

**CORPORATE BOARD STRUCTURE AND FINANCIAL PERFORMANCE OF  
COMPANIES LISTED AT NAIROBI SECURITY EXCHANGE**

**BY**

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## **DECLARATION**

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

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## **ABSTRACT**

Latest universal dealings vis-à-vis eminent and conspicuous business letdowns, case in point the placement of Uchumi under receivership in 2006 and eventual delisting from the NSE stagnated the strategy program and exaggerated deliberation on the ability of corporate authority contrivances as a scheme of swelling syndicate monetary output. Against this background, the study set out to investigate the likely affiliation between corporate board structure and monetary realization of businesses enumerated at Nairobi Security Exchange. More specifically, the study sought to examine the effect of board independence; board size; CEO Duality and Board Tenure on financial performance of companies listed at Nairobi Security Exchange. This study took a causal research design approach with a census of all the 63 companies listed at the Nairobi Securities Exchange. The study used secondary data sources available at the companies' financial statements from the Nairobi Stock Exchange/Capital Market Authority for 5 years from 2008 to 2012. Two techniques of facts scrutiny were thus employed to empower the scholar accomplish a broad enquiry, namely descriptive and inferential statistics. Whereas descriptive statistics described the relevant aspects of corporate governance, inferential statistics articulate the statistical association thereof. Inferential statistics revealed a strong and positive relationship between board independence and financial performance of NSE listed companies. Both correlation and regression analyses revealed a negative relationship between board size and financial performance thereof, hence the larger the board size, the lower the financial performance. The relationship is however not statistically significant. On the effects of CEO duality on the monetarist performance of itemized companies, a positive relationship was established from inferential statistics on between CEO duality on the financial performance. Like board size however, the relationship is not statistically significant. Board tenure further strongly and significantly impacts on financial performance of NSE listed companies.

**Key words: Board Independence; Board Size; CEO Duality; Board Tenure**

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## **DEDICATION**

This dissertation is dedicated to my wife Rose and sons Jayden and Kayden for their constant support while I was studying. May the almighty God bless you abundantly

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## ACRONYMS AND ABBREVIATIONS

<b>CBK:</b>	Central Bank of Kenya
<b>CEO:</b>	Chief Executive Officer
<b>CEOD:</b>	Chief Executive Officer Duality
<b>CMA:</b>	Capital Markets Authority
<b>HFCK:</b>	Housing Finance Company
<b>IFC:</b>	International Finance Corporation
<b>NEDs:</b>	Non-Executive Directors
<b>NSE:</b>	Nairobi Securities Exchange
<b>OLS:</b>	Ordinary Least Square
<b>PCSEs:</b>	Panel-Corrected Standard Errors

## **TERMS AND DEFINITIONS**

**Board independence:** The presence of Non Executive Directors (NEDs) sitting in the board

(Cannella and Lubatkin, 2012)

**Board size:** Number of board members (Davis et al. 2011).

**Board Tenure:** Length of service by the board in years (Baysinger and Hoskisson, 2011).

**CEO Duality:** Whether the CEO was also the chairman of the board (Yermack, 2010).

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Background of The Study**

Contemporary scholars (Klein, 2008; Bhagat and Black, 2010) debate that in emerging and evolving parsimonies, all economic transactions heavily rely on effective corporate governance. Market organized settings that condense informational deficiencies and smooth operative monitoring of agents at capricious ranks of agency interactions similarly encroach on the adeptness of venture. Likewise, corporate authority has drastically assumed the corner stone for enriched trade output. Therefore, corporate governance could no doubt be described as “methods of fetching the desires of financiers and executives into line and certifying that firms are handled for the benefit of financiers according to Hutchinson and Weisbach writing in 2012 and 2008 respectively. Ayogo (2009) further validates that corporate governance is involved with the liaison between the inner governance machineries of organizations and society’s idea of the outlook of corporate culpability. Other writers Park and Shin (2011) even argue that it includes the edifices, procedures, dogmas and arrangements that stimulate the efficacious accomplishment of establishments.

Countless commentators including Musila writing in 2007 argue that the country owes the corrosion of investor confidence to its unprosperous corporate governance ethics and a dearth of pellucidness in the monetary. Huge firms like Uchumi and numerous stock brokerage corporations which registered in the NSE for their undoing in a time span of just under ten years is a corroboration of this. With the beheld economic restructuring of most East African republics, justifiable attention has been focused on tackling and researching on the principal issues and aspects that can prime to a crunch like that perceived in the US (Jensen, 2008). Consequently, obligatory enhancements in business authority canons, comprising the embracing of limpidity as

a chief tactic in commercial administration have to put in place in place in the confrontation of such crises.

In a bid make recommendations on measures that would ensure active development and strengthening of the monetary sector, the Central Bank of Kenya (CBK) and the International Finance Corporation (IFC) steered a joint study in 1984, on the growth of both Money and Capital Markets in the country. This came to be a leap forward for fundamental alterations in the monetary markets. In line with this, in the 1986 Sessional Paper on “Economic Management of Renewed Growth” (Mbaru, 2008), the Government enunciated its pledge to the design of a regulatory body for the capital markets. The Capital Markets Development Advisory Council was then composed in November 1988, and charged with the role of coming up with the necessary techniques as well as the drafting of a notice to create the Capital Markets Authority. In November 1989, the bill was conceded in parliament and afterward acknowledged Presidential assent. In January 1990, the Authority was ultimately constituted and initiated on the 7th March of the same year.

Procuring its funding from Treasury, The Authority is an organization with perpetual progression and a common seal and was preordained to guard communal concern. It continued to be a nondescript entity throughout the 1990s. This is the period that left a huge mark because of maladministration and shareholder fear created by political ambiguity which caused the economy to deteriorate. Some analysts even term it as ‘Kenya’s lost decade’. The transformation in government in 2003 saw the awakening of the economic sector of the nation which led to a visible outcome in inspiring confidence to investors. Novel financiers found various avenues for capitalizing and currency streamed back to the stock exchange. This fresh tendency initiated a

strong market inflow that saw NSE 20 share index rise to 6,000 points and market capitalization of Sh1.2 trillion accounts in early 2007 and late 2008 respectively (Mbaru, 2008).

### ***1.1.1 Nairobi Securities Exchange***

The NSE is sanctioned and delimited by Capital Markets Authority. It has the authorization to provide a trading stage for enumerated securities and control of its associate Firms. The associate firms of the Nairobi Securities Exchange are certified to purchase and vend securities listed on The Nairobi Securities Exchange after gratifying universal certifying necessities as entailed by the Capital Markets Act, Cap. 485A of the Laws of Kenya (together with the Protocols and Procedures allotted there in), and the articles of association of Nairobi Securities exchange will relate to these guidelines (CMA, 2014).

Inventiveness of certain stakeholders such as the Private Sector Corporate Governance Trust (PSCGT)'s incentive to improve corporate governance has triggered the corporate governance in Kenya to attain pedigrees. The Trust acts as the acting administration office to the Pan African Consultative Forum for Corporate Governance. The Trust labors to assist in building apposite organizations and national aptitude to support the operation, acquiescence and execution of good corporate governance exercises and appraisal devices in Kenya (CMA, 2014).

Despite the above progresses, it is apparent even with the existence of acts make available for governance configurations for syndicates in Kenya extra official company authority structures and establishments are somewhat not extensive. These decrees include: The Companies Act, Cap 486, which delivers for authority of all companies merged in Kenya; Capital Markets Act, Cap. 485A of the Laws of Kenya (together with the Protocols and Procedures allotted there in), and the articles of association of Nairobi Securities exchange shall apply to these guidelines, which caters for between additional things, authority of stockpile

interactions, asset advisors, safeties merchants, and shared asset patterns indorsed by the NSE (CMA, 2014).

### ***1.1.2 Corporate Board Structure and Financial Performance***

The affiliation between board structure and cooperate performance is provided for with assorted indications (Pfeffer, 2008; Pearce and Zahra, 2010). Therefore, the necessary diversity to boost companies to obtain critical assets and diminish environmental uncertainties could be provided by large boards. Yermack (2010) however argues that, organization, rapport and policymaking problems progressively hamper establishment enactment as soon as the number of directors surges. This implies that as an additional individual is added to the board, a latent swapping occurs flanked by multiplicity and harmonization. Recent researchers Jensen (2013) and Lipton and Lorsch (2012) endorse the idea of the total number of members of the board of directors of amid seven to eight. Writing in 2013 Adams and Mehran realize that the board structures of bank holding companies are convincingly larger than those of manufacturing firms. This serves to prove that board structure recommendations tend to be industry-specific.

There has been a bone of contention among scholars as to whether a board of directors is an observing devise as they relay the bondholders' ideas and comforts to managers. The universal indication hypothesized by Munter and Kren in 2011 is that external board membership guarantees appropriate administration observation and frontiers managerial opportunism. The Managerial hegemony theory postulated by Coles et al., in 2011 views boards as lifeless appliances who embrace duty to the executives who choose them, are short of information on the organization and depend on top executives for information disputes the pragmatic enquiry that exposed that augmented recluses on the board are potential advocates for the safeties of external

bondholders (Brickley et al., 2008). This assessment is disputed by Bathala and Rao (2010) who portray a detrimental liaison between the fraction of exterior executives and the firm's progress rate. In contrast, Hossain et al. (2010) found that the ratio of separate bosses is constructively allied to corporations' venture openings while Anderson et al. (2008) establishes that growth firms suffered bigger monitoring costs used for directors and auditors fees than non-growth firms.

The organization of a board entails the entirety of self-governing bosses who are not executive directors sitting in the board comparative to the sum of directors. Non-Executive Directors (NEDs) are formalized as an autonomous executive who has no part in the firm if not for the managerial position (Clifford and Evans, 2009). There is a superficial belief that boards of directors with considerable exterior executives will have an upper hand in terms of making decisions as compared to those whose majority is insiders. According to numerous studies, NEDs have an affirmative sway on enactment, routine yields, credit scores and appraisals as they supervise directors and guarding the safeties of shareholders. O'Sullivan (2010) recommends that on top of their own supervising role, non-executive managers reassure more exhaustive appraisals and this lessens agency expenses. Nevertheless, a considerable number of research studies exist that do not advocate for this positive viewpoint.

The "incentive alignment argument" enlightens on the consequence of administrative or board tenure on board assembly. Board tenure or possession lessens conflicts between managers and shareholders in store proprietorship by board of directors this including both the executive and those that are non-executive. These cause executive board members develop shareholder-like interests to the effect that they own part of the firm and injurious conduct is less prospective in such cases. And so, managerial possession is contrariwise related to organization clashes

between managers and shareholders. However Demsetz and Lehn (2010) found no relationship between board tenure structure and business performance, and argue that there is little sustenance for the deviation of interest amid directors and bondholders. In experimental dissimilarity to Demsetz and Lehn's (2010) findings, in favour of the favorable effects of tenure, Morck et al. (2008) discover that organization performance first upsurges as proprietorship intensifies up to 5%, then cascades as proprietorship escalates up to 25% and then increases considerably at upper proprietorship ranks. They embolden the theory that executives incline to assign the corporation's incomes in their individual finest interests, which may contrast with those of shareholders.

The impact of board dimensions on performance is buoyed with assorted confirmations. According to Dehaene *et al.* (2011) panel magnitude is constructively linked to corporation output. Nonetheless, the outcomes of Haniffa *et al.* (2008) are mixed and inconclusive. Employing a market profit degree of output, their outcomes recommend that a bulky panel is perceived as less operative in nursing performance, although once bookkeeping profits are instigated, outsized panels appear to deliver the companies with the multiplicity in acquaintances, knowledge and proficiency desirable in order to enhance output. Yermack (2010) finds a converse rapport flanked by panel magnitude and company worth; in adding, monetary proportions correlated to viability and functional efficacy likewise seem to wane as panel dimension rises. Connelly and Limpaphayom (2012) reason that panel dimensions do not in any way link with company output. Some conspicuous disadvantages acknowledged embrace the Dearth of obligation by employers to construction of stakeholder treasure, Wage principally allied to magnitude of the firm instead of its output, Shortage of satisfactory recognized stockholder involvement and Great percentage of sum disbursements afore reventuring in

enquiries and expansion. These are all buoyed by the review Healy in 2013 while studying organizations in escalating world.

## **1.2 Problem Statement**

Though there is no solitary prototype of worthy corporate governance (OECD, 2004), exertions undertaken in both OECD and non-OECD nations and inside the businesses has recognized particular mutual foundations that trigger blameless corporate governance, and in exactitude the corporate board organization, globally offered as the OECD Doctrines of Corporate Governance. The doctrines contribute greatly for strategy architects, bond holders, establishments and other stakeholders internationally and they emphasize conventional interactions flanked by a corporation's administration, its panel, its investors and other backers (Brown and Caylor, 2006). Corporate governance likewise offers the configuration via which the purposes of the corporation are fixed, and the procedures of accomplishing those goals and supervising output are defined (Abor and Adjasi, 2007). As Kyereboah-Coleman (2007) proposes, the occurrence of an operative corporate panel arrangement, inside an specific corporation and athwart a frugality as a whole, benefits to offer a notch of promise that is obligatory for the effective operation of a market frugality.

Within the past few years cooperate governance devices as in a feat to upsurge monetary enactment of organizations has been put to inquiry. This owes to the topical global occasions apropos of bulging corporate catastrophes like Enron in the US. Rupert Murdoch News Corporation has also been in the limelight due to poor corporate governance organizations after being accused of hacking into people's smartphones and mails in order to generate stories. Ensuing the extraordinary growth of the Kenyan pecuniary markets in the topical past, new encounters have developed and Kenya has also had a share of its letdowns. These according to

Mbaru (2008), necessitate rigorous exertions from all pertinent approaches in order to armament the rectitude of the stock exchange. A number of stock brokers have not been going about their businesses within the kind of corporate control structure that would be anticipated from them.

CMA (2009) reports spots that the fiscal hitches perceived amid stock dealers is due to slackness in management. These have impacted to the Capital Markets Authority placing them under dissolution/legal management. The corporations itemized in the NSE are supposed to assist as financing buses for the community and to retain this role they must be managed skillfully in order to inspire investor confidence. The placement of Uchumi underneath insolvency in 2006 and ultimate delisting from the NSE is just but an example. The accountability for downfall of Uchumi then was sited precisely under the panel of executives who were recriminated for being oblivious governance structures and engaging in derelictions.

Locally, Ngumi (2008) looked at the survey of the Corporate Governance Practices in the Housing Finance Company (HFCK) and concluded that good corporate practices are the best for the banking industry. Kiamba (2008) study the effects of Corporate Governance on the financial performance of local authorities in Kenya. The study found that financial performance of the local authorities was influenced by political composition in the respective councils. Muriithi (2008) documented Corporate Governance and Financial performance of state corporations, the case of the New KCC and drawn a conclusion that better Corporate Governance will improve financial performance. Ongore (2008) carried out a research on the effects of ownership structure, Board effectiveness and managerial discretion on performance of listed companies in Kenya where the following conclusion was drawn from this study that; ownership concentration is inimical to a manager creativity and innovation and curtains firm performance, also increase in government shareholding of a firm results in negative performance.

Against this experience, the scholarship set out to examine the prospective association flanked by corporate board structure and financial output of businesses listed at Nairobi Security Exchange.

### **1.3 Objectives of the study**

#### ***1.3.1 General objective***

The aim of the study was to investigate the relationship between corporate board structure and financial performance of corporations listed at Nairobi Security Exchange.

#### ***1.3.2 Specific objective***

The explicit intentions of this analysis involved to define:

- i. The effect of board independence on financial performance of companies listed at Nairobi Security Exchange in Kenya
- ii. The effect of board size on financial performance of companies listed at Nairobi Security Exchange in Kenya
- iii. The effect of CEO Duality on financial performance of companies listed at Nairobi Security Exchange in Kenya
- iv. The effect of Board Tenure on financial performance of companies listed at Nairobi Security Exchange in Kenya

### **1.4 Research Questions**

- i. What is the effect of board independence on financial performance of companies listed at Nairobi Security Exchange in Kenya?
- ii. What is the effect of board size on financial performance of companies listed at Nairobi Security Exchange in Kenya?
- iii. What is the effect of CEO duality on financial performance of companies listed at Nairobi Security Exchange in Kenya?

- iv. What is the effect of board tenure on financial performance of companies listed at Nairobi Security Exchange?

### **1.5 Value of the Study**

The study will provide information on corporate governance especially board composition. Consultants can, thus, use this information appropriately in giving advice on how board composition of companies should be. The investors can be in a position to verify the validity of investment decisions based on the nature and board composition of companies as this would determine the governance of such firms and ultimately their performance. This might help them in making investment decisions. The study further forms the basis for academics that wish to study corporate board composition of firms in Kenya. The academicians will find this study resourceful with regards to literature and form part of empirical review.

### **1.6 Scope and Limitations of the Study**

The study only investigated the relationship between corporate board configuration and monetary output in ROA of corporations listed at Nairobi Securities Exchange. The researcher encountered uncooperative respondents who were not willing to provide the required data. The researcher however managed to acquire the data after assuring respondents that it would be used only for academic purposes. The delimitation for this study was that the data for this study was for a sample period of 5 years so much study has to be done on this for a sample period of more than 5 years.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Theoretical Review**

Kiel and Nicholson (2003) emphasize that the part and sway of panels has been considered enthusiastically by entities from diverse fields. These surviving collected works put the organization of the boards in swaying firm performance as the center of interest. This section reviews two foremost speculative outlooks of boards and governance machineries that are reflected to be relevant for this analysis. These are the agency theory, stewardship theory.

There are innumerable impressions that report on the concerns intricate in evaluating the outcome of corporate governance. Correspondingly, there is a dearth of reviews on the aspects that are have a part in influencing business administration resilience. The literature location presents the dissimilar notions that speak about internal controller system. These notions help appreciate the problematic issue more and to know what other scholars have written about internal controller system.

#### **2.2.1 Agency Theory**

Parting of control from tenure deduces that eligible overseers/controllers run a company in place of the corporation's proprietors (Kiel & Nicholson, 2003). It is ostensible that as soon as a business's proprietors perceive the qualified directors not to be supervising the business in the best of their desires, rattles begin. According to Eisenhardt (1989), hitches ascending in the connection flanked by possessors or stockholders and their proxies or highest organization are analyzed and disentangled by the agency theory which depend on on the supposition that the tenacity of businesses is to make the most of the opulence of their financiers or bondholders (Blair, 1995).

The notion avows that most businesses work from the base of incomplete statistics and implausibility. Such positions prompt businesses to two common organization snags, adverse selection and moral hazard. The earlier emanates once a principal misses the mark on establishing whether an representative indeed epitomizes their capability to do the profession for which they are remunerated to realize. Eisenhardt further proposes that moral hazard involves a state in which a major cannot be able to ascertain whether an agent applies their utmost effort. The principle further explains that particular managers are profitable compared to firm owners due to the truthful information accessible to them. This is attributable to the hypothesis that an establishment's highest bosses might be more absorbed in their singular interests vis-à-vis the interests of the company's stockholders (Berle & Means, 1967). Without suitable specialist arrangements to sustain the welfare of stockholders, managers will nosedive on maximizing on profits to stockholders (Donaldson and Davis, 1991). The philosophy, therefore, custodies corporate governance with the precarious intent of plummeting the prospects for executives to act as opposed to wellbeing of stockholders.

The theory's proponents suppose that once the establishment's store is expansively taken care of and the panel of executives encompasses of individuals who know little of the company, a company's top management assumes more control. Mallin (2004) points out that the theory postulates that a business's uppermost administration must have a considerable possession of the business so as to safeguard a productive rapport amid corporate power and the magnitude of stock possessed by the uppermost regulators. Wheelen and Hunger (2002) suggest that glitches transpire in businesses because the upper administration is not keen about bearing culpability for their activities except if they possess a considerable number of stocks in the enterprise. The theory further champions for incorporation of protocols and inspirations to bring into line the

output of executives to the wishes of titleholders (Hawley & Williams, 1996). Nonetheless, it is more or less unfeasible to launch a fixed of guidelines in lieu of each state of affair faced by employees.

Agency theory is habitually concrete to panels of profit creating bodies in lining up the welfare of administration with those of shareholders (Carpenter and Westpal, 2001). Supporting this view, Dobson (1991) notes that the type of earnings building establishments are unlike those of stakeholders including shareholders, native societies, workforces and patrons. The contradictory exertion can be used to validate proceedings that some may disapprove of as devious depending on the stakeholder group. The theory postulates that people are somewhat egocentric than unselfish and must not be assumed reliable to perform with consideration of the welfare of other individuals. On the other hand, people seek out to make the most of their own usefulness. The theory highlights the association among directors and a company's shareholders as an agreement (Adams, 2002).

### ***2.2.2 Stewardship Theory***

The concept, also regularly denoted to as the sponsors' theory, is antagonistic to the agency theory. The model is premised on the ultimate possibility that companies deliver an extensive collective cause other than only making the most of the fortune of bondholders. Agreeing to this, Donaldson & Preston (1995) and Freeman (1984) verify that businesses are community institutions that touch the interests of many backers. Flourishing businesses are defined by their aptitude to add substance for all their sponsors. Some academics ponder on the ordinary atmosphere to be a crucial stakeholder (Starik and Rands, 1996). Ulrich (2008) concurs that sponsors can be powerful to company achievements and have ethical and lawful freedom. When patrons realize their expectations from a company, they keep coming back to the company

for extra returns (Freeman & McVea, 2001). As such, corporate managers ought to reflect on the interests of stakeholders when taking decisions and conduct creation sensibly in the direction of the sponsors (White, 2009). Contribution of patrons in business supervisory can augment competence (Turnbull, 1994) and diminish encounters (Rotthman and Friedman, 2001).

Kaptein and Van Tulder (2003) emphasize that businesses shoulder mercurial or practical tactics while incorporating patrons' concerns in execution. A business espouses a volatile stratagem as soon as it misses the mark at incorporating backers into its company executive processes. This leads to a perplexity of supervisory penalty areas and benefactor burdens (Mackenzie, 2007). Humiliations, case in point Enron and WorldCom are linked to the letdown in regarding benefactor trepidations in conclusion gathering (Currall & Epstein, 2003; Watkins, 2003). In view of these outrages, some republics have come up with new policies to align the welfare of sponsors with company demeanor.

According to Adams (2002), stewardship theory remains the conjectural origin for a great deal of instruction and lawmaking. A hands-on attitude is functional to dealings that incorporate sponsors' trepidations into their managerial developments and that inaugurate crucial authority mechanisms (de Wit et al., 2006).

### **2.3 Empirical Literature**

The Company panel organization has been on a receiving end of substantial emphasis over the ages from scholars, market contributors, and supervisors. The attention has been principally accredited to the conflicting and unsettled verdicts with reverence to the affiliation amid panel arrangement and monetary output.

### ***2.3.1 The Influence of Board Independence on Firm Performance***

Pragmatic outcomes have stayed unsettled concerning John and Senbet's (2012) claim that the grander the sum of Non-Managerial Directors (NEDs), the further the liberation of the panel and the healthier the monetary output. On the one hand, it is contended that organization managers are more acquainted with an establishment's goings-on and are consequently in a superior location to supervise upper administration while on the other hand, there also exists the premonition that NEDs could act as "expert arbitrators" to guarantee that opposition among the firm fraternity kindles activities regular with the enlargement of investor worth (Fama, 2010). This view is supported by Cotter *et al.* (2011), accentuating the chief part of peripheral directors in safe guarding sponsors' desires through operative resolution mechanism.

A few authors have moreover established that there is no momentous bond amid fraction of NEDs and firm output (Bhagat and Black, 2012). It has been shown that the triumph of a panel is contingent on the ultimately auspicious blend of in-house and outdoor administrators (Baums, 2012). The causes of ideal board conformation are conversely not very well taken care of by the available theory (Weisbach, 2012).

### ***2.3.2 The Role of Board Size on Firm Performance***

The role of board size is deliberated as central distinctive of the board configuration. Large boards denote multiplicity, supportive to establishments to gain weighty properties and improve on eco-friendly practices (Goodstein et al., 2012). As soon as the dimension of directors amplifies harmonization, conversation and policymaking hitches progressively encumber enterprise output as Yermack (2010) offers. However, the rapport stuck between panel size and fiscal performance relates to the trade, as Adams and Mehran (2013) argue that board

magnitudes are habitually larger among bank allotment enterprises' as likened to those of manufacturing firms.

Realistic assessment on the sway of panel dimensions has on corporations' monetary output displays variegated results. A constructive liaison was established flanked by size of the board and firm financial performance by Dehaene et al. (2011), while results by Haniffa et al. (2006) are generally indecisive. They initiate that an outsized panel is seen as less competent in promising financial output, but with fewer bookkeeping earnings, grander panels deliver organizations with the multiplicity with respect to connections, skill and proficiency required to upshot financial performance. Yermack (2010) further found an undesirable connection between board size and firm value; additionally, productivity and functioning efficacy quotients correlated also look to deteriorate as panel size upsurges. Contrariwise, Connelly and Limpaphayom (2011) did not discover any substantial relationship between the size of the board and firm monetary output.

### ***2.3.3 The Influence of Board Tenure on Firm Performance***

Milbourn (2003) proposes that in a belligerent labor market, lengthier serving panels reveal constructive outlooks of the panel's aptitudes which signpost that the board members have the prospective to blend with the corporation's administration on dynamic directorial verdicts to preserve extraordinary eminence panels. Serving employers are decidedly expected to indulge Chief Executive Officers with broad terms because the regularly recalcitrant are less probable to be re-selected (Shivdasani and Yermack, 2010). Thus, longer-serving CEOs are likely to have loftier executive supremacy because of surplus sway over panel participants and bigger capacity of performance.

### ***2.3.4 The Influence of CEO Duality on Firms Performance***

The parting of the panel chairman and CEO chairs has remained a highly queried matter in writings. The mavericks and scams of separating the two ranks have established considerable attention in literature. Brickley, et al. (2009) reasons that in most businesses, CEOs act dually as the board chairmen after outperforming their rivals. Brickley, et al. assert that chairman spot assists as an award to an exceptional CEO with palpable output and specifies an unspoken confidence confidence by NEDs. In their debate, necessitating firms to isolate the two stations would mug company panels of a vibrant device to motivate and reimburse new CEOs.

This nevertheless, as (Goyal, et al. 2012) disputes is damaging as convening these onuses in one person makes it further challenging for a panel to recollect a poorly executing Chief Executive Officer, which has the prospective to diminish the aptitude of a board to discourse huge drops in output. Manufacturing firms with CEOs not plateful as chair persons have evidenced to be further efficacious amongst enormous industrial companies (Yermack, 2010). Two faculties of thought occur on CEO- Chairman Duality. Several scholars assert that CEO dualism is inconvenient to organizations as the similar individual will be answerable for over sighting themselves. Parting of these two strategic obligations will probably accrue to amongst other benefits: circumvention of CEO entrenchment; intensification of panel supervision efficacy; obtainability of panel chairman to counsel the CEO, and formation of liberation amid panel of directors and company management (Baysinger and Hoskisson, 2011).

Since the CEO and chairman are the identical individual, the corporation will among other benefits: realize durable, explicit guidance; attain inside adeptness via accord of command; abolish probability for clash sandwiched between CEO and panel head, and duck misperception of having two open proxies addressing company sponsors (Davis et al. 2011). In tandem with

these opinions, Cannella and Lubattkin (2012) report an affirmative relationship between a dual headship arrangement and monetary output. Brickley et al. (2008) discover a harmful market feedback on the proclamation of separating roles, while Dedman and Lin (2012) find no signal of momentous anomalous yields upon the declaration of the splitting onuses in Post-Cadbury times. A handier guise at the first-hand confirmation exposes that the affiliation flanked by CEO-chairman dichotomy and company output is inconclusive and diversified. The worth of the company amplified as soon as internal possession vacillated amid 0% and 37% while the worth once more enlarged when the tenure level is further than 50 % (Onyango, 2010).

A study by Barako et al (2006) which scrutinizes the magnitude to which company governance features, tenure configuration and company features effect intended exposure of different natures of information. Conferring to their analysis, exposés of all categories of material are predisposed by corporate governance features, possession organization and corporate features. This clearly suggest that magnitude and companies in the agronomic subdivision are meaningfully allied with the deliberate revelation of the four dissimilar types of material exposures.

Decent corporate undertakings are the best solution for the banking industry. It is the amount of commitment displayed that will ensure that corporate and procedures are piloted with high veracity and acquiescence with the law and the actions recognized in bookkeeping (Ngumi, 2008).

Kiamba conducting an analysis in 2008 on the impression of Corporate Governance on the fiscal output of native establishments in Kenya likewise discerns that monetary performance of the native establishments is swayed by governmental conformation in the corresponding

councils and mode in which in-house audits are directed and the supervisory approaches effected by the council's commanders.

The example of the New KCC decoys a deduction that healthier Corporate Governance will progress monetarist output. As Muriithi uncovers in 2008, the following Practices are clearly what will usher the Corporate Governance notches higher; the nomination and headship of the panel configuration of the organization, resolution and ideals, steadiness of supremacy in the panel, company communication and the valuation of output of board and its accountabilities.

Tenure focus evidences to be pernicious to an administrator's inventiveness and novelty and enshrouds corporation presentation and upsurge in government shareholding of a firm culminates in undesirable performance (Ongore 2008)

## **2.4 Conceptual Framework**

The Conceptual framework is a spectacle showing the way the free and reliant variables are associated. It expresses precisely what is meant when a particular term is used to refer to a variable. It, hence, postulates the functioning description of a variable and facilitates a simple elucidation of the course of hypothetical context used by the analysis (Mugenda and Mugenda, 2003).

**FIGURE1**

**CONCEPTUAL FRAMEWORK**

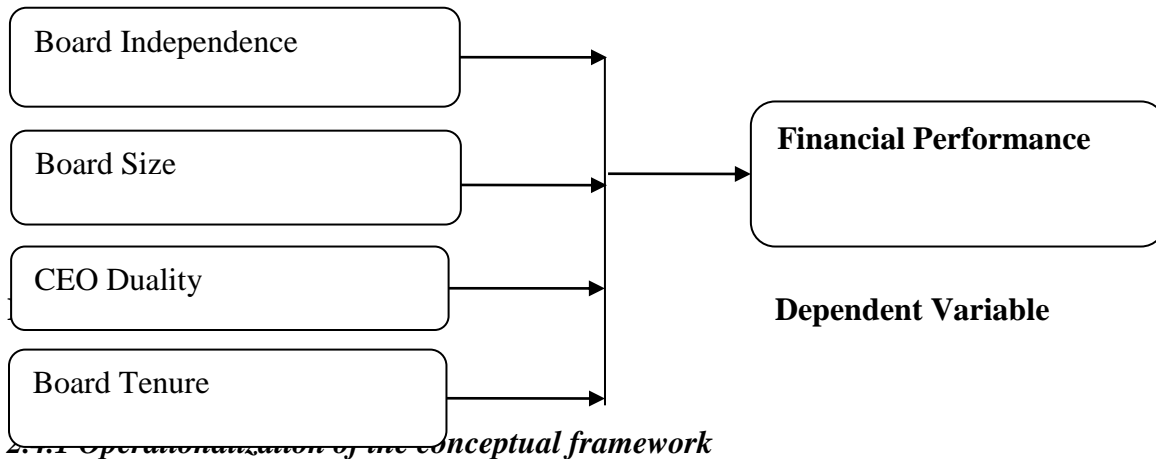


Figure 2.1 above presents a diagrammatic conceptualization of the independent and dependent variables. From the diagram, the independent variables, Board Independence, Board Size, CEO Duality and Board Tenure are conceptualized as influencing Financial Performance of the listed companies surveyed, which forms the dependent variable.

The independent variable, Board Independence was indicated by the presence of NEDs sitting on the boards of the surveyed companies and absence of executive directors. Board Size was on the other hand measured by the total number of directors sitting on the boards over the period under study; CEO Duality was indicated by whether or not the companies' CEO also served as chairmen of the boards of directors of the respondent companies while Board Tenure was indicated the life span of the boards, that is, the total number in years a constituted board was in place before being dissolved.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter frameworks the devices, gears and foundations of enquiry data, the anticipated collections and the model from which figures were amassed to accomplish the purpose of the study which is to scrutinize the correlation amid board size and firm performance for establishments cited in the Nairobi Stock Exchange. It additionally discourses on how the figures were managed and gears to be used in data examination and demonstration.

#### **3.2 Research Design**

This analysis used a descriptive research design. Descriptive research portrays an accurate profile of persons, events, or situations (Kothari, 2000). Therefore, the descriptive survey was deemed the best strategy to fulfil the objectives of this study. Donald (2006) notes that a research design is the structure of the research, it is the “glue ” that holds all the elements in a research project together. Kombo and Tromp (2006) further define a research design as the scheme, outline or plan that is used to generate answers to research problems. Both an F-test and a t-test were executed to determine the causality (Bachman, 2006) argues.

#### **3.3 Target Population**

The target population for the present study comprised all the 63 corporations listed at the Nairobi Securities Exchange. For resource optimization purposes however, the secondary data sourced was obtained from the Capital Market Authority (CMA), the central custodian of key data from the listed companies.

### 3.4 Data Collection Instruments

The study used secondary data sources which was quantitative in nature available at the companies' financial statements from the Nairobi Stock Exchange/Capital Market Authority for 5 years from 2008 to 2012. Whereas Board Size, Board Tenure and Financial Performance data were actual, Board Independence and CEO Duality were dummy as the researcher assigned values of either "1" or "0" as informed by the actual data.

### 3.5 Data Analysis

The quantitative data collected was analyzed by the use of both descriptive and inferential statistics using panel data regression analysis with a focus on a 5 year period from 2008 to 2012. The descriptive statistics were presented through minimum, maximum, means and standard deviations while inferential statistics used correlation and multiple regression analysis to explain the relationship between the independent and dependent variables. This was guided by a multiple regression model shown below:

#### EQUATION I

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

Whereby  $\alpha$  is the y-intercept,  $\beta_1 - \beta_3$  are the coefficients of the independent variables and  $\varepsilon$  is the error term.

Y: Return On Assets

$X_1$ : Board Independence

$X_2$ : Board Size

$X_3$ : CEO Duality

$X_4$ : Board Tenure

**CHAPTER FOUR**  
**DATA PRESENTATION AND ANALYSIS**

**4.1 Introduction**

In this chapter, the study provided two types of data analysis; namely descriptive analysis and inferential analysis. The descriptive analysis helps the study to describe the relevant aspects of the phenomena under consideration and provide detailed information about each relevant variable. For the inferential analysis, the study used the Pearson correlation, the panel data regression analysis and the t-test statistics. While the Pearson correlation measures the degree of association between variables under consideration, the regression estimates the relationship between firms' performance and corporate governance in NSE listed companies. Furthermore, in examining if the firms performance is significantly different from that of corporate governance, the Chi-Square Test statistics was used.

**4.2 Descriptive Statistics**

The study first found it necessary to evaluate the performance of the firms' corporate governance variables under consideration, that is, Board Independence (BI), Board Size (BS), CEO Duality (CEOD) and Board Tenure (BT). Their mean, standard deviation, minimum and maximum values were determined as indicated in Table 1.

**TABLE 1**  
**DESCRIPTIVE STATISTICS (CORPORATE GOVERNANCE)**

	Minimum	Maximum	Mean	Std. Deviation
BI	.00	1.00	0.400	2.48
BS	6.00	13.00	9.5455	1.870
CEOD	.00	1.00	.0909	.294
BT	.00	1.00	.8606	.0904
Valid N (listwise)				

*Source: Annual reports of surveyed firms*

Board Independence (BI) was used to indicate the presence of Non Executive Directors (NEDs) sitting in the board where '1' was used if the company's manager also doubles up as a member of the board, and '0' if that was not the case. Overall, managers do not double up as board members on boards, as the mean was 0.4. The statistic had a standard deviation of 2.48 suggesting a variance of about 2 companies surveyed. It can be noted from the table also that the minimum number of board members was 6 while the maximum number was 13. This means that the board members were within the limits provided for by best corporate governance practice. The average number of board members for the listed companies surveyed was 9.5455 which means that most of the companies had an average of 9 members. The standard deviation was 1.87 suggesting a variance of about 2 people on the companies' board of directors.

CEO duality measured whether the CEO was also the chairman of the board. The study used a dichotomic variable where the value of 1 was fixed in case of duality and the value of 0 if the two functions were separate. Table 4.1 shows that the minimum was 0 and maximum was 1. The mean was 0.0909 which suggests that most of the companies did not have board structure as a problem, since the CEO did not double up as the board chairman. The standard deviation of 0.29 also suggests very low variance from the mean duality value. Board Tenure (BT) is also a dummy variable, with 0 representing less than 5 year tenures and 1 more than 5 years. With a mean of 0.86, it can be noted that most boards are long serving.

### **4.3 Inferential statistics**

Inferential statistics entailed the use of both correlation and regression analyses in order to determine the level of relationship between the predictor and dependent variables. While correlation statistics showed the nature of the linkage between the predictor and dependent

variables, regression analysis was employed to assess the strength predictor variables' impact on the firms' profitability.

#### **4.3.1 Pearson's Correlation Coefficient Analysis for Corporate governance and firms' performance**

The study assessed the level of association between the predictor corporate governance elements and firms performance that is, if the governance proxies (board size, board independence, CEO duality and Board Tenure) will increase firms' performance. Table 4.2 below illustrates the correlation coefficients for all the variables under consideration.

**TABLE 2**  
**PEARSON'S CORRELATION COEFFICIENTS MATRIX (CORPORATE GOVERNANCE)**

	ROA	BI	BS	CEOD	BT
ROA	1				
BI	0.027(**)	1			
BS	-.458(**)	.624(**)	1		
CEOD	0.869(**)	-.447(**)	.409(**)	1	
BT	1.382(**)	.528(**)	-.496(**)	-.225(**)	1

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

Table 4.2 shows that at 0.01 confidence level, there were good, significant and positive correlation between ROA and: Board Independence (R = 0.027), CEO duality (R= 0.869) and Board Tenure (R= 1.382). There was also good, significant and negative correlation between ROA and Board Size (R = -.458).

#### **4.3.2 Regression Analysis**

The study employed the use of panel data regression analysis in an effort to determine the relationship between corporate governance and firms' performance. In so doing, the study used a simple definitional model to guide the analyses. The regression model was as shown below:

## EQUATION II

$$\text{ROA} = \alpha + \beta_1(\text{board independence}) + \beta_2(\text{board size}) + \beta_3(\text{CEO duality}) + \beta_4(\text{Board Tenure}) + \varepsilon$$

Regression analysis also produced coefficient of determination and analysis of variance (ANOVA). Coefficient of determination showed the strength of the relationship while Analysis of variance was done to show whether there is a noteworthy difference in the mean between dependent and independent variables. The ANOVA was conducted at 95% confidence level.

**TABLE 3**

**MODEL GOODNESS OF FIT**

<b>R</b>	<b>R<sup>2</sup></b>	<b>Adjusted R<sup>2</sup></b>	<b>Std. Error of the Estimate</b>
0.771	0.594	0.488	0.06227

a. Predictors: (Constant), Board Independence, Board Size, CEO duality, Board Tenure

b. Dependent Variable: ROA

Regression analysis was further used to determine the relationship between ROA and the corporate governance factors that affects it including Board Independence, Board Size, CEO duality and Board Tenure. The results showed a correlation value (R) of 0.771 which depicts that there is a good linear dependence of ROA on all the predictor variables.

An adjusted R-squared of 0.488, shows that BI, BS, CEOD and BT explain 48.8 percent of the variations in ROA while 51.2 percent is attributed to other factors that were not included in the model.

**TABLE 4**  
**ANALYSIS OF VARIANCE**

	<b>Sum of Squares</b>	<b>Df</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig.</b>
Regression	4.181	4	1.394	3.135	.038a
Residual	15.562	60	.445		
Total	19.744	64			

ANOVA statistics was conducted to determine the differences in the means of the dependent and independent variables thus show whether a relationship exists between the two. The P-value of 0.038 implies that ROA has a significant joint relationship with Board Independence, Board Size, CEO duality and Board Tenure which is significant at 5 percent level of significance. This also depicted the significance of the regression analysis done at 95% confidence level.

**TABLE 5**  
**REGRESSION COEFFICIENT RESULTS**

	<b>Unstandardized Coefficients</b>		<b>Standardized Coefficients</b>	<b>T</b>	<b>Sig.</b>
	<b>B</b>	<b>Std. Error</b>	<b>Beta</b>		
(Constant)	7.724	.276		27.986	.000
Board Independence	1.719	.720	.362	2.387	0.01
Board Size	-0.434	.697	-.338	-0.623	0.26
CEO duality	.456	.827	.091	.551	0.29
Board Tenure	1.024	.440	.205	2.327	0.01

a. Dependent Variable: ROA

*Source: Annual reports of the listed firms*

From the data in the above table, there is a positive relationship between ROA and the Predictor variables which are Board Independence, Board Size, CEO duality and Board Tenure. The established regression equation was:  $ROA = 7.724 + 1.719 (\text{Board Independence}) - 0.434 (\text{Board Size}) + 0.456 (\text{CEO duality}) + 1.024 (\text{Board Tenure})$

p=0.038

The beta value for board size suggests that it had a negative influence on ROA. Thus, the larger the board size, the smaller the ROA. The above table also shows that Board Independence, CEO duality and Board Tenure were positively related to ROA. Further, the results mean that Board Independence and tenure tend to have high influence on ROA. Significant tests (T-tests and P-values) revealed that Board Independence and Board Tenure significantly influence the financial performance, particularly profitability as measured by ROA of companies listed at the NSE.

The regression results show that, when the Board Independence, Board Size, CEO duality and Board Tenure have zero values, the space allocation value would be 7.724. It was further also established that a unit increase in Board Independence *ceteris paribus*, Board Size, CEO duality and Board Tenure) constant, would result in a 1.719 decrease in ROA. This statistic had a t-value of 2.387 at 0.01 showing that the statistic is significant at 95% confidence level.

*Ceteris paribus*, a unit decrease in Board Size would cause a decrease in ROA by 0.434. A t-value of -0.623 was established at 0.26 P-value. This shows that the statistics was not significant at 95% significance level. A unit increase in CEO duality would lead to a 0.456 increase in ROA. A t-value of 0.551 was established at 95% confidence level ( $p=0.29$ ) indicating that the association is not statistically significant. Finally it was established that a unit increase in Board Tenure *ceteris paribus*, would result in a 1.024 increase in ROA. This statistic had a t-value of 2.327 at 0.01 showing that the statistic is significant at 95% confidence level.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter presents summary of the research findings. The chapter also presents the conclusions based on the study findings, limitations, recommendations as suggestions for further research are also presented.

#### **5.2 Summary of Findings**

The study provided two types of data analysis; namely descriptive analysis and inferential analysis. The descriptive analysis helps the study to describe the relevant aspects of the phenomena under consideration and provide detailed information about each relevant variable. For the inferential analysis, the study used the Pearson correlation and the panel data regression analysis.

The study first evaluated the descriptive statistics for the corporate governance variables, whereby it was revealed that on average, managers are not found to be members on boards. It was also noted that the minimum number of board members was 6 while the maximum number was 13. This means that the board members were within the limits provided for by best corporate governance practice. The average number of board members for the listed companies surveyed was 9.5455 which means that most of the companies had an average of 9 members. The study further showed that in most companies, CEOs do not double up as board chairmen and that most boards are long serving.

Inferential statistics were further conducted by both correlation and regression analyses whereby correlation analysis revealed that at 0.01 confidence interval, there were good, significant and positive correlation between ROA and: Board Independence ( $R = 0.027$ ;  $p =$

0.013), CEO Duality ( $R = 0.869$ ;  $p = 0.020$ ) and Board Tenure ( $R = 1.382$ ;  $p = 0.002$ ). There was also good, significant and negative correlation between ROA and Board Size ( $R = -.458$ ;  $p = 0.027$ ).

Regression analysis further revealed that the larger the board size, the smaller the ROA and that Board Independence, CEO duality and Board Tenure were positively related to ROA. Board Independence and tenure tended to have high influence on ROA. From the regression model, it was established that holding other factors constant, a unit decrease in Board Size would cause an increase in ROA by 0.434 while a unit increase in CEO duality would lead to a 0.456 increase in ROA. The associations were however not statistically significantly at 95% confidence level. A unit increase in Board Tenure, while holding other factors constant, would result in a 1.024 increase in ROA.

### **5.3 Conclusion**

On Board independence and financial performance, inferential statistics revealed a strong and positive relationship between board independence and financial performance thereof. On the effects of board size on the financial performance of listed companies, both correlation and regression analyses revealed a negative relationship between the size of the board of directors and firms' financial performance thereof, hence the larger the board size, the lower the financial performance. The statistic is however not statistically significant and may therefore not have much implication on the financial performance in the long term. On CEO duality, a positive relationship was established from inferential statistics between CEO duality and the financial performance. The separation CEO and Chair roles therefore positively influence financial performance among listed companies. However, like board size, this relationship is not statistically significant and therefore may not have any significant implication on the financial

performance of the companies listed in NSE. Board tenure further strongly and influences firms' financial performance positively. Therefore, the longer the board lasts the higher likelihood that financial performance will be on the incline.

#### **5.4 Recommendations**

Centered upon the outcomes of this scrutiny, it is apparent that for there to be a considerable upgrade of the cooperate sector, the next endorsements will have to be put in place by shareholders.

1) Exertions to mend corporate governance ought to emphasize on the worth of the stock possession of panel associates, as it is constructively interrelated equally to forthcoming effective output and to the likelihood of punitive administration throughout in dismally achieving businesses.

2) Exponents of outsized panel dimensions must annotate with restraint the undesirable liaison flanked by the variable and impending effective output. Therefore, if outsized panel proportions are engaged at taming output, such exertions may be imprudent.

3) Companies controlling groups ought to necessitate extra exposé of monetary or subjective links amid executives and the establishment or its CEO if proper monitoring by independent directors is to be observed.

4) Relevant phases ought to be indulged for obligatory amenability with the cryptogram of corporate governance. Likewise, an operative legitimate outline should be established to stipulate the privileges and compulsions of a company, its executives, bondholders, detailed exposé necessities and deliver for operative execution of the regulations.

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

There is need for further studies to carry out similar study over a long time period. A similar study should also be carried out on relationship between firms' performance and corporate governance in SMEs in Kenya.

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## APPENDIX

### Evaluation Of Listed Firms' Corporate Governance Measures From 2008- 2012

	Board Independence	Board Size	CEO Duality	Board Tenure	ROA
<b>Carbacid Investments Ltd</b>	<b>1</b>	<b>7</b>	<b>0</b>	<b>5</b>	<b>0.238</b>
<b>Eveready East Africa Ltd</b>	<b>0</b>	<b>9</b>	<b>0</b>	<b>5</b>	<b>0.305</b>
<b>Athi River Mining</b>	<b>1</b>	<b>10</b>	<b>0</b>	<b>5</b>	<b>0.338</b>
<b>Scangroup Ltd</b>	<b>0</b>	<b>10</b>	<b>0</b>	<b>6</b>	<b>0.244</b>
<b>AccessKenya Group Ltd</b>	<b>1</b>	<b>9</b>	<b>0</b>	<b>5</b>	<b>0.301</b>
<b>B.O.C Kenya Ltd</b>	<b>1</b>	<b>7</b>	<b>0</b>	<b>5</b>	<b>0.255</b>
<b>Bamburi Cement Ltd</b>	<b>1</b>	<b>9</b>	<b>0</b>	<b>5</b>	<b>0.341</b>
<b>British American Tobacco Kenya Ltd</b>	<b>1</b>	<b>8</b>	<b>0</b>	<b>5</b>	<b>0.254</b>
<b>Car and General (K) Ltd Centum Investment Co Ltd</b>	<b>1</b>	<b>9</b>	<b>1</b>	<b>3</b>	<b>0.319</b>
<b>Investment Co Ltd</b>	<b>1</b>	<b>8</b>	<b>1</b>	<b>5</b>	<b>0.236</b>
<b>CMC Holdings Ltd</b>	<b>1</b>	<b>9</b>	<b>1</b>	<b>3</b>	<b>0.274</b>
<b>Crown Berger Ltd</b>	<b>0</b>	<b>8</b>	<b>0</b>	<b>5</b>	<b>0.165</b>

<b>E.A.Cables Ltd</b>	<b>0</b>	<b>13</b>	<b>0</b>	<b>5</b>	<b>0.204</b>
<b>E.A.Portland Cement Ltd</b>	<b>0</b>	<b>12</b>	<b>0</b>	<b>6</b>	<b>0.246</b>
<b>East African Breweries Ltd</b>	<b>1</b>	<b>6</b>	<b>1</b>	<b>5</b>	<b>0.298</b>
<b>Kakuzi</b>	<b>1</b>	<b>8</b>	<b>0</b>	<b>3</b>	<b>0.238</b>
<b>KenGen Ltd</b>	<b>1</b>	<b>7</b>	<b>1</b>	<b>5</b>	<b>0.267</b>
<b>KenolKobil Ltd</b>	<b>1</b>	<b>7</b>	<b>1</b>	<b>5</b>	<b>0.249</b>
<b>Kenya Airways Ltd</b>	<b>0</b>	<b>9</b>	<b>0</b>	<b>5</b>	<b>0.216</b>
<b>Kenya Orchards Ltd</b>	<b>0</b>	<b>8</b>	<b>0</b>	<b>3</b>	<b>0.241</b>
<b>Kenya Power &amp; Lighting Co Ltd</b>	<b>0</b>	<b>7</b>	<b>0</b>	<b>5</b>	<b>0.260</b>
<b>Mumias Sugar Co. Ltd</b>	<b>1</b>	<b>9</b>	<b>1</b>	<b>5</b>	<b>0.301</b>
<b>Nation Media Group</b>	<b>1</b>	<b>9</b>	<b>1</b>	<b>5</b>	<b>0.300</b>
<b>Olympia Capital Holdings ltd</b>	<b>0</b>	<b>9</b>	<b>0</b>	<b>5</b>	<b>0,180</b>
<b>Rea Vipingo Plantations Ltd</b>	<b>1</b>	<b>7</b>	<b>1</b>	<b>3</b>	<b>0.218</b>
<b>Safaricom Ltd</b>	<b>1</b>	<b>10</b>	<b>0</b>	<b>5</b>	<b>0.332</b>
<b>Sameer Africa Ltd</b>	<b>1</b>	<b>8</b>	<b>0</b>	<b>3</b>	<b>0.231</b>
<b>Sasini Tea Ltd</b>	<b>0</b>	<b>9</b>	<b>0</b>	<b>5</b>	<b>0.224</b>
<b>Standard Group Ltd</b>	<b>1</b>	<b>7</b>	<b>1</b>	<b>5</b>	<b>0.317</b>

<b>Total Kenya Ltd</b>	<b>1</b>	<b>7</b>	<b>1</b>	<b>5</b>	<b>0.301</b>
<b>TPS Eastern Africa (Serena) Ltd</b>	<b>0</b>	<b>10</b>	<b>0</b>	<b>6</b>	<b>0.275</b>
<b>Unga Group Ltd</b>	<b>1</b>	<b>9</b>	<b>1</b>	<b>5</b>	<b>0.244</b>
<b>Williamson Tea Kenya Ltd</b>	<b>0</b>	<b>9</b>	<b>0</b>	<b>4</b>	<b>0.209</b>
<b>Kapchorua Tea Ltd</b>	<b>0</b>	<b>8</b>	<b>0</b>	<b>4</b>	<b>0.253</b>
<b>Limuru Tea Ltd</b>	<b>1</b>	<b>6</b>	<b>0</b>	<b>3</b>	<b>0.205</b>
<b>Express Ltd</b>	<b>0</b>	<b>8.2</b>	<b>0</b>	<b>5</b>	<b>0.201</b>
<b>Uchumi Supermarkets Ltd</b>	<b>1</b>	<b>9</b>	<b>1</b>	<b>5</b>	<b>0.321</b>
<b>Hutchings Biemer Ltd</b>	<b>0</b>	<b>6</b>	<b>0</b>	<b>6</b>	<b>0.283</b>
<b>A Baumann Company Ltd.</b>	<b>0</b>	<b>8</b>	<b>0</b>	<b>2</b>	<b>0.263</b>
<b>Marshals E.A Ltd</b>	<b>1</b>	<b>9</b>	<b>0</b>	<b>5</b>	<b>0.275</b>
<b>Barclays Bank Ltd</b>	<b>0</b>	<b>9</b>	<b>0</b>	<b>5</b>	<b>0.341</b>
<b>CFC Stanbic Holdings Ltd</b>	<b>0</b>	<b>9</b>	<b>0</b>	<b>5</b>	<b>0.340</b>
<b>I &amp; M Holdings Ltd</b>	<b>0</b>	<b>9</b>	<b>0</b>	<b>6</b>	<b>0.343</b>
<b>Diamond Trust Bank Ltd Housing</b>	<b>0</b>	<b>9</b>	<b>0</b>	<b>6</b>	<b>0.302</b>

<b>Finance Company Ltd</b>	<b>0</b>	<b>9</b>	<b>0</b>	<b>5</b>	<b>0.260</b>
<b>Kenya Commercial Bank Ltd.</b>	<b>0</b>	<b>9</b>	<b>0</b>	<b>5</b>	<b>0.302</b>
<b>National Bank of Kenya Ltd</b>	<b>0</b>	<b>9</b>	<b>0</b>	<b>5</b>	<b>0.304</b>
<b>Standard Chartered Bank of Kenya Ltd</b>	<b>0</b>	<b>8</b>	<b>0</b>	<b>5</b>	<b>0.285</b>
<b>Equity Bank Ltd</b>	<b>0</b>	<b>8</b>	<b>0</b>	<b>5</b>	<b>0.268</b>
<b>Co-operative Bank Ltd</b>	<b>0</b>	<b>7</b>	<b>0</b>	<b>5</b>	<b>0.303</b>
<b>NIC Bank Ltd</b>	<b>1</b>	<b>6</b>	<b>0</b>	<b>5</b>	<b>0.237</b>
<b>Jubilee Holdings Ltd</b>	<b>0</b>	<b>8</b>	<b>0</b>	<b>6</b>	<b>0.196</b>
<b>Pan African Insurance Ltd</b>	<b>0</b>	<b>8</b>	<b>1</b>	<b>6</b>	<b>0.174</b>
<b>Kenya Re Insurance Company Ltd</b>	<b>1</b>	<b>8</b>	<b>1</b>	<b>4</b>	<b>0.191</b>
<b>Liberty Kenya Holdings Ltd</b>	<b>0</b>	<b>8</b>	<b>0</b>	<b>4</b>	<b>0.198</b>
<b>British American Investments Company Ltd.</b>	<b>0</b>	<b>12</b>	<b>0</b>	<b>5</b>	<b>0.206</b>
<b>CIC Insurance Ltd</b>	<b>0</b>	<b>9</b>	<b>0</b>	<b>5</b>	<b>0.185</b>
<b>Umeme Ltd</b>	<b>0</b>	<b>7</b>	<b>0</b>	<b>4</b>	<b>0.297</b>

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<b>Home Afrika Ltd</b>	<b>0</b>	<b>10</b>	<b>0</b>	<b>3</b>	<b>0.198</b>
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