

**EFFECT OF OWNERSHIP IDENTITY ON PERFORMANCE OF COMMERCIAL
STATE CORPORATIONS IN KENYA: A CASE STUDY OF WATER SERVICES
PROVIDERS IN KENYA**

BY

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DECLARATION

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 dissertation contains no material written or published by other people except where due reference is made and author duly acknowledged.

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ABSTRACT

The study of ownership identity on commercial state corporation is part of management strategic studies. Ownership identity is part of ownership structure which normally has two components of ownership concentration and ownership identity. Corporate governance studies have extensively been done on effects of ownership structures on corporate performance, yet little have been done on effects of ownership identity on performance of commercial state corporation; and that what motivated this study. The scope of the study is commercial state corporation which have been regarded as inefficient and bureaucratic. The major objective of the study was to investigate the effect of the of ownership identity, by determining the influence of ownership concentration, analyzing the effects of leadership and examining the effects of organizational culture on performance of commercial state corporation. The independent variables that were measured individually for effect were ownership concentration, leadership and organizational culture, which were the pillars of Ownership identity. Ownership identity was operationalized as comprising the three variables and regressed against performance which was the dependent variable. To get the results the researcher conducted extensive research on the subject area, by reviewing theoretical and empirical literature, formulated hypothesis, designed research methodology and collected both primary and secondary data using instrument like questionnaires and reviewed document to get both quantity and qualitative data. Finally the data was analysed using descriptive and regression analysis. The results showed that ownership identity had a positive effect on performance of commercial state corporations. The study established that organizational culture, had the greatest effect, followed by leadership and then ownership concentration had the least effect. The study found that WSP's carry out business of water and sanitation services through public-private partnership to enhance performance. These services are the responsibilities of the government to manage but the delivery of these services have been transferred to private limited companies. The county government are the legal owners of WSP's with high level of ownership concentration, providing leadership in appointing board of directors as the major shareholders but several stakeholders must be represented in the board. County government as an institution have the majority share in water service providers hence mostly influence the WSP culture's. This new form of partnership brings with it a new set of values, beliefs and norms with influence the behaviours of different stakeholders involvement in the performance of WSPs, defining a different organizational culture. The research recommends a policy to define and regulate this new partnership.

Key Words: Ownership identity, commercial state corporation, Ownership concentration and organization culture

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DEDICATION

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ABBREVIATIONS

AWSB	Athi Water Services Board
CEO	Chief Executive Officer
CGD	Centre for Governance & Development
CFO	Chief Finance Officer
CCN	City Council of Nairobi
CSC	Commercial State Corporation
MCA	Member of County Assembly
NCWSC	Nairobi City Water & Sewerage Company
KCAU	KCA University
KVDA	Kerio Valley Development Authority
ROI	Return on Investment
SDA	Sugar Development Authority
SPSS	Statistical Package of Social Sciences
USA	United States of America
UK	United Kingdom
WARMA	Water Resource Management Authority
WSP's	Water Services Providers
WaSREB	Water Services Regulatory Board

DEFINITION OF TERMS

Agency Cost: cost associated with administering the contract, transactions, moral hazard and information cost (Gomez M. 2005)

Corporation: means an association of persons that is regarded in law a separate entity which have the legal right to own property, carryout business, to sue and to be sued and exist until dissolved by law.(French &Saward 1983)

Commercial State Corporation: is an entity in which the state has a majority or complete shareholding, and which is principally involved in commercial activity in a market environment. (MacCarthaigh M. IPA CPMR Research Report No 9 2009 Ireland)

State Corporation: means an entity incorporated under the Companies Act that is solely or partly owned by the national government for commercial purposes; Cap 446 Laws of Kenya

Organizational Culture: means the set of shared values, beliefs and norms that influence the way employees thinks feels and behave in an organization. (Schein 2011)

Ownership Identity: Is the endowment among owners that determine their relative power, incentives and ability to monitor managers(Douma 2006)

Ownership Concentration: the total shares owned in terms of percentage by the shareholders in the company (McConnell 2003)

Performance: Means to achieve the goals that you have given in convergence with the company guidelines by comparing the results and objectives(Noyer 2002)

Shareholders: are owners of shares in company or business; Oxford Dictionary 8Th Edition

Stakeholders: is a group or individuals who can affect or is affected by the achievement of the organizations objectives(Freeman 2004)

CHAPTER ONE

INTRODUCTION

1.1 Introduction

In this chapter, the study presents background of the study, conceptual background in the form of ownership identity and performance of commercial State Corporation, contextual background, statement problem, and the purpose of the study, research objectives, research questions, and significance of the study, limitation and delimitation of the study, research assumptions, and theoretical framework and conceptual framework.

1.2 Background of the Study

Corporate governance guidance gained prominence based on reaction to scandals in the United States of America (USA) and United Kingdom (UK) over the last 20 years. Corporate governance debate in the UK focused most on the 20th century on the relationship between shareholders and management and the shareholder's profit and wealth maximisation. Adam Smith (1937) who studied at length human motive once observed that the directors who have the fiduciary duty of the investor's money cannot be expected to be as vigilant and careful with the money as they would with their own. The 1970's and 1980's were marked by numerous financial failures, fraud, and questionable business practices.

The major event was the scandals and fall of some multinational companies, due to improper, dishonest, non-transparent business practices, and the subsequent loss of global public trust in most of the companies. Before it collapsed in fraud, scandal and bankruptcy in late 2001, Enron Inc. had been named "America's most innovative company" six times in a row (McLean&Elkind 2003,). On July 21, 2002, while the Enron scandal was still unfolding and just a week before President Bush signed the Sarbanes-Oxley corporate reform bill into law, telecommunications giant WorldCom, Inc., filed for bankruptcy, usurping Enron's title for the world's largest bankruptcy (Jeter, 2003). In September 2002, former Tyco

International, Ltd CEO Dennis Kozlowski and former Tyco CFO Mark Swartz were indicted on criminal charges (24 counts each) including grand larceny, securities fraud, and enterprise corruption charges (Maremont, Scannell&Forelle, 2004).

In Kenya State Corporation are created under the State Corporation Act Cap 446 Laws of Kenya. According to Guidelines on terms and condition of service for state corporation 2004 state corporation are categorized in eight broad areas namely Financial, Commercial/Manufacturing; Regulatory, Public Universities, Training and Research, Service, Regional Development Authorities and Tertiary Education/ Training. Out of the eight categories I have chosen commercial State Corporation for my research proposal.

According to MacCarthaigh M. IPA CPMR Research Report No 9 2009 Ireland commercial state corporations are those bodies that are self-financing or partially on state funding. It is an organisation that sells its goods and services and that derives the major part of its current revenue from the sale of these products. Corporations identify fees, service charge and/or billed income as their primary source of revenue. In competitive private corporations the making of profits is the acid test of economic merit, while in state corporations their main role is to provide the services for which they were established with the maximum of effectiveness and efficiency and that the 'overriding concern must be to fit into a total public policy.

Ownership Identity is the behaviours of a person in the position of ownership or leadership who influences the direction of the company, influences and motivates the rest. The importance of ownership identity is particularly known and studied in management sciences and finance (Shleifer&Vishny, 1997). Differences in identity and resource endowments among owners determine their relative power, incentives, and ability to monitor managers (Douma et al., 2006). Secondly, different ownership categories have different objectives with implications for corporate strategy and performance (Thomsen & Pedersen,

2000). For example, institutional investors are more interested in increasing shareholder value, while others may have more complex relationships. The finding of this study concluded that ownership identity is important for corporate performance in relation to commercial state corporations.

The objective of governance is to align as nearly as possible the interests of individuals, of corporations and of society. Shleifer and Vishny (1997) stated that, corporate governance deals with ways in which shareholders to corporations assure themselves of getting a return on their investment. Cadbury (2003) states, that corporate governance is concerned with holding the balance between economic and social goals and between individual and communal goals.

The pertinent literature on corporate governance pays much attention to the issue of shareholder identity Shleifer and Vishny (1997). The cited authors argue that the objective functions and the costs of exercising control over managers vary substantially for different types of owners. The implication is that, it is important, not only how much equity a shareholder owns, but also who this shareholder is, that is, a private person, manager, financial institution, non-financial institution enterprise, multi-national corporation or government.

According to Blair (1995) issues in corporate governance revolve around ownership and control. She asserts that companies need to experiment with different governance arrangements, such as choosing directors to represent particular constituencies or making more radical arrangements like leveraged buyouts or worker-owned companies. Adam Smith considered the separation of ownership and control to be problematic in that managers of such companies would lack the incentives to operate the corporation in the same manner as owner-managers and would thus operate the business in an inefficient manner.

1.2.1 Ownership Identity of State Corporation

Given their centrality to the Kenyan economy, commercial state corporations have emerged as crucial sites of political patronage. The corporation should exist to maximize value for stakeholders to improve welfare in areas such as education, health, extension, infrastructure for public interest. Operationally, the CSC pursues its objectives through a web of contractual relationships between individuals within the firm and people and organizations on the outside. These relationships raise governance issues. The governance of CSC is influenced by factors such as politics, law, macro-economic, technology, globalization, and citizen culture.

With specific reference to State Corporations in Kenya, the truth is that the corporate governance has been severely eroded both by the laws and by the political environment. Politicians have deliberately overlooked stakeholder value. These problems have affected performance of State Corporations like Kerio Valley Development Authority (KVDA), Kenya Post and Telecommunication Corporation, National Housing Corporation, Sugar Development Authority (SDA), Kenya Sisal Board among others according to: *A Decade of Parastatal Waste; A Study of the Audited Accounts of State Corporations over the Period from 1993 to 2002* by A Publication of the Centre For Governance and Development (CGD)

It is important to note that a corporation is an association of persons that is regarded in law as a separate entity which may be put into legal relationship and which continues to exist until dissolved by law (French & Saward, 1983). It can clarify its own attitudes towards shareholders and stakeholders not only for the day of reckoning but every day, define corporate objectives; set the principles which pinpoint why the company is in business, and set out criteria for its conduct and measure its progress.

Ownership structure has two widely applied dimensions: ownership concentration and owner identity. Ownership concentration measures the degree of concentration of voting right

depending on the shares of the shareholders. Short (1994), Gross (2007) and Holderness (2003) investigates the relationship between ownership structure and firm performance and finds that owner-controlled firms tend to have higher profit rates and growth rate. The effect of ownership identity on corporate performance is a part of the management and strategic studies.

The existence of an ownership identity effect is based on the argument that different owners may have different strategic goals i.e. valuation, profitability, growth and risk and the controlling owner's goal preference would influence the operation and performance of the firm. Ben-Amar (2006) argues that mitigation of agency costs by giving insiders shares may be possible only in countries where ownership dispersion exist. Furthermore studies that investigated ownership performance relationship focused only on the conventional separation of ownership and control concept, in reality there are many different types of ownership in existence. For example, institutional investors, corporate investors, government investors, individual investors, employees stock ownership plans (Boone et al., 2011). These ownership types have different behavioural characteristics which provide them with different levels of involvement in companies.

Regarding state ownership, there is much more unanimity in the academic circles. State ownership has been regarded as inefficient and bureaucratic. The government shares are held by the state. State ownership type is an involvement ownership type because governments have power not only from the corporate legal property right point of the view, but from state policy setting, implementation and reputation. De Alessi (1980, 1982) defines state-owned enterprises as "political" firms with general public as a collective owner. A specific characteristic of these firms is that individual citizens have no direct claim on their residual income and are not able to transfer their ownership rights. Boycko, Shleifer and

Vishny (1996) argues that in most cases the agency problem in government owned companies arises from political issues rather managerial issues.

The conflict of interest between government and other owners often arises because the State is more interested in political outcome compared to the other owners who are more interested in the financial returns. Gursoy and Aydogan (2002) report that when compared to the family owned companies, government-owned companies have lower accounting based returns but higher market based returns in Turkish listed companies. Ownership rights are exercised by some level in the bureaucracy, which does not have clear incentives to improve firm performance. Vickers and Yarrow (1988) consider the lack of incentives as the major argument against state ownership. Other explanations include the price policy (Shapiro and Willig, 1990), political intervention and human capital problems (Shleifer&Vishny, 1994).

The effect of ownership structure on firm performance however, during 1970s and 1980s, most of the government owned firms went through a privatization process to reduce the involvement of government in the market mechanisms. In more recent years, government ownership is mostly found in the former socialist countries such as Russia, (China) and the East European countries. As changing political/economic regimes have shaped and reshaped ownership structures over time, a debate of government impact on firm performance has naturally emerged with arguments for as well as against government ownership.

1.2.2 Performance of state corporation

According to (Verboncu&Zalman, 2005) performance is a particular result obtained in management, economics, marketing, that print features of competitiveness, efficiency and effectiveness of the organization and its procedural and structural components. Performance can be regarded as the equivalent of competitiveness.

Noyer (2002) considers that performance is to achieve the goals that you have given in convergence with the company guidelines and that performance is not simply finding a

product but rather of comparison the result and objectives in this study we shall adapt this definition. Performance is an accomplishment of a given task measured against currently known standards of accuracy, completeness, cost, and speed. Performance Management aims at attaining operational effectiveness and efficiency which in a broader sense refers to a number of practices that allow an organization to better utilize its resources. This is the definition that this proposal has adopted. In line with WSP's Wasreb have defined key performance indicators and acceptable standards against them. These are Non-Revenue Water acceptable standard is less than 25%, metering ratio acceptable standard 95 % or above, O&M 150% or above and dormant connection less than 10% .

Sun, Qian, Tong and Tong (2002) report that the relationship between government owners and companies' performance follow an inverted U shape in China. Rosen and Quarrey (1987) studies employee's participations in decisions when employees have ownership right in companies and report that it enhances company performance. The employee owners can easily get extra power through their social influence because of their long term relationship with company which creates powerful effects according to Anderson and Reeb (2003) and have closer relationship between management and control. These findings suggest that ownership type and identity play an important role on company performance.

Performance measurement therefore has been seen in many developing countries as way of improving service delivery and enhance competitiveness. Kervasdone (2007) asserts that no one would disagree that performance evaluation is necessary in public affairs. Governments and their bureaucrats must be accountable to their citizens about all the taxes and public funds. Comparison of the use of these funds the analysis of public service performance is the only way of justifying their use, and not through public rallies where politicians fight their appointees in to civil service un objectively. Performance management

defines the focus to be executed objectively, allows for the parties under contract to identify lead and lag measures, creates a compelling score card for the team and then makes a cadence of accountability for every team member.

Corporate performance is an important concept that relates to the way and manner in which financial resources available to an organization are judiciously used to achieve the overall corporate objective of an organization, it keeps the organization in business and creates a greater prospect for future opportunities.

1.2.3 Background to water service providers (WSP's)

There has been tremendous transformation in the water services sector within the last ten years in line with Water Act 2002. Water services have witnessed a clear separation of policy making, which is the sole responsibility of the state; regulations which is the responsibility of the regulator (WaSREB); and service provision, which is the responsibility of the Water Services Board. Water Services board appoints Water Services Providers (WSP's) as their agents for actual service delivery. Commercialization was to ensure that WSP's can be held accountable for services that meet quality, affordability and sustainability criteria. Realisation of the right to water can only be achieved if the sector is operating under uniform norms and standards on service delivery. Water Service providers in Kenya are over 100 among them are Nairobi City Water and Sewerage Company, Nakuru Water and Sewerage Company, Mombasa and Sewerage Company and Thika and Sewerage Company.

De Alessi (1980, 1982) defines state-owned corporation like water service providers as political company with general public as collective owners. A specific characteristic of these companies is that individual residents have no direct claim on their residual income and are not able to transfer their ownership right which are the basic right of any shareholder of company. Ownership rights are exercised by some level in the bureaucracy through the politicians, who do not have clear incentives to monitor and improve company performance.

WSP's area companies where citizens are the collective owners while MCA's and Governor exercise the rights of their electorate as trustees through a political system. The companies are commercial State Corporation's which sells water and sewerage services to Counties residents to generate it revenues.

1.3 Statement of the Problem

Global events in the 21st century concerning high-profile corporate failures have put back on the policy agenda and intensified debate on the efficacy of corporate governance mechanisms as a means of increasing firm performance (Sanda et al., 2005). There is little empirical evidence on the effects of ownership structure in Europe as prior empirical literature has majorly provided documentation for U.S. and U.K. firms (De Miguel, Pindado, & De La Torre, 2004).

On the African continent a study by Ayogu (2001) in regard to corporate governance concentrated on regulations, legalities and governance practices. Kyereboah-Coleman et al. (2006) conducted a study on corporate governance and performance of listed firms in Ghana, they finding was that corporate governance bring a new outlook and enhances a firm's corporate competitiveness. (Kyereboah&Biekpe, 2006) states that some state corporations have folded up partly as a result of governance problems as observed in South Africa. Demsetz&Villalonga (2001) find that the ownership structure ought to be influenced by the profit-maximizing interests of shareholders, so that, a result, there should be no systematic relation between variations in ownership structure and variations in firm value.

Kamung'a (2000), in Kenya Mismanagement, bureaucracy, wastage, pilferage incompetence and irresponsibility's by directors and employees are the main problems that have made CSCs to fail to achieve their objectives. Failure of the above measures made many governments embark on privatization . This aspect of privatization is about selling shares to the public; which is very critical to ownership identity in relations to the anticipated firm

performance. According to Obong'o (2009) new public management models have therefore been invariably seen through the public service reform initiatives in many developing countries as the solution to reversing falling service delivery. In quest of this same goal, Kenya introduced performance contracting not only to improve service delivery but also to refocus the mind set of public service away from a culture of inward looking towards a culture of business as focused on customer and results. Impact 2014 A Performance Review of Kenya's Water Services Sector 2012-2013 (WaSREB, 2014) states that corporate governance continues being a constraint to improved sector performance.

1.4 Research Objectives

1.4.1 General objectives

The general objective of this study was to investigate the effect of ownership identity on performance of Commercial State Corporation.

1.4.2 Specific objectives

The specific research objectives were:

1. To determine the influence of ownership concentration on performance of commercial state corporations
2. To analyze the effect of leadership on performance of commercial state corporations
3. To examine the effect of organizational culture on performance of commercial state corporations

1.5 Research Questions

1. What is the influence of ownership concentration on performance of Commercial State Corporation?
2. Does leadership affect performance of Commercial State Corporation?
3. Does organizational culture affect performance of Commercial State Corporation?

1.6 Delimitations of the study

There are quite a number of effects of ownership identity on the performance of the state corporations. This study confines itself to commercial state corporations. The study was limited to commercial state corporations based in Nairobi County.

1.7 Research Assumptions

This study assumed that the interviewees of the study responded to the questions raised in the questionnaire and during interviews. The researcher hoped they provided accurate, complete and authentic information for further analysis. It is also assumed that there were no serious changes in the composition of the target population to affect the effectiveness of the study sample. That the study was carried out as planned to accomplish all the objectives of this study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter contains a review of literature related to the study and it was organised into four sub sections. The first sections dealt with the theoretical framework in relation to the performance of commercial state corporations in Kenya. The second sub section dealt with the study reviews literature based on the work of other scholars on the subject of ownership identity, Ownership Concentration and Leadership on Performance of Commercial State. The third section is Conceptual Framework and the fourth section dealtwith Research Hypothesis.

2.2 Theoretical Framework

The study was based on shareholders, stakeholder theory, and Institutional theory theory approaches to corporate governance on commercial state corporations. According to Turner (1997) theory attempts to classify and organize events, to explain the causes of events, to predict the direction of the events and to understand why and how these events occur.

2.2.1 Shareholder theory

Shareholders are owners of shares in company or businesss. Shareholders ownership above a certain level may lead to entrenchment of owner-mangers that expropriate the wealth of minority shareholders (Fama& Jensen, 1983; Shleifer&Vishny, 1997). The literature on corporate governance also pays much attention to the issue of shareholders identity. Ownership identity increases shareholders committment, reinforces organizational values and serves as control mechanism for shaping behavior. Ownership concentration measures the degree of concentration of voting right depending on the shares of the shareholders.

The objective shareholder model of the corporation is to maximise shareholder wealth through allocation, productive and dynamic efficiency by maximising profits. The criterion by which performance is judged in this model is simply determined by the market value of

the corporation. Therefore, management have an implicit obligation to ensure that corporations are run in the interests of shareholders. The underlying problem of corporate governance in this model stems from the principal-agent relationship arising from the separation of ownership and executive decision-making. It is this separation that causes the corporation's behaviour to diverge from the profit maximising ideal. This happens because the interests and objectives of the investors and the agents differ when there is a separation of ownership and control. Since the managers are not the owners of the corporation's they do not bear the full costs, or reap the full benefits, of their actions.

Investors differ in terms of wealth, risk aversion and the priority they attach to shareholder value relative to other goals. Owner preferences and investment choices are influenced by shareholder interests that the owners may have in addition to their own interests Cubbin and Leech (1982). To the extent that owners have their economic relations with the corporation, conflicts of interest may arise. Government may act as regulators and owners at the same time resulting to conflict. For each of these stakeholders, preferences regarding corporate strategy will involve a trade-off between the pursuit of shareholder value and other goals.

As a result, the manager ends up with substantial residual control rights and discretion to allocate funds as he chooses. There may be limits on this discretion specified in the contract, but the fact is that managers do have most of the residual control rights. The fact that managers have most of the control rights can lead to problems of management entrenchment and rent extraction by managers. Much of corporate governance, therefore, deals with the limits on managers' discretion and accountability for example as Demb and Neubauer (1992) state corporate governance is a question of performance accountability.

A major consequence of opportunistic behaviour is that it leads to socially inefficient levels of investment that, in turn, can have direct implications for economic growth.

According to the shareholder model, therefore, corporate governance is primarily concerned with finding ways to align the interests of managers with those of investors, with ensuring the flow of external funds to corporations and that financiers get a return on their investment. Water Service Providers enjoys a relatively supportive legal framework through water sector reforms. The Companies are committed to forming effective corporate governance structures to protect the shareholders and public interest. The Companies are owned by the County of Governments.

2.2.2 Stakeholder theory

Stakeholders are a group or individuals who can affect or is affected by the achievement of the organizations objectives. In governance several stakeholders normally have a unique ownership identities sharing a common vision of the corporation existence. Stakeholder theory reflects the fear at a societal level that large multinational corporations had become too powerful to be held accountable solely to shareholders (Freeman 2004) .A corporation must built an ethical behaviour and culture which requires cooperation from both employees and other stakeholders. The theory argues that there are business interdependencies with other elements of society. The corporation is an institution engaged in mobilizing resources for productive uses in order to create wealth for the benefit of its multiple stakeholders.

According to Freeman et al. (2004), stakeholder theory basically aims at striking a balance between the interests of a corporation's stakeholders and their satisfaction. It tries to identify the purpose of the firm. Identification of the firm's purpose therefore becomes the driving force underlying its activities (Freeman et al., 2004). By highlighting the firm's responsibility to its stakeholders, the author states that it pushes the management to design and employ appropriate methodologies to determine the nature of the relationship between interested parties and the management in order to deliver on their purpose. Freeman further

says that there is a realization that economic value is created by people who voluntarily come together, cooperate and hence improve everyone's circumstances (Freeman et al., 2004).

Stiles and Taylor (2001) points out that this theory is concerned with managerial discretion and it assumes that managers are given to self-interest seeking and moral hazard and that they operate under bounded rationality. Stakeholders are all residual risk holders; they have something at risk. Thus, the unit of analysis in a stakeholder view is the firm embedded in a stakeholder network. High performance implies the adequate creation of benefits and minimum adverse effects for all stakeholder interests involved. Nevertheless, recent heated arguments over corporate governance show a trend toward moving away from the traditional concept of shareholder value towards the broader concept of the stakeholder society. From the stakeholder-society perspective, corporate governance is the design of institutions that induce or force management to internalize the welfare of stakeholders, and a governance system is the complex set of conditions that shape the outcome of the ex post bargaining over the quasi-rents that are generated in the course of a relationship (Tirole, 2001).

All the key stakeholders, The National Government through the ministry in Charge of Water, County Governments, which owns the Companies; WaSREB, Board of Directors, Management, Staff and Employees are called upon to effectively play their role to ensure the success of the Companies. This is in recognition that in the organizational setting, there is need to coordinate goals so that they do not conflict with each other.

2.2.3 Institutional theory

Positive effects of institution ownership on firm performance is found by McConnell & Servaes (1990), Han & Suk (1998) and Tsai & Gu (2007), who explain the positive effect by the active monitoring argument. The monitoring effect should be stronger for institutional investors than general shareholders. According to Hand (1990), institutional investors are

more sophisticated than other shareholders because they are more professional regarding capital markets, industries and businesses and they are better informed.

Apart from that, institutional shareholders have higher capabilities in taking actions and can therefore monitor managers more effectively and less costly. Aoki (2001), attempts to approach corporate governance by employing more diverse social and cultural institutional factors. Based on this approach, the existence of different types of corporate governance structures is necessary to provide important theoretical frameworks to examine the evolution of different corporate governance structures (Aoki, 2003). It can explain why some organizational architecture can become a convention in one economy but not in others. Government ownership in industries which is of strategic importance for the nation could also be argued to benefit the society as a whole (Grout & Stevens 2003).

Government ownership exposes higher firm efficiency than private ownership in some industries including electric utilities, refuse handling and water. It should be noted that the quality of government owned firms may largely depend on the quality of the government itself as well as other factors such as path dependency, which vary greatly from country to country (La Porta et al 1999). This could serve as an important basis for the comparison of the governance structure model of Commercial State Corporation (CSC). An approach which emerged from institutional theory is “actor centred institutionalism” (Aguilera and Jackson, 2003), which explains firm-level corporate governance practices in terms of institutional factors that shape how actors’ interests are defined as socially constructed and represented.

In addition to the composition and concentration of owners, the institutional identity of owners may play an equally important role with regard to performance (Thomsen and Pedersen (2000). Government, as a legal entity normally has institutional ownership, exercised through political leadership hence determines the corporate performance. This model assumes that the elected leaders will appoint a manager who will run the corporation at

the interest of the owners of commercial state corporations. The owners are the voters who elected their leaders through a democratic process. The main challenges of performance at Commercial State Corporation are the case where the only public objective is, say, return on assets, the ability of maximizing such returns is hampered due to incentive problems on the ownership side. Returns from a CSC are not passed on directly to the government representatives appointed to follow the company, but are channelled into a public budget that no specific individual can take advantage of as a principal. Hence, the incentives to closely scrutinize the actions and efforts of agents are vastly reduced in CSC's. The other factor is that job security is stronger in public sector. This attracts workers with stronger preference for job security. With a reduced probability of getting fired, workers may put less effort into their jobs and hence have less incentive to perform well.

Water Services Providers always liaises with the County Government, Athi Water Service Board (AWSB), Water Resource Management Authority (WARMA) and Water Services Regulatory Board (WaSREB) to develop an effective institutional framework to enforce by-laws. The Companies are managed by an institutionally represented Board of Directors comprising of appointees from the private sector, civil society professional bodies and the shareholder's (County Governments).

2.3 Empirical Review

In this section the study reviewed literature based on the work of other scholars on the subject of ownership identity on performance of Commercial State Corporation. The review is guided the research objectives.

2.3.1 Ownership concentration and performance of commercial state corporation

The effect of ownership structure on firm performance has been the subject of research in numerous studies. Ownership concentration measures the degree of concentration of voting right depending on the shares of the shareholders. Large shareholders can act in their own

best interest and exert their power to benefit themselves at the expense of minority shareholders by redistributing wealth from them as observed by Dennis and McConnell(2003).It says that large owners may be more capable of monitoring and controlling the management, and thereby perhaps contributing to a better corporate performance (Schleifer and Vishny, 1997).

Thomsen and Pedersen (2010) found in their study that at first there is an increasing effect of ownership concentration on firm performance and then a decreasing effect of ownership concentration on firm performance. Morck, Schleifer and Vishny (1988) describe that performance improves at first with more concentrated ownership but beyond a certain point of ownership concentration firm performance decreases, because from this point shareholders gain so much control (by voting power) that they can use their votes to maximize their own welfare.

Incorporated firms whose owners are dispersed and each of them owns a small fraction of total outstanding shares, tend to underperform as indicated by Berle and Means (1932). Latter this theoretical relationship between a firm's ownership structure and its performance is empirically examined by Jensen and Meckling (1976) and Shleifer and Vishny (1986).Claessen et al. (1996 and 1999) find evidence of a positive relation between shareholding concentration and firm performance, only partly confirmed that observation. Shareholders ownership above a certain level may lead to entrenchment of owner-managers that expropriate the wealth of minority shareholders (Fama& Jensen, 1983; Shleifer&Vishny, 1997). A negative effect of market value on ownership concentration is proposed and supported by Demsetz and Lehn (1985). The literature on corporate governance also pays much attention to the issue of shareholders identity.

Kuznetsov and Muravyev (2001) argues that concentrated ownership has its costs when large shareholders, capable to influence corporate decision directly, maximize value for

themselves and deprive small owners of their part of residual income. Other negative consequences of ownership concentration includes raised cost of capital due to lower market liquidity or decrease diversification opportunities on the part of the investors (Fama& Jensen, 1983), prevents additional monitoring of managers by the stock market available under diffused ownership with high liquidity of shares. La Porta et al. (1999), Claessens et al. (2000) and Faccio and Lang (2002) find that publicly traded companies in most countries possess a higher level of ownership concentration.

Seifert, Gonenc, Wright (2005), who observed that the relationship between ownership concentration and performance depends on intervening country-specific factors. Ownership influences different activities and processes. As suggested by Mengoli, Pazzaglia, Sapienza (2009:7), the prevailing role of large shareholders, even in the composition of the Board, leads to a system characterized by weak managers, strong shareholders and unprotected minority shareholders. Furthermore, with increasing ownership concentration, the dividend payout reduces (De Cesari, 2009) and tends to decrease the remuneration of board members (Barontini&Bozzi, 2011). Finally, the increased ownership concentration tends to have a negative effect on the probability of innovation (Minetti, Murro&Paiella, 2011).

In practice, the effect of ownership concentration on firm performance may vary on account of moderating variables, able to analyse relationship, causing the prevalence of incentive or expropriation effect. Each moderators could be able to amplify (+) or reduce (-) the incentive or expropriation effect, alternatively, with an increase of ownership that could improve or decrease firm performance depending on these factors. The firm performance varies substantially for different types of owners. La Porta et al. (1997, 1998, 1999 & 2000) have shown that the countries with weak legal environment, the original owners tries to maintain large positions in their corporations which results in concentration of ownership.

The divergence between control rights and cash flow rights induces the pervasive problems of controllers' expropriation Denis and McConnel, (2003); use the term tunneling to describe the transfer of resources out of firms for the benefits of controlling shareholders. Small investors' fear of being expropriated may induce the high cost of capital to firms, so it follows inefficient investment. This approach was for the first time seriously challenged by Demsetz (1983). He argued that ownership concentration depends on shareholders' decisions and should be therefore treated as an endogenous variable. Demsetz(1983) also concludes that the profit rate, used as a measure of corporate performance, and ownership concentration should be therefore uncorrelated.

According to classical theory that focuses on structural relationships in organizations; this theory identifies ingredients to any organization that promote ownership concentration and performance as systems of differentiated activities. All organization whether commercial State Corporation or private State Corporations are composed of activities and functions performed in them with the goal of promoting ownership concentration and performance of the organization. Formal organizations emerge when the relationships of ownership in organization emerge in these activities and functions are linked together (Muchinsky, 1993).

Muchinsky (1993) adds that in these organizations are composed of activities and functions performed by people. The tasks performed by these people exercise their authority which confirms their ownership concentration and organizational performance. These people cooperate toward a goal. The cooperation must exist among people performing their various activities and function to achieve a unity of purpose in suit of their common goal. Authority is the final ingredient that is established through superior subordinate relationships. Such authority is needed to ensure cooperation among people pursuing their goals. Adams (1965) in his equity theory posits that individuals perceive themselves in comparison to others.

This individual compares himself or herself to other individuals. These individuals bring to the organization or job their education, intelligence, experience, skill, seniority, effort level and health. These assets are perceived as values brought by these individuals to the organization. All the benefits these individuals derive from the organization are referred to as outcome. The outcome includes benefits, payouts, status symbols and seniority benefits. These are factors a person perceives to get from the organization. The theory further states that a person forms equity by making the ratio of his/her input to outcome equal compares it to perceptions of the inputs of persons are perceived less but others contributing more outcomes. This equity theory came up with behavioral modes of inequity reduction as change inputs, outcomes get others to change inputs or outcomes or quit the organization for more equitable one but is quick to caution that such move is likely to affect the organizational ownership and performance.

Maslow (1970) points out that behavior is dominated and determined by the needs by the needs that are unfulfilled individuals will systematically satisfy their needs by starting with the basic and working up the hierarchy. Basic needs take precedence over all those higher in the hierarchy. This implies ownership concentration is basic and should be achieved for performance the organization to be realized. People are highly motivated when they perceive ownership concentration of any aspect for organizations or corporates to perform the necessary environmental factors should be presented such as organizational attributes of the corporate performance, individual's relationship with shareholders and rewards.

2.3.2 Leadership and performance of commercial state corporation

Leadership is a relationship between leaders and followers where they influence each other and they intend real changes and outcomes that reflect their shared purposes (Daft, 2005). In governance several stakeholders normally have unique ownership identities sharing a common vision of the corporation existence. The leaders influence and are influenced by

their followers with different identities. Leadership is available to everyone; it is not limited to the person in power. It is a process whereby an individual identity influences a group of individuals to achieve common goals (Northouse, 2007). The leader must understand the critical interplay between capabilities and value creation, a relationship that goes to the heart of high performance in organizations (Breen, and Nunes, 2006), in this case the interest of the different owners with identities. The role of leadership is of fundamental importance to the performance and success of organizations (Breene, and Nunes, 2006). Leadership concept may become the most apt concept to embracing better value driven culture in public sector in the era of the 21st century (Draft & Merlo 2009; Jing & Avery, 2008; Ireland & Hitt, 2005). Every high performing organization must have a high performance culture.

Leadership style is the combination of attitude and behaviour of a leader, which leads to certain patterns in dealing with the followers (Dubrin, 2004). It is the result of the philosophy, personality and experience of the leader that determines and shapes the role of different stakeholders in the relationship in the corporation. There are several leadership styles which are autocratic, bureaucratic, charismatic, democratic, participative, situational, transformational, and transactional. Leadership style has been the deciding factor of more than one facet of employee behaviour in organizations.

There is a definite relationship among the leadership's characteristics, an organization's strategies, and its performance. When the board of directors and the leadership in the organization are involved in shaping an organization's direction, the organization generally improves its performance. A critical element of strategic leadership and organizational performance, is the ability of leadership to manage and utilize the organization's resource portfolio. This includes integrating resources to create capabilities and leveraging those capabilities through strategies to build competitive advantages and high performance (Ireland & Hitt, 2002).

Serfontein (2010) did a research on the impact of strategic leadership on performance of organizations in South Africa. The research found that strategic leadership is directly and indirectly positively associated with organizational performance of organizations in South Africa. Also the research recommended that organizations that want to improve their performance need to implement effective strategic leadership practices. Miring'u (2011) did an analysis of the effect of corporate governance on performance of commercial State Corporation's in Kenya. The analysis concluded that corporate governance brings new outlook and enhances a firm's corporate entrepreneurship and competitiveness thus a positive relationship between Return on Investment (ROI), board size and board composition. The analysis did not focus on how strategic leadership affects performance in commercial and financial State Corporation's hence there was a research gap.

Early on, leadership definitions had the tendency to view the leader as the focus of a group activity. The leader restructures the problems, offers solutions to the problems, establishes priorities and initiates developmental operations (Bass, 1990). Leadership was associated with strength of personality (Bass, 1990 and Bowden, 1926). A leader was seen as a person with many popular traits of personality and character (Bass, 1990 and Bingham, 1927). The current descriptions of leadership no longer regard only individual characteristics or differences (Avolio, 2007&Yukl, 2006). For as long as there is interaction between people, leadership existed. The topic of leadership has been the focus of studies for the past 20 years and gradually became a topic of great interest. This interest sprung forth out of the fact that leaders provide guidelines and they have to motivate their followers to accomplish tasks (Gill, 1998).

The leader has to give responsibility on the basis of trust or design control systems to monitor individual activity. The leader will now also have to employ management and staff with the necessary specialist skills. In order for the business to grow, sales revenue must

increase which means that more products are manufactured or quality is improved to justify an increased unit price or product range (Breene&Nunes, 2006). Innovation and talent management are also two of the essential capabilities needed for high performance in a business organization. The investment in training and leadership development to enhance innovation and the development of talent has been observed as a crucial strategic focus in high-performing business organizations (Nel&Beudeker, 2009). Every high performing business organization also has a high performance culture.

In focusing on leaders, researchers have considered not only the leaders' personal ethical failings, but also and perhaps most critically the impact of the leaders' behaviour and leadership style on the organization. In particular, a number of analysts have suggested that the Chief Executive Officer (CEOs) and other top leaders involved in corporate scandals may have created or fostered the development of an organizational culture and structure that was antithetical to ethical business behaviour (Callahan, 2004; Carson, 2003; Jennings, 2004; Sims and Brinkmann, 2003; Stanford, 2004; Stephenson, 2004). Consequently, the ethical failings of top leadership can often inadvertently be supported by, for example, an organizational culture that advocates winning at any cost (Carson, 2003; Jenkins, 2002; Jennings, 2004; Prentice, 2003; Seeger & Ullmer, 2003).

There is strong agreement in literature that organizational leaders, especially the top executives, play the most important role in shaping the overall organizational culture through role modelling, establishing organizational strategies, and setting the tone for the overall ethical climate. While top executives can lead their organizations and their employees down an ethical path, leaders on their own cannot foster genuine, organization-wide ethical behaviour and attitudes. A culture of ethical behaviour and attitudes requires not only the cooperation of employees and other stakeholders, but also that these stakeholders essentially buy into the complete ethical organizational culture. Organizational commitment is an

individual's psychological attachment to the organization. Organizational commitment is a strong belief in and acceptance of the organization's goals and values; a willingness to exert considerable effort on behalf of the organization; and a strong desire to maintain membership in the organization (Mowday, Steers&Porter, 1979).

Leadership is a social influence in which individuals are influenced to realise the organisational goals and objectives. On social psychology social influence are ways in which thoughts, feelings and behaviours of people are influenced by others people or groups (Lord, Brown &Harvey, 2003). For leadership to enhance performance there is need for compliance and conformity. Compliance is a situation in an organisation where a person agrees with the opinion of other people without changing their internal opinions. Conformity is when an innermost thoughts, feelings and behaviours of a person are influenced as a result of pressure from other people or groups or leaders.

In order for leadership to influence performance in any organisation there is need for power influence. Hogg and Vaughan (2002) explain power as the ability to exert influence over other persons without being influenced. They go further to exert that the sources of power as reward power, coercive power, informational power, expert power a legitimate power and referent power. There is a strong correlation between leadership power and performance. The reward power is the ability to promise rewards to members of the organisation for being compliant. Coercive power is the ability to give or threaten punishment for not being compliant. Information power in leadership is the belief by the person being influenced that the person doing influencing has more information than him or her.

Expert power is the belief by the person being influenced that the person doing the influencing has greater expertise and knowledge than him or her. Legitimate power is the belief of the persons being influenced that the person influencing them is authorised by a recognised power to command and make decisions and finally referent power is the ability of

the persons being influenced to identify with or is attracted to or has respect for the person doing influencing. In an organisation conformity or majority influence occurs after a person has been exposed to the opinions, beliefs or behaviours of the majority of people in the organisation of which they are members (Martin & Hewstone, 2003).

2.3.3 Organization culture and performance of commercial state corporation

Culture in workplace is the set of shared values, beliefs and norms that influence the way employees think, feel and behave; this is referred to as organizational culture. Organizational Culture has four functions: give members a sense of ownership identity, increase their commitment, reinforce organizational values, and serves as a control mechanism for shaping behavior (Nelson & Quick 2011).

Organizational Culture facilitates the acceptable solutions to know the problems, members learn, feel and set the principles, expectations, behaviors, patterns and norms that promote high achievement (Marconnlides & Hecks 1993; Schein, 1992). It has the potential to enhance organizational performance, employee's satisfaction and the sense of certainty about problem solving (Kottler 2012). If an organizational culture becomes incongruent with the changing expectations of the changing expectation of internal and or/ external stakeholders the organizations effectiveness can decline as has occurred with some organizations (Ernst, 2001).

At different level of organization culture different background, ethics and racial differences impact upon performance. The similar organization culture with different backgrounds has common set of values and beliefs to be effected by organization systems. (Robbins & Sanghi, 2007) The attraction of organization norms, values and beliefs have strong effect upon performance and sustainability. (Stewart, 2010) The norms of employees impact upon sustainable performance and management of organization culture as it leads to attainment of profitability.

Several other studies available in the literature (Rossow&Vuuren, 2003;Sims&Brinkmann, 2003; &Stephenson, 2004) also point to the critical role people within the organization play in determining the organization's culture. This analysis also supports the argument advanced by Sims and Brinkmann (2003) that an organization's culture may encourage or allow unethical behaviors. Hill and Jones (1995) argued that the norms and values of the organization become part of the employees' own value system.

An organization's leaders, especially its CEO and other top leaders, play a vital role in shaping the organization's culture (Schein, 1996; Sims &Brinkmann, 2003). On the basis of Schein's work on organizational culture – in particular, his model of the five primary mechanisms which includes attention, reaction to crisis, role modeling, allocation of rewards, and criteria for selection and dismissal, that a leader can use to influence an organization's culture Sims and Brinkman (2003) showed how organizational culture, as influenced by its leaders, led to the crisis. Specifically, they argued that executives use Schein's five mechanisms to reinforce a culture that was morally flexible, opening the door to ethics degeneration, lying, cheating, and stealing (Sims & Brinkman, 2003).

Yilmaz (2008) states that;following Schien (1984) at the core of Denison's model are the underlying beliefs and assumptions that represent the deepest levels of organizational culture. These fundamental assumptions provide the foundation from which (1) more surface-level cultural components such as values and observable artifacts – symbols, heroes, rituals, etc. – are derived and (2) behaviour and action spring (Denison, 2000). In Denison's model comparisons of organizations based on relatively more surface-level values and their manifest practices are made. Such values are deemed both more accessible than the assumptions and more reliable than the artifacts (Denison, 2000 &Yilmaz, 2008). Denison's organizational culture model is based on four cultural traits involvement, consistency, adaptability, and

mission that have been shown in the literature to have an influence on organizational performance (Denison & Mishra, 1995).

The loyalty of employee relies upon knowledge and awareness of culture that improves behaviour of organization (Brooks, 2006) Organization culture have first time been identified by Administrative Science quarterly (Pettigrew, 1979). The value and norms of employee's based upon management identification that helps in improving employee performance. The awareness of quality helps in improving organizational and employee development. Organizational culture has been defined as the normative glue that holds an organization together (Tichy, 1982). Forehand and Von Gilmer (1964) suggest that culture is the set of characteristics that describe an organization and distinguish it from others. Schein (1990), in a more comprehensive fashion, defines culture as values and behaviours that are believed to lead to success and are thus taught to new members. Central to the culture definition is the idea that culture must be learned and shared (Titiev, 1959).

Certainly, the example of Enron, WorldCom, Tyco and HealthSouth Inc suggests that unethical organizational behavior is driven from the top down through the organization. Leadership plays the most important role in shaping the overall culture through modeling, establishing organizational strategy and setting the tone for the overall ethical climate. Although leaders are probably the single most important force in shaping and maintaining organizational culture, they are not the only factor. The organizational structures and systems for example compensation systems, communication structures, and management hierarchies also play an important, supportive role in shaping the culture of an organization. Because an organization's culture provides the behavioral norms for getting things done (Holt, 1987), often employees confronted with behavior they know to be wrong will ignore or rationalize it. Sims and Brinkmann (2003) noted that employees observe the behavior of leaders to find out what is valued in the organization.

Despite government efforts to legislate processes, the literature supports and the Enron case illustrates the contention that an ethical organizational culture cannot be created through the imposition of a code of corporate ethics or through the establishment of an ethics program in response to legal or regulatory requirements, such as the Sarbanes–Oxley Act (Hatcher, 2003; Rossouw & Vuuren, 2003; Sims & Brinkmann, 2003). Instead, an organizational culture of ethical behavior must be inculcated throughout the organization, with each individual in the organization adhering to a personal moral code. It can thus rightly be concluded that the starting point for fostering a healthy organizational culture should be with top corporate leaders and not legislation.

According to organizational psychology a social system is structuring of events or happenings, it has no formal structure apart from its functioning. When a social system stops functioning, no identifiable structure remains. The social system has components such as culture, norms and roles (Muchinsky, 1993). The most recent component of social system is the concept of organizational culture. Organizational culture consists of values, attitudes, beliefs, language and customs of the organization. As a group membership the organizations are socialized through common social activities, they acquire its culture, enhance interactions with other group members and learn generalized set of attitudes, values, and beliefs. Organizational culture manifests itself in assumptions that underlie the values that determine behavior and define the socialization processes that make it possible to control individual behavior and direct it towards the organizational goals and subsequently performance.

Organizational culture is transmitted through communication processes. Though interaction with long time organization group members, new recruits are enculturated and observe rites and rituals of the organization. The culture of an organization is best understood by analyzing tangible and visible rites such as rites of passage (hiring and basic training), renewal (organizational development activities), conflict reduction (collective bargaining),

integration (office party) and degradation or dismissal (Bayer & Trice, 1987). Organizational culture is communicated through other channels such as in-house memos, official policies, and statement of corporate philosophy and means of value expression (Barnett, 1988). Organization culture is the useful way to understand issues within personal psychology. The concept of culture is relevant for selection, training and performance appraisal. Training is the direct extension of an organization's culture and initiating new members into beliefs, values, attitudes and behavior of the organization.

Organizational group norms are share group expectations about appropriate behavior. Group norms define and establishes acceptable group behaviors expected of everyone expected of everyone in the organizational group. Members of the group stickily follow the group norms to minimize differences between group members and maximize differences with group members. This process is called self-categorization process. This process leads group members to behave in ways consistent with the norms of the group leads to social identity. Social identity is a sense of who a person is and is derived from being a member of a particular group (Martin &Hewstone, 2003).

Roles are expectations of others about appropriate behavior in a specific position. A group member entering any organization learns expected performance levels, recognition of superiors and term demands through role episode. Roles ease the learning process (Scott et.al, 1981). Group members have group expectations for a particular job performance, which they communicate either formally or by having the role occupant observe others in similar roles and behaves appropriately. When the behavior differs from group expectations the role occupant gets feedback from the group members about the discrepancy.

2.4 Knowledge Gap

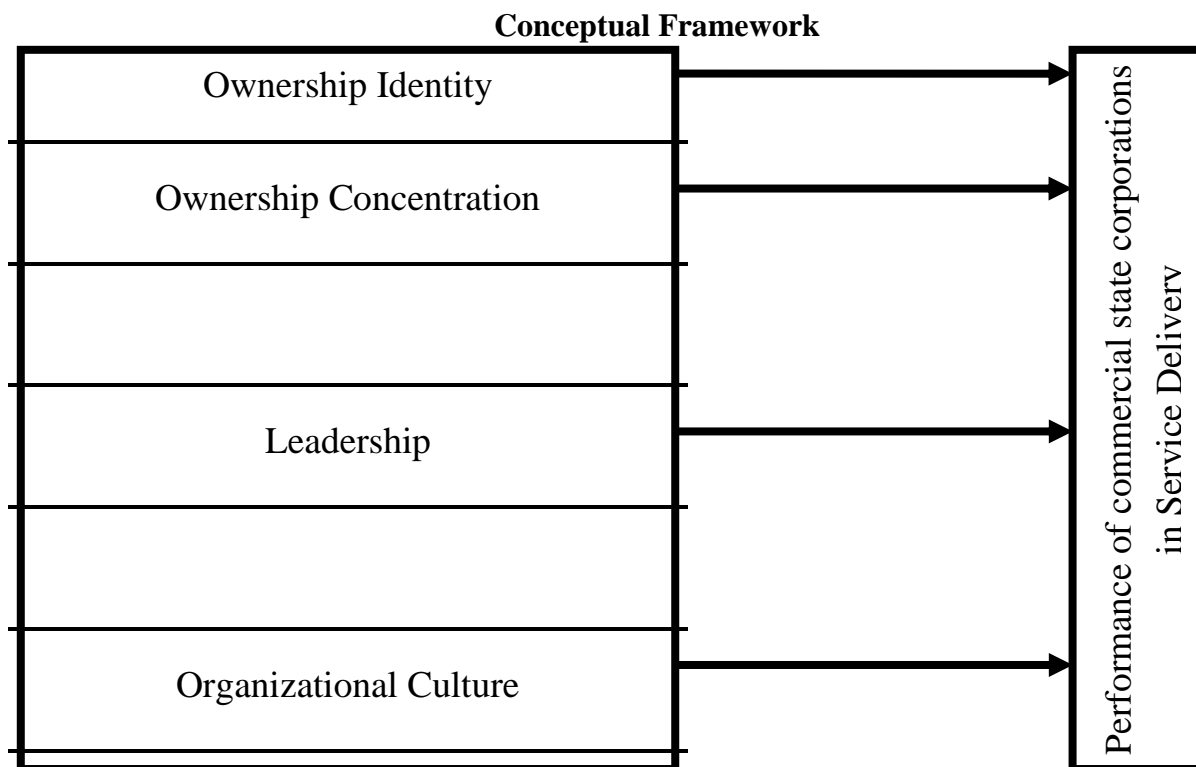
Most of the studies have been done on corporate governance and performance, ownership structure and performance. No or dearth studies have been done on effects of ownership

identity on performance on commercial state corporate, that why the main object of this study is examine effects of ownership identity on the performance of commercial state corporation.

2.5 Conceptual Framework

The conceptual framework shows one dependent variable performance of State Corporation and three variables as demonstrated in Figure 1. The independent variables are ownership concentration, leadership and organization culture. According to Figure1 the independent variables can individually affect the dependent variable (H₁, H₂ and H₃) or can collectively affect the dependent variable(H₄).

FIGURE 1



Source: Author (2015)

2.6 Operationalization the Variables

Table 1 defines variable type, variable name and the operational meaning. This table is meant to operationalize the variables. The performance indicators of commercial state corporations are equally defined.

TABLE 1
Operational Variables

Variable Type	Variable Name	Operational Meaning
Independent Variable	Ownership Concentration	<ul style="list-style-type: none"> • Ownership identity • Number of shares • Incentives for shareholders • Shareholders value • Transparency appointment of BOD
	Leadership	<ul style="list-style-type: none"> • Ability to influence • Ability to direct and guide • Ability to Learn • Ability to engagement • Performance contracting • Competent board • Lack of board
	Organizational Culture	<ul style="list-style-type: none"> • Develop Ethics & Integrity • Ability to communicate • Ability to integration • Embrace transparence • Accountability • Ability to develop entrepreneur culture
Dependent Variable	Performance of service delivery Commercial State Corporation	<ul style="list-style-type: none"> • Good Corporate Governance • Acceptable water distribution coverage • Achieve availability of water supply • Balancing operation meters and active water connection • Managing Non- Revenue Water • Water billed and revenue collected • Disconnected connection for over 90 days • Operating revenue as percentage of operations and maintenance expenditure • Delighted customers

Source: Author (2015)

Observed performance data was obtained from ‘IMPACT, A Performance Review of Kenya’s Water Services Sector’ Issue No 7 report by WaSREB(2014). The report

benchmarks performance indicators for all water services providers in the country, Kenya.

These indicators include:

Revenue Collection Efficiency: refers to the total amount collected by Water Services Providers expressed as a percentage of the total amount billed in a given period. Non-Revenue Water is the difference of the amount of water produced for distribution and the amount of water billed to customers. The sector acceptable benchmark is anything below 25%.

Coverage/Total area to be covered (Per cent of Coverage over the 5 Year Period): number of people served with drinking water by the WSP as a percentage of the population within the service area. The acceptable benchmark should be $\geq 91\%$. O+M Sector benchmark refers to the total operating revenue expressed as a percentage of total operations and maintenance expenditures, the industry benchmark is at @ 150%.

Metering Ratio: refers to the number of connections with operational meters expressed as a percentage of the total number of active water connections. 95% or higher is the sectors acceptable benchmark. Dormant Connections: Refers to the connections that have remained disconnected or have not received water for more than 3 months, expressed as a percentage of the total water connections. The acceptable benchmark is @ at the least $< 10\%$.

2.7 Research Hypothesis

The following research hypothesis guided the study:-

H₀₁: There is no significant relationship between ownership concentrations and performance of Commercial State Corporation

H₁: There is a significant relationship between ownership concentrations and performance of Commercial State Corporation

H₀₂: Leadership has no significant influence on performance of Commercial State Corporation

H₂: Leadership has a significant influence on performance of Commercial State Corporation

H₀₃: Organizational Culture has no significant effect on performance on Commercial State Corporation

H₃: Organizational Culture has a significant effect commercial state corporation

H₀₄: Ownership identity has no significant effect on performance on Commercial State Corporation

H₄: Ownership identity has significant effect on performance of commercial state corporations

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The chapter presents the procedure that was used in carrying out the study. It addressed the research design, target population, sample size and sampling procedure, research instruments, reliability and validity of instrument, data analysis and ethical considerations.

3.2 Research Design

This research problem used descriptive research design. According to Cooper and Schindler (2003) a descriptive study is concerned with finding out the what, where and how of a phenomenon. A descriptive survey design was used in preliminary and exploratory studies to allow researchers to gather information, summarize, present and interpret for the purpose of clarification. The choice of the descriptive survey research design was based on the fact that in the study, the research was interested on the state of affairs already existing in the field and no variable would be manipulated. This study therefore generalised the findings to a larger population. The main focus of this study was quantitative. However some qualitative approaches were used in order to gain a better understanding and possibly enable a better and more insightful interpretation of the results from the quantitative study.

3.3 Target Population

The target population comprised of management staff of Water Service Providers (WSP's). Four companies were selected for this study namely Nairobi City Water and Sewerage Company, Thika Water & Sewerage Company, Nakuru Water & Sewerage Company and Mombasa Water & Sewerage Company. The population of 313 was picked on the basis of their proximity and management staff size. Observed performance data was obtained from 'IMPACT, A Performance Review of Kenya's Water Services Sector' Issue No 7 report by WaSREB (2014).

3.4 Sample Size and Sampling Procedure

This study adopted a probability based sampling method. Stratified sampling procedure was used. The population was divided into 4 strata based on water service providers as shown in Table 2 . From each WSP 30% Mugenda and Mugenda(2003) provide 10% as adequate sample size. The formula of sampling presented by Krejcie and Morgan's (1970) was used in calculating the sample size as shown in Appendix 2. Adopting proportionate sampling approach; the study computed 55% of each stratum to give equal representation as shown in Table 2.

TABLE 2
Water Service Providers

Water Services Providers	Population	Sample size of the staff per company	Percentage
Nairobi City Water and Sewerage Company(NCWSC)	225	123	55%
Nakuru Water and Sewerage Company	24	13	55%
Thika Water and Sewerage Company	21	12	55%
Mombasa Water and Sewerage Company	43	24	55%
Total	313	172	55%

Source: Author (2015)

3.5 Research Instrument

The research instruments that were used for the study were questionnaires. Questionnaires are commonly used to obtain important information about the used population with each item addressing a specific objective or research questions (Mugenda and Mugenda 2003). The questionnaires were administered to the WSP's Management staffs. The questionnaires were used to collect data from the research subjects. The questionnaire Appendix (1) contains both open-ended and closed-ended questions that were constructed to address the three research objectives. The questionnaire was in five sections; the first section sought background information, the second collects data on ownership concentration on performance, third sections collects data on leadership and performance, the fourth collects data on organization culture on performance and fifth on corporate performance. The study adopted a 5 point Likert scale where 1 strongly disagree, 2 disagree, 3 neutral, 4 agree and 5 strongly agree.

3.5.1 Reliability and Validity of Instrument

According to Orodho (2005), piloting assists the researchers in establishing the validity and reliability of the items, wording, ambiguities of the questions, researcher bias, assess possible answers and analysability of the collected data. The research instruments were pre tested in the sections similar to those targeted for the main study. This enabled the researcher check on validity as well as reliability of all instruments, (Bless and Achola 1987). The choice of the WSP's was based on all the companies which shared similar characteristics hence suitable sample size for piloting was be 18 management staff at WSP's.

The study carried out the pilot study to pre-test the validity and reliability of data collected using the questionnaire. Berg and Gall (1989) presents validity as the degree by which the sample of test items represents the content the test is designed to measure. Content validity which was employed by the study and was used to measure the degree to which data

collected using the instrument represented a specific domain or content of a particular concept.

According to Shanghverzy (2003) reliability refers to the consistency of measurement and is frequently assessed using cronbach alpha test method. Reliability was increased by including many similar items on a measure, by testing a diverse sample of individuals and by using uniform testing procedures. The Cronbach alpha test was adopted in testing the reliability of the instrument. Cronbach alpha ≥ 0.7 was to interpret the instrument which provided a relatively reliable good measurement tool. A reliability statistical test of the 34 items in the instrument was done using SPSS program. The result was ≤ 0.816 which was above the threshold of ≥ 0.7 , hence the instrument in Appendix II was consider reliable.

3.6 Data Collection

Data collection methods refer to the approach that the research takes while collecting data in relation to the study. Secondary data was collected through reviewing credible sources with related information on the study. The research reviewed strategic plans of the companies, agreement documents, articles of associations and impact assessments reports from WaSREB. The research also used primary data collection method in the study. The primary data was collected using questionnaires. The questionnaires were self-administered to staff members.

The researcher obtained a research permit from the Ministry of Education Science and Technology authorising research visits to sample the water service providers. The researcher contacted Chief Executive Officers to seeking permission to carry out the study in their companies. After being allowed to carry out the study in the companies, the researcher visited the water service providers to familiarize with the respondents and to make appointments for data collections. During familiarization the researcher briefed the respondent on the purpose and the nature of the study. The data was collected from the management staff for a period of

one month. Questionnaires were dropped by the researcher and collected later. This enabled the subjects to have ample time to answer the questions.

3.7 Data Analysis

The study generated quantitative data from the questionnaires. The raw data was edited to help detect errors and omissions and to correct them. The edited data was then coded. These involved assigning numerical values to the responses. The coding enabled the researcher to reduce several responses to small number of categories containing critical information required for analysis. The coded responses were prepared for computer analysis. The researcher then used descriptive statistics to analyse the background information. Regression analysis was employed on testing the research hypothesis. The statistical package of social sciences (SPSS) and Microsoft excel programmes were used to analyse the data. The analysed data was presented using frequency tables, graphs and pie charts. The estimated regression model is presented under equation below.

$$P = \alpha_i + \beta_i \text{OCO} + \beta_{ii} \text{L} + \beta_{iii} \text{OCU} + \epsilon_i \dots\dots\dots (i)$$

Where;

P = Performance

α_i = Constant, performance of state corporations in the absence of ownership identity.

$\beta_i, \beta_{ii}, \beta_{iii}$ = Coefficient of the independent variables (OCO, L and OCU)

OCO = Ownership Concentration

L = Leadership

OCU = Organizational Culture

ϵ_i = Error term associated with the regression equation

3.8 Logistical and Ethical considerations

Logistical and ethical considerations are perceived to be all the process, activities that the researcher must address in order to ensure successful completions of a research proposal

(Orodho, 2005). The logistical issue that was used to address this study was to seek the research permit. This was obtained from the Ministry of Education to allow successful implementation of the research process. The ethical problem encountered was informed by consent and privacy as issues concerning respondents.

Heppner, Kivlighan and Wampold (1992) refer to consent as a process of giving subjects the opportunity to decide whether or not to participate in a particular study. The researcher ensured that the study did not cause any physical or psychological harm to the research respondents. To realise this goal, the researcher visited the WSP's to meet the research respondents, to explain the purpose of the study and to clarify on what was expected of them before they fill the questionnaires. The ethical consideration was concerned with legal issues.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION

4.1 Introduction

The researcher collected the questionnaires from the respondents and checked for their completeness and were subsequently keyed into the SPSS spread sheet for analysis. This chapter presents the results of the data analysis and the interpretations of the results. After data entry the data was cleaned to remove any errors that might have resulted from the data entry process. Two statistical tests were performed; descriptive statistical analysis and regression analysis. Descriptive analysis was used to examine the profile of the respondents. Regression analysis was used to establish the effect of ownership identity on performance of service delivery for commercial state corporations.

Out of 172 questionnaires administered 130 were filled and returned resulting to 75.8 % response rate. Mugenda and Mugenda(2003) indicated that questionnaires having a response rate of 50% are adequate for analysis and response rate of 70% is very good. Therefore 75.58 % response rate is very good to use.

4.2 A Profile of Water Service Providers Employees

The study as shown on Table 3 of analyses using descriptive statistical found that on gender 63.8% of employees in management level was male and 36.2 % were female. At different levels of the organization culture, background, ethics and racial differences impact upon performance. Similar organization with different backgrounds has common set of values and beliefs to be effected by organization systems. The attraction of norms, values and beliefs have a strong effect upon performance and sustainability. The norms of employees impact upon sustainable performance and management of organization culture that leads to attainment of profitability.

Using descriptive statistical as shown on Table 3 the education level of employees of WSP was 70.8 % being university graduates 26.9% college graduates and 2.3% are from four leaves. The study confirmed that strategic leadership is directly and indirectly positively associated with organizational performance. A leader needs to employ and use staff with skill and knowledge in order for the business to grow and increase company revenue. Innovation and talent are essential capabilities needed for high performing corporations. Investment in training is crucial for high performing organizations. WSP have a high level of graduates who can be used to influence and model other staff members for better performance.

Descriptive statistical analysis Table 3 on years of service, the study found that 47.7% had over 10 years work experience, 21.5% had experience of between 7-10 years, and 18.5% had experience of between 4-7 years and 12.3% had experience of between of 1-3 years. The experience of leaders determines and shapes the role of different stakeholders in the relationship in the corporations. WSP have employees with vast experience in water sector as confirmed by the analysis from research.

Analysis of Table 3 on company ownership 93.3% of the respondents stated that the WSP are owned by county governments, 3.8% stated that they were owned by national government, 1.6% owned by public shareholding and 1.5% it didn't know exactly the actual ownership of the WSP. The research confirms that WSP are owned by the county government who only does not have the power to control or influence its performance but determine policy implementation and reputation of the corporations. It is important to note that problems in government owned companies arises from political issues rather than managerial issues.

Analysis of Table 3 on Percent of Company Ownership as per the respondent's choice in Table 3 shows 76.9 % said that the WSP ownership percentage was 75-100 %, 15.4 % said that the WSP ownership percentage was 51-75 %, 5.4% said that the WSP ownership

percentage was 26-50 % and 2.3 % said that the WSP ownership percentage was 0-25 %. It is clear that WSP have concentrated ownership model. This makes it possible for the shareholders to influence WSP performance. Large shareholders can influence and exert their power to benefit themselves. It is also possible for the large shareholders to monitor and control the management and thereby contributing to better corporate performance.

Table 3 on type of company category as per registration the respondent's analysis showed that 27.7 % said that WSP are State Corporations, 45.4% Public Limited Liability Company, 14.6% Private Limited Liability Company, 6.2% said none of the above and 6.2% said all the above registration apply to WSP's. WSP's are Private Limited Liability Company by registration of Companies Act cap 486 Laws of Kenya, a fact that only 14.6% of the employees in management are aware, 86.4% of the employees are not aware. It is within the articles that objectives of the company are normally stated, so it a challenges for the employees to meet performance target if they do not know the reason for the existence of the company.

Conclusion of descriptive analysis on the issue of categorization as per the government guidelines on state corporations the respondents analysis results were as follows; Commercial State Corporation 9.2%, Service State Corporations 88.5% and 2.3 % Regulatory State Corporations. The research results confirmed that 90.8 % of the employees of WSP did not understand that their WSP's are commercial companies that generate their income from revenue to improve on service delivery. The articles of registrations states that the WSP shall provide and distribute a constant supply of water and sanitation services for commercial, industrial and domestic purposes.

This WSP do not depend on state funding or grant to sustain their operations like Service State Corporation which partly or wholly are funded by the exchequer like Water Resource Management Authority (WARMA), Water Service boards among others. In this

study a commercial state corporation is an entity in which a government has majority or complete shareholding and is involved in commercial activity in market environment. Memorandum of Association empowers the WSP to carry out the business of Water and Sewerage Services. Commercial state corporations are organisation that sells its goods and services and that derives the major part of its current revenue from the sale of these products. Corporations identify fees, service charge and/or billed income as their primary source of revenue.

Table 3**Profile of Water Service Providers Employees**

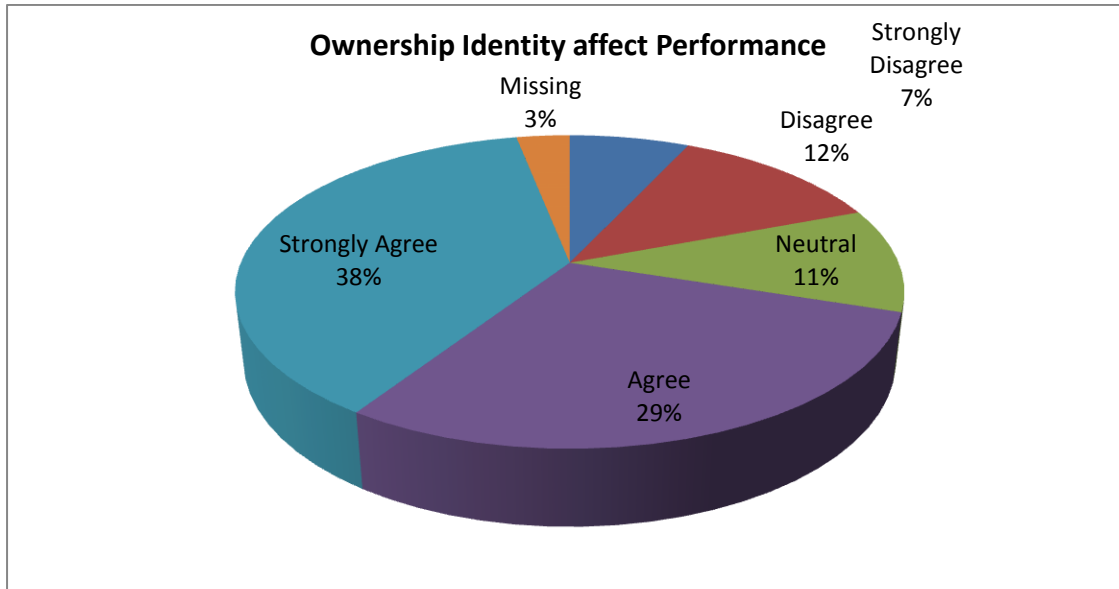
Gender	Frequency	Percent	Valid Percent
Male	83	63.8	63.8
Female	47	36.2	36.2
Level of Education			
Secondary	3	2.3	2.3
College	35	26.9	26.9
University	92	70.8	70.8
Years of Service			
Upto 1 to 3 Years	16	12.3	12.3
Upto 4 to 6 Years	24	18.5	18.5
Upto 7 to 10 Years	28	21.5	21.5
Over 10 Years	62	47.7	47.7
Company Ownership			
National Government	5	3.8	3.9
County Government	121	93.1	93.8
Public Shareholders	2	1.5	1.6
Others	2	1.6	.8
Percent of Company Ownership			
0-25%	3	2.3	2.4
26-50%	7	5.4	5.6
51-75%	20	15.4	15.9
76-100%	100	76.9	76.2
Type of Company Classification			
State Corporation	36	27.7	28.8
Public Limited Liability Company	59	45.4	47.2
Private Limited Liability Company	19	14.6	15.2
None of the Above	8	6.2	6.4
All of the Above	8	6.2	2.4
Category in Government			
Commercial	12	9.2	9.4
Service	115	88.5	89.8
Regulatory	3	2.3	.8
Total	130	100.0	

Source: Author (2015)

4.3 Ownership Concentration and Performance of CSC

FIGURE 2

Ownership Identity

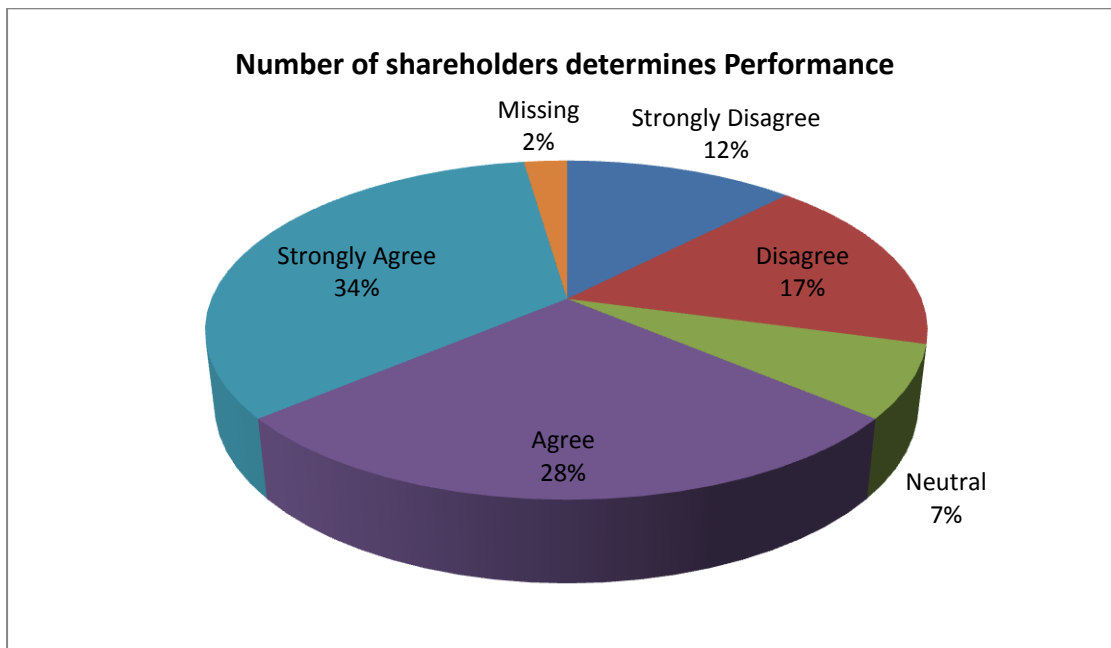


Source: Author (2015)

According to Table 4 and Figure 2, 38% of the respondent strongly agreed that ownership identity affect performance, 29% agreed while 11% were neutral, 12% disagreed, 7 % strongly disagreed and 3% gave no response to statement. The study showed that 67% of the respondent agreed that ownership identity affects performance. This is a confirmation that the study ownership identity is important for corporate performance. The existence of ownership identity effect is based on the argument that different owners may have different strategic goals.

FIGURE 3

Shareholding

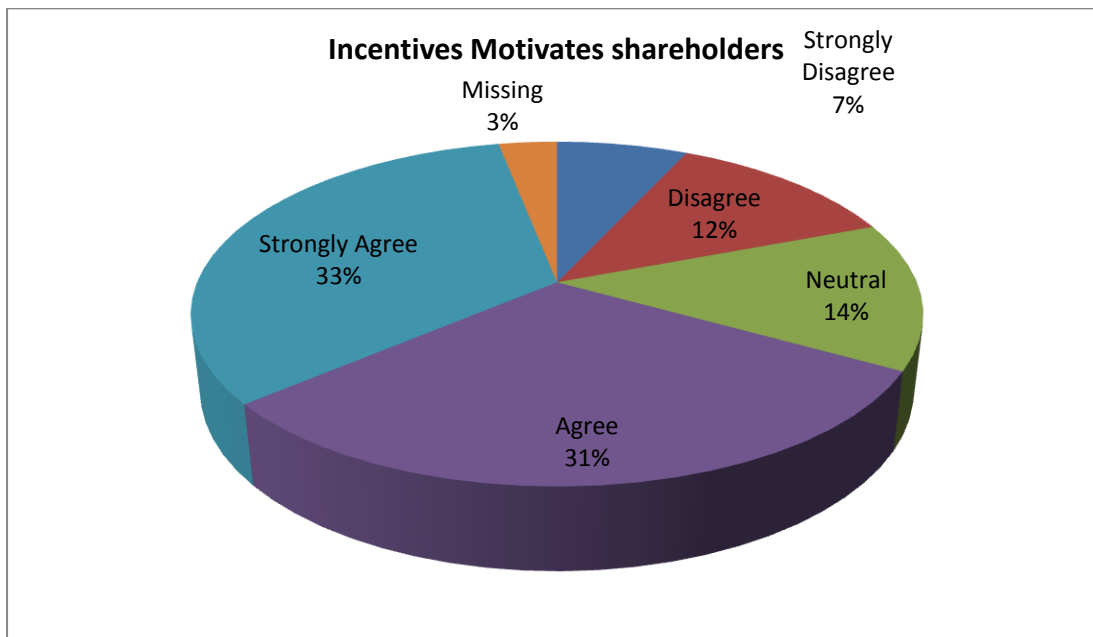


Source: Author (2015)

Table 4 and Figure 3 showed that 34% of the respondents strongly agreed that the number of shares by a shareholders determines a company performance, 28 % agreed, 7 % were neutral, 17 % disagreed, 12% strongly disagreed and 2% never gave a response to the statement. According to the research study 62 % of the respondent agreed that number of shares by shareholders determine the company performance.

FIGURE 4

Incentives

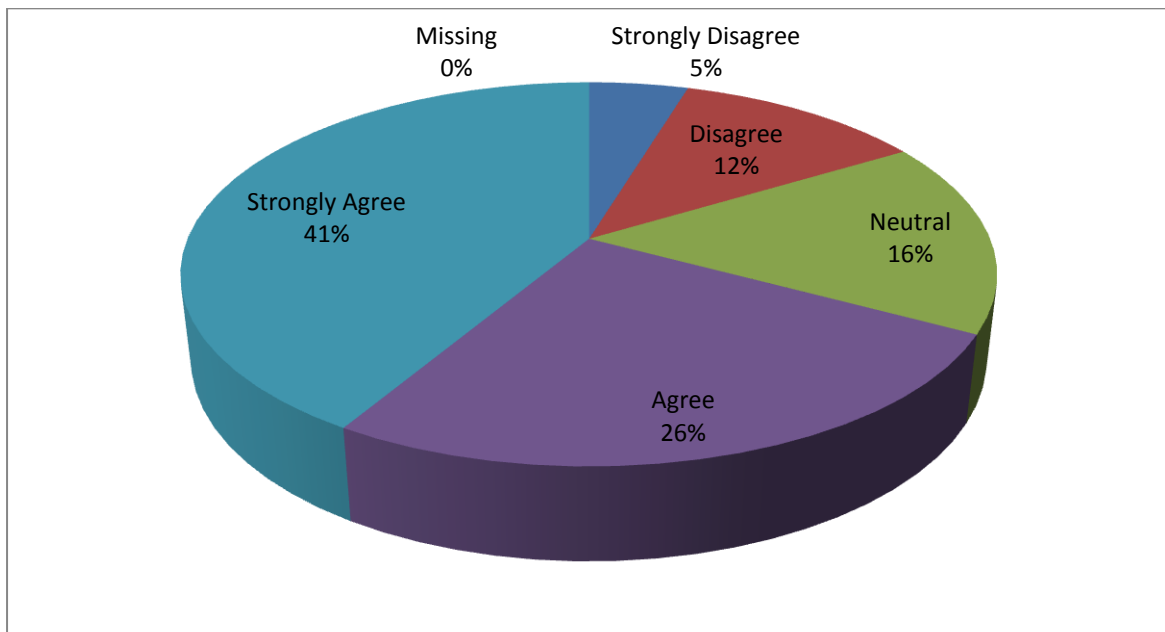


Source: Author (2015)

Table 4 and Figure 4 showed that 33% of the respondents strongly agreed that incentives motivates shareholders to monitor management performance ,31 % agreed, 14 % were neutral, 12 % disagreed, 7% strongly disagreed and 3% never gave a response to the statement. According to the research study 64 % of the respondent agreed that incentives motivate shareholders to monitor management performance. The research finding confirms that majority of respondent believe that shareholders need to be motivated for them the monitor management. Vickers and Yarrow (1998) consider lack of incentives as the major argument against state ownership. The conflict of interest between the government and the citizen's often arises because the state is interested in political outcome and the citizens are interest in service delivery.

FIGURE 5

Participation adds value

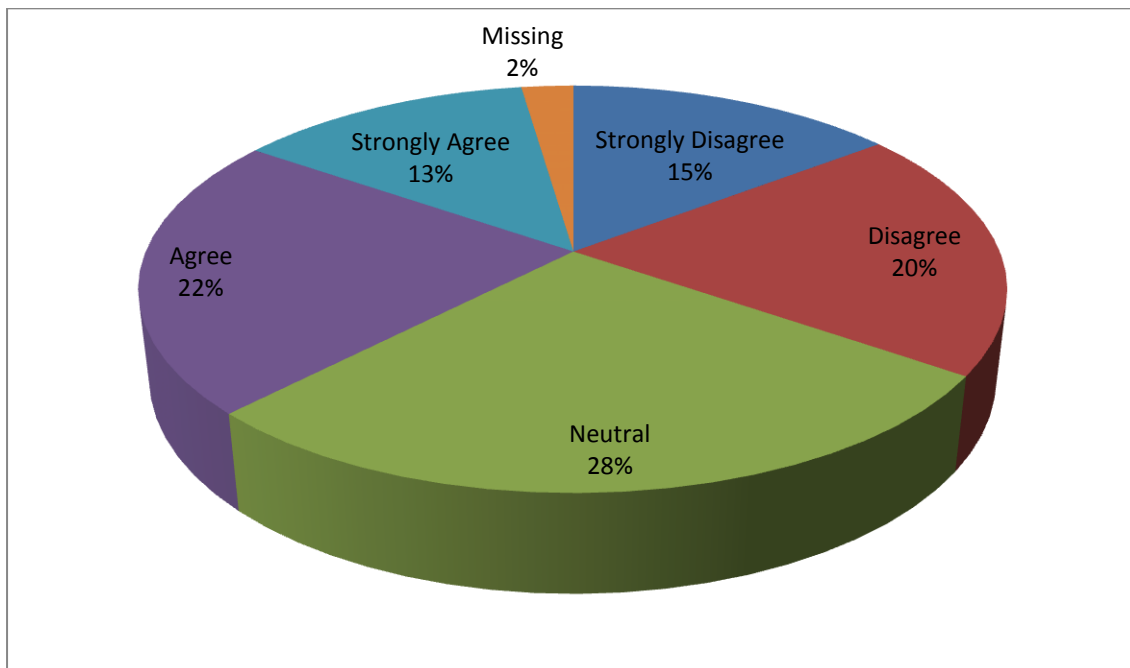


Source: Author (2015)

Table 4 and Figure 5 showed that 41% of the respondents strongly agreed that shareholders participation adds value to the company, 26 % agreed, 16 % were neutral, 12 % disagreed and 5 % strongly disagreed to the statement. According to the research study 67 % of the respondent agreed that shareholders participation adds value to the company.

FIGURE 6

BOD appointment



Source: Author (2015)

Table 4 and Figure 6 showed that 13% of the respondents strongly agreed that board of directors are appointed in transparent way, 22 % agreed, 28 % were neutral, 20 % disagreed, 15% strongly disagreed and 2% never gave a response to the statement. According to the research study only 35 % of the respondent agreed that board of director are appointed in transparent way all the rest 65% either disagreed or were not sure leaving a bigger percent in state of confusion. The boards of director are normally the link between the management and the shareholders/stakeholders and have the oversight role in the company. According to Adams Smith (1937) observed that the directors have a fiduciary duty of the investor money cannot be expected to be vigilant and careful with the money as their own.

TABLE 4

Ownership Identity

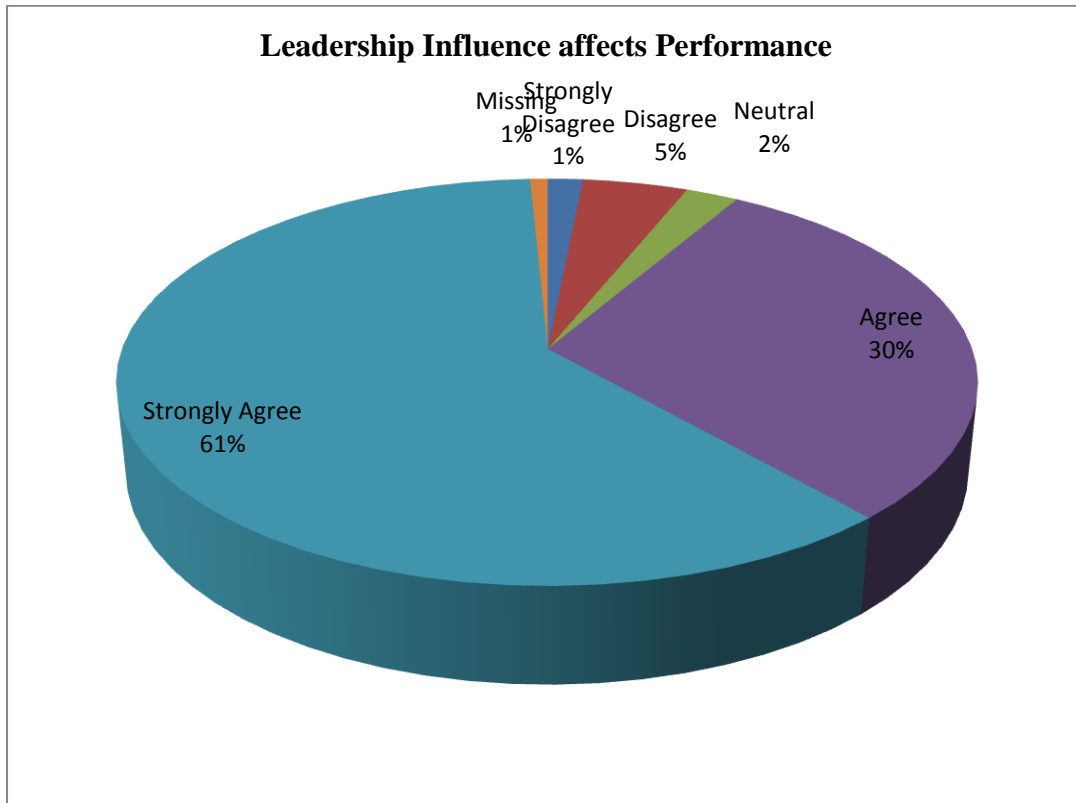
Ownership Identity affect Performance	Frequency	Percent	Valid Percent
Strongly Disagree	9	6.9	7.1
Disagree	16	12.3	12.7
Neutral	14	10.8	11.1
Agree	38	29.2	30.2
Strongly Agree	49	37.7	38.9
Missing	4	3.1	
The Number of Shareholders determines Company Performance	Frequency	Percent	Valid Percent
Strongly Disagree	16	12.3	12.6
Disagree	22	16.9	17.3
Neutral	9	6.9	7.1
Agree	36	27.7	28.3
Strongly Agree	44	33.8	34.6
Missing	3	2.3	
Incentives motivate shareholders to monitor management performance	Frequency	Percent	Valid Percent
Strongly Disagree	9	6.9	7.1
Disagree	16	12.3	12.7
Neutral	18	13.8	14.3
Agree	40	30.8	31.7
Strongly Agree	43	33.1	34.1
Missing	4	3.1	
Shareholder Participation adds value to the company	Frequency	Percent	Valid Percent
Strongly Disagree	6	4.6	4.7
Disagree	15	11.5	11.7
Neutral	21	16.2	16.4
Agree	33	25.4	25.8
Strongly Agree	53	40.8	41.4
Missing	2	1.5	
Board of Directors are appointed in a transparent way	Frequency	Percent	Valid Percent
Strongly Disagree	19	14.6	15.0
Disagree	26	20.0	20.5
Neutral	36	27.7	28.3
Agree	29	22.3	22.8
Strongly Agree	17	13.1	13.4
Missing	3	2.3	
	130	100.0	

Source: Author (2015)

4.4 Leadership and Performance of CSC

FIGURE 7

Leadership

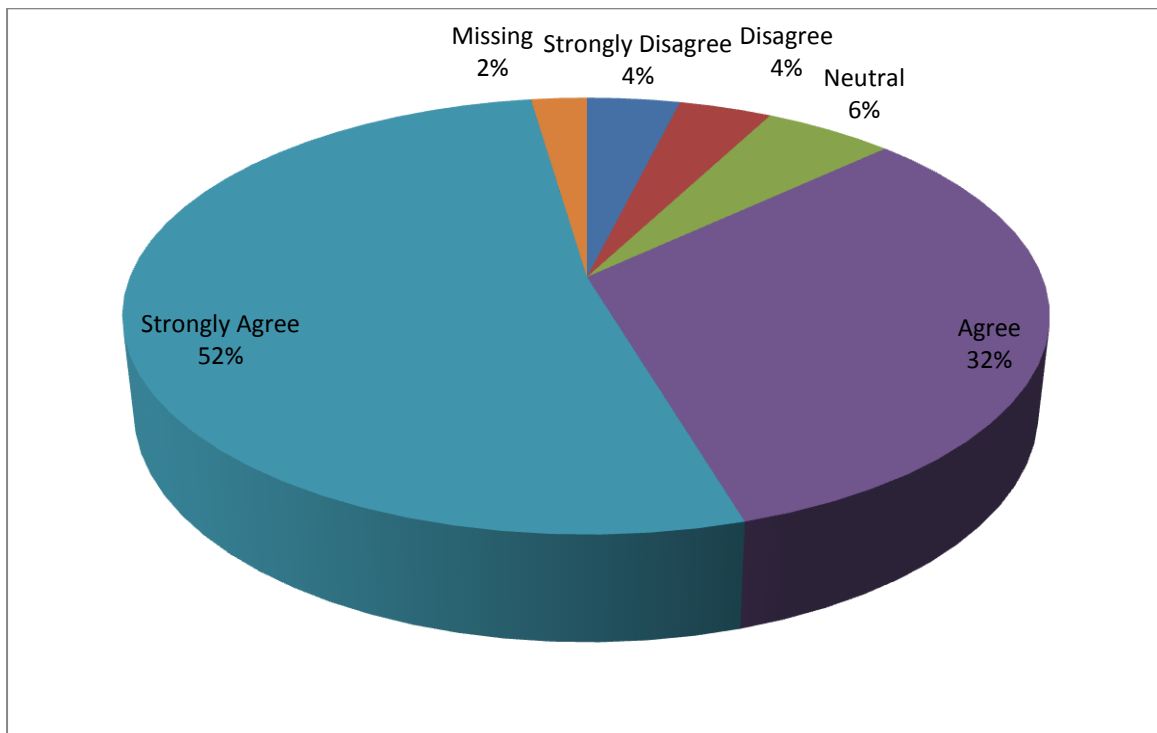


Source: Author (2015)

Table 5 and Figure 7 showed that 61 % of the respondents strongly agreed that Leadership influence affects performance, 30 % agreed, 2 % were neutral, 5 % disagreed, 1% strongly disagreed and 1% never gave a response to the statement. According to the research study 91% of the respondent agreed Leadership influences performance. Leaders play the most important role in shaping the overall organization culture through role modeling and setting the tone for an ethical climate. Leadership concept is the most apt concept in embracing better value driven in public sector in the 21st century.

FIGURE 8

Direction and Guidance

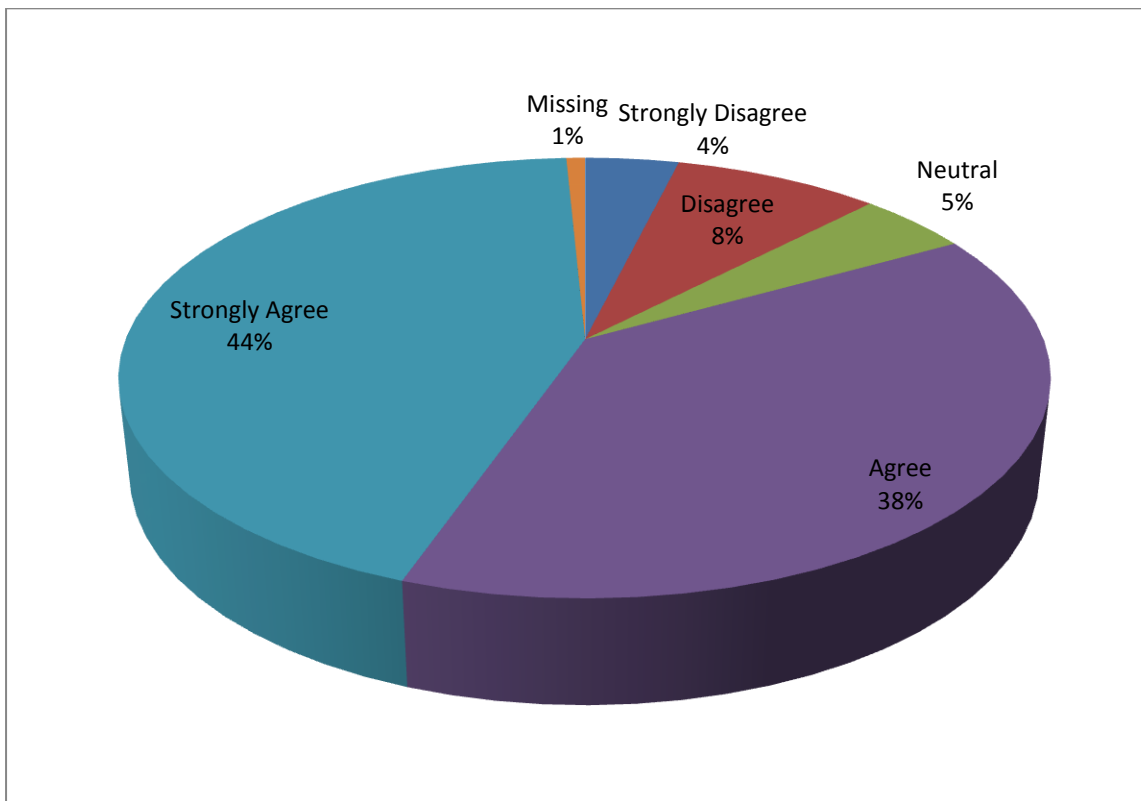


Source: Author (2015)

Table 5 and Figure 8 showed that 52 % of the respondents strongly agreed that Leaders provide direction and guidance that affects performance, 32 % agreed, 6 % were neutral, 4 % disagreed, 4% strongly disagreed and 2% never gave a response to the statement. According to the research study 84 % of the respondent agreed that Leaders provide direction and guidance that affects performance. Leaders provide guidelines and they have to motivate their followers to accomplish tasks (Gill, 1998).

FIGURE 9

Improved Learning Environment

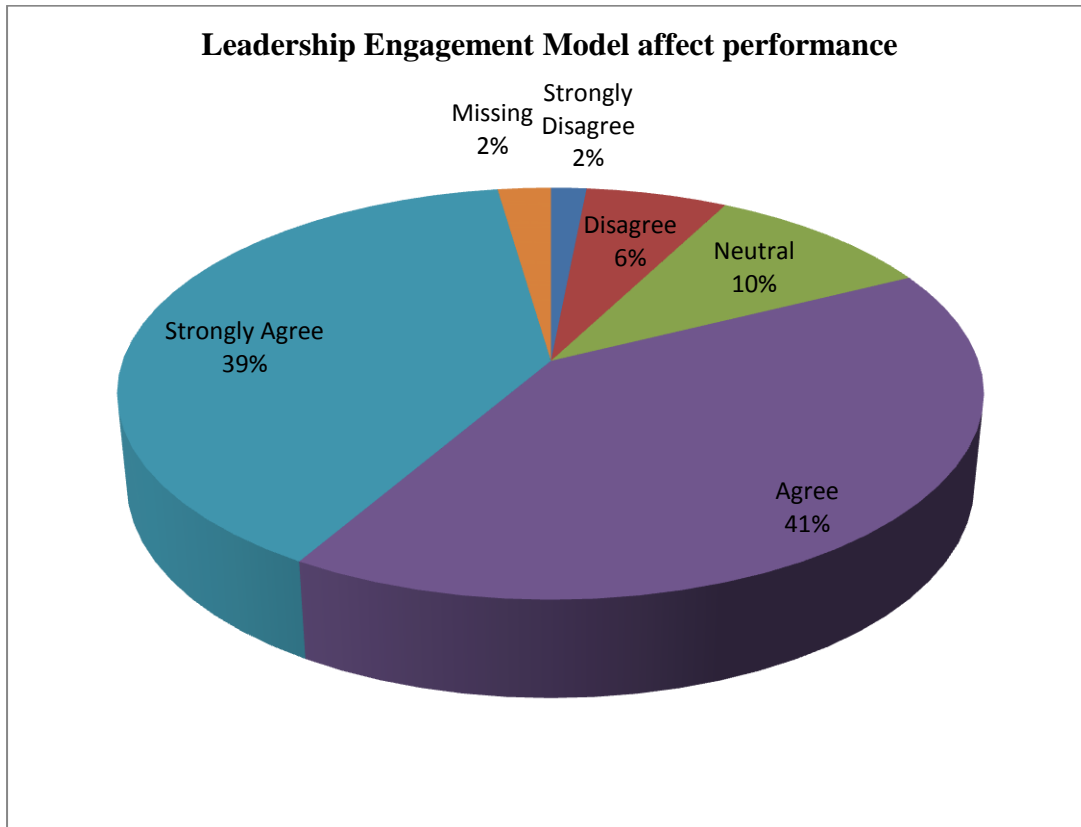


Source: Author (2015)

Table 5 and Figure 9 showed that 44 % of the respondents strongly agreed that improved leaning environment affects performance, 38 % agreed, 5 % were neutral, 8 % disagreed, 4% strongly disagreed and 1% never gave a response to the statement. According to the research study 82 % of the respondent agreed that improved leaning environment affects performance. In a fast moving world constant improvement and change is essential to survival and success.

FIGURE 10

Engagement

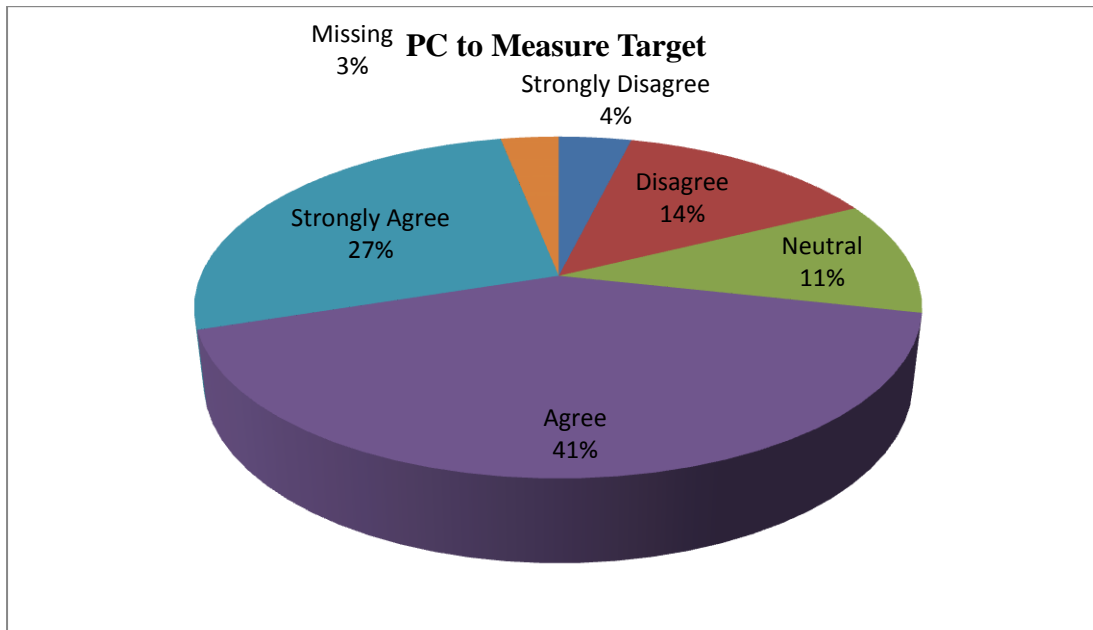


Source: Author (2015)

Table 5 and Figure 10 showed that 39 % of the respondents strongly agreed that Leadership engagement model affects performance, 41 % agreed, 10 % were neutral, 6 % disagreed, 2% strongly disagreed and 2% never gave a response to the statement. According to research finding 80 % of the respondents agreed that Leadership engagement model affects performance. Leadership is a relationship between leaders and followers where they influence each other for the intended real changes and outcome that reflect their shared purposes. Leadership is available to everyone; it is not limited to the person in power. The ideas lens which is associated with individuals is helpful in explaining the sources and conditions that help generate innovation in organization; it sees strategy as the emergence or order and innovation from the variety and diversity which exist in and around organizations.

FIGURE 11

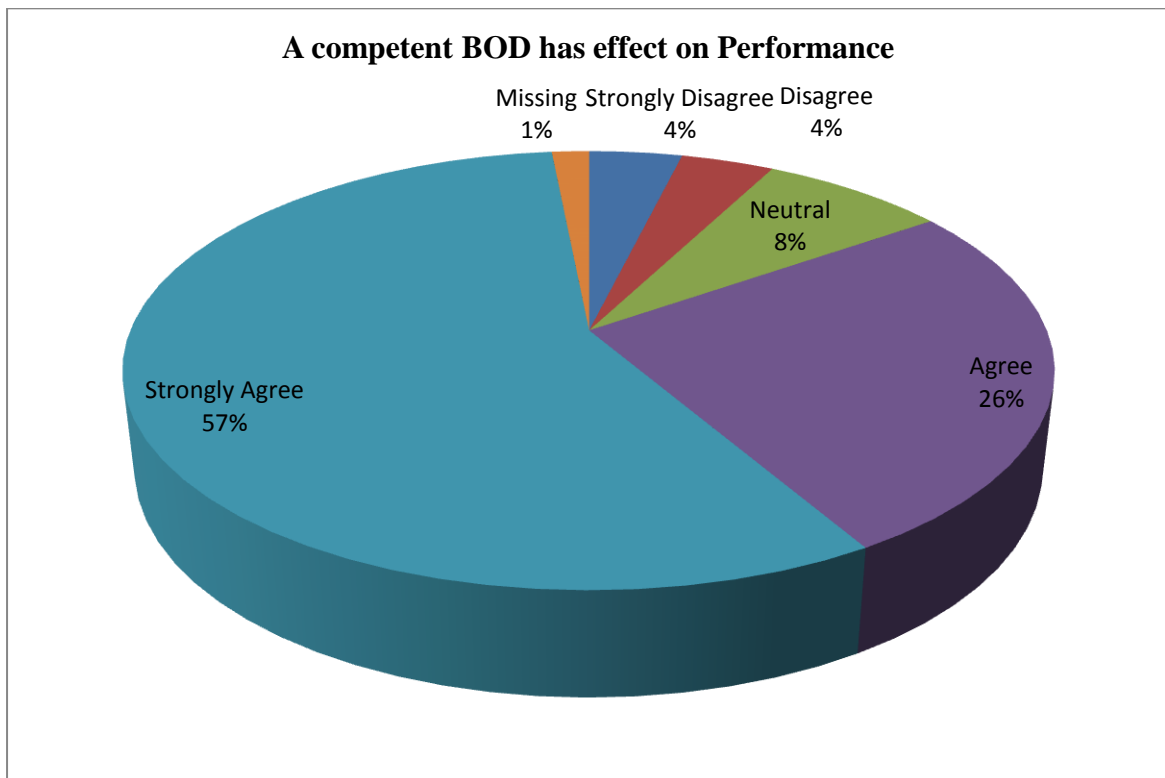
Performance Contracting



Source: Author (2015)

Table 5 and Figure 11 showed that 27 % of the respondents strongly agreed that the Company support performance contracting to measure target achievement, 41 % agreed, 11 % were neutral, 14 % disagreed, 4% strongly disagreed and 3% never gave a response to the statement. According to research finding 68 % of the respondents agreed that Company support performance contracting to measure target achievement. The unit of analysis in a stakeholder view is the firm embedded in a stakeholder network. Stakeholders are all residual risk holders; they have something at risk. High performance implies the adequate creation of benefits and minimum adverse effects for all stakeholder interests involved.

FIGURE 12
Competent BOD

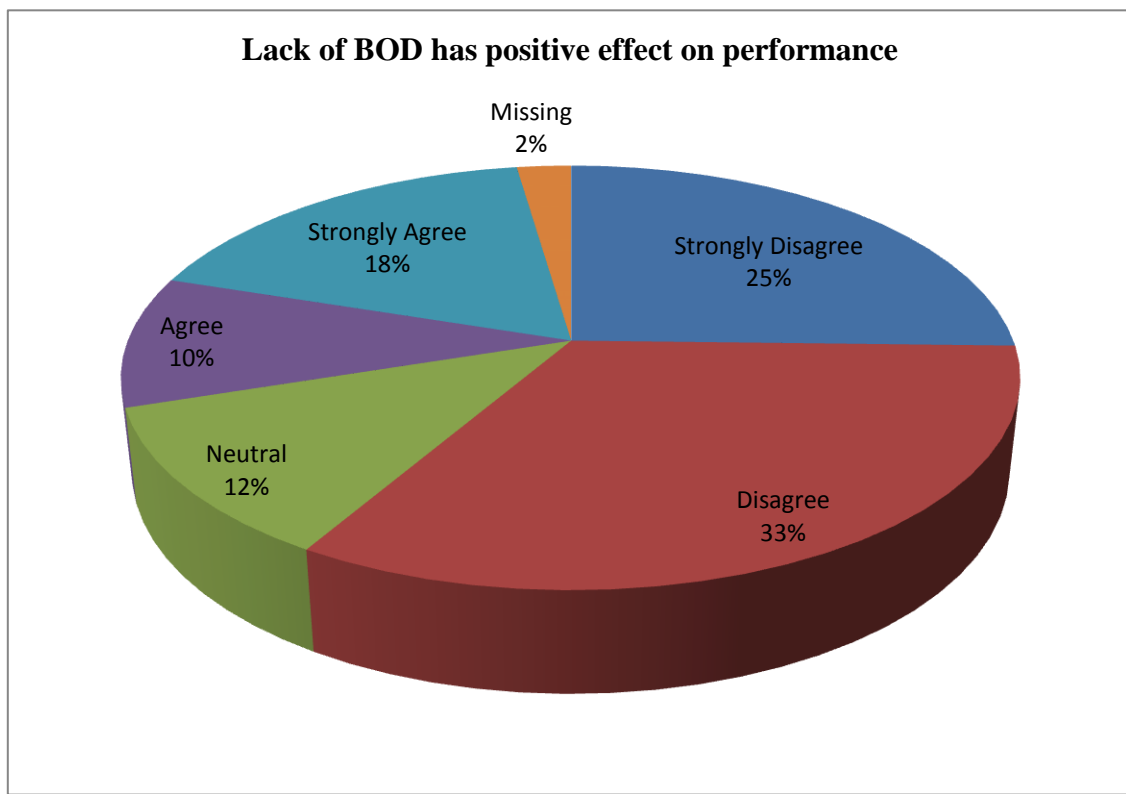


Source: Author (2015)

Table 5 and Figure 12 showed that 57 % of the respondents strongly agreed that competent board of directors has effect performance, 26 % agreed, 8 % were neutral, 4 % disagreed, 4 % strongly disagreed and 1% never gave a response to the statement. The study found that 83 % agreed that competent board has effect on corporate performance. Strategic leadership is directly or indirectly positively associated with organizational performance.

FIGURE 13

Lack of BOD



Source: Author (2015)

Table 5 and Figure 13 showed that 18 % of the respondents strongly agreed that lack of board of directors has positive effect on performance, 10 % agreed, 12 % were neutral, 33 % disagreed, 25 % strongly disagreed and 2 % never gave a response to the statement. According the results of the study 28 % agreed that lack of BOD have a positive effect on performance while 58 % disagreed with statement that lack of BOD has negative effect on corporate performance. In other word majority of the respondents identified the need of having a BOD to performance the oversight role of checking the management.

TABLE 5

Leadership Influence

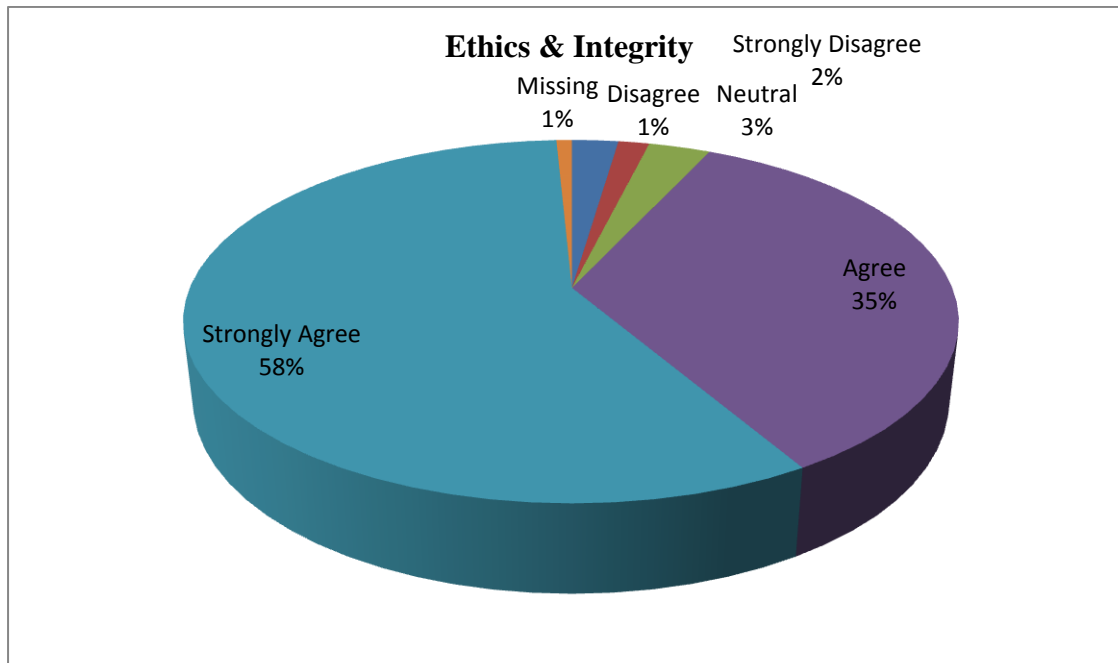
Leadership Influence affect Performance	Frequency	Percent	Valid Percent
Strongly Disagree	2	1.5	1.6
Disagree	6	4.6	4.7
Neutral	3	2.3	2.3
Agree	39	30.0	30.2
Strongly Agree	79	60.8	61.2
Leaders Provide Direction and Guidance that affects Performance			
Strongly Disagree	5	3.8	3.9
Disagree	5	3.8	3.9
Neutral	7	5.4	5.5
Agree	42	32.3	33.1
Strongly Agree	68	52.3	53.5
Improved learning environment affects performance			
Strongly Disagree	5	3.8	3.9
Disagree	11	8.5	8.5
Neutral	6	4.6	4.7
Agree	50	38.5	38.8
Strongly Agree	57	43.8	44.2
Leadership engagement model affects performance			
Strongly Disagree	2	1.5	1.6
Disagree	8	6.2	6.3
Neutral	13	10.0	10.2
Agree	53	40.8	41.7
Strongly Agree	51	39.2	40.2
Company supports Performance Contracting to measure target			
Strongly Disagree	5	3.8	4.0
Disagree	18	13.8	14.3
Neutral	14	10.8	11.1
Agree	54	41.5	42.9
Strongly Agree	35	26.9	27.8
A Competent BOD has effect on Performance			
Strongly Disagree	5	3.8	3.9
Disagree	5	3.8	3.9
Neutral	10	7.7	7.8
Agree	34	26.2	26.6
Strongly Agree	74	56.9	57.8
Lack of the BOD has positive effect on performance			
Strongly Disagree	33	25.4	26.0
Disagree	43	33.1	33.9
Neutral	15	11.5	11.8
Agree	13	10.0	10.2
Strongly Agree	23	17.7	18.1
	130	100.0	

Source: Author (2015)

4.5 Organizational Culture and Performance of CSC

FIGURE 14

Ethics and Integrity

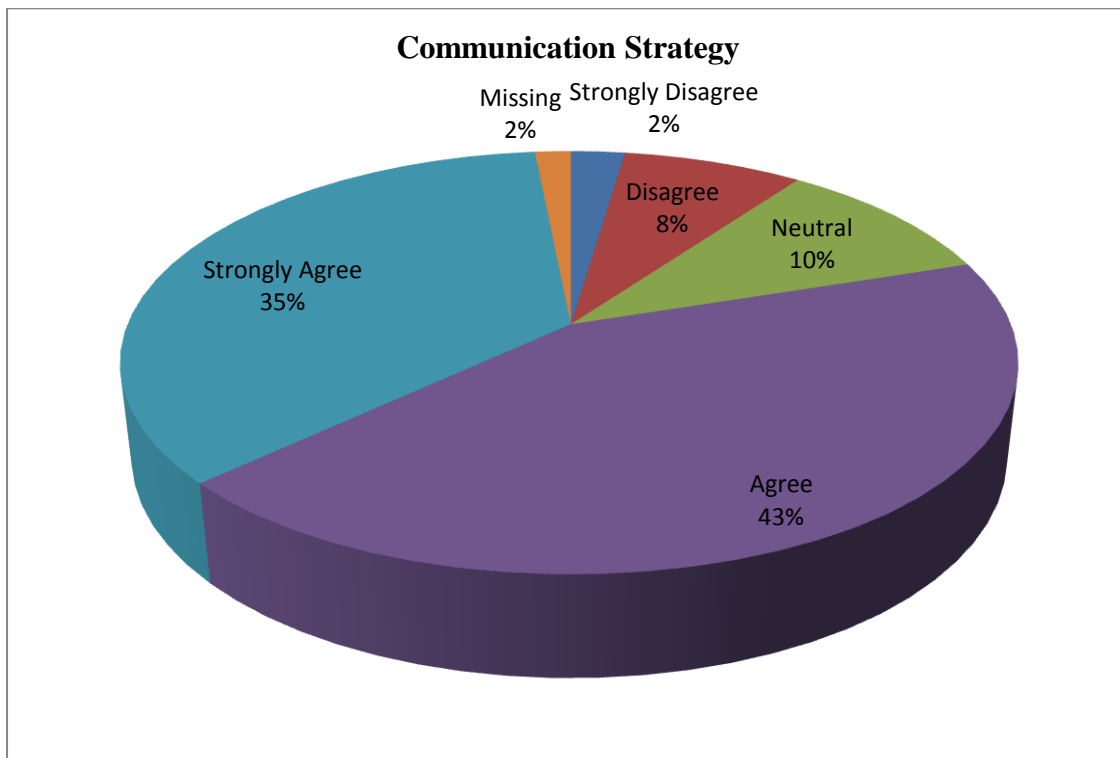


Source: Author (2015)

Table 6 and Figure 14 showed that 58 % of the respondents strongly agreed that the company needs to have an ethics and integrity policy to enhance performance, 35 % agreed, 3 % were neutral, 1% disagreed, 2 % strongly disagreed and 1 % never gave a response to the statement. The study found that 93 % of the respondents agreed that the company needs to have an ethics and integrity policy to enhance performance.

FIGURE 15

Communication Strategy

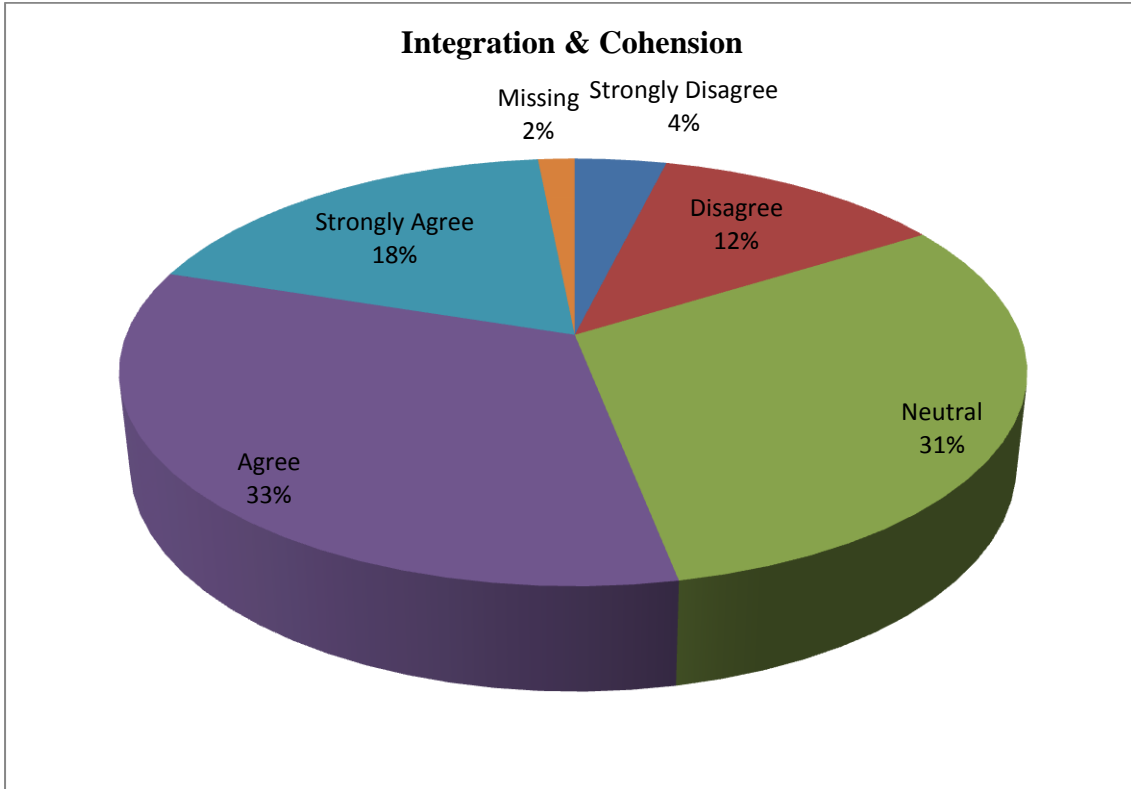


Source: Author (2015)

Table 6 and Figure 15 showed that 35 % of the respondents strongly agreed that the company's communication strategy support its performance, 43 % agreed, 10 % were neutral, 8 % disagreed, 2 % strongly disagreed and 2 % never gave a response to the statement. The research finding confirmed that 78 % of the respondents agreed that the company's communication strategy support its performance.

FIGURE 16

Integration and Cohesion

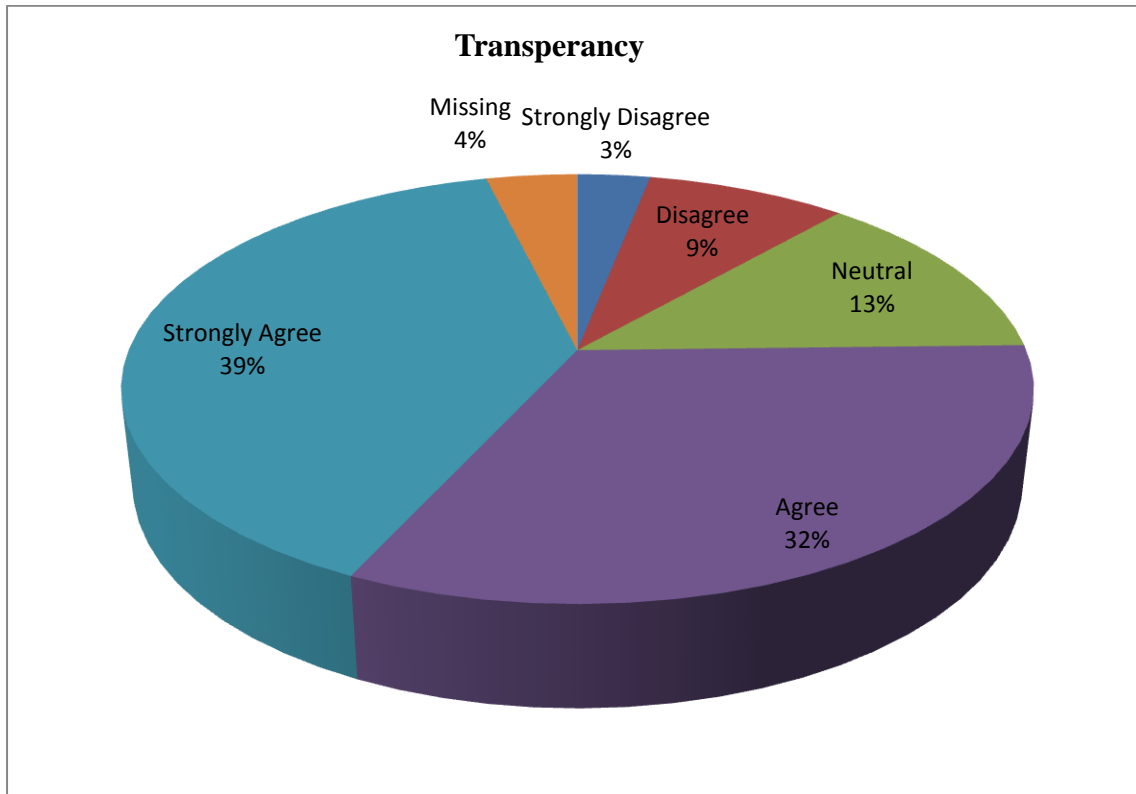


Source: Author (2015)

Table 6 and Figure 16 showed that 18 % of the respondents strongly agreed that the company embraces the integration and cohesion agenda to improve on performance, 33 % agreed, 31 % were neutral, 12 % disagreed, 4 % strongly disagreed and 2 % never gave a response to the statement. The findings of the study showed that 51 % agreed with statement that the company embraces the integration and cohesion agenda to improve on performance.

FIGURE 17

Transparency



Source: Author (2015)

Table 6 and Figure 17 showed that 39 % of the respondents strongly agreed that transparency in the company affects performance positively, 32 % agreed, 13 % were neutral, 9 % disagreed, 3 % strongly disagreed and 4 % never gave a response to the statement. According to research findings 71 % of the respondents agreed that transparency in the company affects performance positively. Lack of transparency affects performance negatively. The major events that are attributed to corporate failure include non-transparent business practices and subsequent loss of global public trust in most of the companies.

FIGURE 18

Accountability

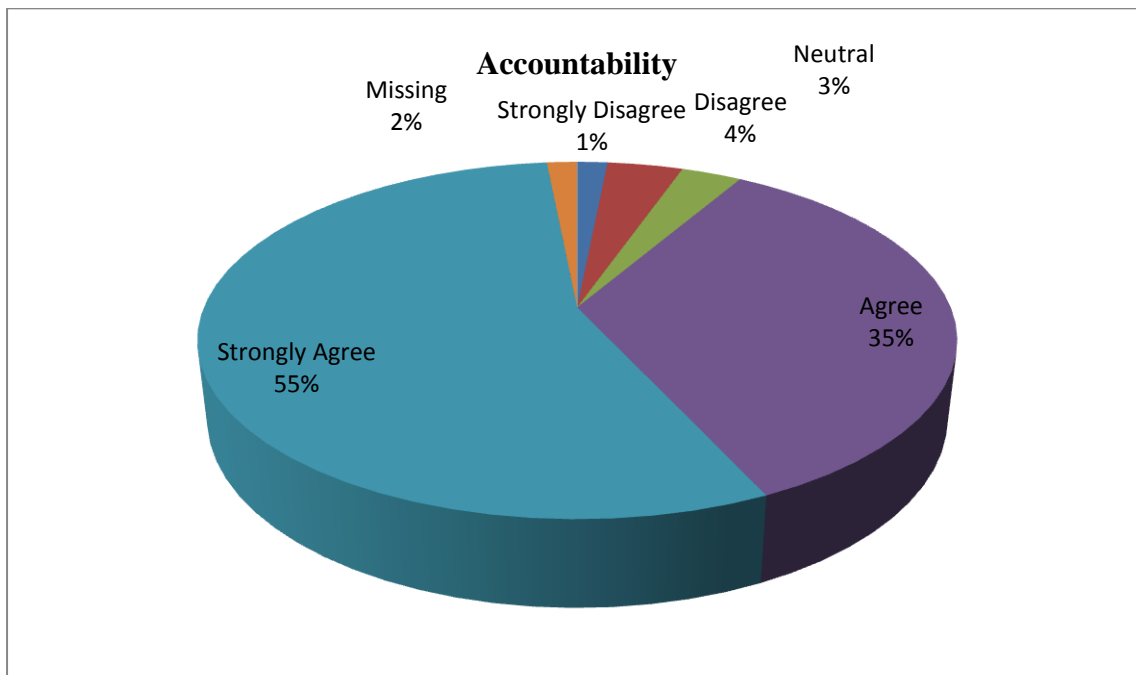
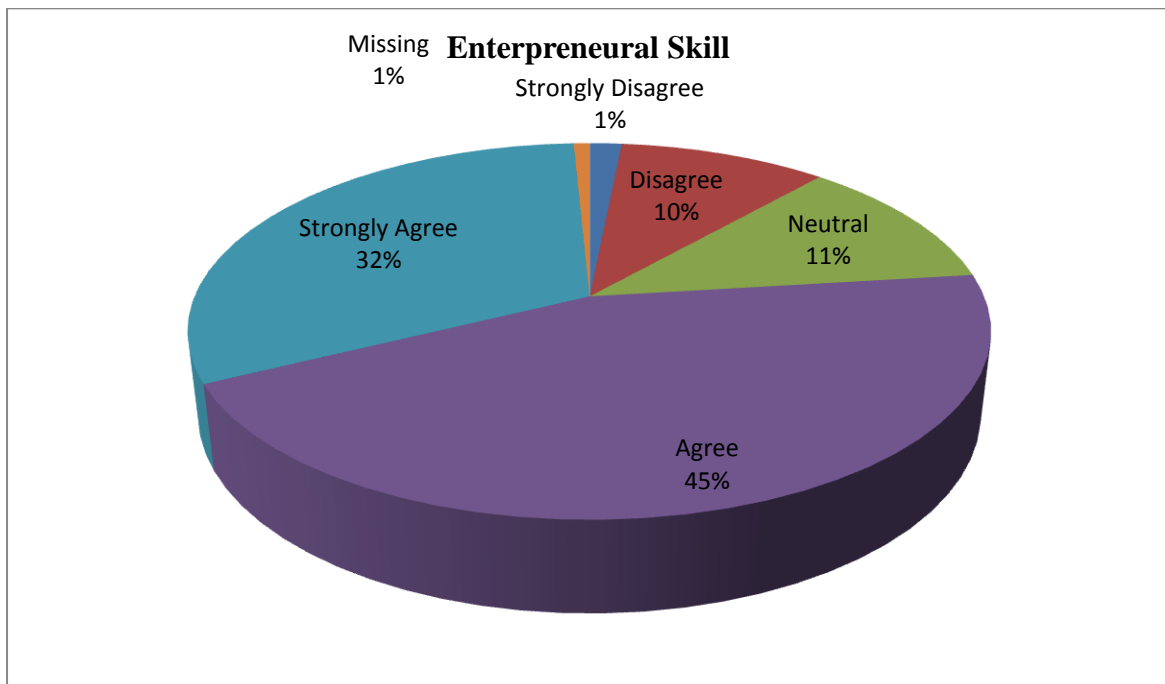


Table 6 and Figure 18 showed that 55 % of the respondents strongly agreed that use of technology enhances accountability and improves performance, 35 % agreed, 4 % were neutral, 4 % disagreed, 1% strongly disagreed and 2 % never gave a response to the statement. The research findings showed that 90 % of the respondent said that use of technology enhances accountability and improves performance. Lack of accountability promotes fraud, scandals, corruption and even bankruptcy of corporations. Technology is used to enhance accountability in the sense that with automation most process becomes more efficient and effective. The automated system improves accuracy, reduces operational cost and increases speed. This attains operational effectiveness and efficiency which in a broader sense refers to a number of practices that allow an organization better utilize its resources.

FIGURE 19

Entrepreneurial Skill



Source: Author (2015)

Table 6 and Figure 19 showed that 32 % of the respondents strongly agreed that entrepreneurial skills enhances performance, 45% agreed, 11% were neutral, 10% disagreed, 1% strongly disagreed and 1 % never gave a response to the statement. According to research findings it showed that 77 % of the respondent agreed that entrepreneurial skills enhance performance. Individuals bring to the organization their education, intelligence, experience, skills and expertise. The extent to which attributes promote entrepreneurial skills is that it encourages innovation and generates new idea to make the corporates fit into the dynamic environment.

TABLE 6
Organizational Culture and Performance

Ethics and integrity policy to enhance performance	Frequency	Percent	Valid Percent
Strongly Disagree	3	2.3	2.3
Disagree	2	1.5	1.6
Neutral	4	3.1	3.1
Agree	45	34.6	34.9
Strongly Agree	75	57.7	58.1
Missing	1	.8	
Communication strategy supports its performance	Frequency	Percent	Valid Percent
Strongly Disagree	3	2.3	2.3
Disagree	10	7.7	7.8
Neutral	13	10.0	10.2
Agree	56	43.1	43.8
Strongly Agree	46	35.4	35.9
Missing	2	1.5	
Company embraces Integration and Cohesion Agenda	Frequency	Percent	Valid Percent
Strongly Disagree	5	3.8	3.9
Disagree	16	12.3	12.5
Neutral	40	30.8	31.3
Agree	43	33.1	33.6
Strongly Agree	24	18.5	18.8
Missing	2	1.5	
Transparency in the company affects performance positively	Frequency	Percent	Valid Percent
Strongly Disagree	4	3.1	3.2
Disagree	11	8.5	8.8
Neutral	17	13.1	13.6
Agree	42	32.3	33.6
Strongly Agree	51	39.2	40.8
Technology enhances Accountability and improved Performance	Frequency	Percent	Valid Percent
Strongly Disagree	2	1.5	1.6
Disagree	5	3.8	3.9
Neutral	4	3.1	3.1
Agree	45	34.6	35.2
Strongly Agree	72	55.4	56.3
Missing	2	1.5	
Entrepreneurial Skills to enhance performance	Frequency	Percent	Valid Percent
Strongly Disagree	2	1.5	1.6
Disagree	13	10.0	10.1
Neutral	15	11.5	11.6
Agree	58	44.6	45.0
Strongly Agree	41	31.5	31.8
Total	130	100.0	

Source: Author (2015)

4.6 Effect of Ownership Identity on Performance of State Corporations

The study used regression analysis in examining the effect of ownership identity on performance of state corporations. Before the regression analysis, the data was subjected to assumptions of regression analysis. First the data set was tested for normality using graphical method. The resulting distribution table was normally distributed (Appendix III). Second, the data was tested for multicollinearity, where the independent variables were correlated, resulting in a significant but weak relationship as shown in Appendix IV (p values < 0.05 , $r \leq 0.5$). The weak relationship meant the data did not suffer from multicollinearity. Third, the data was tested for linearity. The test for linearity using scatter plot revealed that the independent variables had linear relationship with the dependent variable. The fourth assumption tested was that of equal variance (homoscedasticity).

The residual plots showed that the error term (ε) was normally and identically independently distributed with mean zero and constant variance (Appendix V). This meant the error variance in ownership concentration, leadership and concentration was constant along the performance. Hence the data did not suffer from heteroscedasticity and instead was homoscedastic.

4.6.1 The Influence of ownership concentration on performance of commercial state corporations

The study sought to determine the effect of ownership concentration on performance of state corporations. Regression analysis was used to examine this relationship. The study assumed a linear relationship between the independent variables (ownership concentration) and dependent variable (performance of state corporations) and adopted the Ordinary Least Square (OLS) method of estimation in testing the relationship between the two variables as estimated in the regression model below.

$$P = \alpha_1 + \beta_1 \text{OCO} + \varepsilon_1 \dots\dots\dots(ii)$$

From equation (1), P stood for performance of commercial state corporations, α_1 for constant term representing the performance of state corporations in the absence of ownership identity, β_1 , for the coefficients of ownership concentration (OCO), ε_1 = error term related to this regression equation. In order to examine the relationship between ownership concentration and performance of state commercial corporations the study tested the research hypothesis stated as:

H₀₁: There is no significant relationship between ownership concentrations and performance of commercial state corporation

H₁: There is a significant relationship between ownership concentrations and performance of commercial state corporation

Resulting from the regression analysis is the ANOVA output presented in Table 7, which shows model one was significant (p-value = 0.006) at 0.05 level in explaining the linear relationship between organization concentration and performance.

TABLE 7

ANOVA of Organization Concentration and Performance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.955	1	2.955	7.788	.006 ^b
	Residual	47.815	126	.379		
	Total	50.770	127			

Source: Author (2015)

In Table 8, model one had coefficient of determination (R^2) = 0.058, indicating that 5.8% of the variation in performance was explained by the model leaving 94.2% of the variations unexplained. Despite being significant (p value= 0.006) model one provided a very weak fit.

TABLE 8

Model Summary of Organization Concentration and Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.241 ^a	.058	.051	.61602	.058	7.788	1	126	.006

Source: Author (2015)

Table 9 presents the coefficient of ownership concentration. Using model one, ownership concentration had a p-value of 0.006. The study rejected the null research hypotheses (H_{01}) at 5% level, therefore there is a significant relationship between ownership concentrations and performance of commercial state corporation

TABLE 9

Regression Analysis

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	2.282	.253		9.037	.000	1.782	2.782
	Organization Concentration	.191	.068	.241	2.791	.006	.056	.327

Source: Author (2015)

4.6.2 Effect of leadership on performance of commercial state corporations

Using regression analysis, the study sought to determine the effect of leadership on performance of state corporations. Assuming a linear relationship between leadership and performance of state corporations and guided by the OLS method of estimation, the relationship between the two variables as presented by the regression model below was tested.

$$P = \alpha_2 + \beta_2L + \epsilon_2 \dots\dots\dots(iii)$$

From equation (2), P stood for performance of commercial state corporations, α_2 was the constant term representing the performance of state corporations in the absence of ownership identity, β_2 was the coefficients of leadership (L), ϵ_2 = error term related to this regression equation. The relationship between leadership and performance of state commercial corporations was then examined by testing the research hypothesis stated as:

H₀₂: Leadership has no significant influence on performance of Commercial State Corporation

H₂: Leadership has a significant influence on performance of Commercial State Corporation

The resulting ANOVA output presented in Table 10, shows model one was significant (p-value = 0.001) at 0.05 level in explaining the linear relationship between leadership and performance.

TABLE 10**ANOVA Leadership and Performance**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4.359	1	4.359	11.827	.001 ^b
	Residual	46.810	127	.369		
	Total	51.170	128			

Source: Author (2015)

From Table 11, model one had coefficient of determination (R^2) = 0.085, indicating that 8.5 % of the variation in performance was explained by the model leaving 91.5% of the variations unexplained. Despite being significant (p value= 0.001) model one provided a very weak fit.

TABLE 11**Model Summary of Leadership and Performance**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.292 ^a	.085	.078	.60711	.085	11.827	1	127	.001

Source: Author (2015)

In Table 12 the coefficient of leadership is presented. In reference to model one, leadership had a p-value of 0.001. The study therefore rejected the null research hypotheses (H_{02}) at 5% level and adopted the alternative hypothesis which stated that there is a significant relationship between leadership and performance of commercial state corporations. This result also indicates that on a simple linear relationship, leadership explains 29.3 % of the variations.

TABLE 12
Coefficient of Leadership

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		
	B	Std. Error	Beta			Lower Bound	Upper Bound	
1	(Constant)	1.813	.341		5.323	.000	1.139	2.487
	Leadership	.293	.085	.292	3.439	.001	.124	.462

Source: Author (2015)

4.6.3 Organizational culture and performance of commercial state corporations

The effect of organization culture on performance of commercial state corporations was examined using regression analysis. Assuming a linear relationship between organizational culture and performance of state corporations and using the OLS method of estimation, the relationship between the two variables presented by the regression model below was tested.

$$P = \alpha_3 + \beta_3 OCU + \varepsilon_3 \dots \dots \dots (iv)$$

From equation (3), P stood for performance of commercial state corporations, α_3 was the constant term representing the performance of state corporations in the absence of ownership identity, β_3 was the coefficients of organizational culture (OCU), ε_3 = error term related to this regression equation. The relationship between organization culture and performance of commercial state corporations was examined by testing the third research hypothesis which stated that;

H_{03} : Organizational culture has no significant effect on performance on Commercial State Corporation

H_3 : Organizational culture has a significant effect commercial state corporations

The results of a simple linear regression analysis resulted in an ANOVA output presented in Table 13, which shows model one was significant (p-value = 0.000) at 0.05 level in explaining the linear relationship between organizational culture and performance.

TABLE 13
ANOVA Organizational Culture and Performance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	8.086	1	8.086	23.835	.000 ^b
	Residual	43.084	127	.339		
	Total	51.170	128			

Source: Author (2015)

In Table 14, model one had a coefficient of determination (R^2) = 0.158, indicating that 15.8% of the variations in performance was explained by the model leaving 84.2% of the variations unexplained. Model one was significant (p value= 0.158) but provided a weak fit.

TABLE 14
Model Summary of Organizational Culture and Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.398 ^a	.158	.151	.58245	.158	23.835	1	127	.000

Source: Author (2015)

Table 15 presents the coefficients of organization culture. In reference to modelone, organizational culturehad a p-value of 0.000. The study therefore rejected the null hypotheses (H₀₂) at 5% level, and deduced that there is a significant relationship between organization culture and performance of commercial state corporation

TABLE 15

Coefficient Culture

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	1.392	.327		4.255	.000	0.745	2.040
	Organization Culture	.389	.080	.398	4.882	.000	.231	.547

Source: Author (2015)

4.6.4 Relationship between ownership identity and performance of commercial state corporations

The study sought to investigate the relationship between ownership identity and performance of commercial state corporations in line with the general research objective. Regression analysis was used to examine this relationship. Ownership identity was operationalised as comprising ownership concentration, leadership and organizational culture. The three independent variables (ownership concentration, leadership and organizational culture) were regressed against the dependent variable (performance of commercial state corporations) in an integrated model as predicted in equation (4) below.

$$P = \alpha_4 + \beta_4OCO + \beta_5L + \beta_6OCU + \varepsilon_4 \dots \dots \dots (vi)$$

In equation (4), P was the performance of commercial state corporations, α_4 was a constant representing performance of state corporations in the absence of ownership

identity, OCO stood for ownership concentration, L represented leadership and OCU stood for organizational culture, β_4 , β_5 and β_6 were the coefficients of the independent variables (OCO, L and OCU) respectively and ε_4 was the error term associated with the regression equation.

Assuming a linear relationship between the predictor (ownership identity) and predicted variable (performance of commercial state corporations), a multiple linear regression was used to examine the relationships between ownership identity and performance of commercial state corporations. The OLS method of estimation was adopted in testing the research hypothesis stated below.

H₀₄: Ownership identity has no significant effect on performance on commercial state corporations

H₄: Ownership identity has significant effect on performance of commercial state corporations

The resulting ANOVA Table 16 shows that, model one had a p-value of 0.006, model two had a p-value of 0.001 and model three model one had a p-value of 0.000. This meant that models one, two and three were all significant (p-value less than 0.05) at 0.05 level of significance in explaining the multiple relationship between ownership identity and performance of commercial state corporations. Martin & Hewstone (2003) stated that social identity is a sense of who person is within a member of a particular group. Machinsky (1993) defined a social system that it has components such as culture, norms, and roles. Brinkmann (2003) found that leadership plays a vital role in shaping organizational culture. Robbins & Sanghi (2007) confirms that organizational norms, values and beliefs have strong effects upon performance and sustainability. From the study there is agreement that behaviours and culture are significant in performance of

commercial state corporations.

TABLE 16**ANOVA Results of Ownership Identity and Performance**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.955	1	2.955	7.788	.006 ^b
	Residual	47.815	126	.379		
	Total	50.770	127			
2	Regression	5.685	2	2.843	7.881	.001 ^c
	Residual	45.085	125	.361		
	Total	50.770	127			
3	Regression	8.876	3	2.959	8.758	.000 ^d
	Residual	41.894	124	.338		
	Total	50.770	127			

Source: Author (2015)

4.7 Model Summary of Ownership Identity and Performance

The model summary in Table 17 shows the coefficient of determination values for models one, two and three; as $R^2 = 0.058$, $R^2 = 0.112$ and $R^2 = 0.175$ respectively. Model one shows organization concentration could explain 5.8% of the variations in performance of commercial state corporations, while model two shows that organization concentration and leadership explained 11.2 percent of the variations in performance of commercial state corporations. Model three shows that; organization concentration, leadership and organization culture explained 17.5% of the variations in performance of commercial state corporations. All the three models provide a weak fit, but model three provides the best fit of the three.

TABLE 17**Model Summary of Ownership Identity and Performance**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.241 ^a	.058	.051	.61602	.058	7.788	1	126	.006
2	.335 ^b	.112	.098	.60056	.054	7.569	1	125	.007
3	.418 ^c	.175	.155	.58125	.063	9.445	1	124	.003

Source: Author (2015)

Based on model three, the coefficients of ownership identity were then interpreted. From Table 18 Organization concentration had a significant coefficient with p-value = 0.036, leadership had a significant coefficient with a p-value = 0.024 and organization culture had a significant coefficient with a p-value = 0.003. This output shows the three independent variables that comprised ownership identity (ownership concentration, leadership and organizational culture) were all significant in predicting changes in performance of commercial state corporations. Given this outcome, the study failed to accept the null hypothesis (H_{04}) at $\alpha = 0.05$ level and adopted the alternative hypothesis (H_4), that ownership identity has a significant effect on performance on commercial state corporations in Kenya.

TABLE 18

Coefficients of Ownership Identity

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	2.282	.253		9.037	.000	1.782	2.782
	Organization Concentration	.191	.068	.241	2.791	.006	.056	.327
2	(Constant)	1.522	.370		4.113	.000	.789	2.254
	Organization Concentration	.135	.070	.171	1.942	.054	-.003	.274
	Leadership	.243	.088	.242	2.751	.007	.068	.418
3	(Constant)	1.069	.387		2.761	.007	.303	1.836
	Organization Concentration	.066	.071	.083	.926	.036	-.075	.207
	Leadership	.113	.096	.113	1.187	.024	-.076	.302
	Organization Culture	.300	.098	.306	3.073	.003	.107	.493

Source: Author (2015)

4.6.5 Interpreting the model predicted by ownership identity

From Table 8, model three provided the best fit in explaining the relationship between ownership identity and performance on commercial state corporations in Kenya. The significant results led the study to adopt the fitted model in equation (5) below.

$$P = 1.069 + 0.066OCO + 0.113L + 0.300OCU \dots\dots\dots(vii)$$

$$R^2 = 0.175$$

From the fitted regression model, the $R^2 = 0.175$ was interpreted to mean that model one provided a weak fit. The $R^2 = 0.175$, further meant that 17.5% of the variations in the performance on commercial state corporations in Kenya were explained by three variables: ownership concentration, leadership and organizational culture. Ownership concentration had a beta value ($\beta_4 = 0.066$). This meant that a unit change in ownership concentration would lead to 6.6% increase in performance on commercial state corporations. Leadership had a beta value ($\beta_5 = 0.113$). This indicated that a unit change in leadership would result in 11.3% change in performance on commercial state corporations. Organizational culture had a beta value ($\beta_6 = 0.300$). This meant that a unit change in Organizational culture would lead to 30.0% increase in performance on commercial state corporations. The results show that ownership identity has a positive effect on performance of commercial state corporations. The study established that organizational culture had the greatest effect on performance on commercial state corporations in Kenya followed by leadership and that ownership concentration had the least effect.

Organizational culture had the greatest effect on performance, finding that was also confirmed by Kottler (2012) that it enhances organizational performance. It gives a sense of ownership identity and increase commitment for shaping behaviour (Nelson & Quick 2011). Robbins & Sanghi (2007) stated that attraction of organizational norms and values have a strong effect upon performance and sustainability.

Leadership analysis indicated that it has the second greatest effect on performance; it is important to note that leadership is a social influence in which individuals are influenced to realize the organizational goals and objectives. Breene & Nunes (2006) found that the role of leadership is important to the performance and success of an organization. Seifert, Gonenc, Wright (2005) observed that ownership concentration and performance depends on other

intervening factors like shareholder, board size and composition , incentives e.t.c.

CHAPTER FIVE

DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a discussion on the research findings resulting from the data analysis process and summarizes the key findings. The business implications from the findings are presented. The study was guided by three key objectives and the discussion centers on their level of impact on performance.

5.2 Discussion on Respondent Profile

The demographic profile showed that most of the management staff at the WSP was confirmed to be of the male gender. Despite male gender being the majority, the composition of the management staff meets the third gender rule. Most of the staff members are university and colleges graduates leaving less than three percent as having qualification below colleges. Most of the staff's have served in the water sector for over 4 years confirming that they have immense experience in the industry. The management team has the responsibility to provide leadership in the company to influence performance. On order for leadership to influence performance in an organization there is need for power influence.

Hogg and Vaughan (200) explain power as the ability to exert influence over other persons without being influenced. They go further to exert that the sources of power as informational and expert power. Informational power in leadership is the belief by the person being influenced that the person doing influencing has more information than him or her. The other power is expert power is the belief by the person being influenced that the person doing the influencing has greater expertise and knowledge than him or her. The study showed that the leadership of the WSP has the academic qualification and experience to make difference

in terms of performance. Adams (1965) in his equity theory posits that individuals perceive themselves in comparison with others. These persons bring to the organization their education, experience and skills, these assets are perceived as values brought by the individuals to organization.

The study showed that the majority of the respondent knew very well that the WSP are owned by county governments. De Alessi (1980, 1982) defined state owned enterprises as political firms with general public as a collective owner. He stated that specific characteristic of these firms is that individual citizens have no direct claim on their residual income and are not able to transfer their ownership rights. WSP are companies which are collectively owned by the citizen while the members of the county assembly and the governor exercise the rights of their electorate as trustees through a political system.

Unfortunately very few respondents know that WSP are commercial State Corporation, majority belief that WSP are service State Corporations. Commercial State Corporations are companies in which the state has a majority or complete shareholding and which is principally involved in commercial activity in market environment; their main role is to deliver services that must be fit into a total public policy effectively and efficiently. The companies as stipulated by articles of registrations, the objects of the article stipulate that the WSP are in the business of water and sewerage services for domestic, commercial and industrial purposes. Service state corporations mostly get money from the exchequer or grant and are not normally to market environment.

5.2.1 Discussion on influence of ownership concentration

The first research objective was to determine the influence of ownership concentration on performance of commercial State Corporation. Ownership concentration basically measures the degree of voting depending on the shares of the shareholders. Thomsen and Pedersen (2010) found that there is an increasing and then a decreasing effect of ownership

concentration on firm performance. This study showed that an increase in unit change in ownership concentration leads to an increase in performance on commercial State Corporation but has the least value in terms of increment in performance compared to leadership and organization culture objectives.

The study established five critical factors that define how ownership concentration determines performance as ownership identity, number shares of shareholding, and incentives to shareholders, participation and appointment of BOD by shareholders. Most of the respondents agreed that one of the factors that determine concentration of identity affects performance. Ownership identity refers to the traits, behaviors of the person in the position of ownership or leadership who influences the direction of the company and motives the rest. The number of shares of a shareholder determines the performance of the company; most of the respondents agreed. These shareholders need to be motivated to participate to provide an oversight role of supervising the BOD and appoint them in transparency way for the entire process to add value to the company. Ownership rights are exercised by some level in the bureaucracy, which does not have clear incentives to improve firm performance. Vickers and Yarrow (1988) consider the lack of incentives as the major argument against state ownership.

The study concluded that there was a significant relationship between ownership concentrations and performance of commercial State Corporation though a relation provided was very weak fit. That's why among the three study objectives of ownership concentrations, leadership and organizational culture, it the one with least increase of performance at 6.6 %.

5.2.2 Discussion on leadership

The second research objective was to analyze the effect of leadership on performance of commercial state corporations. The study established seven critical leadership dimensions in the WSP industry in Kenya. The seven dimensions in order of preference were: leadership

influence, direction and guidance, learning environment, engagement, performance contracting, competent BOD, and lack of BOD.

It was noted that majority of the respondents agreed that leadership influence performance. Breene and Nunes (2006) found that the role of leadership is of fundamental importance to the performance and success of organizations. Leadership is tasked with responsibility of understanding the problems, provides guidance and directions to solutions and establishes priorities and initiates developmental operations (Bass 1990). This fact was confirmed by the respondents who agreed that leadership provides direction and guidance that affects performance.

The other key aspect of leadership that affects performance is improved learning environment. Respondents agreed that improved learning is very vital to success of an organization. It should have the ability to generate and integrate knowledge from both inside and outside environment to deliver services to its customers. Leadership is a relationship between leadership and followers who influence each other. It is not limited to the person in power alone. This fact makes it important to embrace engagement of all individuals in process of improving performance; it encourages innovation and talent management needed for performance. Nel & Beudeker (2009) investment in training and leadership development to enhance innovation and the development of talent has been observed as a critical focus in high performing business organizations.

There is strong agreement in literature that organizational leaders play the most important role in providing guidance and direction of the companies. The research study also confirmed this as most of the respondents agreed that competent BOD have positive effect on performance. When the board of directors involved in shaping an organization's direction, the organization generally improves its performance a critical element of strategic leadership and organizational performance. This engagement includes integrating resources to create

capabilities and leveraging those capabilities through strategies to build competitive advantages and high performance (Ireland&Hitt, 2002).

The study concluded that there was a significant relationship between leadership and performance of commercial State Corporation though a relation provided was very weak fit. That's why among the three study objectives of ownership concentrations, leadership and organizational culture, it is the second with least increase of performance at 11.3 %.

5.2.3 Discussion on organization culture

The third research objective was to examine the effect of organizational culture on performance of commercial state corporations. The study established seven critical leadership dimensions in the WSP industry in Kenya. The six dimensions in the following order: ethics and integrity, communication strategy, integration and cohesion, transparency, accountability and entrepreneur skills.

The study found that 93 % of the respondents agreed that the company needs to have an ethics and integrity policy to enhance performance; this will define norms, values and beliefs have strong effect upon performance and sustainability. (Nelson & Quick 2011) culture gives members a sense of ownership identity, increases their commitment, reinforces values and serves as a control mechanism for shaping behavior. Despite government efforts to legislate process, literature supports contention that an ethical organization culture cannot be created through the imposition of code of corporate ethics. Corporate culture of ethical behavior must be inculcated throughout the organization, with each individual in the organization adhering to a personal moral code.

The research finding confirmed that 78 % agreed that the company's communication strategy support its performance. This is important since organizational culture is transmitted through communication process. With proper communication all the stakeholders need information on a timely basis to make informed decision. Organizational culture is

communicated through various channels as in-house memo, official policies, and statement of corporate philosophy and means of value expression (Barnett, 1988). The communication systems play an important and support role in shaping the culture of an organization.

Social identity is a sense of who a person is and is derived from being a member of a particular group (Martin & Hewstone 2003). The findings of the study showed that 51 % agreed with statement that the company should embrace the integration and cohesion agenda to improve on performance. The process of integration and cohesion leads the group members to behave in ways consistent with the norms of the group that leads to social identity. Members of the corporate will be able to socialize through common social activities, acquire its culture, and enhance interactions with other group members and learn generalized set of attitudes, values, and beliefs. Central to the culture definition is the idea that culture must be learned and shared (Titiev, 1959)

Lack of accountability and transparency promotes fraud, scandals, corruption and even bankruptcy of corporations. Technology is used to enhance accountability and transparency in the sense that with automation, most processes becomes more efficient and effective. The automated system improves accuracy, reduces operational cost and increases speed. This attains operational effectiveness and efficiency which in a broader sense refers to a number of practices that allow an organization better utilize its resources. The organization takes education, intelligence, experience, skills and expertise from individual to promote entrepreneurial to encourage innovation and generates new idea to make the corporates fit into the dynamic environment.

The study concluded that there was a significant relationship between organizational culture and performance of commercial State Corporation though a relation provided was weak fit. That's why among the three study objectives of ownership concentrations, leadership and organizational culture, it is the top with an increase of performance at 30 %.

5.3 Conclusion

The study concludes that ownership identity has a positive effect on performance of commercial state corporations. The research established that organizational culture had the highest effect on performance on commercial State Corporation in Kenya followed by leadership and ownership concentration had the least effect. Organizational culture had the greatest effect on performance, finding that was also confirmed by Kottler (2012) that it enhances organizational performance. In under Constitution of Kenya 2010 article 11 recognizes culture as the foundation of the nation; this by extension shows that companies must work towards cultivating an ethical culture to achieve the required performance.

The respondent of the research were clear that the WSP are owned by county government but majority believed that according to government guidelines on categories WSP were under services state corporations; despite their operations being commercial in nature and even being stipulated in the articles of registrations. WSP's are private companies rendering public services and are controlled by public authorities.

5.4 Recommendations

The study come up with various recommendations. The first recommendation is about having a public-private policy to enhance good governance and promote development. The second recommendation of how management should carry out an awareness program to inform staff members that WSP are commercial business entity which operates in market environment to generate its income.

5.4.1 Policy Recommendation

It is important for the Government to come up with public-private policy. The ownership identity of WSP is very important in their performance in service delivery. The objective of the policy shall be to enhance good governance, improve transparency and accountability and promote sustainable development. Ownership identity shall be anchored in the three variables

of ownership concentration, leadership and organization culture to embrace citizen participation in managing commercial State Corporation. Muchinsky, (1993) A social system has components such as culture, norms and roles these promotes Constitutional of Kenya 2010; Article 10 of National Values and principles of governance.

WSP's are private limited companies registered under Companies Act Cap 486 the laws of Kenya. They are wholly owned by their respective county governments but with operational autonomy, large owners normally have the capability of monitoring and controlling the management, and thereby perhaps contributing to a better corporate performance (Schleifer and Vishny 1997). WSP's are incorporated to act as agents of water service board's which are incorporated under water Act 2002. The principle businesses of WSP's are to carry out the business of water and sewerage for commercial purposes.

Fortune magazine issue November 2015 reported that the top 12 companies on the fortune Global 500 list are state owned enterprises, with leadership chosen by government and favoured access to capital. Leadership concept may become the most apt concept to embracing better value driven culture in public sector in the era of the 21st century (Draft & Merlo 2009).The service provision agreement between the two defines the terms of agency. Water service boards monitors the WPS's to ensure the objectives of the water license are met.

WSP's may enter into public- private partnership for the exercise and performance for provision water service. WSP's are private companies rendering public services and are controlled by public authorities. They conduct their functions through a public-private partnership forming forms of employers, and their employees would not easily fit in the public servant – private employee dichotomy. The essential characteristics of public services such as water and sanitation are that the government has public responsibility for them but the WSP's are allocated the power to deliver these public services. The result is that we have

privately delivered public services. This new form of work place environment brings with it a new set of values, beliefs and norms with influence the behaviours of different stakeholders involvement in the performance of WSP;s, defining a different organizational culture. The researcher recommend a policy to define and regulate this new partnership.

5.4.2 Managerial Recommendations

The management should carry out an awareness program to inform staff members that WSP are commercial business entity which operates in market environment to generate its income. It should be very clear that their primary source is from billing of customers. Unless the companies make profit (for government let us call it surplus) as recommended by the regulator they have no money to improve on service delivery. Sitting on the laurel thinking that their service state corporation getting money from the exchequer will make them disappear like dinosaurs.

WSP must market their products, become innovative and creative to survive in this open market where competitors are slowly but strategically venturing into. People must take water but it is not a must that the current WSP are the ones to provide that water; a good case scenario is Kenya Post and Telecommunication Company which used to belief that it was the only company that could provide the services. The company is struggling to survive but people are communicating more effectively and efficiently than those days as the current providers understand the customer need better than them. This should be good case study for WSP if they want to survive in the market they should consider having a very strong marketing department to develop strategies which are market driven.

5.5 Limitations of the study

The response rate of the questionnaires was good to conduct the study. However, it did not meet the researcher's expectations of a higher response. This may have been attributed to the researcher's by the locations of the water service providers and the time factor, even with

reassurance that the study was confidential, caused hesitation from the management staff of the water service providers.

5.6 Suggestion for Further Study

This study focused on effects ownership identity on performance commercial State Corporation, but future study can seek to establish the effects ownership identity on performance of other state corporations which are fully funded by the government. The study was conducted for commercial State Corporation specifically water service providers in Kenya. Further studies can be undertaken for other state corporations.

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APPENDICES

APPENDIX I

QUESTIONNAIRE

EFFECT OF OWNERSHIP IDENTITY ON PERFORMANCE OF COMMERCIAL STATE CORPORATIONS IN KENYA

(Water Services Providers in Kenya – NAWASCO)

The effect of ownership identity on corporate performance is a part of the management and strategic studies. The existence of an ownership identity effect is based on the argument that different owners may have different strategic goals

SECTION A: BACKGROUND INFORMATION

Tick (✓) as appropriate

1) What is your gender?

Male [] Female []

2) What is your highest level of education?

Primary [] Secondary [] College [] University []

3) How many years have you served in this Company?

1-3 [] 4-6 [] 7-10 [] Over 10 years []

4) Who **owns** this company?

National Government []

County Government []

Public Shareholders []

Private Individuals []

Any other: _____

5) What is the ownership percentage share with respect to your choice in (4) above?

0- 25% []

26-50% []

51-75% []

76-100% []

6) Which type of company does your organization belong?

State Corporation	
Public Limited Liability Company	
Private Limited Liability Company	
None of the above	
All of the above	

7) What category does your organization belong to according to government guidelines?

Financial	
Commercial	
Service	
Regulatory	
Others	

SECTION B: OWNERSHIP CONCENTRATION AND PERFORMANCE OF COMPANY

What is your level of agreement with the following statements that relate to effects of ownership concentration on corporate performance? (1 Strongly Disagree, 2- Disagree, 3- Neutral, 4- Agree, 5-Strongly agree,)

Ownership concentration and performance of your company		SD	D	N	A	SA
		1	2	3	4	5
8	Ownership identity affect performance					
9	The number of shares by a shareholder determines company performance					
10	Incentives motivates shareholders to monitor management performance					
11	Shareholders participation adds value to the Company?					
12	Board of Directors are appointed in a transparent way					

SECTION C: LEADERSHIP AND PERFORMANCE OF YOUR COMPANY

What is your level of agreement with the following statements that relate to effects of leadership on corporate performance? (1 Strongly Disagree, 2- Disagree, 3-Neutral, 4- Agree, 5-Strongly agree)

Leadership and performance of your Company		SD	D	N	A	SA
		1	2	3	4	5
13	Leadership influence affect performance					
14	Leaders provide direction and guidance that affect performance					
15	Improved learning environment affects performance					
16	Leadership engagement model affects performance					
17	The company support performance contracting to measure target achievement					
18	A competent board of directors has effect on performance					
19	Lack of board of directors has positive effect on performance					

SECTION D: ORGANIZATION CULTURE AND PERFORMANCE

What is your level of agreement with the following statements that relate to effects of organizational culture on corporate performance? (1 Strongly Disagree, 2- Disagree, 3- Neutral, 4- Agree, 5-Strongly agree,)

Organization Culture and Performance of Company		SD	D	N	A	SA
		1	2	3	4	5
20	The company needs to have an ethics and integrity policy to enhance performance					
21	The company's communication strategy support its performance					
22	The company embraces the integration and cohesion agenda to improve on performance					
23	Transparency in the company affects performance positively					
24	Use of technology enhances accountability and improves performance					
25	Entrepreneurial skills enhance performance					

SECTION E: Performance of Water Service Providers

What is your level of agreement with the following statements that relate to corporate performance? (1 Strongly Disagree, 2- Disagree, 3-Neutral, 4- Agree, 5-Strongly Agree,)

Performance of Service Delivery		SD	D	N	A	SA
		1	2	3	4	5
26	Good Corporate Governance practices affects performance					
27	The company has achieved the acceptable water distribution coverage					
28	The company has achieved availability of water supply to its customers					

29	The company has been able to balance operational meters and a number of active water connections.					
30	The company is doing well in managing Non-Revenue Water					
31	The amount of water billed and revenue collected match.					
32	The company has done enough to deal with connections which have remained disconnected for over 90 days.					
33	The company has attained the recommended percentage of operating revenue expressed as a percentage of the total operations and maintenance expenditure (Recommended percentage is at least $\geq 150\%$)					
34	The customers are delighted with your services?					

Remarks

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APPENDIX II

Sample Calculation Formula

Krejcie and Morgan

Estimation of sample size in research using Krejcie and Morgan is a commonly employed method. Krejcie and Morgan (1970) used the following formula to determine sampling size:

$$S = \frac{x^2 NP(1 - P)}{d^2(N - 1) + x^2 P(1 - P)}$$

S = required sample size

x^2 = the table value of chi-square for one degree of freedom at the desired confidence level= 3.841

N = the population size = 313

P = the population proportion (assumed to be .50 since this would provide the maximum sample size)

d = the degree of accuracy expressed as a proportion (.05)

$$S = \frac{3.841 * 3.841(313)(0.5)(1 - 0.5)}{(0.05)^2(313 - 1) + (3.841) (0.5)(1 - 0.5)}$$

$$S = \frac{3.841x313x0.5x0.5}{(0.0025x312) + (3.841x0.5x0.5)}$$

$$S = \frac{300.5583}{0.78 + 0.9603}$$

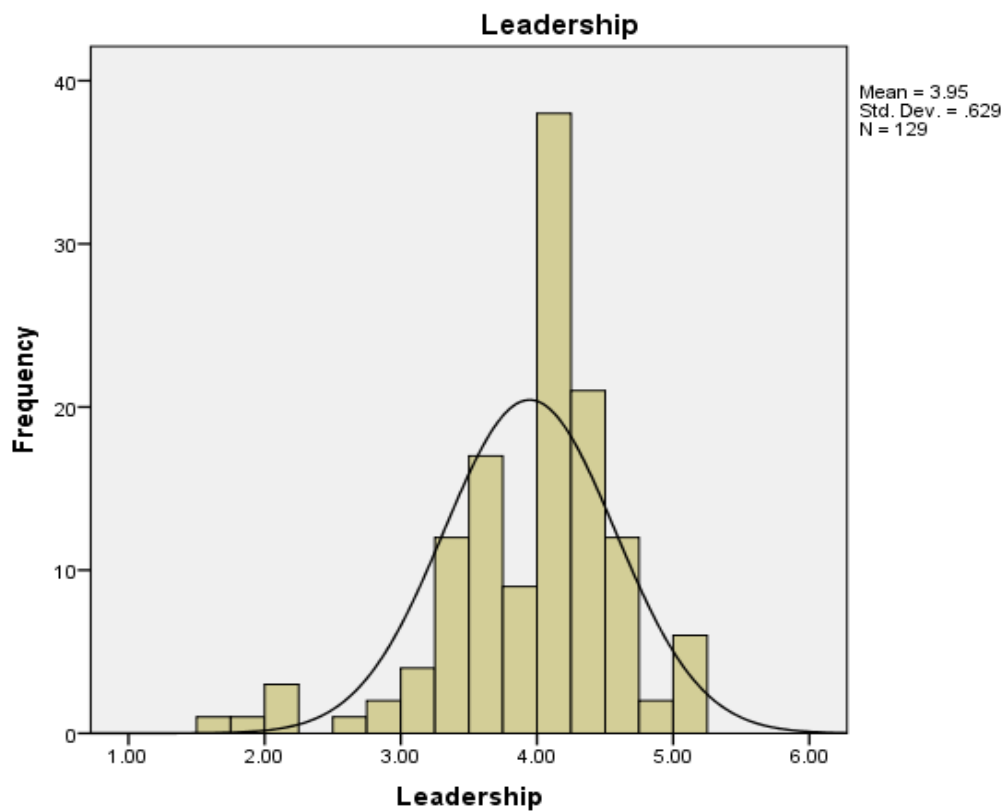
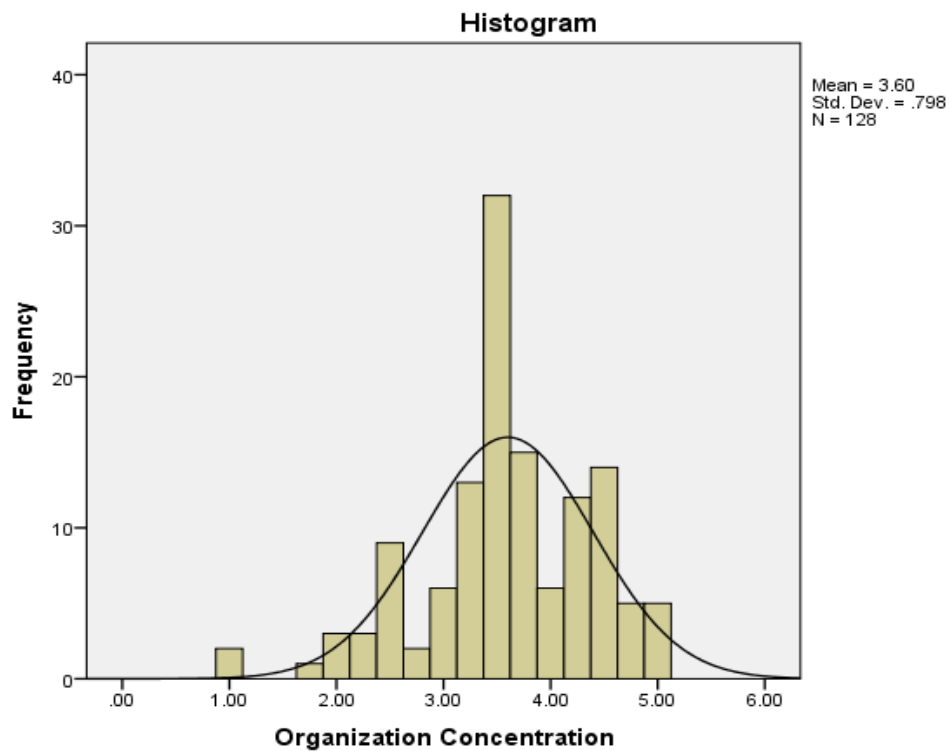
$$S = \frac{300.5583}{1.74025}$$

$$S = 172.7098$$

$$S = 172$$

APPENDIX III

Normality Test



APPENDIX IV

Test for Linearity

Correlations

		Organization Concentration	Leadership	Organization Culture
Organization Concentration	Pearson Correlation	1	.290**	.409**
	Sig. (2-tailed)		.001	.000
	N	128	128	128
Leadership	Pearson Correlation	.290**	1	.505**
	Sig. (2-tailed)	.001		.000
	N	128	129	129
Organization Culture	Pearson Correlation	.409**	.505**	1
	Sig. (2-tailed)	.000	.000	
	N	128	129	129

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

APPENDIX V

Homoscedasticity Test

Normal P-P Plot of Regression Standardized Residual

Dependent Variable: Performance

