EFFECT OF CORPORATE GOVERNANCE PRACTICES ON FINANCIAL PERFORMANCE AMONG PARASTATALS IN KENYA: CASE OF KENYA PIPELINE COMPANY (KPC), ELDORET.

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DECEMBER, 2020

DECLARATION

Declaration by the Student

This project is my original work and has not been presented for a degree in any other University.

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Declaration by the Supervisor

This project has been submitted for examination with my approval as University Supervisor.

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DEDICATION

This work is dedicated to my parents Richard Kipruto Kiplagat and Esther Jemeli Kipchoge and in a special way my daughter Zuri Jerotich Kiprop. May the almighty God bless you all for your support.

OPERATIONAL DEFINITION OF TERMS

Corporate Governance	It is concerned with mechanisms, processes and systems that support the attainment of corporate objective and how an organization is controlled and directed
Corporate governance practices	These are a set of principles or norms that are related to the internal management of KPC.
Financial performance	A firm's relative position within its industry determines where a firm's profitability is above or below the organization average. A firm attains above average profitability in long run through sustainable competitive advantage. Within this study the financial performance was based on agency theory, stewardship theory, and resource dependence theory
Return on Investment (RoI)	A performance tool that measures the relationship between the net profit and cost of investment resulting from an investment of some resources by an organization. It evaluates the efficiency of an investment.
Earnings per Share	This is the portion of a company's profit that is allocated to each outstanding share of its common stock. EPS of a company is always compared against other companies to make a more informed and prudent investment decision.

ABBREVIATIONS AND ACRONYMS

KPC	Kenya Pipeline Company
NSE	Nairobi Securities Exchange
PM	Profit Margin
ROA	Return on Assets
ROE	Return on Equity
ROI	Return in Investment
CEO	Chief Executive Officer
NED	Non-Executive Directors
OECD	Organization and Economic Cooperation and Development
CBK	Central Bank of Kenya
EPS	Earnings Per Share
NACOSTI	National Commission for Science, Technology, and Innovations
SPSS	Statistical Package for Social Sciences software

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ABSTRACT

Poor financial management and lack of good governance structures make it difficult for the parastatals to constantly underperform thus lagging the private sectors. Due to this, the services of these parastatals have been substandard and unreliable leading to lack of confidence by the public in them. The study aimed to evaluate the impact of practices in corporate governance on financial performance of parastatals in Kenya with specific regard to the Kenya Pipeline Company, KPC, Eldoret. Among the coined objectives of the study included: to evaluate the impact of board independence on financial growth, to establish the effect of board members knowledge on financial performance, to investigate the influence of board transparency on financial performance and to find out how financial performance is impacted by the leadership of the board of Kenya Pipeline Company. The study employed descriptive survey design and targeted a participant population of 178 employees who comprised of employees from all levels of management within the company. Using the statistical formula described by Yamane (1967), a sample size of 123 respondents was reached and selected from the population. The study applied a simple random probability sampling. Both primary and secondary data collection methodologies were used for data collection. Research instruments was validated by the university supervisors piloting 2 state corporate states are used to test the reliability of the questionnaires. A correction coefficient of <0.7 was within acceptable limit. In data analysis, a descriptive statistic was used.

CHAPTER ONE: INTRODUCTION

1.0 Introduction

The instruction chapter covers background information on corporate governance that include organisational structures and culture. Subsequently, the chapter states the problems being explored, outlines the research objectives, aims, and justification of the study.

1.1 Background of the Study

Corporate Governance refers to a collection of collaborative efforts amongst company directors, stakeholders including customers for their products and services as well as shareholders. It enables the development of a power structures trickling down from the top to low management and personnel as well as other external stakeholders in a given business (Mang'unyi, 2011).

According to Braga-Alves and Shastri (2011) organizations that take up corporate governance voluntarily are practice it are often ranked higher in value than organizations without cooperate governance practices. This was more interesting finding as Brazilian laws and regulations do not provide proper environment for the flourishing of the corporate sector and governance. Balasubramanian *et al*., 2011 and Price *et al*., (2011) confirms these findings through a series of studies focused in developing countries with emerging economies such as Mexico and India that specifically highlighted the impact that corporate governance practices have had on ultimate company values.

A study carried out by Schachler, LJuleeff, and Pato (2007) to establish the impact of governance with a corporate structure to financial services sectors in the United Kingdom indicated that items (assets and liabilities) in the balance sheet had discrepancy. From the

study, it was recommended that it is necessary to retain financier's confidence and imply a wider duty of care for bank directors. A study by Zheka (2007) aim to establish the contribution of the practice of corporate governance on organization performance through the development of a corporate governance overall index from where the impact can be measured. The study findings revealed propelled index results from 0.4% to 1.9% leading to improved performance in the financial field.

A wide range of other studies have also been conducted especially in Kenya, with a focus on Nairobi Securities Exchange (NSE) listed companies as well as financial institutions highlighting and focusing on corporate governance. Some of these include: corporate communication, as well as technology and leadership application by Wanjiku *et al* (2011), interrelations among board members and organization ownership as well as manager characteristics impact to organization performance (Ongore and K'Obonyo, 2011). Mang'unyi, (2011) on the other hand based his studies on financial institutions studying the structures of corporate ownership as well as governance and their effects on the financial advancement of firms. Further Miring'u and Muoria (2011) indulged commercial state corporations on a similar study aimed at highlighting the impact of governance structure and corporate practices. The study established the existence of a beneficial relationship between the ROE and the developed and implemented corporate structures as well as the composition of the board in these parastatals.

According to Yasser (2011) two measures including the ROA and the ROE are among the commonly used when it comes to determination of an organization's financial performance, in his study, Yasser (2011) measure financial performance using two parameters: The Profit Margin (PM) and the ROE. Shah *et al*. (2011), however, indicates that financial performance is determined by market measures of companies' financial position.

1.1.1 Corporate Governance

Coskun and Sayilir (2012) deviated from the link of better corporate governance leading to higher corporate growth. The non-relationship is explained as due to bias in financial accounting and reporting which highly misleads investors with low awareness of corporate accountability of the top management.

Another study investigated practices related with the governance of corporate organizations and the impact they have on the financial growth and development of state-owned enterprises in an environment lacking standard regulations. The study by Ashenafi *et al*. (2013) aimed to highlight the connection between internal practices of governance in corporate organizations (board independence, board members expertise/knowledge, board transparency and board leadership) and external mechanisms of corporate governance (supervision and regulations by the government, loan loss provision allowance as well as capital adequacy ratio) all of which made up the independent variables against the ROA and ROE the dependent variables. The findings highlighted a significant positive effect of board members expertise and knowledge, board transparency, structure and leadership as well as the board independence to the eventual organization performance based on the recorded ROA and ROE.

A similar study conducted by Nyarige, (2012), summarily found that the size of the board in terms of number of directors significantly impacts financial organizations such as banks eventual market performance on a negative scale while independence impacts them positively. Opanga (2013) concluded that the independence of board, board members expertise/knowledge, board transparency and board leadership is all positively correlated with organizations performance financially. He points out that each of the different variables of governance in corporate environment significantly influenced financial performance for insurance companies.

1.2 Statement of the Problem

Regardless of the contradictory results regarding certain aspects of governance in the corporate environment as highlighted by the range of scholars (Love and Rachinsky, 2007: Ashenafi, 2013: Coskun and Sayilir, 2012) all their studies exhibit limitations that may quite significantly impact the outcome and can also not be generalized given the limited scopes of the study. The studies, however, widely relate when it comes to mechanisms and structures of governance in the corporate environment eventual impacts on organization financial performance. Variables of enhancing governance in corporate organizations such as board independence, Board composition, leadership and transparency have been significantly impactful to the positive performance of privately-owned organizations, yet to some extent this is not true for parastatals in Kenya.

The fundamental problem with Kenyan parastatals, KPC included, is the inadequate structures of governance in a corporate environment which is quite evident given the continued collapse of companies within the state management. Most state corporations experience substandard board representation due to problems such as inadequate monitoring and review of the performance, less than effective board meetings, declining financial performance, embezzlement and misappropriation of parastatal assets as well as limited or no statutory audits. In addition, the elevated levels of corruption enable the lack of prosecution of fraud and misappropriating agents of the state corporations.

Poor financial management and lack of good governance structures make it inevitable for the parastatals to constantly underperform thus lagging the private sectors. Due to this, the services of these parastatals have been substandard and unreliable leading to lack of confidence by the citizens in them. An evaluation of governance in corporate state organizations as well as the impact they have in the eventual performance as such, especially

with bias to the different aspects of the governance including leadership, transparency, knowledge and board independence is critical in the solution of the outlined problem. These prompt the study that aims to evaluate the impact of governance and governance structures in corporate environment on the eventual financial outcome of parastatals in Kenya, with a specific focus to the Kenya, Pipeline Company, Eldoret.

1.3 Objectives of the Research

1. To establish the impact of board independence on the financial performance of Kenya Pipeline Company.
2. To establish the effect of board members knowledge on financial performance of Kenya Pipeline Company.
3. To find out the effect of board transparency on financial performance of Kenya Pipeline Company.
4. To determine how board leadership, affect financial performance of Kenya Pipeline Company.

1.4 Research Questions

The study seeks to answer the following research questions

1. What is the effect of board independence on financial performance of Kenya Pipeline Company?
2. What is the effect of board members knowledge on financial performance of Kenya Pipeline Company?
3. How does board transparency financial performance of Kenya Pipeline Company?
4. What is the effect of board leadership on financial performance of Kenya Pipeline Company?

1.5 Justification and Significance

Given the increased rate of corporate struggle in management and performance especially with the fluctuating economic status given political and civil unrest within the country, most boards and shareholders have had to improvise governance mechanisms and structures as well as decision making tactics subsequently impacting the organizations performance. Given the first-hand study from a case company of the KPC, reliable results from this research was valuable in enhancing corporate decision making for not only KPC but also other corporate state and private owned organizations to further enhance the continued growth of the economy. Different organization board members can therefore be able to refer to the study in their various processes of determining and designing governance structures and appropriate practices that are instrumental in impacting increased financial performance in Kenya

1.6 Scope and Limitations

The research looks to determine some of the effects of practices in governance of corporate organizations on the eventual financial outcome of state corporations within the oil and petroleum industry in Kenya. It focused on board members' knowledge, board independence, board transparency and board leadership skills. The study population and scope is limited to the employees of KPC, Eldoret. The study was carried out in Eldoret between the months of May and July 2020 using cross-sectional survey research design.

Various limitations were anticipated to be encountered during the study. The respondents being suspicious on the information being sought by the researcher. This might have affected and delayed the study, but by attaching a confidentiality consent letters indicating the purpose and the use of the collected data and gathered information as purely academic, and in line to addressing the link between a corporation board of management and its financial performance. Similarly, the confidentiality letter upheld the privacy of the participants such

that the data and subsequent analyzed information would be used to address the aim and problems of this study, and only accessible to the researcher and university examination board. In addition, the letter from university indicated the research was academic-driven only. Although there were some delays in data collection related to participants responding to filling the questionnaire, the follow up was done with various calls, emails and visits to the respondents.

CHAPTER TWO: LITERATURE REVIEW

2.1 Review of Related Literature

2.1.1 Independence of the Board and Financial Performance

As highlighted in the Agency theory, an organization's board of governance should be independent from the management. This is crucial given that the board oversees monitoring and regulating the organizations management. O 'Regan and Oster (2005) points out that the board are much more objective when it is independent from the management of the same organization, this is important to ensure the maintenance of efficiency of their performance. This subsequently underscores the need of an adequate amount of board members to ensure effective monitoring and management of the respective organization. the Agency theory further argues that a substantial increase the size of the board could significantly impact the organization due to increased costs as well as a slugged decision-making process that impacts the normal flow of business (O'Regan & Oster, 2005).

Common board committees specified by Nor Hashimah, Norman, Jaffar and Mohamat, (2007) should therefore mainly comprise independent non-executive directors with a designated chairman and split Chief Executive Officer (CEO) roles to avoid any potential conflicts. Further the Agency theory advocates for the alienation of roles and duties of the CEO and the chair of the board. This is to also enable the monitoring and coordination of the CEOs activities and interests. Overall this is crucial to ensure the CEO does not put ahead their own priorities rather than the shareholders priorities.

The organizations should also have an audit committee that is also independent to ensure an objective audit of the company's overall performance and everyone's direct contribution. Klein (2002) points out that whether the audit committee is independent increase

progressively with the increase in board independence and size and decreases for firms that exhibit opportunities of growth but experience consecutive losses. According to Cohen and Hanno (2000) the independence of the Audit committee is significant to improve management duties especially with specific concern to risk assessment. In addition, given their status as independent directors a lack of personal investment or interests emphasizes their objectivity when it comes to their monitoring and control functions over the executive management (Munro & Buckby, 2008).

According to Carcello (2000) the independence of the audit committee is negatively connected with the likelihood of receiving fraudulent reports and correspondences, while their diligence is related negatively to any occurrence of restatements. Other qualities including their accounting knowledge negate negative factors such as control weaknesses or accounting conservatism (Hoitash *et al*. (2009 Carcello *et al.* (2006); (Zhang *et al.,* 2007); Abbott *et al.,* 2004).

For the fulfillment of the auditing committee responsibilities majorly of which includes making judgments which are in a majority of shareholders best interest and the management of financial growth and development, the independence of the auditing committee is of utmost importance and vital to every organization's success (Munro & Buckby, 2008). As such the committee has a duty for mitigating any organization problems and addressing the inadequacies within a company (Islam *et al.,* 2010).

Board composition represents another corporate governance variable that significantly impact corporate governance. According to Shahadat (2011) a majority of boards are made up of dependent and independent directors. For a more unbiased and objective board however a third of the composition should comprise independent directors as a requirement and

preference. This however does not negate the importance of the dependent board members given their insider knowledge on the products on services offered as opposed to the independent members who do not possess any insider information. (Beasly, 2014) highlights that a lack of independent board members would enable the dependent members to misuse the insider knowledge and exploit other stakeholders.

Boards can also be made of purely independent board members. This minimizes any chance of occurrence of conflict of interests due to the lack of personal interests within the company for any board member. Independent directors also enable a wide magnitude of external information which the dependent directors may not have thereby positively impacting the growth of the company Mak and Yuanto (2013). According to Staikouras *et al* (2013) the composition of the board is not significant in impacting a firm's financial performance in any negative manner, however a beneficial connection was established between performance and board composition.

These can be further emphasized by Adusei (2010) who points out a positive impact of bank efficacy because of board composition. Alonso and Gonzalez (2011) established an inverted U-shaped relation between the size of the board size financial performance of banks. While this effectively justifies a larger sized board, it imposes a limit on the number of board members. Based on Rhoades *et al*. (2010), independent boards that are Non-Executive Directors (NEDs) dominated may be helpful in being able to curb the agency problem based on the ability of being able to carry out objective and unbiased monitoring of the rather ambitious behavior and actions of the management.

Despite studies on the connection between the composition of the board and an organization financial outcome being inconclusive, a wide range of scholars including (Rhoades *et al*.

(2010): Omar (2013): Dehaena *et al* (2011); Krivogorsky (2011) and Limpaphayom and Connelly (2011) believe NED positively relates to an organization eventual financial performance. they highlight that the eventual composition of an organization considering the various dependent and independent board members has an eventual positive performance on enhancing company performance.

Despite the positive impacts brought in by independent directors however Coles *et al*. (2011) demonstrates a possible negative impact of outside influence by independent directors to the performance of an organization. Hutchinson and Gul (2013) and Kee *et al*. (2013) agree, further highlighting that higher numbers of independent directors counter the any negative connection between the company's investment and its eventual performance.

2.1.2 Board Members Knowledge and Financial Performance

Within the current century, knowledge is the most important element of business and enhances performance of organizations improving their competitive advantage and thus impacting their success. Based on a study by Fairchild & Li (2005) and Ferreira (2007) knowledge is a critical component when it comes to decision making. Good policies reflect in progressive policies and decisions made by the board while a lack of effective knowledge is exhibited in bad policies that eventually impact performance. Carpenter & Westphal (2001) emphasize that highly qualified board members are valuable to an organization given the wide mix of competencies, innovations ideas and capabilities that they can offer in the process of policy development.

Empirical evidence on qualification of directors is quite limited however; numerous studies from developed countries highlight a positive relationship for examples (Ljungquist, 2007) whose results indicate that educational heterogeneity of board members positively affects the

market share growth as well as profits of a firm. The demographic diversity of the board members including their age, gender as well as the education qualification of the members has received very limited attention in literature, yet they provide important measures of evaluating the performance of the board and their decision-making ability. An individual's educational qualification enriches the decision-making process, quality of policies made and a platform for compromise that influences organization performance.

While finding board members is not quite difficult in the current UK business market, a survey by Hartvigsen (2007) and Raber (2005) emphasize that there is no shortage of qualified individuals rather an existence of highly stringent laws as concerns to directorship and litigation by shareholders. The concentration on directors who are knowledgeable and with effective expertise to positively contribute to an organization's management is among the major priority of companies (Berube, 2005). An individual's educational qualification enriches the decision-making process, quality of policies made and a platform for compromise that influences organization performance.

2.1.3 Transparency and Financial Performance

Transparency includes one of the most vital indicators used in the evaluation of corporate financial performance (Chiang and Chia, 2005). According to Shanikat & Abbadi (2011) transparency and disclosure of all decisions and financial use shows the extent with which policies formulated by the board as well as the instructions given are in line with laws relating to organizations and company nature of business. Linck *et al. (*2008) emphasizes the major duty of the board to be advising top management teams this is only possible in utmost transparency and disclosure among all board members, dependent and independent. When firm specific information is on the high and there is not enough transparency, then non-

executive board members are less effective when it comes to organization management monitoring and thus eventually impact the organization Coles *et al. (*2008).

Organization and Economic Cooperation and Development (OECD) (1999) points out that transparency regarding organizations finance includes the most vital component and often regarded a key indicator of the quality of governance in corporate organizations. Wood and Sangster (2005) emphasizes the importance of disclosure pointing out that effective governance of corporate organizations is the hall mark of disclosure and transparency. Effective transparency minimizes information asymmetry amongst the management and stakeholders thereby enhancing the mitigation of the Agency problem.

Reporting of the various outcomes of activities including governance and structural undertakings utilized within an organization, enables all stakeholders a fair view of the company as well as well as highlighting the quality of governance within the firm's board. Essentially therefore, transparency and disclosure are critical and useful in the conservation of the rights of the minority stakeholders' as well as creditors and outside shareholders who have no access to the firms first hand operations. Subsequently, transparency and disclosure minimize information asymmetry within the firm and along with it the probabilities of fraudulent activities that may impact the eventual value and performance of an organization. Another informational advantage of good transparency includes its impact on the investors trust and awareness which subsequently minimize the uncertainty of the ROI subsequently minimizing company costs and expenditure and enhancing value (Hambrick and Jackson, 2000).

Further transparency and compliance positively impact the company through the mitigation of any political costs that are related to non-compliance. Compliance enables the provision of

increased pressure for improved financial performance which subsequently presents a prospective and potential benchmark for investment thereby attracting more customers and investors to the organization impacting its continued development. This is evidently highlighted by (Deakin, 1972) who point out the willingness for institutional investors to pay up to 28% more for shares in a well managed and governed organization.

2.1.4 Leadership and Financial Performance

Leadership is another vital element in any organization and highly impactful in the eventual performance of an organization. Appointments into boards often take elongated processes with the aim of identifying uniquely qualified individuals who can ensure a balanced mix of proficiency as well as competency and be able to add value of brining unbiased judgments to. Among the duties of the board include developing the values, strategies as well as the purpose of an organization and further develop means of implementing them to ensure the sustainability and growth of the organization (Central Bank of Kenya (CBK), 2013). This implies a leadership quality on the board and as such each member should have sound knowledge of leadership and financial management.

Among the factors that are essential and that should guide the leadership of a committee or board include performance of the company, performance of the property market, Return on Investment, regulations and the requirements of law, the trends in the economy, as well as the interests of the shareholder. The leadership of the board would ensure transparency and disclosure on all company and business activities. For this major reason the leadership should be able to organize and conduct regular audits of the organization affairs other than the law ordered annual formal audits.

The leadership of the board should also ensure control of the implementation process of the various organization strategies, plans and in addition constantly review the viability of the

financial stability as well as financial sustainability of the organization (CBK, 2013). The board also spearheads the agreement and development of policies that concern board members specifically in the determination of their relationship with the organization. It is the function of the board therefore to assume company or organization leadership and further ensure no one individual monopolizes on powers and thus ensure appropriate balance and equilibrium of power to enhance realization of objectives through independent judgment.

2.2 Conceptual Framework

2.2.1 Theoretical Review

The main theories reviewed in this section include the agency theory, stakeholder's theory, stewardship theory, and the resource dependence theory.

Agency Theory (Financial performance Theory)

Although largely attributed to Jensen and Meckling (1976) due their role in furthering its development, the Agency theory was first explored by Alchian and Demsetz in 1972. It theorizes that in any organization management do not act in the best interest of the stakeholders particularly optimizing investment returns unless appropriate structures are put in place. Jensen and Meckling held that the investors and management relate in a shared co-habitable engagement to foster a shared goals. In the purview of corporate governance, the investors employ individuals to ensure running of day-to-day activities and general sustainability of the firm acting as agents. Essentially, the theory capture the instance where an organization' decision-making process lies largely on the hired agents (principal). The relationships is not limited to the management-stakeholder but rather goes further to debtholders-stockholders. Nevertheless, it inputs a prospect that the agents might be self-interested and opportunistic fostering personal interest instead of the mandated and general

firm's. As such, this principal-agent conflict forces an organization to incur 'agency costs' where it incentivizes the executives to align their interest to those of the shareholders (company) while working to prevent abuse of respective powers. Over the past decades, agency theorist have explored by testing the effectiveness of adopting different approaches aimed at executive focusing move on the organization interest over theirs. The studies have shown increased influence of the Agency in shaping the reforms in corporate governance. For instance, it has played a large part in enhancing openness and integrity towards financial disclosure particularly within stock market operation under market governance. The studies pointed to the importance of market mechanisms 'market for corporate control' and managerial labour market'. The former outlines taking a drastic approach of replacing management team with more effective individuals in order to instill discipline whereas the latter purport uphold performance of an individual as a prospect of future growth through positive and high reputation and career-enhancing effects.

Stewardship Theory

Donaldson and Kay (1976) argued that executives can aligns personal goals to the organizational rather than being taken over by greed and identification. It holds that managing individuals are driven by personal conviction and objectives to performance satisfactorily rather than greed and personal interest. Steward theory upholds different that, to some extent, executive aims are aligned to those of stakeholders while roles held by main decision-makers should be protected. While Agency theory is considerably pessimistic towards human nature arguing one's, action is largely driven by the self-centered motives that in return have a negative consequence on the company's performance, steward theory refutes this views.

Resource Dependence Theory

In this concept, the managing personnel include those in non-executive capacity take a vital in organization resource provision. According to Pfeffer ans Salancik (1978), when an organization appoints an individual into managerial position it expects the person to uphold its objectives and goals by concerning oneself with the issues faced, present them, and try to solve them. Building from Hillman and Dalziel (2003) perspective arguing that resources take variety of forms, which can be of capital value to an organization, perceiving board of directors as vital resource indulges a high performing culture and perspectives towards directors. As such, a relational resource allows both practical and symbolic association between an organization and the executive with potential of enhancing reputation or legitimacy of both the company and managing personnel. Depending on the organization life-cycle, according to the theory, executive can take up different roles. In a start-ups firms, non-executive directors may acts as source of expertise and skills as well as networks of new and established markets. Whereas, in a well-established organization, those in non-executive capacity need to provide leadership skills in addition to ready to conform with changing needs and business environment through anticipation of risks and opportunities.

2.2.2 Conceptual Framework

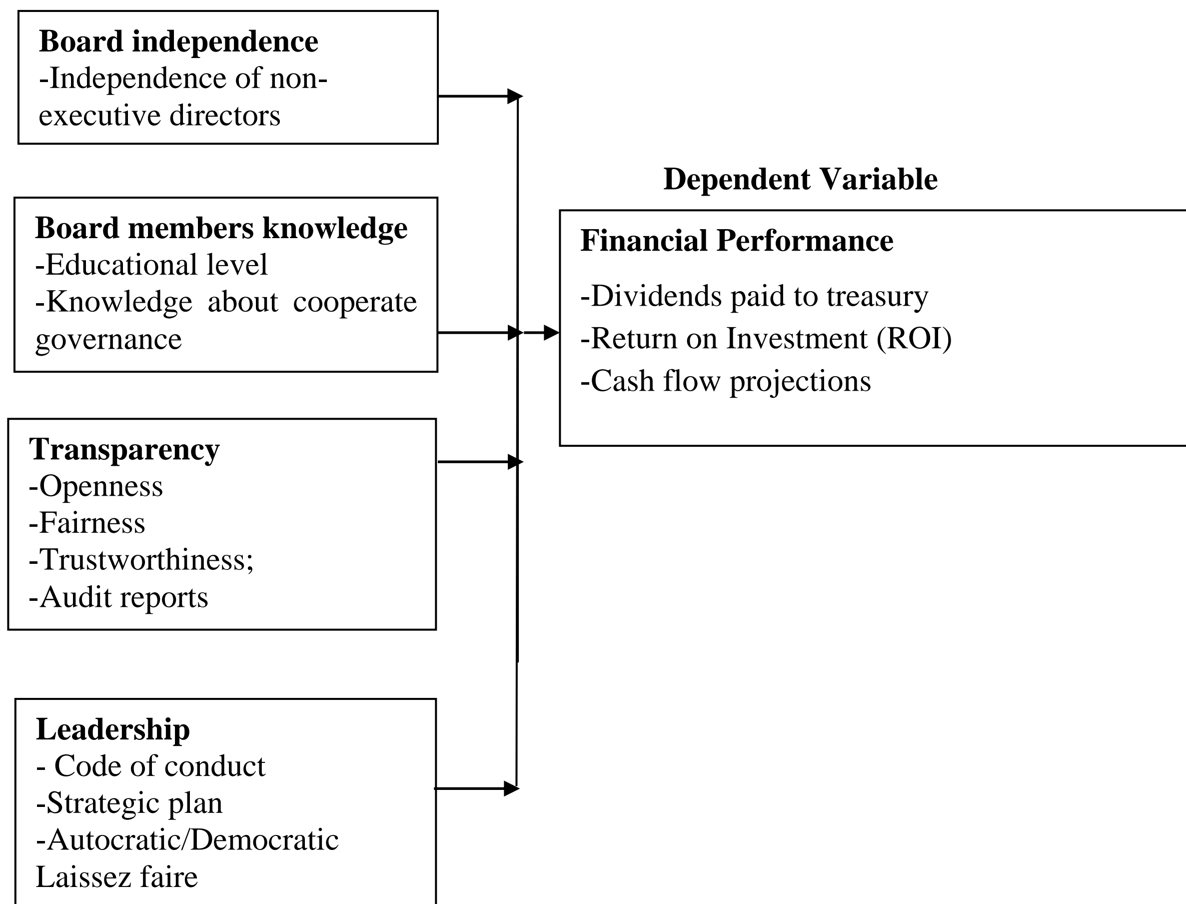

Figure 2.1 (Source: Researcher (2019)

2.2.3 Summary

The review highlights the significance of governance in the corporate sector not only to the eventual financial outcome of an organization, but also the overall growth and development of an organization as well as its reputation, goodwill and sustainability of its shareholders and other stakeholders. Good governance without a doubt enhances a positive economic impact to the organization through ensuring transparency and credibility, which shields the organization from fraudulent occurrences as well as corruption and such irregularities. Good

governance also enables a competitive and powerful organization position, which enables the opportunity to be able to seize different opportunities and enhance its development.

Among the major themes in the governance of corporate organizations which are trending exhibit a separation between the management and the board. In this way, the board can operate independently in monitoring the management. This further ensures an effective combination of dependent and independent board members and the development of the auditing committee which ensures the integrity of operations and financial reporting. Good corporate governance further is essential in increasing a firm' profitability and efficiency thereby enhancing a firm's ability to be able to create wealth for its shareholders, develop employment opportunities with better working terms and an observation of human rights. As such, governance in corporate organizations is essentially to ensure legitimacy, integrity and transparency of the management in the process of organization management, minimizing any risk on investors and ensuring high financial returns which ensure the development and sustainability of the organization.

While wide ranges of studies exist in the analysis of governance in corporate organizations in Kenya as highlighted in the literature review there is no specific focus on the connection of practices in corporate governance with financial returns or outcomes of state corporations. While several researchers have narrowed down on specific governance mechanisms, their results are highly conflicting and limited in scope. As such, the current study aims to evaluate the effect of governance in corporate organizations on financial outcomes of Kenya Pipeline Company, Eldoret.

CHAPTER THREE: METHODOLOGY

3.1 Research Design

The researcher chose descriptive survey as the research design to undertake the study because it forms and establishes the relationship between the variables in a given situation. This type of design is effective given its ability to exhibit the extent for which each independent variable in study influence the dependent variable without any manipulation (Creswell, 2009). The research study design was also effective due to its capacity of being able to involve a wide number of individuals as well as describe the characteristics of a population by a selection of unbiased samples Gupta (2010).

The design also involved the use of different data collection methodology including interviews and questionnaires. The sample results can then be generalized to an entire population. The design is further flexible enough to enable the comparison of different aspects of the question at hand (Kothari, 2009). Howell (2010) premises that descriptive research leads to the establishment of information on various variables of a research study which may be of specific interest to a researcher, this makes the design even more suited for the kind of study that is outlined.

3.2 Research Variables

Two variables were majorly involved in the study, that is, independent and dependent variables. Four corporate governance practices make up the independent variables these include: Board independence, Board members knowledge, Transparency and Leadership while the dependent variable is the financial performance indicated by Return on Investment (ROI) and Earnings Per Share (EPS).

3.3 Site of Study

Kenya Pipeline Company (KPC), Eldoret Deport is the location of study. KPC is one of the parastatals within the ministry of Energy in Kenya. It has a shareholding 100% government and is charged with the responsibility of distributing oil and other petroleum products in different localities, towns and cities through depot networks as well as a well-developed piping system. Despite being incorporated on 6 September 1973, it was not until 1978 that the company started its commercial operations

KPC operates a network of pipeline system that enables the transportation of refined oil and petroleum products between different cities in Kenya majorly flowing from the ports of Mombasa to the Capital Nairobi and then to other towns in the west including Nakuru, Kisumu and Eldoret. In addition to having five different plant headquarters, storage and distribution depots in each of these towns, the company is also in collaboration with National Oil Corporation.

The various HQs also available within these cities are fed by domestic-manufactured local products from the Petroleum Refinery in Nairobi. The crude oil is then refined to different petroleum products in the Kipevu Oil Storage Facility near Mombasa. The company operates aviation fuel depots at Moi Airport, Mombasa and Jomo Kenyatta Airport, Nairobi

3.4 Population

Walliman (2011) defined the population as all the elements that attain certain set standards of inclusion in any research. The study specifically targeted the senior management of KPC given the aim of the study, which is to evaluate the effects of corporate governance practices in the performance of parastatals in Kenya. The board members at KPC as such, were the main respondents of the study to highlight the various effects of board

independence, Knowledge, Transparency and leadership in the eventual performance of the company. In addition, the senior management including different branch managers also formed part of the population to clarify on the Boards role in the eventual governance and performance of the parastatals.

Table 3.1: Population Distribution

Level	No.
Senior Managers (CEO and Board of directors))	12
Senior level management	30
Total	**42**

Source: Kenya Pipeline Company (2020)

3.5 Sampling

3.5.1 Sample Size

A sample size was determined based on the statistics formula by Yamane (1967). Taking into account a 95% confidence level

and P = 0.5 are assumed in this formula.

N= Population size

e = Level of precision

$$n = \frac{N}{1 + N(e^2)}$$

$$\frac{42}{1+42(0.05^2)}$$

n = **42**

Therefore, a sample of 42 respondents was chosen from the target population.

3.5.2 Sampling Techniques

The process of selecting specific items or individuals from a bigger population that has similar characteristics involves sampling (Taylor, Bogdan & DeVault, 2015). This study engaged all of the 42 respondents. A questionnaire was delivered to every highlighted senior official in the company for data collection on the impact of governance in eventual parastatal performance.

Table 3.2: Sample Size Distribution

Level	No.	Sample size
Board Members	12	12
Senior Level Management	30	30
Total	**42**	**42**

3.6 Research Tools

The researcher engaged the use of structured questionnaires to collect raw data from the target population. Mugenda and Mugenda (2009) emphasized the suitability of questionnaire as a tool of data collection in descriptive statistics research studies.

3.7 Pilot Study

Garg and Kothari (2014) posited that pilot testing of research instrument is important as it establishes practice through which one can identify errors and on the same note very useful in mastering the instruments that are appropriately used during conducting the actual study. The questionnaires were tested on 10% of respondents drawn from the company employees (Mugenda &Mugenda 2003). In choosing the 10% of the employees, the researcher used simple random sampling.

3.8 Reliability and Validity Testing

3.8.1 Validity

Research Validity determines the level of truthfulness of the results through ensuring the accuracy of the research instrument (Taylor, Bogdan & DeVault, 2015). According to Kumar, (2011) validity incorporates the process of collecting data and analyzing them for the purpose of highlighting the accuracy and appropriateness of the tool of research. Among the validity tests undertaken towards validating the questionnaires include the face validity testing which was utilized in the determination of any links between the research instrument and the research objectives while the content validity was conducted to ascertain that data collected fully corresponds to the questions asked and that there is no ambiguity. The construct validity was then be used to determine the relation between the theoretical concepts against their responses.

3.8.2 Reliability

Kothari (2004) argued that when it comes to reliability; the consistency in the research instrument is of key importance and a measure of how far a specific research tool produces similar results. To be able to determine the reliability of the research tools used, error testing was done on the tool. This included checking for errors in the questions or detect poor grammar and poorly developed questions that might be confusing and thus lead to ambiguity in the results and correct them.

3.9 Data Collection

The researcher first secured a permit from the National Commission for Science, Technology and Innovations (NACOSTI) through the Department of Public Policy and Administration Kenyatta University. The researcher also secured permission to conduct the study from the

County Director of Education. In conducting this research, permission from director research and innovation was then sought and upon granting of the permission, the researcher then went ahead to seek permission from respondents. The questionnaires were presented to the respondents with a letter explaining the necessary details about the research study. The researcher then gave the respondents a certain period to fill in the questionnaire.

3.10 Data Analysis

Kothari (2004) described data analysis as the process of summarizing and organizing data. Completed questionnaires were edited for accuracy, completeness and consistency. The quantitative data collected was then be subjected to analysis using Statistical Package for Social Sciences (SPSS) software. The analyzed data was then classified and tabulated using descriptive statistics that include frequency counts, simple percentages, mean value and standard deviation and presented through appropriate tables for ease of understanding and analysis. Correlation and regression analysis were performed on the data from part of the questionnaire using a multiple regression model.

This was designed for the effective determination of the combined impact that all the studied independent variables have on the organizations financial performance that is the dependent variable. The equation is expressed as:

$$\mathbf{Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon,}$$

Where;

Y= financial performance; (Dependent Variable)

β_0= constant (coefficient of intercept),

X_1= Board independence

X_2= Board members knowledge

X_3= Board transparency

X_4= Board leadership

ε = error term;

$\beta_1 \dots \beta_4$= Regression coefficient of four variables.

3.11 Data Management and Ethical Considerations

Ethics, according to Walliman (2011), can be described as the distinction between what is right or good and what is wrong or bad during the process of conducting a research study. Ethical issues outlined are meant as a guide during the actual research. The respondents' participation was voluntary and free. In addition, the researcher ensured that the respondents' identities remain anonymous to protect victimization, intimidation, and privacy violation. In addition, the researcher adhered to the Kenyatta University research rules and regulations.

CHAPTER FOUR: RESEARCH FINDINGS AND DISCUSSION

4.0 Introduction

The study sought to establish how board independence, knowledge, transparency and leadership impact on a company's financial performance. Specifically, the study focused on the extent to which these factors contribute to the achievement of success and profitability for the company. The study was grounded on establishing the impact of board independence on the financial performance of Kenya Pipeline Company, in addition on investigating the effect of board members knowledge on financial performance of Kenya Pipeline Company. Moreover, it was guided by focus of finding out the effect of board transparency on financial performance of Kenya Pipeline Company. Lastly, it worked into determining how board leadership, affect financial performance of Kenya Pipeline Company.

4.1 Respondents Background

4.1.1 Response Rate

The study involved data collection from the top board members of KPC as well as other senior management including branch managers within the parastatal. As primary data collection approach, 42 questionnaires were administered to 12 board members and another 30 senior level managers. Out of the 42 administered questionnaires, 35 were correctly filled and returned. This represents 83.3 percent. Mugenda and Mugenda (2003) and Saunders et al. (2007) point out that a 50 percent response rate to questionnaires is adequate for conducting a research study. Further, they highlight that a 60 percent response is good while anything above 70 percent is best and mostly recommended for use. As such a response rate of 83.3 percent is above the recommended rate and therefore acceptable for drawing conclusions on the current study. The results are shown in Table 4.1.

Table 4. 1: Response Rate

Strata	Target Respondents	Successful respondents	Response Rate %
Board Members	12	5	41.6
Senior Level Management	30	30	100
Total	42	35	83.3

Source: Field Study (2020)

Of the questionnaires given to board members, 41.6% responded. On the other hand, all the 30 senior level management respondents responded effectively to the questionnaire leading to a 100% response rate. While the board members are the most effective respondents for the study, their multiple engagements were a probable cause for their limited response. However, the senior level management work closely with the board and significantly engage in carrying out most of their decisions practically within the different branches. Therefore, the data collected is consistent with the population and can be relied on for unbiased results.

4.1.2 Demographic Profile of the Respondents

This section conveys information about the respondents' gender, age and duration of service within the company as well as their various qualifications and position within the company's management

4.1.2.1 Gender, Age and Experience of Respondents

Out of the 35 respondents, 23 were men and 12 were women all above the age of 35 years with an experience of more than 5 years working within the company. This clarifies that a majority of the respondents were male and all of them had effective experience with regards to the operation of the board and its eventual impact to the financial performance of the company.

4.1.2.2 Position of Respondents

The respondents consisted of Kenya Pipeline Companies board members as well as senior level managers at the company. Three of the board respondents, 2 men and a woman work within the Accounts department. One of the participants had a diploma in accounting while the other two have bachelor degrees. The other two board member respondents major in business management as well as information technology (IT) management, both with degrees in their various fields. The senior management generally consists of individuals with majors and degrees in business management as well as information Technology and a few experts in oil and petroleum products. In addition to the lengthy experience possessed by these individuals with regards to the management and operation of the KPC, none of them have vested personal interest in the company and as such present unbiased and credible sources of information with regards to the company's operations and management.

4.2 Characteristics of Responses

In presentation of the findings, tables were used whenever it was possible to tabulate the findings. In the discussion, the findings were organized in accordance with the objectives of the study. Thus, it was arranged under the headings of board independence, knowledge of

board members, transparency of the board and Board leadership's impact to eventual organizations financial performance.

4.2.1 Board Independence and Financial performance

Among the various aspects of board performance investigated with regards to their impact to the eventual financial performance of the company include board independence. All 35 of the respondents affirmed that the prospect of board independence does indeed influence the outcome of the board and subsequently its financial performance. One of the board member respondents confirmed that independence of operation is paramount and guaranteed by the law given that dependence on any other factor that compromise the decision making processes and abilities of the board. He points out that

> *"Any external or external interference will mean lack of integrity and transparency in its activities. These will therefore have a negative impact on how the company is ran and its performance will be compromised"*

The findings also highlight that board independence helps in monitoring the performance of the company, ensures the development and installation of policies and procedures that are well structured in accordance with the strategies and objectives of the company and as such ensure effective decision making with regards to financial matters. This highlights the importance of the board independence as highlighted by O 'Regan and Oster (2005) who points out that, the board tend to be much more objective when it is independent from the management of the same organization, this is important to ensure the maintenance of efficiency of their performance.

One senior management respondent further highlights that board independence is extremely necessary to ensure that the directors do not put their interest above the interests of the

company. Kenton (2019) points out that as a result of board independence the directors and fellow board members owe the stakeholders of the company a duty of good faith and maintenance of a prescribed standard of Care, loyalty and prudence when making decisions with relation to the company. This affirms that directors should not have any vested personal interests in the company to act unequivocally solely to the benefit of the company and subsequent stakeholders. Board independence as such represents a significant component of parastatal financial performance and has been significant in the management of KPC, Eldoret.

4.2.2 Knowledge and Financial Performance

A key difference exists between actual knowledge and education. Having an education refers to the possession of necessary educational qualifications as granted by schools and educational institutions at the end of a course completion. Knowledge, on the other hand, includes information with regards to a particular activity, task or skill that is required in the implementation of an action at hand. According to the collected data, while 23 respondents highlight bachelors' degree as the necessary education qualifications associated with having a membership in the board, another 8 respondents highlight masters' degrees and 4 respondent highlights a PhD. Only one respondent points out a certificate degree and another one a diploma degree.

Table 4. 2: Education requirement for Board members Position

Education Requirement	Number of Respondents	% of respondents
Certificate	1	2.9
Diploma	1	2.9
Bachelor's Degree	23	65.7
Master's Degree	8	22.9
PhD	4	11.4

Source: Field Study (2020)

This highlights that while education is significant for consideration into the management position and proving one's worth as a manager, knowledge with regards to the respective areas of study is much more important given its potential of use in decision making.

While the empirical evidence on qualification of directors is quite limited, numerous studies from developed countries highlight a positive relationship between educational qualifications and board members success. Ljungquist (2007) highlights that educational heterogeneity of board members positively affects the market share growth as well as profits of a firm alluding the importance of the eventual totality of knowledge presented by the board members rather than their various educational qualifications as the essential factor for success. However, despite the impact of demographic diversity of the board members on aspects such as their age, gender as well as the education qualification, these aspects have received very limited

attention in literature, and do not have a significant impact to the eventual financial performance of the company.

All the 35 respondents were, however, in agreement that knowledge is critical for effective financial performance of a company highlighting that the different knowledge areas brought in by different members of the board have had effective and immense impact in the way KPC is managed and its eventual performance. While all the 35 respondents point out business management as the most relevant knowledge area related to board membership, another 12 respondents, all 5 of the board members among them, also identify social management as critical in business management and therefore crucial for directors. Another 10 respondents cited scientific and research skills while 22 respondents additionally add that technical skill and legal based knowledge also provide effective additional knowledge that would be effective within the board meeting in making financial related decisions.

Table 4. 3: Relevant Knowledge Areas for Board Membership

Knowledge Area	**No. of Respondents**	**% of Respondents**
Business Management	35	100
Scientific and Research	10	28.6
Social Management	12	34.3
Literature and Linguistics	0	0
Technical Skills	22	62.9
Legal Based Skills	22	62.9

Source: Field Study (2020)

Concurrent to the established literature review, the findings point out a wide range of ways as highlighted by the respondents for which knowledge of the board members have impacted the management of KPC. 23 respondents point out that knowledge with regards to areas of financial accounting significantly impact decision making in board meetings. One of the respondents points out that

> *'Effective financial decisions making as a result of board members advice due to their knowledge with regards to the accounting and finance fields go a long way into ensuring effective financial decision making that significantly impacts increased financial outcome.'*

Knowledge of the board members also enables increased diversity and innovation in the development of policies and procedures, strategic objectives and goals as well as strategic decision-making processes all of which significantly impact eventual financial performance. One respondent clarifies that

> *'The board undertakes to state the mission and vision of the strategic plan of the company by development and implementations of strategies using their knowledge in business management and other management factors. Any wrong/right decision in the implementation could most likely have financial impact'*

This is emphasized by Carpenter & Westphal (2001) who clarify that highly qualified board members are valuable to an organization given the wide mix of competencies, innovations ideas and capabilities that they can offer in the process of policy development. Fairchild & Li (2005) and Ferreira (2007) confirm that knowledge is indeed a critical component when it comes to decision making, stressing that good policies reflect in progressive policies and

decisions made by the board while a lack of effective knowledge is exhibited in bad policies that eventually impact performance.

4.4 Transparency and Financial performance

One major advantage of business management includes the inherent protection by the law through third party gatekeepers such as auditors, security analysts, attorneys and other reputational intermediaries mostly through the auditing of paper trails to various business aspects and endeavors. However, for these processes to be effectively managed and assist in the management of businesses, the board and entire company management and personnel should be transparent with all the matters pertaining to the company. According to Shanikat & Abbadi (2011) transparency and disclosure of all decisions and financial use shows the extent with which policies formulated by the board as well as the instructions given are in line with laws relating to organizations and company nature of business. All the 35 respondents confirmed that transparency is significantly linked with the eventual financial performance of a board. Confirming that the board at KPC and all other public and private companies should be transparent with regards to the various strategies undertaken within the company, all the respondents further agreed that the board at KPC is indeed transparent and straight forward when it comes to the various strategic and financial decisions that they make.

30 out of the 35 respondents highlighted that transparency not only impact the companies eventual financial outcome but it also impacts other aspects of the boards performance including integrity and maintenance of the acceptable standards of their duty to care and stay loyal to the interests of the companies. According to Kenton (2019) the doctrine of business judgment rule provides that in the absence of evidence that the board has blatantly violated some rule of conduct, the courts cannot review or question its decisions, the board is presumed to be acting in "good faith" and within the fiduciary standards of loyalty, prudence,

and care that directors owe to shareholders. Board transparency as such is necessary and effective in ensuring the evaluation and correction of any erroneous board decisions or decisions that may impact the company negatively.

The respondent's further highlights that by ensuring the financial performance of the company is strictly taken care of, board transparency also, enhances the improvement of resource management, and appraisal of all necessary board activities and decision. 12 respondents further point out that board transparency further impact employee understanding of the top management activities of the board and other management functions within an organization, ways in which these activities have an impact in their everyday work task, career development, employee remunerations as well as work safety.

According to Sangster (2005), reporting of the various outcomes of activities including governance and structural undertakings utilized within an organization, enables all stakeholders a fair view of the company and highlight the quality of governance within the firm's board. Essentially, therefore, transparency and disclosure are critical and useful in the conservation of the rights of the minority stakeholders' as well as creditors and outside shareholders who have no access to the firms first hand operations. Subsequently, transparency and disclosure minimize information asymmetry within the firm and along with it the probabilities of fraudulent activities that may influence the eventual value and performance of an organization further impacting overall financial performance.

4.5 Leadership and Financial performance

The most significant factor of board performance and one that significantly and directly impact the eventual financial performance is leadership. Leadership not only provides vision, mission and direction of the company but also enables the combination of all the other factors

towards the achievement of effective organization success. In addition to leading KPC, the respondents highlight that the board itself comprises a chairperson or managing director who provide significant leadership in the process of decision-making. The respondents agree that the leadership structure as well as the general company leadership in the board is a significant factor in decision making, especially when it comes to consideration of significant factors to financial outcomes.

According to the Central Bank of Kenya (2013), appointments into boards often take elongated processes with the aim of identifying uniquely qualified individuals who can ensure a balanced mix of proficiency as well as competency and be able to add value of brining unbiased judgments. Among the major duties of the board with regards to leadership include: developing the values, strategies as well as the purpose and objectives of an organization and further developing means of implementing them to ensure the sustainability and growth of the organization (Central Bank of Kenya (CBK), 2013). This implies a leadership quality on the board and as such as each member should have sound knowledge of leadership and financial management.

One respondent highlights that the major purpose of leadership within board include influencing effective and efficient decision making that can be effectively applied and adopted by the rest of the organization towards the achievement of financial success. A respondent highlights that

> *'Without leadership in the board, implementation of company policies and strategic planning would be difficult and uncoordinated. Every board of an organization must have a leader who will give direction'*

These findings are consistent with the CBK (2013) which highlights the purpose of leadership as coordination and control. As such, it is the function of the board to assume company or organization leadership, and further ensure no one individual monopolizes on powers and thus ensure appropriate balance and equilibrium of power to enhance realization of objectives through independent judgment. The leadership of the board should also ensure control of the implementation process of the various organization strategies, plans and in addition constantly review the viability of the financial stability as well as financial sustainability of the organization (CBK, 2013).

CHAPTER FIVE: CONCLUSION AND RECOMMENDATION

5.1 Conclusion

Corporate management highlights an essential part of the success of companies and by extension economies. Despite a company having unlimited resources and strategic advantages over other competitors, its board and management ultimately plays the biggest role of ensuring the mobilization, control and use of these resources to influence profitability. This research set out to investigate the impact of different governance factors to the eventual financial outcome of the organization as a way of highlighting best practices for success. In the backdrop of huge loses and collapse of other state-owned companies including Mumias sugar as well as the Kenya Airways, exemplary performance of the Kenya Pipeline Eldoret in the recent years highlight a best case study for the research. Working from a developed premise and standpoint that different aspects of governance have significant impact to both private and public companies, in the local economy as well as globally, the study investigated the impact of Board independence, knowledge of board members board transparency and board leadership to the eventual financial management, decision making and performance of KPC, Eldoret. Among the major findings include:

5.1.1 Board Independence

Both the literature review and first hand collected information confirm that board independence is a significant factor for eventual financial management. Board independence enables KPCs board to be able to make effective decisions absent of any external factors or internal conflicts and misunderstanding. Given the no stake policy in the board membership position at KPC, individuals serving within the board do not have any stakes in the company

and as such are entirely dedicated to making decisions in the interests of the company at all circumstance. Effective board independence inspires more objectivity when it comes to the process of decision making and this is significant in the eventual financial performance of the organization.

5.1.2 Knowledge of the Board Members

The level of education of an individual has been proven by the findings to have no significant impact on the eventual board decision making and financial outcome rather is only used as a standard requirement for consideration into the board. Instead the knowledge and skills possessed by different board members in their various fields combined impacts innovative, creative and effective decision making. This enhances the process of policy and regulations development to guide and protect the company through its growth. An efficiently knowledgeable board further inspires development of brilliant strategies which not only enhances realization of the organization's goals, objectives and set visions but also impact optimization of the company resource use. This significantly impacts the eventual financial outcome and performance of the company.

5.1.3 Transparency of the Board

Transparency of the board was found to serve two major purposes in ensuring effective financial performance of KPC this include enabling disclosure and evaluation of all decisions and financial use showing the extent with which policies formulated by the board as well as the instructions given are in line with laws relating to organizations and company nature of business. Transparency is further a requirement by the government of Kenya for all public

company operations for the assessment of performance and realization of any recommendations to be made.

Transparency also serves to ensure the employees, consumers and virtually all stakeholders related to the company are effectively updated with regards to the company performance and contribution in corporate social responsibility. Through effective transparency and disclosure of the effective operations to the involved stakeholders, motivation for better performance is achieves which is significant in ensuring continues performance of the company.

5.1.4 Leadership of the Board

In addition to providing direction and ensuring coordination and control the findings of the study places leadership to be the most significant aspect of corporate governance. Leadership within the board and the entire company ensures the effective utilization of resources both physical and human towards the achievement of enhanced outcomes. Effective leadership within the board guarantees smart and achievable strategic objectives as well as processes and procedures for their implementation. The findings highlight that effective leadership structures and leaders within the company have been the single most essential component impacting their effective financial performance. As such, maintenance of a primal leader and board leadership significantly impacts not only the eventual financial outcomes by effective performance growth and development of both public and private organizations.

5.2 Recommendations

Following the findings presented and the conclusions highlighted a wide range of recommendations can be taken up by companies both private and public towards ascertaining the best fit board for its corporate governance, through consideration of the various advised

factors, the following recommendations can be adopted in the process of board appointments to ensure effective corporate governance and organization performance;

First, alienating the various knowledge areas required for the task to be achieved within the company including: business management, law. Technical skills, technological requirements and others, then develop a board membership containing all these in a defined variety mix to ensure effective performance

Secondly, maintaining absolute transparency concerning the various board activities in the quest to achieve financial success and organization growth and development. Thirdly, maintaining the independence of the board; all selected board members should not have any other vested interest within the company to enhance objectivity in decision making with regards to the companies interests.

Lastly, the company should deliberate effecting a strong leadership structure and leadership for the corporate management of the company to ensure proper, timely and efficient decision making which maximizes on resource use and limits cost and negative impact thereby impacting effective success.

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Questionnaire

Demographics

1. Name -

   ____

   ____

2. Age bracket

   [ ] 21-25
   [ ] 26-30
   [ ] 31-35
   [ ] 36-40
   [ ] Above 40

3. Education status

   [ ] Certificate
   [ ] Diploma
   [ ] Bachelor's Degree
   [ ] Master's Degree
   [ ] PhD

4. Professional indulgences-

   ____

   ____

   ____

   ____

5. Do you have any personal interests or investments in the company?

   [ ] Yes
   [ ] No

6. What are some of the tasks you are involved with as board members as KPC, Eldoret?-
____
____
____
____

Board Independence

7. In your view do you think the prospect of being independent influence any of the outcomes of these tasks?

   [ ] Yes
   [ ] No

8. What are some of the ways with which the independence of the board influences the implementation of these tasks?____
____
____
____

Knowledge of the Board Members

9. In your view what are some of the education qualifications that are associated with being a member of this board?

   [ ] Certificate
   [ ] Diploma
   [ ] Bachelor's Degree
   [ ] Master's Degree

[ ] PhD

10. What are some of the knowledge areas crucial in the process of implementation of the tasks within the board of KPC?

    [ ] Business Management

    [ ] Scientific and research

    [ ] Social management

    [ ] Literature and linguistic

    Others, mention____

    ____

    ____

11. Do you think the different knowledge areas brought in by the different board members are of significant impact to the implementation of any of the tasks?

    [ ] Yes

    [ ] No

12. Do you think the knowledge of the board members can potentially impact financial performance?

    [ ] Yes

    [ ] No

13. If yes, elaborate how knowledge of the board could potentially impact a decision making process with financial consequences-

    ____

    ____

    ____

Transparency

14. Is the board at KPC transparent with information regarding their operations and the company governance?

    [ ] Yes
    [ ] No

15. If not, do you think the board ought to be transparent with the activities that it is engaged in as well as the governance of the company?

    [ ] Yes
    [ ] No

16. Do you think transparency impact the implementation of any of the board tasks in question?

    [ ] Yes
    [ ] No

17. If yes, elaborate how-

    ____
    ____
    ____

18. As such, is transparency of the board in any way linked with its eventual financial performance?

    [ ] Yes
    [ ] No

Leadership

19. What is the structure of the board leadership____

20. Do you think the leadership structure and the leadership in general impacts the implementation of any the boards' tasks?

    [ ] Yes
    [ ] No

21. If yes, in what way does the leadership of the board impact the implementation of its tasks____

22. As such, is board leadership in any way linked to the eventual financial performance of the company

    [ ] Yes
    [ ] No