feedback underscores the potential consequences of imbalanced power structures. When individuals on the ground feel disenfranchised and unable to influence decisions that affect their livelihoods, it can lead to dissatisfaction, strained labor relations, and potentially adverse effects on productivity and morale. In today's unpredictable global landscape, organizational resilience is crucial. Organizations must not only adapt to change but also proactively manage risks to ensure their long-term success. Ownership structures that support effective risk management and decision-making are essential for achieving this resilience.

### **5.3 Conclusions**

The study's conclusions underscore the vital role of various factors in effective risk management within organizations. These findings shed light on the importance of managerial skills, internal control systems, transparency, accountability, and ownership structure in shaping an organization's ability to identify, assess, and mitigate risks.

The study highlights a positive and significant correlation between managerial skills and effective risk management. This implies that organizations benefit from having skilled managers who possess the ability to analyze, strategize, and make informed decisions regarding risk exposure. The conclusion emphasizes the importance of nurturing and enhancing managerial skills, as managers play a pivotal role in identifying potential risks, devising mitigation strategies, and ensuring the organization's overall resilience. The study acknowledges the significance of ownership structure in risk management. It highlights the importance of preventing a situation where a concentrated ownership structure leads to a disproportionate distribution of decision-making power. This finding emphasizes the need for a balanced ownership distribution, ensuring that major shareholders do not exert excessive control that could hinder impartial and strategic risk management decisions. A neutral ground for decision-making contributes to effective risk assessment and mitigation.

The study identifies a positive and significant influence of the organization's internal control system on risk management. An effective internal control system ensures that processes, procedures, and policies are in place to prevent, detect, and address risks. This finding stresses the critical role of implementing robust internal controls to minimize the likelihood of risk events and their potential impacts. The conclusion reinforces the notion that a well-structured internal control framework is integral to an organization's risk management strategy. The study's conclusion emphasizes the importance of transparency and accountability as key variables in effective risk management. Transparency ensures that information flows openly and comprehensively within the organization, enabling stakeholders to make informed decisions. Accountability holds individuals and teams responsible for their actions and decisions, fostering a culture of responsibility and ownership. These attributes contribute to a proactive approach to risk management, where potential risks are identified, communicated, and addressed promptly.

The study underscores the pivotal role of managerial skills in risk management. Skilled managers possess the capability to analyze complex situations, formulate strategic plans, and make well-informed decisions regarding risk. This skill set is crucial because it enables organizations to proactively identify potential risks, devise effective mitigation strategies, and ensure the overall resilience of the organization. Nurturing and enhancing managerial skills should be a priority for organizations, as competent managers are instrumental in navigating and mitigating risks effectively. The study highlights the importance of a balanced ownership structure in risk management. Concentrated ownership can lead to an uneven distribution of decision-making power, potentially hindering impartial and strategic risk management decisions. A neutral and equitable ownership structure is essential for fostering effective risk assessment and mitigation. Organizations should strive for a fair and balanced ownership distribution to prevent undue influence on risk-related decisions, promoting better risk management outcomes.

The study reveals a positive correlation between effective internal control systems and risk management. Robust internal control mechanisms ensure that processes, procedures, and policies are in place to prevent, detect, and address risks. This finding emphasizes the critical role of well-structured internal controls in minimizing the likelihood of risk events and their potential impacts. Implementing and maintaining a strong internal control framework is integral to an organization's risk management strategy and should be a priority. The study identifies transparency and accountability as key variables in effective risk management. Transparency ensures that information flows openly and comprehensively within the organization, enabling stakeholders to make informed decisions. Accountability holds individuals and

teams responsible for their actions and decisions, fostering a culture of responsibility and ownership. These attributes contribute to a proactive approach to risk management, where potential risks are identified, communicated, and addressed promptly. Organizations should prioritize transparency and accountability as fundamental components of their risk management culture, as they facilitate early risk identification and mitigation.

#### **5.4 Recommendations**

In the study conducted by Fan, Wong, and Zhang in 2013, the researchers shed light on three significant factors that play a crucial role in shaping ownership structure within various organizations. These factors, namely value-maximizing size, control potential, and amenity potential, provide valuable insights into how ownership structures are structured to optimize various aspects of the organization's functionality. Furthermore, the study highlights that the separation of decision-making and risk-management functions is a common phenomenon found in not only large corporations but also in diverse entities such as large professional partnerships, financial mutual organizations, and non-profit organizations.

The concept of value-maximizing size refers to the optimal scale at which an organization operates to achieve the highest level of efficiency, productivity, and overall performance. Ownership structure is influenced by the size of the organization, as certain structures may be better suited to capitalize on economies of scale, resource allocation, and market positioning. Large organizations may adopt specific ownership structures to maximize their ability to utilize resources effectively and efficiently, thereby enhancing their competitive advantage.

Control potential involves the level of influence and decision-making power that various stakeholders have within the organization. Different ownership structures afford different degrees of control potential to owners or shareholders. For instance, ownership concentration, the presence of majority shareholders, or the distribution of shares can impact who holds the decision-making authority. Ownership structures are often designed to align control with ownership interests while considering the organization's strategic objectives and stakeholders' preferences.

Amenity potential relates to the non-financial benefits and amenities that ownership of an organization can offer to stakeholders. These amenities might include social prestige, reputation, personal satisfaction, or alignment with personal values. Ownership structures can be tailored to provide stakeholders with these

non-monetary benefits, which can be especially relevant in organizations like non-profits or partnerships, where financial gains might not be the primary motivator.

The observation that the separation of decision-making and risk-management functions is a common feature across various types of organizations underscores the advantages of specialization. By assigning specific roles and responsibilities to different individuals or groups, organizations can tap into specialized expertise, streamline decision-making processes, and allocate risks more effectively. This separation is particularly evident in large corporations, where specialized management teams handle decision-making while shareholders bear the associated risks. The same principle applies to other entities, such as professional partnerships, where experts in different domains collaboratively manage risks and decision-making.

### **5.5 Suggestions for further study**

The current established that the four independent variable contributed to 75.5% which means that the remaining 24.5% is contributed by other factors such as financial, leadership, government policies etc. This study therefore suggests other studies to be done on these other factors to determine their influence on risk management of the organizations.

This study was restricted to Kajiado County even though flower farms are spread throughout the country. This study therefore suggests that similar studies can be done in other counties in order to triangulate with the current findings.

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## APPENDIX I: QUESTIONNAIRE

This questionnaire is intended to collect information from owners or employees of flower farms in Kajiado County. The questionnaire will collect information on the relationship between corporate governance practices and risk management in flower farms. Be assured that every information you give will remain private and confidential.

### General organizational information section

Please provide information about you and your company. (All responses are confidential)

1. Please indicate your highest level of education

Secondary

Diploma

Degree

Post Graduate

2. What position do you hold in this organization?

CEO

Manager

Owner-Manager

Other, (specify) \_\_\_\_\_

3. What is the name of the department that you lead in your organization?

Human resources

Supply chain

Finance

Production

Other (Specify).....

4. How many people are employed by your organization? \_\_\_\_\_

5. Please indicate the number of years which you have

been in this firm:

Under 5 years

5- 10 years

10 -20 years

20 – 30 years

over 30 years

**SECTION A: MANAGERIAL SKILLS**

6. Please state the degree to which you agree or disagree with the following statement on managerial skills. Strongly Disagree (SD), Disagree (D), Undecided (U), Agree(A), strongly Agree, (SA)

<b>Statement</b>	<b>SA</b>	<b>A</b>	<b>U</b>	<b>D</b>	<b>SD</b>
The organization’s top management team is highly skilled at delegating work effectively to others					
The organization’s top management team is able to supervise People					
The organization’s top management team have skills in organizing tasks effectively					
Expertise in a technical area of top Management team is one of key strengths in this organization.					

**SECTION B: INTERNAL CONTROL SYSTEMS**

7. Please state the degree to which you agree or disagree with the following statements on internal control system. Strongly Disagree (SD), Disagree(D), Undecided (U), Agree(A), Strongly Agree, (SA)

<b>The following internal controls are available in my organization</b>	<b>SA</b>	<b>A</b>	<b>U</b>	<b>D</b>	<b>SD</b>
There are clear laid down policies and procedures in this Organization					
Financial statements are prepared on periodic basis in this organization					
There are systems in place to prevent fraud in this organization					
Procedures for reporting theft are clear to all employees					
The overall effectiveness of internal control system is evaluated on routine basis					
Audit procedures exist to test on a periodic basis the compliance with the set company policies and procedures					

**SECTION C: ORGANIZATION TRANSPARENCY**

8. Please state the degree to which you agree or disagree with the following statements on organization transparency practices that are applicable to your organization. Strongly Disagree (SD), Disagree (D), Undecided (U), Agree (A), Strongly Agree, (SA)

<b>Theme/ Statement</b>	<b>SA</b>	<b>A</b>	<b>U</b>	<b>D</b>	<b>SD</b>
The established line of communication exposes the organization to threats/ risks.					
Accurate information on the performance of the organization is accessible by all stakeholders'					
The business complies with statutory requirements					
This farm is an equal opportunity employer					
This firm upholds labor laws for its employees.					
This firm takes every precaution necessary to prevent environmental damage					

**SECTION D: OWNERSHIP STRUCTURE**

9. Please select the ownership structure that is applicable to your organization. Tick where applicable

<b>Theme/ Statement</b>	<b>SA</b>	<b>A</b>	<b>U</b>	<b>D</b>	<b>SD</b>
The concentration of ownership in our flower farm affects how major decisions are made.					
High ownership concentration leads to quicker decision-making in our flower farm.					
Ownership concentration influences the degree of alignment between shareholders' interests and business strategies.					
The level of ownership concentration impacts the influence of individual shareholders on our flower farm's direction.					
Ownership concentration affects the stability and long-term planning of our flower farm.					
The concentration of ownership in our flower farm affects how major decisions are made.					

**SECTION E: RISK MANAGEMENT PRACTICES**

10. Please state the degree to which you agree or disagree with the following statements on risk management practices that are applicable to your organization. Strongly Disagree (SD), Disagree (D), Undecided (U), Agree(A), Strongly Agree, (SA)

<b>Statement</b>	<b>SA</b>	<b>A</b>	<b>U</b>	<b>D</b>	<b>SD</b>
Risks are identified in this organization					
Risks are measured in this organization					
Risks are monitored in this organization					
Risks are controlled in this organization					
All employees are involved in the risk management process					