

**EFFECT OF CORPORATE GOVERNANCE PRACTICES ON
PERFORMANCE OF PUBLIC UNIVERSITIES IN KENYA**

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DECLARATION

I assert that this dissertation is my original work, which has never been written or submitted for an award of degree award elsewhere. I can also state that it does not contain any material written or published by others, with the exception of areas where their work has been properly cited and the writers have been recognized.

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ABSTRACT

Although the strategic management literature strongly acknowledges the existence of a relationship between corporate governance and overall organizational performance, some studies have found mixed results. The inconsistency of findings indicates the need for additional research into the ongoing debate about this relationship. As a result, the purpose of this research was to determine the impact of corporate governance on public universities performance in Kenya. Corporate governance plays an important role in the economy and that is why it has attracted a lot of interest in the recent past by various stakeholders as they are becoming increasingly aware of its influence in the socio-economic wellbeing of the organization and the society as a whole. There has been little consensus in terms of theoretical and empirical review on the relationship between two. The objective, therefore, was to establish the effect of corporate governance on the performance of public universities in Kenya. The study was guided by board diversity, board competence and finally the audit committee as the independent variables while the performance of public universities in Kenya as the dependent variable. This study was anchored on three theories which formed the basis of this research. They include, stewardship theory, Fiduciary political theory and stakeholder's theory. The research was conducted using descriptive research design. The population of interest for the study was the 26 public universities in Kenya. The respondents were 2 council members in each university giving a total of 52 respondents. Structured questionnaires were used to collect primary data for the study. The primary data was gathered from university council members in public universities in Kenya. Data analysis was done using SPSS version 20 and descriptive and regression analyses were undertaken accordingly. The research discovered a significant positive association between board competence, board diversity and audit committee with organization performance of public universities in Kenya. Its regression analysis found that the collective usage of corporate governance was responsible for 84.3 percent of the variations in performance of these institutions. Corporate governance mechanisms are critical for organizations to adopt in their efforts to increase their performance levels, according to the result of this research. Based on the findings, board diversity had the largest impact on performance followed by audit committee while board competence had the least influence on performance of public universities in Kenya. It is therefore, recommended that board council members and policy makers of the public universities that are yet to adopt effective corporate governance mechanisms should adopt them to remain competitive in this turbulent business environment. It is also suggested that public universities policy makers develop sound policies to guide them when pursuing corporate governance.

Key words: Corporate governance, organization performance, board competence, board diversity, audit committee

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DEDICATION

This research dissertation is dedicated to three sets of people;

My Parents for teaching me to believe in God and encouraging me to pursue education

My wife for her love, encouragement and prayers that enabled me to achieve this success
and honor

To my children; my cheerleaders for holding my hand through this journey

May God bless you all

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ABBREVIATIONS AND ACRONYMS

CEO	Chief Executive Officer
CMA	Capital Markets Authority
CUE	Commission for University Education
KNBS	Kenya National Bureau of Statistics
NACOSTI	National Council for Science and Technology
NSE	Nairobi Securities Exchange
OLS	Ordinary Least Square
ROA	Return on Assets
ROE	Return on Equity
ROI	Return on Investment
ROS	Return on Sales
VC	Vice Chancellor

OPERATIONAL DEFINITION OF TERMS

Board Diversity	Gender, age, education, and experience-based separation, variability, or disparity within the membership unit according to Klein and Harrison (2018)
Audit Committee Independence	It is concerned with the ratio of executive directors to non-executive directors on the board of management in accordance to Baxter and Cotter (2019).
Board Competence	Having the abilities, knowledge, and attitude to lead individuals and groups in a variety of situations and environments. Education, opportunity, and exposure to formal and informal leadership roles all contribute to experience. The act of influencing others and guiding their actions.as defined by Gabaix and Landier (2019)
Corporate governance	Is an institution's leadership, culture, policies, processes, and controls that assist it in achieving its strategic objectives Dunn (2020).
Organization performance	Refers to organization's overall goals attainment as outlined in the strategic plan Elliott (2018).

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Corporate governance has recently received a lot of acknowledgement in the atmosphere of today's market. The urgency for good governance is as a result of heightened social expectations regarding institutional behaviour plus efficiency. Recently, multinational establishments namely; Enron, WorldCom, Xerox, Lehman Brothers, among others, have failed, hence proofing how significant corporate governance is in entities as described by Dibra (2019). The field of corporate governance has widely been researched resulting into various definitions. However, they all converge to one common goal which is to promote the wellbeing of shareholders, stakeholders and the public in accordance to Agyei-Mensah (2021).

Despite not being the ultimate agenda, corporate governance aids in enhancing the firm's sustainable growth, stability also economic efficiency. Thus, it enhances the firm's capacity in accessing capital in the long-run while the stakeholders' also owners' interests whose contribution towards the entity's long term achievements are accounted for via fair treatment for instance; better quality of service including returns accordingly as recorded by OECD (2020). The elements that require a board to be in charge of the company and its resulting outcomes, allowing for better performance and transparency, are known as good governance practices. Further, Todorovic (2018) established that entities that embrace effective corporate practices are associated with benefits of increased profitability, enhanced credibility and competitiveness as well as effective management of stakeholders' relationships.

According to Narwal and Jindal (2019) corporate governance improves a firm's overall efficiency and increases accessibility to outside funding which contributes to sustainable economic development whilst reducing their susceptibility to financial crises. Corporate governance is recently widely regarded as a sound method for ensuring a company's long-term performance according to Kishore (2021). Hence, it is vital for every entity to observe best practices for corporate governance. Moreover, corporate governance that is sound enhances financial sustainability and advances trust among shareholders and other stakeholders as described by Price (2019). Corporate governance is formulation of a structure which aid in directing in addition to controlling a firm according to good governance principles that is transparency, accountability, responsibility, fairness besides independence as explained by Naimah and Hamidah (2020). It entails the processes and structures put in place for control and direction of an organization plus management of affairs amidst board members, shareholders, other stakeholders also managers whilst protecting their rights including promoting transparency in accordance to Sarbah and Xiao (2019).

Companies with sound corporate governance maintain complex systems of checks and balances. The role of good corporate practices is ensuring board members and board committees are independent of management thereby taking actions that are of best interest to shareholders according to Micklethwait and Dimond (2021). Toghil (2020) indicated that for companies to improve their operations and performance they require to enhance their corporate governance frameworks' expectations.

The study reviewed Board diversity, Board competence and finally Audit committee as components of governance structures in corporations and establishes the

influence on organization performance of public universities. This will aid in bringing out significant trends of the variables. According to Ekadah and Mboya (2019) Corporate Governance in Kenya has attained much prominence recently mainly because of the dismal performance of corporate entities witnessed in the recent past. Corporate governance system was initiated by the Center for Corporate Governance Kenya which established a voluntary framework for firms and corporate entities to adopt. The agenda was incorporated by the Capital Markets Authority (CMA) as a policy to Nairobi Securities Exchange (NSE) listed firms to mandatory implement company governance structures. Board diversity, board competence and finally Audit committee forms the corporate governance structures that were adopted by corporations forming the basis of this study.

Board diversity is a subject that has received increased attention during the last three decades. Board diversity in terms of age and experience has an effect on the effectiveness of a board to deliver on its core mandate as described by Shahadat (2021). A board entailing older people with more experience is probable to be more effective than a board consisting of young less experienced persons.

Mak and Yuanto (2019) suggested that old and experienced board members are important because of the expertise and technical know-how they bring to the board. Council of Public universities and constituent colleges shall consist of nine members appointees of the cabinet secretary, ministry of education and shall constitute; Chairperson, Principal secretary from ministry of Finance, Principal secretary from ministry of education, five members appointees of the responsible cabinet secretary via an open procedure and the Vice-chancellor who shall be an ex-officio member of the

council as described by Republic of Kenya journal (2020). The university council composes of both dependent directors (Vice-chancellors who have direct links/ties with the university) and the independent directors (Chairperson, Principal Secretaries and five appointed members) who express no material interest in the university. According to Hickman and Silva (2019), boards of directors usually meet on a pre-planned schedule to attend to different organizational challenges and issues. One key organizational factor is the review of organization performance and evaluation of results posted while measuring organization performance during implementation. The board is also mandated to review the performance of an organization should it deem fit. This is usually when the board finds the reported performance not on track according to Dragomir (2021). Firms thrive when the board of directors devotes the majority of its time and intelligence to policy, business development, predicting and working with disruptive technologies, recognizing the competitive environment, and finding contacts with whom to develop strategic alliances or expand into emerging markets in accordance to Senge (2019).

According to Boyle and Jane (2021), management board diversity comprises diversity in gender of the board members. The responsibility of board necessitates a right mix to bring different insights to the management. Management with more women image enjoys additional insights and skills that may lack in a male dominated board. Gender diversity increases effectiveness in problem-solving and monitoring. Generally, board diversity in corporate governance entails existence and inclusion of women directors in management boards. Therefore, this study adopts this definition of gender diversity and its correlation with organization performance of public universities because this is an area not explored by previous studies in a developing country like Kenya.

Carter, Simkins and Simpson (2019) contended that gender is a major corporate governance issue in many organizations. The issues of gender in corporate organization have been brought to public limelight through advocacy groups, media, investors, public policies. Despite these persisted pressures, studies on board gender diversity on organization performance depict conflicting results in accordance to Randoy, Thomsen and Oxelheim, (2020). Furthermore, the correlation between organization performance and gender diversity in non-profit making organizations like public universities deem inconclusive findings. According to public sector proponents, organizations contemplate board gender diversity as a foundation of value in corporate governance and organization performance. Also, the proponents argue that management board gender diversity encourages improved understanding of the organizations market environment. According to Marinova, Plantedinga and Remery (2019) because market environment is diverse, gender diversity conveniently helps organizations to infiltrate these markets. Several researchers have proposed that diversity in management with regard to gender makes problem-solving more efficient since different alternatives are often evaluated in regard to merits and cons. Thus, management that integrates gender diversity tends to possess a substantial effect on organizational performance.

Erhardt, Werbel, and Shrader (2017) suggested that organizations which integrate minorities and women in their management had a direct impact on their performance. The research covered a sample period from 1993-1998 with organizational organization performance gauged via ROA (return on asset) and ROI (return on investment). The study encompassed large firms in different sectors in the United States and although they found positive results but it was hard to attribute these findings to women directors owing

to inclusion of minorities in the sample. The minority also included male directors who were from minority groups or tribes. Contrary, Minguez-Vera and Campbell (2008) conducted a research in Spain and concluded that there exist indirect nexus amidst gender diversity alongside organizations performance where Tobin's Q was used as an indicator of organization performance. The findings from these studies display evidence of the inconclusiveness of the influence of gender diversity on organizations organization performance especially in public universities hence a research gap which forms the basis of this study.

March and Sutton (2019) described organization performance to being effectiveness involved when undertaking a task. Armstrong (2019) however defines organization performance as behavior plus outcomes which are both every business manager's core interests that are carried out in any enterprise. Venkatraman and Ramanujam (2021) agree that there is no consensus about how to define organization performance. Armstrong (2019) describes organization performance to being both behavior & yields, which are any enterprise manager's fundamental concerns. Regarding the entity's measure of performance, there have been no agreement on the best or even the most sufficient method. This is due to a number of views relating to what is considered desirable outcomes of the effectiveness of an organization. Determination of an organization's efficiency and effectiveness is done through its performance measurement. The indicators of performance measurement act as proxies for organizational phenomena according to Henri (2021). Financial measures are utilized by some as a criterion in judging the successfulness or failure of a decision or action.

Studies by Richard et al. (2019) proposed that organization performance comprises of 3 particular entity outcome areas: financial performance i.e ROA, profits, market share return on investment, volume of sales together with shareholder's return. Applying these measures however, have its complications such as inability to access financial reports due reluctance by most managers, leading to researchers relying on fictitious results but not genuine results. Other hurdles of utilizing financial measures entails; year to year inconsistency in savings, constantly dynamic atmosphere complicating comparison of savings several decades after outsourcing a contract against internal operations costs which had been discontinued earlier plus some entities hire services from the onset thus lacking grounds to compare with as explained by Mustafa and Yaakub (2018). The balanced scorecard produces performance metrics based on the mission, vision, as well as strategy of the company. It serves as a metric for assessing the organization's overall performance. It involves the financial aspect, which decides the financial consequences of the organization's various decisions. Service delivery, strategy implementation, human resource development and project implementation are other significant factor to consider.

Brown-bridge (2018) suggests that corporate governance supports the interrelation between the institution and its overall operational atmosphere, the societal and state-political frameworks in which it functions. Similarly, Brown and Caylor (2019) alluded that appropriate corporate outline profits organizations' financial capabilities, reduced capital cost, improved institutional performance and conducive working environment to stakeholders. Corporate governance results to improved institutional performance because managers are well monitored and supervised resulting to decreased

agency costs. Brown and Caylor (2019) concluded that companies having appropriate corporate governance compete dismally visa-viz those with sound corporate governance practices with regard to payment to dividends, returns to stock, profits and reduced potential risks. The feeble corporate governance leads to declined financial soundness exposing the organization to financial risks as well as economic problems while good corporate governance increases investor assurance and market liquidity according to Ren (2020).

In public universities, corporate governance is anchored majorly on principles of governance like academic liberty; meritocracy; financial firmness; and accountability as noted by Kauffeldt (2019). Academic liberty entails responsibility to teaching, train and publish with less restrictions from the employing authority as stated by Kauffeldt (2019). While campus politics has aided in addressing injustices, advocating for democracy, it inappropriately disrupts university environment according to Okioga et al (2018). This adversely impacts negatively on the quality of education in universities. According to Kauffeldt (2020), political interference undermines implementation of meritocracy. The politicization of appointments and promotions witnessed in public universities in Kenya points out poor governance practices in these public institutions hence undermining the principle of meritocracy which vital to good governance. Concerning the principle of financial stability, existing literature alludes that university education in developing nations like Kenya works under raging financial conditions according to Ministry of Education (2022). In Kenya, the establishment of the Commission for University

Education (CUE) to regulate and ensure good corporate governances has resulted to accountability in public universities in accordance to Bloom and Ahmad (2018).

Parker (2019) concluded that appropriate corporate governance structure helps a company to attract investors, mobilize funds forming the basis for good organization performance. In the same line, Nam (2018) while relating the link between corporate governance and organization performance concluding former results to healthier organization performance because managers and CEOs are better controlled and monitored hence reducing the agency costs. Schilling (2016) conducted a study in Europe using sample size of 242 listed corporations and the study concluded that firms with better corporate governance performs highly in terms of organization worthiness. As per OECD (2017) better corporate governance by itself is not an end but leads to economic competence, growth and monetary steadiness. It enhances the availability of capital resources to firms for investment and advocates for equality amongst the stakeholders. Furthermore, effect of corporate governance on firms' efficiency was analyzed by Ayumardani and Kusuma (2016) in a population drawn from universities in Indonesia. The study aimed at investigating corporate governance structures impact on institutions' performance. The author used panel data regression analysis to analyze data from 2000-2017 the results showing a better performance by banks employing corporate governance variables. Nevertheless, the organization dimension is required to be investigated further since the concept of efficiency is much broad.

Firms experience conflicting interests between management and shareholder resulting to agency problems like inefficient investments. For majority-minority shareholder conflict, majority shareholders make use authority in benefiting themselves

as described by Goodstein (2017). The fights are also witnessed in public universities which eventually impact the corporate governance system leading to inappropriate allocation of resources OECD (2018). La Porta (2020) focused on corporate governance and performance by means of cross-country data, whereas other research concentrated on respective nations like United States, South Korea and Germany. According to Yasser (2019) corporate governance can include a variety of mechanisms. These include ensuring a competent board of directors by focusing on the board's characteristics and qualities, aligning goals with strategies, and ensuring accountability. Other practices include having a high level of integrity and ethics, being clear in defining responsibilities and roles, and managing risks effectively.

Various attempts assessing the nexus amidst corporate governance and organizational performance have been made. In the United States (US), Ali (2016) discovered that many organizations strictly adhere to corporate governance codes, with serious penalties for those who violate them. Ali (2016) discovered that board education, accountability, and board effectiveness have positively related with institutional performance in the United States and Pakistan. Vo and Nguyen (2019) found that clarity in accountability is positively correlated with organization performance in a similar study on public universities in Vietnam. In Ghana, Sarpong-Danquah, Gyimah, Afriyie, and Asiana (2018) indicates that board accountability and competence of the board have a significant positive effect on the universities performance and development. According to Javaid and Saboor (2018), key corporate governance practices include disclosure, stakeholders' rights and equity, consistency, transparency, and fairness. Furthermore, responsiveness, inclusiveness, and participation are key corporate governance practices.

In the last 30 years, there have been 11 universities that have shut down operations in South Africa. More than 70% of these failures were caused by poor corporate governance, specifically poor risk management practices and a lack of an accountable, transparent, and competent board in accordance to Isukul and Chizea (2017). Corporate governance aspects such as board accountability, management remuneration mechanisms, and board transparency influence university performance in Europe. Improved corporate governance in Europe has allowed universities to grow, improve performance, and gain international recognition. Balagobei (2018) discovered that audit committees have a significant influence on institutional performance in Sri Lanka.

Locally, Kamau, Machuki, and Aosa (2018) discovered that board committee and audit committee competence and accountable responsibilities influenced higher learning institution performance and development. Ngunjiri (2015) discovered that a transparent and competent audit committee has a positive effect on the performance of publicly state-owned universities in Kenya. The purpose of this study is to determine the impact of corporate governance (Board competence, Board diversity, and audit committee) on the performance of public universities in Kenya. By targeting to scrutinize the association between corporate governance structures and institutional performance in Kenya using sample period from 2012 to 2021, the present study will work in support of Lam and Lee, (2018) line of research. Hence, the need to critically scrutinize existing correlation between corporate governance and organization performance delineating the extent of and trends in organization performance in public universities in Kenya over change in time across the sample period.

1.1.1 Public Universities in Kenya

According to Bailey, Cloete and Pillay (2019), University education in Kenya began in 1947 through colonial governments' proposal to launch a technical and commercial institute providing higher technical education in Nairobi of which the idea was expanded to incorporate the East African region. The idea was conceptualized receiving a Royal Charter as the Royal Technical College of East Africa in the year 1951. The Institution was originally intended to provide training leading to the Higher National Certificate program in the United Kingdom (UK) in preparations for university education at advanced stage according to Mwiria and Nyukuri (1994). Through colonial governments' recommendations, the institute was upgraded into an inter- Territorial University College in East Africa and in 1961, the Royal Technical College was upgraded to a university college of East Africa, adopting the name College of Nairobi as stated by Bailey *et al.*(2017). Upon receiving independence in 1963, the Royal College was upgraded to the University College of Nairobi 1964 forming the basis of university education in Kenya with constituent colleges in Uganda and Tanzania according to Mutula (2020). The University College offered courses in Arts, Science and Engineering as a pre-requisite entry requirement to University of London Bailey *et al.* (2018). According to Mutula *et al.*, (2015), the University College of Nairobi renamed University of Nairobi via parliamentary Act. Since then, the University has full-grown into a top-ranking university in east and Central Africa with Kenyatta College, formerly a teacher-training college was transformed to constituent college of the University of Nairobi in 1972.

Kenya has witnessed tremendous growth in university education from 1972 to emerge as a leading country in terms of university education system in East Africa

according to Bailey *et al.* (2017). From the University of Nairobi with Kenyatta University as a constituent College, offering university education to A-level and O-level graduates, the nation's public university education system has exponentially increased, particularly the number of universities and student enrollment in the universities. Moi University founded in 1984, Kenyatta University (1985), Egerton University (1987), Jomo Kenyatta University of Science and Technology (1994), Maseno University (2000) and Masinde Muliro University of Science and technology (2007), accumulating to seven fully-fledged universities in Kenya by 2007 according to Onsongo (2017). By 2013 the number of public universities had increased to 22 fully-fledged public universities through governments' intervention in order to meet the increased demand for university education. Kenya has 31 fully accredited chartered public universities according to CUE (2018).

Kenya's university education system is a harbor for human capital development necessary for a country to realize its socio-economic development goals and sustainable development goals and remain globally competitive enabling Kenya realize its Vision 2030 agenda according to Ministry of Education (2021). The Kenyan government has heavily invested in education sector across all levels. However, the tremendous development of the education system has happened matched with less effective policies for preservation of equilibrium between quality and quantity. Pre-existing literature alludes that in Kenya, just as many developing nations, the 'massification' of university education arouses many concerns about the value of university education. For instance, the robust growth in university education in Kenya is not complemented with availability of resource inputs necessary for higher education standards, value and significance

according to Okioga et al. (2018). Similarly, study by Odhiambo (2019), resolved that public universities in Kenya shaped less-equipped human labor that is not competitive enough in global world. These findings are in contrast with the expectation that universities prepare a knowledgeable, highly-trained labor force which is competitive in the global labor market according to Nyangau (2017).

Commission for University Education (CUE) initially the Council on Higher Education mandate was extended to cover public universities in line with earlier focus on accreditation of private universities. The CUE is mandated to control, manage and guarantee quality in university education and relevance of university programs according to the University Act (2015). According to Munene (2016), the commission, though, has fall short in enforcing quality compliance in public universities due to organizational constraints. Higher learning institutions and public universities in Kenya are founded based on the Act of Parliament, Universities act (2015), which provides creation, authorization and improvement of university education and making of governing policies as stated by Onsongo (2017). To improve the corporate governance management and efficiency in managing public universities, the Commission for University Education (CUE) was founded under the University Act CAP 210b as a corporate body to oversee the management and provision of quality assurance services by public universities in Kenya according to CUE (2017). Despite the oversight role offered by the Commission for University Education, public universities have plunged in financial crisis to a point of accumulating debts and inability to raise staff salaries. These could majorly be attributed by decline in national government funding to universities and inappropriate corporate governance practices leading to failures in organization performance.

According to Republic of Kenya (2018), state funding to public universities has immensely declined leading to reduced University output in terms of quality of teaching, research development, infrastructural development and provision of fundamental services in the universities. Subsequently, the government advocates for quality education and research in public universities and contributes to quality education through hiring qualified staff in teaching and administration and provision of building and infrastructural facilities according Republic of Kenya journal (2020). Public universities have embarked on diversified initiatives to generate more organization resources to augment government funding. Student and staff unrests experienced in public universities is as a result of inadequate organization resources available plunging the institutions into organization problems. To mitigate these problems, the universities need to have an effective corporate governance system to offer oversight role and control for a sound organization performance system. Although university management boards are in place, public universities continually experience management challenges including; fees increment challenge, delayed payments, student and staff social unrest with all emanating from corporate governance and organizational disorder as stated by Marongaet *al.*, (2018). With unrestricted corporate governance practices coupled with organizational problems, the public universities' organization performance has been crippled resulting to financial distress. Despite the patent signals for better organization performance through application of corporate governance structures, much focus is on business entities and corporations but not public universities. This study therefore, seeks to provide new empirical estimates by investigating the influence of corporate governance practices on organization performance of public universities in Kenya.

1.2 Statement of the Problem

Public universities rely largely on government subsidies to run their operations. The government currently covers 57% of the learner's capitation to meet recurrent expenditure with little for infrastructural development in accordance to Republic of Kenya (2020). The Kenyan government has reduced funding to public universities by US\$ 400 million for 2021/22 financial year. Universities will have to take a 26% reduction from US\$ 1.53 billion to US\$ 1.13 billion as a cost-cutting initiative due to corona virus crisis hurting the revenue collection. Prior to the pandemic, the government had committed to increase capitation substantially to public universities to US\$ 1.76 billion by the end of 2023. According to University World news (2020), public universities have accumulated pending bills which pose adverse effects and potential risks to operations of public universities occasioned by financial constraints leading to student and staff unrest. According to National treasury data, public universities have accumulated statutory debts totaling to US\$ 190 million owed to Kenya Revenue Authority which is an addition to outstanding statutory debts to pension's schemes, staff savings and university SACCO's.

The main difficulty facing Kenya's public universities has been diminishing government financing for staff strikes, as well as recurrent student strikes. As a result, in order for university administration to attain high organization performance, it is essential to foster and improve corporate governance, with a focus on both internal as well as external stakeholders. With decreased government funding and pre-existing statutory debts, public universities are experiencing occasioned staff industrial actions, student unrests and low intakes to government sponsored students, hence, the need for alternative

sources of funding like fees increment in order to achieve both academic goals and remain financially sound. According to Solomon and Solomon (2019), to achieve good performance, an institution or firm has to enhance and embrace appropriate corporate governance to address internal and external factors.

The inspiration for this research stemmed from apparent discrepancies in research results and a flurry of public debate in Kenya over rising levels of corruption as well as lack of accountability among individuals in positions of leadership, particularly those in Kenya's public universities according to Monyoncho (2019). With government funding for public institutions dwindling, one of the most vital ways for organization performance improvement is to implement solid corporate governance into systems. Kumudini (2021) observed existence of non-linear link between organization performance and corporate governance practices while Wan and Ong (2018) observes that corporate governance practices possess negative link with organization performance, hence, existence of research gap. These two studies present a conceptual gap as they did not consider gender diversity as one of the corporate governance practices.

In Kenya, research work exist on corporate governance practices and firms' organization performance; Otieno (2018) conducted a research in relation to banking industry; Munyao (2016) focused on forex and capital market; Otieno et al. (2018) narrowed down to SACCOs. These studies present a contextual gap as public universities were not addressed. Similarly, few studies decomposed corporate governance practices into; board diversity, board competence and board audit committee as explanatory variables with organization performance being the explained variable. Therefore, there exist a multi-sectorial contextual difference in corporate governance practices and

organization performance across different sectors in Kenya with few studies focusing on public universities hence existence of knowledge research gap. This study therefore, sought to establish influence of corporate governance practices on the organization performance of public universities in Kenya to fill the existing knowledge research gap.

1.3 Research Objective

1.3.1 General objective

The main objective of the study was to identify the effect of corporate governance practices on organization performance of Kenyan public universities.

1.3.2 Specific Objectives of the Study

The study was guided by specific research objectives as listed below;

- i. To investigate how board competence affects the performance of Kenya's public universities.
- ii. To establish how board diversity influences the performance of Kenyan public universities.
- iii. To examine how Audit committee impacts the performance of Kenya's public universities.

1.4 Research Questions

The study was guided by the following research hypotheses;

- i. To what extent does board competence influence performance of public universities in Kenya?
- ii. To what extent does board diversity influence performance of public universities in Kenya?

- iii. To what extent does the audit committee influence performance of public universities in Kenya?

1.5 Significance of the Study

1.5.1 Management of Public Universities

The research conclusions are significant to the management of public universities in determining if corporate governance practices enhance their organization performance. The outcomes of the research may be beneficial to the management boards of public universities that integrate corporate governance practices, as they will offer insights regarding corporate governance's best practices for improving organization performance, thereby affecting their decision-making in the operation of public universities.

1.5.2 Commission for University Education

The study findings will also be useful to Commission for University of Education and Ministry of Education, government agencies responsible for formulating appropriate corporate governance policies and practices guiding corporate governance implementation in public universities in Kenya. The study findings will provide vital insights which may aid in formulating corporate governance's new policies for driving the education sector to realize its academic goals and remain sound to achieve the vision 2030 and sustainable development goals in Kenya.

1.5.3 Scholars and Academicians

Scholars or researchers who are interested in corporate governance and how it affects organization performance in businesses, especially in public universities, will benefit from the study's conclusions. It lays the groundwork for future research, filling in gaps in the body of information about corporate governance and its impact on organization

performance. The conclusions will be a guide in strategizing corporate governance systems in the institutions and provide empirical linkage between corporate governance and organization performance for further research in public as well as private universities in Kenya using different methodologies.

1.6 Scope of Research

Because of the wide range of corporate factors influencing organizational performance establishment, this study focused on the functionality of performance activities in Kenyan public universities. The study was restricted to Kenyan public university officials. Conceptually, this survey intended to identify three elements that influence the success of performance administration in Kenyan public universities: board diversity, board competence and audit committee. Contextually, this research was carried out in Kenya, specifically in the Nairobi region, which has the highest concentration of public universities. Data was gathered from council members in charge of the public universities. These officials were chosen as responders based on their expertise and experience in managing operations, and were thus able to provide relevant information about corporate governance in public universities. The population was the 26 public universities under the Kenya Commission of University Education (2021). Methodologically this study used a descriptive research design with a population made up of Kenyan public universities. Structured questionnaires were useful in assembling primary data. The primary data was gathered from the council members of public universities.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The aim of a literature review is to identify and evaluate the work of other scholars and researchers on the study variables. This analysis will include comprehensive knowledge of what has been studied and will serve as a foundation for interpreting the study results as well as overcoming the shortcomings of previous research. The subsection examines the literature on corporate governance practices, organization performance and their relationship from a theoretical and empirical perspective. The chapter starts with a discussion of the theories that underpin these concepts, a conceptual context that shows the conceptualized relationship between the study variables, a review of empirical literature on the concepts that shows correlations and inconsistencies, a critique of existing literature, and a discussion of research gaps.

2.2 Theoretical Review

2.2.1 Stewardship Theory

The stewardship theory was put forward by Donaldson and Davis (2008). The theory denotes that if organization directors are left to work independently, they tend to perform their assigned responsibilities as accountable stewards in control of organization assets and shareholders. Further, the theory notes that, stakeholders' welfare is optimized through execution of management responsibilities and firms' leadership according to Donaldson and Davis (2008). Stewardship theory is a key fundamental theory of corporate governance. Its provisions suggest that dependent director's resolves to perform their duties well hence better stewards safeguarding firms' assets. The theory emphasizes the

significance of corporate management structures. It notes that performance disparities in an organization result from the structural organization in terms of leadership and management. The concern mostly revolves around firm structures enabling the management to form and implement strategies for improved corporate performance as noted by Donaldson (2013). Corporation management structures are guaranteed to enable the attainment of the firms' goals through empowerment of management.

The structures in public universities enables the Vice-Chancellors to achieve greater performance in their public institutions compelling the VC's or university councils to exercise total authority over the institutions and that their responsibilities are diverse and unrestricted. This has an implication the stewardship theory not only promotes management incentives but also empowering corporate governance structures according to Donaldson and Davis (2008). This theory significantly highlights the stewardship importance in corporate leadership and corporate governance even in tertiary institutions including public universities.

2.2.2 Fiduciary Political Theory

Contemporary Fiduciary political theory developed by Andrew Shorten, (2017), shows Fiduciary political theory as an activity not a body of knowledge. It can be described as what we do not what we know, we use this theory every time we reason about important political matters. Basically, this theory involves trying to know how we are supposed to live together. For example, we apply it when we ask about how we can design policies or if we need to modify electoral system or even the constitution. Frequently, political theorists address the questions by asking different questions which are more abstract and less familiar, which include nature, freedom, democracy, justice, rights plus equality,.

Though the questions are less regularly subjects of heated conversations in clubs and dinner tables, they are significant to people who they care about according to Shorten (2017).

Dryzek, Honig and Phillips (2016), in “Overview of Fiduciary political theory” book, described Fiduciary political theory as intern corrective outfit with the basic purpose lying at humankind’s discipline of political science. Fiduciary political theory customs, methods, vary though the ground is united by pledge to speculate, assess, and analyze the customs, does, and association of political deeds in the past as well as present, in our homes or outside. What seems sometimes thoughtful is the disparities in people’s views and feelings, as political theorists observe a worry with justice demands and how they should be fulfilled, the assumptions and pledges of democracy, the divisions between the secular world and the religious ways, natures and identification of public good etc.

Fiduciary political theory sometimes seems to lack essential identity. Certain practitioners seek to correct the apparent lack by putting fiduciary political theory to its rightful role as arbitrator of general questions and explorer timeless texts or by recurring the focus to put the theory to history. However, majority have a robust sense of their aptitude. Many understand the within riven and undefined character of the ground as thoughtful of taking along with encounters and possibilities of the condition. In the past two decades, profuse, acute, and structuralism theorists in their very diverse ways have answered to the failure of old norms concerning unitary nature of state characteristics. They reconsidered the assumptions and denotations of individuality, frequently refusing unitary beginnings and moving in the direction of more varied, varied, or agonistic

beginnings in their place. The likenesses have impacts in the field's own insight and understanding. This review of the function and role of the limitations of the academic disciplines which may help, political theorists to find if diversity as an asset and a forte other than weakness in essential of refinement in accordance to Dryzek, Honig and Phillips (2016)

Fiduciary political theory brings approach of developed voting funding from shareholders, slightly by buying elective power. Henceforth partaking political effect in company's governance inside the association. Community interest is much earmarked as government contributes in company decisions, putting into account cultural encounters as described by Pound (2018). The political model sights out the distribution of company's control, incomes and rights which are determined using the governments' approval. The political way of company's governance is considerable effect on governance growths. Over the last years, public universities have had strong political impact on governments leading to arrival of politics into the governance organization of firm mechanism.

2.2.3 Stakeholders' Theory

This theory was pro-founded by Freeman (1984) in regard to corporate social responsibility. The theory advocates that an institution has shareholders with diverse interests and expectations. The interests of each shareholder has a significant value hence the institution should accommodate the interests significantly. The theory has gained importance as studies reveals that operations of an organization like public universities impacts the surrounding environment hence the institutional management should majorly focus on societal goal rather only working to the interest of stakeholders. The stakeholder theory negates the assumption that managers who in the current study are the Vice-

chancellors in public universities have the sole responsibility of making decisions to run the universities. The university management council is significant in decision-making which should be in line with the interest of the various stakeholders including the student fraternity and the non-teaching staff hence reducing cases of social unrest in the institutions. This theory recognizes that corporations have a mandate to attain the desires of the owners but more significantly work in the interests of the society at large according to Donaldson and Preston, (2009).

The theory suggests that organizations needs to outspread the mandate bestowed upon them to safeguard the interest of the society and external environment from which it operates as stated by Freeman, (1984). As such, firms that meticulously attempt to serve the benefits of broader groups (community) like public universities accumulates great sense of value over long period of time hence greater institutional performance in accordance to Harrison & Wicks (2018). This theory therefore is of significance to the study since it describes the association between welfare of the shareholders, institutional performance and societal interest.

2.3 Empirical Review

2.3.1 Board Competence in Performance of public universities in Kenya

Zhao, Teng, and Wu (2018) conducted a study in China to investigate the impact of board of director's competence on the performance of Chinese universities. Hand-collected data from Shanghai university council and Shenzhen university council in 2017 was used in the study. The research involved a total of 12 universities. According to the study findings, having a competent board is critical for performance because board competence

(in terms of education and technical qualifications, experience, and skill diversity) has a significant positive effect on institution performance.

According to Kitui's (2017) study, current global events involving high-profile corporate failure can be traced back to the effectiveness of board composition and competence. Kitui (2017) investigated the impact of board composition on the performance of private universities. Secondary data was used in the study to measure performance, with annual financial reports obtained. All of the private universities were included in the target population. According to the study findings, composition variables such as independence and age influence member competence. Kitui (2017) suggests that the variables be used to direct managerial functions within organizations in order to improve performance. The findings are consistent with Javed, and Lodhiand Malik (2018) research, which demonstrates the importance of board structure on institution performance. According to the authors, the competence and transparency of board committees has an adverse impact on organization performance.

According to Mwaura (2019), accountability is a major challenge for businesses worldwide due to misappropriations and corporate scandals. The study sought to investigate the impact of financial accountability on the performance of non-governmental organizations in Kenya.

A semi - structure questionnaire was administered to 38 respondents in the descriptive study. The study's dependent variable was financial performance, while the independent variable was accountability. According to the findings, institutions that used financial standards to improve accountability received more donor funding, which resulted in higher performance as noted by Mwaura (2019). Muttaqin and Mulyasari's

(2018) findings support this argument by exemplifying the relationship between accountability and performance. The authors point out that improving the effectiveness, accountability, and efficiency of the public sector results in measurable and clear performance. Muttaqin and Mulyasari (2018) discovered that the fundamental concepts of accountability are based on marginal responsibilities at all levels of organizational management. Mbithi and Wasike (2019) investigated the impact of accountability and transparency on the long-term viability of Kenya's education sector. The target population consisted of 495 workers from Kenya's education sector, from which 222 respondents were chosen. According to Mbithi and Wasike (2019), the actions of the board and top management staff are critical in improving accountability strategies. According to the study's findings, accountability and transparency have a positive and significant impact on the education sector's sustainability.

Waduge (2019) conducted a study in Australia using a sample of 37 public universities and yearly reports as source of data to investigate the correlation amongst corporate structures and the performance in universities. The study posted contradicting findings on the association components of corporate structures and institutional performance. Launch of university council committees posted significant and direct association with university organization performance. Contrary, the size of the council and frequency of council assemblies had statistically insignificant effect on the general university performance. The independence of the university Council indicated an inverse inter-relation with university performance. Furthermore, reporting transparency had a statistically insignificant effect on university performance during the study period. Unlike study by Waduge (2019), the current study will be based in Kenya to investigate the

impact of corporate governance on organization performance of 26 public universities chartered by CUE. The study will employ use of census approach to aid in data collection. Multiple linear regression will be conducted to statistically determine coefficient estimates of corporate governance practices; board competence, audit committee and board diversity as explanatory variables unlike Waduge (2019), which used council committees, number of council meetings and size of the council as corporate governance practices.

Kamau (2018) conducted a study in Kenya using exploratory-research design with sample of 162 financial institutions determined the corporate governance effect on organization performance. The study findings showed that corporate governance structures had a statistically substantial impact on organization performance. To the contrary, respective corporate governance practices indicated mixed results with regard to the impact on the explained factor. Expertise of the board as an indicator of corporate governance significantly and directly impacted performance of the financial institutions whereas independence of the board, size of the board, diversity in gender indicated insignificant effect on organization performance among the financial institutions, hence signifying contradictions and comparisons with studies in literature. Company performance was hypothesized in relation to financial security, client focus and interior business processes. Kamau (2018) focused on financial institutions which are profit-making institutions while the current study focuses non-profit making organizations hence the proxies for financial indicator in public universities will entail financial stewardship.

Paramitha, Agustia and Soewarno (2020) conducted a study in Indonesia on theoretical association of better governance practices and university performance. Based on findings, conclusion made was that there exist an insignificant association between structures of corporate governance and performance in universities. Similarly, Garaika, Siswoyo and Zainal (2020), performed a research in Indonesia using a sample of 240 lecturers from universities and concluded that corporate governance practices had no substantial effect on private universities performance. The research employed; transparency, answerability, credibility and fairness as proxies of corporate governance structures while performance indicators included finance and satisfaction by clients based on scorecard balance theory according to Kaplan and Norton (1996). The current study will use financial stewardship, service delivery, strategy implementation, human resource development and project implementation as a measure of organization performance unlike study by Garaika, Siswoyo and Zainal (2020). The findings by Paramitha, Agustia and Soewarno (2020) were relevant in Indonesia which cannot be used as a generalization to the Kenyan context hence need for new empirical insights. Similarly, study by Paramitha, Agustia and Soewarno (2020) was based on both public and private universities and their general performance while the current study will narrow down and focus on organization performance of public universities.

Wanyama and Olweny (2019) analyzed the influence of corporate governance structures on the organization performance private sector entities; insurance firms, Kenya. The study used proxies of management board size, CEO duality, management board composition and leverage as governance practices and aimed at determining how they influence the organization performance i.e ROA and ROE. The study concluded that

management board size inversely influences organization performance of the firms while there exists a direct-positive association between board competence and organization performance. Furthermore, seclusion of the CEO and Chairman's responsibilities positively impacted the organization performance of the listed insurance companies. In addition, Emesuanwu and Shammah (2020) carried out research on corporate governance and performance of microfinance enterprises in Nigeria. The research concluded that the board composition and board committees recorded a substantial influence on the performance of SMEs in Nigeria. The study employed use of Earnings per Share (EPS) and Return on Assets (ROA) as proxies for organization performance. However, the study recorded no substantial effect of governance structures on return of assets as an indicator of organization performance of SMEs.

2.3.2 Board Diversity and Performance of Public Universities in Kenya.

Erhardt, Werbel, and Shrader (2020) conducted a study in USA between 2007 and 2020 discovered that organizations with minorities and women in their boards had a direct impact on their performance. Organization performance of the organization was measured by ROA and ROI. The study included large firms in all sectors in the United States and although the study found positive association but it was hard to attribute these findings to women directors owing to inclusion of minorities in the sample. The minority also included male directors who were from minority groups or tribes. This finding has also been supported by other studies; Miguez-Vera and Campbell (2018) in Spain found that there was a negative impact of gender diverse boards on organization performance where organization performance was assessed by Tobin's Q. These studies show evidence of the inconclusiveness of the effect of gender diversity on organization

performance of firms. Bøhren and Strøm (2019) found a negative connection between organization performance and board gender among Norwegian organizations. Garaika Zainal (2020) found a positive association between board diversity and banks' performance among OECD nations' banking sector hence the effect of gender diversity on multi-sectorial firms' organization performance is ambiguous hence need for new research.

Abdukareem, Sheu and Kayonde (2019) did research in South-West Zone in Nigeria. The research explored the correlation between corporate culture, gender diversity and accomplishment of university goals. The study findings indicated that corporate culture and gender diversity in universities in South-West Zone region of Nigeria was both interconnected as well as bureaucratic in nature which significantly influenced the attainment of goals set by the universities. Study by Abdukareem, Sheu and Kayonde (2019) was based in Nigeria and focused on corporate culture and university goals while this current study will be conducted in Kenya focusing on corporate governance and organization performance of public universities.

Nyangau (2017) investigated tertiary education as a tool of economic development in Kenya. Without the necessary restructure of governance in public higher education institutions, the changes will fall short. The participants wanted to boost administrative efficiency, transparency, and accountability. Higher education institutions are not designed to be completely self-contained. In this respect, it is accepted that the Commission of University Education (CUE) has oversight responsibilities; hence a rigorous structure for substantive monitoring has been developed, linking autonomy to both accountability and transparency. However, the study failed to examine corporate

governance and organization performance of Kenyan public universities. This research gap motivates this current study to empirically determine corporate governance impact on organization performance of public universities. Unlike the studies discussed above, the current study will analyze secondary data using OLS multiple regression to establish the effect of board diversity, board competence and audit committee on organization performance of public universities in Kenya. A general consensus on the impact of corporate governance on organizational performance, particularly in public universities, has yet to be formed, indicating the need for more research into the correlation between the two variables. Thus, these research gaps motivate the objective of this research which is to establish corporate governance effect on the organization performance of Kenyan public universities.

2.3.2 Audit Committee and Performance of Public Universities in Kenya.

Araoye and Olatunji (2019) sought how performance of Nigerian listed insurance companies is affected by board activism. Using 15 quoted insurance companies existing on the Nigeria stock exchange in the year 2006-2019, the research examined the way board and audit committee meetings influences organization performance. The yearly records of the opted entities were the source of collated data while Panel data regression alongside Descriptive analysis aided in its analyses. The outcomes highlighted that the board meeting and the firms' performance as gauged via ROA, Tobin's Q including ROE has insignificant and negative relationship. The Regulatory authority was recommended that skill and experience of directors at board meeting are key to good performance. The findings by the latter study were drawn from Nigerian listed insurance companies which cannot be used as a generalization to the Kenyan public universities context hence need

for a new empirical study in Kenya to explore corporate governance practices impact on organization performance of public universities.

Qadorah and Fadzil (2018) based the study on the listed firms in Jordan with the aim of finding the internal corporate governance techniques effects in relation to the traits of board of directors such as: independence of board as well as board meetings frequency on the institution's performance. With the help of the listed firms in the Amman Stock Exchange, the survey utilized Cross-sectional datum for the year 2013 with a sample size of 64 industrial establishments. In gauging the entities' performance, an accounting-based performance measure that is; ROA was applied. The method used to test the hypotheses as well as survey the impacts of the board of directors' traits namely (board independence plus board meetings frequency) on the organization performance was multiple linear regression analysis. The results indicated a positive plus notable correlation amidst board independence and ROA. However, it unveiled that the connection amidst the frequency of board and audit meetings and organization performance is insignificant as measured by ROA. The findings show a possible significant influence on organization performance through the role of more independent board. The research shows that the frequency of board and audit committee meetings has insignificant influence on the performance of industrial Jordanian firms; this was contrary to the expectation. This research will focus on effect of corporate governance practices; board diversity, board competence and audit committee on organization performance of public universities in Kenya. Ordinary Least Square multiple-linear regression mechanism will be adopted in determining the coefficient estimates of the explanatory variables and determine if they significantly influence organization performance of Kenyan public universities.

Eluyela et al. (2018) tested how the board meeting frequency influences organization performance of Nigerian deposit money banks. The research used the data gotten from yearly reports of the quoted deposit money banks on Nigeria stock exchange market. A panel regression was employed testing the significant relationship amid variables. The findings showed that board meeting frequency is positively linked to the organization performance. However, the results also indicated that size of the board was positive alongside insignificant while the entity size was vice versa. The management of banks were recommended to rise the board meetings frequency by holding them at least quarterly. Through the advice the sampled deposit money banks will have complied with the Nigerian good governance code which states that companies must meet at least once in every four (4) months. This study posted inconsistent result and was also conducted in Nigeria whose findings cannot be used as a generalization to Kenya's public universities hence necessitate a survey for Kenyan context.

Landier and Gabaix (2019) probed how the organization performance of quoted institutions in organization year are affected by board meeting frequency. The survey covered year 2013 to 2018 consisting of 94 institutions quoted at Ho Chi Minh Stock Exchange. The organization performance is measured as return on sales, return on asset alongside return on equity. From the sampled firms, it's evident that board meeting frequency adversely influences the organization performance. Increase in board meeting frequency causes a corresponding deduction in returns on equity, sales plus asset. Generally, the quality of board meetings results to positive contribution on organization performance. Unlike Hanh et al. (2018) emphasized on transformational leadership and job satisfaction in tertiary institutions, the current study will use corporate governance as

the explanatory factor while public universities organization performance as the explained factor. Secondary data will be collected to aid in regression analysis for coefficient estimates of the explanatory variables to test the statistical significance of the model.

Al-Daoud, Saidin and Abidin (2019) seeks how the performance of institutions quoted on the Amman Stock Exchange from industry and service sectors from year 2009-2019 is impacted by board meetings frequency. Using the dynamic panel technique of Generalized Method of Moments (GMM), the study controls for endogeneity and simultaneously puzzles. The research detected that the frequency of corporate board meetings and organization performance has a positive relationship. The meetings enable; board members identify problems affecting operations through discussion and engagement among themselves, frequency meetings improves the process of decision making henceforth the entity's performance. The results indicate that lagged dependent variable is crucial in explaining the relationship, which further indicates the appropriateness of the estimation models in the study.

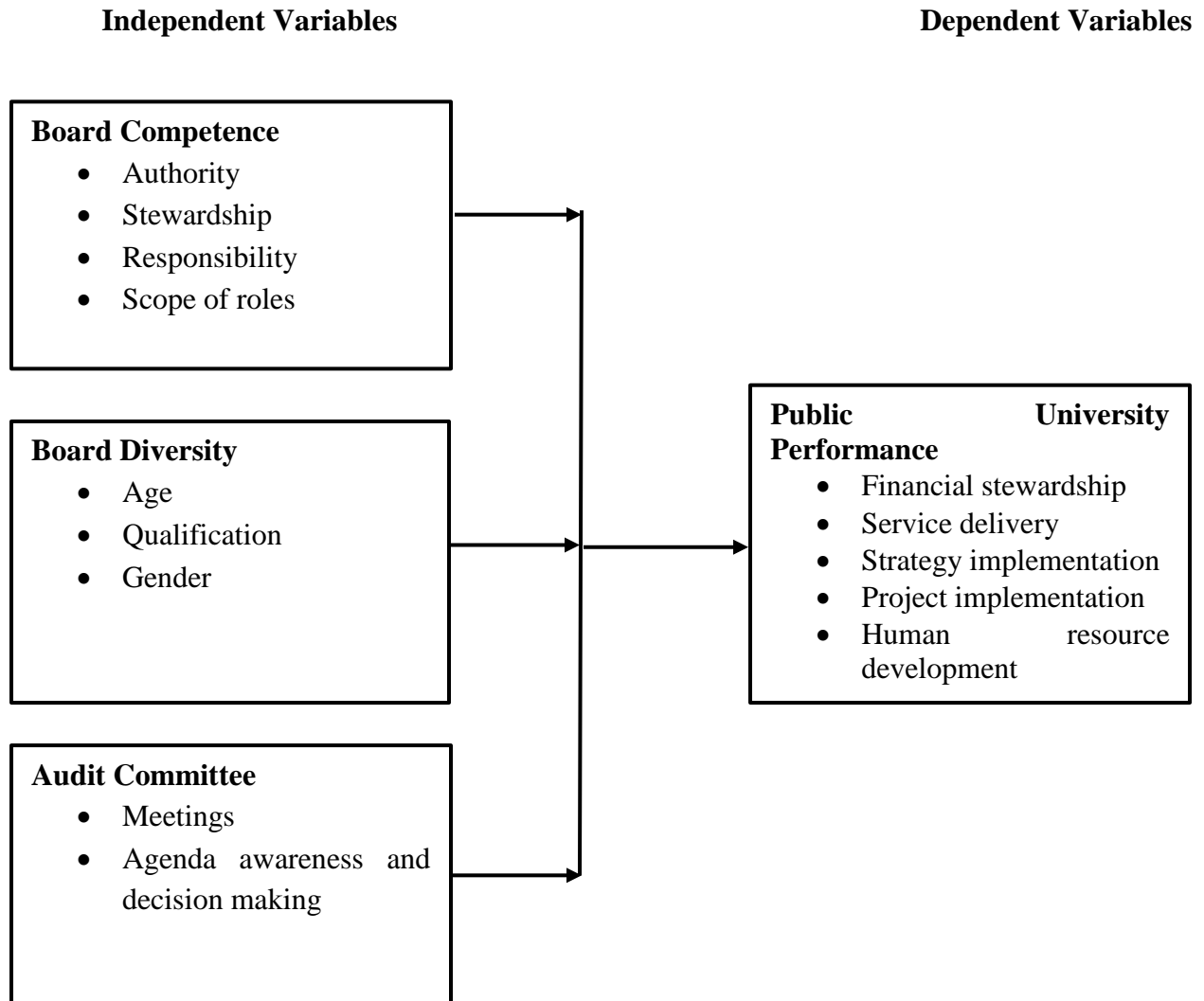
2.4 Conceptual Framework

A conceptual framework is a graphical illustration elaborating the inter-relationship between explanatory and explained factors. Figure 2.1 depicts organization performance as predicted factor while corporate governance decomposed into; Board diversity, Effect of board competence and finally the Audit committee are the predictors. In addition, Hendrickson and Lane, (2018) postulated that Governing boards have imperative tasks in following five domains: articulating the institution's mission, guaranteeing outstanding leadership, sustaining organization solvency, self-reviews including external relations.

According to the Association of Governing Boards (2015), governing boards of universities also colleges are not converting public concerns regarding higher education into action in the boardroom, and the present gap amidst society plus governing board members of higher education is widening. The failure of governing originates from boards governance where members of board governing sometimes don't consider expertise which is an essential to carry out legal responsibility over an institution hence campus structure and management are not apprehended according to Hendrickson and Lane (2018).

According to Calhoun and Kamerchen (2020), significant efforts have been made to research board structure and trustee behavior relation to trustee cooperation and committee structure. More Often in an association, there exist intervening factors like government policies have an indirect impact on both dependent and independent variables. The government policies have been found to have a critical role in establishing the worth of corporate governance and organization performance of public and private institutions. Public institutes in emerging economies are faced with less autonomy hence inappropriate regulatory framework. According to Black (2018), public sector establishments are controlled and managed by the government's authorities exposing them to leadership challenges.

FIGURE 2.1:
Conceptual Framework



2.5 Measurement of Study Variables

The measurement of the independent and Dependent variables was as displayed in the operationalization Table 2.1 below.

TABLE 2.1:
Operationalization of Variables

Variable	Indicator	Applied Literature	Measurement scale	Type of scale
Board Diversity Age Qualification Gender	Male and female composition of board of directors. Level of education and experience and skills attained Age distribution among the board	OECD (2018)	Five point Linkert scale	Interval
Board Competence Authority Stewardship Responsibility Scope of roles	Technical and professional Competence. Reporting structure. Clarity of power and Authorization. Clarity of responsibilities in the	OECD (2018)	Five-point Linkert scale	Interval

	<p>institution.</p> <p>Answerability to all stakeholders.</p>			
<p>Audit Committee</p> <p>Meetings</p> <p>Agenda awareness and decision making</p>	<p>Number of meetings held annually</p> <p>Adequate information is provided on the agenda items.</p>	<p>OECD (2018)</p>	<p>Five-point Linkert scale</p>	<p>Interval</p>
<p>Public university Performance</p> <p>Financial stewardship</p> <p>Service delivery</p> <p>Strategy implementation</p> <p>Project implementation</p> <p>Human resource development</p>	<p>Goals and Objectives attained.</p> <p>Commitment to the mission and vision of the programmes</p>	<p>OECD (2018)</p>	<p>Five point Linkert scale</p>	<p>Interval</p>

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents data collection methods regarding the key variables under investigation. Research design, description of the population, datum assembling along with techniques of analyzing data was captured. Estimation of the model was also discussed in this chapter.

3.2 Research Design

The conceptual context surrounding the carrying out of the survey refers to research design. The study applied a Descriptive Research Design and focus on determining whether a cause-effect correlation exists corporate governance plus organization performance of Kenyan public universities. Causal design aids in explaining how the change of independent variables result in a change in the dependent variable in accordance to Samii (2019). Descriptive research design helped in explaining how change in board composition, board meetings and gender diversity variables result into a change in organization performance as a dependent variable. Thus, the design was deemed suitable for the study whose main objective was to establish the long term and cause effect relationships between corporate governance and organization performance variables under study according to Sweidan (2018).

3.3 Target Population of the Study

The population is the entire group of individuals or things of interest to which the results of the research are intended to apply as described by Sekaran (2017). Sahu (2015) defines the population of the study as the totality of well-defined objects. The target population of

the research entailed 26 public universities chartered by the Commission of University Education (CUE) in Kenya. The study therefore adopted census survey because the population was relatively small. The corporate governance practices included; board competence, board diversity, audit committee characteristics and organization performance.

3.4 Sampling and Sampling Procedures

A census technique was used for the study targeting 26 public universities in Kenya. This kind of sampling is used when it is tenable to reach all the individuals sampled in this study thus all the 26 respondents targeted were sampled. The unit of analysis was 2 council members in each University.

3.5 Research Instrumentation

To collect primary data for this study, a structured questionnaire was adopted. According to Hakim (2019), the choice of questionnaires is influenced by their practicability and ability to assemble large amounts of datum at a low cost. The questionnaire was also used because the collected data was easily quantifiable, allowing for quick and accurate data analysis procedures. According to Jost (2018) the questionnaires used in this study will fall into the category of self-completed questionnaires. The study distributed self-completed online questionnaires by handing them over to the respondent, who filled them out and return the questionnaires. Questions were designed to have closed ended questions. Through such questions the academician is in apposition to derive specific answers. The questionnaires were distributed to two council members in each university.

Permission to collect data was sought from relevant authorities. The resource persons were deemed to be knowledgeable enough, and therefore able to respond to the

research questions. The researcher administered 52 copies of the questionnaire to the respondents for collection of quantitative data. The researcher dropped the questionnaire to selected respondents who were assumed to be well conversant with corporate governance. To guarantee that copies of the questionnaire sent to respondents are obtained, caution and monitoring was practiced. To do this, the researcher kept track of the number of copies of the questionnaire that are distributed and collected.

3.6 Pilot Study

The pilot test is designed to fine-tune the questionnaire such that participants had no difficulty responding to the questions and thus no difficulty capturing data. Furthermore, it allows for a review of the question's validity and dependability prior to beginning the major data collection. Preliminary analysis based on pilot test data may be performed to determine whether the data obtained is adequate to answer the investigation questions. Depending on sample size, a pretest sample may range from 1% to 10%. The pilot test constituted 10% of the total sample size in this study. With a 52-person sample size, 5 questionnaires (representing 10% of the total sample size) were piloted by distributing them to excluded participants during the final study sample. As a result, 5 surveys were conducted at two comparable public universities, Kenyatta University (KU) and the University of Nairobi (UON).

3.7 Reliability and Validity

This assessment considered both concept and content validity. The construct validity was assessed using Keyser Meyer Olkin (KMO) and Sphericity in the study. To ensure content validity, the questionnaires were thoroughly tested on some randomly selected public university council members. They were asked to rate the questionnaire's

statements for relevance. The study also included a reliability analysis to ensure the consistency of the questionnaire. Gravetter and Forzano (2015) define dependability as the extent to which a study gadget produces similar outcomes even after repeating the tests. Cronbach's alpha was applied in appraising the research's validity. According to this concept, the minimum alpha value for a reliable data gathering instrument is 0.5. To determine reliability, the questionnaire feedbacks were entered into the statistical program for social sciences (SPSS) and the Cronbach's alpha coefficient was calculated. When the internal consistency dependability is high, Cronbach's alpha is close to one. Cronbach's alpha is set to 0.7, as recommended by Cronbach's alpha. The results of reliability test were as shown in Table 3.1

TABLE 3.1

Reliability Results

Variables	Cronbach's Alpha	Critical Value	Conclusion
Board competence	0.763	0.7	Reliable
Board diversity	0.776	0.7	Reliable
Audit committee	0.826	0.7	Reliable
Market development strategy	0.813	0.7	Reliable
Organization performance	0.883	0.7	Reliable

3.8 Procedure for Data collection

The term "data collection" refers to the acquisition of subjects and the gathering of information required for an investigation; data collection methodologies vary depending on the research design according to Kothari (2016). Structured questionnaire was the basis of gathering primary datum for the research. Online questionnaires were used in this study. In addition, scheduled phone calls were used to check on respondents' questionnaire responses.

3.9 Diagnostic Tests

The study included normality, multicollinearity, and heteroscedasticity tests. The diagnostics were performed to avoid performing regression analysis on erroneous data.

3.9.1 Multicollinearity Tests

The presence of more than two explanatory variables in a multiple regression model that are substantially linearly connected is defined as multicollinearity. Which is assessed via VIF, the variance inflation factor. If the VIF value is greater than 10, multicollinearity exists. According to Bryman and Bell, VIF 10 implies the presence of multi-collinearity (2018). By removing highly correlated independent variables with values greater than 10, multicollinearity was eliminated.

3.9.2 Heteroscedasticity

According to William (2019), heteroscedasticity gives equal weight to all observations, causing standard errors to be discriminated and, as a result, a false conclusion when testing the hypothesis. The Breusch-Pagan test was used to determine whether the data was heteroscedastic. According to the rule of thumb, the data is homoscedastic and was tested at the 0.05 significance level. We can conclude that the data is not heteroscedastic if the p-value is greater than the critical value of 0.05.

3.9.3 Normality Test

The normalcy assumption allows precise statistical conclusions to be drawn from hypothesis testing. In establishing the residual normality in this work, the Shapiro Wilk test was utilized. The data is normal by the rules. A normal distribution of data is indicated by having the p-value greater than the critical value of 0.05.

3.10 Data Analysis

The data analysis in a research study is divided into three stages. The first stage of data analysis entails examining data to determine its validity and completeness. The second phase entails testing the data to determine its reliability, and the third entails determining solutions to the research question. The data that was collected via questionnaires was tested for reliability. Quantitative datum fed into the statistical package for social sciences (SPSS) was analyzed using Descriptive statistics. The responses' content were used to examine qualitative data. By grouping together responses with common themes or patterns of behavior, a cohesive category was formed. The analysis of the data revealed the nature and direction of the correlation amidst corporate governance alongside organization performance. This was accomplished through the use of correlation analysis. The conventional multiple regression mechanism was then applied. The following regression model was used:

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

Where;

Y=the dependent variable, performance of public universities

β_0 = regression

β_1 to β_3 = the regression coefficients

X_1 = Board competence

X_2 = Audit committee

X_3 = board diversity

μ =Error term

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1 Introduction

The outcomes of the survey are displayed in this section. General information section comprising the response rate in addition to demographic information makes up the sections in this chapter. Also, the chapter highlights the descriptive as well as inference statistics in conjunction with the research goals.

4.2 Response Rate

The received responses number divided by the target participants' number is the response rate in research study. The completion rate or return rate is another term for the response rate, which is commonly given as a percentage. Table 4.1 provides details relating to the rate of response for this study.

TABLE 4.1:
Response Rate

Response Rate	Frequency	Percent
Returned	45	86.5
Unreturned	7	13.5
Total	52	100

According to Table 4.1, 52 questionnaires were sent to 2 council members at every one of Kenya's 26 public universities. According to the outcome of the research, only 45 of the 52 questionnaires sent to the target respondents received satisfactory responses and were returned, resulting in a 86.5 percent study response rate. This agrees with Kothari (2016),

who claims that research with a 70% or more response rate is suitable to carry out analyses as well as drawing conclusions.

4.3 Demographic Characteristics

The first questionnaire segment intended to obtain data of the general information regarding the profile of the participants. The section covered age, gender, highest levels of education and number of years in the current position.

4.3.1 Gender of the Respondents

The target respondents were implored to state their gender. Table 4.2 displays the findings.

TABLE 4.2:
Gender Distribution

Gender	Frequency	Percentage
Male	23	51.1
Female	22	49.9
Total	45	100

As per Table 4.2 results, male respondents made up 51.1 percent of the total, while female respondents made up 49.9 percent. This demonstrates public universities in Kenya commitment to gender diversity, as the there was no huge variation in male as well as female council members' number amongst participants.

4.3.2 Age of the Respondents

The research wanted to establish the age of the participants involved in this research. Understanding the age of the respondents is important as someone's age can influence their response to the study. The outcomes are depicted in Table 4.3.

TABLE 4.3:

Respondents' Age Composition

Age	Frequency	Percentage
21-30 years	0	0
31-40 years	5	11.1
41-50 years	17	37.8
Above 50 years	23	51.1
Total	45	100

Table 4.3 outlines that the highest participant number (51.1%) was above 50 years, 37.8 percent were amidst the ages of 41-50, those among the ages of 31-40 years were 11.1% while no one was aged between 21 and 30 years. According to the findings, public universities in Kenya council members are relatively age. Age is often associated with experience. They are also mature enough to respond to the questions raised for this study.

4.3.3 Highest Level of Education

The participants were requested to input their highest education level. The finds are illustrated in Table 4.4.

TABLE 4.4:

Highest Level of Education

Education	Frequency	Percentage
Diploma	0	0%
Degree	0	0%
Masters	4	8.9%
PhD	41	91.1%
Total	45	100%

The largest proportion (91.1%) had PhD as shown by the results while 8.1% had a master's degree. None of the respondent had a diploma or degree as their highest level of education. The findings suggest that public universities are eager to attract well-educated council members. In most circumstances, a high level of education is related with competency as well as mastery of the necessary abilities to perform one's job tasks.

4.3.4 Years of Experience with the Organization

The participants were asked to indicate how long they had been with their current employer. The length of time spent with an organization can be used to gauge their understanding of internal organizational processes, capabilities, as well as success.

TABLE 4.5:

Years of Experience with Current Employer

Number of years	Frequency	Percentage
Less than 1 year	1	2.13%
1-3 years	2	8.51%
4-7 years	26	55.32%
8 years and above	16	34.04%
Total	45	100%

The results in Table 4.5 reveal that the respondents had spent varied number of years with their current employer. The results indicated that 55.32% had worked with the current

employer for 4-7 years, 34.04% for 8 years and above, 2.13% for less than 1 year and 8.51% for 1-3 years. The results reveal that most respondents had more than 1 year of service at their public university meaning they had adequate information about the organization based on work experience.

4.4 Descriptive Statistics

The subsection describes the descriptive findings for each of the variables under study, presented in terms of percentages, means and standard deviations.

4.4.1 Board Competence

The mean as well as standard deviation for the precise attributes of board competence are as presented in Table 4.6. The results show that public universities have implemented board competence to a large extent. This is backed up by the fact that the attributes related to board competence mean scores were more than 3, with a 3.37 mean score and a 0.38 standard deviation on a five-point Likert scale.

TABLE 4.6:
Descriptive Statistics for Board Competence

Statements	N	Mean	Std. Dev
Board members have the ability to empower and inspire others, including mentoring and recruiting new leaders.	45	3.34	0.82
All members the board have technical skills and specialist knowledge that they use to assist with ongoing aspects of the board's role	45	3.52	0.75
The board of directors oversees the university's resource management, goal setting, and meeting the needs of shareholders and other key stakeholders.	45	3.55	0.69
The board provides stakeholders with an understandable, balanced, and fair assessment of the university's prospects and position.	45	3.41	0.81
The board is effectively accountable to its various stakeholders, which include employees, students, the government, and the general public.	45	3.45	0.86
The university has a corporate social responsibility policy that ensures it cares for the community and the environment.	45	3.36	0.80
The elected directors are dedicated to the university's mission.	45	3.25	0.64
Overall mean Score	45	3.37	0.38

The findings revealed that board members have the ability to empower and inspire others, including mentoring and recruiting new leaders (Mean=3.34, std. dev=0.82). The findings further revealed that all members the board have technical skills and specialist knowledge that they use to assist with ongoing aspects of the board's role (Mean=3.52, std. dev=0.75). Additionally, findings discovered that the board of directors oversees the university's resource management, goal setting, and meeting the needs of shareholders and other key stakeholders (Mean= 3.55, std. dev=0.69). The descriptive results also revealed that the board provides stakeholders with an understandable, balanced, and fair assessment of the university's prospects and position (Mean=3.41, std. dev=0.81). The findings, furthermore, showed that the board is effectively accountable to its various

stakeholders, which include employees, students, the government, and the general public (Mean=3.45, std. dev=0.86) and that the university has a corporate social responsibility policy that ensures it cares for the community and the environment (Mean=3.36, std. dev=0.80). Lastly, the findings revealed that the appointed directors are dedicated to the university's mission (Mean=3.25 std. dev=0.64).

4.4.2 Board Diversity

The mean as well as standard deviation for the precise attributes of board diversity are as displayed in Table 4.7.

TABLE 4.7:
Descriptive Statistics for Board Diversity

Statements	N	Mea n	Std. Dev
Our board of directors can be said to be diversified in terms of gender.	45	3.59	0.61
Board diversity influences collective decision making in the entire organization.	45	3.77	0.79
Board diversity is crucial for company's image in the business environment.	45	3.45	0.78
Board diversity allows the company to work with various people from different backgrounds.	45	4.05	0.74
Board diversity is crucial for the company's talent acquisition.	45	3.95	0.74
Board diversity attracts human talents from other organizations.	45	3.80	0.76
Board diversity influences diverse viewpoints on matters that are critical for the organization's development.	45	4.09	0.73
Overall Mean Score	45	3.64	0.49

The findings in Table 4.7 show that public universities use board diversity approach to a large extent. This is reinforced by the observation that the mean scores for attributes linked to board diversity were 3.64 on a five-point Likert scale, with a 0.4 standard deviation. The findings discovered that public universities board members

can be said to be diversified in terms of gender to a great extent (Mean=3.59, std. dev=0.61). The findings also show that board diversity influences collective decision making at public universities to a large extent (Mean=3.77, std. dev=0.79). Further, findings shown that board diversity is crucial for public universities image in the business environment to a moderate extent (Mean=3.45, std. dev=0.78). Further, findings showed that board diversity allows public universities to work with various people from different backgrounds to a great extent (Mean=4.05, std. dev=0.74). The results also revealed that board diversity is crucial for public universities talent acquisition to a great extent (Mean=3.95, std. dev=0.74). Further, board diversity attracts human talents from other organizations to a large extent (Mean=3.80, std. dev=0.76). Finally, board diversity influences diverse viewpoints on matters that are critical for public universities development to a great extent (Mean=4.09, std. dev=0.73).

4.4.3 Audit Committee

The mean as well as standard deviation for the precise attributes of audit committee are as presented in Table 4.8. The results show that public universities use audit committee to a large extent. This is backed by the reality that the mean scores for attributes related to audit committee were 4.0 on a five-point Likert scale, with a 0.5 standard deviation. The findings showed that a large proportion of respondents agreed that board and audit meetings are held at least 4 times in a years in specified intervals (Mean=4.24, std. dev=0.64). Similarly, findings showed that respondents agreed on the statement that planning of board and audit meetings is planned annually in advance to ensure the availability of all members (Mean=4.08, std. dev=0.55). The findings also showed that a

large proportion of interviewees agreed that there is adequate attendance in board and audit meetings (Mean=4.0, std. dev=0.55).

TABLE 4.8:
Descriptive Statistics for Audit Committee

Statements	N	Mean	Std. Dev
Board and Audit meetings are held at least 4 times in a years in specified intervals	45	4.24	0.64
The planning of board and Audit committee meetings is planned annually in advance to ensure the availability of all members	45	4.08	0.55
There is adequate attendance in board and audit committee meetings	45	4.00	0.55
My Board is provided with adequate information on the agenda items of the Board and audit committee meeting to assist in decision making	45	3.91	0.67
The agenda and documents supporting matters to be discussed in the meetings are circulated to the board members and persons who are to attend the meeting at least 14 days in advance	45	3.85	0.78
My Board is responsible for decisions made during the meetings and always choose the right course of action	45	3.97	0.58
Overall Mean Score	45	4.00	0.66

The findings further noted that most of the respondents agreed that public university board is responsible for decisions made during the meetings and always choose the right course of action (Mean=3.97, std. dev=0.58). Similarly, findings showed that respondents agreed on the statement that board is provided with adequate information on the agenda items of the board meeting to assist in decision making (Mean=3.91, std. dev=0.67). The findings further shown that there was an agreement from the respondent that the agenda and documents supporting matters to be discussed in the meeting are circulated to the board members and persons who are to attend the meeting at least 14 days in advance (Mean=3.85, std dev=0.78). Finally, findings showed that the

respondents agreed that the majority of audit committee members are independent nonexecutive directors (Mean=3.82, std. dev=0.83).

4.4.4 Organization Performance

Table 4.9 shows the mean as well as standard deviation for the specific performance attributes of public universities.

TABLE 4.9:

Descriptive Statistics for Organization performance

Statement	N	Mean	Std. Dev.
In the last three years, the university's total revenues have increased.	45	3.9	0.6
For the last three years, the assets of the university have increased.	45	3.6	0.7
During the last three years, the university operating costs per unit has decreased	45	3.8	0.6
Student satisfaction is reflected in increased enrolment.	45	3.9	0.6
The number of students has been increasing over the years	45	3.9	0.8
Customer satisfaction continues to grow as a result of improved services	45	3.7	0.7
The university's service management has been effective.	45	4.1	0.5
The cost of management has decreased.	45	3.9	0.7
Over time, the university has released a number of unique and relevant courses.	45	4.0	0.6
Employee training is allocated funds by the university	45	3.8	0.5
Employees at the university have opportunities for personal and professional advancement.	45	3.9	0.6
The staff are friendly and provide outstanding customer service.	45	3.8	0.5
Average	45	3.9	0.5

The results in Table 4.9 show that public universities' performance has greatly improved. The reality that the mean score for attributes related to organizational performance was 3.9 with a 0.5 standard deviation demonstrates this. The participants

agreed that in the last three years, the total revenues have increased as shown by a mean of 3.9 and that for the last three years, the assets of the organization has increased as demonstrated by a 3.6 mean. The participants too agreed that during the last three years, the universities operating costs have decreased as shown by a 3.8 mean.

The respondents too agreed with the assertion that student satisfaction is reflected in increased enrolment as shown by a 3.9 mean and that number of students has been increasing over the years as shown by a mean of 3.9. The respondents also agreed with the statement that customer satisfaction continues to grow as a result of improved services as shown by a mean of 3.7. Further, the participants agreed with the assertion that the university's service management has been effective as shown by a mean of 4.1 and that the cost of management has reduced as shown by a 3.9 mean. Further, the respondents agreed that over time, their university has released a number of unique and relevant courses as shown by a mean of 4.0.

4.5 Correlation Analysis

The Pearson correlation was employed to find a link between the predictor factors and the performance of public universities. As seen in Table 4.10, this is the case.

TABLE 4.10:
Correlation Results

		Performance	Board competence	Board diversity	Audit committee
Performance	Pearson Correlation	1			
	Sig. (2-tailed)				
Board competence	Pearson Correlation	.848**	1		
	Sig. (2-tailed)	.000			
Board diversity	Pearson Correlation	.869**	.819**	1	
	Sig. (2-tailed)	.000	.000		
Audit committee	Pearson Correlation	.824**	.758**	.760**	1
	Sig. (2-tailed)	.000	.000	.000	

** . Correlation is significant at the 0.01 level (2-tailed).
b. Listwise N=45

The results in Table 4.10 shows the calculated r coefficient which helps in determining if the relationship is positive or negative and the p value which establishes the level of significance. As evidenced by a 0.848 Pearson correlation coefficient as well as a 0.000 P-value, the correlation results show a strong, positive, as well as significant relationship between board competence and public university performance. This is an indication that greater board competence leads to better performance. A strong, positive, as well as significant relationship exists between board diversity and public university performance, as evidenced by a 0.869 Pearson correlation coefficient as well as a 0.002 P-value in the correlation results. This is a sign that a better board diversity leads to better results for public universities. Furthermore, as evidenced by a 0.824 Pearson correlation coefficient as well as a 0.03 P-value, the correlation results show a strong,

positive, as well as significant relationship between audit committee and performance of public university. This is a sign that a higher level of audit committee equates to better performance for public universities.

4.6 Diagnostic Tests

When carrying out statistical modus operandi utilizing correlations, regression, t-tests as well as variance analysis, they are founded on the presupposition that the data follows a normal distribution. These analyses have statistical errors and need to be checked. This study tested for normality, multicollinearity and heteroskedasticity to test for these statistical errors. This was done to see if the data set could be well modeled. Normality was tested by use of Shapiro-wilk's test. Multicollinearity was tested by variance inflation factors and tolerance. Heteroskedasticity was tested by Levene's test. This subsection displays the results of these statistical tests.

4.6.1 Tests of Normality

To check for normality, the Shapiro-Wilk test was utilized. This test determines the degree of data normalcy by detecting the presence of skewness, kurtosis, or both. The Shapiro-Wilk statistic ranges from 0 to 1, with values greater than 0.05 suggesting normal data. When it is less than 0.05, the data substantially deviates from the normal distribution. The Shapiro-Wilk test was used to confirm data normality, and the findings showed that all variables had a p-value greater than 0.05 ($p > 0.05$). The term "normality" refers to the assumption that the mean's sampling distribution is normal. Table 4.11 displays the normality test results.

TABLE 4.11:

Test of Normality

Study variables	Statistic	Shapiro-Wilk	
		Df	Sig.
Board competence	.881	45	.723
Board diversity	.892	45	.784
Audit committee	.901	45	.815
Organization performance	.874	45	.812

The results in Table 4.12 reveal that all the p values are greater than the cutoff limit of 0.05 and therefore the hypothesis that the data was taken from a normally distributed population is confirmed.

4.6.2 Tests of Multicollinearity

When there is a significant degree of correlation between independent variables, this is known as multicollinearity. The variance inflation factor (VIF) is used to test multicollinearity. The VIF measures the factor by which the variance of estimated coefficient is inflated over the case of no correlation among the independent variables. All VIFs will be 1 if no two independent variables are correlated. VIF of 5 indicate there is multicollinearity and 10 show serious multicollinearity. The results show the variance inflation factor (VIF) which was used to test for multicollinearity for this study. Tolerance measures the influence of one independent variable on all other independent variables, and is an inverse of VIF. The test results are shown in Table 4.12

TABLE 4.12:

Test of Multicollinearity

Variable	VIF	Tolerance
Board competence	1.30	0.771
Board diversity	1.27	0.785
Audit committee	1.36	0.735
Mean VIF	1.31	

The outcomes in Table 4.12 reveal that all the variables had a VIF of between 1.27 and 1.36 while tolerance values were between 0.735 and 0.785. This indicated that the independent variables did not have any multicollinearity.

4.6.3 Tests of Heteroscedasticity

Heteroscedasticity occurs when the variance of the dependent variable's errors is not uniform throughout the data. It arises when the variance of mistakes varies depending on the independent variables' values. In regression analysis, heteroscedasticity is a systematic shift in the spread of the residuals over the range of measured values. The assumption in ordinary least squares regression is that residuals are drawn from a population with a constant variance. When heteroscedasticity is high in this regression, it can cause substantial distortions in the results and weaken the analysis, raising the risk of a type 1 mistake. Breusch-Pagan / Cook-Weisberg test for heteroscedasticity was used to determine homogeneity in this research. If the Breusch-Pagan/Cook-Weisberg test for heteroscedasticity is statistically significant $\alpha= 0.05$, the variances between groups are uneven. It is a test to see if the dispersion of the scores in the variables is roughly the same. The results are as shown in Table 4.13.

TABLE 4.13:
Test of Heteroscedasticity

Breusch-Pagan / Cook-Weisberg test for heteroscedasticity		
Ho: Constant variance		
Variable: fitted values		
chi2(1)	=	0.7003
Prob > chi2	=	0.6429

The null hypothesis of Homoskedastic error terms is not rejected, according to Table 4.13, as evidenced by a 0.6429 p-value.

4.7 Regression Analysis

The regression analysis encompasses the model fitness, the Analysis of Variance (ANOVA) and the regression coefficients. This is as demonstrated in below.

TABLE 4.14:
Model Fitness

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.918 ^a	.843	.831	.234467

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

Board competence, board diversity and audit committee were considered satisfactory in explaining public universities' performance as Table 4.14 depicts. This is as reflected by an R square of 0.843. As a result, board competence, board diversity and audit committee

account for 84.3 percent of the variance in public university performance, with the remainder explained by factors beyond the context of the research. The other assumption is that the model that connects the variables is adequate. The 0.918R value implies that there exists a strong correlation between the predictor variables (board competence, board diversity and audit committee) and performance of public universities.

TABLE 4.15:

Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	12.083	3	4.028	73.261	.000 ^b
	Residual	2.254	41	.055		
	Total	14.336	44			

a. Dependent Variable: Performance

b. Predictors: (Constant), Audit committee, Board competence, Board diversity

Table 4.15 shows that the model is significant, as evidenced by a 73.261 F statistic as well as a 0.000 p value. This shows that board competence, board diversity and audit committee are good predictors of public universities' performance. The regression analysis helped to demonstrate the magnitude of influence board competence, board diversity and audit committee have on public universities' performance.

Results demonstrated a positively significant relationship between board competence and public universities' performance (β 0.293, P 0.000). This demonstrates that rise in board competence by a unit would cause an enhancement on public universities' performance by 0.293 units. Outcomes also portrayed a positively significant correlation between board diversity and public universities' performance (β 0.406, P 0.000).

TABLE 4.16:
Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
1	(Constant)	.155	.254		.611	.545
	Board competence	.295	.117	.293	2.525	.016
	Board diversity	.407	.117	.406	3.488	.001
	Audit committee	.251	.087	.294	2.873	.006

a. Dependent Variable: Performance

This point out that increase in board diversity by one unit would cause an improvement on public universities' performance by 0.406 units. Additionally, outcomes demonstrated a positive significant correlation between audit committee and public universities' performance (β 0.294, P 0.000). This illustrates that increase in the degree of audit committee by one unit would cause an improvement on public universities' performance by 0.294 units.

The following is the regression model that resulted:

$$Y = 0.351 + 0.293X_1 + 0.406X_2 + 0.294X_3$$

Where

Y = Organization performance,

X₁ – Board competence,

X₂ – Board diversity,

X₃ – Audit committee,

4.8 Hypothesis Testing

The hypotheses were tested using multiple linear regressions. Table 4.16 shows multiple regression results. The acceptance/rejection criteria was that, if the p value is greater than 0.05, the H_{01} is not rejected but if it's less than 0.05, the H_{01} is rejected.

4.8.1 Board Competence and Organization performance

The first null hypothesis, H_{01} , stated that: board competence has no substantial effect on performance of Kenyan public universities. Table 4.16 results show that the p-value was $0.000 < 0.05$. This indicates that the null hypothesis is rejected hence there is a significant effect of board competence on performance of public universities in Kenya. Board competence positively as well as significantly related with performance of public universities in Kenya ($\beta=0.293$, $p=0.000$). The study results show that board competence is a significant factor affecting organization performance.

The findings of the study agree with research by Zhao, Teng, and Wu (2018) who conducted a study in China to investigate the impact of board of director's competence on the performance of Chinese universities and established that having a competent board is critical for performance because board competence (in terms of education and technical qualifications, experience, and skill diversity) has a significant positive effect on institution performance. The results are also consistent with those of Kitui (2017) who investigated the impact of board composition on the performance of private universities, concluding that board competence has a positive impact on organization performance. The outcomes of the research are similarly consistent with those of Javed, and Lodhiand

Malik (2018) which demonstrates the importance of board structure on institution performance. According to the authors, the competence and transparency of board committees has an adverse impact on firm performance.

4.8.2 Board Diversity and Organization performance

The second null hypothesis, H_{02} , stated that: board diversity has no significant effect on performance of public universities in Kenya. Results in Table 4.16 show that the p-value was $0.000 < 0.05$. This indicates that the null hypothesis is rejected hence there is a significant effect of board diversity on performance of public universities in Kenya. Board diversity was positively as well as significantly correlated with performance of public universities in Kenya ($\beta=0.406$, $p=0.000$). The study results show that board diversity is a significant factor affecting performance.

The findings of this study concur with Erhardt, Werbel, and Shrader (2020) who conducted a study in USA between 2007 and 2020 discovered that organizations with minorities and women in their boards had a direct impact on their performance. The study findings are also in line with Garaika Zainal (2020) found a positive association between board diversity and banks' performance among OECD nations' banking sector hence the effect of gender diversity on multi-sectorial firms' organization performance. The study findings however differ with Minguez-Vera and Campbell (2018) in Spain who found that there was a negative impact of gender diverse boards on firm performance where firm performance was assessed by Tobin's Q. The study also differs with Bøhren and Strøm (2019) who found a negative connection between firm performance and board gender among Norwegian organizations.

4.8.3 Audit Committee and Organization performance

The third null hypothesis, H_{03} , stated that: audit committee has no significant effect on performance of public universities in Kenya. Results in Table 4.16 show that the p-value was $0.000 < 0.05$. This indicates that the null hypothesis is rejected hence there is a significant effect of audit committee on performance of public universities in Kenya. Audit committee was positively and significantly related with performance of public universities in Kenya ($\beta=0.294$, $p=0.000$). The study results show that audit committee is a significant factor affecting performance.

The findings of this current study concur with Chou and Buchdadi (2020) who studied the impact of characteristics of the audit committee on the performance of Indonesian banks. The researcher concluded that the attendance levels had a crucial role in determining the effectiveness of the oversight role of the committee. The research further pointed out that the frequency of meetings and the relevance of the agenda of the audit committee enhanced financial reporting. The study also concurs with Okiro (2018) who investigated how county audit committees impact performance of Kenyan county governments and concluded that there exists a positive and significant positive effect between audit committee characteristics and performance.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary, conclusion, and recommendations. The summary, conclusion, recommendations for improvements for the research are presented in conjunction with the objectives of the study research. This chapter also includes recommendations for future research.

5.2 Summary

The research's main objective was to establish the influence of corporate governance on public universities' performance. The research was anchored on stewardship theory, Fiduciary political theory and stakeholder's theory. The dependent variable was organization performance. The independent variables were board competence, board diversity as well as audit committee. Descriptive survey design was utilized in the survey as its research design. All 26 public universities in Kenya served as the target population. Because the population was relatively small, a census technique was used. Collection of primary data was done using Google forms where structured questionnaire sent to 52 council members from Kenyan public universities. 45 questionnaires were collected as a result of the researcher's follow-up, resulting in a 86.5 percent response rate. To analyze the data, descriptive statistics, correlation, and regression analyses were used. The perceived significance of each independent variable in impacting performance was determined using a multivariate linear regression model and the t-statistic. This section outlines the research outcome.

5.2.1 Board Competence and Organization Performance

The research's first objective was to assess board competence influence on performance of Kenyan public universities. The goal of the correlation analysis was to see if there was a link between board competence and organization performance. These results revealed a significant positive association between board competence and organization performance. According to the regression results, a unit change in board competence resulted in a 0.293 variation in organization performance. This also confirmed that board competence approach had a significant positive impact on the performance of Kenyan public universities.

5.2.2 Board Diversity and Organization Performance

The research's second objective was to evaluate the influence of board diversity on the public universities' performance. The findings of a correlation analysis conducted to determine the strength of the relationship between board diversity and public university performance in Kenya revealed a positive and relatively significant relationship between the two variables. The results also suggested that improving board diversity will improve organization performance. The findings also revealed that a unit change in board diversity might lead in a 0.406 unit change in public university performance in Kenya. This supported the notion that board diversity has a major impact on organization performance. The null hypothesis was rejected, and it was determined that board diversity had a significant impact on public university performance.

5.2.3 Audit Committee and Organization Performance

The research's third objective was to determine influence of audit committee on public universities' performance. According to the findings of the correlation research, audit committee showed a positive and significant relationship with performance. According to the correlation results, a positive rise in audit committee will result in a positive improvement in organization performance. The regression results revealed that audit committee and organization performance have a positive and significant link. The findings suggested that a shift in audit committee approach will boost public universities performance in Kenya. The null hypothesis was rejected, and conclusion made that audit committee influences performance of public universities.

5.3 Conclusions

This section presents the conclusions drawn from the research results for each of the research objectives.

5.3.1 Board Competence and Organization Performance

This research shows that public universities have implemented a board competence to a large extent. This is backed up by the fact that the attributes related to board competence mean scores were more than three. The findings revealed that board members have the ability to empower and inspire others, including mentoring and recruiting new leaders. The findings further revealed that all members the board have technical skills and specialist knowledge that they use to assist with ongoing aspects of the board's role. Additionally, findings discovered that the council members oversees the university's resource management, goal setting, and meeting the needs of shareholders and other key stakeholders.

The descriptive results also revealed that the board provides stakeholders with an understandable, balanced, and fair assessment of the university's prospects and position. The findings, furthermore, showed that the board is effectively accountable to its various stakeholders, which include employees, students, the government, and the general public and that the university has a corporate social responsibility policy that ensures it cares for the community and the environment. Lastly, the findings revealed that the appointed council members are dedicated to the university's mission.

The research found that board competence had a positive impact on the performance of public universities. The regression and correlation results back up the findings, as there was a significant positive association between board competence and the success of public universities. The survey went on to say that in the public universities, board competence mechanisms have been used to a large extent.

5.3.2 Board Diversity and Organization Performance

The findings show that public universities use board diversity approach to a large extent. The findings discovered that public universities board of directors can be said to be diversified in terms of gender to a great extent. The findings also show that board diversity influences collective decision making at public universities to a large extent. Further, findings showed that board diversity is crucial for public universities image in the business environment to a moderate extent.

Further, findings showed that board diversity allows public universities to work with various people from different backgrounds to a great extent. The results also

revealed that board diversity is crucial for public universities talent acquisition to a great extent. Further, board diversity attracts human talents from other organizations to a large extent. Finally, board diversity influences diverse viewpoints on matters that are critical for public universities development to a great extent

The research concluded that board diversity positively influenced public universities' performance. The regression and correlation results back up the findings, indicating that there was a positive and substantial association between board diversity and the success of public universities. A public university that uses the board diversity approach has a better chance of outperforming its opponents.

5.3.3 Audit Committee and Organization Performance

The results show that public universities use audit committee to a large extent. The findings showed that a large proportion of respondents agreed that board and audit meetings are held at least 4 times in a year in specified intervals. Similarly, findings showed that respondents agreed on the statement that planning of board and audit meetings is planned annually in advance to ensure the availability of all members. The findings also showed that a large proportion of interviewees agreed that there is adequate attendance in board and audit meetings.

The findings further noted that most of the respondents agreed that public university board is responsible for decisions made during the meetings and always choose the right course of action. Similarly, findings showed that respondents agreed on the statement that board is provided with adequate information on the agenda items of the

board meeting to assist in decision making. The findings further shown that there was an agreement from the respondent that the agenda and documents supporting matters to be discussed in the meeting are circulated to the board members and persons who are to attend the meeting at least 14 days in advance. Finally, findings showed that the respondents agreed that the majority of audit committee members are independent nonexecutive directors.

Audit committee mechanisms of corporate governance are critical strategies for firms to apply in broadening the market and improving organization performance, according to the result of this research. This study also concludes that public universities have adopted audit committee to a great magnitude audit committee can result in economies of scale that might improve performance of a firm in overall.

5.4 Recommendations of the Study

The study revealed that board competence influenced public universities' performance positively. The research suggests that public universities' management ought to articulate as well as implement pertinent board competence corporate governance mechanisms that guarantee the anticipated organization performance as well as enhance competitiveness. Likewise, the researcher suggests that regulatory authorities evaluate the suitability of current corporate governance regulations for public universities to ensure that they are adequately protected by law when trying to pursue board competence mechanisms. Government agencies should develop policies to guide public universities in their quest to have competent and accountable boards.

The study revealed that board diversity influenced public universities' performance positively. As a result, the research suggests that universities that have not yet adopted a board diversity establish internal organizational policies and cultures to encourage board diversity adoption. These public universities can use the board diversity as a competitive tool to improve technical efficiency improvements in process coordination, monitoring, as well as enforcement, lower transaction costs, as well as boost market power, all of which will improve the university's performance.

The study revealed that audit committee characteristics influenced performance of public universities positively. The study therefore recommends that board council members of public universities should ensure they adopt effective audit committee characteristics as this will aid their performance especially during turbulent business environment. The regulator can also develop policies guiding public universities and other firms in general on how to go about developing audit committee with effective characteristics.

5.5 Research Areas for Further Studies

The research results revealed that board competence, board diversity and audit committee, accounting for 84.3% of the disparity in the public universities' performance. Future research ought to focus on determining other factors which account for the remaining 48.5 percent, according to the report. Further research could focus on a comparison of organizations that have implemented corporate governance with those that have not, in order to clearly show the differences in performance. More research into the influence of top management in the adoption of corporate governance is also needed.

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APPENDICES

Appendix A: Introduction Letter

April 2022

Name: Wandera Daniel

Masters Student

KCA University

RE: REQUEST FOR RESEARCH DATA

I am a student at KCA University where I am undertaking a degree in Masters of Science in Commerce. As part of my course work, I am expected to submit a research paper on **“The effect of corporate governance practices on performance of public universities in Kenya”**.

To accomplish this, your company has been chosen to collect the data needed for this report. Your name will not be included in the study, and this information will be used solely for academic purposes. The study's findings will be made available to you on demand.

Kind regards.

Name: Wandera Daniel

Masters Student

KCA University

Appendix B: Questionnaire

The information gathered in this survey is purely for academic purpose, and it will be used in partial fulfillment of a Masters Research project to explore the effect of corporate governance practices on the performance of public universities in Kenya. Please read the questions carefully and respond to the best of your understanding. The facts gathered will purely be used for academic purposes.

INSTRUCTIONS

Do not indicate your name on the questionnaire.

Tick only one answer (box) for each question.

PART A: BACKGROUND INFORMATION

1 Gender:

Male Female

2 Under which age brackets are you?

21 – 30 Years 31 - 40 Years

41 - 50 years Over 50 years

3 Which is the highest education level that you have attained?

Diploma Masters

Degree PhD

Others Specify.....

4 How many years have you worked in your firm?

Less than one year 1-3 years

4-7 years 8 years and above

PART B: CORPORATE GOVERNANCE PRACTICES

To what extent do you agree with the following statements? Rate in a scale of 1 to 5 (1 strongly disagree, 2 Disagree, 3 Neutral, 4 Agree, 5 strongly Agree)

i) Effect of Board Competence on Performance of Public Universities in Kenya.

STATEMENT	1	2	3	4	5
Board members have the ability to empower and inspire others, including mentoring and recruiting new leaders.					
All members the board have technical skills and specialist knowledge that they use to assist with ongoing aspects of the board’s role					
The board of directors oversees the university's resource management, goal setting, and meeting the needs of shareholders and other key stakeholders.					
The board provides stakeholders with an understandable, balanced, and fair assessment of the university’s prospects and position.					
The board is effectively accountable to its various stakeholders, which include employees, students, the government, and the general public.					
The university has a corporate social responsibility policy that ensures it cares for the community and the environment.					
The elected directors are dedicated to the university's mission.					

ii) Effect of Board Diversity on Performance of Public Universities in Kenya

STATEMENT	1	2	3	4	5
Our board of directors can be said to be diversified in terms of gender.					
Board diversity influences collective decision making in the entire organization.					
Board diversity is crucial for company's image in the business environment.					
Board diversity allows the company to work with various people from different backgrounds.					
Board diversity is crucial for the company's talent acquisition.					
Board diversity attracts human talents from other organizations.					
Board diversity influences diverse viewpoints on matters that are critical for the organization's development.					

iii) Effect of Audit Committee on performance of Public Universities in Kenya

STATEMENT	1	2	3	4	5
Board and Audit meetings are held at least 4 times in a years in specified intervals					
The planning of board and Audit committee meetings is planned annually in advance to ensure the availability of all members					
There is adequate attendance in board and audit committee meetings					
My Board is provided with adequate information on the agenda items of the Board and audit committee meeting to assist in decision making					
The agenda and documents supporting matters to be discussed in the meetings are circulated to the board members and persons who are to attend the meeting at least 14 days in advance					
My Board is responsible for decisions made during the meetings and always choose the right course of action					

PART C: ORGANIZATION PERFORMANCE OF PUBLIC UNIVERSITIES IN KENYA.

The following are statements on financial sustainability in your organization. Indicate your level of agreement with each statement using the scale of 1 to 5 provided below, where (1 strongly disagree, 2 Disagree, 3 Neutral, 4 Agree, 5 Strongly Agree)

Financial Stewardship	1	2	3	4	5
In the last three years, the university's total revenues have increased.					
For the last three years, the assets of the university have increased.					
During the last three years, the university operating costs per unit has decreased					
Service Delivery	1	2	3	4	5
Student satisfaction is reflected in increased enrolment.					
The number of students has been increasing over the years					
Customer satisfaction continues to grow as a result of improved services					
Strategy Implementation	1	2	3	4	5
The university's service management has been effective.					
The cost of management has decreased.					
Over time, the university has released a number of unique and relevant courses.					
Human Resource Development					

Employee training is allocated funds by the university					
Employees at the university have opportunities for personal and professional advancement.					
The staff are friendly and provide outstanding customer service.					

THANK YOU

Appendix C: Work Plan

Task	April 2022-	May 2022-	June 2022-	July 2022-
Description	May 2022	June 2022	July 2022	August 2022
Proposal writing	✓			
Questionnaire Design		✓		
Proposal Defense				
Data Collection				
Data Analysis				
Findings and report writing				
Submission of reports				

Appendix D: Study Budget

Particulars	Amount (Kshs)
Travelling expenses	15,000
Data collection and Analysis	25,000
Airtime and internet services	8,000
Miscellaneous during the course of research	7,000
Scanning	3,000
Total	58,000

Appendix E: List of Public Universities

1. University of Nairobi (UoN)
2. Moi University(MU)
3. Kenyatta University (KU)
4. Egerton University (EU)
5. Jomo Kenyatta University of Agriculture and Technology (JKUAT)
6. Maseno University
7. Masinde Muliro University of Science and Technology (MMUST)
8. Dedan Kimathi University of Technology
9. Chuka University
10. Technical University of Kenya
11. Technical University of Mombasa
12. Pwani University
13. Kisii University
14. University of Eldoret
15. Maasai Mara University
16. Jaramogi Oginga Odinga University of Science and Technology
17. Multimedia University of Kenya
18. Karatina University
19. Kibabii University
20. Rongo University
21. The co-operative University of Kenya
22. Taita Taveta University

23. Murang`a University of Technology

24. University of Embu

25. Machakos University

26. Kirinyaga University

Source: CUE (2019)