

**CORPORATE GOVERNANCE AND FIRM PERFORMANCE OF MANUFACTURING
AND ALLIED FIRMS LISTED AT THE NAIROBI SECURITIES EXCHANGE, KENYA**

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DECLARATION

This project is my original work and has not been presented for a degree in any other university or for any other award. No part of this project should be reproduced without the authority of author or/and Kenyatta University.

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I confirm that this project has been carried out by the candidate under my guidance as the university appointed supervisor.

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DEDICATION

I would like to dedicate this research project to my parents, relatives and siblings for their continued encouragement, support, prayers and love that has helped me in this journey.

ACKNOWLEDGMENT

I wish to acknowledge the love, grace, and help of the Almighty God who has enabled me to come this far in this journey. I also want to recognize with gratitude the help and guidance accorded to me by my supervisor, Dr. Janet Muthimi. I also appreciate all my classmates of 2021/2022, for their encouragement.

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ABBREVIATION AND ACRONYMS

CEO:	Chief Executive Officer
CG:	Corporate Governance
FTSE:	Financial Times Stock Exchange
GDP:	Gross Domestic Product
KAM:	Kenya Associate of Manufacturers
KNBS:	Kenya National Bureau Of Statistics
NACOSTI:	National Commission for Science, Technology and Innovation
NSE:	Nairobi Security Exchange
PSX:	Pakistan Stock Exchange
RBV:	Resource-Based View Theory
ROA:	Return on Asset
ROE:	Return on Equity
SPSS:	Statistical Package for Social Sciences
UK:	United Kingdom

OPERATIONAL DEFINITION OF TERMS

Board Composition:	Members of the board in terms of ethnic classifications, gender, and years of experience is diverse.
Board Size:	The cumulative membership count of the board members in a firm.
Board Independence:	Avoiding being influenced by parties with an interest in the company or to have no economic or social relationships with parties associated with the company.
Board Diversity:	This current study, board diversity refers to members of a firm's board who are diverse in terms of ethnic background, age, and culture.
Corporate Governance:	The system of rules, practices, and processes by which a company is directed and controlled. It involves balancing the interests of a company's various stakeholders, including shareholders, management, customers, suppliers, financiers, government, and the community.
Efficiency:	Manufacturing firm ability to produce a product at the lowest possible cost while still making a profit
Firm Performance:	Refers to how well a company achieves its objectives, measured through financial and non-financial indicators. It reflects the firm's efficiency, profitability, competitiveness, and long-term sustainability.
Insider Shareholding:	Total number of shares held by a company's executive.

Manufacturing and Allied Firms: These are companies engaged in the production, processing, and distribution of goods through industrial operations. These firms transform raw materials or components into finished or semi-finished products using machinery, labor, and technology. The "Allied" category typically includes firms that support manufacturing, such as suppliers of raw materials, equipment, and services essential to industrial production.

Market Share: The percentage of firm's or market's total sales earned by a specific firm over a given time

ABSTRACT

As part of Vision 2030, Kenya's government has identified manufacturing firms as an entity of socioeconomic expansion and development. In this regard, the Kenyan government has implemented numerous reforms, including the inclusion of the manufacturing sector as one of the government's four major agendas for revitalizing the sector. Despite these reforms, statistics show that over the last ten years, manufacturing industries in Kenya listed on the Nairobi Securities Exchange have experienced stagnation and declining profits, slowing growth, and declining market share, necessitating the establishment and execution of effective corporate governance. This particular study investigated the effects of corporate governance on continued success among manufacturing and allied firms that have been enlisted at Nairobi Securities Exchange. The study specifically investigated the effects of size and composition of the boards as well as board member education and board diversity on success among manufacturing and allied firms. Agency theory, Resource-Based View and stakeholder's theory anchor the study. A descriptive research design was employed, along with the stratified random sampling method for selecting participants. The study's target population was 439 managers from the listed manufacturing and allied firms. Two hundred and nine (209) corporate managers from these manufacturing companies were sampled. Primary data was collected using a self-administered questionnaire, which was first pilot tested using twenty-one (21) respondents which is equivalent of 10% of the sample size. The results of an evaluation of the study instrument's validity and reliability indicated that it was reliable. Collected data was coded, cleaned, and analyzed. Data analysis involved generating and interpreting descriptive statistics (means, percent, standard deviation and visualized through tables, charts, and graphs. Results indicated that board composition ($\beta = 0.246$; $P=0.002<0.05$), board independence ($\beta = 0.295$; $P=0.000<0.05$), board size ($\beta = 0.275$; $P=0.000<0.05$) and board diversity ($\beta = 0.271$; $P=0.001<0.05$) significantly influenced performance of manufacturing and allied firms. It's recommended that processing entities under Nairobi security exchange should have a reasonable board size, exclusively appoint competent individuals to serve on its board of directors and consider appointing women to the board as this boosts a firm's performance.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

In light of the current economic scenario a number of challenges that necessitate sound decision making for optimal performance by most firms. To achieve good performance, any organization must be able to embrace good corporate governance (CG) attributes outlined in codes (Ahmed & Rugami, 2019). Performance is critical in increasing the firm's value and boosting the expansion across all sectors, causing a country's economy to expand and advance. Good CG has grown in recent years as businesses in both developed and emerging nations have grown and expanded (Buallay, 2019). The idea of good corporate governance emanates from principal agency theory, in which the agent has a conflict of interest with the principal (Chabachib *et al.*, 2020). Therefore, this firm issue must be managed in order to minimize losses to both the principal and the agent.

According to Khan and Subhan (2019), corporate governance is outlined through the system of rules, practices, and processes by which a firm is directed and controlled. It plays a crucial role in ensuring accountability, transparency, and efficiency in decision-making, particularly in publicly listed firms, where ownership and management are often separated (Ahmed & Rugami, 2019). The relationship between corporate governance and firm performance has been widely studied in finance, economics, and management literature, as strong governance mechanisms are believed to enhance investor confidence and operational effectiveness.

Better CG frameworks benefit firms by increasing access to a large market share, improving performance, financing, and increasing profits (Puni & Anlesinya, 2020). Investor confidence in

Kenya has dwindled due to the country's low corporate governance norms and lack of transparency (Korir & Cheruiyot, 2017). This is demonstrated by the failure of processing firms enlisted under Nairobi's stocks in a period of less than ten years. Manufacturing industry in Kenya which contributes to a 15% annual GDP growth rate (KAM, 2022). The sector faces critical challenges such as slowing growth, declining market share, and a high failure profitability rate (Chege *et al.*, 2020). Due to this there is a need to embrace good CG attributes within the sector for proper performance.

Studies over the years have revealed contradictory effects on corporate governance (CG) and performance. Firms in emerging countries are often closely held, lacking transparency, and proper tools to protect shareholders' legal rights. As a result, the effectiveness of CG may vary between developed and emerging markets. A study by (Kyere & Ausloos, 2021) firms in UK with a lot of potential value are always trying to attract investors. Investors are more confident when there are effective boards in place to ensure the financial well-being of their investments. However, the board of directors is constantly criticized for their actions and blamed when organizations fail.

Listed firms operate in highly regulated environments, where corporate governance is essential for investor protection and market stability. Regulatory bodies, such as the Securities and Exchange Commission (SEC) and stock exchanges, impose governance standards to ensure fair practices. In emerging markets, corporate governance reforms have been critical in improving investor confidence and firm competitiveness. The relationship between corporate governance and firm performance is multifaceted, influenced by board composition, ownership structures, transparency, and regulatory frameworks. Empirical studies generally support the view that strong governance practices enhance firm performance by reducing agency costs, improving decision-making, and fostering investor confidence. According to Benvolio and Ironkwe (2022), corporate

governance plays a vital role in ensuring transparency, accountability, and efficiency in firms, particularly those listed on stock exchanges. In Kenya, manufacturing firms contribute significantly to economic growth, employment, and industrialization. Listed manufacturing firms operate in a competitive and regulated environment, where corporate governance practices influence their financial sustainability and overall performance (Zaman *et al.*, 2021). The Nairobi Securities Exchange (NSE) provides a platform for publicly traded companies, enforcing governance standards to protect investors and enhance market integrity. Kenya has adopted various corporate governance guidelines to improve firm performance and attract investment. The Capital Markets Authority (CMA) Code of Corporate Governance (2016) provides principles on board composition, transparency, risk management, and shareholder rights, while the Companies Act (2015) establishes legal requirements for company operations, director responsibilities, and financial disclosures, and the Nairobi Securities Exchange (NSE) listing rules mandates compliance with governance standards for firms listed on the stock exchange (NSE, 2023). These regulations aim to enhance board effectiveness, investor confidence, and firm accountability, particularly in the manufacturing sector, which is crucial for Kenya's industrialization agenda under Vision 2030. This makes corporate governance to be essential in shaping the performance of Kenya's listed manufacturing firms. According to Bawaneh (2020), strong governance frameworks, including independent boards, transparency, and effective risk management, enhance investor confidence and operational efficiency. While Kenya has made significant progress in corporate governance reforms, challenges such as weak enforcement and boardroom conflicts persist (Kyengo, Muathe & Kinyua, 2019). Strengthening governance structures and fostering a culture of accountability would therefore be essential in driving sustainable growth and competitiveness in Kenya's manufacturing sector especially among the listed firms.

1.1.1 Firm Performance

Successful firms are critical elements of growth in economy, society, and political development in a country (Taouab & Issor, 2019). Manufacturing firms' performance in a highly competitive corporate setting is dependent on unique internal firm characteristics. According to Ayoade, Adegbuyi and Ogunnaiké (2018), performance of a firm is defined from the angle of market-share, effectiveness and efficiency, and that firm performance is the capacity to fulfill its objectives through relevant strategic actions. There are two methods to measure a company's success: accounting and market performance indicators (Aloulou, 2019; Ayoor et al., 2019; *Napitupulu et al.*, 2020).

Nevertheless, the majority of empirical research has employed ROA or Tobin's Q as indices for firm performance or both (Ciftci et al., 2019; Koji *et al.*, 2020; Brahma *et al.*, 2021). There is little agreement on which measurement tool is best (Moustaghfir *et al.*, 2020; Lin *et al.*, 2020). A research on annual reports from Pakistan Stock Exchange companies from 2008 to 2017 found that ROA and ROE were the best firm performance measures (Javeed & Lefen, 2019). Further, Maziriri, (2020) on South African manufacturing SMEs performance. Market share and profitability positively impacted the South African manufacturing sector.

Kyengo *et al.* (2019) posit that firm performance is measured through its profitability and market share that it commands within the industry it operates. Consequently, Nyambua (2018) conducted a study on firm performance among 76 Kenyan manufacturing firms representing 12 industrial sectors. Firm performance measures were conceptualized in terms of market share, profitability, and efficiency. Finally, Chege *et al.* (2020) found that firm performance is conceptualized in terms of market expansion, sales volume, and profitability.

Profitability is one of the essential measures of performance, which indicates the ability of a company to generate income relative to costs and investments. It is assessed through various financial metrics, including the return on assets (ROA) which is the firm's ability to efficiently utilize its assets to generate profits, Return on Equity (ROE) which is the firm's ability to generate profit relative to shareholder investments, and the net profit margin which is the portion of total revenue that remains as profit after all expenses. According to Lin et al. (2020), firm's profitability highly depends on both revenues and expenses, whereby when a firm generates high revenue but the expenses remain high, the profitability will still be low, and when a firm significantly reduces the expenses and retains the revenues at average levels, it still has a growing profitability. Some firms, such as Carbacid Investments, report high margins due to lower operational costs and niche market dominance. Others, like Eveready East Africa, struggle with declining profitability due to competition and market shifts. BAT Kenya maintains high profit margins due to strong brand positioning and operational efficiency. Firms with strong governance, such as East African Breweries Ltd (EABL) and Bamburi Cement, often exhibit high ROE due to effective management and financial strategies.

Efficiency is another key measure of firm performance, as it tells how well a manufacturing firm utilizes its resources (assets, labor, and capital) to generate revenue and profits. This is established through assets turnover which is the extent to which assets are utilized to generate revenues, and the operating expense ratio which tells the ability of a firm to maximize its output while retaining low levels of expenses (Karani, 2022). Firms like EABL and BAT Kenya show high operational efficiency due to economies of scale. Firms facing inefficiencies, such as Mumias Sugar (before delisting), struggle with high production costs and outdated infrastructure.

Market share is another essential measure of firm performance, and it focuses on a firm's dominance within the industry compared to competitors (Khan & Subhan, 2019). It is a crucial indicator of competitive positioning and long-term sustainability. A higher market share suggests strong brand loyalty, competitive pricing, and product differentiation. In the context of listed manufacturing firms, EABL dominates the beverage sector, controlling over 80% of the alcoholic drinks market, while BAT Kenya leads in the tobacco industry, benefiting from strong distribution networks. Bamburi Cement remains a market leader in construction materials due to strategic partnerships and production efficiency, while Eveready East Africa has lost significant market share due to increased competition from cheaper imports (NSE, 2023). These trends show that market share can highly point to whether a firm is doing well or not in terms of performance. The study utilized these three measures to assess performance of the listed firms.

1.1.2 Corporate Governance

Corporate governance (CG) emerged mainly a fundamental aspect in assessing an entity's strengths and roles that aid in monitoring the company's performance (*Ahmed et al.*, 2020). It encompasses interactions between senior executives, the company's board councils, shareholders, fellow stakeholders such as employees and customers (*Iqbal et al.*, 2019). Similarly, *E-Vahdati et al.* (2019) attest that corporate governance promotes stakeholders' interests by managing their engagements with their different surroundings. Consequently, *Buallay*, (2019) ascertains that investor trust is increased by corporate governance since the regulations ensure that their interests are respected.

Because of the application of CG in various disciplines, various authors have conceptualized CG differently (*De Villiers & Dimes*, 2021). Some studies have operationalized CG as being how the boards are composed and diverse, their size and extent to which they are independent (*Ahmed &*

Rugami, 2019; Koji *et al.*, 2020; Chesire, 2021). Zaman *et al.*, (2021) surveyed New Zealand stock market-listed enterprises conceptualized CG as board composition and board diversity and board size. Additionally, Kyere & Ausloos, (2021) conceptualized CG as CEO duality, board independence of a board, its size and audit team among firms listed United Kingdom.

Furthermore, Al-Gamrh *et al.*, (2020) evaluates the CG practices among firms under Dubai Stocks from the year 2008-2012, the findings indicated board independence, size and composition, as corporate governance measures. According to Merendino and Melville (2019), major entities that with extensive boards ought to attain streamlined capabilities that are required for efficient progress toward better performance. More exciting options can be found on a bigger board, with boards nominated from a variety of professional sectors, with varied expertise and talents (Khatib & Nour, 2021). Hassan & Lahyani, (2020) found that organizations with non-executive directors are likely to give information that can improve company performance than others. Additionally, Ria, (2023) attest that the more board executives that are independent, the more favorable the firm's performance. However, Karim *et al.*, (2020) assert that the independence members as a measure of CG has a detrimental impact on performance 588 Malaysian businesses.

One of the most important and distinguishing features of both board dynamics and the overall performance of corporate governance practices that oversee business actions is the directors. Alabdullah *et al.*, (2021) suggests that a smaller board of directors is more successful in increasing cooperation and interaction than a larger board. Furthermore, Sarpong-Danquah *et al.*, (2023) recommends essence of boards whereby they are consisting of a large number of outsiders (non-executives) ensures that the board monitors activity and improves firm performance. In Addition, participation of independent members is a crucial corporate governance instrument that can lead

to better board performance and monitoring. Independent member of board are more considerate of corporate social responsibility and adhere to the law more carefully (Naciti, 2019).

One of the most crucial elements of corporate governance is the board of directors, which is responsible for strategic oversight, decision-making, and ensuring accountability to shareholders. The four key board-related governance aspects include the board composition, board size, board independence, and board diversity. Board composition as described by Brahma, Nwafor, and Boateng (2021) is the structure of the board of directors, including the mix of executive and non-executive directors, their skills, and expertise. An effective board composition ensures balanced decision-making, reduces conflicts of interest, and enhances oversight. Board composition can be viewed in the prospects of executive and non-executive directors, independent directors, skillset and expertise of the directors and regulatory requirements (Khatib & Nour, 2021). According to Zaman, Nadeem, and Carvajal (2021), executive directors are involved in day-to-day management, while non-executive directors (NEDs) provide independent oversight, and that best practices recommend that non-executive directors form a majority to enhance board objectivity. Further, the authors stated that the independent directors are crucial in reducing management bias and ensuring shareholder interests are protected. Schneider (2019) outlines that boards should include professionals with diverse expertise, such as finance, law, manufacturing, and sustainability, noting that firms with imbalanced boards, dominated by insiders or politically influenced directors, often face governance challenges, leading to poor investor confidence and performance declines.

Board size is another core aspect of corporate governance, which as defined by Vaidya (2019) is the total number of directors on the board. An optimal board size balances decision-making efficiency and governance effectiveness. The Capital Markets Authority (CMA) recommends a minimum of five and a maximum of nine board members for listed firms in Kenya. NSE-listed

manufacturing firms generally have board sizes ranging from 7 to 12 members, depending on company complexity. According to Sarpong-Danquah et al. (2023), while larger boards would bring more expertise and diverse perspectives, provide a stronger oversight and risk management, and enhance representation of stakeholders, such boards would slower decision-making due to bureaucracy, and potential for free-riding and reduced accountability. Majeed et al. (2020) on the other hand noted that smaller boards of between 5 and 8 members promote faster decision-making and flexibility, lower administrative costs, and promote easier achievement of consensus, although they have limited expertise and industry knowledge and have high risk to CEO dominance and weak governance.

Board independence is another essential aspect of corporate governance, which is expounded by Kyere and Ausloos (2021) as the presence of non-executive and independent directors who are free from conflicts of interest and do not have direct management roles. Independent directors play a crucial role in enhancing transparency, protecting shareholder interests, and improving strategic oversight. The CMA Code (2016) recommends that at least one-third of board members should be independent directors. Many Kenyan listed manufacturing firms comply with this requirement, though some struggle with actual independence due to personal or political affiliations.

Board diversity is another aspect of corporate governance, which is the inclusion of members from different backgrounds in terms of gender, age, nationality, professional expertise, and ethnicity. A diverse board enhances decision-making by incorporating multiple perspectives. The CMA Code (2016) encourages firms to have at least one-third female representation on boards. Companies like BAT Kenya and EABL have made strides in gender diversity by including women in leadership roles. Further, age diversity is emphasized where a mix of experienced senior members and younger professionals fosters innovation and balanced decision-making (Bawaneh, 2020).

Further professional and industry diversity are upheld where boards should include experts in finance, law, technology, sustainability, and manufacturing. Ethnic and cultural diversity is also emphasized as it ensures fair representation in a multicultural business environment.

1.1.3 Manufacturing and Allied firms in Kenya

Manufacturing stands as one of Kenya's crucial economic sectors, making a substantial contribution to the nation's social and economic progress (KAM, 2019). Over the last five years Kenya's manufacturing sector contributed 15% of GDP in the economy and up to three hundred thousand Kenyans, constituting thirteen out of hundred in availed opportunities across country (Awino *et al.*, 2018). There are nine companies on the NSE in the manufacturing and allied firms which include; Unga Group Limited East Africa, B.O.C Gases Kenya Plc, Carbacid Investment Ltd, BAT Kenya, East African Breweries Ltd, FTGH Ltd and Kenya Orchards Ltd while companies like Eveready EA Ltd and Mumia's Sugar Ltd have been suspended from trading, (NSE, 2023). NSE has been instrumental in shaping how corporates trade and raise external and internal funds for optimal operations while mobilizing domestic savings, facilitating the transfer of securities between shareholders, and enabling entities sell their equity in a bid to obtain affordable funding and give citizens some opportunity to invest through purchase of stock in the entities that are listed (Gok, 2022).

Kenya's manufacturing exports account for only 35% of total market share exports, compared to 47% in South Africa, 67% in Malaysia, and 73% in Singapore (Karani, 2022). Regionally, a sizable portion of China's GDP comes from the country's manufacturing sector, which ranks high among the country's knowledge-intensive and fast-growing industries (Xu & Li, 2022). Zimbabwean manufacturing is experiencing a host of issues in terms of recovery and business closures, since most of firms in the sector are private entities (89%), with just nine out of seventy-eight firms

in the manufacturing sector in Zimbabwean stock exchange (Siwadi *et al.*, 2015).

Locally, the growth rate has shown minimal growth over the last five years. Manufacturing has grown at a 3.4% annual rate in real terms over the last five years, while food and beverages have grown at a 6% annual rate and non-food has grown at a 2% annual rate (Nduati, 2019). The structural inefficiencies of manufacturing firms, combined with massive uncontrollable debt levels and poor performance, pose a significant threat to the Kenyan economy (Njenga & Jagongo, 2019). According to a number of studies, manufacturing firms in Kenya are hampered by inadequate CG and enormous crippling debts, forcing stakeholders to lose their investments.

1.2 Statement of the problem

A component of Kenya's Vision 2030 agenda included manufacturing firms as a driver of socioeconomic growth and development (USAID & AMCHAM Kenya, 2022). In this regard, the Kenyan government has included the manufacturing sector as one of the government's four major agendas for revitalizing the sector (Gok, 2020). Furthermore, the government has provided manufacturing industries with low-cost, dependable power to help them run their daily operations efficiently (KAM, 2019). Laws are also being enacted to protect local manufacturing firms from exploitation in the Kenyan market (Gok, 2022). Additionally, NSE has fundamentally steered sustainable among entities through giving them an avenue to mobilize domestic savings, facilitating the transfer of securities between shareholders, and enabling entities strengthen investments among local citizens who go ahead to purchase equity in listed entities.

Despite these reforms, Statistics show that manufacturing industries listed with Nairobi security exchange (NSE), in Kenya have experienced stagnation and declining profits, slowing growth, declining market share in the past ten years due to a volatile environment (Korir & Cheruiyot,

2017: Chege *et al.*, 2020). Additionally, Kenya's processing sector has exhibited a comparatively slower growth rate in relation to the overall economy of the country (Rotich *et al.*, 2022). Moreover, Statistics show that manufacturing industries listed with Nairobi security exchange (NSE), in Kenya have experienced slowing profitability, over the last five years as a result of a volatile operating environment (Korir & Cheruiyot, 2017). When the COVID-19 pandemic began, firm performance on manufacturing firms in Kenya dropped by 0.7 percent (Khatib & Nour, 2021). Consequently, according to the KNBS Economic Survey of 2022 manufacturing firms' market share has decreased from 8.8% in 2018 to 6.3% in 2019 and -0.4% in 2020, due to operational inefficiency, decreased from 28.7% in 2018 to 29.6% in 2019 and -0.2% in 2020. Furthermore, according to the statistics, the sector's profits fell from 191 billion to 183 billion from the year 2019-2022 (KNBS, 2022).

Ciftci *et al.*, (2019) researched the internal CG, and firm performance in Turkey. The dataset includes cross-sectional and time series observations that are appropriate for panel data. Foreign ownership, ownership concentration, board size positively impacted firm performance. The study was conducted in a more economic developed market as compared to the current study.

Additionally, Koji *et al.* (2020) in an attempt to highlight CG in modern-day corporations singled out processing industry in Japan between 2014 and 2018. The study only looked at how the two mainstays of CG, structure of ownership and board impact entity's success. Similarly, a study conducted by Karim *et al.* (2020) concerning how CG predict performance of five hundred and eighty-eight listed firms on the Bursa Malaysia. The study used only board independence as a measure of CG. The findings indicated that board independence negatively impacted performance. Consequently, Adesanmi *et al.*, (2018) researched on CG impacts on performance of Nigerian industrial enterprises from 2005 to 2014. The findings positively impacted size and independence

of boards towards strengthening success of processing entities in Nigeria. It was also of importance to bring other concepts of CG on the study.

Consequently, Korir and Cheruiyot (2017) researched CG impacts on performance among NSE-listed companies From 2006 to 2015. A sample size of 35 organizations were used for sampling. Secondary information was gathered from audited annual financial statements. The findings indicated that the extent at which a given board is independent, its tenure, whether it has integrated duality of CEO and has more than a single director streamlines its ability to steer firm performance. Moreover, it is valuable to consider use of primary data to capture current market trends.

1.3 Objectives of the study

1.3.1 General Objective

To investigate the effect of corporate governance and firm performance of manufactured and allied firms listed at the Nairobi Security Exchange, Kenya.

1.3.2 Specific Objectives

The specific objectives were to:

- i. Examine the effect of board composition on performance of manufacturing and Allied Firms listed at the Nairobi Securities Exchange, Kenya.
- ii. Assess the effect of board size on performance of manufacturing and Allied Firms listed at the Nairobi Securities Exchange, Kenya.
- iii. Determine the effect of board independence on performance of manufacturing and Allied Firms listed at the Nairobi Securities Exchange, Kenya.
- iv. Determine the effect of board diversity on performance of manufactured and allied firms listed at the Nairobi security exchange, Kenya.

1.4 Research Questions

The questions posed by this study were:

- i. What effect does board composition on performance of manufacturing and Allied Firms listed at the Nairobi Securities Exchange, Kenya?
- ii. How does the makeup of the board size affect performance of manufacturing and Allied Firms listed at the Nairobi Securities Exchange, Kenya?
- iii. How does board independence influence performance of manufacturing and Allied Firms listed at the Nairobi Securities Exchange, Kenya.
- iv. To what extent does board diversity affect performance of manufacturing and Allied Firms listed at the Nairobi Securities Exchange, Kenya

1.5 Significant of the study

The study work will be beneficial because it provides information on manufacturing and allied firms in Kenya by providing a better grasp of the underlying metrics of CG and performance in terms of gaining a large market share, increasing profitability, and efficiency. The interactions of CG and performance are important in promoting good governance in Kenya's manufacturing sector.

The findings of this study will moreover be advantageous to researchers and academics because it is used as a source of scientific investigations on the literature due to its knowledge of the subject's content in terms of how the study variables are related. Consequently, it will be imperative for the Kenyan government to help them craft policies regarding the CG of the manufacturing sector, equate fair rules, and bring more regulations on to improve the sector. Finally, the general public will have a general understanding of the CG and how it ensures increased market share and profitability of Kenyan manufacturing firms.

1.6 Scope of the Study

The study sought to examine the role played by corporate governance on performance of manufacturing and allied listed firms in Kenya. The CG metrics include board diversity, composition, independence, and size. Market share, profitability, and effectiveness was used to measure performance. The resource-based view, agency theory, and stakeholder theory provided the theoretical underpinnings for this study. The top management of manufactured and allied firms listed on the NSE in Kenya, served as the unit of observation. A cross-sectional design was used and lasted one to two months. The descriptive research designs, along with the use of stratified random sampling technique were applied on this study. The online questionnaire filled out by the individual themselves collected data from a population of four hundred and thirty-nine manufacturing and allied firms. Two hundred and nine corporate managers from these manufacturing companies were sampled. The study was carried out in a period of two months to allow ample time for data collection and analysis.

1.7 Limitations of the Study

The study several limitations which were controlled and mitigated to ensure the study was successful and the findings were adequate to address the study questions. First, there was a limitation in obtaining or accessing secret business information from concerned personnel due to the risk of incrimination from management leaders. To overcome these challenges, the researcher persuaded the sampled interviewees that the information gathered kept private and secure, with no names revealed in the final report. This restriction further alleviated by the adoption of a NACOSTI research permit. The researcher had difficulty locating adequate studies conducted in developing countries that contained relevant data for the Kenyan economic situation; this limitation was overcome through research and engagement with key stakeholders in the manufacturing sector. To

review the literature, similar empirical studies from other sectors and developed countries were used.

1.8 Organization of the Study

The study was structured into five chapters and preliminaries as well as appendices. Page title, declaration, dedication, acknowledgement, abstract, table of content and definitions of terms are all included in the preliminary section. The first chapter of the study provided the background information as well as context for the study's topic. It included the problem statement, objectives, scope and limitations. The second chapter detailed the empirical literature as well as the underlying theories. The third chapter discussed research design that guided the entire study, unit of analysis and observation, sample design, data collection, data validity and reliability, data analysis, and ethical implications. The fourth chapter included research finding and discussions from both descriptive and inferential statistics. The fifth chapter discussed the summary conclusions and policy implications and recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Chapter two delves on a conceptual examination of the literature based on theories that anchor the variable, as well as a review of previous studies on CG and performance. Finally, based on the variables to be studied, a diagrammatic representation of the conceptual model will be shown.

2.2 Theoretical Literature Review

The section below demonstrates the most appropriate theory for the study. Various theories may be used to anchor the study variable, but the most relevant theories that anchor the study are RBV theory, Agency theory, and Stakeholder theory.

2.2.1 Resource Based View Theory

The resource based view (RBV) theory emerged in the early 1950s as a result of work by (Penrose, 1959). With the rise of the resource-based approach, strategic management experts' attention on the sources of long-term competitive advantage has switched away from industries and toward business-specific characteristics that highlight internal firm resources (Ismail *et al.*, 2020). According to the theory, resources are heterogeneous, immobile, valuable, rare, and unique.

Wernerfelt, (1984) proposed that acquiring diverse and unique corporate resources is necessary for Exceptional performance and efficiency for achieving long-term competitiveness. An organization has an extensive collection of resources that are bound to the firm on tangible or intangible assets basis. According to the RBV paradigm, performance is the manifestation of resources that produce weaknesses and strengths, as well as a workplace or corporation barrier (Dionysus & Arifin, 2020).

According to this theory, firms can be envisioned as an assemblage of resources, including the board, that generate competitive advantages for the firm (Jiraporn *et al.*, 2019). CG and policies that are crucial to performance and are distinctive or difficult for competitors to mimic providing a competitive advantage. Firms therefore should be viewed as distinct bundles of productive resources that managers employ. Scholars arguing for resource-based view theory have identified the organization's resources and dynamic capabilities as key determinants of entity's success and ability to attain key set outcomes through streamlined operational processes (McDougall *et.al.* 2019). Therefore the unique characteristics of the manufacturing and allied firms being inimitable and non-substitutable, ultimately contribute to the creation of superior performance (Morgan, Feng & Whitler, 2017; Matarazzo *et al.*, 2021).

Manufacturing firms require financial resources, technology, and skilled labor, which are unique resources that would strengthen the firms' ability to maximize their operations and steer performance. A well-structured board with diverse expertise ensures better strategic decision-making and access to critical resources. Firms rely on these internal and unique resources to achieve their goals, and effective corporate governance ensures access to critical assets, networks, and expertise. Well-structured boards with diverse skills and experience contribute to strategic decision-making and financial performance. The theory was therefore utilized in the study to expound on the role played by board size and board composition in steering performance of the listed manufacturing and allied firms.

2.2.2 Agency Theory

The idea of Agency theory was laid forth by (Meckling & Jensen, 1976). Division of control and ownership is typically related with agency theory. The company's owners (shareholders) and the management who run the company are the players in the context of CG in Manufacturing firms.

The foundation proves more beneficial for investors to commission firm operations to appointees rather than try to run it themselves (Schneider, 2019).

In this line, managers' impulsive conduct must be limited so as to defend the goals of the owners (Nugroho, 2021). Moreover, management ought to be controlled in order to reduce personal interests that may arise at the expense of company performance. Through the control and oversight framework, the board composition is an effective governance tool that seeks to bring an harmonization framework among welfares for both parties. It is on such grounds that directors are obliged and expected to essential be competent enough to put constraints on management and ensure that they prioritize different parties' best interests (Buallay, 2020).

Agency's problem between a company's owners and top management can be addressed using CG. This allows firm owners to tie top management's interests to the company's performance, ensuring that they prioritize different parties' best interests. (Njoroge *et al.*, 2020). The theory is significant to the current study as it describes how ownership, governance, and performance are interrelated in manufacturing and allied firms in Kenya. Specifically, the theory informed the first and the third objectives of the study which were to assess the effect of board composition and board independence on performance of listed manufacturing and allied firms. The separation of ownership and management in listed firms can create conflicts of interest. Strong governance mechanisms, such as independent boards, board composition and performance-based compensation, reduce agency costs and enhance performance.

2.2.3 Stakeholders Theory

Freeman, (1984) formulated the stakeholders theory putting a unique spin on strategy by highlighting the need of establishing and sustaining long-term relationships with stakeholders.

The unique approach of stakeholder theory focused on prioritizing the formation and sustenance of long-term connections with stakeholders as the primary driver of corporate success (Freeman *et al.*, 2021). According to the theory, which posits that organizations have both formal and informal agreements with a variety of parties that are involved, therefore, failure to fulfill these contracts can subject corporations to a broad variety of both economic and non-financial risks, as well as reputational harm (Harjoto *et al.*, 2019). As a result, boards of directors have a critical monitoring role to make sure managers effectively balance different parties' best interests.

Stakeholder argument states the fundamental function of a company is to develop and distribute gains to a clear majority of stakeholders and the achievement of this goal is dependent on the support and cooperation of the stakeholders themselves (Pinto, 2019). Therefore, Stakeholder theory is a firm-level theory whose core principle is that managers should pay attention to the real needs of multiple entities at the same time. In line with the theory, firms should be accountable to stakeholders in society other than the organization's owners or principals (Peng & Isa, 2020). As a result, stakeholders are critical because they determine the firm's success. Naciti, (2019), assert a board consisting of a large number of independent directors may effectively oversee management activities while simultaneously safeguarding different parties' best interest in the society.

Firms operating in a specific industry tend to adopt strategies and policies that are already in place. Stakeholders allows firms to measure, report and manage on their sustainability strategies (Buallay, 2020). As a result, manufacturing firms in Kenya are founded not only on profit maximization, but also on long-term value maximization. Given the manufacturing sector's role in employment and economic growth, firms must balance shareholder interests with those of employees, customers, and regulators. Good governance promotes ethical business practices and

corporate social responsibility (CSR). The theory therefore informed the fourth objective of the study which is to examine the effect of board diversity on performance of listed manufacturing and allied firms, as it outlines the essence of having a diverse board that caters for the interests of all the stakeholders for steering performance.

2.3 Empirical Literature Review

2.3.1 Board composition and Performance

Thompson and Manu (2021) conducted research on board composition effects on profit sharing policy in US. For sampling, cluster sampling technique was utilized, and the Tobit model. The results indicate that some board features, such as the typical age, presence of females, and number, impacted positively on the probability of declaring dividends. The study was conducted in a more developed market in contrast with the outcome of the current study which will be conducted in a developing economy.

Similarly, Naciti, (2019) on board composition characteristics effects (CEO roles, and separation of trustees chair and trustees diversity) on performance. 362 large industrial enterprises included in at least one year of Fortune Global from the year 2013 to 2016 was used as a sample. Based on the results the board composition characteristics impacted positively on the long-term performance. The study was conducted in a more developed market in contrast with the outcome of the current study which will be conducted in a developing economy. It is good to operationalize the aspect of board diversity as a measure of CG and not the board composition.

Benvolio and Ironkwe, (2022) conducted an empirical study from 2011 to 2012 to investigate board composition and firm performance of listed commercial banks in Nigeria. Data was gathered from the annual financial reports of fourteen publicly traded Nigeria's banking

institutions. Based on the results the composition of the board has a substantial affects the achievement of the organization. The study was undertaken in commercial banks at which differ structurally and operationally from manufacturing firms.

Edeti and Garg (2020) study investigates the impact of external as well as internal board composition on the performance of Ethiopian commercial banks. Twelve commercial banks were used as a sample size. To analyze data, prospects concerning explanatory got employed in this case, and also supported by descriptive and econometric analyses. According to the study, the higher the board composition, the better the performance. It was conducted in commercial banks at which differ structurally and operationally from manufacturing firms.

Finally, Bawaneh (2020) investigates the impact of CG elements such as council composition on financial performance of Jordan's Amman Stock Exchange-listed financial institutions (ASE). The study's population includes forty commercial banks, financial firms registered on the Jordan's Amman Stock Exchange-listed financial institutions. To find out how CG affects the efficiency of institutions, the Spearman correlation was used. Board composition in general negatively impacted company performance. The study was conducted on different contextual aspect as compared to the current study.

2.3.2 Board Size and Performance

The suitable size of the council and the influence on performance have been heavily debated in recent years, but empirical evidence is mixed. Proponents say that smaller boards exhibit greater cohesiveness and are more efficient in choice-making, easier to organize, and more difficult for the CEO to manage (Kao *et al.*, 2018).

Vaidya (2019) study intends to investigate how a board's size steer entity's success and ability to meet its objectives in the long-run. The research was carried out for BSE 100 companies in the year 2018-19. According to the study, medium-sized boards outperform tiny or sizeable boards as they streamline their process in a more seamless manner. Furthermore, outcomes from the particular research portrayed how dimensions in a given board have insignificant impact on entity's success. This is to imply that as per the particular authors, regardless of how large or small a board is, it may not have any significant impact on success of the entity. However, scientific investigation carried out by Augusto *et al.*, (2019) on board dimensions and firm performance among eight hundred and fifty eight American and five hundred and sixty European firms. Data was collected from DataStream, ignoring firms that did not have information about the variables of interest. Based on results, board size positively impacted performance of American and European firms. There were contradictions on conclusions for both studies as compared to the previous study conducted in developed economy and additionally both studies were conducted in a developed economy as compared to the current study.

Al-naimi and Kanakriyah (2021) did scientific research on effect of the board's dimensions and its efficiency on entities listed under stocks in Amman. This particular scientific study employed agency theory. Amman Stock Exchange's annual financial statements published between 2013 and 2017 were used for data. For data collection, 48 companies were used, with companies that were unavailable or had no information excluded. Attained outcome evidenced how core dimensions of boards had a positive influence on entity's success. The results should not be conclusive enough since the study excluded some companies while collecting data. This raises the urge to have a study that focuses on multiple entities and expands the scope to cover diverse prospects of a given industry.

Majeed *et al.* (2020) conducted research on how dimensions of a given board would contribute to ultimate success of the entity. This study's sample included two countries' listed bank sectors in Pakistan and China for ten years from the year 2009. Based on the results, the size of the board has a minor role to play in determining ROA for surveyed corporates. Authors in this particular study noted that whereas large boards could slow the decision-making process, the ultimate goal of performance may not highly rely on how speedy these decisions are settled at, thus there could be an insignificant differences between one entity that has a large board and another one with a smaller one. The research was carried out in the banking sector, and this may not be operated in a similar sense as processing entities both in terms of structural and operational aspects. Similarly, because the study was more of a comparative study, it should not be conclusive.

2.3.3 Board independence and Performance

One of the inner CG components that is predicted to influence capital is the independent board. Karim *et al.*, (2020) on board independence and performance of five hundred and eighty-eight Malaysian businesses for ten years from the year 2006. Board independence negatively impacted performance. Additionally, Handriani & Robiyanto, (2018) scientific study on independent board effects on performance of the firm. Two hundred and ninety-three firms were used for analysis for five years from the year 2010. To-Q bin's is a market measure that proxies' firm performance. The findings showed that, board Independence positively impacts Tobin's Q value. Both studies were carried out in a different economic market as in contrast to the present investigation.

Wang *et al.*, (2020) documented board characteristics and ownership structure affect performance of the firm. Non-financial firms in Pakistan from 2011 to 2014 were used as a sample. According to the scientific study, independent boards (non-executive directors) have no notable outcome as

far as success of entities is concerned. It is necessary to consider the overall number of independent board members when determining board independence.

2.3.4 Board Diversity and Performance

Fernández-Temprano and Tejerina-Gaite (2020) how diverse prospects in a given board would determine continued success of entities in Spain. The focus was narrowed to entities that are not financial in nature. Independent and affiliated directors, nationality mix, and age diversity positively impact performance. Similarly, Unite *et al.*, (2019) interrogated how expansive board where multiple characteristics are represented determine success of entities in Philippine. Using an unbalanced panel of 2648 firms, the researchers discovered that increased board diversity insignificantly affects short and long-term firm value. Additionally, EmadEldeen *et al.*, (2021) investigates how board diversity affects performance of firms from 2000 to 2016 from the London Stock Exchange. Board diversity positively impacted firm performance. All these studies were conducted on a developed market as in contrast to the present investigation.

Harjoto *et al.*, (2019) did a scientific investigation on director diversity impact on measure of performance of a firm, corporate social performance. The Upper echelon and stakeholder's theories were both used. US firms from BoardEx from 2000 to 2013 were sampled. According to the findings, board diversity positively impacted firm performance and corporate social performance. Additionally, Khan & Subhan, (2019) scientific investigation on how board diversity affects financial performance in Pakistani firms. The findings suggest that having participants in a board who are of diverse gender enhanced business success, but the number of these participants had little impact on the overall outcome of the entities, neither was their nationality a key predictor of how well their entities fared. It was also important to factor in other concepts of board diversity.

Hassan *et al.* (2020) did scientific research on how boards with variety aspects and characteristics among their members predicted success of public companies in Malaysia. A sample of 205 Bursa Malaysia-listed companies was used. The study's findings, based on regression analysis, concluded board professional membership diversity positively impacted success among surveyed entities where robust and varied decisions were the way of things in such entities. By the fact that this particular assessment was conducted on a developed market, it is in contrast to the present investigation.

Table 2.1: Summary of the literature review and Empirical Gaps

Author(s)	Focus of the study	Key findings	Research Gaps	The focus of the current study
(Hosny & Elgharbawy, 2022)	Board diversity and performance from a broad perspective	board diversity positively impacted performance	Other measures of board diversity, such as nationality and inside and outside board members, were also important to consider	Include nationality and inside and outside board members as measures of board diversity
(Benvolio & Ironkwe, 2022)	Empirical study from 2011 to 2012 to investigated board composition and performance of Nigeria's commercial banks.	The study concludes that board composition has a notable impact on firm performance	Conducted in commercial banks at which differ structurally and operationally from manufacturing firms.	Will be conducted in Manufacturing firms
(Thompson & Manu, 2021)	Effect of board composition on policy in united states of America firms	Board characteristics positively impacted on the likelihood of dividend declaration.	The scientific study was conducted in a more developed economic market	The current study focuses on developing nation
(Al-naimi & Kanakriyah, 2021)	Size of a given board and how it streamlines success among industrial entities in Amman.	Board size positively impacted performance of industries in Amman	The scientific study should not be conclusive enough since the study excluded some companies while collecting data	The current study will ensure they have the correct number of manufacturing companies before they begin collecting data

(EmadEldeen et al., 2021)	Diverse Prospects of Boards and their role on entity success in London	Nationality and gender diversity positively affected success among modern entities	The scientific research was based at a developed market in contrast to the present investigation being conducted in a developing market	Will be conducted in Kenya a developing market.
(Bawaneh, 2020)	Outcome in regard to CG elements and overall success among financial institutions in Jordan	Board composition positively affected financial performance of financial institutions in Jordan	Was conducted on different contexts in contrast to the present investigation	Will be conducted in Manufacturing firms
(Majeed et al., 2020)	Board size effect and composition on performance in China and Pakistan	The board size positively affected ROA in Pakistani banking sector	Was conducted in the banking, where such an industry may not conform to processing sector that study at hand narrowed to in structural and operational aspects. The study was more of a comparative study.	Will be a descriptive study
(Karim et al., 2020)	Board independence effects on corporate governance and performance companies in Malaysia	Board independence insignificantly impacted performance	Carried out in a different economic market.	Will be conducted in a developing economy.
(L. Hassan et al., 2020)	Board diversity and performance of Malaysian publicly traded companies	Board professional membership diversity positively	Gender was the only concept of board diversity used; it was	Adds to the body of literature by including both

		impacted financial performance of the companies	also conducted in Malaysia a more developed market in contrast to the present investigation to the study at hand.	inside and outside board members
(Fernández-Temprano & Tejerina-Gaite, 2020)	Diverse prospects in Boards and how they drive success among modern entities	Insider and outsider directors, nationality mix, and age diversity positively influenced performance	Was conducted in a developed market as opposed to the study at hand conducted in a developing market	Conducted in Kenya a developing market.
(Augusto et al., 2019)	Board size and firm performance among firms.	Board size positively impacted performance of American and European firms	Conducted in a more developed economy	focuses a developing economy
(Unite et al., 2019)	Board diversity impact on Philippine companies from 2003 to 2014	Researchers discovered that increased board diversity insignificantly effects short and long-term firm value	Conducted in a developed market in contrast to the present investigation to study at hand.	Conducted in Kenya a developing market.
(Harjoto et al., 2019)	Director diversity i.e nationality and educational background on an alternative measure of firm performance	Board diversity concepts positively affects performance.	It was also important to factor in other measures of board diversity.	Include nationality and inside and outside board members as

				measures of board diversity
(Khan & Subhan, 2019)	Board diversity effects and on financial performance in Pakistan	Female board members positively impacted firm performance,	It was also important to factor in other measures of board diversity.	Include nationality and inside and outside council members as measures of board diversity
(Handriani & Robiyanto, 2018)	Independent board effects on firm performance in Indonesia	Board Independence positively impacted Tobin's Q value	Conducted in a different economic market in contrast to the present investigation to study at hand.	Focuses a developing economy.

Source: Author (2023)

2.5 Conceptual Framework

The conceptual framework for the study is as shown in figure 2.1. The framework shows the flow of variables in the study by outlining the independent and the dependent variables in the study. As the framework outlines, board composition board size, board independence and board diversity were the independent variables for the study, while performance of listed manufacturing and allied firms was the dependent variable.

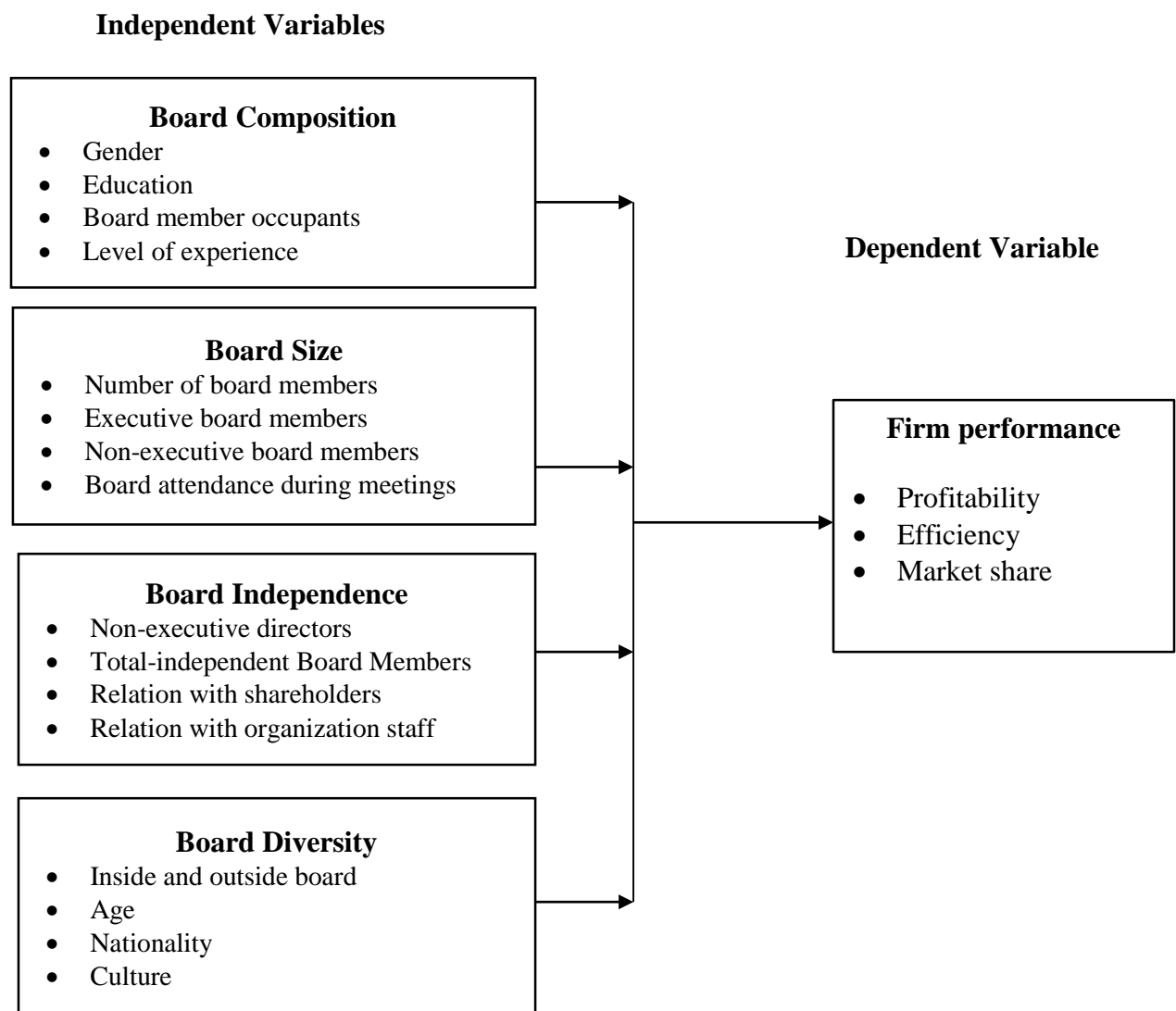


Figure 2.1: Conceptual Framework

Source: Author (2024)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The research methodology section delves deeply into framework for a study, population and sample, data collection method and pilot testing, and the process for analyzing and presenting the data.

3.2 Research Design

A research design is intended to convey a suitable framework for a study (Doyle *et al.*, 2020). According to Thornhill and Lewis, (2012) there is no perfect research design; therefore, using two or more designs complements each other's problems. The current study used descriptive research design. Saunders (2011), portray descriptive research is used as a catalyst to qualitative studies because it gives a summary and pointers as to which variables are worth being tested quantitatively. Descriptive research design explains the forces that cause a specific phenomenon through extensive data collection and analysis framework (Cooper & Schindler, 2011).

3.3 Target Population

Population in a given research study is generally list of things or collection of aspects that draws a researcher's attention for a synthesis and analysis (Saunders *et al.*, 2008). The study focuses on all of the selected manufacturing and related entities enlisted under Nairobi's stocks. As a result, the study focused on 439 manufacturing firms under the umbrella organization, KAM, which categorizes the firms into 12 productive sectors, below.

Table 3.1: Target Population

Manufacturing sector	Population	Percentage
Food & Beverages	75	17.1%
Paper & board	61	13.9%
Plastic & Rubber	60	13.7%
Metal & Allied	50	11.4%
Energy, Electrical & Electronics	35	7.9%
Chemical & Allied	33	7.5%
Motor vehicle & Accessories	32	7.3%
Building, construction & mining	30	6.8%
Textile & apparel	24	5.5%
Pharmaceuticals & medical equipment	20	4.6%
Timber, wood & furniture	15	3.4%
Leather & footwear	4	0.9%
Total	439	100%

Source: KAM (2022)

3.4 Sampling size and Sampling technique

The sample frame was 439 manufacturing and allied firms. Kothari, (2004) states that selecting an individual from a large population sampling is required. Because the manufacturing industry is divided into different sectors, the study employed stratified random sampling.

By reducing variability in the subgroups, stratified sampling improved sample representation and reduced sampling error (Berndt, 2020). The unit of observation was entity managers among processing entities aligned at the NSE. Yamane, (1967) formula determined a sample. The population size is N, the sample size is n, and the margin of error is e. In this study, the equation was given a 95% confidence level and an e = 0.05.

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

$$n = \frac{439}{[1 + 439(0.05)^2]} = 209$$

Table 3.2: Distribution of the sample

Manufacturing sector	Population (N)	Multiplier	Sample
Food & Beverages	75	0.476	36
Paper & board	61	0.476	29
Plastic & Rubber	60	0.476	28
Metal & Allied	50	0.476	24
Energy, Electrical & Electronics	35	0.476	17
Chemical & Allied	33	0.476	16
Motor vehicle & Accessories	32	0.476	15
Building, construction & mining	30	0.476	14
Textile & apparel	24	0.476	11
Pharmaceuticals & medical equipment	20	0.476	10
Timber , wood & furniture	15	0.476	7
Leather & footwear	4	0.476	2
Total	439	0.476	209

Source: Author (2023)

3.5 Data Collection Instrument

Secondary data was gathered through documented reviews of published sources KAM. Semi-structured questionnaire was used for primary data collection. Corporate executives of the specified firms under the study, entails the unit of observation. Kothari (2014) expounds a tool for obtaining data in a research work as an essential tool that requires the guidance of an expert while developing it. The variables' information were measured using a Likert scale. The first section included three questions from questions 1-4 about the respondent's general information. Section two included questions 5-13 that delved into CG components such as board composition, size, independence, and diversity. Finally, section three that included performance concepts.

3.6 Pilot Study

Piloting entailed a sample size of twenty-nine participants. This is consistent with Mugenda & Mugenda, (2003) who suggested between 10-20% of the aggregate sample is ideal for piloting. As a result, the researcher used 10% sample to select 21 respondents for the pilot study. Participants in the pilot survey were not a part of the final sample.

3.6.1 Validity of the Research Instrument

Validity is the ability of research instruments to measure what they purport to measure. Content validity is related to the level to which the research instruments cover theoretical content or area under study. Content validity was achieved through extant literature review which ensured that the right content in terms of corporate governance and firms performance was captured while formulating the questions on the questionnaire. According to Finland et al. (2021), content validity through extensive literature review ensures that the indicators and research questions for given variables are aligned to existing content and viewpoints of previous authors to avoid deviations. Face validity which examines the outlook of the items in a research tools was ensured through use of experts' opinion whereby the questionnaire was given to experts in the field of corporate governance and the supervisor, who reviewed and gave their opinion on face validity. Their opinion was embraced to enhance clarity of questions and the general understandability of the questions. Construct validity which refers to the accuracy of research instruments in testing the theoretical construct or traits that the study is designed to measure (Degroote *et al.*, 2020), was measured using principal component analysis, where the data obtained from pilot study was subjected to analysis to establish the weight of every question towards contributing to total variance of individual variables. A coefficient of 0.60 was used as the threshold where questions that explained up to 0.6 of the variance were retained.

3.6.2 Reliability of the Research Instrument

Reliability is the ability of a research instrument to give similar results when subjected to the same group of respondents at different timeframes. It is therefore the consistency of the instrument, where respondents understand the questions as intended and give the projected results regardless of the timeframes which the instrument is administered (Cooper & Schindler, 2011). The study tested reliability through use of Cronbach's alpha, which is a coefficient obtained after subjecting the collected data during pilot study to analysis. The Cronbach's alpha coefficients ranges from 0 to 1, and the close they are to 1, the more internally consistent a research instrument is. However, this study used a threshold of 0.7, where Cronbach's alpha coefficient of at least 0.70 were deemed appropriate to represent internal consistency (Swami *et al.*, 2017). The results as shown in table 3.3 revealed that the Cronbach's alpha coefficients for all the variables were above 0.70, implying that all the variables were internally consistent, therefore deemed to be reliable.

Table 3.3: Reliability Test

	Cronbach Alpha	No. of Items	Remarks
Board composition	.716	8	Reliable
Board size	.855	10	Reliable
Board independence	.864	6	Reliable
Board diversity	.788	6	Reliable
Market performance	.933	5	Reliable

Source: Research Data (2024)

3.7 Data Collection Procedure

The initial stages prior to field work involved obtaining the necessary approval from the NACOSTI concurrently with a permit letter from graduate school, Kenyatta University. The questionnaire

included a cover letter that detailed the goals of the research study. Questionnaires in this research were given out to corporate manager of the firms to be studied with the assistant of a research assistant. One-day training was done to familiarize the research assistant with the research tool prior to data collection. The data collection process took place between February and March 2024.

3.8 Data Analysis and Presentation

Examination of analyzing raw, meaningless data and organizing and ordering it so that useful information can be extracted from it (Saunders *et al.*, 2008). Data editing, coding, classification, and tabulation are all part of the data processing stage, while analysis includes computation and interpreting the data to draw conclusions (Kothari, 2004). Mean values and standard deviation will be used as descriptive statistics for data analysis. Multiple linear regression as an empirical model as.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon$$

Y = Firm Performance

X₁ = Board composition

X₂ = Board size

X₃ = Board independence

X₄ = Board diversity

$\beta_1 - \beta_4$ = Coefficients X₁ to X₄ of the independent variables respectively

β_0 = Constant

ϵ = the error term

3.9 Ethical Considerations

By adhering to the university research ethics, this study adheres to ethical conduct. Before beginning field work, the study was registered with NACOSTI and granted a research permit. During data collection, the researcher provided respondents with agenda of the study and relevance, as well as reassurances of confidentiality.

CHAPTER FOUR

RESEARCH FINDING AND DISCUSSIONS

4.1 Introduction

The section presents feedback gotten from the questionnaire that includes demographic feedback, and feedback on statement from various metrics of this study variables. Descriptive statistics used means and standard deviation presented in tables.

4.2 Response Rate

A total of 209 questionnaires were given to corporate managers of manufacturing and allied firms and outcome indicating success rate are as discussed in Table 4.1.

Table 4.1: Response Rate

Response Rate	Frequent	Percent (%)
Dully filled questionnaires	166	79%
Unreturned Questionnaires	43	21%
Total	209	100

Source: Research data, (2024)

Out of the distributed questionnaires, 166 were returned, indicating a response rate of 79%. The remaining 43 questionnaires were either not returned or incomplete, constituting 21% of the response rate. According to Babbie, (2004), a return rate of 50% is appropriate for analyzing the data, hence 79% is a reasonable representation.

4.3 Demographic Information

Qualitative data was collected from all employees of the selected manufacturing and related firms listed on the Nairobi security exchange on gender, number of employees and the duration of employment and the results on demographic information collected are discussed under Table 4.2.

Table 4.2 Demographic information results

		Frequency	Percent
Gender	Female	70	42.2
	Male	96	57.8
Total		166	100
Number of employees	Below 15	10	6
	15-30	19	11.4
	31-45	33	19.9
	46-60	40	24.1
	Over 60	64	38.6
	Total	166	100
Duration of employment	2 years and below	33	19.9
	3 years to 6 years	38	22.9
	7 years to 10 years	45	27.1
	11 years to 14 years	23	13.9
	15 years and above	27	16.2
	Total	166	100

Source: Research data, (2024)

Based on the data, most respondents (57.8%) identified as men, while 42.2% identified as women. The findings also showed that, like in other industries, males dominated job possibilities in this area. The findings of the number of workers revealed that 38.6 percent had more than 60 employees, followed by 24.1 percent who had 46-60 employees, 19.9 percent between 31-45, and 11.4 percent between 15-30 employees. Those who reported having less than 15 employees had the lowest rate (6 percent). The survey also tried to determine the duration of employment at the

businesses. The findings reveal that those who stated less than two years were 19.9 percent, while those who claimed three to six years were 22.9%. Seven to ten years was 27.1%, eleven to fourteen years was 13.9%, and fifteen and above was 16.2%.

4.4 Descriptive statistics on study variables

The descriptive statistics for each variable within the scope of the study was indicated as below. The results were presented on a scale of 1-5, with a summary of the results using the mean and standard deviations.

4.4.1 Board composition

The respondents rated key parameters in regard to board composition on a scale 1-5, where one was for lowest score and 5 for highest score. The results of this are displayed in Table 4.3

Table 4.3: Board composition

Question items on Board Composition	Mean	Std. Deviation
Gender of the board affects the performance of your firm	3.50	1.38
The board's tasks and obligations are clearly delineated and set out which facilitates orderliness and accountability	3.45	1.22
The board directors have a wide range of skills, experience, and knowledge, which enhances their abilities.	4.13	0.90
Academic qualification of board members has the effect of the performance of your firm	3.64	1.20
The board's objectives, visions, and mission are constantly reviewed to ensure continued performance	3.12	1.51
There is an extensive selection criterion for board members that is guided by the board members' academic qualifications.	4.12	1.01
The integrity of board members is taken into account when the board is formed.	3.25	1.43
Aggregate Scores	3.60	1.24

Source: Research data, (2024)

Attained outcome had it that aggregate mean for board composition was 3.60 and standard deviation of 1.24 which indicated which show respondents agreed that board composition influenced performance among processing and related entities. Outcome obtained herein further had it that most respondents agree with the statement; the board directors had enormous potentials to undertake variety of mandates, experience, and knowledge, which enhances their abilities, by a mean score of 4.13 and further by a std. dev. of 0.90. It was found that there is an extensive selection criterion for board members that is guided by the board members' academic qualifications, by a mean score of 4.12 supported by standard deviations of 1.01. Further, the academic qualification of board members had the effect of the performance of your firm, by mean score of 3.64 supported by standard deviations of 1.20. Academic qualification has been termed as a critical component that informs how one contributes critically to the board. Education generally enables one to be open-minded, gather more knowledge on how entities should be run and key decisions made, thus the opinion that more qualified participants in a board as far as education is concerned have a better chance of steering success in the entities.

Gender of the board affected success and continued soaring among manufacturing and allied firms, by a mean score of 3.50 supported by standard deviations of 1.38. The board's tasks and obligations were clearly delineated and set out which facilitated orderliness as well as responsibility as outlined by a score of 3.45, supported by standard deviations of and 1.22. Further, the findings show that the integrity of board members is considered when the board is formed by a mean score of 3.25 supported by a high change in participants' opinions as outlined by a std. dev. of 1.43. The board's objectives, visions, and mission are constantly reviewed to ensure continued performance by a mean score of 3.12 respectively by of 1.51. Based on obtained outcome, it can be opined that composition of boards instrumentally drives how effective boards

are, and this subsequently steers success within listed entities. Therefore the study agree with Benvolio and Ironkwe (2022) that found out board composition improves success among banking entities. The authors noted that when there are more informed and experienced participants in a board, corporates benefit from intensive and comprehensive decision-making which ultimately trickles down to other management cadres for sustained success.

4.4.2 Board Size

The respondents rated several items aligned to the concept of board size on a scale 1-5 representing 1=completely disagree, 2= Disagree, 3= Somewhat agree, 4= Agree and 5= Completely Agree. The descriptive results for board size are shown in Table 4.4 below.

Table 4.4: Board size

Question Items on Board Size	Mean	Std. Dev.
A large board is required in checking CEO's unfair practices	4.04	1.19
Larger board sizes improve the efficacy of internal corporate governance procedures	3.81	1.21
Large board sizes reduce the likelihood of failure	3.74	1.31
The length of time it takes to make corporate decisions is affected by board size	3.23	1.48
Aggregate Scores	3.71	1.30

Source: Research data, (2024)

Outcome attained herein outlined aggregate mean for board size was 3.71 and standard deviation of 1.30 which indicated which show respondents agreed that board size influenced performance of manufacturing and Allied Firms. Study's outcome also had revelation that sizeable number of participants had the opinion that a large board is required in checking CEO's unfair practices with

mean score of 4.04 represented by a standard deviation of 1.19. Larger board sizes improve the efficacy of internal corporate governance procedures, with a mean score of 3.81 represented by a standard deviation of 1.21. Large board sizes reduce the likelihood of failure with a mean score of 3.74 represented by a standard deviation of 1.31. Additionally, respondents did not feel strongly one way or the other on the length of time taken to make corporate decisions is affected by board size with 3.23 as mean and 1.48 as std. dev. However, this study was in line with the study conducted by Vaidya, (2019) that indicates board size increases performance of the firm. The particular author noted that decisions made by bigger boards may be comprehensive, although they are likely to take more time than smaller boards.

Table 4.5: Board total number

Descriptions	Mean	Std. Deviation
Market share growth		
2018	3.65	1.25
2019	3.79	1.20
2020	3.89	1.08
2021	1.55	1.35
2022	2.24	1.32

Source: Research data, (2024)

For triangulation purposed primary data was collected on count of members in given boards from the year 2018 to 2022. Specific count of participants in these boards from a period of 2018 to 2020 had a means score of 3.65,3.79, 3.89 respectively indicating there was a constant growth between however from the year 2021 to 2022 the board number declined as outlined by a score of 1.55 and 2.24 respectively.

4.4.3 Board independence

The respondents rated their approval rates of essential parameters regarding board independence on a scale 1-5 representing 1=completely disagree, 2= Disagree, 3= Somewhat agree, 4= Agree and 5= Completely Agree.

Table 4.6: Board independence

Question Items on Board Independence	Mean	Std. Dev.
Non-executive directors operate independently while also controlling stakeholders, resulting in improved performance	4.30	1.29
The CEO acts independently, which increases his or her authority	4.03	1.15
The organization's board management is not dominated by major stakeholders, and it is represented on the board of directors by more than twice its representation	3.84	1.24
Nominations are made independently within the organization	3.15	1.28
The independent members are free of any attachments or commitments that could affect their judgment while performing	3.07	1.01
Aggregate Scores	3.67	1.19

Source: Research data (2024)

The findings revealed that, the aggregate mean for board independence was 4.16 and standard deviation of 1.19 which indicated which show respondents agreed that board independence influenced performance among processing entities. Attained outcome were a revelation that a sizeable number of participants agreed that non-executive directors operate independently while also controlling stakeholders, resulting in improved performance with a mean score of 4.30, a standard deviation of 1.29. The CEO acts independently, which increases his or her authority with a mean score of 4.03, a standard deviation of 1.15. The organization's board management is not dominated by major stakeholders, and it is represented on the board of directors by more than twice its representation with a mean score of 3.84 a standard deviation of 1.24. Having independent board members is known to streamline and give credibility to boards whereby

decisions made could be more subsequent and aligned to the overall good of the entity rather than deviated in a way that favours a given dimension.

Nominations are made independently within the organization with a mean score of 3.15, a standard deviation of 1.28. The independent members are free of any attachments or commitments that could affect their judgment while performing with a mean score of 3.07 respectively and a standard deviation of 1.01. According to Handriani and Robiyanto, (2018) board independent have better success rates through efficient operations process and capacities. These authors further noted that having board participants who do not have some direct connection with an entity brings a more open-minded perspective and erodes biases that otherwise could affect how decisions are made in the entity. It is upon this that they noted the essence for independent members who can stimulate organizational-oriented decisions thus leading to enhanced performance.

4.4.4 Board Diversity

Participants in this particular framework were to rate their opinions in connection to core parameters concerning board diversity on a scale 1-5 representing 1 for lowest score and 5 for highest score. Descriptive results for board diversity were presented in Table 4.7.

Table 4.7: Board diversity

Question Items on Board Diversity	Mean	Std. Dev.
Your company's board of directors is age diverse	3.43	1.53
Foreign nationals are represented on the board.	3.23	1.45
Foreign nationals as committee impacts the firm's performance.	3.23	1.35
The number of outside councils impacts your company's performance.	3.23	1.35
Your organization has appropriate board diversity policy frameworks.	3.18	1.58
Aggregate Scores	3.26	1.45

Source: Research data, (2024)

The aggregate mean for board diversity was 3.26 and standard deviation of 1.45 which show respondents agreed that board diversity influenced performance of manufacturing and Allied Firms. The respondents are generally in agreement that the company's board of directors is age diverse with a mean of 3.43 with a standard deviation of 1.53. Additionally, the majority of the respondents agree that foreign nationals are represented on the board, with a mean of 3.2323 and a standard deviation of 1.45. Foreign nationals as committee impacts the firm's performance, with a mean of 3.2323 and a standard deviation of 1.35.

The number of outside councils impacts company's performance with a mean of 3.23 and a standard deviation of 1.35 respectively. Further, study results indicated respondents agree that organization has appropriate board diversity policy frameworks with a mean of 3.18 and a standard deviation of 1.58. This is in agreement with outcomes of Fernández-Temprano and Tejerina-Gaite (2020), that states that board diversity positively affects performance of Spanish non-financial firms.

4.4.5 Firm Performance

Descriptive results for market performance are shown in Table 4.8. Results showed participants' views on how well their respective entities were doing as far as performance is concerned. Respondents level of agreement with specific statements regarding firm performance was sought based on a five-points Likert's scale. The study addressed firm performance through profitability of the firms, their efficiency in terms of internal operations and service delivery, as well as their market share which is based on the sales made by an individual company in a given market in comparison with the sales made by the competitors in the same market. The results have been captured using mean scores and standard deviations.

Table 4.8: Firm Performance

Question Items on Firm Performance	Mean	Std. Dev.
My company has increased its operations to a broader market as compared to previous years	3.48	1.38
Corporate governance has made our profit margins increase	3.48	1.30
Good corporate governance increases speed of market share growth	3.23	1.58
Our firms' financial strengths are higher compared to previous years	3.03	1.51
The companies market positioning improvement growth is better compared to the competitors	3.03	1.51
Aggregate Scores	3.25	1.46

Source: Research data (2024)

The results indicated generally the respondents agree to the statements, my company has increased its operations to a broader market as compared to previous years, corporate governance has made our profit margins increase with a mean score of 3.48 and 3.48 with a standard deviation of 1.38 and 1.30 respectively. The statements good corporate governance increases speed of market share growth, our firms' financial strengths are higher compared to previous years with a mean of 3.23 and 3.03 respectively with a standard deviation of 1.58 and 1.51. The last statement suggest that market positioning improvement growth is better compared to the competitors with a mean of 3.03 and standard deviation of 1.51.

4.5 Inferential Analysis

Inferential analysis was carried out in a bid to make sure that interrelations among the concepts in this particular research were extracted. Inferential statistics, including correlation and regression

analysis, proved valuable in establishing the relationship between variables. As a result, correlation and regression analyses were carried out in this section.

4.5.1 Regression Analysis

Regression analysis was tested to show whether board composition, board size, board independence and board diversity had significant effect on firm performance of manufacturing and allied firms in Kenya. The results were presented in the model summary, on Table 4.9.

Table 4.9: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.924a	0.854	0.85	0.40067

Source: Research data, (2024)

The regression analysis with only the board composition yielded an R-squared of 0.85, indicating that this variable alone explains 85% of the variation in firm performance score for manufacturing and allied firms in Kenya.

Table 4.10: Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5.219	1	5.219	4.70	0.032b
	Residual	155.592	118	1.317		
	Total	160.811	119			

Source: Research data (2024)

Results from Table 4.10 reveal how this particular framework was consequential in determining the profound relationships among study's parameters (F-statistic = 4.70, p-value = 0.032), meaning that interrelations among composition, size and board independent and board diversity could significantly predicted the ultimate success among manufacturing and allied firms in Kenya.

4.5.2 Regression Coefficients

Table 4.11 show the regression coefficients of the independent variable's drivers and firm performance of manufacturing and allied firms in Kenya.

Table 4. 2 Regression coefficient

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-0.257	0.252		-1.019	0.31
Board composition	0.246	0.076	0.23	3.242	0.002
Board size	0.275	0.074	0.236	3.697	0.000
Board independence	0.295	0.072	0.313	4.071	0.000
Board diversity	0.271	0.076	0.248	3.548	0.001

Source: Research data, (2024)

Model

$$Y = 0.246X_1 + 0.275X_2 + 0.295X_3 + 0.271X_4 + \varepsilon$$

Were.

Y = Firm performance (dependent variable)

X₁ = Board composition

X₂ = Board size

X₃ = Board independence

X₄ = Board diversity

ε = Error terms

Regression coefficient indicated that board composition had substantial outcome in relation to performance of manufacturing and allied firms (r=0.246, p=0.002). The study findings support the findings of Edeti and Garg, (2020) who agree external as well as internal board composition positively impacts the performance. Further, board size had notable role to play and impact on

notable success among manufacturing and allied firms ($r=0.275$, $p=0.000$). The study findings agreed with Augusto *et.al.*(2019) where board size was essentially found to substantially result to superior success among entities. Therefore, the board size influences the performance of firms. Moreover, independence within a given board was contemplated to substantially impact with firm success among manufacturing and allied firms ($r=0.295$, $p=0.000$). Therefore, it appropriately aligned by Handriani and Robiyanto, (2018) study that indicated board independent had notable outcome in regard to success of surveyed processing entities. Lastly, board diversity clearly and substantially impacted success of entities ($r=0.271$, $p=0.001$). The study agrees to a work of Eldeen *et.al.* (2021) that indicates board diversity positively impacted firm performance.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This section encompasses a summary of the findings, the study's conclusions, recommendations for enhancing practices and shaping policies, and suggestions for future research.

5.2 Summary of the Study

5.2.1 The effect of board composition on performance

According to the descriptive findings, most respondents acknowledged that the composition of boards, including factors like gender, education, and experience level, positively impacts their performance. Furthermore, regression analysis results showed substantial association between composition of a given board and continued success of surveyed entities. These outcome was a good indication how higher levels of experience and education among board members contribute to enhanced performance among listed firms in Kenya.

5.2.2 The effect of board size on performance

According to descriptive outcome, most respondents concurred with the notion that a larger board size enhances performance. Regression analysis results further confirmed how a given size in a given board can strengthen the ability of manufacturing and Allied Firms to attain their set goals in a more seamless manner. These findings suggest that implementing a larger board size among manufacturing and Allied Firms could lead to improved performance for these firms.

5.2.3 The Effect of Board Independence on Performance

Descriptive findings indicated that a majority of respondents affirmed that board independence enhances the performance of manufacturing and Allied Firms. Regression analysis results further confirmed that board independence positively impact the performance of manufacturing and Allied

Firms. These findings suggest that with sizeable count of board members being independent can lead to improved success among manufacturing and Allied.

5.2.4 The Effect of Board Diversity on Performance

Descriptive findings indicated that a majority of respondents supported the idea diverse prospects in a board enhances continued success among manufacturing and Allied Firms listed. Regression analysis results further confirmed having diverse aspects in a board impacts continued success among manufacturing and Allied Firms. These results indicate that having dissimilar parameters in a board basing on age, culture, and nationality can contribute to improved performance among manufacturing and Allied Firms.

5.3 Conclusion of the Study

The study concluded that board composition steered success among Kenya's processing and related entities in a positive manner. In addition, education, level of experience and age ensure firm performance among the firms. Moreover, having a diverse gender composition can assist the board attract the best abilities from all members.

The study found that the size of a firm's board influences its performance. Moreover, increased board size may facilitate access to broader networks and resources, providing the firm with valuable connections and opportunities. The study suggests that having a reasonable board size can boost a firm's performance.

Conclusions were made on that board independence influences a firm's performance. Additionally, collective intelligence of a board independence can drive innovation and creative problem-solving, contributing to the firm's long-term success. Combining shareholders and ensuring board independence improves organizational performance and assessment.

Based on data attained herein, it was outlive that diversity in boards influences a firm's success. Diverse insights and experiences in a board can improve the firm's ability to identify and mitigate risks. This is because having a board of directors and executive management made up of people from various cultural and national backgrounds may help a business develop.

5.4 Policy Implication and Recommendations

The study suggests that gender-sensitive boards are beneficial for the growth of manufactured and allied firms listed studied. The company should consider appointing women to the board. In addition, organizations should focus on board members' levels of expertise and education in order to boost their performance. The firms should focus on having board members that are expertise and have best education for the success of the firms.

The study advised that firms choose a substantial board of directors to oversee the company. Board size directly impacts a firm's success. Firms with smaller boards are expected to take greater responsibility for corporate governance compared to bigger boards. Smaller boards have been demonstrated to be more effective in enhancing a company's value.

Furthermore, it is important that the board be independent of any improper influences. independent directors act as effective overseers, resulting in higher profitability and improved managerial discipline. Lastly, it is advisable that a company exclusively appoint competent individuals to serve on its board of directors. Undoubtedly, greater innovation in the realm of new product introduction results from board members investing more time and effort into their roles and possessing more industry-wide and company-specific knowledge and experience.

5.5 Suggestion for Further Research

The study was exclusively conducted on manufacturing and allied firms and specifically focused on those listed at the Nairobi Securities Exchange. It is therefore suggested that further investigations be conducted in different contexts to ascertain the continued validity of the findings. Additional research should be conducted to examine additional facets of corporate governance beyond those that were examined. This is undertaken to ascertain whether the findings of such research align with those of the current study.

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APPENDICES

Appendix I: Letter of introduction

Linnet Kanana Murithi

REF: INFORMATION COLLECTION.

I'm Linet Kanana Murithi, an MBA student in the school of business, economics and hospitality at Kenyatta university, working on a project titled "corporate governance and performance of manufacturing and allied firms listed at the Nairobi security exchange.". You have been chosen to take part in this scientific research; please help with data entry. Your information is reserved exclusively for scholarly pursuits. On request, a detailed final report will be sent to you.

Yours Sincerely

Linnet Kanana Murithi

Appendix II: Research Questionnaire

Section: 1: General Information

1. Firm's name.

2. Gender.

Male

Female

3. How many employees does your firm have? (Tick as applicable)

Below 15

16-30

31-45

46-60

Over 60

4. For what duration have you been employed at the firm?

2 years and below

3 -6 years

7-10 years

11-14 years

15 years and above

SECTION 2: Corporate Governance

5. How do you think board composition has affected your firm performance? Here are some statements basing on 1 for lowest and 5 for highest

Details	1	2	3	4	5
Gender of the board affects the performance of your firm					
There is a clear definition of what board should undertake and this is outlined to promote organization and accountability.					
The board directors have exceptional capabilities, experience, as well as far-reaching capacity that enhances their abilities.					
Academic qualification of board members has the effect of the performance of your firm					
The board's objectives, visions, and mission are constantly reviewed to ensure continued performance.					
There is an extensive selection criterion for board members that is guided by the board members' academic qualifications.					
The integrity of board members is taken into account when the board is formed.					

6. Which other corporate governance influence performance of manufacturing and allied firms

7. How do you think board size has affected your firm performance, basing responses on a scale ranging from 1 to 5?

Details	1	2	3	4	5
A large board is required in checking CEO's unfair practices					
Larger board sizes improve the efficacy of internal corporate governance procedures					
Large board sizes reduce the likelihood of failure					
The length of time it takes to make corporate decisions is affected by board size					

8. Please indicate the board total number in the following years where 5= 1 to 10 members, 4= 1 to 7 members, 3= 1 to 5 members, 2 = 1 to 3 members, 1 = less than 3 members.

Year	1	2	3	4	5
2018					
2019					
2020					
2021					
2022					

9. What factors influence the board sizes chosen in the past years?

10. How do you think board independence has affected your firm performance? Rate aspects below with 1 as lowest and 5 highest

Details	1	2	3	4	5

Non-executive directors operate independently while also controlling stakeholders, resulting in improved performance					
The CEO acts independently, which increases his or her authority					
The organization's board management is not dominated by major stakeholders, and it is represented on the board of directors by more than twice its representation					
Nominations are made independently within the organization					
The independent members are free of any attachments or commitments that could affect their judgment while performing.					

11. Outline any other activities carried out by your firm's independent member's board.

12. How do you think board diversity has affected your firm performance basing on a scale of 1 to 5?

Details	1	2	3	4	5
Your company's board of directors is age diverse					
Foreign nationals are represented on the board.					
Foreign nationals as committee impacts the firm's performance.					

The number of outside councils impacts your company's performance.					
Your organization has appropriate board diversity policy frameworks.					

13. What other factors determine the board diversity in your organization?

SECTION 3: Firm Performance

14. In comparison to your competition, how would you rank the present performance of your company basing on 1 for lowest and 5 for highest?

Details	1	2	3	4	5
My company has increased its operations to a broader market as compared to previous years					
Corporate governance have made our profit margins increase					
Good corporate governance increases speed of market share growth					
Our firms' financial strengths are higher compared to previous years.					
The companies market positioning improvement growth is better compared to the competitors					

Appendix III: Manufacturing and allied firms listed at Nairobi security exchange

1. ACMEContainersLtd
2. AfroPlastics(K)Ltd
3. Allied Metal Services Ltd
4. Alloy Steel Castings Ltd
5. Alpha Medical Manufacturers
6. Apex Steel Ltd Rolling Mill Division
7. Auto Ancillaries Ltd
8. Bags & Balers
9. Bata Shoe Co. (K) Ltd
10. BetaHealthcareInternationalLtd
11. Betatrad (K) Ltd
12. BiodealLaboratoriesLtd
13. Budget Shoes Ltd
14. C&PShoeIndustriesLtd
15. Central Glass Industries Ltd
16. Chandaria Industries Limited
17. Cosmos Limited
18. Davis &Shirtliff Ltd
19. Dawa Limited
20. East Africa Spectre Ltd
21. Ellams Products Ltd
22. Elys Chemical Industries
23. Fine Wood Works Ltd
24. Furniture International Limited
25. General Motor East Africa Ltd
26. General Printers Limited
27. Kartasi Industries Ltd
28. Gesto Pharmaceutical Ltd
29. GlaxoSmithkline Kenya
30. Haco Industries Kenya Ltd
31. Icons Printers Ltd
32. Impala Glass Industries Ltd
33. KAM Industries Ltd
34. Kenbro Industries
35. Labh Singh Harnam
36. Kenpoly Manufacturers Ltd
37. Laboratory & Allied Limited
38. Laneeb Plastics Industries Ltd
39. Loc Masaai Road, Off Mombasa Road,
40. Madivet Products Ltd
41. Manson Hart Kenya Ltd
42. Manufacturers Ltd
43. Megh Cushion industries Ltd
44. Metal Crown Limited

45. Metro Plastics Kenya Limited
46. Midco Textiles (EA) Ltd
47. Nails & Steel Products Ltd
48. Nairobi Plastics Industries
49. Napro Industries Limited
50. Novelty Manufacturing Ltd
51. Oss. Chemie (K)
52. Patnet steel makers manufacturers ltd
53. Pharm Access Africa Ltd
54. Pharmaceutical Manufacturing
55. Polythene Industries Ltd
56. Regals Pharmaceuticals
57. Safepak Limited
58. Sameer Africa Ltd
59. Sheffield Steel Systems Ltd
60. Singh Ltd
61. Theevan Enterprises Ltd
62. Tononoka Steel Ltd
63. TreadsettersTyres Ltd
64. Twiga Stationers & Printers Ltd
65. Welding Alloys Ltd
66. Woodtex Kenya Ltd

Source; KAM 2022

Appendix IV: Research Authorization from Graduate School



**KENYATTA UNIVERSITY
GRADUATE SCHOOL**

E-mail: dean-graduate@ku.ac.ke

P.O. Box 43844, 00100
NAIROBI, KENYA
Tel. 810901 Ext. 4150

Website: www.ku.ac.ke

Internal Memo

FROM: Dean, Graduate School

DATE: 14th March, 2024

TO: Linet Kanana Murithi
C/o Business Administration Dept.

REF: D53/OL/CTY/20827/2021

SUBJECT: APPROVAL OF RESEARCH PROJECT PROPOSAL

This is to inform you that Graduate School Board at its meeting of 13th March, 2024 approved your Research Project Proposal for the MBA Degree Entitled, "Corporate Governance and Firm Performance of Manufacturing and Allied Firms Listed at the Nairobi Securities Exchange, Kenya".

You may now proceed with your Data Collection, Subject to Clearance with Director General, National Commission for Science, Technology and Innovation.

As you embark on your data collection, please note that you will be required to submit to Graduate School completed Supervision Tracking Forms per semester. The form has been developed to replace the Progress Report Forms. The Supervision Tracking Forms are available at the University's Website under Graduate School webpage downloads.

Thank you.

ANNBELL MWANIKI
FOR: DEAN, GRADUATE SCHOOL

c.c. Chairman, Business Administration Department.

Supervisors:

1. Dr. Janet Muthimi
C/o Department of Business Administration
Kenyatta University

Appendix V: Research Permit

 REPUBLIC OF KENYA	
NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION	
RefNo: 264636	Date of Issue: 03/April/2024
RESEARCH LICENSE	
	
<p>This is to Certify that Miss. <u>Linet Kanana Murithi</u> of Kenyatta University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Nairobi on the topic: CORPORATE GOVERNANCE AND FIRM PERFORMANCE OF MANUFACTURING AND ALLIED FIRMS LISTED AT THE NAIROBI SECURITIES EXCHANGE, KENYA for the period ending: 03/April/2025.</p>	
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