

**EFFECT OF CORPORATE GOVERNANCE PRACTICES ON ORGANIZATIONAL
PERFORMANCE OF STATE CORPORATIONS IN THE HEALTH SECTOR IN
KENYA**

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DECLARATION

I declare to the best of my knowledge that this dissertation is my original work and has not been presented for the award of a degree in any other university and neither have the materials contained herein been published by other people except where due reference is made, and author duly acknowledged.

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This dissertation has been submitted with my approval as the supervisor:

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DEDICATION

To my sons Joyne Emodia, Victor Ketoyo, my daughters Rose Atsilwa and Angela Kahuya and my parents Kahuya and Enzori. Thank you for constant affection, love and prayers.

ACKNOWLEDGEMENT

My gracious linkage to God for giving me the favor and wisdom and good health to do this dissertation is divinely humbling. I greatly owe the success of this research to my supervisor Dr. Mary Mwanzia who guided me with the scholarly skills in handling this research. I am greatly indebted to the distinguished CEOs of various State Corporations who kindly allowed me the permission to some of the fundamental materials I used in this research. In addition, I extend my profound gratitude to my colleagues who provided current and meaningful information through the questionnaires which made this study realistic. The loyal clientele of the health sector is equally commended for their immense contributions in the area of service delivery by the State Corporations in the health sector. My sincere appreciation is extended to my family members who encouraged me to forge ahead with the study despite their need for my time commitment with them.

ABSTRACT

Sound corporate governance practices are a major contributor to effective and efficient management of State Corporations in the health sector in Kenya. Since independence, the level of accountability in management of State Corporations has continued to decline despite the availability of various monitoring structures like legal frameworks, Ethics and Integrity, Policies and the Code of Conduct and Ethics intended to provide a clear road map to successful performance of the State Corporations. The objective of this study was to determine the effect of corporate governance practices on the performance of the State Corporations in the health sector in Kenya. The specific objective was to determine the effects of accountability, transparency, responsibility and moral integrity on organizational performance of health State Corporations. Primary data was obtained from respondents through questionnaires. The study adopted a descriptive research design with a population comprising of the health State Corporations. The unit of observation in the health State Corporations comprised of Chief Executive officers, Corporation Secretaries, staff from marketing, finance, human resource management, supply chain management, audit and integrity assurance officers. A sample size of 354 respondents was used as derived from the Yamane Formula. Primary data was collected the using questionnaires. The data was analyzed using descriptive and inferential statistics. The study conducted normality test, multicollinearity and heteroscedasticity. A regression model was used to test the effect of corporate governance practices on the performance of the State Corporations in the health sector in Kenya. The results indicated that accountability and organizational performance of health State Corporations is positively and significantly related ($\beta=0.158$, $p=0.000$). The results further indicated that transparency and organizational performance of health State Corporations is positively and significantly related ($\beta=0.114$, $p=0.002$). Board Responsibility and organizational performance of health State Corporations is positively and significantly related ($\beta=0.108$, $p=0.001$). Lastly, results showed Moral Integrity and organizational performance of health State Corporations is positively and significantly related ($\beta=0.184$, $p=0.000$). The study concluded that corporate governance practices have a positive and significant effect on organizational performance of State Corporations in the health sector in Kenya. The study recommends that the management of the State corporations should establish certain control mechanisms that ensure accountability. The study recommends that there should continuous internal check and audit on the part of management and low level of management to ensure adequate accountability systems in the State Corporations. Finally, the study recommends that monitoring should be done thoroughly by the board. These findings inform the need to ensure compliance with corporate governance principles and codes of governance.

TABLE OF CONTENTS

DECLARATION	ii
DEDICATION	iii
ACKNOWLEDGEMENT	iv
ABSTRACT	v
TABLE OF CONTENTS	vi
LIST OF TABLES	x
LIST OF FIGURES	xi
LIST OF ACRONYMES AND ABBREVIATIONS	xii
OPERATIONAL DEFINITION OF TERMS	xiii
CHAPTER ONE	1
INTRODUCTION	1
1.1 Background of the Study	1
1.1.1 Corporate Governance Practices.....	3
1.1.2 Performance of State Corporations	4
1.1.3 Health State Corporations in Kenya	5
1.2 Statement of the problem	6
1.3 Purpose of the Study	7
1.3.1 General Objective	7
1.4 Research Questions	8
1.5 Justification of the Study	8
1.6 Significance of the Study	8
1.6.1 Health State Corporations and Parastatals	8
1.6.3 Scholars and Researchers.....	9

1.7 Scope of the Study	9
CHAPTER TWO	11
LITERATURE REVIEW	11
2.1 Introduction.....	11
2.2 Theoretical Review	11
2.2.1 Agency Theory.....	11
2.2.2 Stakeholder Theory	12
2.2.3 Resource Dependency Theory (RDT)	14
2.2.4 Stewardship Theory	15
2.3 Empirical Review.....	16
2.3.1 Accountability and Organizational Performance.....	16
2.3.2 Transparency and Organizational Performance.....	18
2.3.3 Board Responsibility and Organizational Performance.....	20
2.3.4 Moral integrity and Organizational Performance	22
2.4 Research gap	24
2.5 Conceptual Framework.....	24
2.6 Measurement of Study Variables	26
CHAPTER THREE	27
RESEARCH METHODOLOGY	27
3.1 Introduction.....	27
3.2 Research Design.....	27
3.3 Target Population.....	27
3.4 Sample and Sampling Techniques	28
3.5 Research Instrument.....	29

3.6 Pilot Study.....	30
3.7 Validity and Reliability of Research Instrument	30
3.8 Data Collection Procedure	31
3.9 Data Processing and Analysis.....	31
3.10 Diagnostic Tests.....	32
3.10.1 Multicollinearity	32
3.10.2 Heteroscedasticity	32
3.10.3 Normality test.....	33
3.11 Ethical Issues	33
CHAPTER FOUR.....	34
RESULTS AND DISCUSSION	34
4.0 Introduction.....	34
4.1 Response Rate.....	34
4.2 Demographic Characteristics	35
4.2.1 Gender.....	35
4.2.2 Age.....	35
4.2.3 Level of Education.....	36
4.2.5 Duration	37
4.3 Descriptive Statistics.....	38
4.3.1 Accountability.....	38
4.3.2 Transparency.....	39
4.3.3 Board Responsibility.....	41
4.3.4 Moral Integrity.....	42
4.3.5 Organizational Performance	44

4.4 Diagnostic Tests.....	45
4.4.1 Multicollinearity Test.....	45
4.4.2 Test for Heteroscedasticity	45
4.4.3 Normality Test	46
4.5 Correlation Analysis	47
4.6 Regression Analysis.....	48
4.7 Discussion of Findings.....	50
CHAPTER FIVE	54
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS	54
5.1 Introduction.....	54
5.2 Summary of Findings.....	54
5.2.1 Accountability and Organizational Performance.....	54
5.2.2 Transparency and Organizational Performance.....	54
5.2.3 Board Responsibility and Organizational Performance.....	54
5.2.4 Moral Integrity and Organizational Performance	55
5.3 Conclusion	55
5.4 Recommendations.....	56
5.5 Limitations of the Study.....	56
5.6 Areas for Further Research	57
REFERENCES.....	58
APPENDICES	63
Appendix I: Introduction Letter	63
Appendix II: Questionnaire.....	64
Appendix III: List of Health State Corporations.....	71

LIST OF TABLES

Table 2.1: Operationalization of Variables	26
Table 3.1: Target Population.....	28
Table 3.2: Sample Size	29
Table 3.3: Reliability Test.....	31
Table 4.1: Response Rate.....	34
Table 4.2: Age of Respondents.....	36
Table 4.3: Highest Level of Education	36
Table 4.4: Duration	37
Table 4.5: Descriptive Statistics Outputs on Accountability	38
Table 4.6: Descriptive Statistics Outputs on Transparency	40
Table 4.7: Descriptive Statistics Outputs on Board Responsibility	41
Table 4.8: Descriptive Statistics Outputs on Moral Integrity	43
Table 4.9: Descriptive Statistics Outputs on Organizational Performance.....	44
Table 4.10: Multicollinearity Test Using Tolerance and VIF.....	45
Table 4.11: Heteroscedasticity Results.....	46
Table 4.12: Normality Outputs	47
Table 4.13: Correlation Matrix	47
Table 4.14: Model Fitness.....	48
Table 4.15: Analysis of Variance.....	49
Table 4.16: Regression of Coefficients.....	49

LIST OF FIGURES

Figure 2.1: Various Stakeholder of a Firm	13
Figure 2.2: Conceptual Framework	25
Figure 4.1: Gender of Respondents	35

LIST OF ACRONYMES AND ABBREVIATIONS

KEMRI:	Kenya Medical Research Institute
NHIF:	National Hospital Insurance Fund
KNH:	Kenyatta National Hospital
NACC:	National Aids Control Council
KMTC:	Kenya Medical Training Institute
KEMSA:	Kenya Medical Supplies Authority
PPOA:	Public Procurement Oversight Authority
ACECA:	Anti-Corruption and Economic Crimes Act
SCAC:	State Corporations Advisory Committee
HRM:	Human Resource Manual
CCG:	Centre for Corporate Governance
BOM:	Board of Management
CEO:	Chief Executive Officer
IAF:	Internal Audit Functions
EAF:	External Audit Functions
R& D:	Research and Development
OECD:	Organization on Economic Corporation and Development

OPERATIONAL DEFINITION OF TERMS

Board Responsibility	the framework that structures the board and how it operates
Corporate Accountability	the obligation and responsibility to give an explanation or reason for the company's actions and conduct.
Health Sector:	A distinct area consisting of businesses that provide medical services, manufacturing medical equipment and or drugs, provide medical insurance all coordinated to provide healthcare to patients. (Source: Investopedia March 23, 2020)
Moral Integrity	the quality of acting in accordance or harmony with relevant moral values, norms and rules
State Corporation:	a body corporate established under Section 3 of the State Corporations Act, Cap 446, or by an act of Parliament, or under the Companies Act, Cap 486 where the Government controls majority or all of the Shares. Further, a subsidiary of a state corporation is a state corporation.
Transparency	The access and proper disclosure of financial information, such as a company's audited financial reports

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

In today's economy, any company's success is dependent on the crucial role of its ability to compete, ensure transparency and governance structure which operates within its mandate. This is in absolute regard of the fact that economic value is created by these organizations (Shavulimo, 2014). Ideally, good corporate governance is meant to be attractive to both the management of organizations and the board (Velnampy, 2013). This is done in an attempt to ensure a balance is struck between the two parties aiming for a common goal. Corporate governance encompasses developing accountability, transparency and disclosure mechanisms in order to protect the interests of various stakeholders in a relationship (Padgett, 2018). Khan (2019) defines corporate governance as the collection of laws, policies and processes that provide direction on how organizations are managed and controlled. The need for good corporate governance has gained importance due to the high-profile corporate crisis and collapses experienced in the recent past across the globe.

In Europe, the wider the distribution of shareholding, the greater is the role of the market in the exercise of corporate control and the need to set rules establishing adequate and effective control over corporations (El-Bassiouny & El-Bassiouny, 2019). Shareholding in several continental European countries is rather concentrated, thereby making corporate governance problems less frequent or apparent. In any attempt to understand the control of corporations, the role of insurance companies, pension funds and other institutional investors, and other actors, such as employees or banks, has to be taken into account to different extents in European countries (Sorensen & Miller, 2017). Tennessee Valley Authority in the United States of America was mandated by the Federal government of America to generate electricity for the general public. However, this Authority misdirected its efforts on unrealistic undertakings that were not for the public interest (Choi, Szewczyk & Chhabria, 2019).

In Ghana, Adeabah, Gyeke-Dako and Andoh (2019) found that levels of corporate governance of internal control information of Ghanaian institutions was low; an estimated 35% implied that most of the listed firms did not disclose adequate internal control information in their annual reports. For Nigeria, the results are similar to that of Ghana- Odoemelam (2018) evaluated corporate

governance of Nigerian firms and found low levels of disclosure for Nigerian listed companies. In Ghana, Aluworks Limited; Cocoa Processing Company Limited; and Clydestone Ghana Limited had been put on a watch list in 2018 on account that their financial disclosures were significantly threatened. The company had to implement strategies to turn around the company performance (Kyereboah-Coleman & Biekpe, 2016). Further, as observed by Kyereboah and Biekpe 2016, in South Africa, some State Corporations had folded up as a result of governance problems.

Locally, inconsistencies in the practice of corporate governance, has given room to uncompetitive practices in the operations of State Corporations leading to minimal performance and eventual collapse (Wasike, 2017). For instance, in 2020, the management of KEMSA, a state corporation mismanaged the process of acquiring Personal Protective Equipment (PPE) quite oblivious of the fatal consequences awaiting the front liners-the medical staff. This state of affairs perhaps suggest that the public's desire is for State Corporations to have procedures through which sustainable growth and development could be achieved (Kamau, Benard & Matu, 2019). Corporations, therefore, ought to compete in an environment where good governance is the guiding factor. During the 80s more than 33 banks collapsed and other parastatals such as Kenya Cooperative Creameries (KCC), National Housing Corporation (NHC) and a few followed suit in the past decade. MWONGOZO in Kenya ensures that sustainability, performance and excellence become the hallmark of the Government owned entities (Owalo, 2020).

The basis for firm corporate governance is anchored on Agency theory. This theory provides for use of internal and external mechanisms to align the principal – agent interest and therefore maximize shareholder value leading to improved performance. Jensen and Meckling (1976) theorized that for managers to act in the best interest of the shareholders and maximize returns appropriate governance structures must be put in place in organizations. This study is therefore anchored on agency theory as the theoretical underpinning of good governance. Instances of board members of State Corporations awarding themselves large allowances at the expense of taxpayers who are the major stakeholders in State Corporations has continued to be the practice. Grant (2003) explains that ironically, CEOs in firms where management problems are greater always receive higher financial rewards even when those companies are typically underperforming. Corporate governance practices must be a concern of every business entity for assurance of achievement of goals.

1.1.1 Corporate Governance Practices

Corporate governance refers to the systems of rules, practices and processes by which companies both private and public are directed. It ensures that everyone in the organization follows appropriate and transparent decision-making process and that the interest of all stakeholders-shareholders, managers, employees, suppliers and customers are protected. The corporate governance practices have been constructed by authors to include accountability, transparency, responsibility and moral integrity (Darma, 2018; Naciti, 2019; Paniagua, Rivelles & Sapena, 2018; Utama, & Amarullah, 2017).

Corporate accountability entails the obligation and responsibility to give an explanation or reason for the company's actions and conduct (Kyereboah & Biekpe 2016). Accountability is an instrument for controlling agency costs: the less the companies' accountability the higher risk that managers serve themselves. Board accountability involves taking responsibility for all of a company's activities and presenting a fair, balanced and understandable assessment of an organization's position and prospects to stakeholders. According to Naciti, (2019), the more accountable corporate governors are, the more likely it is that results of performance measurement processes are going to be a true and fair representative of the performance being measured.

Transparency entails access and proper disclosure of financial information, such as a company's audited financial reports. It enables others to see and understand how they operate in an honest way (Ramírez & Tejada, 2018). Widiatmika and Darma (2018) find that transparency as having full disclosure in public companies. Transparency allows its processes and transactions observable to outsiders. It also makes necessary disclosures, informs everyone affected about its decisions. Transparency is a critical component of corporate governance because it ensures that all of entity's actions can be checked at any given time by an outside observer (Azeez, 2015). Transparency ensures that all company's actions can be checked at any given time by an outside observer.

Board responsibility in corporate governance entails the framework that structures the board and how it operates (Naciti, 2019). According to Alabdullah, Ahmed and Muneerali (2019), responsibilities involve determining the long term aims of the company, providing leadership to achieve these aims, establishing a supervisory process to ensure that the management of the business is effective and also to report to shareholders on its performance. At its core, board includes the boards responsibilities and organisational well-being. Board responsibility is an

important component of corporate governance which means being answerable or liable for something (Ullah, 2016).

Moral integrity is seen as the quality of acting in accordance or harmony with relevant moral values, norms and rules. Integrity is about the ethics of behavior of everyone involved in governance. Paniagua, Rivelles and Sapena (2018) posit that moral integrity constructs are authenticity, reliability, confidentiality, solidarity, and a willingness to accept personal accountability and be bound by board decisions and a director's own role within them.

1.1.2 Performance of State Corporations

Performance implies the integral's annual financial and operational performance measures and specific objectives established by top executive and approved by the committee. It's the specific achievements during a plan year compared to designated corporate objectives established by the compensation committee (Bansal & Song, 2017). According to Meuer, Koelbel and Hoffmann (2020), performance borrows elements from four more established concepts: sustainable development, corporate social responsibility, stakeholder return, and corporate accountability. The performance of any organization aims at deciding on the type of business to concentrate on, determining responses to changing environmental conditions both internal and external, allocating resources within the organization and controlling and evaluating the actual total performance of the organization. This is where the core mandate of a state corporation relies upon in sustaining its set mission. For a state corporation to be realistic, there must be strict adherence to corporate performance at all levels of the organization ”

After Kenya's independence in 1963, some informal measures were introduced by the government to have some functions delegated to formal bodies to handle specific issues. These formal organizations were changed into autonomous entities called parastatals or State Corporations through various Acts of Parliament. Currently, there are 216 State Corporations in the country (Inspectorate of State Corporations, 2021). The original Acts of Parliament that set up these State Corporations have been reviewed and restructured severally to monitor the changing economic situations. They were mainly started to supplement the efforts of their parent Ministries through provision of effective and efficient performance and service delivery to the public. Their formation arises out of various economic, social, environmental, and political premises. Sometimes, State Corporations are established in situations where private investors are unwilling to make

investments because they (private investors) believe the possibility of failure to be too high. Others may come into being by virtue of the risky operations involved which discourages private investors to undertake. Private investors due to their heavy investment outlay could not undertake these essential services.

1.1.3 Health Sector State Corporations in Kenya

In Kenya, the health sector plays a crucial role in ensuring healthy personnel for the growth of the economy. State Corporations in the health sector are; Kenya Medical Training College (KMTC) was formed to provide competent health professionals through training and research and provision of consultancy services, Kenyatta National Hospital (KNH) was formed to provide accessible specialized quality healthcare, facilitating medical training, research, and contributes to the national health planning and policy. The National Hospital Insurance Fund (NHIF) Contributes towards universal health coverage in the provision of affordable, accessible, sustainable and quality health insurance through strategic resource pooling and healthcare purchasing in collaboration with stakeholders. Kenya Medical Supplies Authority (KEMSA) was formed to provide reliable, affordable and quality health products and supply chain solutions to improve healthcare in Kenya and beyond.

The Kenya Medical Research Institute (KEMRI) was formed to provide human health and quality of life through research, capacity building, innovation and service delivery. The National Aids Control Council (NACC) provides policy guidelines and a Strategic framework for mobilizing and coordinating resources for the prevention of HIV transmission and provision of care and support to the infected and affected people in Kenya. Moi Teaching and Referral Hospital (MTRH) is a National/International Teaching and Referral Hospital which offers outpatient, inpatient, and Specialized healthcare services. The National quality control laboratory (NQCL) which carry out required tests and analysis and conducts research to ensure that medicines and medical devices that are used in Kenya meet international quality requirements so as to ensure the safety of patient safety. The Kenya Medical Laboratory Technician and Technologists Board is mandated to ensure that Kenyans are given quality healthcare by registered and licensed practitioners and Medical Laboratories. These State Corporations since their formation have experienced various governance problems in bid to achieve their optimal goals and objectives as mandated by their relevant Acts of parliament.

State Corporations in the health sector in Kenya, therefore, have an obligation to adopt and objectively implement better corporate governance practices as guided by the ‘Mwongozo’ philosophy. Good corporate governance should provide proper incentives for the board and management to pursue objectives that are in the interest of the company and its shareholders and should facilitate effective monitoring (OECD, 2017). Corporate governance does not only refer to the legal restrains, but also to the norms of the so called ‘best practice’ as well as the attempt by the organizations themselves to formulate codes of business ethics (Mackenzie, 2017).

1.2 Statement of the problem

State Corporations in Kenya were established with the aim of rendering services to the Citizens in a cost-effective way and be able to sustain them in a competitive global environment. They were expected to function within the laid down regulatory framework in order to achieve their missions. Unfortunately, some State Corporations have not performed to the expectations of their mandate since they have suffered from scandals of corruption, inefficiency and unethical practices in the process of delivering services to the Citizens. According to Kenya’s Auditor General Report (2019-2020), there were many instances of misuse of public funds by State Corporations. Massive scandals and fraud involving millions of shillings in public funds were unearthed in various Counties (Auditor-General report for 2019/2020). More than Ksh. 10 billion may have been lost in the 2019/2020 financial year in Government Ministries, Departments and Commissions.

The health sector is core in provision of universal healthcare to the public and stands as one of the core visions 2030 pillars. In the wake of health pandemic, the State Corporations in the health care sector have been engulfed in scandals involving uncompetitive practices of the directors and managers having been reported in various State Corporations (Owalo, 2020). Subsequently, delivery on their mandate for which they were created has fallen short of their expectations. This therefore calls for the need for corporate governance practices to facilitate enabling environment in these State Corporations to avoid their collapse. Kyondu (2014) noted that lack of corporate governance in State Corporations has been evidenced by the collapse of various State Corporations that were established in the early 1970s.

Research gaps are presented in studies such as; Kiratu (2016) study on the influence of corporate governance on organizational performance in Kenya with a case of agricultural State Corporations creates a methodological gap by use of a correlational research design while the current study

adopted a descriptive research design. Ullah *et al.*, (2016) study on the effect of corporate accountability and transparency on performance of manufacturing firms in Pakistan was limited to one of the corporate governance constructs corporate accountability and was also conducted among manufacturing firms in Pakistan while the current study expounded four variables; accountability, transparency, responsibility and moral integrity. Lasisi (2017) study established a positive but not statistically significant relationship between corporate governance mechanisms and financial performance of non - financial firms listed on the Nigerian Securities Exchange. The current study was carried out in Kenya in the State Corporations in the health sector which have different operating environment as compared to non-financial firms in Nigeria. However, none of the mentioned studies has been given on the corporate governance on the performance of health State Corporations in Kenya. This study therefore sought to bridge the gap by establishing the effect of corporate governance practices on organizational performance of health State Corporations in Kenya

1.3 Purpose of the Study

1.3.1 General Objective

The general purpose of this study is to determine the effect of corporate governance practices on organizational performance of State Corporations in the health sector in Kenya.

1.3.2 Specific Objectives

The study was guided by the following specific objectives;

- i. To establish the effect of accountability on organizational performance of health State Corporations in Kenya
- ii. To determine the effect of transparency on organizational performance of health State Corporations in Kenya
- iii. To find out the effect of board responsibility on organizational performance of health State Corporations in Kenya
- iv. To determine the effect of moral integrity on organizational performance of health State Corporations in Kenya

1.4 Research Questions

The study was guided by the following research questions:

- i. What is the effect of accountability on organizational performance of health State Corporations in Kenya
- ii. What is the effect of transparency on organizational performance of health State Corporations in Kenya
- iii. What is the effect of board responsibility on organizational performance of health State Corporations in Kenya
- iv. What is the effect of moral integrity on organizational performance of health State Corporations in Kenya

1.5 Justification of the Study

State Corporations are performing minimally to the extent that their vision and set objectives are far from achieving. This situation continues to deny these entities an opportunity to create value proposition that would guarantee them growth through generation of revenue and building capital reserves for the government. This study will critically examine the effect of corporate governance practices on performance of the state corporation in the health sector in Kenya. The study was to highlight the effects of corporate governance practices on State Corporations' performance with view to improving their overall performance and to steadfastly sustain the purpose for which they were established.

1.6 Significance of the Study

The following suggestions signify the significance of the study:

1.6.1 Health State Corporations and Parastatals

The practical part of this study is that, it will lead to improvements in corporate governance practices on functional formulation and implementation of policies, processes and procedures in State Corporations in the health sector in Kenya. The study will also assist the Ministries in establishing viable and reliable State Corporations. Additionally, the study will create an awareness for prudence in monitoring and evaluation of corporate governance practices in State Corporations for efficient and effective management.

1.6.2 Stakeholders and Policy Makers

The study will sensitize the need for collaboration between the stakeholders and the State Corporations on matters of corporate governance. The study results will guide regulation on corporate governance practice, development of strategies and interventions to be put in place by the Government. The findings also guides the development of regulatory framework that strengthens governance in the State Corporations. Strengthened regulatory framework enhance stability of the State Corporations and hence growth. The study informs development of regulations and code of governance for State Corporations. Further the findings influences government to develop economic policies to accelerate organization performance and achievement of vision 2030 goals.

1.6.3 Scholars and Researchers

The findings of this study are expected to be of great importance to various researchers and scholars. The documented report of this study will be easily acquired in the library and it will equip the learners with more knowledge and applicable approaches in corporate governance practices. The study will further make a myriad contribution to the literature which can be employed to improve corporate governance practices which will be part of articles that will be useful to researchers who want to further in this study and to other wider stakeholders in academic circles. Theoretically, the study is likely to provide some reading materials to the managers of State Corporations on the benefit of corporate governance practices.

1.7 Scope of the Study

The main objective of the study was to determine the effect of corporate governance practices on organizational performance of state corporations in the health sector in Kenya. Conceptually, the study sought to establish the effect of accountability, transparency, responsibility and moral integrity on performance of State Corporations in the health sector in Kenya. The study was limited and confined to State Corporations in the health sector in Kenya based in Nairobi where data collection was easily obtained for this study. 9 State Corporations in the health sector in Kenya as listed and published in 2019 by Inspectorate of State Corporations was used. Methodologically, the study adopted a descriptive research design with a population comprising of the health State Corporations. The unit of observation in the health state corporations comprised of chief executive officers, corporation secretaries, staff from marketing, finance, human resource management,

supply chain management, audit and integrity assurance officers. primary data was gathered for the study using structured questionnaires.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter deals with the presentation of various theories that relate to corporate governance. It also emphasizes on the empirical review on scholarly work in designing the relationship that exist between variables that determined the research gaps. Further, the chapter presents conceptual framework in which comparison was established. Finally, the chapter concludes with operationalization of variables.

2.2 Theoretical Review

This section presents the theories that are related to the study. This study is anchored on agency theory as the theoretical underpinning of corporate governance. However, Stakeholder Theory, Resource Dependency Theory (RDT) and Stewardship Theory are also discussed since they support the study variables.

2.2.1 Agency Theory

The concept of agency was first conceptualized by the proposition of Modigliani and Miller (1958) on capital structure theory. The theory proposed that in a fully efficient market there are no transaction nor agency costs hence investment decisions are independent of capital structure. Jensen and Meckling (1976) built on the Modigliani and Miller theory model by theorizing the relationship between the principal (shareholder) and the agent (manager). In support of Mackling's argument on separation of ownership from principal to agent, creates conflict of interest resulting into agency costs. The management thus, creates loopholes through which huge benefits intended for the stakeholders are manipulated.

The agency theory defines the relationship between the Principal and the Agent where the principal invests the trust in the Agent with view of realizing successful performance of the entrusted activities. Likewise, Jensen and Meckling (1976) in their model reveal that the conflict of interest between the principal and the agent arises from the fact that the agent gets involved in incentives different from the principal's. The agent/ principal relationship created gives rise to the agency risk. Managerial decision making is the main ingredient in the agency relationship in facilitating corporate governance practices. It affords the alignment of the stakeholders' aspirations with the

expected performance by the management. Costs to the stakeholder are increased when the pursued interests of the management overrides those of the stakeholders through inefficiencies and dissatisfactions.

Agency Theory is relevant in the study as it informs the accountability variable. The theory stresses on the benefits of disclosure and reporting, taking into account that information asymmetry has a negative impact on firms' potentially profitable projects. Based on the agency theory background, State Corporations can provide a standard framework about performance key indicators. In addition, accountability is an instrument for controlling agency costs: the less the companies' accountability the higher risk that managers serve themselves. The stakeholders have a salient duty of providing accountability with enabling facilities for the management of the State Corporations to make concrete decisions for the benefit of the agency as the Heath State Corporations.

2.2.2 Stakeholder Theory

The stakeholder theory was first fronted by Freeman (1984), who argued that a firm's success is affected by the actions of the stakeholders. The theory was proposed to fill the observed gap created by omission found in the agency theory which identifies shareholders as the only interest group of a corporate entity. Proponents of this theory assert that Organization performance depends on how well an organization manages and satisfies its stakeholders and builds closer customer relationships (Njoroge, Machuki, Ongeti & Kinuu, 2015). Managers are agents who manage the organization on behalf of and for the benefit of stakeholders.

Mackenzie (2017) asserts that the absence of or poor governance structures results in organization objectives or stakeholders demands not being met. According to Kock *et al.*, (2019) firms become successful when their managers engage with both the shareholders and the larger stakeholders. De Villiers and Van Staden (2019) stated that managers disseminate information to shareholders and also other stakeholders. Spitzack (2019) found that involving stakeholders in the decision-making process in organizations improves effectiveness, profitability and reduces conflicts. The management of a firm has a responsibility for close networking with the stakeholders some of which are indicated in Figure 2.1.

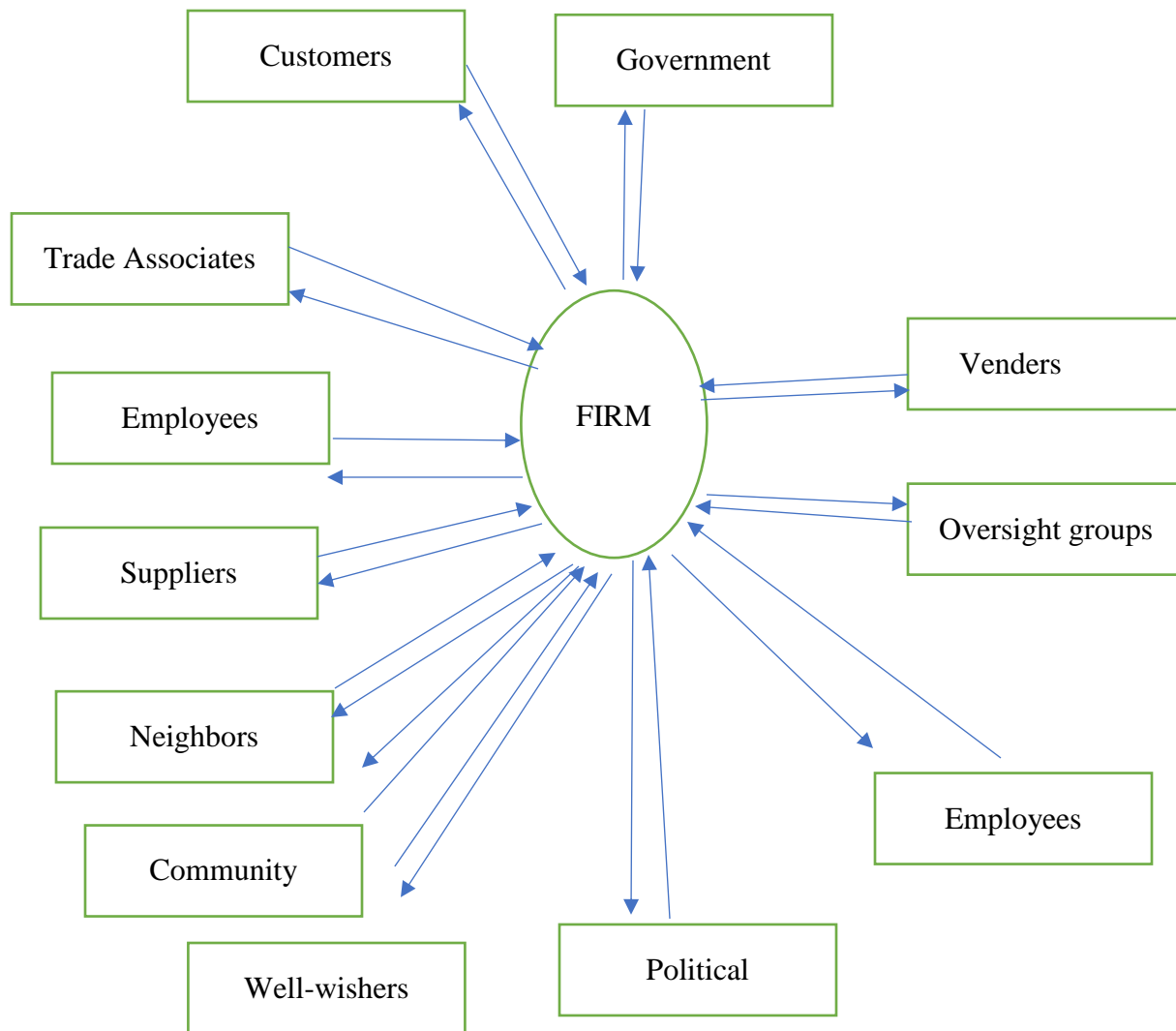


Figure 2.1: Various Stakeholder of a Firm

Source: Corporate Finance Institute, 2021

The corporate governance framework should recognize the rights of stakeholders established by law or through mutual agreements and encourage active co-operation between corporations and stakeholders in creating wealth, jobs, and the sustainability of financially sound enterprises (OECD, 2017).

Stakeholder Theory is relevant to the study as it informs the variable on transparency. The theory sensitizes on the idea of involving all the stakeholders and people who have interest and are affected by the corporate decisions, therefore the manager should not only consider their

shareholders but also all the stakeholders in their decision making. Spitzbeck (2019) found that involving stakeholders in the decision-making process in organizations improves effectiveness, profitability and reduces conflicts.

2.2.3 Resource Dependency Theory (RDT)

The resource dependency theory was documented by Jeffrey Pfeffer and Gerald Salancik in the 1970s. The Resource Dependency Theory focuses on the role of board directors in providing access to resources needed by the firm. It states that board directors play an important role in providing or securing essential resources to an organization through their linkages to the external environment. The provision of resources enhances organizational functioning, firm's performance and its survival. The directors bring resources to the firm, such as information, skills, access to key constituents such as suppliers, buyers, public policy makers, social groups as well as legitimacy. Directors can be classified into four categories of insiders, business experts, support specialists and community influentials. Resource-dependence theory argue that a board exists as a provider of resources to executives in order to help them achieve organizational goals.

Resource dependency theory is based on the principle that an organization, such as a business firm, must engage in transactions with other actors and organizations in its environment in order to acquire resources. Although such transactions may be advantageous, they may also create dependencies that are not. Resources that the organization needs may be scarce, not always readily obtainable, or under the control of uncooperative actors. The resulting unequal exchanges generate differences in power, authority, and access to further resources. To avoid such dependencies, organizations develop strategies (as well as internal structures) designed to enhance their bargaining position in resource-related transactions. Such strategies include taking political action, increasing the organization's scale of production, diversifying, and developing links to other organizations. Strategies such as diversifying product lines may lessen a firm's dependence on other businesses and improve its power and leverage.

The Resource Dependency Theory is important in this study as it informs the variable board responsibility. The board exists as a provider of resources to executives in order to help them achieve organizational goals. The management of State Corporations should practically embrace the theory of resource dependence by ensuring that the external resources are carefully and effectively selected to add value to their business performance. This may be done through

appropriate knowledge sharing and disbursement of information in areas where this phenomenon is required.

2.2.4 Stewardship Theory

Stewardship Theory, developed by Donaldson and Davis (1991 & 1993) provided a perspective to understand the existing relationships between ownership and management of the company. The steward theory states that a steward protects and maximises shareholders wealth through firm Performance. Stewards are company executives and managers working for the shareholders, protects and make profits for the shareholders (Pande & Ansari, 2014). The stewards are satisfied and motivated when organizational success is attained. The Theory suggests that stewards will behave in a pro-social manner, behavior which is aimed at the interest of the principal and thus the organization (Davis et al., 1997; Zahra et al., 2009). This behavior is fostered by the quality of the relationship between the principal and steward and the environment and ideals of the organization (Corbetta & Salvato, 2004; Davis et al., 1997).

Under the stewardship theory, institutions executives protect the interests of the owners or shareholders and make decisions on their behalf (Glinkowska & Kaczmarek, 2015). Their sole objective is to create and maintain a successful organization so the shareholders prosper. Firms that embrace stewardship place the CEO and Chairman responsibilities under one executive, with a board comprised mostly of in-house members. This allows for intimate knowledge of organizational operation and a deep commitment to success. Recognizing that corporate governance is necessary is the first step to a successful business. Management then needs to determine the governance strategy that best fits its identity, whether it be agency, stewardship or shareholder or a hybrid of all three. Opting for stewardship governance requires that the right personality is on board to lead the organization (Pande & Ansari, 2014).

In application, the Management of State Corporations being in a stewardship position, is expected to be true to itself and the resources entrusted to it by the stakeholders by ensuring that pertinent decisions are made and operationalized. The relevance of this theory, therefore, should be evaluated from the outcome of business performance of State Corporations. Wisely, usage of resources entrusted on management for the benefit of both parts is part of the fulfillment of the stewardship relationship.

2.3 Empirical Review

This section presents empirical literature on Corporate governance practices on organizational performance. The association of accountability, transparency, responsibility and moral integrity on organization performance is discussed.

2.3.1 Accountability and Organizational Performance

Kamau, Machuki and Aosa (2018) conducted a study on the influence of corporate governance on the performance of financial institutions in Kenya. Data was analyzed using regression analysis; the results indicate that corporate governance has a statistically significant influence on the performance of financial institutions. Board skills and board committees were found to be important predictors of the firms' performance. However, whereas board skills had a positive influence, board committees were found to have a negative influence on performance. The study found that possession of requisite skills is one of the most important considerations in the appointment of board members.

Kiratu (2016) conducted a study on the influence of corporate governance on organizational performance in Kenya with a case of agricultural State Corporations. The primary data was collected by use of questionnaires. The analysis showed that managerial skills had the strongest positive (Pearson correlation coefficient =0.755 influence on organizational performance. In addition, board structure, organizational culture and customer relation management were positively correlated to organizational performance. The study established that board managerial skills were the most significant factor. The study creates a methodological gap by use of a correlational research design while the current study adopted a descriptive research design.

Ullah *et al.*, (2016) study on the effect of corporate accountability and transparency on performance of manufacturing firms in Pakistan. The researchers found a positive relationship between accountability, transparency and organizational performance. The study findings illustrated that accountability and transparency had a significant impact on the firm performance. The study reviewed was limited to one of the corporate governance constructs corporate accountability and transparency and was also conducted among manufacturing firms in Pakistan.

Akshita and Chandan (2016) found mixed results in their study on corporate governance and performance of Indian manufacturing companies. The study findings indicated that larger boards

have greater access to information which enhances making of informed decisions and performance the results indicated that return on equity and profitability was not related to corporate governance indicators. The study found mixed results for different constructs of corporate governance such as CEO duality which had no effect on firm performance while large boards had a positive influence on performance. The study results were inconclusive and open to further research. The study further was conducted in Sri Lanka whose context is different from Kenya and covered manufacturing companies. This study thus created a contextual gap. The current study focused on State Corporations and was conducted in Kenya.

Lasisi (2017) study established a positive but not statistically significant relationship between corporate governance mechanisms and financial performance of non - financial firms listed on the Nigerian Securities Exchange. The corporate governance dimensions studied were board independence, audit committee independence, board size, number of board meetings, and executive compensation. The study utilized secondary data which was gathered from financial statements for the period 2011–2015. The study used Tobin’s Q, capital and asset returns as proxies of financial performance. This study looked at different constructs for corporate governance as compared to the current study which could have led to the positive but insignificant relationship. In addition, the study used secondary data for analysis which differs with primary data in analysis. This therefore creates a methodological gap. The current study was carried out in the State Corporations in the health sector in Kenya which have different operating environment as compared to non-financial firms in Nigeria.

The vision and mission of any organization guide the organization towards achieving its objectives opening pathways to development and growth. Good corporate governance practices are a key to business sustainability development and growth. Prudent use of the scarce resources by managers of State Corporations creates value for the firm and a gain for the stakeholders’ confidence thus enhancing performance of the organization leading to sustainability. According to the works of Saltaj and Issam, (2013) corporate governance is viewed as a key factor in enhancing business performance and sustainability. In recognizing the validity and the essence of sustainability of State Corporations, the government of the Republic of Kenya in 2014, developed a guiding framework dapped ‘‘Mwongozo’’ as a Code of Governance for State Corporations which is aligned to the Constitution of Kenya 2010. The purpose of this code is to improve efficiency and

accountability in the use of deployed scarce resources. Economical, legal, environmental and technological changes have presented extended and expanded dimensions in handling governance issues in all types of organizations. In order to countermand these challenges a well-designed program for induction, education, inservice refreshers, workshops and seminars should be developed in State Corporations to empower the human capital with updated processes and procedures in improving productivity while at the same time building on competitive advantage. A well-informed leadership creates a respected working environment which, if appropriately implemented, will influence the quality of management across all levels of human capital. In support this, Bellas and Koustelios (2014) reiterate that good leadership which includes organizational culture, articulates the vision and mission of the organization through which future expectations of an organization are realized. Opiyo, (2015) points out that, weak governance structures as being the cause of poor leadership practices in firms.

2.3.2 Transparency and Organizational Performance

Transparency is a key mechanism to reduce information asymmetry and agency costs (Galzerte & Martin, 2015). Organizational transparency can be explained further through the stakeholder theory. The stakeholder theory, originally detailed by Freeman, is a theory of business ethics and organizational management that defines values and morals in managing an organization. In this theory, a stakeholder entails any individual or group who is influenced, either directly or indirectly, by the actions of the company. However, stakeholder theory contend that there are other parties involved, including associated corporations, governmental bodies, trade associations, trade unions, prospective employees, communities, prospective customers and the public at large.

Christensen (2012) in discusses two aspects of transparency: transparency as a condition and transparency as a strategy. Transparency as a condition entails the extent to which a company shares information about its future goals and involves the participation of the company's members to create trust among stakeholders, partakes in informed decision making, and encourages greater involvement in the organization. Transparency is a core value which is part of an organization's culture. Transparency is about a company-wide access to information, processes and strategies that supports employees to act innovatively and autonomously on behalf of the company. Transparency is created and modeled by leaders. Transparency is not a major component in every organization's

culture; it depends on the organization's goals and purpose. However, leaders and culture can change and so can transparency.

Ramírez and Tejada (2018) asserts that transparency enables others to see and understand how they operate in an honest way. Widiatmika and Darma (2018) defines transparency as having full disclosure in public companies. Transparency allows its processes and transactions observable to outsiders. It also makes necessary disclosures, informs everyone affected about its decisions. Transparency is a critical component of corporate governance because it ensures that all of entity's actions can be checked at any given time by an outside observer (Azeez, 2015). Transparency ensures that all company's actions can be checked at any given time by an outside observer.

Williams et al. (2016) argue that the purpose of risk management is to enable managers a systematic approach to decision making with a view to mitigating risks and uncertainty. Risks are classified into two types: (1) Traditional risk management which has a focus on financial position and management of people risk and (2) Business risk management which encompasses both financial and non-financial risks. Mikes and Kaplan, (2013) reveal that risk management has a positive effect on both performance and the value of a firm. In support of this, Bromiley, Rau and McShane, (2014) opine that, firms that have quality business risk governance systems enhance stakeholders' confidence. The impression here is that quality risk governance ensures that standard risk profiled information is created by management as a vital source of value for the benefit of stakeholders.

The findings of Baxter, Bedard, Hoitash, and Yezegel, (2013) indicate that firms with quality business risk management governance perform better and are highly valued than the firms with low standard business risk management governance systems. The developed business risk management systems and controls should be reviewed from time to time in order to identify, access, mitigate and monitor risk that would otherwise explode and cause damage to the positive realization of the firm's objectives and goals. Modern managers have tried to internalize mechanisms to mitigate risks without much success due to divergence of personal incentives.

Jensen and Meckling, (1976) had highlighted on the value of agents working solely for the benefit of the principal to invalidate the quest for personal interest which creates conflict of interest. This study recommends the agency theory which reveals that conflict of interest between the agent and the principal is a source of risk to the organizational growth. Service on the board of State

Corporations pose a heightened risk of conflicting interests for directors due to the excessive control exerted by political actors. Lack of governance oversight particularly on auditing and accounting functions has been quoted as a major contributor to many scandals in both public and private firms. From the documented work of Cornforth, (2003), it is advisable for State Corporations to consider establishing an audit committee consisting of independent board members with a bias in financial matters to oversight and offer professional opinion on risk mitigation. Reduced risk volume brings with it insurmountable inspirations to all stakeholders hence encouraging future growth and relatively low costs on capital (Galzerte & Martin, 2015).

2.3.3 Board Responsibility and Organizational Performance

The board of directors provides a formal link between the stakeholders and the management of the firm. The board has final accountability of the purpose and reason for the existence of a firm. Many researchers have described the board as being a top body for the control of decision making process in relationship to corporate governance. Fama and Jensen, (1983); Adams et al, (2008) are among the early researchers who also hold the view that a board is the pillar of decision making in any organization. The board of directors of State Corporations in Kenya face numerous challenges due to the nature of agency they represent. On the contrary the board of directors of private organizations, have a well defined spectrum of the stakeholders they represent in the agency.

Hayes and Abernathy, (1980) in their documented writings specified the agency relationships at various levels to distinctly limit the operations of the board within the organization without undue influence from the appointing authority. The Kenya state corporation Act 1986 chapter 446, alongside the Mwongozo (2014) the President is empowered to determine the chairman of the board. The other members consist of the Chief Executive officer, the cabinet secretary of the parent Ministry, the Cabinet Secretary of the Treasury and 7-9 members who are not employees of the state corporation in question. Going by the political nature of the appointments, state corporation boards are made up of several directors who formally worked in the civil service and are familiar with some of the operations impacting on corporate governance. Some of these operational practices have tainted the reputation, efficiency and integrity of the corporation, hence affecting the expected performance. The many agency problems which emanate from the board of directors' political appointments have a direct effect on the diversity of the board of directors. Independent

external directors with no bias can reconcile differences on the board by bringing new ideas to supplement corporate operational routines.

Westphal (2019) compounded on this idea by inferring that when external independent directors work in close collaboration with firms, they offer not only new strategic guidelines but also provide information and advice. This type of a director plays a pivotal role in the acquisition of specialist knowledge capable of accelerating business performance of an organization. Independent external directors can be agents for acquisition of resources and improves the corporation's reputation, (Hung, 2018). The board should therefore represent a host of interest groups who from their experience training expertise education, and gender mix can provide a stimulating human capital in the total performance of a corporation. The age bracket mixture practically plays a vital role when it comes to combining opinions in order to close a decision. The distinction between the roles of directors and that of managers is made clear when the position of the chair person of the board and the CEO are separated. The board which is able to consciously oversight the CEO, may influence the impact of risk taking by the CEO. When a single person holds several positions as that of being a chairperson of the board as well as being the CEO, agency problems arise due to the varying information interpretation by the CEO and the Board. Earlier studies have profoundly indicated that duality leads to unfavorable results for stakeholders (Petra, & Dorata, 2008). On the other hand, the separation of this positions reduces tension between the management and the board.

DeVilliers et al, (2011) reiterates that this is likely to make the chairperson to adopt decisions with long-term economic and social benefits to all the stakeholders. In support to this view, Zhang (2012) emphasizes the reality of the separation of powers between the CEO and the Chairperson in enhancing competitive advantage synergy for the corporation. The relationship between a corporation's corporate governance practices and the behaviour of some members of the board from the theoretical point of view, highly recognizes that positive results can be achieved through; higher educational levels of board members, the frequency of the board meetings, and the lack of duality or accumulation of positions. Similarly, the board composition and size will vary on the degree of compliance to have a final influence on corporate governance and business performance. The board, in carrying out its oversight mandate, the board members are expected to lead from the front by complying with corporate governance standards.

Zhaoyang and Udaya (2012) in their study concluded that the firms' panel scope and composition of non-executive board members in the whole panel structure, revealed an undesirable correlation to the worth of the firm. In addition, the effect of non-executive directorship on financial performance was negative. Yermack (2016) examined board size on the firm's performance and his conclusion was that smaller board size results into better performance and he proposed that the appropriate size would be of 10 or less members. A lean board is considered appropriate in that the training, amalgamation and decision-making processes may be done efficiently since it is easy to mobilize the board members.

Asimwe (2015) in his study on corporate governance practices and performance of Kampala capital city authority (Uganda) and city of Kigali (Ruanda): a correlation comparative study, found out that although there were provisions of corporate governance adopted from the principles of corporate governance (KCCA, 2010 Act; Law n°10/2006 of 03/03/2006), the two cities use the city council as the supreme governing body and a management body headed by the CEO to do the day-to-day running of the city that reports to the council. However, the city council of Kampala still has significant governance and service delivery challenges compared to Kigali. Kampala has an unclear separation of powers, poor accountability by management, low leadership collaboration and low stakeholder participation.

Naciti (2019) posits that board responsibility in governance as the framework that structures the board and how it operates. According to Alabdullah, Ahmed and Muneerali (2019), board's responsibilities entails determining the long term aims of the company, providing leadership to achieve these aims, establishing a supervisory process to ensure that the management of the business is effective and also to report to shareholders on its performance. At its core, board includes the boards responsibilities and organisational well-being. Board responsibility is an important component of corporate governance which means being answerable or liable for something (Ullah, 2016).

2.3.4 Moral integrity and Organizational Performance

Mahdavikhou, Hossein, Moez, Khotanlou and Karami, (2014) study based on Iranian culture, stated that moral intelligence among employees such as integrity and responsibility can give a chain effect to ethical thinking and decision making and sequentially contributes to a better job performance.

Way, Simons, Leroy, and Tuleja (2018) on 90 middle managers from 18 hotel properties located in China, found that that managers who maintained their word-action alignment by demonstrating middle manager behavioral integrity positively will affect middle manager task performance rating. This showed that a good example can bring other parties in the organizations to behave with the right behavioral integrity too. Besides the integrity of the manager, the trustworthiness level of the leader as seen by the employee may also affect employee performance.

A stakeholder is any party that should be considered in the decision making process of any firm. Argondona, (2011) goes further to define a stakeholder as any person or group who have a claim on the firm. The stakeholder Theory holds and stresses the relationship between a firm and its customers, suppliers, community, political groups, employees, investors, wellwishers, trade associates, venders and neighbors who stand to gain or lose through the operations of the firm. In State Corporations and in particular the health sector, the stakeholders include, the government, community, employees, suppliers, customers, goodwill development partners, trade associates, political groups, oversight groups and health care associates. According to the theory, are justified to lay a claim on the benefits accruing from the operations of the corporation. In order for the corporation to realize and reap benefits for the stakeholders, the Stakeholder Theory goes further to impute the fact that the management should uphold ethical values and morals while performing their duties. State Corporations should involve themselves in the implementation of tactical programs of stakeholders' involvement to ensure that they (State Corporations), are aware of the stakeholders needs. The role of stakeholder in the board structure remains a crucial endeavor for the retention of stakeholder partnership. The stakeholder representation on the board of management assures the shareholders of their safe guarded interests.

Wanjala (2016) in his study on the effect of corporate governance practices on performance of State Corporations in tourism industry in Kenya, referring to the then events found out that a majority of State Corporations were lacking corporate governance structures which led to conflicting interest between the board and managements of State Corporations, political interferences, accountability challenges and corruption as a major cause of underperformance of State Corporations. In support of this finding, the government of Kenya (2013) reported that governance was one of the major challenges affecting performance of State Corporations hence threatening the attainment of the envisaged vision 2030. Oiti (2010) in his study on corporate

governance and performance in Heritage insurance company limited found out that the company had a strong governance system in place and a corresponding steady growth in its performance.

Rodriguez and Sanchez, (2019) have empirical evidence to show that firms who have actively involved and engaged stakeholders have experienced less friction from the society. Steward leadership demand that managers of State Corporations in the health industry lead the business operations towards the direction of stakeholders' interest. To realize this objective, managers of State Corporations in the health sector in Kenya are expected to incorporate good governance practices and principles in their operations to ensure sustainable stakeholder relationship.

2.4 Research gap

This chapter first carried out a theoretical review of the effect of corporate governance practices on business performance of State Corporations in the health sector of Kenya. It was noted that neither the theory nor the empirical evidence provided a conclusive direction for establishing a relationship between variables. This finding was based firstly on the different results fronted by authors on the samples, country or the company under study. Secondly, no consensus was attained regarding the relationship between board composition, size, corporate governance with both positive and negative arguments being found and the empirical evidence not at all times leaning towards the same direction. It is therefore, recommended that future research could base its findings on the influence of the board of directors on corporate governance for State Corporations. It might be of interest to analyze how board behaviour and functioning may entail corporate governance on business performance. If the board members can visualize corporate governance as a tool for strategic empowerment, they can also accept to receive advice from internal management staff. Another area of seeming research would involve a set of analyses to establish differences by State Corporations depending on the type of legal framework to which they were subjected.

2.5 Conceptual Framework

A conceptual framework is a network of interlinked hypotheses that together provide a comprehensive understanding of a given phenomenon or phenomena (Varpio, Paradis, Uijtdehaage & Young, 2020). This is a structure that details relationships between variables under study. It embraces the widely fronted linkage between the dependent and independent variables.

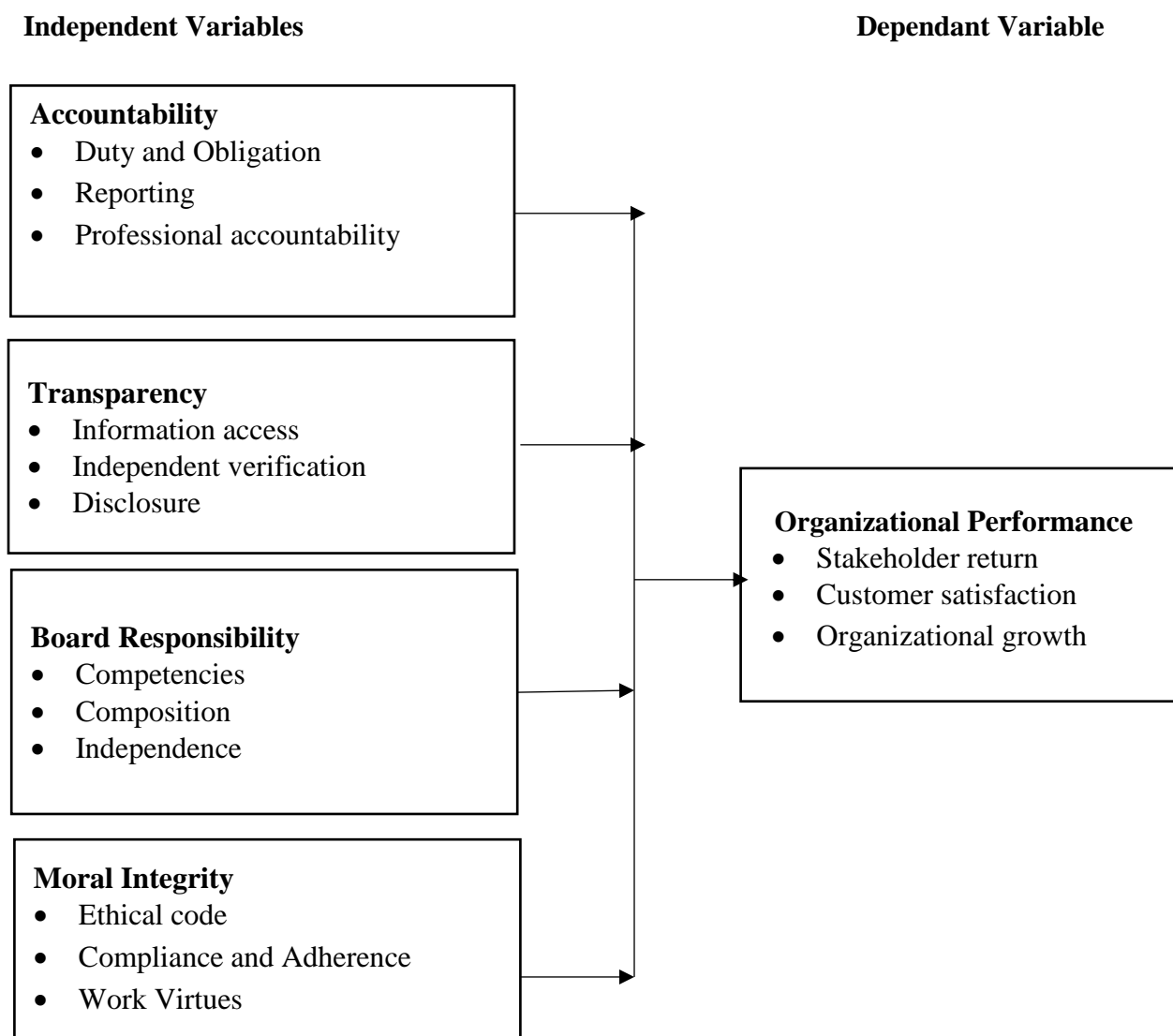


Figure 2.2: Conceptual Framework

The conceptual framework depicts the independent variables as accountability, transparency, board responsibility and moral integrity. The indicators for accountability include professionalism, reporting, duty and obligation. The indicators for transparency are information access, independent verification and disclosure. The indicators for board responsibility includes competencies, composition and independence. The indicators for integrity includes ethical code, work virtues, compliance and adherence. The dependent variable is organizational performance, which is indicated by stakeholder return, good governance and organizational growth.

2.6 Measurement of Study Variables

The measurement of the independent and the dependent variables is as shown in the operationalization Table 2.1.

Table 2.1: Operationalization of Variables

Variables	Operational Indicators	Measure	Type of Scale
Accountability	<ul style="list-style-type: none"> • Duty and Obligation • Reporting • Professional accountability 	5-point Likert Type Scale	Interval Scale
Transparency	<ul style="list-style-type: none"> • Information access • Independent verification • Disclosure 	5-point Likert Type Scale	Interval Scale
Board Responsibility	<ul style="list-style-type: none"> • Competencies • Composition • Independence 	5-point Likert Type Scale	Interval Scale
Moral Integrity	<ul style="list-style-type: none"> • Ethical code • Compliance and Adherence • Work Virtues 	5-point Likert Type Scale	Interval Scale
Organizational Performance	<ul style="list-style-type: none"> • Stakeholder return • Customer satisfaction • Organizational growth 	5-point Likert Type Scale	Interval scale

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This section outlines the methodology that was used in carrying out the study. It comprises of research design, population, sample size and sampling procedure, data collection method and data analysis and presentation.

3.2 Research Design

A research design is a segmented master plan that details the methods and procedures for collecting and analyzing data needed for the study. This study adopted the descriptive design which is concerned with finding out the what, the where, when and the how of a matter under study. Robson (2002) recognizes that descriptive study represents an accurate profile of persons, a situation or events. Chandran (2004) elucidates that descriptive study describes the existing conditions, attitudes through observations and interpretational techniques. This method was preferred because of its accuracy in the determination of answers to the research questions through the questionnaire.

3.3 Target Population

McBurney and Theresa (2010) define population as the aggregate or totality of all the subjects, members or objects that conform to a given set of specifications. A population is a full can of all cases from which a sample is taken. It is a total collection of elements from which the researcher may wish to take references. The target population of this study comprised of the 9 State Corporations in the health sector in Kenya as listed and published in 2020 by Inspectorate of State Corporations. The unit of observation in the health State Corporations comprised of Chief Executive Officers, corporation secretaries, staff from marketing, finance, human resource management, supply chain management, audit and integrity assurance. This is because they are directly involved in corporate governance practices in the State Corporations. The population is as shown in Table 3.1.

Table 3.1: Target Population

Health State Corporations	Population
Kenya Medical Training College (KMTC)	2,300
Kenyatta National Hospital (KNH)	5,232
National Hospital Insurance Fund (NHIF)	1,855
Kenya Medical Supplies Authority (KEMSA)	263
Kenya Medical Research Institute (KEMRI)	858
National Aids Control Council (NACC)	154
Moi Teaching and Referral Hospital (MTRH)	3,700
National quality control laboratory (NQCL)	45
Kenya Medical Laboratory Technician and Technologists Board	27
Total	14,434

Source; Inspectorate of State Corporations, 2020

3.4 Sample and Sampling Techniques

To obtain accurate and reliable data and taking into consideration the target population, Yamane's formula was used to achieve a representative sample that has a margin error of 0.05% and the desired confidence level of 99.95% (Yamane, 1967). Yamane is a simplified formula that is used extensively in comparison to others. The sample was calculated from a population of 14,434.

From the Yamane formula, $n = N \div [1 + N (e^2)]$

Whereby;

n: Sample size

N: Population

e: Margin error of 0.05%

Therefore, $n = 14,434 \div [1 + 3,072 (0.05^2)]$

Sample size = 390 respondents

Stratified random sampling was used to select the Chief Executive officers, Corporation Secretaries, staff from marketing, finance, human resource management, supply chain

management, audit and integrity assurance from each of the health State Corporations. Table 3.2 presents the sample size.

Table 3.2: Sample Size

Health State Corporations	Population	Sample Size
Kenya Medical Training College (KMTC)	2,300	62
Kenyatta National Hospital (KNH)	5,232	141
National Hospital Insurance Fund (NHIF)	1,855	50
Kenya Medical Supplies Authority (KEMSA)	263	7
Kenya Medical Research Institute (KEMRI)	858	23
National Aids Control Council (NACC)	154	4
Moi Teaching and Referral Hospital (MTRH)	3,700	100
National quality control laboratory (NQCL)	45	1
Kenya Medical Laboratory Technician and Technologists Board	27	1
Total	14,434	390

3.5 Research Instrument

Primary data was collected using questionnaire. The questionnaires was administered through the use of online questionnaires and drop and pick later method. The online and pick up later method are preferred due to convenience of the respondents. According to Blumberg, Cooper and Schindler (2014), the use of structured questions on the questionnaire allowed for uniformity of responses to questions

The questionnaire was in 2 sections. Section A contains demographic information and section B contains questions to capture perception on corporate governance practices. The key variables include the independent variables, which are accountability, transparency, responsibility and moral integrity. The use of questionnaire ensures collection of data from many respondents within a short time and respondents was free to give relevant information because they was assured of their anonymity as indicated by Dalati and Gómez (2018) and Rominger (2018).

3.6 Pilot Study

The purpose of the pilot test is to refine the questionnaire so that respondents have no problems in answering the questions and thus eliminate problems in recording the data. In addition, it enables obtain assessment of the question's validity and reliability before engaging in the main data collection. Preliminary analysis using the pilot test data can be undertaken to ensure that the data collected enables the investigative questions to be answered (Saunders, Lewis & Thornhill 2012). According to Mugenda and Mugenda (2003), a pretest sample ranges from 1% to 10% depending on the sample size. In this study, 10% of the sample size was used for the pilot test. Given the sample size is 390, 39 questionnaires which represents 10% of the sample size was piloted by issuing them to respondents who were not included in the final study sample. Therefore, 39 questionnaires was piloted in Kenya Industrial Research and Development Institute (KIRDI), which provide similar characteristics of the State Corporations. The responses from piloting were not included in the main study.

3.7 Validity and Reliability of Research Instrument

Saunders, Lewis and Thornhill (2012) states that validity is the accuracy and meaningfulness of inferences, which are based on the research results. To ensure content validity, the questionnaire was subjected to thorough examination on some randomly selected project supervisors. They was asked to evaluate the statements in the questionnaire for relevance.

Reliability is the consistency of a set of measurement items (Cronbach, 1951). Cronbach's alpha was used to test the reliability of the measures in the questionnaire (Cronbach, 1995). The study will use a 10% of the sample size was used for the pilot test. Therefore, 35 questionnaires was piloted by issuing them to respondents who were not included in the final study sample. The questionnaire response was entered into statistical package for social sciences (SPSS) and Cronbach's alpha coefficient was generated to assess reliability. The closer Cronbach's alpha coefficient was to 1, the higher the internal consistency reliability (Sekaran, 2006). A coefficient of 0.7 was used as recommended by Cronbach (1951). The results are as shown in Table 3.3.

Table 3.3: Reliability Test

Variables	Items	Cronbach Alpha
Organizational Performance	6	0.728
Accountability	5	0.781
Transparency	6	0.741
Board Responsibility	5	0.822
Moral Integrity	5	0.811

The results indicated that the statements under organizational performance (0.728), accountability (0.781), transparency (0.741), board responsibility (0.822), and moral integrity (0.811) had a Cronbach alpha of above 0.7 and thus the statement were considered reliable.

3.8 Data Collection Procedure

Data collection refers to acquisition of subjects and collection of information needed for an investigation; techniques of collection varied depending on the research design, (Kothari, 2012). Primary data was used for this study and was collected by using a structured questionnaire. The study used both printed questionnaires and online questionnaire for data collection. Further, scheduled phone calls was used to follow-up on the questionnaires response progress from the respondents.

3.9 Data Processing and Analysis

Data analysis according to Kothari (2012) involves a number of closely related operations which are performed with the purpose of summarizing the collected data and organizing them in such a manner that they answer the research questions. Before the actual analysis of data using SPSS, data was cleaned, edited, checked for accuracy and coded. Data was analyzed using descriptive and inferential statistics. Descriptive statistics included percentages, means, standard deviations and frequencies while inferential statistics included correlation and regression analysis. Data analysis was done using the Statistical Package for Social Sciences (SPSS).

A regression model was used to establish the effect of Corporate Governance Practices on Organizational Performance of health State Corporations in Kenya. This helped to evaluate the relationships between the dependent and independent variables of the study. The regression was:

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3+ \beta_4X_4+ \varepsilon$$

Where;

Y = Organizational Performance

X₁ = Accountability

X₂ = Transparency

X₃ = Board Responsibility

X₄ = Moral Integrity

β₀= Constant Term;

β₁, β₂, β₃, β₄= Beta coefficients;

ε = Error Term.

3.10 Diagnostic Tests

The study conducted normality test, multicollinearity and heteroscedasticity. The diagnostics was conducted so as to avoid doing regression analysis with spurious results.

3.10.1 Multicollinearity

Multicollinearity refers to a situation in which more than two explanatory variables in a multiple regression model are highly linearly related. Multicollinearity was tested using variance inflation factor VIF. Multicollinearity was found present if VIF value is above 10. This is according to Bryman and Bell (2013) who indicated that where $VIF \geq 10$ indicate presence of Multi-collinearity. Where the values are above 10, multicollinearity was corrected by removing the highly correlated independent variables.

3.10.2 Heteroscedasticity

According to Williams (2016), heteroscedasticity gives equal weight to all observations and causes the standard errors to be discriminated and consequently results in an incorrect conclusion when testing the hypothesis. Breusch-Pagan was used to check for existence of heteroscedasticity in the data collected. The rule of the thumb is that the data is homoscedastic and was tested at 0.05 significance level. If the p-value is larger than the critical 0.05, then we conclude that the data does not suffer from heteroscedasticity.

3.10.3 Normality test

Test for normality determines if the data is well modeled and normally distributed. To test the normality of the variables, Shapiro–Wilk test was used as it has the highest power among all tests for normality. The hypothesis was tested at a critical value at 0.05, where the rule is that reject H_0 if the probability (P) value is less than 0.05 or else do not reject. The dependent variable should be normally distributed because the study was analyzed using a multiple regression model where the condition of normality must be satisfied (Quataroli & Julia, 2012). The hypothesis was that;

H_1 : The data is normal.

3.11 Ethical Issues

To ensure the privacy of the respondents and that of their organizations the researcher initiated assurance mechanisms to the respondents by informing them that the study was for academic purposes only and hence their responses was treated in strict confidence. The researcher also informed the respondents that the process was voluntary and therefore had the option to either take part or deny. The researcher endeavored to consult with the relevant CEOs of State Corporations in the health sector in Kenya for approval of the procedure.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.0 Introduction

This chapter focused on data analysis, findings and interpretation. Results were presented in tables and diagrams. The analyzed data was arranged under themes that reflected the research objectives.

4.1 Response Rate

The response rate was analyzed to show the representative from the sample size. A response rate is very important to the credibility of the research results. A low response rate may decrease the statistical power of the data collected and undermine the reliability of the results. It may also undermine the ability of the researcher to generalize the results to the larger target audience. This is further complicated by the fact that a low response rate can be indicative of a non-response bias within the sample. A low response rate can give rise to sampling bias if the non-response is unequal among the participants regarding exposure and/or outcome.

The study administered 390 questionnaires in the State Corporations in the health sector in Kenya and the results are as shown in Table 4.1.

Table 4.1: Response Rate

Response	Frequency	Percent
Returned	323	82.8%
Unreturned	67	17.2%
Total	390	100%

Source: Field Survey Data (2021)

According to Mugenda and Mugenda (2003) and Kothari (2004), a response rate of above 50% is adequate for a descriptive study. Babbie (2004) also asserted that return rates of above 50% are acceptable, 60% is good and 70% is very good. Thus, the response rate of 82.8% under this study was very good for study.

4.2 Demographic Characteristics

This section consists of information that describes basic characteristics including gender, age, highest level of education and the active duration in the state parastatals.

4.2.1 Gender

The respondents were asked to indicate their gender and the results are as shown in Figure 4.1.

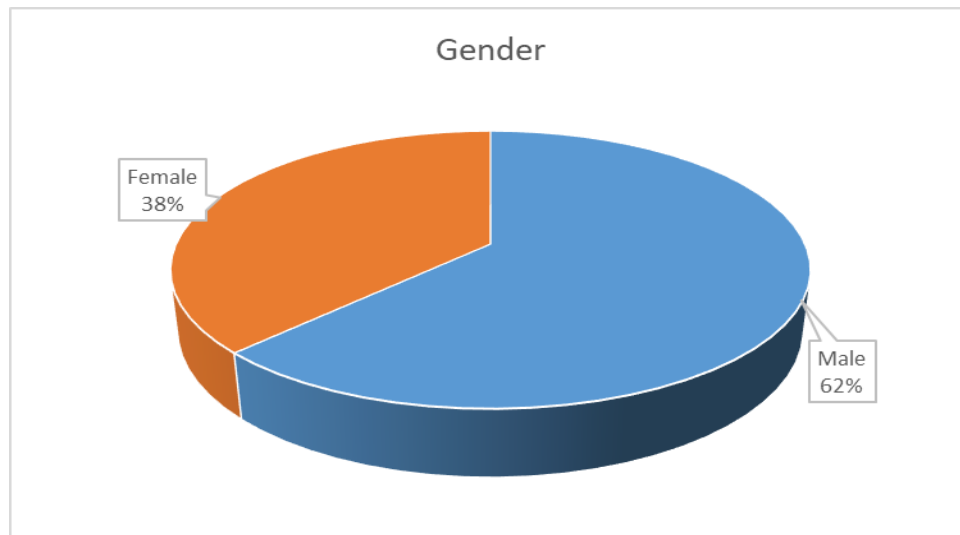


Figure 4.1: Gender of Respondents

Source: Field Survey Data (2021)

The results show that majority of the respondents were men who represented 62% of the sample while 38 were female. This indicated that the composition of the leadership in the State Corporations in the health sector had more male than female staff representation. According to Zaid, Wang, Adib, Sahyoun and Abuhijleh (2020), there is strong evidence that gender diversity positively affects institutional performance. The implication of gender diversity in the institutions is that it is likely to improve transparency and positively influence corporate governance, especially in organizations that lack strong external oversight mechanisms.

4.2.2 Age

The respondents were asked to indicate their age bracket and the results are as shown in Table 4.2.

Table 4.2: Age of Respondents

Age	Frequency	Percentage
21-30 years	14	4.3%
31-40 years	130	40.2%
41-50 years	151	46.7%
Above 50 years	28	8.7%
Total	323	100

Results indicated that most of the respondents were aged between 41-50 years represented by 46.7% and they were followed by 31- 40 years at 40.2%. Those with above over 50 years were at 8.7%. This indicated that the management in the State Corporations in the health sector were middle and above middle age level. According to a study conducted by leadership development consultancy Zenger and Folkman (2017), younger leaders are rated significantly more effective than their older counterparts. The implication of a workforce composed of different age demographics is that it creates an environment where each generation brings different skills and talents to the institution.

4.2.3 Level of Education

The respondents were asked to indicate their highest level of education and the results are as shown in the Table 4.3.

Table 4.3: Highest Level of Education

Education	Frequency	Percentage
Diploma	25	7.7%
Bachelors	138	42.7%
Masters	124	38.4%
PhD	36	11.1%
Total	323	100

The results indicated that most of the respondents had attained a Bachelor's degree and this was represented by 42.7% followed by those with masters at 38.4%. Further, those who had PhDs were

at 11% and the respondents who had diploma was the least with 7.7%. The level of education outcomes suggest that, the respondents were adequately educated and that they were able to comprehend to the questions raised and give substantial reaction since they would be advised to understanding as guided by their level of instruction which for this situation majority share having graduate as their education level. According to Mesároš, *et al* (2017), education level is a first step and presumption for better performance and results of every manager. The implication of the education level was that achievement of higher level of education by the employees increases the precondition for its successful results in the management of the institution. Knowledge and a high level of education is only one prerequisite for achieving successful results.

4.2.5 Duration

The respondents were asked to indicate their duration in the state corporation sector and the results are as shown in the Table 4.4.

Table 4.4: Duration

Duration	Frequency	Percentage
1-5years	5	1.5%
6-10 years	113	35%
11-15 years	179	55.4%
16-20 years	26	8%
Total	323	100

The results indicated that most had been in the state corporation sector for 11-15 years as represented by 55.4% and followed by 6-10 years represented by 35%. Those who had worked in the state corporations for 1-5 years was the least at 1.5%. The more the duration of work in the likely to reflect on more expertise in the institutions. The implication of experience and years of service for employees is that it represents the experience gained over time and thus better decision making in the organization. The experience gained over time can be used to perform tasks in more timely and cost efficiently (Plaskoff, 2017). Majority of the respondents had more than 5 years experience which presented room for better decision making in the organization based by experience.

4.3 Descriptive Statistics

This section presents the descriptive results on accountability, transparency, responsibility and moral integrity and organizational performance. For purposes of presentation, the results for strongly (5) agree and agree (4) were combined as agree while strongly disagree (1) and disagree (2) were combined as disagree.

4.3.1 Accountability

The first objective of the study was to establish the effect of accountability on organizational performance of health State Corporations in Kenya. The study evaluated the respondents' level of agreement with the various statements on the accountability using a scale of 1 – 5 where 5- strongly agree, 4- agree, 3- neutral, 2- disagree and 1- strongly disagree. The findings are as illustrated in Table 4.5.

Table 4.5: Descriptive Statistics Outputs on Accountability

Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly agree	Mean	S.D
In our corporation, we perform with professionalism	8.4%	6.2%	9.3%	35.3%	40.9%	3.94	1.23
In our corporation, we are aware of our duties and obligations	9.9%	10.2%	8.0%	36.2%	35.6%	3.77	1.30
In our corporation, reporting is taken as core part of accountability	10.2%	12.4%	8.7%	28.2%	40.6%	3.76	1.36
In our corporation, the information published is always in a simple and understandable language	12.4%	10.8%	6.5%	30.7%	39.6%	3.74	1.40
The objectives of the corporation are clearly disclosed	6.2%	9.3%	9.3%	36.8%	38.4%	3.92	1.19
Issues raised from the audits are addressed amicably	9.0%	9.6%	10.5%	33.7%	37.2%	3.8	1.28
Average						3.82	1.29

Under accountability, the respondents were asked if they perform with professionalism and 76.2% agreed while 14.6% disagreed with the statement. The respondents were asked if they are aware of duties and obligations and 71.8% agreed while 20.1% disagreed with the statement. On whether reporting is taken as core part of accountability, 68.8% agreed while 22.6% disagreed with the statement. The respondents were asked if the information published is always in a simple and understandable language and 70.3% agreed while 23.2% disagreed with the statement. On whether the objectives of the corporation are clearly disclosed, 75.2% agreed while 15.5% disagreed with the statement. Lastly, the respondents were asked if issues raised from the audits are addressed amicably and 70.9% agreed while 18.6% disagreed with the statement.

The overall mean was 3.82 that showed that majority agreed to the statements on accountability with variations of 1.29. According to Lasisi (2017), accountability is an instrument for controlling agency costs: the less the companies' accountability the higher risk that managers serve themselves. Board accountability involves taking responsibility for all of a company's activities and presenting a fair, balanced and understandable assessment of an organization's position and prospects to stakeholders. According to Naciti, (2019), the more accountable leaders are, the more likely it is that results of performance measurement processes are going to be a true and fair representative of the performance being measured.

4.3.2 Transparency

The second objective of the study was to establish the effect of transparency on organizational performance of health State Corporations in Kenya. The study evaluated the respondents' level of agreement with the various statements on the accountability using a scale of 1 – 5 where 5- strongly agree, 4- agree, 3- neutral, 2- disagree and 1- strongly disagree. The findings are as illustrated in Table 4.6.

Table 4.6: Descriptive Statistics Outputs on Transparency

Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly agree	Mean	S.D
All relevant documents of the company are available for access in the website	9.3%	8.7%	8.4%	34.4%	39.3%	3.86	1.28
The information provided to the public is sufficient	8.7%	12.4%	6.2%	37.5%	35.3%	3.78	1.28
Dissemination of information is done in a timely manner in our corporation	9.9%	10.2%	7.4%	36.5%	35.9%	3.78	1.30
Financial information on the corporation is disclosed as per statutory requirements.	10.8%	9.3%	6.2%	37.8%	35.9%	3.79	1.31
The information published by our corporation is always in a simple and understandable language	6.2%	10.5%	10.2%	37.5%	35.6%	3.86	1.19
Average						3.81	1.27

Under transparency, the respondents were asked if all relevant documents of the corporation are available for access in the website and 73.7% agreed while 18.0% disagreed with the statement. The respondents were asked if the information provided to the public is sufficient and 72.8% agreed while 21.1% disagreed with the statement. On whether dissemination of information is done in a timely manner, 72.4% agreed while 20.1% disagreed with the statement. The respondents were asked if financial information on the corporation is disclosed as per statutory requirements and 73.7% agreed while 20.1% disagreed with the statement. Lastly, the respondents were asked if the information published by our corporation is always in a simple and understandable language and 73.1% agreed while 16.7% disagreed with the statement.

The overall mean was 3.81 that showed that majority agreed to the statements on transparency with variations of 1.27. The findings are consistent with Ramírez and Tejada (2018) who asserts that transparency enables others to see and understand how they operate in an honest way. Widiatmika and Darma (2018) posits transparency as having full disclosure in public companies. Transparency allows its processes and transactions observable to outsiders. It also makes necessary

disclosures, informs everyone affected about its decisions. Transparency is a critical component of corporate governance because it ensures that all of entity's actions can be checked at any given time by an outside observer (Azeez, 2015).

4.3.3 Board Responsibility

The third objective of the study was to establish the effect of board responsibility on organizational performance of health State Corporations in Kenya. The study evaluated the respondents' level of agreement with the various statements on the board responsibility using a scale of 1 – 5 where 5- strongly agree, 4- agree, 3- neutral, 2- disagree and 1- strongly disagree. The findings are as illustrated in Table 4.7.

Table 4.7: Descriptive Statistics Outputs on Board Responsibility

Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly agree	Mean	S.D
Board members possess the required knowledge and skills required to perform their roles	9.3%	6.8%	11.1%	40.2%	32.5%	3.80	1.23
The board monitors the effectiveness of the corporations governance practices	7.7%	10.2%	11.1%	35.6%	35.3%	3.80	1.24
The board of directors elects and replaces executives when necessary	10.2%	7.4%	9.6%	36.2%	36.5%	3.81	1.28
The board makes decisions independently of management	8.0%	10.8%	8.4%	36.5%	36.2%	3.82	1.26
During board formation, representation of the relevant stakeholders is considered	5.0%	10.5%	8.7%	41.8%	34.1%	3.89	1.13
The board has the mandate to carry out resource allocation	7.1%	11.8%	10.5%	35.6%	35.0%	3.80	1.24
Average						3.82	1.23

Under board responsibility, the respondents were asked if board members possess the required knowledge and skills required to perform their roles and 72.7% agreed while 16.1% disagreed with the statement. On whether the board monitors the effectiveness of the corporations governance practices, 70.9% agreed while 17.9% disagreed with the statement. The respondents were asked if the board of directors elects and replaces executives when necessary and 72.7% agreed while 17.6% disagreed with the statement. The respondents were asked if the board makes decisions independently of management and 72.7% agreed while 18.8% disagreed with the statement. On whether representation of the relevant stakeholders is considered, 75.9% agreed while 15.5% disagreed with the statement. Lastly, the respondents were asked if the board has the mandate to carry out resource allocation and 70.6% agreed while 18.9% disagreed with the statement.

The overall mean was 3.82 that showed that majority agreed to the statements on board responsibility with variations of 1.23. The findings are in line with Naciti (2019) who posits that board responsibility in governance as the framework that structures the board and how it operates. According to Alabdullah, Ahmed and Muneerali (2019), board's responsibilities entails determining the long term aims of the company, providing leadership to achieve these aims, establishing a supervisory process to ensure that the management of the business is effective and to report to shareholders on its performance. At its core, board includes the boards responsibilities and organisational well-being. Board responsibility is an important component of corporate governance which means being answerable or liable for something (Ullah, 2016).

4.3.4 Moral Integrity

The fourth objective of the study was to establish the effect of moral integrity on organizational performance of health State Corporations in Kenya. The study evaluated the respondents' level of agreement with the various statements on the moral integrity using a scale of 1 – 5 where 5- strongly agree, 4- agree, 3- neutral, 2- disagree and 1- strongly disagree. The findings are as illustrated in Table 4.8.

Table 4.8: Descriptive Statistics Outputs on Moral Integrity

Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly agree	Mean	S.D
Our corporations ethical code of conduct is clear and understood	10.2%	10.5%	8.4%	35.3%	35.6%	3.76	1.31
There are laid out compliance and Adherence in our corporations	8.4%	10.5%	8.7%	38.1%	34.4%	3.80	1.25
There are consequences for non-Compliance and Adherence to laid regulations	6.5%	12.4%	9.3%	35.3%	36.5%	3.83	1.23
Our corporation promotes progressive work virtues	7.4%	8.0%	9.6%	37.8%	37.2%	3.89	1.21
Our corporations rewards staff with good morals and deeds	10.5%	12.1%	7.4%	38.7%	31.3%	3.68	1.31
Average						3.79	1.26

Under moral integrity, the respondents were asked if ethical code of conduct is clear and understood and 70.9% agreed while 20.7% disagreed with the statement. On whether there are laid out compliance and adherence, 72.5% agreed while 18.9% disagreed with the statement. The respondents were asked if there are consequences for non-compliance and adherence to laid regulations and 71.8% agreed while 18.9% disagreed with the statement. The respondents were asked if the corporation promotes progressive work virtues and 75.0% agreed while 15.4% disagreed with the statement. Lastly, the respondents were asked if their corporation rewards staff with good morals and deeds and 70.0% agreed while 22.6% disagreed with the statement.

The overall mean was 3.79 that showed that majority agreed to the statements on moral integrity with variations of 1.26. The findings are in agreement with Mahdavikhou, Hossein, Moez, Khotanlou and Karami, (2014) who found that that moral intelligence among employees such as integrity and responsibility can give a chain effect to ethical thinking and decision making and sequentially contributes to a better job performance. Way, Simons, Leroy, and Tuleja (2018) found that those managers who maintained their word-action alignment by demonstrating middle manager behavioral integrity positively will affect middle manager task performance rating. This

showed that a good example can bring other parties in the organizations to behave with the right behavioral integrity too.

4.3.5 Organizational Performance

The dependent objective of the study was organizational performance of State Corporations in the health sector in Kenya. The study evaluated the respondents' level of agreement with the various statements on the organizational performance using a scale of 1 – 5 where 5- strongly agree, 4- agree, 3- neutral, 2- disagree and 1- strongly disagree. The findings are as illustrated in Table 4.9.

Table 4.9: Descriptive Statistics Outputs on Organizational Performance

Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly agree	Mean	S.D
The employee satisfaction levels in our organization has significantly improved	12.7%	12.1%	8.4%	32.8%	34.1%	3.63	1.39
The employee retention in our organization has significantly improved	16.1%	12.7%	8.7%	31.6%	31.0%	3.49	1.45
Our customers feel safe in their transactions when dealing with us	14.6%	13.0%	5.9%	32.8%	33.7%	3.58	1.43
The firm uses feedback from customers to improve itself	12.4%	14.6%	6.5%	32.2%	34.4%	3.62	1.40
Our firm is able to meet all our customer needs	12.4%	16.1%	4.3%	36.5%	30.7%	3.57	1.39
Average						3.58	1.41

Under organizational performance, the respondents were asked if the employee satisfaction levels in our organization has significantly improved and 66.9% agreed while 24.8% disagreed with the statement. On whether the employee retention in our organization has significantly improved, 62.6% agreed while 28.8% disagreed with the statement. The respondents were asked if customers feel safe in their transactions and 66.5% agreed while 27.6% disagreed with the statement. On whether the organization uses feedback from customers to improve itself, 66.6% agreed while 27.0% disagreed with the statement. Lastly, the respondents were asked if the organization is able to meet all our customer needs and 67.2% agreed while 28.5% disagreed with the statement. The

overall mean was 3.58 that showed that majority somewhat agreed to the statements on organizational performance with a high variations of 1.41.

4.4 Diagnostic Tests

The diagnostic tests conducted included Multicollinearity Test, Test for Heteroscedasticity and Normality Test.

4.4.1 Multicollinearity Test

Multicollinearity test was conducted to determine if two or more of the predictor (independent) variables in the regression model was highly correlated. Variance inflation factor (VIF) were used to test multicollinearity and VIF of below 10 indicated acceptable limits. If the VIF value of exploratory variables are greater than 10, then variables were regarded as highly collinear (Bryman & 2013). The results are presented in Table 4.10.

Table 4.10: Multicollinearity Test Using Tolerance and VIF

	Collinearity Statistics	
	Tolerance	VIF
Accountability	0.331	3.021
Transparency	0.314	3.188
Board Responsibility	0.320	3.126
Moral Integrity	0.330	3.026

From the findings above all the variables had tolerance values >0.2 and VIF values <10 as shown in Table 4.10 and thus according to Myres (2015) who indicated that where $VIF \geq 10$ indicate presence of Multicollinearity, there was no multicollinearity among the independent variables

4.4.2 Test for Heteroscedasticity

Heteroscedasticity is the circumstance in which the variability of a variable is unequal across the range of values of a second variable that predicts it (Williams, 2016). Running a regression model without accounting for heteroscedasticity would lead to unbiased parameter estimates. To test for heteroscedasticity, the Breusch-Pagan/Godfrey test was used. Heteroscedasticity test was run using Breusch-Pagan / Cook-Weisberg test in order to test whether the error terms are correlated

across observations in the cross sectional of the data (Long & Ervin, 2000). The hypothesis was that;

H₁: The data is Homoscedastic.

If the p-value is less than 0.05, the hypothesis is rejected.

The Breusch-Pagan results are presented in Table 4.12.

Table 4.11: Heteroscedasticity Results

Breusch-Pagan / Cook-Weisberg test for heteroscedasticity		
H₀: Constant variance		
Variables: fitted values of Organizational Performance		
chi2(1)	=	42.17
Prob > chi2	=	0.061

Source: Field Survey Data (2020)

Results show that the p-value is greater than the 5%. Then the hypothesis was not rejected at a critical p value of 0.05 since the reported Chi2 (1) = 42.17 and p-value was 0.061 > 0.05 and thus the data did not suffer from heteroscedasticity.

4.4.3 Normality Test

Test for normality determines if the data is well modeled and normally distributed (linear). To test the normality of the variables, Shapiro–Wilk test was used as it has the highest power among all tests for normality (Saunders, Lewis & Thornhill 2012). The hypothesis was tested at a critical value at 0.05, where the rule is that reject H₀ if the probability (P) value is less than 0.05 or else do not reject. The dependent variable should be normally distributed because the study was analyzed using a multiple regression model where the condition of normality must be satisfied (Quataroli & Julia, 2012). The hypothesis was that;

H₁: The data is normal.

The results for normality are as shown in Table 4.12.

Table 4.12: Normality Outputs

	Shapiro-Wilk		
	Statistic	df	Sig.
Organizational Performance	0.950	323	0.075
Accountability	0.957	323	0.088
Transparency	0.962	323	0.081
Board Responsibility	0.947	323	0.079
Moral Integrity	0.950	323	0.083

The results indicated that using the Shapiro-Wilk test of normality, the data is normal since the p-values are above 0.05 for all the variables and thus we do not reject the alternative hypothesis (H_1). Therefore, the variables on organizational performance, accountability, transparency, board responsibility and moral integrity are normal in distribution and hence subsequent analysis can be carried out.

4.5 Correlation Analysis

Correlation analysis was conducted to establish the relationship between the independent and dependent variables (Makowski, Ben-Shachar, Patil & Lüdecke, 2020). The correlation matrix is presented in Table 4.13.

Table 4.13: Correlation Matrix

	Organizational Performance	Accountability	Transparency	Board Responsibility	Moral Integrity
Organizational Performance	1.000				
Accountability	.749** 0.000	1.000			
Transparency	.735** 0.000	.638** 0.000	1.000		
Board Responsibility	.732** 0.000	.657** 0.000	.662** 0.000	1.000	
Moral Integrity	.763** 0.000	.645** 0.000	.661** 0.000	.634** 0.000	1.000

The results in Table 4.13 revealed that accountability and organizational performance of State Corporations in Kenya is positively and significantly related ($r= 0.749^{**}$, $p=0.000$). The results further indicated that Transparency and organizational performance of State Corporations in Kenya is positively and significantly related ($r= .735^{**}$, $p=0.000$). Board responsibility and organizational performance of State Corporations in Kenya is positively and significantly related ($r= .732^{**}$, $p=0.000$). Lastly, results showed that Moral Integrity and organizational performance of State Corporations in Kenya is positively and significantly related ($r= .763^{**}$, $p=0.000$). This implies that an improvement in accountability, transparency, board responsibility and moral integrity leads to an increase on organizational performance of health State Corporations in Kenya since the coefficients are positively related.

4.6 Regression Analysis

The study carried out regression analysis to establish the statistical significance relationship between accountability, transparency, board responsibility and moral integrity on organizational performance of health State Corporations. According to Chatterjee and Hadi (2015), regression analysis is a statistical process of estimating the relationship among variables. It includes many techniques for modeling and analyzing several variables, when the focus is on the relationship between a dependent and one or more independent variables (Makowski, Ben-Shachar, Patil & Lüdecke, 2020).. More specifically, regression analysis helps one to understand how the typical value of the dependent variable changes when any one of the independent variable is varied, while the other independent variables are held fixed (Gunst, 2018).

The results presented in Table 4.14 present the fitness of model used of the regression model in explaining the study phenomena.

Table 4.14: Model Fitness

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.828a	0.686	0.682	0.40544

The variables accountability, transparency, board responsibility and moral integrity were found to be satisfactory variables in explaining organizational performance of health State Corporations. This is supported by coefficient of determination also known as the R square of 0.686. This means that accountability, transparency, board responsibility and moral integrity explain 68.6% of the

variations in the dependent variable, which is organizational performance of health State Corporations. This results further means that the model applied to link the relationship of the variables was satisfactory.

The Analysis of Variance (ANOVA) results are shown in Table 4.15.

Table 4.15: Analysis of Variance

	Sum of Squares	df	Mean Square	F	Sig.
Regression	114.293	4	28.573	173.826	.000b
Residual	52.272	318	0.164		
Total	166.566	322			

The findings further confirm that the regression model is significant and supported by F= 173.826, p<0.000) since p-values was 0.000 which is less than 0.05. The study conducted a regression of coefficient analysis to establish the statistical significance relationship between the independents variables notably accountability, transparency, board responsibility and moral integrity on the dependent variable that was organizational performance of health State Corporations.

The regression of coefficient results are as shown in Table 4.16.

Table 4.16: Regression of Coefficients

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	2.064	0.068		30.508	0.000
Accountability	0.158	0.034	0.255	4.664	0.000
Transparency	0.114	0.036	0.178	3.165	0.002
Board Responsibility	0.108	0.033	0.179	3.228	0.001
Moral Integrity	0.184	0.033	0.306	5.605	0.000

The fitted model is;

$$Y = 2.064 + 0.158X_1 + 0.114X_2 + 0.108X_3 + 0.184X_4$$

Where;

Y = Organizational Performance

Y = Organizational Performance

X₁ = Accountability

X₂ = Transparency

X₃ = Board Responsibility

X₄ = Moral Integrity

The constant of 2.064 showed that when accountability, transparency, board responsibility and moral integrity are held constant, organizational performance of health State Corporations would remain at 2.064 units. The regression of coefficients results show that Accountability and organizational performance of health State Corporations is positively and significantly related ($\beta=0.158$, $p=0.000$). The results further indicated that Transparency and organizational performance of health State Corporations is positively and significantly related ($\beta=0.114$, $p=0.002$). The results further indicated that Board Responsibility and organizational performance of health State Corporations is positively and significantly related ($\beta=0.108$, $p=0.001$). Lastly, results showed that Moral Integrity and organizational performance of health State Corporations is positively and significantly related ($\beta=0.184$, $p=0.000$).

4.7 Discussion of Findings

The objective of this study was to determine the effect of corporate governance practices on organizational performance of State Corporations in the health sector in Kenya. The variables of interest were accountability, transparency, board responsibility and moral integrity on organizational performance of State Corporations in the health sector in Kenya. The pre-estimation tests conducted on Multicollinearity Test, Heteroscedasticity and Normality Test indicated that the underlying assumptions were fit for regression analysis.

The first objective of the study was to establish the effect of accountability on organizational performance of health State Corporations in Kenya. Correlation results indicated that accountability and organizational performance of State Corporations in Kenya is positively and significantly related ($r= 0.749^{**}$, $p=0.000$). Regression of coefficients results showed that accountability and organizational performance of health State Corporations is positively and significantly related ($\beta=0.158$, $p=0.000$). This implies that a unitary improvement in accountability

leads to increase in organizational performance of health State Corporations by 0.158 units holding other factors constant.

The findings are consistent with Kiratu (2016) who conducted a study on the influence of corporate governance on organizational performance in State Corporations and established that board managerial skills were the most significant factor. Ullah et al., (2016) study illustrated that accountability and transparency had a significant impact on the firm performance. Lasisi (2017) study established a positive but not statistically significant relationship between corporate governance mechanisms and financial performance. According to Lasisi (2017), accountability is an instrument for controlling agency costs: the less the companies' accountability the higher risk that managers serve themselves. Board accountability involves taking responsibility for all of a company's activities and presenting a fair, balanced and understandable assessment of an organization's position and prospects to stakeholders. According to Naciti, (2019), the more accountable corporate governors are, the more likely it is that results of performance measurement processes are going to be a true and fair representative of the performance being measured.

The second objective of the study was to establish the effect of Transparency on organizational performance of health State Corporations in Kenya. Correlation results indicated that Transparency and organizational performance of State Corporations in Kenya is positively and significantly related ($r= 0.735^{**}$, $p=0.000$). Regression of coefficients results showed that Transparency and organizational performance of health State Corporations is positively and significantly related ($\beta= 0.114$, $p=0.002$). This implies that a unitary improvement in Transparency leads to increase in organizational performance of health State Corporations by 0.114 units holding other factors constant.

The findings are consistent with Ramírez and Tejada (2018) who asserts that transparency enables others to see and understand how they operate in an honest way. Widiatmika and Darma (2018) posits transparency as having full disclosure in public companies. Transparency allows its processes and transactions observable to outsiders. It also makes necessary disclosures, informs everyone affected about its decisions. Transparency is a critical component of corporate governance because it ensures that all of entity's actions can be checked at any given time by an outside observer (Azeez, 2015). Transparency ensures that all company's actions can be checked at any given time by an outside observer.

The third objective of the study was to establish the effect of Board Responsibility on organizational performance of health State Corporations in Kenya. Correlation results indicated that Board Responsibility and organizational performance of State Corporations in Kenya is positively and significantly related ($r= 0.732^{**}$, $p=0.000$). Regression of coefficients results showed that Board Responsibility and organizational performance of health State Corporations is positively and significantly related ($\beta= 0.108$, $p=0.001$). This implies that a unitary improvement in Board Responsibility leads to increase in organizational performance of health State Corporations by 0.108 units holding other factors constant.

The findings are in line with Naciti (2019) who posited that board responsibility in governance as the framework that structures the board and how it operates. According to Alabdullah, Ahmed and Muneerali (2019), board's responsibilities entail determining the long term aims of the company, providing leadership to achieve these aims, establishing a supervisory process to ensure that the management of the business is effective and also to report to shareholders on its performance. At its core, board includes the boards responsibilities and organisational well-being. Board responsibility is an important component of corporate governance which means being answerable or liable for something (Ullah, 2016).

The fourth objective of the study was to establish the effect of Moral Integrity on organizational performance of health State Corporations in Kenya. Correlation results indicated that Moral Integrity and organizational performance of State Corporations in Kenya is positively and significantly related ($r= 0.763^{**}$, $p=0.000$). Regression of coefficients results showed that Moral Integrity and organizational performance of health State Corporations is positively and significantly related ($\beta= 0.184$, $p=0.000$). This implies that a unitary improvement in Moral Integrity leads to increase in organizational performance of health State Corporations by 0.184 units holding other factors constant.

The findings are in agreement with MahdaviKhou, Hossein, Moez, Khotanlou and Karami, (2014) who found that that moral intelligence among employees such as integrity and responsibility can give a chain effect to ethical thinking and decision making and sequentially contributes to a better job performance. Way, Simons, Leroy, and Tuleja (2018) found that those managers who maintained their word-action alignment by demonstrating middle manager behavioral integrity positively will affect middle manager task performance rating. This showed that a good example

can bring other parties in the organizations to behave with the right behavioral integrity too. Besides the integrity of the manager, the trustworthiness level of the leader as seen by the employee may also affect employee performance.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter summarizes the study findings, its conclusions and recommendations, presented in consideration to the study objective on effect of corporate governance practices on organizational performance of State Corporations in the health sector in Kenya.

5.2 Summary of Findings

5.2.1 Accountability and Organizational Performance

The first objective of the study was to establish the effect of accountability on organizational performance of health State Corporations in Kenya. Correlation results indicated that accountability and organizational performance of State Corporations in Kenya is positively and significantly related. Regression of coefficients results showed that accountability and organizational performance of health State Corporations is positively and significantly related. This implies that a unitary improvement in accountability leads to increase in organizational performance of health State Corporations.

5.2.2 Transparency and Organizational Performance

The second objective of the study was to establish the effect of Transparency on organizational performance of health State Corporations in Kenya. Correlation results indicated that Transparency and organizational performance of State Corporations in Kenya is positively and significantly related. Regression of coefficients results showed that Transparency and organizational performance of health State Corporations is positively and significantly related. This implies that a unitary improvement in Transparency leads to increase in organizational performance of health State Corporations.

5.2.3 Board Responsibility and Organizational Performance

The third objective of the study was to establish the effect of Board Responsibility on organizational performance of health State Corporations in Kenya. Correlation results indicated that Board Responsibility and organizational performance of State Corporations in Kenya is positively and significantly related. Regression of coefficients results showed that Board

Responsibility and organizational performance of health State Corporations is positively and significantly related. This implies that a unitary improvement in Board Responsibility leads to increase in organizational performance of health State Corporations.

5.2.4 Moral Integrity and Organizational Performance

The fourth objective of the study was to establish the effect of Moral Integrity on organizational performance of health State Corporations in Kenya. Correlation results indicated that Moral Integrity and organizational performance of State Corporations in Kenya is positively and significantly related. Regression of coefficients results showed that Moral Integrity and organizational performance of health State Corporations is positively and significantly related. This implies that a unitary improvement in moral integrity leads to increase in organizational performance of health State Corporations by 0.184 units holding other factors constant.

5.3 Conclusion

The study sought to analyze the effect of effect of corporate governance practices on organizational performance of State Corporations in the health sector in Kenya.

The study concluded that accountability has a positive and significant relationship with organizational performance of State Corporations in the health sector in Kenya. This positive relationship for accountability implied that an improvement in accountability will led to a significant improvement in organizational performance of State Corporations in Kenya. The study concluded that transparency has a positive and significant relationship with organizational performance of State Corporations in the health sector in Kenya. This positive relationship for transparency implied that an improvement in transparency will led to a significant improvement in organizational performance of State Corporations in Kenya.

The study concluded that board responsibility has a positive and significant relationship with organizational performance of State Corporations in the health sector in Kenya. This positive relationship for board responsibility implied that an improvement in board responsibility will led to a significant improvement in organizational performance of State Corporations in Kenya. The study concluded that moral integrity has a positive and significant relationship with organizational performance of State Corporations in the health sector in Kenya. This positive relationship for

moral integrity implied that an improvement in moral integrity will led to a significant improvement in organizational performance of State Corporations in Kenya.

5.4 Recommendations

Based on the study findings, the following recommendations were made

The study recommends that the management of the State corporations should establish certain control mechanisms that ensure accountability. Internal control system is not a substitute for other governance practices thus the study recommends that there should continuous internal check and audit on the part of management and low level of management to ensure adequate accountability systems in the State Corporations. The study informs the government that it has to be concerned with good corporate governance practices.

The study recommends on the need to ensure compliance with corporate governance principles and codes of governance. Policy and decision makers need to ensure that appropriate corporate governance mechanisms are implemented in organizations. The study provides significant information for managers of organizations on the need to implement appropriate corporate governance policies and practice in organizations. The study confirms the earlier research findings that corporate governance has a significant effect on performance of organizations.

Finally, the study recommends that monitoring should be done thoroughly by the board. A constitution which clearly indicates how to select and replace the CEO and directors need to be adopted. State corporations should consider adopting conduct of regular Corporate Governance Audits and Evaluations. Good Corporate Governance has a positive economic impact on the institution in question as it saves the organization from various losses e.g. those occasioned by frauds, corruption and similar irregularities. The State Corporations should develop corporate governance policies for the appointment of independent board members, establish and maintain better relations with their stakeholders, and establish the unitary model of board system, in accordance with existing legal provisions.

5.5 Limitations of the Study

The study was confined to the State Corporations in the health sector and the findings may not apply wholesomely to other organizations in Kenya in general as some issues which were addressed are specific to the State Corporations in the health sector. However, it is believed that

the findings addresses issues of corporate governance practices in State Corporations. The study was limited to four variables namely accountability, transparency, board responsibility and moral integrity on organizational performance. The fear on confidentiality was a limitation which was addressed by explaining to the respondents that their identity was held and responses will only be used for research purposes.

5.6 Areas for Further Research

The results of the regression analysis indicated that corporate governance practices explained 68.6% change in performance of State Corporations in the health sector. This indicated that there are other factors besides the corporate governance practices which future studies can undertake and expound on. In addition, the scope can be expanded to other organizations which would make the findings more representative.

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APPENDICES

Appendix I: Introduction Letter

Dear Respondent,

I am a researcher from the KCA University undertaking a study to examine the **EFFECT OF CORPORATE GOVERNANCE PRACTICES ON ORGANIZATIONAL PERFORMANCE OF STATE CORPORATIONS IN THE HEALTH SECTOR IN KENYA** as a requirement to fulfil my master's degree. The study is purely for educational purposes and any responses you give will be treated confidentially. You will be required to respond to the questions from Section A Section to D. Your honest response will be highly appreciated.

Nicholars Emodiah

17/00296

Appendix II: Questionnaire

Section A: Background of Respondents

Kindly tick in the boxes as appropriate

1. What is your gender?

I. Male_ []

II. Female_ []

2. What is your age?

i. Below_20 years

ii. 21years to 30years

iii. 31years to 40years

iv. 41years to 50years

v. Over 50years

3. What is your highest level of education?

a. Secondary []

b. Diploma []

c. Bachelor's []

d. Master []

e. PhD []

4. What is your department in the organization?

a) Chief Executive Officers

b) Corporation Secretaries

c) Marketing

d) Finance

e) Human Resource Management

f) Supply Chain Management

g) Audit and Integrity Assurance

5. How many years have you been in State Corporations?

a. Less than 1 year []

- b. 1-5years []
- c. 6-10 years []
- d. 11-15 years []
- e. 16-20 years []
- f. Above 20 years []

Section B: Accountability

This section contains statements on Accountability in health State Corporations in Kenya. Please express your agreement and disagreement by marking the appropriate box.

Use the scale where; 1= Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree 5= Strongly_ Agree

Statement	1	2	3	4	5
In our corporation, we perform our duties with professionalism					
In our corporation, we are aware of our duties and obligations					
In our corporation, reporting is taken as core part of accountability					
In our corporation, the information published is always in a simple and understandable language					
The objectives of the corporation are clearly disclosed					
Issues raised from the audits are addressed amicably					

Section C: Transparency

This section contains statements on Transparency in health State Corporations in Kenya. Please express your agreement and disagreement by marking the appropriate box.

Use the scale where; 1= Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree 5= Strongly_ Agree

Statement	1	2	3	4	5
All relevant documents of the company are available for access in the website					
The information provided to the public is sufficient					
Dissemination of information is done in a timely manner in our corporation					
Financial information on the corporation is disclosed as per statutory requirements.					
The information published by our corporation is always in a simple and understandable language					

Section D: Board Responsibility

This section contains statements on Board Responsibility in health State Corporations in Kenya.

Please express your agreement and disagreement by marking the appropriate box.

Use the scale where; 1= Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree 5= Strongly_ Agree

Statement	1	2	3	4	5
Board members possess the required knowledge and skills required to perform their roles					
The board monitors the effectiveness of the corporations governance practices					
The board of directors elects and replaces executives when necessary					
The board makes decisions independently of management					
During board formation, representation of the relevant stakeholders is considered					
The board has the mandate to carry out resource allocation					

Section E: Moral integrity

This section contains statements on Moral integrity in health State Corporations in Kenya. Please express your agreement and disagreement by marking the appropriate box.

Use the scale where; 1= Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree 5= Strongly_ Agree

Statement	1	2	3	4	5
Our corporations ethical code of conduct is clear and understood					
There are laid out regulations for compliance and Adherence in our corporations					
There are consequences for non-Compliance and Adherence to laid out regulations					
Our corporation promotes progressive work virtues					
Our corporations rewards staff with good morals and deeds					

Section E: Organizational Performance

This section contains statements on Organizational Performance in health State Corporations in Kenya. Please express your agreement and disagreement by marking the appropriate box.

Use the scale where; 1= Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree 5= Strongly_ Agree

Statement	1	2	3	4	5
The employee satisfaction levels in our organization has significantly improved					
The employee retention in our organization has significantly improved					
Our customers feel safe in their transactions when dealing with us					
The firm uses feedback from customers to improve itself					
Our firm is able to meet all our customer needs					

Appendix III: List of Health State Corporations

1. Kenya Medical Training College (KMTC)
2. Kenyatta National Hospital (KNH)
3. National Hospital Insurance Fund (NHIF)
4. Kenya Medical Supplies Authority (KEMSA)
5. Kenya Medical Research Institute (KEMRI)
6. National Aids Control Council (NACC)
7. Moi Teaching and Referral Hospital (MTRH)
8. National quality control laboratory (NQCL)
9. Kenya Medical Laboratory Technician and Technologists Board