

**EFFECT OF CORPORATE GOVERNANCE STRUCTURES ON
ORGANIZATIONAL PERFORMANCE OF STATE CORPORATIONS IN
EDUCATION SECTOR IN KENYA**

BY

ANTHONY CHARLES MWANGI

NO. 16/05327

**A RESEARCH DISSERTATION SUBMITTED IN PARTIAL
FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE
DEGREE OF MASTER OF BUSINESS ADMINISTRATION
(CORPORATE MANAGEMENT)**

KCA UNIVERSITY

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MANAGEMENT) IN THE SCHOOL OF BUSINESS AND PUBLIC MANAGEMENT
AT KCA UNIVERSITY**

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NOVEMBER 2020

DECLARATION

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

Signature----- Date -----

I do hereby confirm that I have examined the master's dissertation of
Anthony Charles Mwangi

And have certified that all revisions that the dissertation panel recommended have
been adequately addressed.

Sign: _____ Date: _____

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Dissertation Supervisor

ABSTRACT

Corporate governance structure are the systems and regulations created within an organization, to help guide the decision making processes. This help in determining the respective roles to be played by various stakeholders to the organization. Corporate governance has been shown to have an impact on the performance of state corporations. However, most of these studies concentrate on the board structures and how they affect the financial performance of the organization in respect to Return on Equity, Return on Assets and Tobin's Q. This research aims to explore the impact of corporate governance structures on performance of State Corporations in the education sector in Kenya. This area is least studied especially being a service oriented and largely non-commercial sector. The objectives of the study is to establish the influence of CEOs attributes on performance, examine the influence of board structure on performance and find out the impact of the audit committee on performance of state corporations in Kenya. The study targets 171 respondents across 27 sampled state corporations under the education sector in Kenya. The respondents are drawn from Senior and middle level managers, finance and accounts officers and internal audit staff. The 27 state corporations were selected using a stratified random sampling technique from the target population of 45 state corporations. The data was be collected for the three objectives with specific questions on Board diversity, attributes of the CEO, Independence of the Audit Committee. The data collection tool used a close ended questionnaire, there were 134 questionnaires returned out of the targeted 162, through a drop and pick method. The data collected was cleaned, coded and posted to SPSS Ver 23 for analysis. A regression model was be used to analyze the existing relationship between the variables; independent variables: CEO Attributes, Board Diversity and Audit Committee effect on the organizational performance being the dependent variable. Diagnostic tests were conducted to check for normality and multicollinearity. The study found that CEOs attributes, Board of directors' diversity and audit committee had significant effect at $\alpha=0.05$ and contribute 27.7% of variations of performance in state corporations in education sector in Kenya. The study therefore recommends that, for enhanced performance of state corporations in the education sector in Kenya, stakeholders should appoint CEOs with rich experience, boards with diversity including gender and audit committee members who have higher qualifications especially, professional qualifications.

Key words: Corporate Governance, Diversity, Independence, Attributes, Performance.

ACKNOWLEDGEMENT

This has been one of the most challenging undertaking I have had. It took a lot of encouragement and support to accomplish. I thank the Lord God for the grace abundant for this work especially when the going got tough. I acknowledge my family for the prayers and understanding when I took hours of valuable time they had to do without my attention, my wife Mercy and my sons, may God Bless you. I appreciate my mother for the continuous query of whether I have finished my academic work, which kept me reminded. The same goes for Lydia Chege, your role has been exceptional as well as Juma Wanyonyi for the hard questions. My supervisor, Dr Nyaribo Misuko for the great guidance and patience when even I got too slow and almost felt lost. Many others who supported the effort directly or indirectly in writing this dissertation. And Finally, I acknowledge the Director KISE for the financial support and time away provided for this course.

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DEDICATION

I dedicate this work to my mother who gave her all to give me education, and to my wife, for all is possible and it's never too late.

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ABBREVIATIONS

ANOVA	Analysis of Variance
BoD	Board of Directors
CEO	Chief Executive Officer
CG	Corporate governance
GoK	Government of Kenya
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
OECD	Organization for Economic Cooperation and Development
SC	State Corporations
VIF	Variance Inflation Factor

DEFINITION OF TERMS

Audit Committee: The sub-committee of the board with a mandate to safeguard the Organizations financial resources through adequate reporting, affirming of internal controls and management of risks. It draws its powers from the full board (Dezoort, Hermanson, & Reed, 2002)

Board Diversity: Relates to disparity in terms of gender, age, educational and work backgrounds among others (Petersson, 2017). It is the level of heterogeneity in the composition of its membership (Miller & Triana, 2009).

Corporate Governance: This refers to the systems that are put in place to guide the decision making processes and how power is exercised in the organization. It entails the whole framework that defines the roles of all the stakeholders in the management of the organization (Deloitte, 2010).

Education Sector: The Education Sector in Kenya covers the education at early years, basic education, tertiary and university education, curriculum development and evaluation, research and development, publishing and development of learning and teaching/training materials as defined by Medium Term Plan 2 (Treasury, 2013).

Gender Diversity: This relates to the presence of female members in the board of directors. It therefore, assesses the ratio of female members in the board compared to the male members (Wanjala, 2014).

Independence: This is the relationship of board members to the ownership structure of the organization. It is deemed to exist better where there is no direct relationship and the board members may not directly benefit from the performance of the firm. It is this position that

allows them to hold opinions that represent the interest of all stakeholder (Akpan & Amran, 2014).

Attributes of CEO: This refers to characteristics of the Chief Executive namely executive tenure, functional expertise and education (Adenikinju, 2012)

Quality of Meetings: The quality of meetings is a product of the frequency of meetings and the disclosure level of the affairs of the organization to members for their discussion (Alexandrina, 2013)

Satisfactory Disclosure: Refers to the transparency in conduct and reporting of organizational affairs both to the board as well as to other stakeholders (Alexandrina, 2013).

Service Delivery: It is the provision of reliable, prompt and accessible service as promised by the mandate of the organization (Chege, 2015)

CHAPTER ONE: INTRODUCTION

1.1. Background of the Study

The business place has become a continuously changing arena, from the way it is conducted to the way it is managed. With growth of expanding impersonal medium of communication and logistics, for instance, the emergence of online business, this has eliminated the national boundaries, creating a global market place. The need for more transparency to sustain the trust of consumers, customers and suppliers, as well as that of the other stakeholders, including government. This has also expanded the capital-raising catchment and effectively growing the number of shareholders for respective corporations. This has seemingly, made the management less aware of who they really should account to, in regard to the stewardship of the corporations.

Governance being exercise of power in management of both economic and social resources for a human development that is sustainable, has become a critical area of concern for countries and economies. At the corporate level, it is more about providing certainty in leadership through processes and systems, towards harnessing the relationship between various stakeholders. It is evident in the set of rules and regulations that create such systems and processes. The main objective in this is to provide transparency to all stakeholders and accountability of various players especially management¹.

State corporations as well must fit the same bill. However, there seems to exist a phenomenon where the management ignores their accountability to the public. The CEOs normally report to Boards appointed by political offices and play deaf to the public behind

¹ Private Sector Corporate Governance Trust, 2000 pg 1

these political offices. The level of accountability has therefore seemed diluted given the mega scandals that are reported in some state corporations in the recent years (Onyango, 2018). This leaves the question begging in respect to the performance of these State Corporations, do they deliver on their respective mandates, do they effectively disclose their undertakings and financial performance in a manner satisfactory enough to deter such scandals. It is also of concern how the management of the State Corporations addresses the stewardship of the assets as well as financial resources placed under their charge.

Good Corporate Governance in the State corporations is expected to help stem many of these challenges. The practice of corporate governance in these entities has strengthened with the government issuing guidelines on conduct and constitution of the boards. This was meant to enhance the accountability of management. To enhance transparency, the IPSAS Board also issued standards on disclosures of corporate government structures put in place as well as board and management expenses in the respective State Corporations. It has also guided on minimum disclosures on financial matters in reports. These concepts have been faced with challenges with various boards being dismissed or expired without replacement, as well as appointments with heavy political influence. The reports of the Auditor General on some failures to comply with proper stewardship of the state corporations have not place as heavy burdens to the CEOs as should have been the case. This study therefore is designed with a perspective of understanding the impact on performance of these entities given such gaps.

1.2.1. Corporate Governance Structures

Corporate governance is the system of rules, practices and processes by which a firm is directed and controlled. It essentially involves balancing the interests of a company's many stakeholders, such as shareholders, management, customers, suppliers, financiers, government and the community. Since corporate governance also provides the framework for attaining a

company's objectives, it encompasses practically every sphere of management, from action plans and internal controls to performance measurement and corporate disclosure.

Corporate governance structures represent the systems set in place to help guide the decision makers of an organization and monitor activities in light of respective and diverse interests. It is deemed as anything that affects decision making process of a company that can impact on any of the stakeholders (Jordan, 2013). It is a relevant factor across many fields including finance, accounting, strategic planning and management (Larcker, Richardson, & Tuna, 2007). Good corporate governance in a business may determine its success or failure. It is the best indicator of well-managed, progressive and strategic businesses.

Corporate governance gained focus as an emerging issue initially in the United Kingdom. In 1992, the infamous Cadbury Committee was formed to help address situations where companies trampled down the interest of other stakeholders in a sequence of corporate scandals that happened. The Cadbury report was received as a code of practice for companies quoted in the London Stock Exchange. It was kept as matter of advisory that one was to explain if they did not feel a certain component of the code affected them. The American attempt was viewed as having been impaired by participation of those who felt such regulations would hit back at them (Jordan, 2013). However, their report elicited a global move to provide structures to guide corporate governance spearheaded by Organization for Economic Cooperation and Development (OECD). This was supported in America, United Kingdom, Germany, and France among other key economic movers in 1999. The heads of the American and the UK endeavor, Millstein and Cadbury, served a major role to advocate for implementation of the structures across the world.

With the onset of the financial crisis that happened in 1997 and 1998, the World Bank and the International Monetary Fund (IMF) fronted the OECD structures as among the standards to be adopted in all countries. This was however met by the diversity in interpretation of various terms. The other challenge was that most Multinationals in Asia were state owned and the structures were not apparently designed with such organizations in focus. As it appeared that companies adopting the structures were able to inspire favorable responses at the stock exchange, the Chinese adopted them in order to benefit both locally and internationally. Corporate governance affects the development and functioning of capital markets and exerts a strong influence on resource allocation. In an era of increasing capital mobility and globalization, it has demanded principles and structures to help achieve enhanced industrial competitiveness across countries and economies (Maher & Andersson, 1999).

In the region, Uganda has faced disruption of business through corruption and related corporate governance failures. These included banks as well as major entities. The society sought for increased transparency in organizations and their conduct of business. The Central Bank of Uganda also made it compulsory to have the key corporate governance structures disclosed by banks in their annual reporting (Musaali, 2012). Equally in Tanzania, there have been failure corporate governance structures with reported collapse of a number of corporations. Fraud and lack of social responsibility have characterized such organizations. The exploratory study on corporate governance in Tanzania noted lapse in Audit committee lapses, and skewed constitution of boards as a key areas that needed to be addressed (Mzenzi, Mori, & Kurt, 2019).

Corporate Governance structures that have been developed and embraced, have varied across different parts of the world (Kiratu & Moronge, 2016). These seemed to have had an influence from Country's legal orientation, vis, those that followed civil law focused on

stakeholders, while those that had a common law orientation focused on shareholders returns or interests (Mulili & Wong, 2011). Generally, the approach to corporate governance has been domesticated in every country to fit their beliefs, especially the independence of board members in view of whether they should be executives or not. Worldwide, corporate governance has become a crucial topic because the level of development of a nation is attributed to the level of good Corporate Governance practices. The absence of good Corporate Governance is a major cause of failure of many well performing companies (Kiratu & Moronge, 2016).

In Kenya, Corporate governance issues started to arise significantly around year 2000 (Barako, Hancock, & Izan, 2006). The Capital Markets Authority issued initial guidance to help spread of best practice amongst listed companies. Challenges were however noted when various stock brokerage firms experienced problems that could be attributed to the conduct of their boards in 2008 (Mukabi, 2017). At a later date, this crept to the banking industry as well, leading to closure of a number of banks. This underscores the need for strengthening observance of the structures of corporate governance in the country.

Whilst the many countries have endeavoured to make laws on matters corporate governance, the structures demand that it is driven by the ethical duty to comply with moral standard and conduct (Aggarwal, 2013). It is the express intent by the leadership of a firm to conduct its business in an open way. This is only possible where they are certain they are not compromising any one's interest. The key players in corporate governance are the first shareholders, who are the owners, the board of directors who formulate the strategies of the firm and the management, who as led by the CEO execute the strategies.

The structures are largely meant to provide openness in the business operations (Aggarwal, 2013). It has to be in a manner that allows all stakeholders to weigh how their interest is affected by every step that the organization takes. Where certain intents are hidden from any party, it starts to defeat the spirit of corporate governance. The accounting and other related scandals that has faced many firms have been facilitated by weak structures, which allows underhand dealings within the firm (Le Quang Canh, 2014). In Kenyan context, some supermarkets have had working capital withdrawn fraudulently leading to collapse as it was the case of Nakumatt (KISERO, 2020). These and similar practices serve to undermine the rest of stakeholders who are not part of the day to day decision making of the organization. This is especially important for companies whose ownership leaves a glaring level of minority shareholders (Shikha & Mishra, 2019). There exist state corporations where the government owns a significant shareholding. In such corporations, the government representative can easily trample under the interest of the minority. The corporate governance structures help attain a balance for all stakeholders. This structures act as the *mode operandi* for setting objectives of the organizations and the road map towards their fulfillment. However, the investors and regulators should not assume that the executive is only pursuing self-interest motives. Indeed, they should also see the board as an important and critical resources for the company with which value addition can be achieved.

1.2.2. State Corporations in Kenya

State Corporations are legal entities created by a government to undertake business on behalf of the government. They are established under Section 2 of the State Corporation Act (1987), which defines a state corporation as a body established by or under an Act of Parliament or other written law; a bank or other financial institution or other company whose shares or a majority of whose shares are owned by government or by another State Corporation, and; a

subsidiary of a state corporation. Although they have Board of Directors or equivalent governing bodies to oversee the day-to-day operations, they operate within the general supervision of respective Ministries under which they are created.

State corporations being key players in socio-economic development of Kenya, and critical service delivery organs have also been required to observe the structures of Corporate Governance. In this endeavor, the State Corporations Advisory council developed the Mwongozo Code to help entrench good governance in these institutions. The Code has received backing of the government; including the Presidency underlining the level of Top Management commitment attached to its implementation. The Code was launched for implementation in January 2015. Training sessions to sensitize Boards of Directors and Councils to various state corporations on the provisions of the Code was done. It was expected that these boards and councils would implement the code. The requirements for disclosure in yearly reports were expected to enhance compliance and improve performance in state corporations. Over the years, there has been an improvement in the level of corporate governance disclosures amongst state corporations in Kenya (Wahogo, 2016).

1.2.3. Performance of State Corporations

Organizational performance comprises the actual output or results of an organization as measured against its intended outputs (or goals and objectives). Organizational performance encompasses three specific areas of firm outcomes: Financial performance (profits, return on assets, return on investment); product market performance (sales, market share, etc.); and shareholder return (total shareholder return, economic value added).

Performance of state corporations means the extent to which state corporations have achieved the agreed performance targets. Evaluation of the performance of Public agencies

entails the rating of actual achievements against performance contract targets negotiated and agreed upon at the beginning of the respective financial year. The resultant differences are resolved into raw scores, weighted scores and ultimately denominated into composite scores.

There has been a growing argument over the years that the governance structure of any corporate entity affects the firm's ability to respond to external factors that have some bearing. In this regard, it has been noted that good corporate governance is of essence to firms and that well governed firms perform better. Available empirical evidence also suggests that corporate governance does affect performance and is thus an important framework condition for the industrial competitiveness of OECD countries (Maher & Andersson, 1999).

(Jensen & Meckling, 1976) Agency theory holds that managers will not act to maximize returns to shareholders unless appropriate corporate governance structures are implemented in the large corporation to safeguard the interest of the shareholders. The stewardship theory suggests that the problem of governance may lie not in the self-interest of the executive but rather in the assumptions that distant others. The governance issues therefore, are not about managing the agency roles but rather, how the board can help the organization in dealing with external factors (Desender, 2009). The expertise and links held by the directors can make an organization thrive in adverse circumstances where others sink. The resource dependence theory by (Aldrich & Pfeffer, 1976) sees the non-executive directors primarily as a context specific resource to support the performance of both the executives and the company.

From the arguments above, it is clear that, for the performance of state Corporations to be positively related to good Corporate Governance practices, measures must be put in place to ensure that managers act in the interests of the shareholders. The investors and regulators

should not assume that the executive is only pursuing self-interest motives and they should also see the board as a source of resources for the company.

1.2. Statement of the Problem

The government of Kenya has in the recent past sought to accelerate accountability and transparency in State Corporations through the Mwongozo code. State Corporations Advisory Committee set out and trained all boards of management. However, the outcomes have not been assessed to inform the benefits reaped. State corporations have continued to reel under the heavy and irrational interference by the political class, denying the boards of such entities their independence. In the recent past, mega scandals have also been reported touching on State Corporations. These include National Youth Service (NYS)-Ksh9 billion: Mwea Irrigation and Galana Scheme scandal -Ksh7 billion, The Afya House scandal-Ksh 5 billion, Ruaraka land scandal – Ksh3.2Billion, National Cereals and Produce Board (NCPB) – Ksh1.9 Billion, and The Chickengate scandal-Ksh 59 million. In the center of these investigations and prosecutions are CEOs, who are expected to be professionals, members of the Board, who should actually safeguard these resources from plunder as well as suppliers and bankers. These has led to abandonment of key government programmes as additional funds get denied. Adequate regulation of the respective boards and CEOs seem to be missing. These are lapses that indicate lack of corporate governance structure to direct the conduct of such board and the managers they appoint.

There are reports of board members seeking business for their firms and even pushing dead stocks to organizations they govern. Some of these inappropriate transactions are never disclosed or highlighted during system and final audits of such state corporations. That notwithstanding, many state corporations have continued to feature adversely in reports of Office of the Auditor General. The internal audit units that report to the Audit committee are

expected to nub in the bud such questionable transactions and practices. The question here being, do the audit committees play their role effectively as expected by structures of corporate governance.

From the above, it is clear that absence of corporate governance structures impact on the performance of state corporations in respect of delivery of service. The impact on services, and stewardship of resources has little information especially given that there are many not for profit organizations, an area yet to widely be researched. With lack of information on this area therefore, it is difficult to effectively advise government on what structures need to be in-place to enhance governance so as to contain the run-away mismanagement of resources in government entities. This research aims to explore the effect of corporate governance structures on performance of State Corporations in the education sector in Kenya to narrow this gap.

1.3. Research Objectives

This defines why the research will be conducted. The objectives as indicated here below is what drives the researcher to carry out the study.

1.3.1. General Objective

The objective of this study is to determine the effect of corporate governance structures on the performance of state corporations in education sector in Kenya.

1.3.2. Specific Objectives

1. To establish the influence of CEOs attributes on performance of state corporations in education sector in Kenya.
2. To examine the influence of board diversity on performance of state corporations in education sector in Kenya.

3. To find out the influence of the audit committee on performance of state corporations in education sector in Kenya.

1.3.3. Research Questions

1. What is the influence of attributes of the CEO on performance of state corporations in education sector in Kenya?
2. What is the influence of board diversity on performance of state corporations in education sector in Kenya?
3. What is the impact of the audit committee on performance of state corporations in education sector in Kenya?

1.4. Significance of the Study

In studying the impact of corporate governance on the performance of state corporations, it will help derive recommendations to the government on management of these corporations. It will also guide policy making and decisions on the leadership of state corporations. It will guide composition of the board as well as that of the audit committee. The study would also be instrumental in providing information to the State Corporations' management on the effects of good corporate governance practices within their jurisdictions. It is expected to expand the understanding of the structures of corporate governance and encourage the culture of openness and unity between the CEO and the Board, in steering the state corporations. The findings will also add to the existing research on the impact of corporate governance on state corporations in education sector in Kenya.

1.5. Scope of the Study

This study seeks to find out the influence of corporate governance structures in State Corporation in the education sector in Kenya. There are a total of 47 State Corporations listed

against the Ministry of Education, two of these implemented International Financial Reporting Standard (IFRS) while 45 were on International Public Sector Accounting Standard (IPSAS)-accrual. This study will be limited to those implementing IPSAS as the FY 2016-2017. It will examine how the board diversity in respect of members age, qualifications and managerial experience in the sector impact performance of these state corporations. It will also assess how the CEOs' attributes as well as the audit committee's independence, operationalization and qualifications of its' members impact on the overall financial stewardship, service delivery and satisfactory disclosure of the organization.

CHAPTER TWO: LITERATURE REVIEW

2.1. Introduction

The literature review is undertaken to establish an overview on previous studies on the area of study and provide a critical outlook on the methodology used and the respective findings. This is meant to refocus this work on the basis of such studies and help create greater understanding on the topic.

2.2. Theoretical Review

This section seeks to understand the theories that exist on the topic of corporate governance and how they relate to this study.

2.2.1. Agency Theory

Agency theory is built from the diversity of interests that exist among different players in the running of any business. It evolves in that with every introduction of a new level of players from the shareholders, the board of directors, the executives and eventually the general staff of the business, a different form of stimulus arise. It is also a view that the human nature is inclined towards selfishness and self-preservation. The business being a body corporate has no life of its own and therefore the need for structures that help safeguard its preservation. Whilst there is a school of thought that seeks to construct this preservation around profitability of the firm, the conflict of interest also emerge amongst non-profit making organization (Ecco, Ribeiro, Kock, Marcon, & Alberton, 2010). The book suggests that the lack of equal level of information, and the existence of uncertainty in terms of how either party may conduct future affairs, creates the demand for reinforcement of principal's as well as the agent's interest. The greater conflict lies in the fact that the agent being more hands on has more information than

the principal he acts for. They often use that gap to exploit the business without knowledge of the principals (Tore, 2017).

While it is the universally accepted position of identification of the principal as the shareholders or the government for state corporations, it is the view of this researcher that the firm, being a corporate person, separate from its owners; that is the shareholders, should be considered as the principal. There are instances where the shareholders also act in conflict to the greater good of the business due to short term interests such as dividend payments even where the business may need additional capital inlay. In some instances, they may even sell off the firm to reap capital gains not counting the impacts the acquisitions have on the long term good of the business. Such is cited in the sale of UAP Insurance to Old Mutual, where the shareholders reaped big on premiums as they exited the firm. This at times may leave other stakeholders compromised especially employees and the creditors of the firm, hence the need for corporate governance structures that keep all interests balanced. The study will explore how the agency aspects play out and whether they compromise delivery of services and use of financial resources.

2.2.2. Stewardship Theory

Stewardship theory seems to moderate the tenets of agency theory. It argues that there does not exist a significant conflict of interest as both the Board and the Executive, have a common goal of prospering the organization. Furthermore, the level of ownership represented in the board has been on decline to an extent that there are Directors who are completely independent, that's without ownership stake (Tore, 2017). Therefore, the Board and the executive are both deemed to be seeking the prosperity of the firm. The Board is expected to provide guidance and advice to the executive with the faith that they will implement it for

common good. The remuneration and the length of their term in office as directors or executives are can always be determined by how well they help prosper the organization.

The governance issues therefore, are not about managing the agency roles but rather, how the board can help the organization in dealing with external factors (Desender, 2009). The expertise and links held by the directors can make an organization thrive in adverse circumstances where others sink. Whilst the board advises on reports presented by the executive, it is also reliant on situational analysis as conducted on behalf of the board by the executive. They must therefore provide training and mentoring of the executive (Tore, 2017) if they are to provide precise analysis and reports for their consideration. With a well-equipped executive, the Board can easily establish a monitoring structure through which they can gain assurance of how well the organization is run. The corporate governance structures in place must therefore allow for a convergence of purpose in running of the organization and utilization of resources at the disposal of the board and CEO. There are times where the boards intent and that of the CEO collide an hence negate the unity of purpose. This happens when each feels like the other party is out to benefit themselves rather than the organization. The study will assess the extent to which the harmony in the board, and the allegiance of the CEO to the board affects the performance of the state corporations.

2.2.3. Resource-Dependence Theories

The resource dependence theory holds a rather complementary relationship between the board and the executive. It emphasizes the optimal utilization of resources available to the organization. It places the role of raising the needed resources on the board. The resources range from financial, human as well as intangible support to the Executive (Tore, 2017). The board is expected to mentor the executive with an aim of enhancing their performance and that of the organization.

The board being a representation of the shareholders is charged with the responsibility to raise adequate capital to drive their vision. This justifies their demand for results from the executive if they have availed adequate resources for execution of their directives. They therefore, become a source of competitive advantage through their contribution to the strategy of the organization (Ongore & Owoko, 2011). They avail their networks and professional expertise for utilization by the organization. The management must therefore be competent enough to obtain that advantage in their functions, given the board is not on a full-time engagement. It in essence allows for structures by which the managerial team safeguards interests of other stakeholders, even where the shareholders may seem to have self-serving objectives (Ongore & Owoko, 2011). The corporate governance structures should therefore be aligned to ensure that the constitution of the board provides a rich reservoir of contributors to the organization. This study expects the board members to have positive input towards performance of the institutions. It will therefore, provide a feel of how the diversity of board members effects the performance of the state corporations.

2.2.4. Stakeholder Theories

The Stakeholder theory holds the firm at an elevated place with lots of intertwined interests. The theory expands the interest from shareholders to stakeholders. The stakeholders are listed spanning from shareholders, board of directors, executive, employees, suppliers, customers and the neighboring communities. It therefore, provides policies that ensure all these parties are not violated in regard to their interest in the firm. Such policies have also included the representation of certain key stakeholders in the board of directors (Ongore & Owoko, 2011). This has been an argument presented by those who deem the shareholders as the main stakeholder, thus supporting a duality position for Chief Executives which is creating their representation further into the executive. The theory also calls for structures for stakeholder

involvement in decision making, providing clear mechanism of picking the organization's staff, instituting accountability systems and auditing of the operations of the organization.

The theory advocates for corporate social responsibility in all that the firm does. Whilst this has been misconstrued and drowned in drumbeats of charitable activities, it was intended to provide goodwill on the part of the management in safeguarding the interest of all stakeholders. It is a form of social accountability in respect to intents and purposes they propagate. It is in the overall position the most inclusive approach to running an organization. Everyone believes in the firm and is not threatened by its conduct of business. It is such firms that easily get licensed, penetrate markets and raise capital due to extended goodwill. This theory therefore, cultivates greater transparency and disclosure of affairs. For effective disclosure to occur, and a balance to be achieved in respect of interests of various parties, there should be in place the appropriate corporate governance structures. The stakeholders would therefore be expected to respond to the structures in terms of how they accelerate or cover their risks and interests. This study will evaluate the level to which disclosure improves performance and consistency in service delivery.

2.3. Empirical Review

2.3.1. Organizational Performance

Corporate governance affects the development and functioning of capital markets and exerts a strong influence on resource allocation. In an era of increasing capital mobility and globalization, it has also become an important framework condition affecting the industrial competitiveness and economies of OECD Member countries (Maher & Andersson, 1999). In their study, they point out that one of the most striking differences between countries' corporate governance structures is the difference in the ownership and control of firms that exist across countries. There are tradeoffs between ownership concentration and voting power

concentration. There is no single model of good corporate governance, and both insider and outsider systems have their strengths, weaknesses, and different economic implications. Furthermore, the effectiveness of different corporate governance structures are influenced by differences in countries' legal and regulatory frameworks, and historical and cultural factors, in addition to the structure of product and factor markets. Policy recommendations should therefore attempt to account for the interactions between corporate governance structures and the institutional framework in the particular country. The search for good practice should be based on an identification of what works in defined countries, to discern what broad principles can be derived from these experiences, and to examine the conditions for transferability of these practices to other countries.

The structures instituted and policies practiced within an organization ought to be disclosed for it to achieve its meaningful end. The stakeholders can only make informed decisions based on information the organization provides through its reports. Disclosure has also been reported to have a significant influence on performance of deposit taking organizations as it creates investor confidence (Muiruri, 2014). In his study, Jouri (2016) sought to find out if there existed a relationship between the practice of good corporate governance and the type of audit opinion issued to organizations. It was noted in the findings that though there was no evidence that good corporate governance influenced the audit opinion, poor corporate governance did show a strong influence towards an adverse audit opinion. This was deemed so as where disclosure is compromised, a higher levels of accountability is also abandoned and independent monitoring curtailed (Kyondu, 2014).

In providing standards of accountability, the Financial Reporting Standards provide for disclosure of structures set in place for corporate governance in any organization. The Public Sector Accounting Standards as well have a similar requirement to be observed. It has been

observed that regulations put in place play a big role in how well organizations are governed (Mutisya, 2015). It is however noted that most of the provisions of good corporate governance are not stated as mandatory but as recommendations. Organizations are meant to either comply or explain why they did not observe such recommendations (Financial Reporting Council, 2014). This therefore creates a big room for subjectivity and the option to comply or explain therefore is dependent on the party providing the advisory. It could almost be certain that most of the stakeholder interests can be quantified in monetary terms, hence the financial accounting and corporate governance become inseparable (Sloan, 2001). This justifies why the disclosure of corporate governance structures established in an organization are a necessary disclosure in financial reporting.

Corporate governance is an identified driver of the level of confidence investors place in the capital markets. It helps attract players in economies where the tenets of good corporate governance are entrenched. It helps reduce the level of risk in such markets as well as promoting the firms' performance hence drawing more investors. (Ahmed & Hamdan, 2015) examined the impact of corporate governance characteristics on firm performance in Bahrain Stock Exchange. The results of the descriptive study that covered financial companies listed in Bahrain Stock Exchange for period 2007-2011, showed that Return on Assets and Return on Equity as performance variables were considerably related to corporate governance. It was not the same case in respect to Earning Per share. The creation of corporate governance structures is therefore meant to strengthen financial stewardship of organization and consequently its performance.

In her study, Luyima (2010), sought to establish if corporate governance practices, structures, pillars and principles had an impact on performance of the Insurance companies in Kenya. The study was a cross sectional descriptive research in design. It established that the

exercise of corporate governance practices, structures and activities were based on certain corporate governance pillars and principles. It indicated that a weak positive correlation existed between corporate governance structures and the organizational performance. The variables considered were financial performance, Customer satisfaction, internal business systems and business development and performance growth. It is therefore evident that there is a fair link between the corporate governance structures and the service delivery of an organization hence the customer satisfaction.

2.3.2. Attributes of the CEO on Organizational Performance

The CEO of an organization plays a major role in determining how the resources are managed to achieve the objects of the board. They therefore undergo a heavier scrutiny than that of the board members (Andres, Guasch, & Azumendi, 2011). In some instances, they are among the founders of the organization as they are deemed to understand the mission of the organization. This is especially true if the board is less independent (Yermack, 1996). The case for state corporations may be different in that, most are instituted by law to meet set goals. The role played however, does not vary in significance, between that of business entities and for state corporations. The CEO serves as the main meeting point where various stakeholders converge, and hence their role cannot be gainsaid.

Mudashiru et al. (2014) investigated the relationship between corporate governance and the performance of organizations in Nigeria. The methodology adopted for the study was a quantitative one. They collected primary data through questionnaires from top management staff in the food production firms, seeking to the impact of the corporate governance variables on performance of the firm. The variables covered indicated that a large board size with adequate skill distribution, and a skilled management, who's CEOs had longer serving period were contributors to good firm performance. It also showed a positive performance was

influenced by the size of audit committee as well as its independence, structure of ownership, their dividend policy and openness in annual general meetings of the firms. Corporate governance was seen to safeguard the interest of the shareholders and recommended regulatory authorities to seek ways of enhancing compliance with good corporate governance structures for industries and the country.

Kiratu & Moronge (2016) carried out a study to establish the influence of corporate governance on organizational performance in Kenya (case of agricultural state corporations). The study was built on the stakeholder theory, resource independence theory, stewardship theory and agency theory. The study adopted a descriptive survey on a sample of 80 respondents, with a correlation and regression analysis at 5% level of significance to determine extent and nature of the relationship between various variables; managerial skills indicated the strongest positive correlation on performance, board structure, firms culture and customer relationship management also showed a positive correlation to performance of the firms. It recommended training as key medium of strengthening these areas and hence the performance of firms. Whilst there is considerable political influence in appointment of CEOs, there are endeavors to set a minimum expectation of capacity of the appointees. There are set targets for their performance in form of contracts and MOUs to ensure that the aspect of capacity is not eliminated (Andres et al., 2011).

The State Corporations Act (2012) anticipates that chief executive officers be appointed with the recommendation of the board of directors of respective organizations. The board recommends 3 candidates after a competitive process to the cabinet secretary for appointment. This has been deemed the quality of CEOs appointed as the later stage has a political connotation. This was found to introduce a conflict of interest where the CEO pays more loyalty to the political institutions than the board (Mutisya, 2015). The composition of the board has

been identified to also influence the background of the CEO to be appointed. Where the board is more independent, they were seen as more inclined to appoint a more independent CEO (Adetunji Babatunde & Olaniran, 2009). Independent CEOs would therefore be better placed to safeguard the interest of all stakeholders without serious bias.

2.3.3. Board Diversity on Organizational Performance

The composition of the board to include financial professionals has been found to influence the nature of financial commitments the organization engages in (Xie, Davidson, & DaDalt, 2003). It also helps in constraining the managers from engaging in matters that create personal gains contrary to the organizational interest. Most of the financial dealings that erode the organizations financial resources towards personal gain of managers and staff are perpetuated or facilitated by management. The academic qualification of the practitioners has been believed to also play a role in the policies an organization holds (Larcker et al., 2007). However, the study focused on how the variables impacted on stock returns, which may have been influenced by other exogenous factors. This study will explore the relationship between the corporate governance structures, the level of education and how these translate to the performance the respective organizations. Further, this study explores organizations whose amount of returns to shareholders is not as critical as the service rendered to the citizen.

Ahmed & Hamdan (2015) argued that promoting good corporate governance standards was considered to be very important in attracting capital investment, reducing risk and developing firms' performance, including return on equity. Mudashiru, Yusuf, Bakare, & Ishmael (2014) adopted quantitative methodological framework through which the primary data collected were analyzed to find the relationship between corporate governance and organizational performance. The findings showed that large board size, board skill,

management skill, foreign ownership, institutional ownership, dividend policy and annual general meeting were positively associated with the performance of organizations.

The age of a member is the number of years since they were born. The age is deemed important as it indicates how much the individual's judgment has matured as a result of exposure to various challenges and opportunities in life. It may also determine the amount of energy a member has to discharge various responsibilities. It also has an indicator of how much risk an individual may likely take or how conservative they may be. Diversity of age of directors has been noted to have a positive significant relationship to organizational performance for the tourism industry (Wanjala, 2014). In a similar study, Protasovs (2015) failed to establish such a significant relationship between age and performance of organizations. However, in another study, Akpan & Amran (2014) found a positive but not significant relationship between age of board members and performance.

The benefits flowing from the age disparity can be considered in light of their contribution towards linking the organization to outside opportunities. The older members have developed larger networks overtime which they bring onboard for improved performance. The younger members compensate for this by their connection to current and emerging technologies. They therefore push for continuous improvement in service delivery for the organization (Petersson, 2017). The board is expected to lead the organization in matters innovation. This can only be a factor of how creative the members can be, this has been noted to be systematically influenced by heterogeneity of the leadership team (Robinson & Dechant, 1997)

Gender diversity refers to the fair representation of either sex within the board. There is a growing endeavour to maintain at least a third representation of either gender in any

establishment. It has emerged as key governance issued in management of corporations (Protasovs, 2015). Various studies have been carried out to find out if there is a relationship between gender diversity and performance of an organization. Akpan & Amran (2014) found a negative relationship between the return on funds and gender diversity of the board. However, several studies have been able to show a positive relationship between a balanced representation of women in the boards and good performance of the organizations (Eysink & Paape, 2016).

In a study of 21980 firms across 91 countries of the world, it was evident that presence of women on boards contributed immensely to growth in performance of the organizations. It was indicated that an increase of 30% in their representation led to a 15% increase in revenue (Noland, Moran, & Kotschwar, 2016). Whilst this was not to be on a linear scale, it was a confirmation that their input cannot be overlooked. The study also suggested that the risk of insolvency was lower for organizations with women board members citing a 2009 study by the Leeds University on firms that went under in 2008. This indicated a difference in risk management attitudes across the genders.

The impact on performance by the gender diversity has also been noted to vary from one region to another. It has been indicated that the prevailing culture of the region may influence the level of the impact of gender diversity in the board (Dwyer, Richard, & Chadwick, 2003). It may also matter whether the organization is publicly, privately or state owned. A study of this phenomenon in china found that proportion of women directors has a positive impact on performance, women as independent directors may attain varying impacts on performance. This research further indicated that the benefit was more evident with the number of women directors at two or three. However, it also concluded that State owned organizations were not guaranteed to benefit from appointment of women directors (Liu, Wei, & Xie, 2014).

The board members are exposed to diverse operations over the years, which is highly desirable. Indeed, the diversification of their experience has been found to add significantly to the performance of an organization (Akpan & Amran, 2014). Members understand their role and they place certain expectation on those sitting on the board, as such, the holders of these positions must bear adequate experience so as to deliver on these expectation (Kabai, Baimwera, & Waithaka, 2017). However, where the board experience is homogeneous, the board initiates very little changes and slows strategic planning. It has been noted that its until such a homogenous board is replaced that the organization can grow (Westphal & Milton, 2000).

The responsibility of the board is a collective one, however, this is an aggregation of their capacities beyond which they may not attain. Members of the board also fall within categories of either independent or non-independent members. It has been observed that the level of experience for individual members influence how they are able to influence the others on the board. Westphal & Milton (2000) in their study on influence of directors, found that members who were independent but having extended experience had a greater influence on the non-independent member. This means they are therefore able to safeguard the interest of external stakeholders better than those without adequate experience. This in turn helps lower the level of risks the organization may suffer and consequently the cost of such occurrences.

2.3.4. Audit Committee on Organizational Performance

Corporate Governance is a mandate bestowed upon the audit committee in many organizations and it is charged with the role of mitigating the conflict of interest between owners and management (Wanjala, 2014). Further, the understanding of the principles of corporate governance may influence its appreciation and practice in the organization. The composition

of the committee may therefore determine if the meetings are effective or not, or even whether the members may see the need to meet as required of them.

Kyonde (2014) sought to examine how Corporate Governance affects performance of state Corporations in Kenya. The study focused on the relationship between performance and corporate governance vis a vis the size of state corporations. The survey design was taken and targeted 178 State Corporations in Kenya. Data was collected from senior managers and analyzed through multi-linear regression technique. The findings indicated that corporations with a high score in corporate governance also ranked better in the annual State Corporation's performance ranking. It is therefore important that the board, should conduct monitoring of financial performance as well as conduct Corporate Governance Audits and Evaluations as a routine if overall performance for this industry was to be guaranteed. Their ability to effectively engage with external auditors enhances the independence of the auditors from management and was found to enhance the quality of audits (O'Neill et al., 2013). It has also been established that if there instituted quality charters for audit committees, it enhanced the quality of financial reporting of organizations (Mbobo & Umoren, 2016).

There has been a growing demand that the financial expertise of the audit committee be enhanced. This has been entrenched further through regulation in some instances (Badolato, Donelson, & Ege, 2014). Qualification of the members has also received market. A study on whether the market responds to the financial expertise of Audit committee members, this was found to have a strong influence on firms performance and hence the market responded every time new directors with expertise were appointed (Defond, Hann, & Hu, 2005). Their ability to shape operational and risk management strategies require that they be of highest possible qualifications (Kyonde, 2014). The qualifications are a factor that determines their independence as reported in a study by Dezoort et al. (2002).

The independence of members of the board relates to how they are able to make decisions without undue influence of any other party. It is how they are able to make resolutions with the best interest of all stakeholders. The board and its committees should comprise of independent members to allow them carry out their mandate effectively (Financial Reporting Council, 2014). Following various financial scandals in organizations, the independence of the audit committee has been emphasized across organizations. Whilst the amount of desirable independence has not been stated (Bronson, Carcello, Hollingsworth, & Neal, 2009), it has been found to be a key factor towards transparency and accountability.

The audit committee is the organ that enhances the protection of shareholders by creating the space for independence of external audits (Mudashiru et al., 2014). This can only be tenable if they themselves have a level of independence. They must also be able to peruse with comprehension basic financial reports for them to play their role effectively. It was the recommendation of the study that the audit committee be constituted with a focus on making it as independent as possible. Their effectiveness becomes critical the more as more scandals are unearthed among corporations as they are deemed the first line of protection for stakeholders (Dezoort et al., 2002). Their study however reflected on factors influencing their independence and not necessarily the impact of their independence.

O'Neill et al. (2013) realized that some countries, such as Canada and the USA, had picked the audit committee as a structure for corporate governance to be very significant. There has been laid in place regulation on how they ought to be constituted, their authority as well as their responsibilities. They are expected to receive audit reports and raise issues of qualification to the full board. The chairman of the committee was therefore recommended not to be the same as the chair of the full board (Mbobo & Umoren, 2016). They also noted that the committee well instituted is capable of reducing the chances of fraud and related practices.

2.4. Summary of Literature Review

From the analysis of both the theoretical and empirical literature above, it is clear that research has been carried out worldwide on the effect of corporate governance on performance of state organizations, focusing either on homogenous sectors (banking, agricultural and insurance) or state corporations as a whole. Various Best practice guidelines for corporate governance including size and structure of the board, ownership structure, number and frequency of board meetings have been studied and most of the results imply that there exists a positive relationship between them and the performance of these corporations.

2.5. Research Gap

There exists a research gap in that studies which have targeted the practice of corporate governance in state corporations under the education sector in Kenya are rare. The state of affairs in respect of impact of corporate governance structures on performance of non-commercial corporations in education sector in Kenya is not available. This research therefore seeks to fill this existing gap.

2.6. Conceptual Framework

The Conceptual frame depicts the variable in this study in the following presentation:

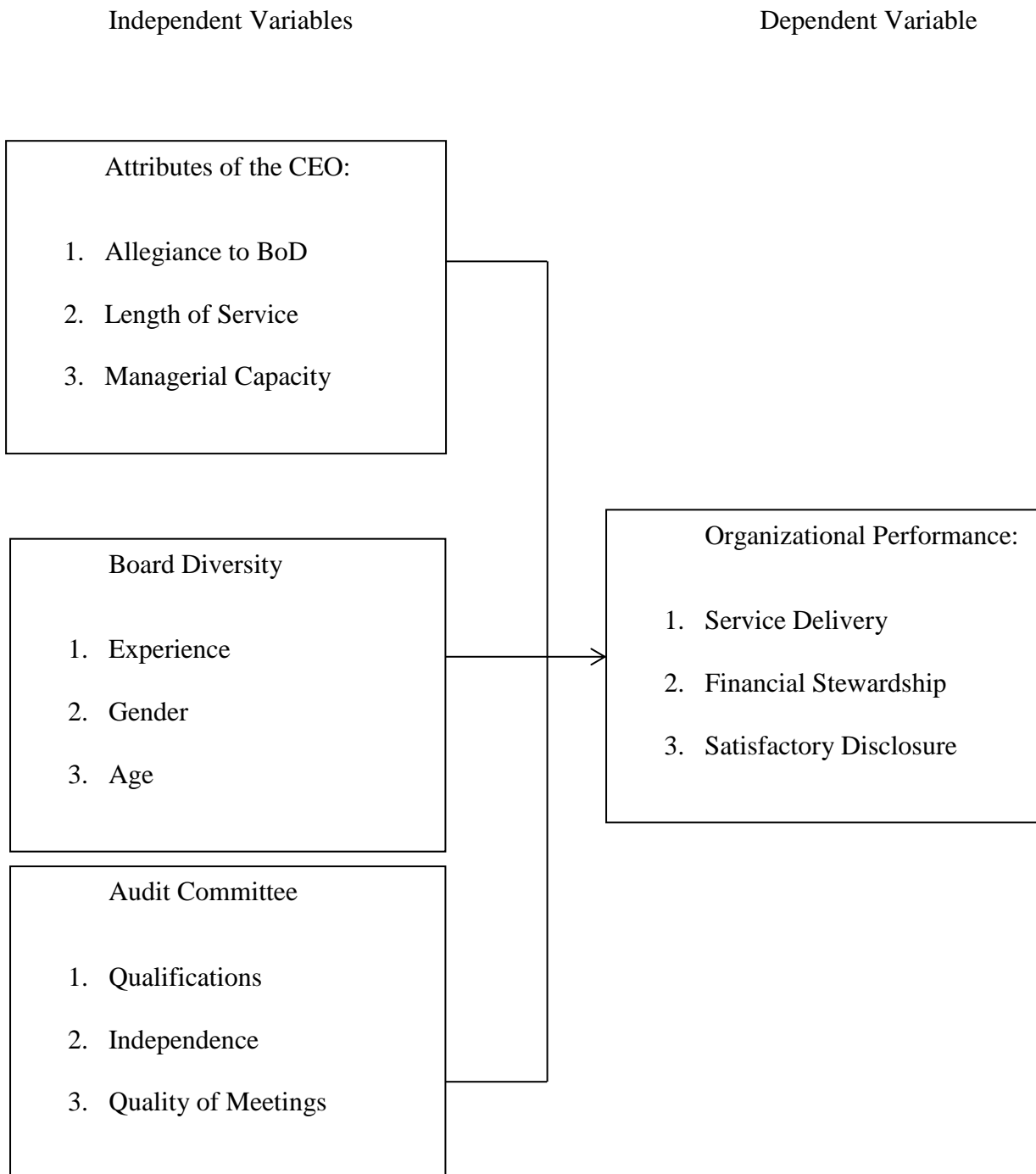


FIGURE 1: Conceptual Framework

2.7. Operationalization of Variables

TABLE 2. 1 Operationalization of Variables

Objectives	Types of Variable	Indicator	Method of Data Collection	Data Analysis
To establish the influence of CEOs attributes on performance of state corporations in Kenya.	Independent Variable: Attributes of the CEO:			
	Allegiance to Board of Directors	Board Recommendations for appointment	Questionnaires	Quantitative Analysis
	Length of Service	Number of Years Serving the State Corporation		
	Managerial Capacity	Training in areas of management		
	Dependent Variable: 1. Service Delivery	Funds used in service delivery		
To examine the influence of board diversity on performance of state corporations in Kenya.	Independent Variable: Board Diversity			
	Experience	Years serving in Education Management	Questionnaires	Quantitative Analysis
	Gender	Female Members		
	Age	Date of Birth		
	Dependent Variable: 2. Financial Stewardship	Management of funds		
To find out the impact of the audit committee on performance of state corporations in Kenya.	Independent Variable: Audit Committee			
	Qualifications	Professional Training	Questionnaires	Quantitative Analysis
	Independence	Non-Public Service Members		
	Quality of Meetings	State of Meetings		
	Dependent Variable: 3. Satisfactory Disclosure	Satisfactory Reporting		

SOURCE: Researcher

CHAPTER THREE: METHODOLOGY

3.1. Introduction

This chapter addresses the method that was adopted for this study. Research methodology is the systematic approach by which the study is conducted to solve the research problem (Kothari, 2004). The chapter covered the research design, target population, sample selection, validity and reliability of data collection instruments as well as essential ethical concerns in research of this nature.

3.2. Research Design

Research design refers to the overall strategy used to integrate the components of the study in order to solve the research problem (Labaree, n.d.). This study adopted a descriptive research design. This is informed by that the study is intended for fact finding on the state of a phenomenon, and which is not expected to change during the period of the study (Kothari, 2004). Further, the study sought to explore the impact of corporate governance on the performance of state corporations, it allowed for use of quantitative data to be collected and analyzed. It also helps expand the knowledge on the phenomenon and provide specific variable for additional quantitative research.

3.3. Target Population

Target population is the group upon which the variables and scope of the study interest apply (Mukabi, 2017), and the findings of the study can therefore be generalized upon it. The study targets the state corporations in the education sector in Kenya. There are 47 state corporations in education sector, 45 of which are non-commercial corporations (Source, National Treasury Consolidated Accounts Report, 2018). These 45 corporations that are fully owned by the Government of Kenya, and are implementing the International Public Sector Accounting

Standard (IPSAS)- Accrual policy. The other two are commercial state corporations (Kenya Literature Bureau and Jomo Kenyatta Foundation) and omitted for this study scope as it was focused on service providing state corporations. The state corporations were the unit of analysis for this study. Data was collected from the respondents which included the 3 senior/middle level Managers, 2 in finance and accounts officers, and 1 Internal Audit staff.

TABLE 3. 1 Respondents for the study

	Level of respondents	Universities	State Agencies	Total
1)	Senior and Middle level Managers	54	27	81
2)	Finance and accounts	36	18	54
3)	Internal Audit Staff	18	9	27
	Total	108	54	162

Source: Researcher

3.4. Sampling Size and Procedure

The scope of the study targeted only 45 State Corporations under the Education Sector. A sample size of 27 state corporations was picked and considered adequate representative of the target population. Stratified random sampling method was used in identifying the institutions for the study. The strata were created between, state agencies (that are 14 in the target population) and universities (that are 31 in number), this geared towards equal representation of the institutions in the sample. The sample was selected by generating random numbers against each institution, then the random numbers were ranked and the first 9 for corporations and 18 for universities were picked as the sample for this study. The sampling method was preferred in that it allows the target population to be organized according to levels of homogeneity based on their similarities, hence allowing for satisfactory representation in the sample. It is therefore a more efficient sampling method that helps reduce the sampling error

(Lorraine, Geoffrey, & Peter, 2012) It involved creation of homogeneous subsets that were subjected to random sampling procedures. This allows for equitable count of the subsets population in the overall sample for the study (Mwangangi, 2017)

3.5. Instrumentation and Data Collection

The study sought to assess the impact of corporate governance structures on the performance of state corporations in the Education sector in Kenya. Semi-structured questionnaires were used to collect data from the respondents. The questionnaires were given to the respondents with closed ended questions. The researcher dropped questionnaires and collected them at the respondent's convenient time. This method of data collection was selected due to its convenience in respect to time and uniformity of data collected. It is also cost effective to administer and can collect data that is diverse but in an form that can be processed in a straightforward manner (Dörnyei & Taguchi, 2010).

3.6. Validity and Reliability

Validity refers to the extent to which an instrument used to collect the data actually measures what was intended and hence this is to be carefully assessed (Kothari, 2004). Validity covers various aspects of the study, particularly, the ability to cover the content intended, the possibility to assess the outcome or predict the current scenario and consequently the future situations. It also addresses the possibility to obtain the intended information from the study and being able to reproduce same results. The questionnaire were piloted to enhance its ability to collect the intended data in respect to the objectives of the study.

Reliability of a study refers to how credible is the source of the data collected, and how trustworthy is the person providing the information (Mukabi, 2017). Participants should have no other motives in providing the data other than providing the facts as they are. Cronbach's

alpha is a measure of internal consistency of a set of responses. According to (Gliem, & Gliem, 2003), an alpha value of at least 0.7 indicates high internal consistency of questionnaire items hence high reliability. This test was used to measure the reliability of data collection instrument. The information provided further triangulated with available secondary data for certain variables.

3.7. Data Analysis and Presentation

Data analysis is a key step in research, as it allows the researcher to derive meaning from the study. This represent the process of collecting the data form the sample population, managing it, and then creating sense out of it for presentation and use. This study collected data from the on the state corporations through questionnaires, once collected, they were reviewed for completeness. Errors in the filling of the questionnaires were addressed before coding. After coding the data, it was entered into computer system and cleaned further to prepare it for analysis. Appropriate statistical measures were established and then data entered into the statistical package for analysis. Analyzed data will be presented in form of tables, charts and other graphical representations. The data was analyzed using Statistical Package for Social Sciences (SPSS) version 23:

Regression is the assessment of existing relationships between variables. It also establishes the nature of relationship between variables under study. Regression analysis seeks to find out how that relationship can be modelled (Adams, Khan, Raeside, & White, 2007). The study employed the use of multiple regression to evaluate the relationships existing between the independent variable (organizational performance (Y)) and a set of dependent variables (Qualities of CEO (X_1), Board diversity (X_2) and Audit committee (X_3)) in the study. Conceptually, the multiple regression model will be;

$$Org_Performance = CEO_{Attributes} + Board_{Diversity} + Audit_{Committee}$$

Mathematically;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Where

Y = Independent variable in the regression model

X_i = The i^{th} independent variable, $i = 1,2,3$

β_0 = Regression Constant

β_i = Regression coefficient corresponding to the i^{th} independent variable

ε = Error Term

3.8. Diagnostic Tests

The diagnostic tests are meant to assess the appropriateness of a regression model.

3.8.1. Normality Tests

The data collected was subjected to tests to establish if it had a normal distribution or not: Kolmogorov-Smirnov test was used to assess the continuity of the data distribution across data capture intervals; Analysis of Variance (ANOVA) was applied to the data to check if the significance variance between the means of the variables used in the study; Shapiro-Wilks test sought to establish the possibility that randomly selected samples will fall within the expected normal distribution with an acceptance level for this will be a p-value of 0.05 to accept the Null Hypothesis of a normal distribution at 95% level of confidence (Mukabi, 2017).

3.8.2. Multicollinearity Test

Statistical analysis has an overwhelming assumption that there exists a linear relationship between the variables. The study tested the data for linearity before applying the regression analysis on the data collected. The homoscedasticity or heteroscedasticity of the distribution test were conducted as well as assessment for homogeneity of variance.

The data was further subjected to tests for Multicollinearity, this tested if the independent variables could be strongly correlated (Adams et al., 2007). This would mean that a certain variable being predicted using the other variables with a reliable degree of accuracy. This could cause errors when conducting statistical inferences using the regression model. The Variance Inflation Factor (VIF), with an acceptance level of above 5, was used to assess the significance of the multicollinearity.

3.9. Ethical issues

Ethical practice has been defined being conscious of and observing the generally accepted principles or code of conduct of a given undertaking (Kothari, Kumar, & Uusitalo, 2014). The study conducted with ultimate confidentiality of information received. The researcher neither labeled the questionnaires in any manner that may reveal the respondent who provided the details nor guide the respondent with respect to expected answers but recorded the answers given without prejudice. The researcher adhered to high scientific standards during the entire inquiry process and remained impartial in presenting the research findings.

CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION

4.1. Introduction

This chapter presents results from analysis of field data. Data was analysed using descriptive and inferential statistical methods and presented using tables. An attempt has been made to explain the outcomes based on the objectives of the study. The study findings are presented as per the objectives of the study.

4.2. Data Collection Response

The study targeted 162 respondents. A total of 150 of the questionnaires were successfully issued through a drop and pick method, where 134 were returned. This represented 82% of the intended number of respondents. This target is sufficient for representation of the target population being above which according 50% Mugenda & Mugenda (2003) is appropriate for data analysis.

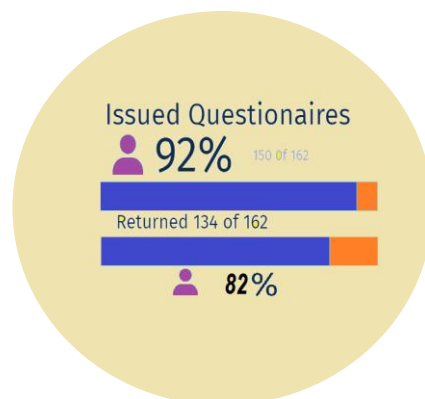


FIGURE 4 1: The respondents for the survey

4.3. Respondents general information

As part of respondents' general information, the study assessed areas of service, level of service. This information provides basic understanding on the nature of persons involved in filling the questionnaires. Their profile is also important aspect as their opinion in other questions can be assessed based on this basic information.

Table 4.1 below shows the area of service and level of service among the respondents of this study.

TABLE 4. 1:General information

	Categories	n	%
Area of service	Education, Training & Assessment	45	33.6
	Research and Information	33	24.6
	Policy & Regulatory	41	30.6
	Other support functions	15	11.2
	Total	134	100.0
Level of service	Senior Manager	28	20.9
	Middle Level Manager	51	38.1
	Finance Officer or Accountant	39	29.1
	Internal Audit Unit	16	11.9
	Total	134	100.0

Source: field data (2019)

The study found that most of the respondents were serving in the area of Education, Training and Assessment (33.6%). Those who worked in the area of Policy and Regulatory accounted of 30% of the responses, a fraction that was slightly smaller than those worked in Education, Training and Assessment area of service. Most of them reported that they served in middle level manager’s position (38.1%) whereas 29.1% and 20.9% served as Finance Officer or Accountant and senior managers respectively.

4.4. Reliability Test

The study used Cronbach’s alpha in examining the reliability of the questionnaire and an alpha value of 0.778 was obtained for pilot data, indicating high internal consistency. The Cronbach’s alpha values obtained for respective variables were found to be consistent, therefore concluding that the tool was reliable in assessing the influence of governance structure on the performance of State Corporations in Education Sector in Kenya as shown in the table below:

TABLE 4. 2: Reliability of study variables for Pilot Data

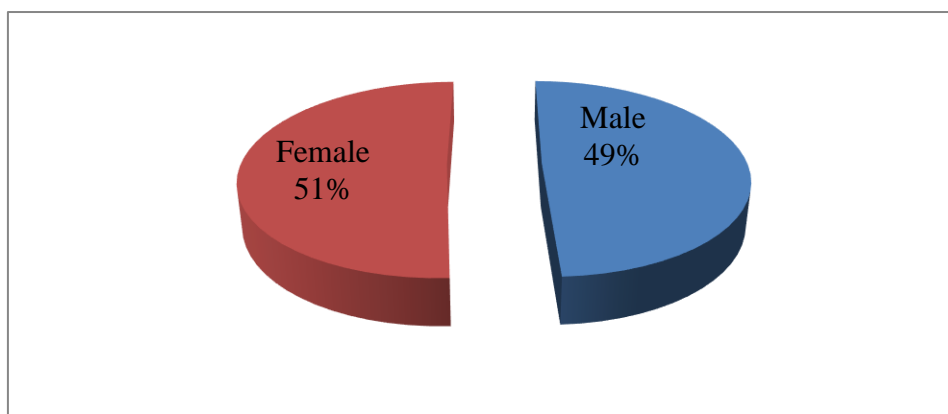
	Factor	Cronbach's alpha
1	Attributes of the CEO:	0.813
2	Board Diversity	0.886
3	Audit Committee	0.795
4	Organizational Performance:	0.867

The collected data was tested using the Cronbach's Alpha to assess the internal consistency in relation to assessed variable. The Table below shows a Cronbach's alpha result of 0.783 which means the data is reliable for the study on threshold of 0.7 for this study. The deleted values of the alpha ranged between 0.762 and 0.793. This indicated a high level of complementarity between the variables as none of them could significantly change the results if omitted.

4.5. CEO attributes of state corporations in education sector in Kenya

The first objective of this study was to establish the influence of CEOs attributes on performance of state corporations in education sector in Kenya. Various indicators were used to assess the CEO attributes of state corporations in education sector in Kenya. These include; Age of the CEO, level of education, CEOs gender,

FIGURE 4 2:below represents the CEO gender.



The study found the proportion of female CEOs in state corporations in Kenya was slightly higher than that of male counterpart. The proportion of male was 49% while that of female were 51%.

Table 4.3 below outlines various attributes of the CEOs of state corporations in education sector in Kenya.

TABLE 4. 3: Chief executive officer basic information

		n	%
Age of CEO	36-50 years	71	53
	Over 50 years	62	46
	Did not respond	1	1
	Total	134	100
CEO Education	PhD	37	28
	Masters	57	43
	Degree	38	28
	Did not respond	2	1
	Total	134	100
CEO Management Course	Degree	45	34
	Masters	50	37
	Ph.D	37	28
	Did not respond	9	1
	Total	134	100

Source: field data (2019)

The study found most CEOs were aged between 36 and 50 years (53.4%) whereas 46.6% had over 50 years. It was also noted that most of CEOs had masters level of education accounting for 43.1% of CEOs in the state corporations in education sector in Kenya a number that is almost equal to degree (28.8%) and PhD (28.0%). Regarding CEO's knowledge acquisition in management courses, the study found 28.0% had PhD qualifications, 36.0% masters' level of academic qualification and 27.2% bachelors' degree.

The study also assessed CEO's work profile as part of CEOs attributes (Table 4.4). These include; years of experience, years of tenure and years worked in the sector.

TABLE 4. 4: Chief executive officer Work profile

Descriptive Statistics					
	Minimum		Maximum	Mean	Std. Deviation
Years of Experience	120	6	34	19.08	8.151
Years Tenure	128	1	19	7.73	3.631
Years Sector	124	2	40	12.24	6.175
Years Management	120	2	25	10.78	5.567

Source: field data (2019)

The study found that CEOs in of state corporations in education sector in Kenya had an average work experience of 19.08 years, work tenure of 7.73 years and had worked in the state corporation sector represented for an average of 12.24 years and 10.78 years of experience in management. The maximum years of experience reported was 34 years, 19 years of tenure and 40 years work experience in the sector. Examining the responses under work profile of CEOs, there was more similarities on the years in the sector as compared to years of experience, which implies that reasonable no of CEOs, had worked in other sector before joining sector worked at the time of this study.

Table 4.5 outlines the extent of CEOs attributes on performance of state corporations in education sector in Kenya. The study assessed the CEOs' attributes using various indicators; appointment, adequacy of communication to the staff, from the appointing authority, supportiveness and encouragement of full disclosure and reporting of affairs of the Institution. The study also assessed extent of CEO experience impact on Institutional Performance, years of service impact on performance and finally impact of management training on performance of state corporations in education sector in Kenya.

TABLE 4. 5: Chief executive officer further attributes

	SA		A		NS		D		SD	
	n	%	n	%	n	%	n	%	n	%
Appointment of CEO through competitive process has critical impact on Institutional Performance	32	24.2	45	34.1	25	18.9	17	12.9	13	9.8
CEO adequately communicates to staff the Board's expectations regarding their service delivery	45	34.1	45	34.1	24	18.2	11	8.3	7	5.3
The Independence of the CEO from the appointing authority is critical for good Financial Stewardship	102	77.9	15	11.5	4	3.1	7	5.3	3	2.3
The CEO supports and encourages full disclosure and reporting of affairs of the Institution	34	33.7	23	22.8	30	29.7	11	10.9	3	3
The experience of the CEOs has impacted on Institutional Performance	27	27.8	39	40.2	14	14.4	11	11.3	6	6.2
The Institutional Performance improves with increase of CEOs years of service	12	13.2	38	41.8	23	25.3	9	9.9	9	9.9
Specific Training in management for CEO has impact on delivery of services	29	26.6	39	35.8	24	22	7	6.4	10	9.2

Most respondents felt (24.2% strongly agreed and 34.1% agreed) that appointment of CEO through competitive process had critical impact on Institutional Performance. The study also found majority of CEO adequately communicated to staff the Board's expectations regarding their service delivery (34.1% strongly agreed and 34.1% agreed). Regarding the importance of CEO's appointment from appointing authority was strongly felt critical for good financial stewardship as implied by 77.9% of respondents. Most CEOs supported and encouraged full disclosure and reporting of affairs of the institution. The study further found experience of CEOs (27.8% strongly agreed and 40.2% agreed) and increase of years of service (41.8% agreed) important factors of performance as reported by most respondents and finally

on areas of CEOs attributes that affected performance, majority considered specific training in management for the CEO was considered to have impact on the delivery of services.

4.6. Board of directors Diversity in state corporations in education sector in Kenya

The second objective of this study was to examine the influence of board diversity on performance of state corporations in education sector in Kenya. This was assessed based on the number board members by gender, number of board members by years of services among others.

The study also assessed the diversity of board of directors (table 4.6).

TABLE 4. 6: Gender diversity of board of Directors

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Male	128	3	11	6.35	1.786
Female	128	2	7	3.77	1.112
Members	128	5	13	10.06	2.099

The study found every state corporation in education sector in Kenya has an average of 7 male members in board, 4 females and average of 11 members. The maximum males in a board was found to be 11 members, females were found to be 7 members and the largest ground board members comprised of a maximum of 13 members.

Table 4.7 below outlines experience of Board of directors in years.

TABLE 4. 7: Distribution of Board of directors by experience

Descriptive Statistics					
Number of BoD whose experience is;	N	Minimum	Maximum	Mean	Std. Deviation
Below 5Yrs	67	1	12	3.36	3.194
6 to 10Yrs	92	1	15	3.59	2.508
11 to 15Yrs	94	1	14	3.15	2.135
Over 15Yrs	72	1	8	4.60	1.717

Source: field data (2019)

The study found at least 4 members of board of directors in of state corporations in education sector in Kenya had below 5 years' experience, at least 4 board members had 6 to 10 years' experience, 4 had 11 to 15 years' experience and another 5 over 15 years' experience in all state corporations in education sector in Kenya. The maximum number of board members with below 5 years of experience was 12; those with 6 to 10 years' experience were 15, those with 11 to 15 years were 14 and those with over 15 years' experience were 8.

Table 4.8 below outlines age of Board of directors in years.

TABLE 4. 8: Distribution of Board of directors by age

Descriptive Statistics					
How many Board members fall in these age bands	N	Minimum	Maximum	Mean	Std. Deviation
Below 25 Years	6	1	2	1.67	.516
26 and 35 Years	73	1	12	2.04	1.896
36 to 50 years	121	1	15	4.40	2.603
Over 50 Years	117	1	11	5.28	2.359

Source: field data (2019)

The study found there was an average 2 members of board of directors for state corporations in education sector in Kenya aged below 25 years. However, an average of 3 board members were aged 26 to 35 years, 5 were aged between 36 to 50 years and an average of 6 members aged above 50. The study further found, the maximum number of board of directors aged below 25 years were 2, those aged between 26 and 35 years were 12, those aged 36 and 50 years were 15 and those aged above 50 years were 11 members.

Table 4.9 below outlines board characteristics and the extent of their contribution on the performance of state corporations in education sector in Kenya. The characteristics of board of directors considered in this study were; collective experience of the Board members, Gender

diversity in the board, age disparity in the board, age of the board members and board benefits of experience.

TABLE 4. 9: Extent of Board of directors' characteristics

	SA		A		NS		D		SD	
	n	%	n	%	n	%	n	%	n	%
1. The collective experience of the Board members has impacted on the Performance of the Institution	37	27.8	52	39.1	18	13.5	13	9.8	13	9.8
2. The Gender diversity in the board enhance its impact on performance	28	21.1	31	23.3	45	33.8	20	15.0	9	6.8
3. The Age disparity in the board enhance the quality of decisions on performance	21	15.8	38	28.6	44	33.1	14	10.5	16	12.0
4. The age of the board members influence the decisions they make	22	16.5	34	25.6	35	26.3	24	18.0	18	13.5
5. The board benefits from past experience to help resolve stewardship issues	41	30.8	42	31.6	25	18.8	15	11.3	10	7.5

Source: field data (2019)

Majority of the respondents felt the collective experience of the Board members has affected the Performance of the Institution (27.8% who strongly agreed and 39.1% who strongly agreed). Most of respondents were not sure on the effect of gender diversity in board members (33.8% reported not sure), age disparity in board members (33.1% reported not sure) and age of the board members (26.3% reported not sure) on performance of state corporations in education sector in Kenya. However, the board benefits from past experience was considered important in resolving stewardship issues (30.8% who strongly agreed and 31.6% who strongly agreed)

4.7. Audit Committee in state corporations in education sector in Kenya

The third objective of this study was to find out the influence of the audit committee on performance of state corporations in education sector in Kenya. The aspects of audit committee used in evaluating this objective include; number of members per academic category, Number of employed members among others. The study found all boards had audit members.

Table 4.10 below shows distribution of members and their qualifications.

TABLE 4. 10: Number of Members of Committee by highest level of qualification

Descriptive Statistics					
No. of Members of Committee whose Highest Level of Qualification is	N	Minimum	Maximum	Mean	Std. Deviation
PhD	73	1	5	.89	.19
Masters	80	1	4	2.01	.93
Degree	83	1	5	2.28	.86
Diploma	5	1	4	2.20	1.10

Source: field data (2019)

The study found an average of 2 members of audit committees in states corporations, had a PhD, at least an average of 2 audit committee members had masters, an average of 3 had degree and an average of 4 had diploma. The maximum number of audit committee with PhD was 5, 4 with masters, a maximum of 5 with degree and a maximum of 4 with diploma level of education.

The study also examined the number of audit committee members with specific characteristics (table 4.11)

TABLE 4. 11: Characteristics of audit committee

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Audit members from GOK	110	1	5	2.56	1.260
Audit members not from GOK	94	1	4	1.95	0.999
Audit members with CPA	87	1	5	2.38	1.550

Source: field data (2019)

The study found an average of 3 members of audit committee members were from GoK, an average of 2 audit members were not GoK and an average of 3 members of audit committee had a CPA(K) from g the state corporations in education sector in Kenya.

Table 4.12 presents assessment on the extent of audit committee-composition characteristics affected performance of state corporations in education sector in Kenya. This was examined on the following areas; holding of sufficient meetings, satisfactory attendance to the meetings, discussion of financial statements before audit, discussion of management letters and making of directions for management, discussion of the corporate governance issues and their disclosure, contribution on final audit report and sufficient independence from the management

TABLE 4. 12: Extent of audit committee-composition characteristics

	SA		A		NS		D		SD	
	n	%	n	%	n	%	n	%	n	%
The committee holds sufficient number of meetings	0	5.0	8	1.1	9	4.3	2	.0	4	0.5
Meetings have had satisfactory attendance	9	9.3	7	2.9	6	2.0	1	.3	0	.5
The Committee discusses financial statements before audit	5	8.8	3	7.4	6	9.5		.8	0	.5

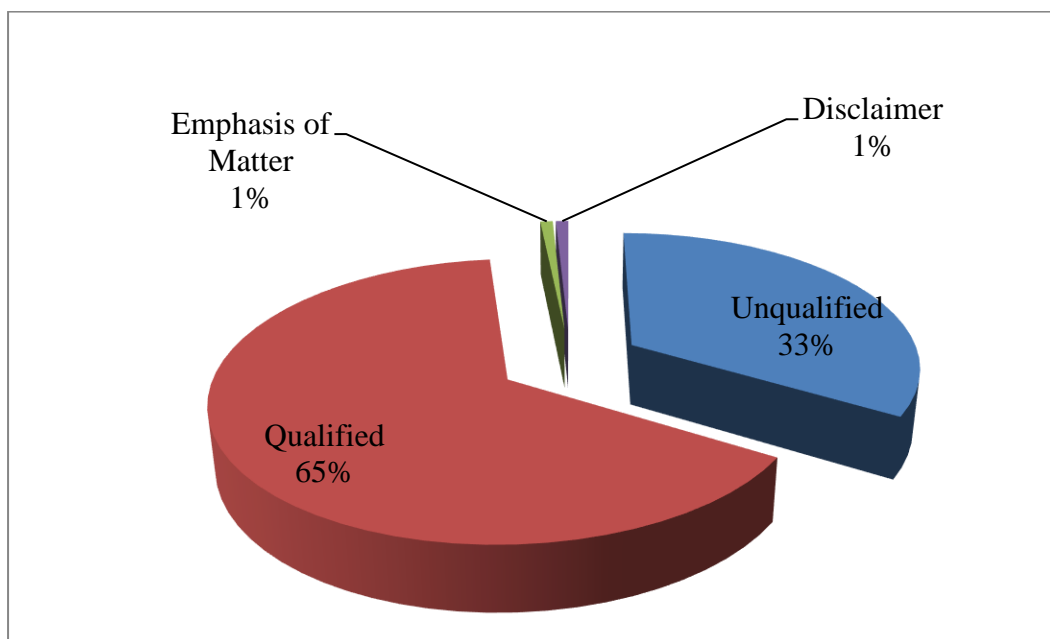
	SA		A		NS		D		SD	
	n	%	n	%	n	%	n	%	n	%
The Committee discusses management letters and makes directions for management	1	5.8	6	9.6	7	2.8	5	1.3	4	0.5
They discuss the corporate governance issues and their disclosure	9	4.3	7	5.3	6	7.1	5	1.3	6	2.0
Their contribution has impact on final audit opinion given	2	4.1	0	0.1	1	3.3	5	1.3	5	1.3
Has exhibited sufficient independence from the management	3	7.3	5	3.8	3	4.8	0	5.0	2	.0

Source: field data (2019)

The study found most audit committees held sufficient number of meetings (15.0% who strongly agreed and 51.1% who strongly agreed). It was observed that in audit meetings most institution had satisfactory attendance (29.3% who strongly agreed and 42.9% who strongly agreed). Majority also reported that Committee discussed financial statements before audit (18.8% who strongly agreed and 47.4% who strongly agreed), management letters and gave directions for management (15.8% who strongly agreed and 49.6% who strongly agreed) and the corporate governance issues and their disclosure (14.3% who strongly agreed and 35.3% who strongly agreed). The study further noted the contribution of audit had impact on final audit opinion given (24.1% who strongly agreed and 30.1% who strongly agreed) and they exhibited sufficient independence from the management (17.3% who strongly agreed and 33.8% who strongly agreed) in most institutions.

The study finally evaluated the audit opinion under this objective (Figure 4.3)

FIGURE 4 3: Audit opinion on the organisation



It was noted that majority of audit opinion given to most organisation was qualified (65%), 33% were regarded as unqualified and % disclaimer or emphasis of matter.

4.8. Performance of the State Corporation

The study also assessed the performance of the state corporations in education sector in Kenya. This was done based on performance contract scores among other factors as presented in table 4.13 and 4.14 below.

In table 4.13, the study used the following aspects to assess the performance of in state corporations in education sector in Kenya; observation of service delivery charter, alteration of supply of goods and services.

TABLE 4. 13: Rating on the organisation performance indicators

	SA		A		NS		D		SD	
	n	%	n	%	n	%	n	%	N	%
The service delivery charter is well observed in our Institution	45	33.8	80	60.2	4	3.0	4	3.0	0	0
There is an instance where your Institution was denied supply of service or goods over relationship breakdown	22	16.5	38	28.6	33	24.8	24	18.0	16	12.0
Positive relationship with our stakeholders has affected the performance of our Institution	32	24.1	57	42.9	16	12.0	11	8.3	17	12.8
Maintaining openness and disclosure in Financial Statements has affected our performance	28	21.2	52	39.4	27	20.5	13	9.8	12	9.1
The Audit Opinion has affected performance of our institution	34.0	26.0	44	33.6	33	25.2	7	5.3	13	9.92

Source: field data (2019)

The study found most institutions observed the service delivery charter as implied by 33.8% of strong agreement and 60.2% of those who agreed. Majority of the institution also reported that there were instances where their institution were denied supply of service or goods over relationship breakdown (16.5% who strongly agreed and 28.6% who strongly agreed)

Table 4.14 on the other hand gives the Distribution of performance contract scores over three-year period.

TABLE 4. 14: Distribution of performance contract scores over three-year period

Descriptive Statistics						
		N	Minimum	Maximum	Mean	Std. Deviation
Utilization of Allocated Funds	2015-2016	93	53	100	86.18	11.29
	2016-2017	93	60	100	85.18	10.50
	2017-2018	93	70	100	88.74	8.54
Pending Bills	2015-2016	61	1.00	100.00	22.74	25.60
	2016-2017	58	1.00	100.00	22.29	24.35
	2017-2018	63	1.00	100.00	18.56	25.29
Customer Satisfaction	2015-2016	96	50.00	100.00	83.7708	12.84
	2016-2017	96	52.00	100.00	85.28	11.30
	2017-2018	89	55.00	100.00	86.17	12.26

Source: field data (2019)

The study found an average of 86.18% of funds allocated to state corporations in education sector in Kenya in 2015/2016 financial years was utilized. During the 2016/2017 financial year, an average of 85.18% of funds allocated was utilized and an average of 88.74% of funds allocated was used in 2017/2018 financial. The study found utilization of allocated funds in financial years 2015/2016 ranged between 53% and 100%, 2016/2017 ranged between 60 and 100% while in 2017/2018 utilization of allocated funds ranged between 70% and 100%.

On pending bills, an average of 22.74%, 22.29% and 18.56% were paid by state corporations in education sector in Kenya in 2015/2016, 2016/2017 and 2017/2018 financial years respectively.

On consumer satisfaction, an average of 82.82%, 85.28% and 86.17% customer satisfaction rate was attained by state corporations in education sector in Kenya in 2015/2016, 2016/2017 and 2017/2018 financial years respectively.

4.9. Testing for the assumptions of multiple regression analysis

The respondents' aggregate score of CEOs attributes, Board of directors' diversity and audit committee and firm's performance. To compute multiple regression between response variable (performance of state corporations in education sector in Kenya), the predictor variables (CEOs attributes, Board of directors' diversity and audit committee) multicollinearity, and the autocorrelation of residuals were tested and results were as follows.

4.10. Normality Test

This test sought to find out the normal distribution for the organizational performance, which was tested for Gaussian distribution using numerical and graphical methods. According to Indiana (2011) many data analysis methods such as t-test, ANOVA and regression analysis relies on the assumption that data were sampled from a Gaussian distribution as shown in table 4:15 below.

TABLE 4. 15: Kolmogorov-Smirnov and Shapiro-Wilk tests for Organizational Performance
Tests of Normality

	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
perform	.067	121	.200*	.975	121	.021

*. This is a lower bound of the true significance.

a. Lilliefors Significance Correction

The computed values of Kolmogorov-Smirnov test indicate insignificant statistics with p-value of 0.200 that implies that organizational performance is not normally distributed. Further, the Figure 4.4 shows the visualized distribution of random variables of difference between an empirical distribution and theoretical distribution of organizational performance.

At very low values of the variable, some minimal deviation from normality is regarded as normal. Nevertheless, on the overall, the distribution appears normally distributed. More so, on the basis of the calculated insignificant test statistics, normality of the dependent variable was maintained. According to the findings by Miles & Shelvin (2010), the significance test result for such data is regarded as accurate.

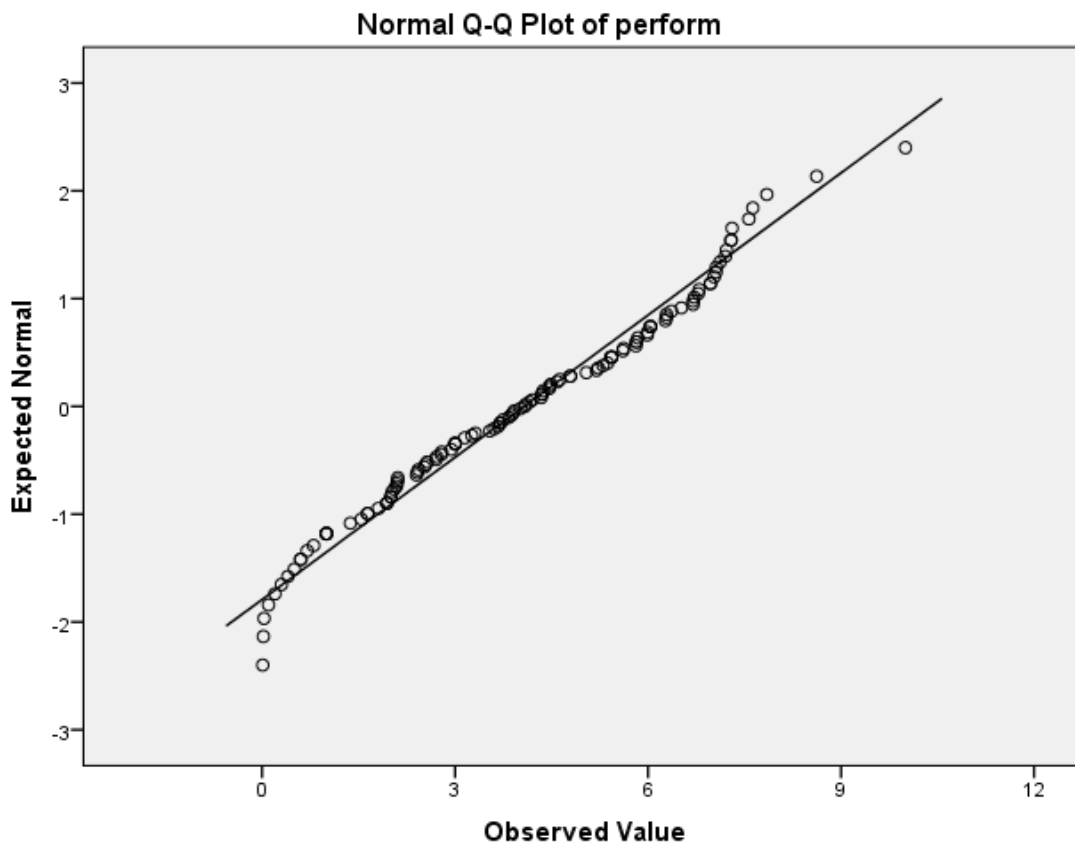


FIGURE 4 4: Normal QQ curve

4.10.1. Autocorrelation

The *Durbin Watson* statistic is a number that tests for autocorrelation in the residuals from a statistical regression analysis. The *Durbin-Watson* statistic is always between 0 and 4 the value of 0.435 shows there is no autocorrelation.

Table 4.16 tabulates these values from the study.

TABLE 4. 16: Autocorrelation test

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.527a	.277	.261	.84409	.435

a. Predictors: (Constant), Audit committee, CEO attributes, Board diversity

b. Dependent Variable: Performance

4.10.2. Homogeneity

The shape of plot in the figure below shows the data is normally distributed

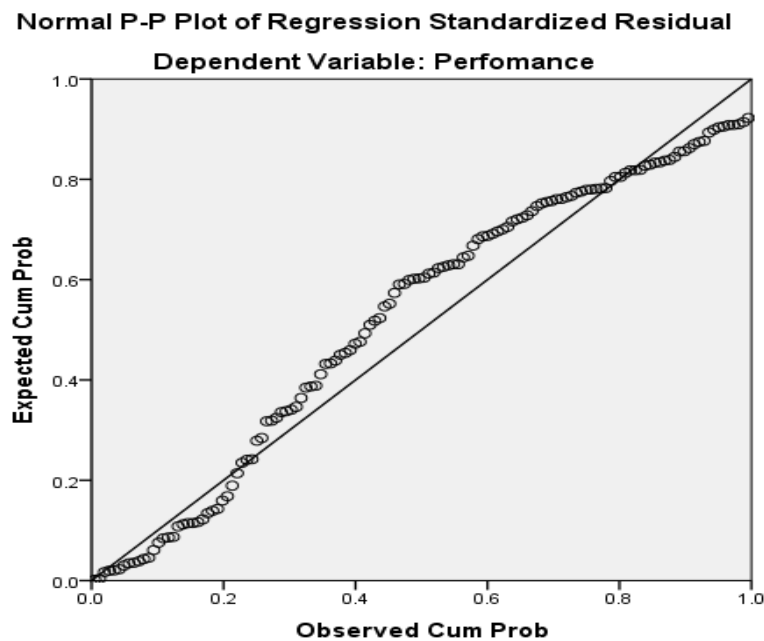


FIGURE 4 5: Normal PP curve

4.10.3. Heteroscedasticity

Figure below shows a pattern in the variance of the residuals, meaning that we do not have evidence of heteroscedasticity.

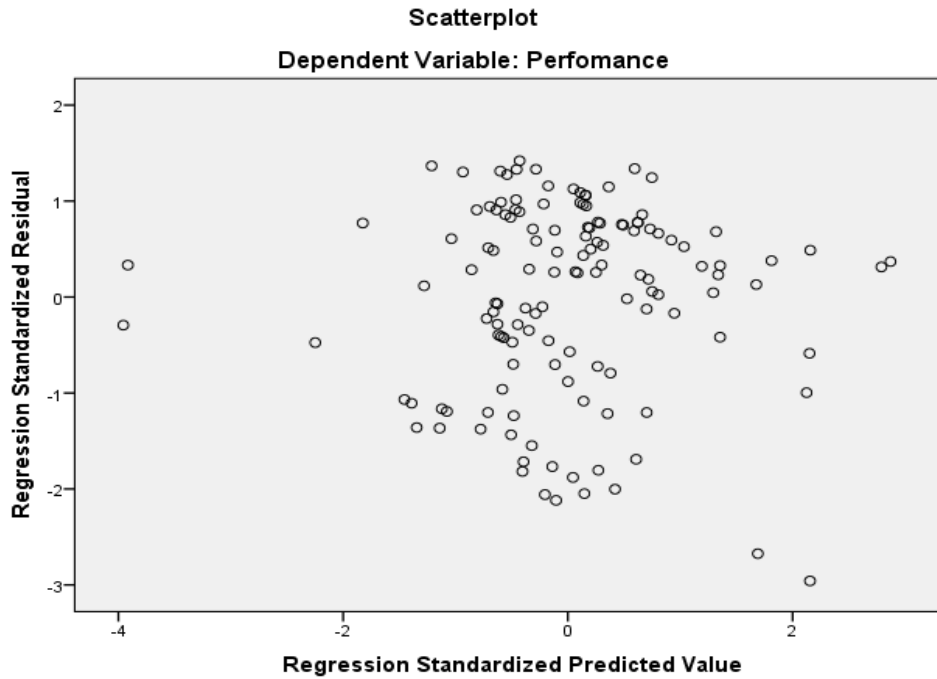


FIGURE 4 6: Scatter Plot

4.10.4. Multicollinearity

Variance inflation factors (VIF) is used to explain how much amount multicollinearity (correlation between predictors) exists in a regression analysis. Any A value of $VIF > 5$ indicates presence of multicollinearity (Hair, Anderson, Tatham, & Black, 1995). Therefore, in our case we conclude there is no multicollinearity between the study variables.

TABLE 4. 17: Multicollinearity Test

Coefficients ^a							
Model	Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.	Collinearity Statistics	
	B	Std. Error				Tolerance	VIF
(Constant)	-1.039	0.565		-1.838	0.068		
CEO attributes	0.329	0.146	0.174	2.254	0.026	0.938	1.066
Board diversity	0.593	0.151	0.326	3.927	0.000	0.806	1.241
Audit	0.543	0.203	0.217	2.679	0.008	0.844	1.185

a. Dependent Variable: Performance

4.11. Relationship between corporate governance structures and performance of state corporations in education sector in Kenya

The study assessed the influence of corporate governance structures on performance. Data was collected on structures considered in this study being CEO attributes, Board diversity and Audit Committee and their influence on performance as follows:

TABLE 4. 18: Association between CEO attributes and the performance of state corporations in education sector in Kenya

Correlations		Performance	CEO attributes
Performance	Pearson Correlation	1	.282**
	Sig. (2-tailed)		.001
	N	134	134
CEO attributes	Pearson Correlation	.282**	1
	Sig. (2-tailed)	.001	
	N	134	134

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

The study found CEO attributes and performance of state corporations in education sector in Kenya had a strong positive and significant correlation coefficient of $r=0.282$. The value of coefficient implies a positive significant relationship between CEO attributes(x) and performance of state corporations in education sector(y) at $\alpha=0.05$. This suggests that for every unit increase in CEO attributes, performance of the firm would increase by 0.282.

TABLE 4. 19: Association between Board diversity and the performance of state corporations in education sector in Kenya

Correlations		Performance	Board diversity
Performance	Pearson Correlation	1	.455**
	Sig. (2-tailed)		.000
	N	134	134
Board diversity	Pearson Correlation	.455**	1
	Sig. (2-tailed)	.000	
	N	134	134

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

The study found board diversity and performance of state corporations in education sector in Kenya had a strong positive and significant correlation coefficient of $r=0.455$. The value of coefficient implies a positive significant relationship between board diversity (x) and performance of state corporations in education sector(y) at $\alpha=0.05$. This suggests that for every unit increase in board diversity, performance of the firm would increase by 0.455.

TABLE 4. 20: Association between audit committee and the performance of state corporations in education sector in Kenya

		Correlations	
		Performance	Audit committee
Performance	Pearson Correlation	1	.369**
	Sig. (2-tailed)		.000
	N	134	134
Audit committee	Pearson Correlation	.369**	1
	Sig. (2-tailed)	.000	
	N	134	134

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

The study found audit committee and performance of state corporations in education sector in Kenya had a strong positive and significant correlation coefficient of $r=0.369$. The value of coefficient implies a positive significant relationship between audit committee (x) and performance of state corporations in education sector(y) at $\alpha=0.05$. This suggests that for every unit increase in audit committee, performance of the firm would increase by 0.369.

4.12. Regression analysis

Regression is a statistical technique to determine the linear relationship between two or more variables. The R square in a regression output shows how well the values fit the data. Regression analysis is an analysis that shows how variation in one variable predicts the variation in another.

Table 4.20 show that CEOs attributes, Board of directors' diversity and audit committee explain 27.7% of variations of performance in state corporations in education sector in Kenya

TABLE 4. 21: Effects of governance structure on performance of state corporations in education sector in Kenya

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.527 ^a	0.277	0.261	0.84409

a. Predictors: (Constant), Audit Committee, CEO attributes, Board diversity

The value of $F(3, 133) = 16.635$, $P\text{-value} < 0.05$ shows that governance structure significantly predicts performance of state corporations in education sector in Kenya

TABLE 4. 22: Governance structure on performance prediction test

ANOVAa						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	35.557	3	11.852	16.635	0.000b
	Residual	92.624	130	0.712		
	Total	128.181	133			

a. Dependent Variable: Performance

b. Predictors: (Constant), Audit Committee, CEO attributes, Board diversity

Multiple regression analysis was conducted to determine the contribution of Board of directors' diversity and audit committee on the performance of state corporations in education sector in Kenya. The findings show that CEOs attributes, Board of directors' diversity and audit committee had significant effect on performance of state corporations in education sector in Kenya at $\alpha=0.05$ as shown in table 4.26 below

TABLE 4. 23: contribution of CEOs attributes, Board of directors' diversity and audit committee on performance of state corporations in education sector in Kenya

Coefficients					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-1.039	.565		-1.838	.068
CEO attributes	.329	.146	.174	2.254	.026
Board diversity	.593	.151	.326	3.927	.000
Audit	.543	.203	.217	2.679	.008

a. Dependent Variable: Performance

The regression model is given by the following equation; $Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + E$

Performance = 0.593 (Board diversity) + 0.543(Audit Committee). These findings implies that state corporate performance would increase by 0.593 units when board diversity increase by one unit. The findings also imply that when audit committee increase by one-unit performance will increase by 0.543.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1. Introduction

The study was conducted targeting 171 respondents from state corporations in education sector in Kenya. This chapter presents the summary of the findings from the field data, conclusion Summary

5.2. Summary of findings

5.2.1. Respondents characteristics

There were 134 questionnaires returned out of the targeted 171, that represents 78.4% and considered sufficient for this study. Most of the respondents held a position of middle level manager at the time of this study while Finance Officer or Accountant and senior managers second largest and third largest proportions respectively. Most respondents served in the area of Education, Training and Assessment with almost similarly proportion serving in the area of Policy and Regulatory at the time of this study.

5.2.2. Influence CEO attributes on the performance of state corporations in education sector in Kenya

The first objective of this study was to establish the influence of CEOs attributes on performance of state corporations in education sector in Kenya. The study found most of female CEOs were slightly more than male CEOs in state corporations in education sector in Kenya. Most CEOs were aged between 36 and 56 years and held, masters as the highest level of education, PhD or degree in that order of proportional representation from highest to the lowest. CEOs in state corporations in education sector in Kenya had an average experience of 19.08 years, work tenure of 7.73 years, an average of 12.24 years working as a CEO in the sector and an average of 10.78 years of experience in management.

Respondent felt that appointment of CEO through competitive process, sufficient communication by CEO to the staff, independence of CEO from appointing authority, CEO prior experience, having specific training in the area of management and disclosure and reporting of the institution had critical impact on Institutional Performance. The study further found CEOs attributes and performance of state corporations in education sector in Kenya had a strong positive and significant correlation coefficient at $\alpha=0.05$

5.2.3. Influence of Board of directors Diversity on performance of state corporations in education sector in Kenya

The second objective of this study was to examine the influence of board diversity on performance of state corporations in education sector in Kenya. The study found an average of 7 male, 4 females and average of 11 board members state corporations in education sector. An average of 4 members had experience of below 5 years-experience, at least 4 had 6 to 10 years' experience, 5 had 11 to 15 years' experience and another 5 over 15 years' experience in all state corporations in education sector in Kenya. It was further noted an average of 2 board members aged below 25 years, 3 aged 26 to 35 years, 5 aged between 36 to 50 years and an average of 6 members aged above 50 years in state corporations in education sector in Kenya.

The collective experience of the Board members was considered to affect the Performance of the organizations. It was also noted that most respondents were not sure on the effect of gender diversity in board members, age disparity in board members and age of the board members on performance of state corporations in education sector in Kenya. However, the board benefits from experience were considered important in resolving stewardship issues. Study also found board diversity had significant effect on the performance of state corporations in education sector in Kenya at $\alpha=0.05$. The finding was coherent with study on corporate governance and their influence on performance, with particular emphasis on Board

effectiveness. This evaluated their network as per resource dependence theory, cultivation adequate disclosure as stewards of the processes of business (Kabai et al., 2017). Their study found a strong positive correlation between these factors and performance of organizations.

5.2.4. Influence of audit Committee on performance of state corporations in education sector in Kenya

The third objective of this study was to find out the influence of the audit committee on performance of state corporations in education sector in Kenya. It was observed that an average of 2 members of audit committees had a PhD, at least an average of 3 audit committee members had masters, an average of 3 had degree and an average of 4 had diploma. It was also found that an average of 3 members of audit committee members were from GoK, an average of 2 were not GoK and an average of 3 members of audit committee had a CPA(K) in the state corporations in education sector in Kenya.

It was noted that most audit committees held sufficient number of meetings with satisfactory attendants in most institution. Majority argued that audit committee discussed financial statements before audit, management letters and gave directions for management and the corporate governance issues. The study further observed the contribution of audit had impact on final audit opinion and exhibited sufficient independence from the management in most institutions. “Qualified” was the most common audit opinion in most institution. The study found a positive significant relationship between audit committee and performance of state corporations in education sector at $\alpha=0.05$. This findings are consistent with Mudashiru, Yusuf, Bakare, & Ishmael (2014) who found size of audit committee, audit committee independence, as being positively associated with the performance of organizations.

5.2.5. Performance of the State Corporation in education sector in Kenya

Most institutions observed the service delivery charter in state corporations in education sector in Kenya. A reasonable number of state corporations in education sector reported that there were instances where their institution were denied supply of service or goods over relationship breakdown. The study found 53% to 100% of allocated fund was utilized with an average of 86.18%, 85.18% and 88.74% for the financial years 2015/2016, 2016/2017 and 2017/2018 respectively. On pending bills, an average of 22.74%, 22.29% and 18.56% were paid by state corporations in education sector in Kenya in 2015/2016, 2016/2017 and 2017/2018 financial years respectively. Finally, on consumer satisfaction, an average of 82.82%, 85.28% and 86.17% customer satisfaction rate was attained by state corporations in education sector in Kenya in 2015/2016, 2016/2017 and 2017/2018 financial years respectively.

Generally, the study found that CEOs attributes, Board of directors' diversity and audit committee explain 27.7% of variations of performance in state corporations in education sector in Kenya. CEOs attributes, Board of directors' diversity and audit committee had significant effect on performance of state corporations in education sector in Kenya at $\alpha=0.05$.

5.3. Conclusion

From the finding of this study, we conclude CEO attributes that include, experience, experience in the state corporation, experience in sector and experience in management level, level of education and management course in management significantly influenced the performance of the organisation. The study also conclude number of board members based on experience, age affected the performance of state corporations in education sector in Kenya. The study also conclude number of audit committee with highest level education and professional qualifications affected the performance of state corporations in education sector in Kenya.

5.4. Recommendations

The study recommends the following on the governance structure of state corporations in education sector in Kenya;

1. The institutions stakeholders should strive to acquire CEOs with wide experience in the state corporation, experience in sector and experience in management level, level of education and management course in management significantly influenced the performance of the organisation.
2. The institutions stakeholders should also strive to acquire board members with diverse characteristics in terms of gender, age and education qualification.
3. The study also concludes stakeholders in the state corporation to emphasize on having more members of audit team with high education and professional qualification.

5.5. Recommendations for Future Research

This study had its scope limited within the education sector. It would be valuable to have similar studies conducted on state corporations across other sectors. The same could be evaluated in private and mission educational organizations to help evaluate the impact or corporate governance structures on such entities vis a vis their impact on government institutions. Further, research should be done into why there is significant level of customer satisfaction, in spite of the high level of qualified audit opinions across state corporations.

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Appendix 1: Letter to Respondents

Date: 3rd September 2019

Dear Respondent,

SUBJECT: DATA COLLECTION

I am a Masters student at KCA University conducting a research on “EFFECT OF CORPORATE GOVERNANCE STRUCTURE ON PERFORMANCE OF STATE CORPORATIONS IN EDUCATION SECTOR IN KENYA”. A questionnaire to gather relevant information as per the research objectives has been designed for the study. I therefore, request that you give the sought information to the best of your knowledge.

Please note that the study is an academic research and the information provided will be treated in utmost confidence. Strict ethical principles will be observed during and after this study and reports will not include reference to any individual respondent at all.

Your participation is highly appreciated.

Regards,

Anthony C. Mwangi

Appendix 2: Data Collection Questionnaire

QUESTIONNAIRE ON CORPORATE GOVERNANCE IN STATE CORPORATIONS

PART 1

THE CEO AND BOARD

Please provide the following details

	Education, Training and assessment	Research and Information	Policy and Regulatory	Other Support Functions
Tick the nature within which your organization falls				

	Senior Manager	Middle level Manager	Finance Officer and Accountant	Internal Auditor
Tick the Position of the Respondent				

	MAL E	FEMA LE
Sex of Chief Executive Officer		

	25 and below	26-35	35-50	Over 50
Age of CEO				

	Years
Number of years of working experience for the CEO?	
Years the CEO has worked at the state corporation?	
Years the CEO has worked in the Sector	
Years the CEO has worked at Senior Management Level	

	Ph.D.	Masters	Degree	Dip	Certificate
Highest Level of Academic Qualification					
Highest training in Management courses					

How much do you agree on the following in respect of the following?

	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree
1. Appointment of CEO through competitive process has critical impact on Institutional Performance					
2. CEO adequately communicates to staff the Board's expectations regarding their service delivery					
The Independence of the CEO from the appointing authority is critical for good Financial Stewardship					
3. The CEO supports and encourages full disclosure and reporting of affairs of the Institution					
4. The experience of the CEOs has impacted on Institutional Performance					
5. The Institutional Performance improves with increase of CEOs years of service					
6. Specific Training in management for the CEO has an impact on the delivery of services					

The Board of Directors

	Male	Female	Total
How Many Members does your Board have			

	0-5 yrs	6-10 Yrs	11-15 Yrs	Above 15 Yrs
How many members have served for these years in this and other positions of the education management				

	25 Years & below	26-35 Years	36-50 Years	51 Years and over
How many Board members fall in these age bands				

How much do you agree on the following in respect of the following?

	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree
The collective experience of the Board members has impacted on the Performance of the Institution					
The Gender diversity in the board enhance its impact on performance					
The Age disparity in the board enhance the quality of decisions on performance					
The age of the board members influences the decisions they make					
The board benefits from past experience to help resolve stewardship issues					

Audit Committee

Please provide the following details

	Yes	No		
Does the board have an Audit Committee				
	Ph.D.	Masters	Degree	Dip
Number of Members of Committee whose Highest Level of Qualification is:				

	By GoK	Not by GoK	Have CPA(K)
Number of Members who are employed			

How much do you agree on the following in respect of the Audit Committee?

	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree
The committee holds sufficient number of meetings					
Meetings have had satisfactory attendance					
The Committee discusses financial statements before audit					

	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree
The Committee discusses management letters and makes directions for management					
They discuss the corporate governance issues and their disclosure					
Their contribution has impact on final audit opinion given					
Has exhibited sufficient independence from the management					

	Unqualified	Qualified	Emphasis of matter	Disclaimer
What was the latest audit opinion on your organization				

Performance of the State Corporation

Please provide the following details

	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree
The service delivery charter is well observed in our Institution					
There is an instance where your Institution was denied supply of service or goods over relationship breakdown					
In your Opinion, how much do you agree that taking care of the interests of all stakeholders: -					
a) Has positively affected the performance of your Institution					
b) Has influenced openness and disclosure in Financial Statements					
c) Has influenced the Audit Opinion for your Institution					

	2015-2016 % age	2016-2017 %age	2017-2018 %age
Performance Contract Score on			
Utilization of Allocated Funds			
Pending Bills			
Customer Satisfaction			

Appendix 3: List of State Corporations Targeted for Study

STATE CORPORATION	State	Random	Rank	Sampled
	Shareholding	Number		
1. Kenyatta University	100%	0.00831439	1	Yes
2. Jaramogi Oginga Odinga University of Science and Technology	100%	0.01358406	2	Yes
3. Egerton University	100%	0.06694111	3	Yes
4. Jomo Kenyatta University of Agriculture and Technology	100%	0.16539609	4	Yes
5. Technical University of Mombasa	100%	0.19935163	5	Yes
6. Karatina University	100%	0.2159282	6	Yes
7. Cooperative University College	100%	0.33082086	7	Yes
8. Masinde Muliro University of Agriculture and Technology	100%	0.35066992	8	Yes
9. Kibabii University College	100%	0.39831162	9	Yes
10. Maasai Mara University College	100%	0.40074266	10	Yes
11. Embu University College	100%	0.42514304	11	Yes
12. Machakos University College	100%	0.43985031	12	Yes
13. Multimedia University of Kenya	100%	0.48178543	13	Yes
14. Murang'a University College	100%	0.50678154	14	Yes
15. Dedan Kimathi University of Technology	100%	0.54686769	15	Yes
16. Kisii University	100%	0.61037572	16	Yes
17. University of Nairobi	100%	0.61599404	17	Yes

STATE CORPORATION		State	Random	Rank	Sampled
		Shareholding	Number		
18.	Technical University of Kenya	100%	0.62465431	18	Yes
19.	Kabiang'a University College	100%	0.63264968	19	No
20.	Kirinyaga University College	100%	0.65079115	20	No
21.	Maseno University	100%	0.66728066	21	No
22.	University of Eldoret	100%	0.67364057	22	No
23.	Garissa University College	100%	0.71152237	23	No
24.	Laikipia University	100%	0.71624864	24	No
25.	Pwani University	100%	0.7325916	25	No
26.	South Eastern Kenya University	100%	0.75944611	26	No
27.	Moi University	100%	0.79528613	27	No
28.	Meru University College of Science & Technology	100%	0.80427138	28	No
29.	Rongo University College	100%	0.82632383	29	No
30.	Chuka University	100%	0.94004933	30	No
31.	Taita Taveta University College	100%	0.9787459	31	No
32.	Commission for University Education	100%	0.02059012	1	Yes
33.	Kenya Scouts Association	100%	0.06065341	2	Yes
34.	Centre of Mathematics, Science and Technology	100%	0.1093408	3	Yes
35.	Kenya Institute of Curriculum Development	100%	0.18135999	4	Yes
36.	Kenya Institute of Special Education	100%	0.2231631	5	Yes

STATE CORPORATION		State	Random	Rank	Sampled
		Shareholding	Number		
37.	National Commission for Science, Technology and Innovation	100%	0.2313223	6	Yes
38.	Kenya Education Management Institute	100%	0.35952777	7	Yes
39.	Agricultural and Cooperative Training & Consultancy Services	100%	0.44622691	8	Yes
40.	Training Vocational Education Authority (TVET)	100%	0.49572062	9	Yes
41.	Kenya National Examination Council	100%	0.55949763	10	No
42.	Higher Education Loans board	100%	0.58445672	11	No
43.	Kenya Accountants and Secretaries National	100%	0.84747577	12	No
44.	Kenya National Commission for UNESCO	100%	0.93513344	13	No
45.	Kenya Universities and Colleges Central Placement	100%	0.98343461	14	No

Appendix 4: Budget for activities

	Activity	Resources	Cost
1	Library Visits	Transport	20,000
2	Reading of subject of study and past studies	Books and Internet access	30,000
3	Meeting with Supervisor	Transport/ Subsistence	5,000
4	Production of proposal and dissertation	Printing and Stationary	6,000
5	Licensing for Research	Application Fee	1,000
6	Data Collection	Transport/ Subsistence/ Research Assistant Costs	70,000
7	Data Analysis	SPSS, Statistician	12,000
8	Conferences	Registration fee	20,000
9	Miscellaneous		6,000
	Total		170,000

Source of Funding: Personal Savings

KCAU/SGS/MBA/Sept.19/15

September 6, 2019

To whom it may concern,

Dear Sir/Madam,

RE: ANTHONY CHARLES MWANGI REG NO: 16/05327

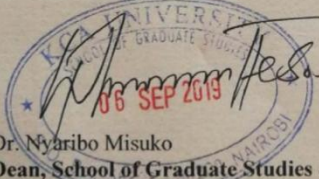

It is my distinct pleasure to introduce to you Mr. Anthony Mwangi who is a student in our institution pursuing a Master of Business Administration, Corporate Management at the School of Business and Public Management.

Anthony is conducting a research on a topic titled: "*Effect of Corporate Governance Structures on Organizational Performance of State Corporations in Education Sector in Kenya*" which is part of the requirements of the program he is pursuing. The research as well as the data procured thereof shall be used for academic purposes only.

Any assistance accorded to him is highly appreciated.

In case of further inquiry, do not hesitate to contact the undersigned.

Yours faithfully,



Dr. Nyaribo Misuko
Dean, School of Graduate Studies & Research

16:09

4G+ 41%

Ringtone

Delete



Monday, 16 September 2019



Ksh 1000.00
sent to KCB
Pay Bill 522522
for account
1104162547 has
been received
on 16/09/2019
at 04:09 PM.
M-PESA ref
NIG5MJA4N7. Dial
*522# to pay
your bills.

1 16:09

