

**IMPACT OF EMPLOYEE INVOLVEMENT AS A PILLAR
BEHIND THE SUCCESS OF CORPORATE GOVERNANCE:
A CASE OF KENYA LITERATURE BUREAU**

By

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DECLARATION

Declaration by Candidate

I declare that this dissertation is my original work and has not been previously published or submitted elsewhere for award of a degree. I also declare that this contains no material written or published by other people except where due reference is made and author duly acknowledged.

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IMPACT OF EMPLOYEE INVOLVEMENT AS A PILLAR BEHIND THE SUCCESS OF CORPORATE GOVERNANCE

ABSTRACT

Effective corporate governance practices are the driving force behind successful operations in most organisations. An organisation that is to thrive well in the competitive business world needs to employ a strong and efficient corporate governance policy and strategy to support it to form a strong corporate identity, and cater fully for the employees. Modern interpretations of corporate governance place more emphasis on the relationships between shareholders and managers or directors when it comes to the leadership of organisations. Neglected in this vast literature is the role of employees in corporate governance. Yet human capital, embodied in the employees, is rapidly becoming the most important source of value for corporations, employees often have a significant formal role in corporate governance. The purpose of this study was therefore to evaluate the effect of employee involvement in corporate governance and its implications to an organization. The main objective of this study was to investigate whether employee involvement is the pillar that enhances the success of corporate governance at the Kenya Literature Bureau. Explanatory research design was applied. The target population for the study comprised of two hundred and sixteen (216) employees at the Kenya Literature Bureau. Due to the homogenous nature of the population in terms of the variables being tested, only 10% of the population was selected for the study, giving a sample size of 25 respondents. Respondents were purposively selected from the eight departments. The number of respondents from each department was proportional to the respective departmental populations as indicated in table 3.2. Primary Data was analysed by aid of the Statistical Package for Social Sciences (SPSS) tool. The findings were presented using descriptive statistics of means, frequencies and percentages. The findings indicated that employee involvement in the activities of the organization is important if the organization is to register success. The involvement should always run across the board to ensure inclusivity of all employees since they are the number one owners of the organization. This study could be used to formulate policies regarding effective corporate governance at the work place. Chief Executive Officers may use the findings of the research to formulate effective corporate governance policies in their organisations. Recommendations have been made to have organisations include their employees in governance issues in order to remain successful and competitive in the business world.

Key words: Corporate governance, Employee involvement

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DEDICATION

This dissertation is dedicated with deep and profound gratitude to the Almighty God for His support and strength. To my loving husband Geoffrey Mabea for his undivided support, prayers and encouragement during my studies. Thank you for investing the family time and resources in my education.

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LIST OF ABBREVIATIONS

CCGC	Centre for Corporate Governance
HRM	Human Resource Management
E I	Employee Involvement
IMF	International Monetary Fund
KCC	Kenya Cooperative Creameries
KLB	Kenya Literature Bureau
NHC	National Housing Corporation
OECD	Organization of Economic Cooperation and Development
SAP	Structural Adjustment Programs
SOX	Sarbanes-Oxley Act
WRPS	Workplace Representation and Participation Survey

DEFINITION OF TERMS

Corporate Governance

Corporate governance is the system by which business corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as, the board, managers, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs. (CIMA Official Terminology, 2005)

Employee Involvement

Employee Involvement (EI) is a long-term organizational tool that provides structured opportunities for employees to have meaningful involvement in fulfilling the mission and values of the organization by applying ideas, efforts and expertise to help the organization solve problems and make decisions Apostolou (2002).

CHAPTER ONE

INTRODUCTION

1.1 Background

In many European countries, and most strongly in Germany, employee involvement in corporate governance is a legal requirement. Employees in large companies are represented on corporate supervisory boards in equal number to shareholders. German workers exert their influence at two other levels. One is industry-wide negotiations at the regional and national levels over worker compensation and other labor market policies. The other is works councils at workplaces, which serve as a forum of information exchange, deliberation and consensus-building between management and labor.

These participatory mechanisms are interconnected and largely complement each other. For example, since important bargaining issues are largely settled outside the firms through industry-wide negotiations, works councils have less tension and fewer issues to disagree on, and help to create a more cooperative atmosphere at the corporate level. Labor is generally strong, and this influence typically extends to the political arena. This, together with the legally mandated role of employees in corporate governance, makes managers sensitive to workers interests and committed to worker participation Cotton (2005).

In contrast, American labor is denied any guaranteed role in corporate governance, which is considered to be an exclusive right of shareholders. Employee representation on the board of directors is rather exceptional, and is witnessed only in cases of worker buyouts or in other firms with significant employee ownership. The role of works councils is also limited, as American labor is generally reluctant to become substantively involved in corporate decision-making in an effort to avoid any weakening of worker solidarity. Labor unions are rather sparsely organized and often fragmented by divisions according to occupational category, resulting in bargaining weaknesses at the firm level. Given the existence of a governance role played by the market

through hostile takeovers and institutional investors, on top of other internal governance mechanisms for shareholders, there has been little need to turn to employees for this role until recent decades. (Freeman and Kleiner, 2005)

In Japan, as well, employees do not have any assured role in corporate governance and have traditionally been little involved in strategic corporate decision making. Nevertheless, through collective bargaining, joint labor-management committees and more informal arrangements, Japanese employees are known to have significant influence on corporate governance. The board is typically dominated by inside members promoted through the corporate hierarchical ladder, making the board and management fairly sympathetic to worker interests. Corporate governance has typically been guided by the interests of broader stakeholders, with relatively weak pressure to accommodate the interests of shareholders (Nam, 2003).

On the other hand, most corporations in Kenya are driven by one motive only; that is to make profits and to maximize their full potential through getting a hundred percent return for their investments. Questions of good corporate governance and business ethics rarely arise. All that matters to organizations is whether they make profits and not how the profits are made. Indeed most business leaders are driven by profits and make no apologies for it. (Riungu and Bore, 2009)

Corporate governance having been adopted by various corporations in order to steer them in the path of maximizing profits is not a current or distinctive development. It is one area of business studies that has been fast attracting a lot of attention over the past few years on both the local and international scene. The collapse of corporate giants like Enron Corporation, Adelphia, Health South, Tyco, Global Crossing, Cendant and WorldCom, internationally, while on the Kenyan front we have institutions like Euro Bank, Daima Bank and brokerage firms such as Nyagah Stock Brokers, Discount Securities limited and Francis Thuo and Partners which have

had adverse effects on the Capital markets the effects of which are borne by the investors which have led to the heightened interest in the concept and practice of the corporate governance system as the engine of growth in both private and public institutions. In spite of the marked interest attached to the concept of corporate governance, it is poorly defined because it potentially covers a large number of distinct economic phenomena (Mulinge, 2007)

More often than not, corporate governance is essentially concerned with issues of ownership and control within the firm (Berle and Means, 2000). It sets the terms and conditions of the legal allocation of property rights among the different stakeholder groups; and this affects their incentives and hence their willingness to cooperate with one another in productive activities. Corporate governance therefore impacts the effectiveness of HRM practices in achieving the productive objectives to which they have been set. Because the diffusion of responsibility for production, process improvement and innovation has been shown to significantly improve organizational performance through the cooperation of stakeholders in the productive process and their voluntary contribution of skills, experience and commitment to meet organizational objectives, corporate governance plays a central role in the ability of firms to perform effectively over the long term (Konzelmann, 2003).

Corporate governance is defined as the system by which organizations are directed and controlled. It's a set of relationships between company directors, shareholders and other stakeholder's as it addresses the powers of directors and of controlling shareholders over minority interest, the rights of employees, rights of creditors and other stakeholders (Muriithi, 2009). O'Donovan (2003) defines corporate governance as 'an internal system encompassing policies, processes and people, which serves the needs of shareholders and other stakeholders, by directing and controlling management activities with good business savvy, objectivity, accountability and integrity.

The Organization of Economic Cooperation and Development (OECD) defines corporate governance as follows: "Corporate governance is the system by which business corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as, the board, managers, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs." (Hebbie & Ramaswamy, 2005, pg 230)

On the other hand, employee involvement is the process whereby employees are involved in decision making processes, rather than simply acting on orders. It is creating an environment in which people have an impact on decisions and actions that affect their jobs. Employee involvement is not the goal nor is it a tool, as practiced in many organizations. Rather, it is a management and leadership philosophy about how people are most enabled to contribute to continuous improvement and the ongoing success of their work organization. Employee involvement is part of a process of empowerment in organizations. Empowerment involves decentralising power within the organisation to individual decision makers further down the line. Team working is a key part of the empowerment process. Team members are encouraged to make decisions for themselves in line with guidelines and frameworks established in self-managing teams (Bloom, 2000)

An engaged employee is aware of business context, and works with colleagues to improve performance within the job for the benefit of the organization. The organization must work to develop and nurture engagement, which requires a two-way relationship between employer and employee. Thus, Employee engagement is a barometer that determines the association of a person with the organization. Engagement is most closely associated with the existing construction of job involvement and flow. Kim (2009) maintains that job involvement is a cognitive or belief state of psychological identification. Job involvement is thought to depend on both need saliency and the potential of a job to satisfy these needs. Thus, job involvement results

from a cognitive judgment about the needs satisfying abilities of the job. Jobs in this view are tied to one's self-image. Engagement differs from job, in that it is concerned more with how the individual employees view themselves self during the performance of the job. Furthermore, engagement entails the active use of emotions. Finally, engagement may be thought of as an antecedent to job involvement in that individuals who experience deep engagement in their roles should come to identify with their jobs (Kim, 2009).

Many companies realize that maximum productivity does not come from just a satisfied or happy employee. They know that the most productive and loyal employee is known as an engaged employee. Employees are engaged when many different levels of employees are feeling fully involved and enthusiastic about their jobs and their organizations. Engagement is the willingness and ability to contribute to company success, the extent to which employees put discretionary effort into their work, in the form of extra time, brainpower and energy (Freeman and Kleiner, 2005).

Employee involvement is in part a response to the quality movement within organisations. Individual employees are encouraged to take responsibility for quality in terms of carrying out activities, which meet the requirements of their customers. The internal customer is someone within the organisation that receives the product or service provided by their supplier within the organisation. External customers are buyers and users outside of the organisation. Employee involvement is also part of the move towards human resource development in modern organisations. Employees are trusted to make decisions for themselves and the organisation. This is a key motivational tool.

Freeman and Kleiner, (2005) consider employees in any corporation to be the most important asset of any firm, be it in issues of corporate governance or corporate social responsibility and they continue to assert that there are compelling analytical as well as policy

reasons to care about how boardroom decisions affect employees, and how employees can affect corporate governance. The role of employees more often has mostly been treated as a labor issue and not as a central concern of corporate governance. To a casual observer, the relationship between a firm and its employees would seem to be a central, perhaps defining feature of the firm itself. Yet the tendency among economists and legal theorists has been to study the nature of the firm, as well as the property rights and governance structures associated with it, separately from the structure and terms of relationships with and among the employees of the firm.

In this regard, Nam (2003) argued that industrial relations approaches and labor unions provide a critical environment for a potential governance role for employees as they affect mode, agenda and effectiveness of various practices of employee participation. Nam (2003) further pointed out that, as major stakeholders, employees need to be given a governance role and a voice on issues such as job design, work organization, technology choices and compensation, usually regarded as managerial prerogatives. Employee's role in corporate governance is reflected in their ability to influence corporate decision-making and to control a firm's resources. Indeed, despite the formal legal equality of employers and employees in the labour contract, the substantive asymmetries in power have led to persistent conflicts over legitimate managerial authority, Barret (2006).

Employees should be considered as an important factor in moving the organization forward. It is important because business and organizations function best when they make their employees' commitment, potential, creativity and capability central to their operation. Having clear cut-out strategies and other resource are vital. But how people behave at work can make the crucial difference between business and operational success or failure. It is the employees that make things happen. They put their shoulder to the wheel to get the organization's machinery moving. Without their contributions everything comes to a standstill and the goals of the organization cannot be efficiently and effectively achieved. They should, therefore be given

the recognition as the most important resource (asset) in the organization (Cotton, 2008).

Employee involvement strategies in corporate governance enables them to be the best they can at work, recognizing that this can only happen if they feel respected, involved, heard, well led and valued by those they work for and with. Corporate governance has gained increasing importance in the last decade as organizations have been involved in bankruptcies and frauds alongside decreases in organizational value and jobs. However, the focus on agency approaches, with its emphasis on regulation, control devices and professional codes has left a gap in linking governance and organizational value by way of stakeholder engagement. Indeed, researchers have signaled a need for new perspectives and models of governance, especially one that clearly identifies and embeds employees as a significant part of the firm's internal and external systems (Young and Thyil 2007).

This study through a review of the literature and a selection of formal company policies will explore on the success of corporate governance in relation to employee involvement they are an important resource to private and public organizations. It will look at the importance of employees as key components of the governance system. Employee involvement aspects on corporate governance be looked at and an attempt will be made to show how they contribute towards the success of corporate governance.

1.2 Justification for the Study

Major organisations put emphasis on the importance of corporate governance within all development initiatives. For purposes of broadening the scope and extent of services, many organisations are employing corporate governance as the way to maximizing organizational profits. The day-to-day interaction of an organization with its stakeholders, employees and other interested groups within the community always need effective and robust leadership (Bloom, 2000).

It is vital to underline that effective inclusion of the employees through participation as a tool of corporate governance, plays a major role in formulation, implementation, monitoring and

evaluation of projects or activities in corporate organizations. In addition, effective corporate governance is vital in the sense that it helps organizations market their missions and values to staff as well as stakeholders. In essence, corporate governance plays an important role in influencing employee's loyalty to the organisation as well as boosting image of the organization's publics. In Theoretical terms, effective corporate governance in corporate organizations upholds relations between managers and stakeholders (Truss et al, 2008).

With the understanding that corporate governance plays a vital role in organizations, this study therefore aims at investigating the success of corporate governance in organizations in relation to employee involvement in governance at Kenya Literature Bureau. The study will also contribute immensely to the already existing body of knowledge on employees and corporate governance and its practice in corporate organizations in Kenya as well as bridge the knowledge gaps in the field of corporate governance within corporate organisations. It will help organisations, whether private or public to formulate relevant and valuable policies that shall enhance the inclusion of employees in totality into the corporate governance programs.

The findings of this study could be used to formulate policies regarding effective employee involvement as a tool of corporate governance at the work place. Chief Executive Officers may use the findings of this research in formulating effective corporate governance policies in their organisations. They may use the findings also to enhance their job performances and achievement of set organisational objectives. Institutions of higher learning specifically universities and colleges, through their lecturers may find the need to incorporate the findings of this study in designing and planning for detailed and specific short and long term courses for training the management cadres of different organisations. The findings of this research may therefore enhance planning for training in Human Resource Departments. These findings would help the respective departments in planning to cater for training needs of all employees in effective corporate governance.

1.3 Statement of the Problem

An organisation that is to thrive well in the competitive business world needs to employ a strong and efficient corporate governance policy as well as a strategy, which will see it form a strong corporate identity and cater fully for the internal publics who are the employees, has become a very important issue today as there is a lot of competition in the market, in every field of work (Singh and Dixit, 2011). Apostolou (2002), reported that organizations which regard people as automatons or mere cogs in a wheel will never realize their full potential. In the long run, such companies' inefficiencies attract competition, and unless the management philosophy changes, they will disappear.

McDonnell (2000) observed that one of the most important groups of stakeholders are the employees, both because their own stake is critical to their well-being and because employees may value the interests of other stakeholders more than the corporate shareholders or managers do. Corporate laws mostly focus on just two groups within the corporation: shareholders and directors. This leaves out very important personnel in the success of that particular organization in question.

Mwaura (2007) identified a number of problems relating to corporate governance and they range from errors, mistakes to outright fraud. One would thus be interested in establishing whether these challenges highlighted by Mwaura are unavoidable. The origins of the problem range from concentrated ownership, weak incentives, poor protection of minority shareholders, to weak information standards and lack of inclusion of employees in governance issues. This study therefore investigated whether employee involvement is the pillar that enhances success of corporate governance.

1.4 Objectives

1.4.1 General Objective

The general objective of the study is to investigate whether employee involvement is the pillar that enhances the success of corporate governance at the Kenya Literature Bureau.

1.4.2 Specific Objectives

The specific objectives of the study are to:

1. determine whether employees are involved in decision making as part of successful corporate governance at Kenya Literature Bureau;
2. establish whether employees' initiatives are factored in during policy formulation and implementation as a factor of organizational success at Kenya Literature Bureau;
3. establish whether there is effective communication on work related activities between employees and the management at Kenya Literature Bureau;
4. determine the influence of employees training and development on the success of corporate governance at Kenya Literature Bureau.

1.5 Research Questions

1. Does the Kenya Literature Bureau involve employees in decision-making?
2. Does Kenya Literature Bureau factor in employees' initiatives in the organizational policy formulation and implementation process?
3. Is there effective communication between the employees and management at Kenya Literature Bureau?
4. How has training and development of employees influenced corporate governance at Kenya Literature Bureau?

1.6 Significance of the Study

The study would yield immense benefits to diverse key stakeholders. It is expected to be of particular interest to:

Corporate Organisations in Kenya as they would use the resources and facilities available as efficiently as possible. They need to have efficient corporate governance programmes that include the participation of most employees in the organization in order to drive business objectives to a higher and achievable level. Researchers and Scholars who would add findings of the study to the available body of literature as well as propose the possible available gaps to be filled by future research. Academics and Students as the study would increase their knowledge and the need to keep an open and inquisitive mind when carrying out research in a related area. Policy Makers will use the findings of this study as a platform for sensitizing the policy makers on the importance of incorporating employees on governance issues in organisations. Employee participation at workplace level may facilitate better labour-management relations; prevention and absorption of disputes that will enable management find better and appropriate solutions towards work related issues.

1.7 Scope of the study

Many corporate organisations in Kenya engage in the practice of corporate governance. The research however concentrated on public companies to establish the approaches they have in place of corporate governance, which includes the involvement of employees to achieve their business objectives. These are companies that are expected to embrace good governance and planning practices.

1.8 Delimitations of the Study

The researcher carried an introduction letter from the University and assured the employees that the information they give would be treated with utmost confidentiality and would be used purely for academic purposes. Furthermore, the researcher encouraged the respondents to participate without holding back the information they might be having as the research instruments did not bear their names. The researcher also made use of available networks to persuade the targeted respondents to fill in and return the questionnaires.

1.9 Assumptions of the Study

The researcher assumed first that there was adequate security to enhance the execution of the study. Towards the attainment of the objectives, the researcher also assumed that adequate corporation would be offered by the respondents and that there would be no fear on the part of the respondents. There was also an assumption that the respondents would return the questionnaires on time and that there would be adequate time to do the research. The researcher also assumed that there would be sufficient funds to travel, buy stationery and do relevant correspondences.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter deals with what other researchers have said concerning similar subjects as discussed in this chapter. It gives the background literature which discusses the research problem. In this section of the research, a review of the related literature on the subject under investigation is presented. There was a systematic identification and analysis of documents containing information related to the study problem. The review involved textual analysis of reports as well as documents by various authors that focus on enhancing employee involvement in corporate governance in organisations.

2.2 Theoretical Framework

McNutt (2010) defines a theory as a system of interconnected ideas that condense and organize knowledge about the world. The agency theory and the stewardship theory are the main theories underlying the concept of corporate governance.

2.2.1 Agency Theory

It has been pointed out that separation of control from ownership implies that professional managers manage a firm on behalf of the firm's owners (Kiel & Nicholson, 2003). Proponents of the agency theory opine that a firm's top management becomes more powerful when the firm's stock is widely held and the board of directors is composed of people who know little of the firm. The theory suggests that a firm's top management should have a significant ownership of the firm in order to secure a positive relationship between corporate governance and the amount of stock owned by the top management (Macey, 2008). Rock (2002) argues that problems arise in corporations because agents (top management) are not willing to bear

responsibility for their decisions unless they own a substantial amount of stock in the corporation.

The agency theory also advocates for the setting up of rules and incentives to align the behavior of managers to the desires of owners, Lawler (2003). However, it is almost impossible to write a set of rules for every scenario encountered by employees. Consequently, the Australian Stock Exchange Corporate Governance Council (ASECGC) associates good corporate governance with people of integrity.

Kodjo (2009) opined that the agency theory is mainly applied by boards of profit making organizations to align the interests of management with those of shareholders. O'Kelly (2005) argues that the demands of profit making organizations are different from those of stakeholders such as shareholders, local communities, employees and customers. The conflicting demands can be used to justify actions that some may criticize as immoral or unethical depending on the stakeholder group applied to directors and boards since the 1980's. According to this theory, people are self-interested rather than altruistic and cannot be trusted to act in the best interests of others. On the contrary, people seek to maximize their own utility. The agency theory presents the relationship between directors and shareholders as a contract (Krant, 2002). This implies that the actions of directors, acting as agents of shareholders, must be checked to ensure that they are in the best interests of the shareholders.

2.2.2 Stewardship Theory

The stewardship theory, also known as the stakeholders' theory, adopts a different approach from the agency theory. It starts from the premise that organizations serve a broader social purpose than just maximizing the wealth of shareholders. The stakeholders' theory holds that corporations are social entities that affect the welfare of many stakeholders where stakeholders are groups or individuals that interact with a firm and that affect or are affected by the achievement of the firm's objectives. Successful organizations are judged by their ability to add

value for all their stakeholders. Some scholars consider the natural environment to be a key stakeholder (Friedman and Miles, 2006).

Stakeholders can be instrumental to corporate success and have moral and legal rights (Gunay, 2008). When stakeholders get what they want from a firm, they return to the firm for more (McCall, 2001). Therefore, corporate leaders have to consider the claims of stakeholders when making decisions and conduct business responsibly towards the stakeholders (White, 2009). Participation of stakeholders in corporate decision-making can enhance efficiency and reduce conflicts (Friedman and Miles, 2006).

According to Otsuka (2006), corporations adopt reactive or proactive approaches when integrating stakeholders' concerns in decision-making. This results into a misalignment of organizational goals and stakeholder demands (Mackenzie, 2007). Some authors attribute scandals such as those of Enron and WorldCom to the failure to consider stakeholder concerns in decision-making. Following these scandals, some governments set up new regulations to align the interests of stakeholders with corporate conduct. For example, the Sarbanes-Oxley Act (SOX) was passed as a result of the collapse of Enron and WorldCom. McNutt (2010) argues that the stewardship theory remains the theoretical foundation for much regulation and legislation. A proactive approach is used by corporations that integrate stakeholders' concerns into their decision-making processes and that establish necessary governance structures (O'Kelly, 2005).

In summary, the stewardship theory suggests that a firm's board of directors and its Chief Executive Officer, acting as stewards, are more motivated to act in the best interests of the firm rather than for their own selfish interests. This is because, over time, senior executives tend to view a firm as an extension of themselves (Rock, 2005). Therefore, the stewardship theory argues that, compared to shareholders, a firm's top management cares more about the firm's long term success.

2.3 Corporate Governance in Kenya

Corporate governance is the system by which organizations are directed and controlled. It's a set of relationships between company directors, shareholders and other stakeholder's as it addresses the powers of directors and of controlling shareholders over minority interest, the rights of employees, rights of creditors and other stakeholders (Miringu and Muoria, 2011).

Corporate governance in Kenyan companies is relatively new. The Kenyan Government has realized the importance of corporate governance and its importance on corporate financing and performance and is requiring its organs like Capital Markets Authority to enforce corporate governance standards (United Nations Conference on Trade and Development).

The Kenyan public sector is modeled around key government departments, parastatals and government bodies (Republic of Kenya, 2007). The key government departments oversee the activities of the other government parastatals, government bodies and private sector enterprises. These departments do not compete with other similar organizations but they are expected not only to offer quality services but also to operate efficiently and effectively.

Some parastatals are expected to compete with firms in the private sector and to make reasonable profits. It is therefore important for these firms to be managed effectively if they are to compete favorably with domestic and international firms. Currently, Kenya's public service is faced with major challenges that include an uncertain economy, political changes and a globalized market (Nafukho, 2008). Moreover, a number of Kenya's public sector organizations are barely surviving and this is why the IMF/World bank had to intervene in their management. However, survival is not enough for these organizations considering the rapid technological advances that are taking place all over the world. Public sector organizations in Kenya must think in terms of excellence if they are to adapt effectively to the changing environment (Gachunga, 2009).

2.4 Performance and Productivity of Employees

In an effort to improve the productivity of public sector organizations, the Kenyan government launched civil service reforms in 1993 (Otsuka, 2006). These reforms have taken such forms as performance management systems and rapid results initiatives. Although many gains have been achieved since that time period, there is still room for better performance.

In Kenya, a number of problems relating to corporate governance have been identified. The problems range from errors, mistakes to outright fraud. The origins of the problem range from concentrated ownership, weak incentives, poor protection of minority shareholders, to weak information standards and lack of inclusion of employees in governance issues in the organization (Mwaura, 2007).

Various parastatals have not been exempted from corporate collapses over the past years. They continue to lose huge sums of money due to such fraudulent transactions conducted by directors. Cases of CEOs and local MPs borrowing money from companies have become commonplace. It bears to re-mention that in the 80s more than 33 banks collapsed and other parastatals such as Kenya Cooperative Creameries (KCC), National Housing Corporation (NHC), few followed suit in the past decade. The Centre for Corporate Governance (CCGC) in its foreword highlights that in the light of the collapse of big corporations especially the parastatals with the negative social and economic consequences for the Kenyan public, corporate governance became a major policy priority. Again as the center explains, the media and the Kenyan public started questioning how corporations were being run. Perhaps a point that warrants mentioning is that the Kenyan media is internationally credited for its high professionalism as it has overtly played a major role in offering checks and balances on government and on industry. Underlying these developments, in 2002, the Centre for Corporate Governance (CCGC) previously referred to as the private sector initiative for Corporate Governance adopted a Sample Code of Best Practice of Corporate Governance in Kenya.

Against this background, the International Organizations such as the IMF (International Monetary Fund) and the World Bank proposed the privatization of Kenyan parastatals in 1994. The Structural Adjustment Programs (SAP) were aimed at reducing government participation in the economic sector and to increase the productivity of parastatals. Since then, this intervention has led to the popularization of privatization as a solution to the problems of parastatals even though the exercise did not bring the much coveted efficiency gains. (Kinyua, 2012).

Good corporate governance in most countries has come to be widely accepted as a vital part towards achieving Millennium Development Goals and as a pre-condition for sustainable economic growth. Ensuring better governance of corporations, financial institutions and markets is increasingly recognized for developing countries despite the limited number of firms there with widely traded shares (Kim, 2009). For developing countries, significant benefits can be linked to higher corporate governance standards in the private sector. These include better access to external finance, lower costs of capital and better firm performance (Lower, 2009).

Nafukho (2008), has argued that no subject is as voluminous with literature as corporate governance yet efforts to come up with a working definition have remained futile. This is because of the fact that corporate governance borrows from law, finance and political sciences. For the purpose of this research however, corporate governance is referred to as “the manner in which the power of a corporation is exercised in the stewardship of the corporation’s total portfolio of assets and resources with the objective of maintaining and increasing shareholder value and satisfaction of other stakeholders in the context of its corporate mission”. The stakeholder view seems to be gaining more foothold compared to the purely shareholder value in the light of the ongoing financial crisis.

Ferguson (2007), also argues that the corporate governance agenda has also been broadened by the recognition of the reach of corporate models characterized by different forms

and structures to the Anglo-American model of an investor owned firm. However until now little attention has been paid to the governance needs of government institutions such as state owned corporations despite their considerable presence in many developing countries. The institutions remain poorly understood and their specific governance challenges are still largely unexplored.

According to Thompson (2002), corporate governance affects the development and functioning of organizations and exerts a strong influence on resource allocation thus growth of companies. It impacts upon the behavior and performance of firms in general, innovative activity, entrepreneurship, and the development of firms small or large. In an era of increasing capital mobility and globalization, corporate governance has become an important framework condition affecting the industrial competitiveness of Organization for Economic Co-Operation and Development (OECD) countries.

2.5 Employee Involvement in Corporate Governance

Workers' participation in management is probably the most misunderstood and misused concept in labour-management relations, and has been taken to imply even collective bargaining, or to include suggestion schemes, employee ownership of stocks and so on.

Rock and Watcher (2005) note that, "In recent year's legal and finance scholars who have studied the institutions of control and governance in larger corporations have focused mainly on the relationship between shareholders and managers. But little energy has gone into analysing the role of employees in such governance." In Japan, by contrast, the role of employees has been one of the most important themes in the corporate governance debate. Hale (2003), a leading corporate law professor at Tokyo University, wrote as follows: "There has been a consensus among most corporate law professors that, irrespective of the principles and theories stated in the corporate law, in practice larger companies are administered by prioritizing interests of employees including both blue and white collar workers." This implies that, in spite of the principle that a company is owned by shareholders and thus it should prioritize shareholder's

interests, in practice, companies in Japan have existed and been administered for employees' interests.

Apostolou (2002) reported that employee involvement and empowerment is a long-term commitment, a new way of doing business, a fundamental change in culture. Employees who have been trained, empowered, and recognized for their achievements see their jobs and their companies from a different perspective. They no longer punch a clock, do what they are told, and count the minutes until the weekend rolls around. They "own" the company, in the sense that they feel personally responsible for its performance. The best way to obtain a genuine commitment from people is to involve them in the project from the beginning. Even if the original ideas are not theirs, the process of designing, planning and assessing will automatically pull them into the stream of things. Managers who try to take back some of that power end up with bitter, frustrated, and disillusioned employees. Performance will suffer, and future attempts to involve employees will be met with cynicism.

Organizations that carry on with business involving of their employees have grown beyond merely telling people what is going on, to actively seeking their contribution to the decision making process. Only a minority of organizations in industry could be truly said to be operating with the involvement of their employees, but the trend over the last 10 years has certainly been to move towards this direction, often following the link of inward investors such as the Japanese, Germans and Americans, and the opportunities presented by reconstruction and Greenfield sites McNutt (2010).

The cultural effect being sought is a sense of ownership of the company among its employees. This can have remarkable effects on employees' commitment to the company and the type of activities they will undertake. In the distribution arm of Coca-Cola Beverages for example, one can see warehousemen with business cards who actively promoted the product in their own time at events where the Coke name was present, in sponsorship or just the provision

of drinks.

Ricardo and Vera (2011) hypothesize that the reason for omission of employees in governance issues could be the weak employee participation in Anglo governance systems, such as the USA, compared to relationship-based systems as in Germany or Japan, and the assumption that shareholders are the only bearers of ex post residual risk, with the result that employee interests were viewed as an exogenous parameter. With the integration of employees into corporate decision-making, Japanese firms have been viewed as a unified body of employees and the stake of employees is seen to be important enough to them being considered as a de facto controlling group of the firm.

Corporate governance has gained increasing importance in the last decade as organizations have been involved in bankruptcies and frauds alongside decreases in organizational value and jobs. However, the focus on agency approaches, with its emphasis on regulation, control devices and professional codes has left a gap in linking governance and organizational value by way of stakeholder engagement. Indeed, researchers have signaled a need for new perspectives and models of governance, especially one that clearly identifies and embeds employees as a significant part of the firm's internal and external systems (Young and Thyil 2009).

This institutional logic can be described as a 'constitutional' model of the firm where the voice of labour and capital is as a matter of public interest and supported through politics (Fauver and Fuerst, 2006). Unlike a purely private association, corporations have features of a social institution which assigns non-contractual status rights and obligations to its members independent of their will and exchange value in the market. Governance involves both externalizations of private interests onto corporatist associations, as well as internalization of societal interests within the firm. Outside the firm, governance is interwoven with industry wide collective bargaining, membership in employers' associations and chambers of commerce and industry, and obligations to train according the public standards in the apprenticeship system.

Within the firm, decision-making is densely regulated through a two-tier board system that legally separates management and shareholder control, as well as opens the supervisory board to employee representatives. Voice is shaped by strong legal institutionalization of public identities and class interests.

2.6 Need of Employee Involvement in Corporate Governance

One of the greatest underlying factors in the success or failure of any organization is the power of its people, and how well that power is focused towards meeting the organization's objectives. Modern manufacturing management pursues the goal of a paperless factory, with design concepts moving from an engineering computer – aided – design terminal through data links to a computer – aided – manufacturing terminal, which in turn drives a numerically controlled machine. Factory automation example notwithstanding, all companies operate on the strengths and weaknesses of their employees. Even in a fully automated factory, employees have to design, maintain, and operate the systems that create output. Organizations that can tap the strengths of their people will be stronger and more competitive than those that cannot. Organizations that regard people as automatons or mere cogs in a wheel will never realize their full potential. In the long run, such companies' inefficiencies attract competition, and unless the management philosophy changes, they will disappear (Apostolou, 2002).

According to Singh and Dixit (2011), employee involvement has become a very important issue today as there is a lot competition in the market in every field of work. Everyone has got access to technology, finance and new methods of working; it is only the manpower which makes all the difference. If organization wants the lead, it will have to involve its people in discussions and decision-making. Many companies now a day, including Adidas and Tata Consultancies are focusing attention towards employee involvement and employee participation so as to make their employees feel important and create environment in which they could feel free to make contribution in the decisions and actions which affect their job.

Rock and Watcher, (2005) arrived at the conclusion that some of the reasons why employees should be corporate governance issues is because employees normally do a poor job in governing their firms. First, they may be more risk averse than shareholders given that they are usually poorer and have a limited capability to diversify their capital or earnings. This leads them to prefer stable wages and to be less willing to be residual claimants, to whom the governance role is generally assigned. Second, they may have a comparative disadvantage in playing a governance role at the corporate level. Employers generally have better information about the product market, relevant technologies, and other issues of strategic decision-making, while employees have a comparative advantage in information about their work on the shop-floor. Finally, workers are more heterogeneous than investors in their interests and objectives in the firm. They have different preferences with regard to income stability, job security, safety, work efforts, etc., so that decision-making is likely to be difficult and time-consuming.

The objective of participation for management was initially limited to attaining higher productivity through a more committed workforce. Later as behavioral theories evolved, participation was thought and expected to achieve more elaborate organizational ends, such as improvement in employee morale, improved industrial relations, motivation and commitment, and quality of work life. One achievement that enterprises accidentally discovered was that the quality of decision-making improved. This had major advantages in a complex or unstable environment, since more variables and consequences were taken into account during decision-making itself (Thompson, 2002).

In many cases strategic decision-making by the shareholder representatives is based on purely economic, commercial and investment grounds. Employment is considered as another part of the production cost base but little or no consideration is given to the impact of such decisions on the individual employees, their families and communities. However, this view is changing, along with the narrow views on ownership. With the availability of new information

technology and automation, the introduction of new forms of work organization, the trend to globalization and changes in company structures, the role of workers is becoming central to the challenge of change and the success of an enterprise. As a result there is a growing belief that all the elements that make up the production process are mutually dependent and must work in harmony for the enterprise to be at its most efficient (O'Kelly, 2005).

Truss (2008) argued that the decision-making process of firms must strengthen participation and self-governance of employees as a part of corporate governance, stating that the traditional model of a monitoring and sanctioning management would make governance problems worse by creating a governance structure for crooks by reinforcing selfish extrinsic motivation and crowding out intrinsic motivation to behave honestly. They suggested that strict control has a paradoxical effect leading to a never-ending and continuously expanding need to increase control, affecting the loyalty of employees to their firms. Similarly, Kiel and Nicholson (2003) cautioned that 'managerial accountability is not a zero-sum relationship', and when the interests of capital (shareholders) and labour diverge too sharply, coalitions between labour and committed block holders in actively monitoring management may break down and give management increasing autonomy to pursue its own agenda and thereby damage accountability.

In this regard, Rock and Watcher (2005) argued that industrial relations approaches and labour unions provide a critical environment for a potential governance role for employees as they affect mode, agenda, and effectiveness of various practices of employee participation. Nam pointed out that, as major stakeholders, employees need to be given a governance role and a voice on the issues such as job design, work organization, technology choices and compensation usually regarded as managerial prerogatives. Employees' role in corporate governance is reflected in their ability to influence corporate decision-making and to control a firm's resources. Indeed, despite the formal legal equality of employers and employees in the labour

contract, the substantive asymmetries in power have led to persistent conflicts over legitimate managerial authority (Kiel and Nicholson 2003).

Lower (2009), argues that corporate managers are seeking not just more corporate governance words but a reason for taking this philosophy into day-to-day management. Although organizations have a range of stakeholders, he cites Friedman and Miles (2002) in arguing that in practice some seem to be more significant than others. Indeed Ferguson (2007) found that firms do prioritize investment in stakeholder groups which is based on their respective power, with investment in internal stakeholders being a priority. Hence, relationships with staff are seen as one part of good corporate governance which leads to organizational success. Human resource management also impacts on corporate reputation, alongside brand equity, ethical leadership, corporate citizenship and management quality (Lower 2009).

The quality and acceptability of decision-making in stakeholder-accountable organizations are enhanced by incorporating employee perspectives. Moreover, a newly developed governance model (Young and Thyil 2009) shows clearly the importance of labour to governance. Within this model, labour is a distinctive component and recognized in a number of segments, including human resource management, organizational justice, corporate social responsibility, employment laws, trade unions and employees.

2.7 Effect of Decision Making on Corporate Governance Success

Decision making is the cornerstone of management in any organization. In most business organizations, responsibilities are divided between "those who think" and "those who do." Employees are mostly most of the time relegated to the position of those who do rather than to be included in those who think category. A strict separation of manager and employee roles sends the message to workers that they are only responsible for what they are specifically told to do. But how much stock might be saved, damage avoided, spoilage reduced, and work improvement generated if the minds connected to all those hired hands were tapped? Involving

people in decision-making transfers power to subordinates. Some supervisors think failing to maintain tight control may be seen as a sign of weakness. Others simply find their use of authority very satisfying. Finally, there are those who are concerned their subordinates would not make decisions or discharge responsibilities well (Rosenberg 2000).

Decision making process in an organization is an important aspect for the survival of organizations. Over the years, worker unrest and agitations has rocked many organizations the world over and non-involvement of employees in the decision-making process has accounted for many of these. Decision-making in organizations has been the preserve of top management without the involvement of those on the lower rungs of the ladder of management, yet they are the very ones expected to see to the implementation of these decisions. The non-involvement of lower level management in decision-making also means that vital input from employees is often not factored into decisions made. This gives rise to the problems that are experienced in organizations when it comes to the acceptance of these decisions and its implementation because employees feel slighted and of no importance because their views were not sought (Hale, 2003).

They also do not feel as being part of the decision process but rather decisions are taken and 'pushed down their throats'. This leads to resistance to compliance or a lackadaisical attitude to implementation. Participatory management increases performance, productivity, job satisfaction and motivation. However there are papers that doubt the efficiency of participative management. But there also are situations in which participatory management; saying can be time-wasting and counterproductive. It can reduce people's effectiveness and job satisfaction.

Employee participation if practiced would ensure a favorable atmosphere for implementation would be created as staff would have a feeling of trust and a sense of belongingness and therefore take ownership of decisions and see to its successful implementation. Those against the concept of employee involvement in decision-making view it

as a waste of time, lowering of efficiency and weakening the effectiveness of management (Apostolou, 2000).

In periods of change, the ability of the leadership to explain the journey their organization is on, the challenges it faces, and how leaders are planning to address those challenges is paramount. From the most senior manager to the front line, employees need to understand their business and how their day-to-day efforts contribute to its success. Understanding the strategic narrative enables employees to engage more fully in their organization and helps them to understand the value of their role. Particularly in a period of change, a clear explanation of the strategy being pursued builds trust among the workforce that they are in a safe pair of hands (Colvin, 2001).

To get greater understanding and buy-in to the strategy, managers need to look again at their communication with employees. Do their employees know what the organization is for and what it is trying to achieve? Why change is needed and what that change will achieve? And how employees and their work fit within that picture? This is not just top-down communication. Leaders looking for genuine workforce engagement in transformation need to allow employees to question and interrogate the strategy and sometimes adjust it in response. If it is accepted that public service workers have important knowledge and insight into the services they deliver, then their contributions must be valued. As well as improving strategic decisions, good communication helps reassure employees that all options have been considered and that decisions taken are well-informed (Macey and Schneider, 2008).

Having the opportunity to feed views upwards and feeling that they are listened to affects the extent to which employees feel valued, committed and engaged. Employee surveys, online communications, team meetings, joint consultative committees or employee forums all provide opportunities for employees to have their say and be involved in discussing issues of concern and interest to them. By acting on employee surveys and communicating action plans, or giving

progress reports on past suggestions to union representatives or team meetings, managers can also show that employees are being listened to.

According to Faleye (2005), many employees are comfortable using their line manager to report upwards and will also use suggestion schemes, surveys or team meetings. But others will feel more confident going through their union or employee forum representative. Representatives' first interest will be in protecting the interests of their members, but they also have a valuable role in gathering the views of the workforce and relaying this to managers. They can also ask questions to better understand managers' decisions and relay this back to the workforce, helping to build confidence in the leadership.

Various managers have a variety of ways through which they engage employees under their stewardship. This can be flagging issues directly with managers or line managers. In other cases they might want to talk to someone they see as completely independent of line management, for example staff councils or through their trade union representatives. What managers are really concerned about is what employees are worried about.

Good communication with the workforce is one of the most important factors in maintaining engagement, and managers understand that an anxious workforce is less likely to be engaged. Finding out about and addressing employee concerns is therefore the first step to improving engagement. As public service managers come under pressure to deliver change quickly, they must maintain sufficient time to consult with the workforce, to allow, either through representatives or direct communication, employees to feed their views up through the organization, and for managers to acknowledge and address those concerns. Time spent at this stage could well ensure more effective implementation later on. Faleye (2005).

2.8 Inclusive Policy Formulation and Successful Corporate Governance

Organizations are very curious and always in search of competitive policies to gear up their performance. Global trends influence organizational practices from traditional to employee's

competitive policies. Organizations strengthen their base and competencies by adopting policies through which they empower their employees by delegating authority to them. The most important feature in the achievement or collapse of any institute is the authority of its employees, and how well that authority is focused towards achieving company objectives. Presently, industrialized organization follows the objective of a paperless environment, with plan and theory from a workstation terminal through information links to a workstation-aided-mechanized terminal, which in turn force a numerically controlled machine Apostolou, (2000).

According to Penna research report, recognition at work has the potential to be a valuable way of bringing employers and employees closer together to the benefit of both. Where employees experience a sense of community, the space to be themselves and the opportunity to make a contribution, they will find the jobs meaningful (Edith and Williams, 2011).

Employees want to work in the organizations that recognize their individual capability and effort so that they can gainfully be relevant at work. Faleye (2005) researchers have also come up with a new model they called “Hierarchy of engagement” which resembles Maslow’s need hierarchy model. In the bottom line there are basic needs of pay and benefits. Once an employee satisfied these needs, then the employee looks to development opportunities, the possibility for promotion and then leadership style will be introduced to the mix in the model. Finally, when all the above cited lower level aspirations have been satisfied the employee looks to an alignment of value-meaning, which is displayed by a true sense of connection, a common purpose and a shared sense of meaning at work.

Organizations must perform at individual level to improve the performance of whole organizational. All subdivisions of the organizations must perform well to achieve overall performance level (Benelli, Loderer and Luos, 2001). Organizations in all over the world have designed different processes to improve performance level from functional to employees and till organizational level to perk up overall organizational performance. Organizations are also

required to manage performance and functions of their employees and functions by setting goals and achieving those (Mulinge, 2007).

Most companies strive to employ and maintain productive employees in their organisations. Productive employees come up with new ideas and strategies to enable the organisation survive in this tumultuous economic environment. According to Erven (2001), productivity is a performance measure that includes both efficiency and effectiveness. Effective and high performing “organisations have a culture that encourages employee involvement hence employees are more willing to get involved in goal setting, decision-making or problem solving activities that results in higher employee performance”.

Employee involvement encourages modern style of participatory management, satisfaction, raises employee productivity and lowers the employee compensation rates. Furthermore, employee participation encourages job satisfaction, which increases productivity through bringing high quality motivation and working capabilities at times of implementation. Gall (2004) argues that participative climate has more considerable effects on workers’ satisfaction than participation in specific decision. According to Gollan (2002), human resource policies, that encourage employees involvement aim at providing workers with opportunities to have the means to acquire the appropriate skills, incentive to expand discretionary efforts and to have an input in decision making.

Employee engagement covers the basic dimensions of intrinsic motivation, which ensures goal oriented behavior. High level of engagement increase proactive work behaviors in the sense of personal initiative such as proactive behavior (White, 2009). Employees, when they engaged, will be more likely to create a social context that is conducive to teamwork, helping, voice, and other discretionary behaviors that can lend to organizational effectiveness (Thompson, 2002). Engagement should be positively related to OCB because employees who are engaged in their job should not only fulfill their formal role requirements, but should put forth extra effort to

perform other activities that extend beyond their formal role requirement. Engaged employee works with passion and is more committed to the organization. Employee engagement is the extent to which people enjoy and believe in what they do, and feel valued by doing it.

Employee engagement focuses on work performed and represents the willingness to do dedicated physical, cognitive, and emotional resources to this work. An engaged individual is one who approaches the tasks associated with a job with a sense of self-investment, energy and passion which should translate into higher levels of performance (Truss et al, 2008). When individuals invest energy into their work roles, they should have higher contextual performance. Employee engagement is one of the indicators of an employee's willingness to expend discretionary effort to help the employer. Employee engagement is predominantly with extra-role behavior. Engaged employees are likely to perform extra-role behaviors because they are able to accomplish goals and to perform their tasks efficiently, enabling them to pursue activities that are not part of their job descriptions.

2.9 Effective Communication and Success in Corporate Governance

For any organization to build its status in the corporate world and with its stakeholders, effective communication plays a cornerstone function. Communication departments play key roles in the management of internal and external communication. They are vital in the sharing of knowledge and decisions with employee as well as stakeholders. Further, effective communication forms the biggest link between the organization, its stakeholders and the general public (Freeman & Kleiner, 2002).

Effective communication can be defined as an interactive process that involves the design of ideas, message, and information as well as their dissemination with an attempt to realize change in a person's behaviour and/or to persuade him/her to act in a particular or predetermined manner. On his part, Krant (2002) views effective communication as the process of encoding and decoding messages or information. In this case, a medium (sounds, gestures, books,

graphics and other media) is usually engaged.

Effective communication has attained a paramount position in all sectors of the global economy. As a result, many academic discourses have concentrated on its use in corporate organizations. Its importance in the application of marketing techniques in the corporate industry has been underlined. Presently, effective corporate communication is indispensable in the success of every business. As a result, major companies have identified its effect globally thus business giants worldwide like Standard Chartered, Barclays and British American Tobacco have employed effective communication strategies through their Corporate Communication departments and have greatly reaped of its fruits and continue to soar high up in the business world. Barrett, (2006), views corporate communication as activities of managing internal and external communication aiming at creating favourable starting points with stakeholders of the company. Effective communication promotes business growth as well as the competitive edge of any organization.

Whereas the study of organizational communication is not new, it is only recently that it has been recognized as a field of academic study to a larger extent. This has mainly been in response to the ever-increasing needs and concerns of business. To this end, that all organizations, not just business organizations, have effective communication needs and challenges has been well underlined. According to Kraut et al. (2002), proponents of organizational communication training recognize that managers should be trained to not only be effective speakers but also to have good interpersonal communication skills. Colvin (2001) emphasizes on the need to harness effective communication skills to pass the intended messages through words or signals.

Managers should ensure the accessibility of information as it flows freely within the organization. This can only be realized when information is communicated effectively to all the employees. Thus the ability of all parties to communicate and transfer the necessary information

meaningfully and resourcefully is vital for effective communication. In the light of this, it is worth noting that the communication process of any organization influences its position in the current ever-dynamic corporate world. This is particularly so since communication is inevitable for each and every business process. The growth of an organization is enhanced by the effective exchange of information and knowledge with the internal groups as well stakeholders. Whereas Communication is arguably enshrined within the management processes of major organizations, its effectiveness is enhanced by a number of factors. These factors that rotate around the message being conveyed, its sender, the receiver or even the medium employed (Erven, 2001). Such factors can be broken further into micro-factors; this study shall endeavour to investigate.

McNutt, (2010) on his part sees effective communication as a process of increased commonality or sharing of information between participants on the basis of sending and receiving messages. For communication to be termed effective, Fielding (2006) sees it in terms of organizational set up which should be done through downward, sideways (lateral) or upward communication. To him, effective communication would not only ensure that products and services are of the best quality, but also that staff would generate new ideas, adapt to changes and work cohesively in understanding the organizational objectives and work to achieve them.

Effective communication is of principal importance to corporate organizations. It goes without saying that within the process of accomplishing their respective production and social functions, individual members of groups have to communicate with each other. In addition, groups need to communicate with other groups within organisations. To this end, the communication employed is both formal and informal (Kraut et al., 2002). Crosscutting through all spheres of life, effective communication is essential in organizations for managerial effectiveness. In this regard, parastatals are of no exception since managers spend a lot of time interacting with other members of staff for purposes of achieving various organizational objectives.

2.10 Employee Training and Development on Successful Corporate Governance

Employee training is important to show workers what is expected of them and how to do it. Without training they would not understand what the requirements of the job are, and customers would not be satisfied if the employee they were dealing with did not know what they were doing. All organizations must manage four resources: money, equipment, information, and people. Investments in better equipment may speed up production or reduce waste. Information is power; data about products, prices, and customers are essential to every business. Investments in training and development of employees can make them more productive or more effective in their jobs, directly contributing to the bottom line.

The purpose of training and management development programs is to improve employee capabilities and organizational capabilities. When the organization invests in improving the knowledge and skills of its employees, the investment is returned in the form of more productive and effective employees. Training and development programs may be focused on individual performance or team performance. The creation and implementation of training and management development programs should be based on training and management development needs identified by a training needs analysis so that the time and money invested in training and management development is linked to the mission or core business of the organization (Ricardo and Versa, 2011).

According to Kinyua (2011) training is a process through which the skills, talent and knowledge of an employee is enhanced and increased. He argues that training should take place only when the need and objectives for such training have been identified. He further asserts that training is the cornerstone of sound management, for it makes employees more effective and productive. He argues that training is actively and intimately connected with all the personnel and managerial activities. It would be difficult for a new employee to grow on the job and

become a manager without adequate training and development.

Training and development serve as additional levers for enhancing engagement and commitment. For new hires, training usually begins with orientation. Orientation presents several important opportunities, including explaining pay, work schedules and company policies. Most important, it gives you a chance to encourage employee engagement by explaining how the new hire's job contributes to the organization's mission. Through orientation, you describe how your company is organized, introduce the new employee to his or her co-workers, give the person a tour of the area where he or she will be working and explain safety regulations and other procedural matters. In short, you foster person-organization fit-vital for developing productive and dedicated employees. (Konzelmann, 2007)

Training can have a considerable influence on company finances as there are several potential training costs that companies may incur. One type of training related cost is direct cost. This may include instructor salary, materials, and follow-up supervision. A second type of training related cost is indirect cost. These costs are related to worker output and productivity during and upon completion of the training. Along these lines, once a training program is completed, worker productivity is expected to increase. The benefits will be to the company, due to an increase in worker output and productivity, and to the worker, as the increase in output should translate into higher wages and opportunities for career advancement. In general, a company will weigh the costs and returns to training to determine the amount of investment it will incur (Kaufman & Hotchkiss, 2006).

Through training, you help new and current employees acquire the knowledge and skills they need to perform their jobs. And employees who enhance their skills through training are more likely to engage fully in their work, because they derive satisfaction from mastering new tasks. Training also enhances employees' value to your company as well as their own employability in the job market. In addition, most companies offer higher wages for skilled

workers, to compensate them for their greater value and to discourage turnover, (Vance, 2006).

According to Lawler and Worley (2006) for a high-involvement work practice to be effective and for it to have a positive impact on employee engagement, employees must be given *power*. They argue this will lead to employees having the ability to make decisions that are important to their performance and to the quality of their working lives, thus engaging them in their work. Furthermore, Lawler and Worley (2006) contend that power can mean a relatively low level of influence, as in providing input into decisions made by others or it can mean having final authority and accountability for decisions and their outcomes. Involvement is maximized when the highest possible level of power is pushed down to the employees that have to carry out the decision, resulting in gaining the maximum level of engagement possible from employees.

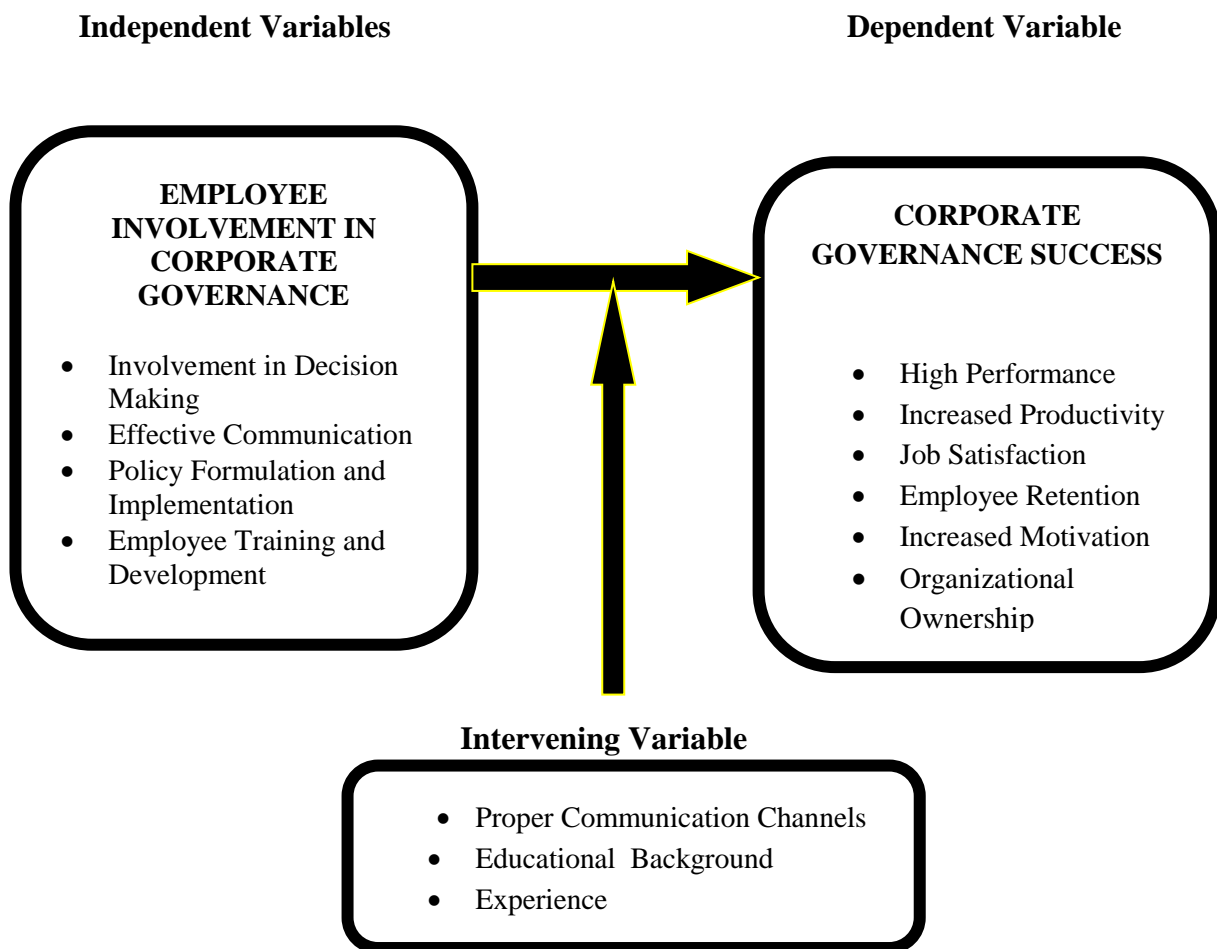
Training and career development is one of several human resource practices that can have a considerable impact on employee's commitment and involvement in organizational matters. It seeks to improve employee investment, increase reciprocity, helps the employee identify with the organization, and serves to limit alternative employment options will enhance the employee's commitment to the company. The result of this will be an organization that is better able to retain its workforce effectively (Lower 2009).

2.11 Conceptual Framework

The underlying causes of lack of employee involvement in corporate governance issues in organizations need to be studied carefully because their understanding has the potential of improving organizational performance. Identifying the various ways in which employee involvement affects corporate governance can have long-term implications for economic development of individual organizations and nations in general. A conceptual framework is a basic structure that consists of certain abstract blocks which represent the observational, the experiential and the analytical aspects of a process or system being conceived. The independent variable in this study was employee involvement as determined by their level of decision

making, effective communication, involvement in policy formulation and implementation as well as employee training and development while the dependent variable was success in corporate governance as determined by the level of performance, increased productivity, Job Satisfaction, employee retention, increased motivation and organizational ownership.

FIGURE 1
Conceptual Framework



CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The purpose of the study was to investigate the impact of employee involvement as a pillar behind the success of Corporate Governance. This chapter presents the various steps that facilitated the execution of the study to satisfy its objectives. These steps include the research design, target population, sampling methods and techniques, sample size, research instruments, data collection methods and data analysis procedure.

3.2 Research Design

The study adopted an explanatory design. According to Kothari (2004), an explanatory design is used when testing the relationship between the different variables. This approach was relevant because the researcher did not have to manipulate the variables nor decide who received a treatment for events to happen. In addition, explanatory survey when used well can produce statistical information and aspects of corporate governance of interest to policy makers and managers.

3.3 Target Population

Mugenda and Mugenda (2003) define the target population as a group of available individuals from the population that have some common characteristics that the researcher can identify and study. Kenya Literature Bureau was purposively chosen due to the accessibility of the organisation owing to its proximity to town. The organization has a total population of two hundred and sixteen (216) employees (KLB, 2013) distributed in eight (8) departments as shown on table 1.

TABLE 1
Distribution of Staff per Department at KLB

Department	KLB Staff Population
Corporate Services	90
Production	58
Publishing	22
Finance	16
Sales and Marketing	16
Human Resource	6
MD's Office - Support units:	
Audit	5
Legal	3
TOTAL	216

Source: Human Resource Department, KLB as at June, 2013

3.4 Sampling Procedures and Sample Size

A sample is a subset of the population that is used to give the general views of the target population (Orodho, 2005). Sampling was necessary at this stage since it was not easy to get information from all the targeted respondents due to their different work schedules. A simple systematic sampling procedure was used to select the respondents for this study, the technique entailed direct selection of elements from the sampling frame (Mugenda and Mugenda 2008).

The sampling frame contained two hundred and sixteen (216) permanent employees of KLB. Kasomo (2006) asserts that a sample of 10-20% is best for explanatory survey. Due to the homogenous nature of the study population in terms of the variables being measured, the researcher sampled 10% of the 216 employees resulting in 25 respondents. An optimum sample was used since it fulfilled efficiency, representativeness, reliability and flexibility required in a scientific study (Kothari, 2004). The respondents included six assistant heads of departments who were purposively selected. The other respondents per department were selected using random numbers where each member stood an equal chance to be chosen. Based on this approach, a sample size of 25 employees was drawn.

Staff identification numbers instead of names were used to avoid any biasness.

TABLE 2
Study Sample

Department	KLB Staff Population	Sample Selected (10%)
Corporate Services	90	9
Production	58	6
Publishing	22	3
Finance	16	2
Sales and Marketing	16	2
Human Resource	6	1
MD's Office - Support units:		
Audit	5	1
Legal	3	1
TOTAL	216	25

Source: HR Department KLB as at June, 2013

3.5 Data Collection Instruments

Both primary and secondary data were used in this study. The primary data was collected using questionnaires. The questions asked were structured in a non-disguised manner. The respondents were informed about the purpose of collecting the information. Both closed and open ended question were used. In closed ended questions - the respondents were asked to select from a fixed list of replies and the respondent chose anyone of the options given or multiple options. This method facilitated coding and helped in quantifying the answers to the questions.

Open-ended questions gave the audience an opportunity to express their opinions. In these types of questions, there were no predetermined set of responses and the respondents were free to answer by choice (Robert, 2003). By including open format questions in the questionnaire, the researcher included true, insightful and even unexpected suggestions. The questionnaire was divided into three parts; this was aimed at seeking information depending on the research questions. The researcher opted for a questionnaire because it was suitable for an extensive inquiry like the current one, the respondents also had enough time to carefully consider their answers and the method was also free from bias. Secondary data was collected through desktop review of management reports and business journals, newspapers, books as well as from the websites. The information was used to supplement the data received from questionnaires.

3.6 Pilot Test

The pilot study allowed for pre-testing of the research instrument with a small representative of the target population. This enabled the researcher to be familiar with the research and its administration procedure as well as identifying items that required modification. This ensured validity, reliability and effectiveness of the research instrument.

3.6.1 Validity

This is the second central concept in quality of measurement (Keith, 2009). It refers to the degree to which a study accurately reflects or assesses the specific concept that the researcher is attempting to measure. If data is a true reflection of the variables, then inferences based on such data will be accurate and meaningful (Mugenda, *et al* 2003). According to Orodho (2005), validity is concerned with the degree to which an empirical measure accurately measures what it purports to measure. For this to be true the research instruments have to be free of error. In order to ensure validity of the research instruments, they were discussed with the supervisor, peers and a few employees for their input. In addition, during the development of the items in

the questionnaire, effort was made to include sufficient number of items. Validity was further enhanced during piloting depending on the comments of the respondents on specific items in regards to the wording and clarity. This enhanced examination, necessary revision and approval of items in terms of content validity.

3.6.2 Reliability

This is a measure of the degree to which a research instrument yields consistent results after repeated trials (Mugenda, et al, 2003). Stability or consistency over time can be directly assessed under certain circumstances by administration of the same instrument at two points in time (Keith, 2009). Reliability was increased by subjecting the questionnaires to test–retest methods whereby the same instrument was given repeatedly to the same group after a period of time. The results were consistent, thus the instrument was deemed reliable.

3.7 Data Collection Methods and Procedure

This study employed both secondary and primary data. Primary data was collected using questionnaires. The researcher with the help of research assistants did data collection for both the pilot and the main study. Employees who experienced any kind of difficulty were assisted to fill the questionnaires. A research permit was obtained and a copy of the permit presented to the authorities at KLB where data was collected. Both primary and secondary data were sought in this research because one can only strengthen the other (Mugenda 2008). Questionnaires were also used as the main instrument of data collection coupled with analysis of KLB governance materials for the secondary data.

Most items in the questionnaire were close ended, with multiple choice answers and offered greater uniformity of responses and were more easily processed. The Likert-Type-Index questions were also employed in the instrument.

The researcher issued the respondents with questionnaires once given the permission to go

ahead. The respondents were allowed sufficient time to respond to the questions.

3.8 Data Analysis Techniques

The raw data collected was pre-processed, developed, coded, stored and analysed. Quantitative data analysis methods were used. This is because the researcher used closed questions in the questionnaire. The quantitative data was analysed by use of the SPSS package, version 18 to obtain the descriptive statistical outputs and presented in tables, pie charts and graphs.

3.9 Ethical Considerations

Ethical considerations were greatly adhered to during the process of data collection which was very important to the success of the research. All the data collected throughout the process remained confidential. All the participants' privacy was respected. Since the research was conducted in an organisation, the researcher scheduled a formal meeting with the Managing Director to seek permission to carry out research in the organisation. The researcher also scheduled a meeting with the Human Resource Manager to seek permission to allow employees to take a few minutes (scheduled time) and respond to the questionnaire. Further, a student introductory letter from Kenya College of Accountancy University was obtained to enable the researcher and the assistants to carry out data collection.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter presents research findings and discussions based on the objectives of the study. The purpose of this study was to investigate the impact of employee involvement as a pillar behind the success of corporate governance in public organisations, the case of Kenya Literature Bureau. The specific objectives of the study were to: determine whether employees were involved in decision making as part of corporate governance success at Kenya Literature Bureau; establish whether employees' initiatives were factored in during policy formulation and implementation at Kenya Literature Bureau; establish whether there is effective communication on work related activities between employees and the management at Kenya Literature Bureau and; determine the influence of employees training and development on the success of corporate governance at Kenya Literature Bureau.

The data was collected using questionnaires; it was then coded and entered in SPSS package where analysis was done. Frequency tables, bar graphs, pie-charts and cross tabulations were used to present the findings as per the research objectives upon which interpretations supported by the secondary data and qualitative discussions were made. The discussions and interpretation were linked to the research questions outlined in chapter one of this research and the conceptual framework where the findings were compared to the extensive literature that was reviewed.

4.2 Demographic Characteristics

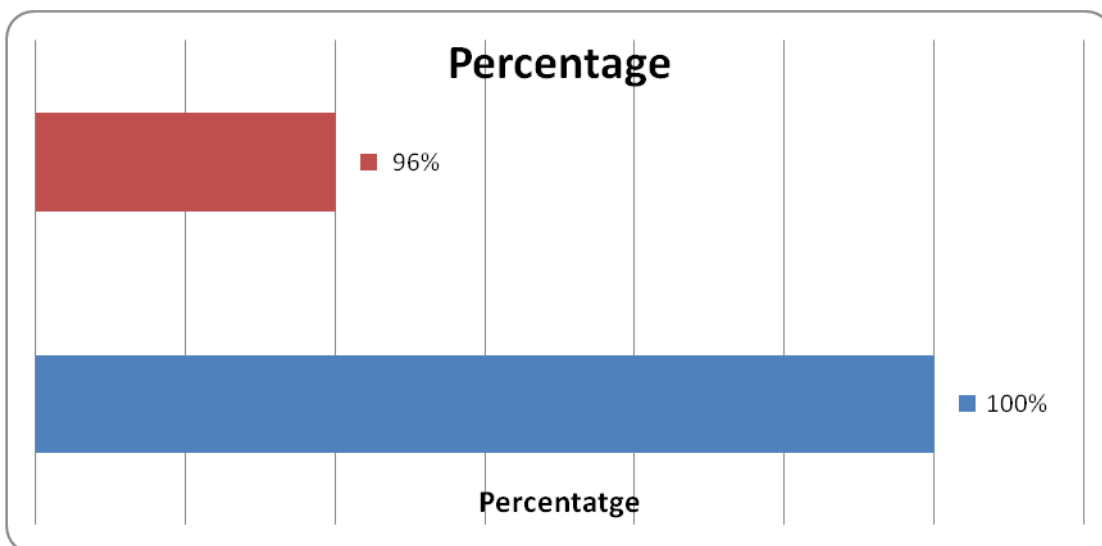
The researcher saw it important to analyse the demographic information as it gives some information on the intervening variables that are important for determining the background on which to base the research.

Some of the demographic information analysed in this research included: response rate, gender, age, education level, the current job scale and experience of the respondents.

4.2.1 *Response Rate*

The study sought to obtain data from 25 employees randomly sampled from all the Departments of KLB using questionnaires. The cross sectional approach to sampling was intended to collect views regarding the subject from all employees' perspectives across the board. The results were as shown in Figure 2.

FIGURE 2
Response Rate of Respondent in the Organization

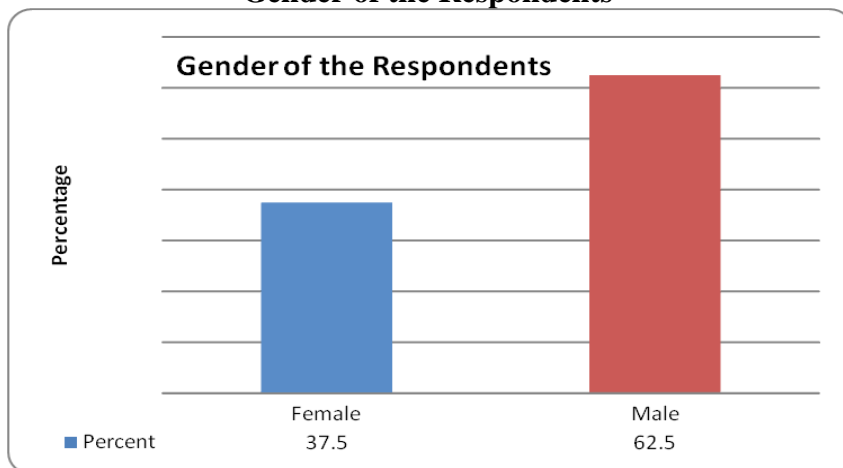


The total response was 24 out of 25 targeted respondents. This translated into a response rate of 96%. This showed that the employees responded positively to the questionnaire.

4.2.2 *Gender of the Respondents*

The respondents were requested to indicate their gender on the questionnaire for purposes of cross checking the ratio of male to female respondents. The results were as shown in Figure 3.

FIGURE 3
Gender of the Respondents



The researcher established that of the sample population that responded to and returned the questionnaires, 62.5% were male while 37.5% are female. This indicated that even though the ratio of female to male staff randomly chosen as respondents to this study is slim, there is an indication that male staffs are slightly more than their female counterparts at KLB.

4.2.3 Age of the Respondents

The respondents were requested to indicate their age brackets in the questionnaire for purposes of getting the information on the spread of work experiences. The results were as shown in Table 3.

TABLE 3
Age of the Respondent

	Frequency	Percent
Below 25 years	1	4.2
25-29 years	11	45.8
30 -34 years	7	29.2
35 -39 years	1	4.2
40 -44 years	3	8.3
45 -49 years	1	4.2
Above 50 years	1	4.2
Total	24	100.0

Source: Author, 2015

In terms of age, most of the respondents ranged between the ages of 25 years and 34 years. This indicates that the organization has a younger and energetic staff. However, it would be expected

that much older population of the organisation would have more experience and perhaps understand the importance of employee involvement in the success of corporate governance of the organisation. Based on this scenario, the researcher worked from a basic knowledge age difference alone is not a good indicator of experience since an employee can secure employment at a delayed age and that would not necessarily mean that they are experienced.

4.2.4 Level of Education

The respondents were requested to indicate their level of education on the questionnaire for purposes of cross checking their familiarity with the indicators which were being analysed and the results were as shown in Table 4.

**TABLE 4
Level of Education of Respondents**

	Frequency	Percent
Certificate	14	58.3
Diploma	6	25.0
Bachelor Degree	3	12.5
Masters	1	4.2
PhD	0	0.0
Total	24	100.0

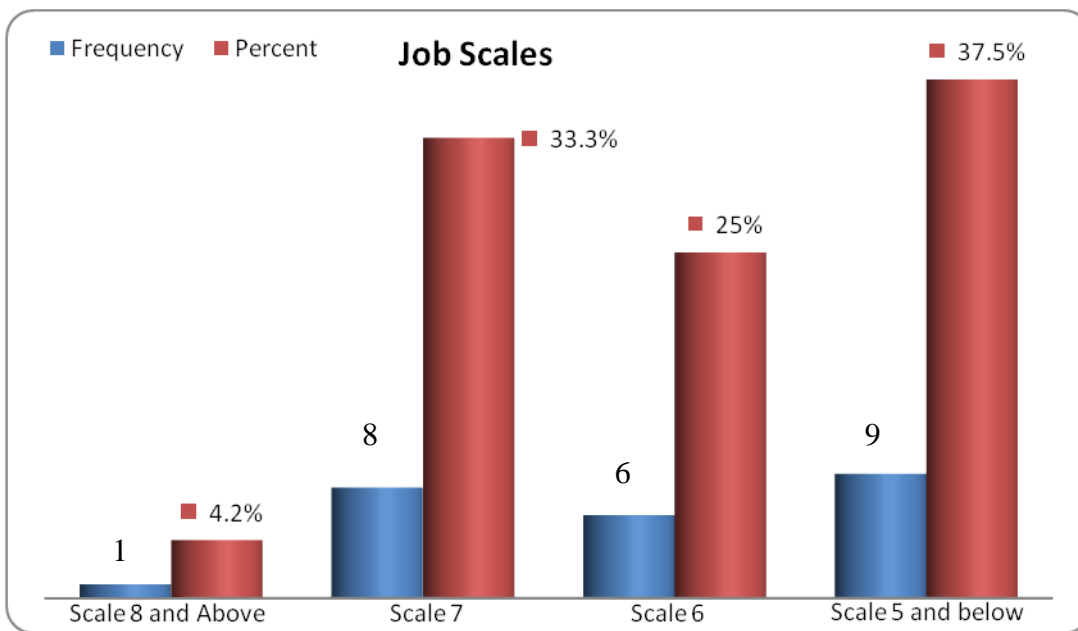
Source: Author, 2015

According to the statistical data analysed, 26.7% of the respondents were holders of a bachelor's degree and above. The rest were holders of either diploma or certificate qualifications. Precisely, 12.5% had bachelors' degree, 25.0% had diplomas 58.3% had certificates. The relatively low number of the employees with diploma qualifications and above would have had a negative effect on the level of employee involvement in decision making. Establishment of this was considered important by the researcher as it was inferred that the staff with a higher level of education would be considered better placed with the understanding of the effectiveness employee involvement in the success of corporate governance.

4.2.5 The Current Employment Scale

The respondents were requested to indicate their current employment scale for purposes of cross checking their level of possible involvement in decision making as an indicator which was being analysed and the results were as shown in figure 4.

FIGURE 4
The Current Employment Scale



From the data, it was seen that there are more employees in scale in scale 5 and below at 37.5% 7, followed by employees in scale 7 at 33.3%. 25.0% of the employees fall in scale 6 while those in scale 8 and above are only making up 4.2% of the employees. In conclusion, the data shows that about 58.3% are in scale 6 and above with the majority falling in the middle grades of scale 7 and 6. This middle level employment scale is the one that is involved in decision making in most organizations. Those in lower scales are also many at 37.5% but in many cases may not be involved in decision making.

4.2.6 Work Experience of the Respondents

The respondents were requested to indicate their work experience on the questionnaire for purposes of cross checking their level of possible involvement in decision making as dictated by the length of stay in the organization as an indicator which was being analysed and the results were as shown in Table 5.

TABLE 5
Work Experience of the Respondents

	Frequency	Percent
Below 5 years	14	58.3
5-10 years	6	25.0
11 -15 years	3	12.5
Above 15 years	1	4.2
Total	24	100.0

Source: Author, 2015

Table 5 shows that the majority of employees working at KLB were those who had worked 10 years and below. This category of employees formed 83.3% of the entire employees' population. Those who have worked with the organization for the duration between 10–15 years were 12.5%. Only 4.2% of the employees had worked in the organization for more than 15 years. The results showed a strong implication of high job turn over which in turn affects the experience that may be required in some key governance decision making areas.

4.3 Presentation of the Objectives

This section addresses the objectives of this study in relation to the expected outcomes. The objectives addressed in this section included to: determine whether employees are involved in decision making as part of corporate governance at Kenya Literature Bureau; establish whether employees' initiatives are factored in during policy formulation and implementation as a factor of organizational success at Kenya Literature Bureau; establish whether there is effective communication on work related activities between employees and the management at Kenya Literature Bureau and; determine the influence of employees training and development on the success of corporate governance at Kenya Literature Bureau. The indicators that were used in

the study were mainly those which determine employees' participation in the objectives of the organization. Each of the components studied had sub-factors which formed the dependent variable in order to get an in depth understanding of their contribution towards employee involvement in cooperate governance. The inquiry was done using statements which were compared using the Likert Scale.

4.3.1 Employees Involvement in Decision Making as Part of Successful Corporate Governance

The specific objectives sought to determine whether employees were involved in decision making as part of corporate governance that spurs development and long-term sustenance of an organizational success at Kenya Literature Bureau. The level of employee involvement in decision making was assessed by determining whether there were delegated authorities to individual employees and whether this has had a positive or a negative impact on their work. Further analysis was done by determining the different decision making tools that they use and their importance to the employees.

Level of Employee Participation in Decision Making - The respondents were requested to indicate whether they participated in decision making in the organization and the responses and whether the delegation had any impact on their work output. The results were as shown in Table 6.

**TABLE 6
Level of Employee Participation in Organizational Decision Making**

			Impact of Delegation		Total
			Yes	No	
Authority Delegation	Yes	Count	15	2	17
			88.2%	11.8%	100.0%
	No	Count	2	5	7
			28.6%	71.4%	100.0%

Source: Author, 2015

Asked whether they participated in decision making in the organization, the majority of the employees (70.8%) confirmed having been involved in decision making activities. Of the employees who confirmed that they have been involved in decision making through delegated authority, 88.2% reported that the process has contributed positively towards the productivity of their work. In this report only 7 employees making up 29.2% of the respondents did not acknowledge participation in decision making.

Further probing of the respondents gave an indication that the higher the level of education, the greater the employees involvement in decision making in the organisation as indicated by the fact that all the employees with masters and degrees acknowledged a higher level of involvement in decision making while only 3 out of the 7 diploma holders interviewed indicated active involvement in decision making. The assessment of experience also showed that those who are much more experienced in the service enjoyed more employee involvement in decision making than those who were less experienced.

Importance of the Decision Making Tools Used in the Organization - Opinion was sought from the employees on the importance of the different decision making tools that are employed in the organization and the responses captured in terms of the level of importance they attach to the tools. The data was analysed using the mean separation and comparisons of their reactions at 95% confidence limit. The results were as shown in the Table 7.

TABLE 7
Importance of Decision Making Tools

	Strongly Disagree		Disagree		Uncertain		Agree		Strongly Agree		Total	
	f	%	f	%	f	%	f	%	f	%	M	SD
Importance of Com. Info	0	0.0	3	12.5	11	45.8	6	25.0	4	16.7	3.79	1.021

Management teams	0	0.0	4	16.7	14	58.3	5	20.8	1	4.2	3.75	1.113
Participation and Input	1	4.2	4	16.7	2	8.3	14	58.3	3	12.5	3.58	1.060
Inv. In Product Development	1	4.2	5	20.8	2	8.3	13	54.2	3	12.5	3.50	1.103
Feedback on Action	1	4.2	4	16.7	1	4.2	9	37.5	9	37.5	3.88	1.227

Key: 1.0 - 1.5- Strongly Disagree, **1.6 - 2.5 -** Disagree, **2.6 - 3.5 -** Uncertain, **3.6 - 4.5 -** agree, **4.6 - 5.0-** Strongly Agree

Source: Author, 2015

The respondents indicated that some of the tools are more important than others. Among the tools that were identified to be participation and input, involvement in product development, and continuous feedback action. However, the employees were uncertain about the Importance of Com. Information and the importance of management teams. In general there was an agreement that all the tools are important to some extent with means ranging from 3.30 to 3.88. This indicated that the respondents were quite sure of which tools are the best for decision making but among the indicators in the list, participation and input into assessment tools followed by involvement in product development were the best tools of involvement in decision making They were followed closely with the other tools which include: having feedback on actions taken, involvement through self-managed teams and communication of information about the organization in that order.

Employee Involvement in Decision Making and the Success of Corporate Governance

Further analysis was done by asking the employees to agree or disagree with the level of contribution of involvement in decision making through the tools to the success of the organizations' processes. The responses were analysed using correlation and the results were as shown on Table 8.

TABLE 8
Correlation between Employee Involvement and the Success of
Organizational Decision Making Processes

		Employee Involvement	Organizational Success
Employee Involvement	Pearson	1	.643**
	Correlation		
	Sig. (2-tailed)		.000
	N	24	24
Organizational Success	Pearson	.643**	1
	Correlation		
	Sig. (2-tailed)	.000	
	N	24	24

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Author, 2015

The analysis showed that there was a significant positive relationship between employee involvement through the management tools and the organizational performance ($r = .643$ and $p = 0.000$) at 95% confidence limit. The positive correlation showed that the more the employee involvement the higher the benefits for the organization in terms of low turnover, increased productivity, improved performance and job certification among others.

Discussions - The research reported a high level of employee involvement in decision making whereby the majority of the employees (70.8%) confirmed having been involved in decision making activities and that the process has contributed positively towards the productivity of their work. Only 29.2% of the employees did not acknowledge participation in decision making processes.

According to Apostolou, (2002), organizations that can tap the strengths of their people will be stronger and more competitive than those that cannot. According to the research report, Organizations that take their worker for granted never realize their full potential. In the long run, such companies' inefficiencies attract competition, and unless the management philosophy changes, they will disappear. Singh, et al (2011) confirms this by indicating in his report that employee involvement has become a very important issue in the corporate world today. This is

one way that corporate organizations reduce the level of competition in the market by employing single stakeholder contribution which is highly essential for the organizational growth and development.

This is because a strict separation of manager and employee roles sends the message to workers that they are only responsible for what they are specifically told to do. A lot can be saved, damage avoided, spoilage reduced, and work improvement generated if the minds connected to all those hired hands were tapped. Furthermore, involving people in decision-making transfers power to subordinates. The high level of employee involvement in decision making observed in this study is therefore an indication of the efforts the organization is putting in place to ensure active participation of employees in charting the path for organizational development.

However it is also important to note that the majority of the employees interviewed were holders of degrees and in the middle level cadre of seniority. This left out the diploma holders and the lower employment scales of 5 and below that may result in some level of dissatisfaction. Reed, (2002) emphasized the need to include lower level employees by saying that non-involvement of lower level management in decision-making also means that vital input from employees is often not factored into decisions made. This gives rise to the problems that are experienced in organizations when it comes to the acceptance of these decisions and its implementation. The main reason being that some employees left out may feel slighted and of no importance because their views were not sought.

Various managers have a variety of decision making tools through which they engage employees under their stewardship. This may involve direct involvement or through intermediaries. The respondents in this study indicated that various decision making tools are utilized to involve them in the organizational decision making. Among the tools used, they indicated preference to participation and input into assessment being given a chance to get

involved in product development. The need to be given feedback on actions taken and involvement through self-managed teams was also cited as being important for employee involvement together with proper communication of information. This means that decision making is a process that does not follow any straight path but instead involves a variety of approaches for success.

4.3.2 Factoring in employees' initiatives during policy formulation and implementation

The objective sought to establish whether employees' initiatives are factored in during policy formulation and implementation processes. The constructs which determine employee involvement were analysed using the likert scale and the results were analysed using descriptive statistics of frequencies and percentages.

Employee Contributions towards the Organizational Policies - The level of employee involvement in policy making was assessed by determining their level of satisfaction with the activities that determine the policy formulation and implementation processes. This was done by getting the required opinion of the employees on their level of satisfaction towards the contribution they make to their working policies and the extent to which the ideas they give are reflected in the final policies. The results are shown in Table 9.

TABLE 9
Employee Contributions towards the Organizational Policies

	Very Satisfied		Satisfied		Uncertain		Dissatisfied		Very Dissatisfied		Total M	SD
	f	%	f	%	f	%	f	%	f	%		
Sensitization on Company Operation	2	8.3	13	54.2	9	37.5	0	0.0	0	0.0	2.29	.624
Involvement on Strategic Decisions	1	4.2	5	20.8	10	41.7	8	33.3	0	0.0	3.04	.859
Reflections of Contribution	4	16.7	8	33.3	11	45.8	1	4.2	0	0.0	2.38	.824

Key: 1.0 - 1.5-Very satisfied, 1.6 - 2.5 - Satisfied, 2.6 - 3.5 - Uncertain, 3.6 - 4.5 - Dissatisfied, 4.6 - 5.0- very Dissatisfied

Source: Author, 2015

The results in Table 9 showed that the majority of the employees (54.2%) reported being satisfied with the fact that they get sensitized by management on the company's operations. However, only 20.8% reported being satisfied with involvement in strategic decisions for policy making while 41.7% remained uncertain on the same. Another 33.3% reported not being satisfied. On the reflection of their contribution in organizational policies, 45.8% were uncertain whether their views get incorporated while another 33.3% were satisfied.

Discussion - The study indicated that the employees get sensitized on organizational issues but there is low involvement in the development of the strategies and policies for running the organization. This happens to the employees despite the fact that their involvement is important for employee ownership of the organization which ensures that competitive policies to gear up their performance are developed and implemented. Organizations strengthen their base and competencies by adopting policies through which they empower their employees by delegating them authority. The most important feature in the achievement or collapse of any institute is the authority of its employees, and how well that authority is focused towards achieving company objectives. However, the 20.8% involvement by employees could indicate that employees are involved in making the organizational policies but not at all levels, since there are those who say that their ideas hardly or never form part of their policies especially when issues of seniority, education level and work experience are also considered as a factor in policy formulation and implementation.

The observation goes against the present recommendation that Employee involvement in policy making and implementation encourages modern style of participatory management, satisfaction, raises employee productivity and lowers the employee compensation rates. Furthermore, this employee participation encourages job satisfaction, which increases productivity through bringing high quality motivation and working capabilities at times of implementation. Gall (2004) argues that participative climate has more considerable effects on

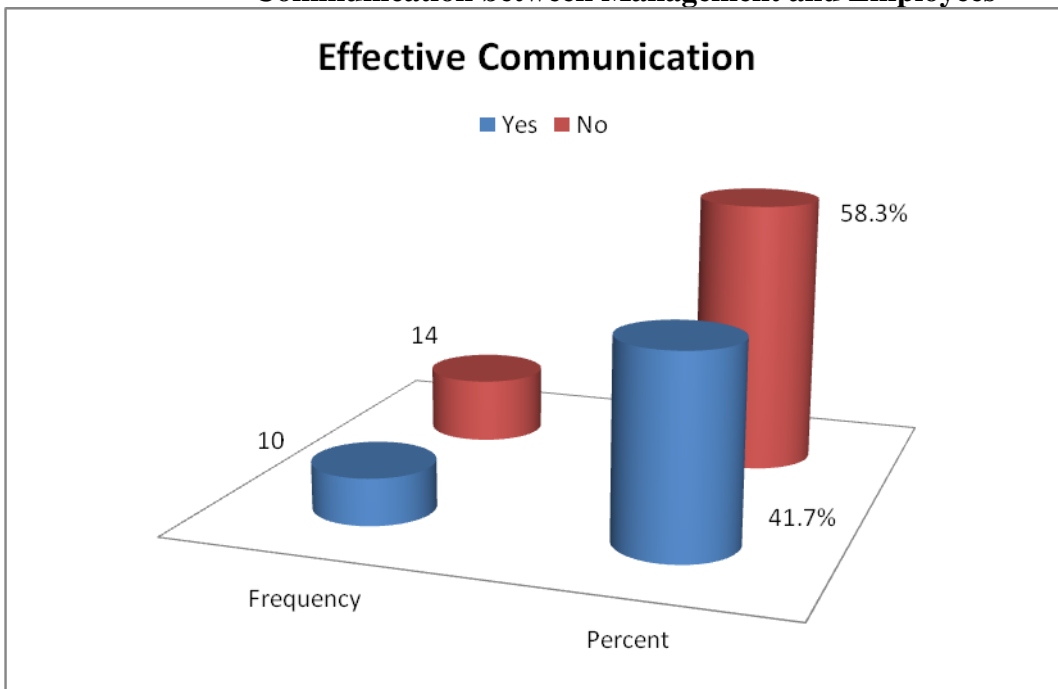
workers' satisfaction than participation in specific decision. According to Gollan (2002), human resource policies, that encourage employees involvement in policy making and implementation aim at providing workers with opportunities to have the means to acquire the appropriate skills, incentive to expand discretionary efforts and to have an input in decision making.

4.3.3 Effective Communication on Work Related Activities between Employees and the Management of the Organization

Opinion was sought from the employees on whether there is effective communication within the organization as determined by their satisfaction to the actual communication and the level of openness on the part of the management in their activities and the level of consultation and information sharing between them and the management.

Effective Communication from the management in their activities - The respondents were requested to indicate the effectiveness of communication that takes place between them and the management. The responses were as shown in Figure 5.

FIGURE 5
Communication between Management and Employees



The results of Figure 5 reported that 41.7% of the employees agreed that there is effective communication from the management while the majority at 58.3% reported no to effective communication in the organization. This indicated that there are employees who get the information effectively but the majority are not in that category of employees. It indicated further that that the communication processes and channels exist but are not clear to all the employees in the organization.

Level of openness, Consultation and Information from the management - The respondents were requested to indicate their level of satisfaction with openness and knowledge sharing that takes place between them and the management. The responses were as shown in Figure 6.

FIGURE 6
Openness and level of consultation and information sharing



The response in Figure 6 indicated that only 20.8% were satisfied with the level of openness from the management side while 37.57% remained uncertain and 25% reported dissatisfaction with the level of openness of the management. The level of consultation showed some

improvement as 29.2% of the responses indicated having been satisfied and very satisfied with the level of consultation and knowledge sharing. However, a high percentage of up to 37.5% remained uncertain with the levels of consultation and knowledge sharing; an indication that the consultations taking place do not involve everybody and where it occurs, is likely to be one sided as indicated by the low level of openness on the side of the management.

This is not supposed to be the right form of consultation if the benefits of consultation were to flow to all employees in the organization. Further analysis of the communication channels used by the management indicated preference by many (50% of the respondents) is the face to face channel of communication as the most appropriate. However 45.8%) of the responses indicated that the management hardly uses the face to face method and normally prefers to use telephone calls a means of communication which they did not find appropriate. The means of communication with juniors in the order of preference included: face to face (50%), telephone calls (memos (37.5%), discussions (30%) meetings (26.1%), letters (26.7%), emails (25%) and reports (12.5 %) (See Appendix II)

Discussions - The communication as a governance tool was analysed by soughing opinion of the employees on whether there is effective communication within the organization as determined by their satisfaction to the level of openness on the part of the management in their activities and the level of consultation and information sharing between them and the management. This was based on the argument by Nzerem (2000) that for any organization to build its status in the corporate world and with its stakeholders, effective communication plays a cornerstone function. Communication departments play key roles in the management of internal and external communication. They are vital in the sharing of knowledge and decisions with employee as well as stakeholders. Further, effective communication forms the biggest link between the management and employees as well as between the organization, its stakeholders and the general public.

A high number (58.3%) of the respondents who did not acknowledge that there is effective communication in the organization as determined by their satisfaction levels is a pointer to the fact that communication exist within the organization but it is restricted from source to recipient within the organization. Their concern was also echoed in the communication channels that the organization uses. Whereas the junior staff indicated preference to face to face communication the report showed that telephone communication is preferred by the management. This is an indication that the communication processes exist but are not clear to all the employees in the organization.

The management therefore needs to improve on its communication processes which also include the channels used. This is important based on the argument by researchers such as McCall (2001) , Fielding (2006) and Kraut et al., (2002).who on who define effective communication as a process of increased commonality or sharing of information between participants on the basis of sending and receiving messages. According to their observation, communication effectiveness should be defined in terms of organizational downward, sideways (lateral) and upward communication. This means that effective communication would not only ensure that products and services are of the best quality, but also that staff would generate new ideas, adapt to changes and work cohesively in understanding the organizational objectives and work to achieve them.

Effective communication is of principal importance to corporate organizations such that within the process of accomplishing their respective production and social functions, individual members of groups have to communicate with each other. In addition, groups need to communicate with other groups within organisations. To this end, the communication employed should be both formal and informal crosscutting through all spheres of life and work. The observation was also supported by what respondents reported on the openness of the management to employees and consultations. The results indicated that there is consultation and

knowledge sharing with the managers but the managers do not seem to be open with the employees. This was an indication that the information sharing is skewed whereby the management wants to get information from the employees but not vice versa. According to the argument by researchers such as McCall (2001) effective communication should be an all-round process as it is supposed to involve increased commonality or sharing of information between participants on the basis of sending and receiving messages uniformly.

4.3.4 Employees' Training and Development on the Success of Corporate Governance

The objective sought to analyse the influence of employees Training and Development on the Success of Corporate Governance. This was necessary because from the literature review, training was identified as an important tool for empowering the employees to make crucial decisions for running the organizations where they work. Among the areas analysed included the efforts made to train the employees, the relevance of the training and the contribution of employee training on the success of the organization.

Influence of Employees' Training and Development on the Success of Corporate Governance

In this study, the employees who were interviewed were requested to indicate whether they strongly agreed, agreed, were uncertain, disagreed or strongly disagreed with the constructs that pointed towards the effectiveness of training and development on the success of corporate governance in the organization. All the employees including the ones who have not trained for the last three years were requested to indicate the importance of training in empowering the employee decision making abilities. The results were as shown in Table 10.

TABLE 10

The Influence of Training and Development of Employee on Decision Making Power and Skills

	Strongly agree		Agree		Uncertain		Disagree		Strongly Disagree		Total
	f	%	f	%	f	%	f	%	f	%	
Trained employees are more influential	11	45.8	8	33.3	1	4.2	4	16.7	0	0.0	1.58
Providing Relevant Training	6	25.0	7	29.2	9	37.5	2	8.3	0	0.00	2.29
Training improves initiatives at work	8	33.3	8	33.3	3	12.5	1	4.2	4	16.7	1.75
Training enhances governance	2	8.3	4	16.7	10	41.7	7	29.2	1	4.2	3.04

Key: 1.0 - 1.5- Strongly agree, 1.6 - 2.5 - agree, 2.6 - 3.5 - Uncertain, 3.6 - 4.5 - Disagree, 4.6 - 5.0- Strongly disagree

Source: Survey data (2014)

The results in Table 4.8 indicate that 45.8% and 33.3% strongly agreed and agreed that trained employees are more influential at work. A high percentage of 54.2% also agreed with the fact that the organization has been providing relevant training while 37.5% of the respondents remained uncertain of that fact. The majority at a total of 66% also agreed that training improves efficiency at work. It is also important to note that very few employees related training to governance as the majority of them remained uncertain at 41.7% while 29.2% disagreed with the sentiment. This indicated that the employees attach a lot of importance to training as a tool for empowering them in decision making and general involvement in organizational activities for work output but not so much for governance. This implied that to the employees, the aspect of governance does not belong to them and is left to the top management.

Discussions - The majority (45.8%) of the respondents agreed that trained employees were more influential, provided relevant experience, helped in improving initiatives at work. This supports the observations from researches done earlier by Watad and Ospina, (2003). According to their research report, when the organization invests in improving the knowledge and skills of its employees, the investment is returned in the form of more productive and effective

employees. For training and development programs to be relevant, they must be focused on individual performance or team performance. The relevance and the effectiveness of training is improved even more through proper planning and training needs assessment. This means that the creation and implementation of relevant training and management development programs should be based on training needs identified by a training needs analysis so that the time and money invested in training and management development is linked to the mission or core business of the organization.

CHAPTER FIVE

SUMMARY OF THE FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter summarizes the findings presented in chapter four and gives conclusions and recommendations on what needs to be done to make the corporate governance more employee oriented in Kenya based on the assumption that the observations made in KBL is a reflection of what happens in other corporate organizations in Kenya.

5.2 Summary

The summary of the main findings of the research study was based on the set objectives and their findings. The researcher found it necessary to present the summary of this information on the basis of its appearance in chapter four.

Under demographic information, the aspects in terms of age, gender, level of education, job scale and experience of service in the organisation was analysed in order to obtain the background information and the intervening variables that would assist in explaining the occurrences in the main objectives. This is because the research made assumption that these aspects would have a hand in influencing and guiding towards employee involvement. Similarly, it would be expected that employees would be involved in decisions of the organisation depending on their levels of education, experience and skills processed.

The aim of this study was to examine the practice involving employees in governance in terms of decision making processes, policy involvement and training efforts. The response indicated that 70.8% admitted to having participated in employee involvement tools of corporate communication in the organisation and only 29.2% did not acknowledge participation at KLB. It is equally important to note that a majority were aware of the existence of such practice and were thus already practising it. This might be considered a success for the organisation in spite

of other challenges that may be facing it.

Involving employees in decision making, policy formulation and effective communication were analysed and the findings indicated that employees are involved in organizational policy formulation and implementation to some extent and some training is done based on both written and unwritten policies within the organization. However the research also reported that the training in the last three years has not been all inclusive despite the fact that the majority acknowledged the importance of training towards their work achievements.

Communication and knowledge sharing was analysed to determine the level of employee involvement. The findings indicated that the employees who are involved in communication and knowledge sharing processes were relatively fewer than those who felt that they were not involved. The openness of the management to communication channels was also reported to be skewed.

5.3 Conclusions

The Kenya Literature Bureau being in a book publishing industry it was noted that employees get involved in decisions of the organisations from book generation to marketing of the products. The success of this practice in corporate governance was dependent on the activities of the organisation in question. KLB as a book industry involved employees at different levels of book generation and marketing. An organisation generating different goods and services may have a different practice of involving the employees.

With 70.8% of the respondents recommending employee involvement and citing its advantages such as leading to low staff turnover and increasing productivity, it becomes evident that a majority are appreciating its significance. It was in fact extremely encouraging that devoid of the level of education and differences in the experience in service, almost all the employees lauded employee involvement as an important tool of corporate governance that can lead to the

success of an organisation as well as its effective communication.

It was interesting to note that at KLB staff in all cadres of experience and education had appreciation for the significance of employee involvement as a practice for effective corporate governance. Employee involvement is a practice that leads to increased productivity in organizations mainly through high staff morale and low staff turnover. Respondents believed that employee participation in policy making make them be part of the organizational ownership and have a sense of belonging. Even though the most highly trained employees are the ones who are placed in influential positions on corporate governance issues, the organisation makes some effort to empower its staff through various capacity building trainings for effective service.

The Kenya Literature Bureau can be rated as being successful when compared to the public corporate organizations which are with it in the same category. It can therefore be concluded that the achievement of employee involvement initiatives in corporate governance at KLB is practical to a large extent and this by extension, determines the success of its corporate governance programmes. The notable finding at KLB indicated that both the most educated and the lowly educated with relevant skills have been consulted and involved in decisions of the organisations irrespective of their levels of education and experience. This should send signals to other corporate organizations that involvement of employee's spurs organisational growth.

5.4 Recommendations

The importance of employee involvement in the corporate governance has been proved to be important in this study. Based on this observation, the following recommendations have been made:

More research should be done to determine the practises that exist in other public corporate organizations in order to come up with a common strategy on what needs to be done to spur success in public corporate organizations. Effective communication and training are important aspects of employee involvement in corporate governance but more needs to be done to

streamline them in corporate organizations through well designed policies and training needs assessment programmes. Training on relevant courses and programmes should be considered compulsory at KBL and other public corporate organizations as a way of spurring growth and development.

5.5 Areas for Further Study

The areas that need to be investigated further include the following:

1. Contributions for the level of education and operational experiences as ingredients of employee involvement and their contribution to the success of corporate organizations.
2. A study should be undertaken at KBL to determine the precise activities involving decision making in which employees are involved in and the relationship between employee level of education and the ability to make decisions.

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APPENDICES

APPENDIX I

SUMMARY OF FINDINGS ON LEVEL OF EDUCATION AND EXPERIENCE AGAINST PARTICIPATION AND ACKNOWLEDGEMENT OF SIGNIFICANCE OF EMPLOYEE INVOLVEMENT

Respondent	FREQUENCY			
	Level of Education / Experience		Participation and Significance	
	Level	Experience	Participation	Significance
R1	D	15-20	N	Y
R2	D	10-15	Y	Y
R3	D	<5	Y	Somewhat
R4	D	20-25	Y	N
R5	D	20-25	Y	Y
R6	C	15-20	N	Y
R7	C	20-25	N	Somewhat
R8	M	10-15	Y	Y
R9	M	<5	Y	Y
R10	M	10-15	Y	Y
R11	M	15-20	Y	Y
R12	G	15-20	Y	Y
R13	G	10-15	Y	Y
R14	G	15-20	Y	Y
R15	G	5-10	N	Y
R16	G	15-20	Y	Y
R17	G	10-15	Y	Y
R18	G	10-15	Y	Y
R19	G	10-15	Y	Y
R20	G	<5	Y	Y
R21	G	15-20	Y	Somewhat
R22	G	15-20	Y	Y
R23	G	15-20	Y	Y
R24	G	5-10	Y	Y
TOTAL	25		4:20	20:4

APPENDIX II
ORDER OF PREFERENCE OF THE MEANS OF EMPLOYEE INVOLVEMENT
THROUGH COMMUNICATION

Order of preference	Mode of Communication	Percentage of Preference
Most preferred	Face to face	57
2 nd preferred	Telephone	23.1
3 rd preferred	Memos	36
4 th preferred	Letters	24
5 th preferred	Notice Boards	20.8
6 th preferred	Emails	17.4
7 th preferred	Meetings	14.3
8 th preferred	Discussions	7.7
9 th preferred	Teleconference	28.6
Least preferred	Message pads	58.3

APPENDIX III
INTRODUCTORY LETTER

TO WHOM IT MAY CONCERN

Dear Sir/Madam,

RE: REQUEST TO COLLECT DATA FOR MBA PROJECT

I am a postgraduate student at KCA University pursuing masters of business administration in corporate management degree.

Pursuant to the pre-requisite course work, I am currently conducting a research project on **IMPACT OF EMPLOYEE INVOLVEMENT AS A PILLAR BEHIND THE SUCCESS OF CORPORATE GOVERNANCE**. The focus of my research will be on Kenya Literature Bureau and this will involve use of questionnaires administered to the staff in the Company.

I kindly request you to participate in this study by assisting in filling the questionnaires and providing with any other relevant information. The information collected will be treated with utmost confidentiality and is for academic purpose only. The findings and recommendations of the research will be availed to you upon completion of the research

Thank you in advance.

Joyce A. Kado
MASTERS OF BUSINESS ADMINISTRATION
KCA University

APPENDIX IV
QUESTIONNAIRE

IMPACT OF EMPLOYEE INVOLVEMENT AS A PILLAR BEHIND THE SUCCESS OF CORPORATE GOVERNANCE: A CASE OF KENYA LITERATURE BUREAU

PART ONE: Background Information

Dear Respondent

This study is being conducted on the above topic for academic purposes and the researcher would be grateful if you could provide answers to the questions below.

Please note that the strictest confidentiality is assured with respect to answers given as Facts are needed for academic purposes.

Please tick where appropriate.

1. Kindly indicate your age (years)?

- (a) Below 25
- (b) 25-29
- (c) 30-34
- (d) 35-39
- (e) 40-44
- (f) 45-49
- (g) Above 50

2. Are you male or female?

- (a) Male
- (b) Female

3. Highest academic qualification?

- (a) Certificate
- (b) Diploma
- (c) Bachelor's degree
- (d) Master degree
- (e) PhD

Any other (Please specify.....)]

Employment Details

- 4. What is your current employment scale?
 - (a) Scale 8
 - (b) Scale 7
 - (c) Scale 6
 - (d) Scale 5 and below

- 5. For how many years have you worked at KLB?
 - (a) Below 5years
 - (b) 5 -10 years
 - (c) 10 – 15 years
 - (d) Above 15 years

- 6. Your department:
 - (a) Corporate service
 - (b) Production
 - (c) Publishing
 - (d) Finance
 - (e) Audit
 - (f) Legal
 - (g) Sales and Marketing
 - (h) Human Resource

Any other (Please specify).....]

PART TWO: Employee involvement in Decision Making as a pillar of Successful Corporate Governance

- 7. Are you delegated with the authority required to fulfill your role within the organization? Yes Somehow
No

- 8. Does it impact positively or negatively on your work? Positively Negatively

9. On a scale of 1-5, please indicate the level of importance that you attach to these decision-making tools.

	1	2	3	4	5
	Strongly Disagree	Disagree	Not Sure	Agree	Strongly Agree
Communication of information about the organization					
Involvement through self-managed teams					
Participation and input into assessment tools					
Involvement in product development					
Having feedback on actions taken					

10. On a scale of 1-5, do you think these decision making tools will lead to the success of corporate governance in your organization?

	1	2	3	4	5
	Agree	Strongly Agree	Not Sure	Disagree	Strongly Disagree
Communication of information about the organization					
Involvement through self-managed teams					
Participation and input into assessment tools					
Involvement in product development					
Having feedback on actions taken					

11. Do you think involving employees in corporate governance would contribute effectively to the increase in productivity of the organization?

Yes No

12. Do you think the following benefits enjoyed by organizations that involve employees in corporate governance are applicable to your organization?

	1	2	3	4	5
	Agree	Strongly Agree	Not Sure	Disagree	Strongly Disagree
Low turnover					
Increased productivity					
Improved performance					
Better communication					
Job satisfaction					
Commitment to organizational goals					

13. Are you delegated with the authority required to fulfill your role within the organization?

Yes No

PART THREE: Factoring Employees' initiative into Policy Formulation and implementation on Successful Corporate Governance

14. On a scale of 1-5, which of the following do you think has had an effect on your organization due to lack of inclusion of employees in policy formulation and implementation?

	1	2	3	4	5
	Agree	Strongly Agree	Not Sure	Disagree	Strongly Disagree
Labour unrest					
Low productivity					
Employee turnover					
Better communication					
Job satisfaction					
Absenteeism					
All of the above					

15.

	1	2	3	4	5
	Agree	Strongly Agree	Not Sure	Disagree	Strongly Disagree
Do you believe that employee participation in policy making will make employees 'own' the organization and have a sense of belonging?					

16.

	1	2	3	4	5
	Not so important	Somehow important	Might be important	Very important	Extremely important
Please indicate the level of importance that you attach to the involvement of employees in governance issues.					

17. How often are you sensitized by management on the company's operations?

At all times

Sometimes

Hardly

Never

18. Are you satisfied with your level of involvement and participation in the company's strategic decision?

Very satisfied

Satisfied

Somewhat

Dissatisfied

Very Dissatisfied

19. Do you think that your contributions are reflected in the company policy?

Yes

Sometimes

Hardly

Never

PART FOUR: Effect of Effective Communication on Corporate Governance Success

20. Does effective communication take place in the organization between the employees and the top management?

Yes

No

21. Are you satisfied with the level of openness on the part of management in their activities?

Very satisfied

Satisfied

Somewhat

Dissatisfied

Very Dissatisfied

22. Are you satisfied with the level of consultation and sharing of information between you and management?

Very satisfied

Satisfied

Somewhat

Dissatisfied

Very Dissatisfied

23. Please indicate your most preferred channels of communication of choice in enhancing effective communication in your organization. Please number them in order of most preferred to least preferred.

Media	Number them as preferred
Meetings	
Telephone	
Face-to-face	
Teleconference	
Discussions	
Memos	
Letters	
E-mails	
Reports	

24. On a scale of 0 to 5 please indicate the extent to which the factors below enhance effective communication in your organization?
(Circle appropriately)

		5 Very high extent	4 High extent	3 Moderate extent	2 Low extent	1 Very low extent	0 Not at all
1.	Clarity of message						
2.	Language command						
3.	Good listening skills						
4.	Adequate feedback						
5.	Channel used for communication a) meeting phone call etc.						
	b) Memo,						
	c) Phone call						
	d) Email						
6.	Others (specify)...						

25. Effect of Employee Training and Job Description on Successful Corporate Governance

(a) Have you been trained in the last three years?

Yes

No

(b) If yes, was the training relevant to your work?

Yes

No

(c) Do you have a training policy for the organization? Yes

Yes

No

(d) Is the training policy effective in addressing the organizational training needs?

Yes

No

End of Questionnaire

THANK YOU VERY MUCH FOR YOUR ASSISTANCE