

**CORPORATE GOVERNANCE AND PERFORMANCE OF
SELECTED STATE CORPORATIONS IN TANA RIVER
COUNTY, KENYA**

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DECLARATION

This research project is my original work and it has not been submitted to this university or any other institution.

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Declaration by supervisor:

I assertively confirm that this research project was done by the candidate named above under my supervision.

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DEDICATION

I humbly dedicate this research work to my close family members especially to my wife Aisha (Karreyu) Hussein who has been a tremendous source of inspiration and support.

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ABBREVIATIONS AND ACRONYMS

| | |
|----------------|---|
| ANOVA | -Analysis of Variance |
| TAWASCO | - Tana River Water and Sewerage Company. |
| AU | - African Union |
| TARDA | - Tana and Athi Rivers Development Authority |
| WASREB | -Water Services Regulatory Board |
| CEO | - Chief Executive Officer |
| WASSIP | -Water Supply and Sanitation Improvement Project |
| NACOSTI | - National Commission for Science and Technology Innovation |
| MF | - Motivation Forces |
| SACCO | - Saving and Credit Cooperative |
| SD | - Standard Deviation |
| TRC | - Tana River County |

OPERATIONAL DEFINATION OF TERMS

Board Independence - means that majority or all members of the board have no direct or indirect relationship with the company except as directors. To avoid conflict of interest board members are advised not to engage in any business or dealings with the company.

Board diversity - it's a broad spectrum of demographic attributes and characteristics in the boardroom in terms of age, gender, education and ethnic background.

Corporate governance - it's a process that comprises policies, rules and practices that are used by company to maximize shareholders welfare and resolve the conflicts of interest among the stakeholders. This can be undertaken through board independence, board diversity, stakeholder involvement and transparency in operations.

Stakeholder involvement - This is the process of engaging and involving stakeholders like customers, employees, government and communities by an organization to achieve organizational strategic intents.

Organizational Performance - Is the capacity of an organization to meet the optimal goal and objectives with the aim of satisfying their customers. This will be operationalized using financial viability, efficiency in operations, employee's productivity and customer's satisfaction.

Transparency in operations - it's the openness and the good relationship between a firm and its internal and external stakeholders. This can be achieved through professionalism, good code of conduct, financial prudence and timely and accurate sharing of information.

State Corporations- These are organizations owned and managed by the government

ABSTRACT

State corporations in Tana River County have not been performing well in terms of financial viability efficiency and productivity as evidenced by annual impact reports and Auditor General Reports of the year 2018. The chief goal of the study was to determine the effect of corporate governance on the performance of State Corporations in Tana River County. Specific objectives included; determining the effect of board diversity, stakeholder's participation, board independence and transparency in operations on the performance of the two selected state corporations in Tana River County. The main theories used in this study were agency, stakeholder's, stewardship and resource dependence theories. The research design was descriptive research design. The population consisted of 80 respondents comprising of board members, middle-level managers and lower level managers. Census method was used due to small population while data collection was done through questionnaire. In this study a pilot test was carried out with 8 respondents from Tana and Athi River Development Authority. All the five variables went through reliability test through Cronbach alpha statistical tests and their results presented in form of a table with a coefficient of 0.7 being the threshold. Mean and standard deviation were used to measure variable characteristics. Multiple regression analysis was used to analyze the correlation between the variables. Data was analyzed using SPSS and the findings presented using tables. The study observed ethics expected to be observed when undertaking research. In correlation analysis findings showed that board independence had a strong positive correlation with performance while the other three variables had a moderate positive correlation with performance. In regression analysis, organizational performance was insignificantly explained by board diversity, stakeholder involvement and transparency in operations but significantly explained by board independence. Based on these findings it was concluded that board diversity, stakeholder involvement, board independence and transparency in operations positively related to the performance of state corporations in Tana River County. The study recommended that although it is important to have a diverse board, experience, expertise and exposures of the various board members need to be considered when selecting them. Concerning stakeholder participation the study recommended that it is important to involve and allow other stakeholders to participate on issues to do with the running of the state corporations. Board of directors should monitor the management of the corporations on behalf of the shareholders and undertake controls over the decisions of managers. Conflict of interest should be eliminated at all cost. Lastly the study recommended that openness in the operations, transparency and information sharing should be enhanced in the organizations.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

The conceptual definition of a state corporation performance refers to the degree to which those corporations meet their specified performance goals. Corporate governance, therefore, plays a vital role regarding the improvement of performance. According to Gill and Mathur (2011), enhancement of firm's profit and service delivery is critical towards achieving inclusive corporate goals. Developed and developing nations have cemented corporate governance as a crucial factor for all business organizations because of the substantiated benefits relayed to the various stakeholders. Citizens are the primary beneficiaries of public sector operations as they play a significant role in performance review. Assessing actual accomplishments in comparison to performance expectations is one of the performance evaluation criteria of public agencies communicated and agreed upon at the start of fiscal year.

Organizational overall performance encompasses the real effects of the overall performance regarding an enterprise as measured towards its anticipated outputs (or dreams and objectives). According to Richard (2009) organizational overall performance covers three (3) precise regions of organization effects. Financial overall performance, that is, the road of profitability scale, return on assets and return on investment, etc.; besides, the product marketplace overall performance, that is, income and marketplace share, etc.; furthermore, shareholder return, for example, total shareholder return as well as the economic value added, etc. Hence, an organization performance is evaluated against the obligation and controls set by the management in the managerial systems.

On the other hand, corporate governance means the process by which government is able to maximize the welfare of shareholders and again solve the conflicts that arises between stakeholders. Carmichael (2003) generally relays that governance in state corporations as the direction in which government recommends solving interests among its stakeholders and put in place system that cements the work of an organization

acceptable to achieve the stated objectives which entails policy , strategy and organizational plan. Agency costs conflicts are the key conflicts that arise between stakeholders who are principal owners and the corporation's management who are agents. The conflicts emanate in the occurrence that the principal shareholder in an organization assigns an agent to spearhead their interests. In this context to recognize the principal and the agent, definitive principals are the citizens who enjoy the benefits of standard regulations that enhance services delivery, besides facing losses when those regulations fall short. In the occurrence, the citizens delegate their roles to the government as agent; consequently, the government on the other hand will delegate the obligation to the managing authority who might again delegate to another managing authority resulting into numerous stages of delegation between principal (citizens) and the agent (government) delegations which will in turn cause problem in governance. Dunphy, Griffiths and Benn (2013) symbolize governance to the roles they play besides the in-depth accountability within a given organization. To add on that, Sisulu (2012), defines governance as the process by which the governing authority or executive arm generate policies and regulations and monitor them to achieve suitable outcome. In addition, Mankins and Rogers (2010) state corporate governance as an avenue for human resource development that is realized by empowering them socially and economically and in the verge of empowering others.

The guidelines on Corporate Governance of State Owned Enterprises (2005) advices countries how efficiently they can manage their responsibilities as proprietors in order to make state corporations more effective and resourceful. Korea, New Zealand, and Sweden are most inclusive in their strategy. These countries have performance assessment system in the management of their state corporations that is inclusive of performance assessment indicators for both profitable and non-profitable entities or rather the public policy indicators, principle values and principle objectives in line with the industry standards, as well as the relative weights that allows for calculation of a single and multiple composite results, and they have an informed performance system that connects evaluation to a performance inducement system followed by peripheral reporting of outcomes extensively and transparently to all stakeholders.

Miring'u (2011) admits that most economically developing countries are currently conceptualizing the idea of corporate governance with the awareness that it promotes

sustainable economic growth. The researcher claims that as from 1970, many régimes in Africa had realized that state corporations are performing badly. The poor performance was linked to labor inflexibilities, monetary and financial uncertainties, as well as unpredictable rise in inflation.

Poor performing state corporations have failed to deliver their mandate and were unable to achieve their performance target making them lag behind in many aspects especially in technological spheres, for instance, telecommunications. According to Miring'u (2011) mishandling of management offices, bureaucracy, and depletion of resources, pilferage, ineffectiveness, and irresponsibility by the internal stakeholder are part of problems that have resulted into poor performance of State Corporations.

To date, a number of efforts including, and not limited to, the King III Report, AU convention on Combating Corruption, and - perhaps of lesser impact - African Peer Review Mechanism, may indicate the resurgence of good governance interest in Africa. Despite of these developments, state owned corporations remain to have perpetuated governance issues. Some of these have crumpled up partly because of the immense governance issues evident in South Africa as stated by Kyereboah and Biekpe (2006).

State corporations in Kenya have undergone intensive reforms administered through the government task force and sessional papers in a bid to promote efficiency and effectiveness in the execution of their mandate by making sure they are financially stable and independent. More effort has been instilled with the aim of ensuring that these corporations are not only financial stable and independent but they can also financially support other government projects in return. For Kenyans to realize the dreams of vision 2030, effective and efficient corporate governance is paramount.

Since June year 2005, Kenyan government mandated all boards running state corporations to sign performance contracts. The Chief Executive Officers were to sign the performance contracts on behalf of their respective boards (Mwai, 2013). All this was in a bid to facelift these corporations by certifying improved and sustainable service delivery (Njiru, 2009). The State corporations are steered by government regulators and appointed bodies, for example, the State Corporations Advisory Committee (SCAC) that is put in place with the mandate of advising and reporting to the government all matters pertaining to general administration. The terms and conditions conveyed

through the SCAC relays that the state corporation have no choice but to embrace contemporary business practices to boost performance (SCAC, 2004).

1.1.1 Corporate Governance

For sustainable corporate achievement operative corporate governance remains necessary. Good corporate governance practices are important to maximize shareholders returns, attract investors and satisfy both the employees and customers. Corporate Governance resolves to attain profound stability of various stakeholder interests in the corporations. According to Igbal and Kakakhel (2016) efficient governance promotes prudent utilization of economic resources that are cost effective to achieve the organization profits. In this study this section looks into detail the components of corporate governance which includes; board diversity, participation of stakeholders, board independence and transparency in operations.

According to Wang and Cliff (2009), they define board diversity as the composition of women, ethnical aspects, and minority group representations on the board. Besides, defining it as a broad spectrum of demographic attributes and characteristics in the boardroom in terms of age, gender, education and ethnic background. Worldwide, board diversity emanating from all various types of diversities on corporate boards has been a topic of in-depth discussion and research. Good number of organizations have considered operational initiatives to intensify more number of women representation, various ethnic groups, youth groups and disables in the boardroom. Chanavat & Ramsden, (2013) stated that there has been a progressive, albeit continuous increase of women representation on corporate boards since 2008.

Participation of stakeholders is the process of engaging and involving stakeholders like customers, employees, government and communities by an organization to achieve organizational strategic intents. Participation of stakeholders has been widely recognized as a key factor of programming since the 1970s (Smith, 2002). Participation is the aspect of sharing amongst people redirected towards development, active influence of people to development and participation of people in decision-making at all levels of society (Johns Hopkins University & William Brieger, 2006). According to World Bank, (2006) stakeholder participation is defined as the process through which various stakeholders exercise influence, controls over resources and development

matters as well as the decision and resource which have an effect. Stakeholder involvement being foreseeable part of the development process is influenced by increased concern of worldwide funding agencies and non-profit organizations campaign in regards to development in the social sector.

According to Ghaffar (2014), the non-executive directors offer their expertise to assess the decisions of managers. They are self-governing bodies who are non-partisan in management issues. The only relationship they have with the organization is the managerial position. Board of directors' independence in their operation is vital because board members are factual monitors and they enhance the firm performance. They also take part in the monitoring and discipline of the management. Non-executive directors help to eliminate the self-centeredness of managers. Executive control done using a well thought out strategy. The company's resources are organized and utilized to improve corporation performance. The World Council of Credit Unions (WOCCU) (2002) reasoned that the board needs to be self-reliant and independent in order to evaluate questionable issues concerning management and that if performance is improved the organization will be able to fully actualize the stipulated outcome. However, the independence of board members is vital for efficient regulation and management of managerial bodies who are relatively related to positive performance and growth of the organizations.

Transparency is the openness and the good relationship between a firm and its internal and external stakeholders. This can be achieved through professionalism, good code of conduct, financial prudence, timely and accurate sharing of information. Transparency is an attribute of good governance that arrows stakeholders to be well-versed with the organization structure, culture, mission, vision, strategic plan and risks associated with business. Transparency in operations may also mean candidness and willingness by organization to share reliable and substantiated facts to stakeholders.

Rawlins, (2008) states that transparency denotes to the ability and willingness to publicly disclose truthful and honest financial information of the company. The disclosure of organizational information regarding performance and other initiatives should be relevant, accurate, reliable and timely to enable all investors to have access to complete and consistent information which precisely reflects the position of the firm.

Organizations need to simplify and publicize the responsibilities of the managerial bodies to convey the aspect of accountability to shareholders. Transparency guarantees that stakeholder's confidence is enhanced when it comes to decision-making and management processes of an organization.

1.1.2 Organizational Performance

The performance of any state-owned sector is attributed to the level of its economy, the level of efficiency and effectiveness of resource mobilization and utilization. In addition, the excess incomes are submitted to relevant governing authority or subsequent government authority to that effect as dividends, Bradbury (1999). Proper controls are effective to ensure the excesses received as a result of inefficiency and ineffective of resources utilization are not approved and characterized as a good indicator of financial performance. According to Bernardin and Russel (2009) performance is a determinant of result attained by executing specific activities in a stated time zone. Many organizations are commissioning multiple measures of performance as opposed to a sole measure used in the past.

Public agencies evaluate performance comprising of the assessment of actual performance results against the expected performance results agreed upon within a financial year. Researchers have used monetary and non-monetary methods to measure the performance of an organization. Fiscal measures that have been used include Return on Investment, profit margin, increment of sales as well as the development of market share, Lambert (2012). As noted, organizations' new performance measurement systems are used to track nonfinancial metrics. Examples include customer care and satisfaction, employee satisfaction, quality of services, market share and coverage, employee productivity, creativity and innovation, Amal, Hassan, Hassab & Benson (2013)

There are several major techniques used to measure performance of a firm for example, the use of the balanced scorecard. Langley, Norman, and Provost (2019) claim that balanced scorecard may be used to evaluate organizational results. This framework tool was developed by Kaplan and Norton (1992) and relays a series of probable methods used to measure performance of an organization. It relies on a principle, that for a firm

to be result-oriented it must satisfy the requirements of key stakeholders that is the customers, employees and above all the principal investors. Strategic analysts, Kaplan and Norton suggested that organizations should classify the firm's objectives, success indicator measures, outputs, and strategies to address four key fundamentals of business performance. The four perspectives in the model include: financial overview, customer perspective, internal corporate process overview as well as learning and development (in line to the people) perspective.

Kiiru, Muathe and Kirika (2015), on strategic management of human resource and performance of parastatals in Kenya measured the performance of parastatals using financial viability as one of the indicators of performance. According to Lusthaus (2002), financial viability is the capacity of a firm to raise the investment required to actualize its operational requirements. It is capability of an organization to generate enough money to off-set the operational costs and to be financially sustainable and meet its functional requirements. Generally, financial viability is the capacity of an organization to perpetually achieve its operational objectives and realize its mission sustainably (U.S. Agency for International Development, 1994). Specifically financial viability is referring to the potential of generating adequate income to be able to fulfill the operating payments, debt assurances, and if possible, to permit room for growth while offering quality services to the customers (Government of Australia, 2009)

According to Hanaysha (2016) the productivity of an employee is an assessment of an employee's efficiency, and it is derived from the actual scope which can directly affect the profitability aspect of a company. Productivity is the rationale of realizing organizational intent and objectives by successfully turning inputs into outputs efficiently to benefit people. Employee productivity can be basically understood as the associated undertakings anticipated of a worker and how well these undertakings are being performed. As per WASREB definition, employee productivity denotes to the total number of people employed for every 1,000 water and sewerage company networks. It measures the efficiency in staff utilization. This research study used the following indicators of organizational performance; financial viability, efficiency of operations, employee productivity and customer satisfaction.

1.1.3 State Corporations in Tana River County

The study will cover two state corporations in Tana River County namely, the Tana River Water and Sewerage Company (TAWASCO) and the Tana River Investment and Development Corporation. The County of Tana River water sources and system are bracketed among the Tana and Athi river basins systems. The Tana basin water system comprises of 90% while Athi River water basin comprises of the remaining range. In addition to the rivers mentioned above there are other seasonal rivers (*laggas*) and cyclical floods that constitutes part of Tana basins. The seasonal rivers are *lagga Hirimani*, *lagga Tula*, *lagga Dakaji* found in Tana North Sub-County, another known as *Galoles* found in Tana River Sub- County and *Kokane* that exist in Tana Delta Sub-County (Tana River County Website, 2022).

The Tana River County Water supply sources comprises of three main suppliers. All three water suppliers are managed by the Tana Water and Sanitation Company (TAWASCO) which is the sole water managing authority in the County. The largest supplier being Hola water supply source which is located in Hola Town and the other suppliers are Garsen water supplier and Ngao water supplier located in the Tana Delta Sub- County. The Hola water supply station is a deep-rooted supply that was erected long ago in the year 1971 to cater for the then small population of Hola town. The service period and the design makeup has ultimately expired making it difficult to service the growing population of the current Hola Municipality. The Hola water supply serves Hola town, and its environs, that is, Malindi ya Ngwena, Wachakone, Mikinduni town, Emmaus area, Kasarani area, Bula Salama area, Makutano area as well as Kalkacha. However, the County Government of Tana River is in the process of increasing water supply sources through the County budget allocation and through the funding of World Bank which has already established a number of projects including the Kasarani Elevated Water Tank and multiple number of Water Kiosk across the County. The new WASSIP funded by World Bank and managed by Coast Water Services Board through the Ministry of Water and Sanitation at the National Government is also aimed at expanding and rehabilitating the Hola water supply in order to cater for the growing population. The project is redirected towards improvement of water production and supply by 1200m³ per day. (Tana River County Website, 2022).

Tana River Investment and Development Corporation was established in 2016 by amendment Act of Tana River County Assembly. The Company is a body commercial with continuous succession and a mutual seal and must, in its corporate identity, be skilled of taking, purchasing or otherwise the acquisition, holding, charging or eradicating of fixed and non-fixed assets; borrowing finances or cementing investments; signing contracts; and executing duties appropriately for the performance of its roles under the corporation Act which may legitimately executed by the corporation. The roles of the Corporation is to grasp properties and assets on behalf of the County purposefully for investments and development; partake any investment on behalf of the County purposely for generating revenue for the county government; actualize any development initiative to promote business or social drives; identify strategic investment prospects; partake business schemes; promote local commercial development and create jobs; and carry out such other responsibilities essential for the execution of the objects and aim of this Act and perform such other (TRC Gazette 2016)

1.2 Statement of the Problem

Article 43(1) (d) of Kenyan Constitution 2010 guarantees its citizens safe, clean and adequate water for consumption, however the residents of Tana River County are still lacking this precious commodity due to poor productivity as evidenced by the WASREB annual impact assessment reports where for the period under review 2019/2020, Tana River County was among the last ten Counties in performance in terms of total water coverage at 16%. The Tana Water and Sewerage Company (TAWASCO) one of the state corporations and the sole water managing authority in Tana River County has not been performing well in the last couple of years (WASREB Annual Impact Assessment Report, 2019/2020).

Tana River Investment and Development Corporation, another state corporation in Tana River County has not been performing well due to lack of financial viability as evidenced by Auditor General reports of financial year 2018 where money allocated for development were diverted to recurrent expenditure and others were transferred to other departments leaving the Corporation with no funds to undertake its activities. (Tana River County Financial Reports, 2018). The two State Corporations have not been able to carry its mandate diligently and effectively due to lack of financial viability,

efficiency in operations, employee's productivity and customer's satisfaction therefore making them not meet their operating targets.

Inadequate corporate governance practices in Tana River County has resulted into inefficiency in operations of the two selected State Corporations. This is due to lack of performance review on the performance of the board, irregular meetings of the board, lack of performance based contracts, misappropriation of resources and the failure by County Government to arrest and prosecute corrupt officers of the County and State Corporations. These inefficiencies have affected productivity causing a great deal of customer dissatisfactions. These issues highlighted were as a result of politicization of appointment, lack of proper employment procedure, exploitation of resources through corruption, impunity and resource mismanagement of state corporations' and the outcome of the donor intervention agencies' conditionality (Elijah, 2016).

Otiti (2010) did a research about corporate governance and performance scale of Heritage Insurance Company Limited. The research demonstrated that the company possess well-structured governance system with stable growth rate despite economic crises. The research found significant relation between the practices of good corporate governance and organizational performance. The research was undertaken in an insurance context, but the current study focused on state corporations. Further, not all components of corporate governance were considered especially the ones the current study covered.

Gitari (2008) did an investigation on the new Kenya Cooperative Creameries (KCC) to determine the relation of corporate governance and KCC's financial viability. The investigation found out that the KCC's board implemented acts of good corporate governance that yielded better financial performance with time. The investigation did not cover the components of board diversity, stakeholder participation and also transparency in operations. Muthiora and Murigi (2020) undertook a study on corporate governance and the performance of selected financial reserves of credit cooperative societies in Kenya. They used descriptive research design. Besides applying a stratified random sampling to achieve 30% tester leading to a sample of 58. The study concluded that corporate governance influences performance. The analysis of the studies above clearly shows that both research uses descriptive research design, however the above

researched used stratified random sampling design while this research undertook a census.

1.3 Objectives of the Study

This section contains the general objective and four specific objectives of the study.

1.3.1 General objective

The general objective of the study was to determine the effect of corporate governance on performance of State Corporations in Tana River County, Kenya.

1.3.2 Specific objectives

The study specific objectives are as follows;

- i. To determine the effect of board diversity on performance of state corporations in Tana River County, Kenya
- ii. To establish the effect of stakeholder's participation on performance of state corporations in Tana River County, Kenya
- iii. To determine the effect of board independence on performance of state corporations in Tana River County, Kenya
- iv. To determine the effect of transparency in operations on performance of state corporations in Tana River County, Kenya

1.4 Research Questions

The study research questions are as follows;

- i. What is the effect of board diversity on performance of state corporations in Tana River County Kenya?
- ii. What is the influence of stakeholder's participation on performance of state corporations in Tana River County Kenya?
- iii. What is the effect of board independence on performance of state corporations in Tana River County Kenya?

- iv. What is the influence of transparency in operations on performance of state corporations in Tana River County Kenya?

1.5 Significance of the study

The research will support managerial personnel of state corporations to recognize practices of good governance that have highly contributed to the improvement of their performance over time and those that require in-depth enhancement. It will also help the top managers to quantify how much of board diversity, board independence, stakeholder participation and efficiency in operations influence performance of state corporations. These groups will benefit from the knowledge applied in this research to produce more scholarly and educational work to enhance performance of state corporate corporations. The research will also act as a directive to other state corporation to bring forth more strategies and policies that govern their performance and also help regulators to assess the efficiency of their governance systems.

The research will inform the Government on the capability of a state corporation to meet its mandated objective and that is meeting the public sector requirements by creating equal employment for all, effective and efficient service delivery and economic growth. The success or failure of this state corporation will inform the Government to make decisions on whether to invest more maintain the investment or stop investing on them. Limitation of the research is redirected towards the financial viability aspect of performance of corporate governance, the research will be a foundation for upcoming researchers and academicians to discover and explore more on measures of performance rather than financial viability aspect.

1.6 Scope of the Study

The research deeply looked into the aspect of corporate governance and performance of state corporations. This was assessed with intensity considering board diversity, stakeholder participation, board's independence, transparency of operations and performance as variables. This research covered the two (2) state corporations in Tana River County which include: Tana River Water and Sewerage Company (TAWASCO) and the Tana River Investment and Development Corporation. The two formed the units

of analysis. Data was collected from the board of directors and managerial staff. This study was undertaken between January 2022 and November 2022.

1.7 Limitation of the research

The researcher foresaw time management challenge by the respondents to return the questionnaire within the stipulated time frame. The researcher addressed the expected time management challenge by frequenting personal visits or by making telephone calls. Some respondents had reservations about the questionnaire as they were feeling that the content was exhibiting aspects of vulnerability while others claimed that their privacy was being interfered while others thought that their company was placed on scrutiny. The researcher clarified the stated problems by taking time to have an in-depth explanation session to relay utmost surety that the results would be used solely academically. Some lower level managers found it difficult to understand effect of performance on corporate governance; therefore the researcher took time to explain to them in details.

1.9 Organization of the study.

The first chapter assesses corporate governance and state corporations performance by relaying strategies that address the background of the study in a bid to conceive the right perception to the reader. The problems conveyed towards the state corporations as a result of poor corporate governance has been well articulated and the guiding objectives of the research deduced from the contemporary issues. Key questions of the research showcase great importance similar to the scope and research limitations. Second chapter presents literature review that examine three core framework elements, that is, theoretical, empirical, and conceptual. Theories that link to the contemporary research were analyzed in the theoretical framework. On the other hand, empirical review was conducted to identify existing gaps in knowledge on the correlation aspects being investigated in the study. The other core aspect, conceptual framework was articulated in a way that it perfects the study relationships. The third chapter contains research methodology that styles the actualized research design, the intended population and the stipulated sample. The chapter concludes with data collection criteria and analysis methods. Chapter four contains the findings and also discussions

while chapter five contains the summary of findings, conclusions arrived at and lastly recommendations.

CHAPTER TWO

LITERATURE REVIEW

The chapter draws presentation from works done on corporate governance that has been already studied. Some of the areas considered are corporate governance models, the empirical literature reviews that generally summarize the relations of corporate governance practices and performance of public corporations in Kenya and finally the conceptual framework.

2.1 Theoretical Review

The section showcases leading theories that form part of this study which are; agency, stakeholder's, stewardship, and resource dependence theories

2.1.1 The Agency Theory

The theory above is believed to have in-depth link to the economic theory (Alchian & Demsetz, 1972) and later improved through the works of Jensen and Meckling (1976). The theory is geared to oversee the relation between the core principals who are the shareholders and the managerial boards who are company agents. Shareholders who are principal owners of the company engage managers as their agents to execute responsibilities on their behalf. This shareholders who act as principals permit the implementation of business to the company agents such as managers (Clarke, 2004).

In corporations, agency theory should define the distinction of ownership, power and controls as articulated by Berle and Means (1932). Therefore, managers are contextualized as agents and shareholders as principals resulting to agency conflict. Similarly, Daily et al (2003) contended the presence of two aspects that impact the importance of the theory. The leading one being, the theory simply limits corporation into two main participants who are the managers (agents) and shareholders (principals). Consecutively, the theory categorizes workers and top management as egocentric by

nature, this factor was underlined prior through the works of Adam Smith and successively advanced by Ross (1973). A comprehensive narrative of agency theory was firstly relayed by the works of Jensen and Meckling (1976). In their studies they incorporated the essentials of agency theory with that of the theory of property rights as well as the theory of finance to contextualize the theory of agency. In this study this theory supports stakeholder's participation and board independence variables.

2.1.2 Stewardship Theory

Donaldson and Kay (1976) relays stewardship theory as a relevant explanation of intentions of top managers. Unlike the agency theory's cynical assumptions of egocentric nature of managers serving their own interest, stewardship theory considers the ideology of 'pro-organizational' intent of the executives. In this regard what pushes results is not the materialistic nature of the directors but their intimate and genuine concern towards the performance and objectives of the organization.

Stewardship theory disagrees with the notion that the executive intentions are against the interest of the shareholders. Both theories focus on the director's intent to maximize the long lasting stewardship of a firm. The stewardship theory indicates a negative split of roles that underlines the work of chairperson and that of chief executive officer. Debatably the influence of stewardship theory is based on the agency theory's believe that human beings can be motivated to enhance organizational performance.

Stewardship theory acknowledges that organizations are social entities arguing that for high performance, a firm must be judged by a variety of social entities since organizations serve a broader social purpose rather than just maximizing its profit (Mackenzie, 2007). Board members must be appointed in such a way that the different entities will be represented. This theory thus supports the board diversity variable.

2.1.3 Resource Dependence Theory

Pfeffer and Salancik (1978) are founders of the above theory. This theory discovers impact of corporate governance practices towards an organization. It focuses on the responsibilities and mandate of top management in safeguarding and providing resources vital to the firm's performance. The theory approves organizations to appoint

directors and other top management from independent firms with adequate resources requisite for the firm. Similarly, Abdullah and Valentine (2009) categorized directors into categories including, the insider's business experts, the support specialists and also community's influential personnel. Any firm which is relying on this theory would assign directors from business expert's category (director of other profitable firms), support specialists (attorneys, firm advisors and representatives), community relations specialists and dominant people like legislators, leaders and faculty members. The support specialists would provide access to crucial facilities at reasonable charges.

When a firm assigns an individual to a board, they do so with the expectation that the appointed person will offer full support to the organization by overseeing the firms' challenges and presenting it to organization leadership for amicable solution. This resources form part of the of a firm's capital (Hillman & Dalziel, 2003). Others who play an integral part are non-executive directors who are work specialist and experts in formulating strategies and advise the executive on the best way possible to achieve the organizational goals. They also operate as source of connections, dissemination of information and help in the development of vibrant internal and external relations used to overcome uncertainties in business environment. The interpersonal resources, relations and association of individuals to a firm has capability to enrich the reputation of the executive team.

The importance of the board members is dependent on the expertise and platform to achieve new business markets, financial grounds and reputation advantages that firm associates bring forth. This theory focuses more on the diversity of the board and how this can be used for the benefit of the company in bringing up the required resources for the achievement of company goals (Borroso, 2011). This theory is pertinent to this study, and it supports board diversity variable. The boards work is to provide resources to the organization that will steer towards the expected performance. This theory also supports the dependent variable that is organizational performance.

2.2 Empirical Review

This section covers research studies done both locally and internationally on board diversity, stakeholder participation, board independence and transparency in operations on performance.

2.2.1 Board Diversity and Performance

Recently, researchers had an in-depth look on the capability of board diversity to enhance corporate governance and organization performance. Perhaps one of unique research done was that of Carter et al. (2003) which was to examine correlation between board diversity and organization value of Fortune 1000 firms. The research denotes board diversity as the proportion of the marginalized group such as the women, Africans, Asians, and Hispanics eminent on the board of directors. This research presents one of the original empirical pieces of proof as to whether board diversity is linked with enhanced value of a firm. The research found substantial correlation concerning proportion of women on the board and firm's value. The current research was done in Kenya which is a distinct context from China thus exhibiting a contextual gap.

Dagsson and Sallberg (2011) conducted research on how age range of the board of directors impact firm's performance. This research was done among the Swedish public firms. Longitudinal research model was used to conduct the research where the research relied on second party data. It was found that age diversity of board members significantly and positively influenced firm performance as evaluated by ROA. The study present contextual gap that differs from the current study. This study is cross-sectional where primary data was collected thus presenting a methodological gap.

Nonetheless, empirical research on the relations of board diversity and firm performance are presently scant and there is justification of insufficient growth of testable theory. Harmaline and Weisbach, (2001) agreed that board diversity factor is not quite articulated by agency theory and the modern theoretical framework comprising the theory does not convey definite forecast regarding the relation between board diversity and firm value. Conversely, organizations have been progressively overstretched by the campaigns of shareholders and investors to appoint executives who are professional, skilled and competent with assumption that broader diversity enhances improved internal decisions making process that will trigger room for change (Westphal and Milton 2000)

Khidmat, Khan and Ullah (2020) conducted research on influence of board member's diversity on firm performance for Chinese Listed Companies. The data was narrowed from Shanghai SSE 180 the Shenzhen 100 firms between the years (2007 – 2016). The study substantiates that gender, variations in education and foreign diversity evaluated by Blau demonstrated positive outcome on the Chinese company as witnessed by both financial and marketplace measures. The age diversity and autonomy diversity are indispensable determining factor of firm performance in Chinese companies. The current study will be done in Kenya which is a different context from China. This study was a longitudinal one as it was carried out over a period of 9 year while the current study will be cross-sectional thus presenting a methodological gap

2.2.2 Stakeholder's Participation on Performance

This is the process of engaging and involving stakeholders like customers, employees, government and communities by an organization in order to achieve the organizational strategic objectives. Stakeholder engagements also consist of inclusive decision making process, open and transparent discussion, sharing of information and knowledge, Yee (2010), Luyet, Schlaepfer, Parlange and Buttler (2012). Inclusive decision making process is the degree to which various stakeholders in a firm are permitted to contribute or take part in making decision of a firm (Abdulai & Shafiwu 2014).

Veronesi and Keasey (2009) analyzed about policy implementation and stakeholder participation on the staff of National Health Service in the United Kingdom. The investigation done has recognized that stakeholder participation enhances the ability to understand the needs of communal populace besides increased awareness of the need to advance. Fundamentally, it sparked a process of knowledge shared by all those involved at some point participated in decision making.

Besides, enhanced stakeholder voice was a vital element through which to frame and implement effective strategies because involving stakeholders in board deliberations improved the general commitment stages and nurtured the team working environment, providing rehabilitated unity and a sense of fitting to the local community. Similarly, Edelenbos and Klijn (2005) did a research on management of stakeholder participation in decision making in community councils in the Netherland. The results of their study

disclosed that greater response in decision making from numerous parties spawned a variety of concepts and potentially augmented process substance.

With Stakeholder consultation, this entails the development of productive and sustainable rationale relationships. It relays a mutual beneficial relationship; enable the identification of trends and captures emerging challenges currently or will in the future affect the organization. Attending to stakeholder apprehensions and feedback is a valued source of evidence that can be used to enhance project design and results and help a firm to recognize and control external consequential possibilities. It can also form the foundation for forthcoming collaboration and alliances (Morgan, 2015).

Kessler (2004) conducted a blend of literature on stakeholder participation founded that participation, consultation entailed lead to enhanced legitimacy. Consequently, if people are consulted, they feel the progression was fair and their inputs were articulated, it will ultimately improve their acquiescence. Further, the synthesis substantiated that contributor who view the method as legitimate normally feel a strong commitment to comply with the outcome, even if the directives contradict their desire.

2.2.3 Board Independence and Performance

Malonza and Mohider (2017) did a study on corporate governance and profitability scale of Genghis Capital Limited in Kenya's Nairobi City County where the objective was to know the effect of board independence on company profitability. The research was steered upon Agency and stakeholders theories and embraced a descriptive research design and a population of 200 workers. A stratified random sampling was used with sampling magnitude of 107 workers. The research's primary data was collected using questionnaires. The outcome of the study relayed that board independence was absolutely related with profitability in a positive way. The study was undertaken in the financial sector in Nairobi while the present was done in Tana River County targeting the Water sector. In the study random sampling design was used while the current study undertook a census.

Chesire and Kinyua (2021) did a study on board unconventionality over organization performance of SACCOs in Nairobi, Kenya. The research design was descriptive cross-sectional. The research targeted management level workers of the Company. Census

was used as the sampling design while semi questionnaires was used to collect primary information. The study found out that a well-operational, autonomous, independent and diverse board can impact a firm's performance. This survey was done in the SACCOs while present survey was done in the water sector thus presenting a contextual gap.

Fuzia, Halima and Julizaerma (2015) conducted a survey study of board independence and firm performance. This was an evaluation of numerous studies conducted to oversee the relations concerning board independence and organizational performance. Study conducted in Turkey by Ararat, Orbay & Yurtoglu (2010) substantiated that there was a destructive relationship that was lined to negativity and a disconnection of independent managerial personnel towards organization's performance. Other studies evaluated like one done by Rahman and Ali (2006) substantiated that firms in Malaysia have inconsequential relations between corporate governance structures like board independence and the results exhibited by those firms. Most of study evaluations were done in other regions and therefore relayed contextual disparities.

2.2.4 Transparency in operations on performance

Sinan (2008) did a study in Turkey on the impact of board transparency on information technology and clarity on financial performance related companies. The target sample was 89 companies relayed at the Istanbul stock exchange between the years 2000 to 2008. With a 70% response rate, the study found that corporate transparency does have substantial positive correlation with the management performance. Firms that practices decent corporate governance have substantial correlation with operating performance. As such, a firm may dedicate resources to enhance corporate design that will positively impact performance, and external personnel can depend on the data provided by the company to make their conclusion. This study was in a context different from the current study.

Nyokabi (2009) conducted survey research on the Kenyan banking system between the year 2004-2008 about transparency and risk associated with disclosure of data. This was a census study involving 22 respondents which found out that that banks in Kenya conceal information about risks in their annual financial year's statement regardless of the magnitude of their structure. Transparency in transactions have many advantages among them, improved overall managerial execution of roles and responsibilities and

board integrity and increased investment which definitely will enhance financial performance. This study was undertaken in the banking sector.

Suchada (2007) conducted investigation on the impact of transparency and disclosure of risk on the board of directors. The researcher listed 100 firms between 2004 and 2007 at the Thailand stock exchange as the sample population. In this study ROA and Tobin Q was used as a model of gauging performance. It was found that the greater the level of transparency and disclosure in financial data the lesser the disproportionateness of data concerning managers and shareholders and thus lowering the cost of principal investment. The study presented a conceptual gap as the study focused on transparency in operations while the current study focused on other variables like board diversity, stakeholder involvement and board independence.

2.4 Summary of Literature Review and Research Gaps

The table below presents past studies done related to the variables under investigation. It contains the author's name, study focus, findings, study gaps and focus of the current study.

Table 2.1 Summary of Literature Review and Research Gaps

| Author | Study Focus | Findings | Gaps in knowledge | Focus of the current study |
|------------------------------|---|--|---|--|
| Fields and Keys 2003 | Board diversity and the value of an organization | The study got a significant positive correlation between board women representation and organization's value. | The study was done in China thus a circumstantial gap | The research was conducted in Kenya |
| Dagsson and Sallberg (2011) | Board of directors' age range difference and organization's performance. | Age diversity of the managerial board members significantly and positively affected firm performance as measured by ROA. | Longitudinal research design was used and secondary data. Research was done in Sweden | The present study was a cross-sectional study using primary data and was done in Kenya |
| Khidmat, Khan & Ullah (2020) | Impact of board diversity on organization's performance: Substantiated from Chinese Listed firms. | Gender diversity, education and nationality diversity had a positive impact on the organization performance. | It was a longitudinal study done in china and considered foreign national diversity | The current study was a cross-sectional one and was done in Kenya and age, gender, education and ethnic diversity were considered. |
| Carter et al. (2003) | Corporate Governance, Board Diversity, and Value of a firm | The study survey discovered that a positive correlation between board diversity and firm value | The study only founded on public integrated companies; | The research was carried out based on state corporations |

| | | | | |
|----------------------------|---|---|---|---|
| | | | no state corporations was included | |
| Malonza and Mohider (2017) | Corporate Governance and Profitability of Genghis Capital Limited | Study results indicated that board independence was positively related with profitability. | This research was done in in the financial sector | The current study was done in water and investment corporations |
| Chesire and Kinyua (2021) | Board independence and firm performance in SACCOs | Board independence influences and firm performance | Study involved SACCOs in Nairobi City County | The study was done in corporations in Tana River County, Kenya |
| Veronesi and Keasey (2009) | policy implementation and stakeholder engagement on employees of the National Health Service in the UK | they determined that involvement led to a n enhanced understanding of the issues of the communal population as well as a heightened understanding on the aspects in need of development | The study concentrated on one sector only(medical) | The study focused on different sectors to establish whether participation has an influence on performance |
| Ogoye (2002) | Corporate performance and the compensation of managerial personnel: An empirical analysis of public companies in Kenya. | The study substantiate that the relationship between the managerial personnel compensation and firm performance was negative and statistically inconsequential. | The study was only based on public companies but not state corporations | The study was based on performance of state corporation |
| Ozkan (2007) | CEO Compensation & performance: An Empirical Analysis of UK Panel Data | The research determined that there is a positive relationship between CEO pay and a firm's performance (at least in the UK) and the association is positive for financial compensation | The study was based in the UK and therefore cannot be generalized | The study was based in Kenya specifically Tana River County. |

| | | | | |
|----------------|---|--|--|---|
| Sinan (2008) | The impact of board characteristics, information technology development and openness on financial performance firms | The study determined that corporate transparency does have substantial positive relationship with operational performance | The study dealt with quoted companies in Turkey and did not consider state corporations | The study was purely based on performance of state corporations within Kenya. |
| Nyokabi (2009) | Transparency and the disclosure of risk data in Kenya's banking industry | The study's findings were that benefits on transparency involve enhanced management and board integrity and improved investor trust thus attracting more investors and consequently enhanced financial performance | The study was only focused on banking sector and not the state corporations and they used a survey design. | The study was a case study and mainly focused on selected state corporations in Tana River county |

Source:Researcher(2022)

2.5 Conceptual Framework

A conceptual framework outlines the study's course and substantiates the relationship of the different study variables that are under investigation. In this study the independent variables were board diversity, stakeholder's participation, board independence and transparency in operations. The dependent variable is performance of state corporations where the indicators of performance were financial viability, efficiency in operations, employee's productivity and customer's satisfaction.

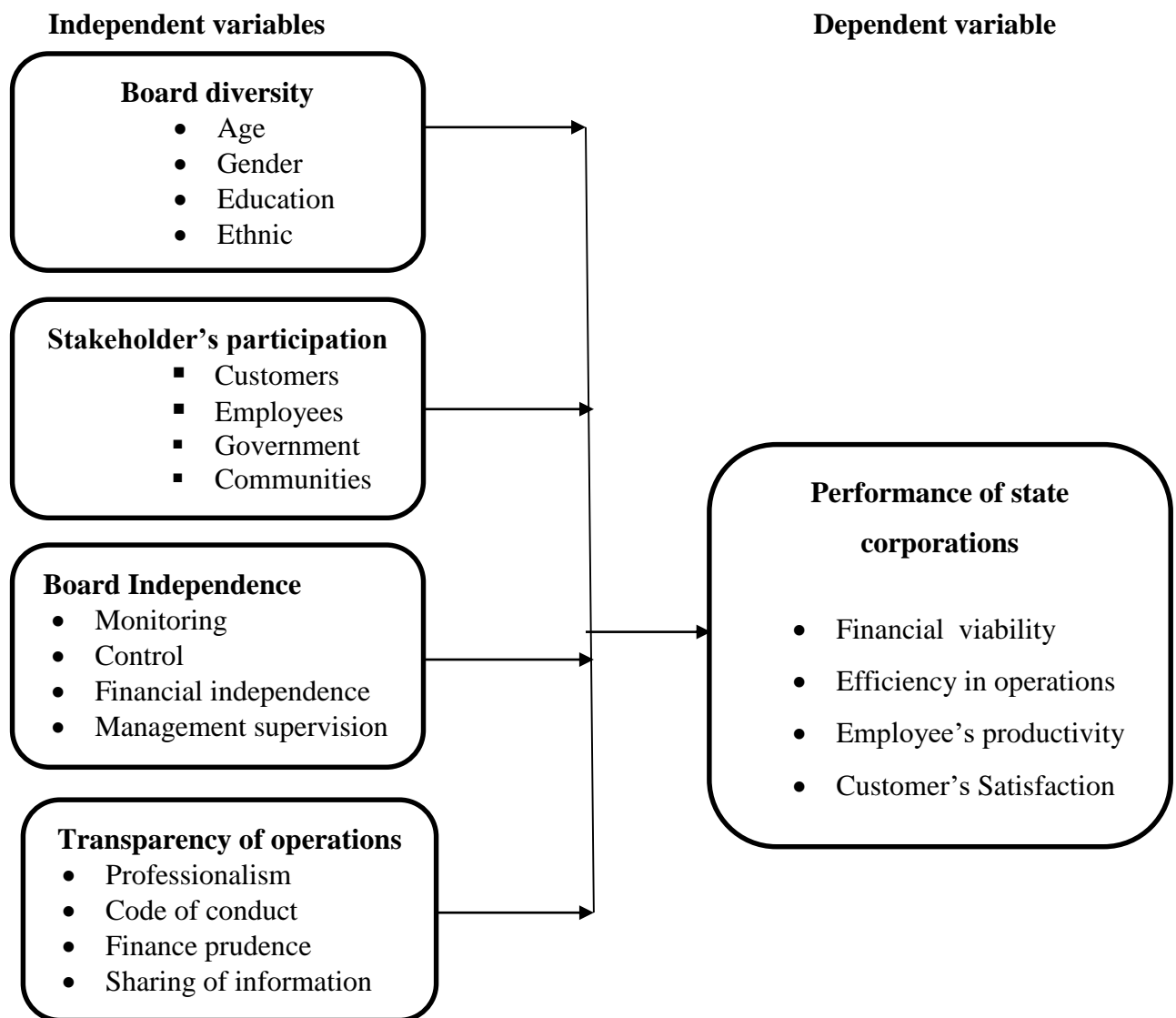


Figure 2.1 Conceptual Framework

CHAPTER THREE

RESEARCH METHODOLOGY

The third chapter examined research design, targeted population and the sample design used, data collection tools and its procedure alongside methods of data analysis and their mode of presentation.

3.1 Research Design

This is the general strategy of the researcher to integrate different features of research in a comprehensible way, with an intended purpose of effectively addressing the researcher problem, and constituting the collection, dimension, and data analysis (Cooper & Schindler, 2014). The fundamentals behind research design are activity and time-oriented plan; a plan dependent upon the research questions; a directive for selecting bases and types of collection of data; a context for stipulating the relations among the research variables and; a technical outline of every research activity (Cooper & Schindler, 2014).

According to Belotto (2018) the basic aspects of research designs are purpose of research, the mode of investigation, the degree of researcher interference, the study set, the unit of evaluation and the time perspective. The research design that was adopted is descriptive design. Kothari (2004) retaliated that descriptive involves fact-finding explorations of diverse forms to illustrate the situation as it is eminent at present. Previous scholars like Ngari (2012) and Muturi (2007) employed the descriptive research design.

3.2 Target Population

Saunders et al. (2003) explained that the research population denotes to the absolute scenarios from which a sample is derived and therefore be denoted as the entire assembly of components about which we would like to derive from the sources. Mugenda & Mugenda (2003) explained population target as group of individuals comprising participants under investigation with similar attribute. A target population

of 80 staff of Tana water and Sewerage Company and Tana River Investment development corporations comprising of Board members, management and supervisory staff.

3.3 Sample Design and Sample Size

Procedure of attaining facts about a whole population by evaluating only a portion of it (Kothari, 2012) defines sampling as the procedure of taking a sub-set from the total population and using various methods of data collection on the population with the intentions of analyzing that data and drawing conclusions. The researcher employed a census since the population is small.

Table 3.1 Sample Size

| Staff Category | Tana Water and Sewerage Company | Tana River Investment and Development Corporation. | Totals | Percentage |
|-----------------------|--|---|---------------|-------------------|
| Board Members | 6 | 6 | 12 | 15 |
| Middle Level Managers | 16 | 10 | 26 | 32.5 |
| Lower Level Managers | 24 | 18 | 42 | 52.5 |
| Total | 46 | 34 | 80 | 100 |

3.4 Data Collection Instrument

The tool that was used to collect data was a questionnaire. The information collected categorically directed to specific workers in their cadre as was put together in the questionnaire. This form of data collection (questionnaire) is comparatively inexpensive, again the questions presented were similar in all subjects thus the issue of anonymity was guaranteed (McMillan & Schumacher, 2001).

Ghuri and Gronhaug (2005) described questionnaire as simple and cost-effective method of data collection. However, the uncertainty surrounding questionnaires are that, once it has been administered has no room for questions modification. Again, some

participants may find the questions ambiguous and difficult to comprehend therefore it cannot enquire or evaluate deeply into participants' opinions or sentiments resulting to shallow responses. The study will guarantee the aspect of content validity in regards to the survey to mitigate the issues of ambiguity and uncertainty.

The understanding regarding literature study review about corporate governance formed basis of developing the questionnaire which was sub-divided into three key parts. In part one was designed to obtain participants' General Information (gender, staff category, number of years worked there and educational background). Part two comprised of Corporate Governance practices that measured participants' responses toward four identified scope of corporate governance, specifically: board diversity, stakeholder participation, board independence and transparency. Part three of the questionnaire measured the dependent variable that is performance of two selected state corporations in Tana River County, Kenya.

3.5 Data Collection Procedure

Collection of data involved officially relaying an official letter to the two state corporations in Tana River which was classified for the research. The researcher wrote to the head of every state corporation asking for their co-operation and contributions. The requesting letter involved aim of the study, prospective outcome and the questionnaire itself. The managerial personnel were envisaged to have an in-depth understanding about the firms in line with experience and educational background. Questionnaires were given a two-week period before collection after delivery. A phone interview was conducted to the personnel's who were supposed to fill a questionnaire in case there were some deemed unfilled.

3.6 Validity and Reliability of the Research Instrument

The section outlines how validity and reliability of the instrument was ensured.

3.6.1 Validity of the Instrument

In this research a pilot test to ensure there was content validity was carried out with 8 respondents from Tana and Athi Rivers Development Authority (TARDA). Outcomes of pilot study were used to make alterations where required to guarantee that questionnaire met the expectations (Saunders *et al.*, 2007). In the course of piloting, it was possible to know whether participants faced problems in understanding the items. The researcher also approximated the period respondents required to complete the questionnaire and assess how the instrument performed in the field. The instrument was presented to the research supervisor and other experts based at Kenyatta University Mombasa Campus.

3.6.2 Reliability of the Research Instrument

Reliability constitutes level of accuracy to which a tool yields similar outcome repeatedly (Orodho, 2009). This study computed reliability using Cronbach Alpha coefficient to determine reliability of research instruments (Zikmund, 2009). Conferring to Cooper and Schindler (2007) for a questionnaire a research tool to be considered reliable, the measuring coefficient is to be greater than 0.7. All the five variables were analyzed for reliability through computation of Cronbach alpha statistical tests and the results presented in form of a table.

3.7 Data Analysis and presentation

Researcher screened finalized questionnaires against errors, incompleteness and discrepancy. After that the researcher organized, coded and analyzed data by descriptive statistical tools using multiple regression method. Data analysis was done by using SPSS Version 20.0. Descriptive statistics elements like the mean and standard deviation were generated in order to help define variable characteristics. The Multiple regression analysis technique standardized the correlation of the four independent variables and one dependent variable. This was applicable because the scholar has one sole dependent variable; performance that was functional platform for the four independent variables.

The projected linear regression model for this research was:

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

Where:

Y= Organization Performance

β_0 = Constant or intercept

β_1 - β_4 = Independent variable's regression coefficients.

X_1 = Board Diversity

X_2 = Stakeholder Participation.

X_3 = Board Independence.

X_4 = Transparency in operations.

ε = error term.

3.8. Ethical Considerations

The study observed ethics expected to be observed when undertaking research. The researcher sought a letter from Kenyatta University and a permit from NACOSTI. The researcher obtained permission or rather an endorsement from the respondents' organizations before proceeding to gather information from the participants. Questionnaires were anonymous, and all the information gotten from the research respondents was kept with utmost confidentiality in order to avoid any kind of exclusion or victimization. The study observed core values of research, for example proper citation.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSIONS

This chapter contains research findings on the study's response rate, general information and then descriptive and inferential statistics.

4.1 Response Rate

The researcher administered 80 questionnaires to the respondents of which 52 were returned. This represents 65% response rate. This is shown in the table below. Kothari (2004) reported that the response rate above 50 percent is sufficient for the analysis, and therefore, 65 percent was satisfactory for the researcher to make the analysis.

Table 4.1: Response Rate

| Outcome | Frequency | Percentage |
|-----------------------------|-----------|------------|
| Questionnaires returned | 52 | 65 |
| Questionnaires not returned | 28 | 35 |
| Total | 80 | 100 |

Source: Researcher (2022)

4.2 Reliability Analysis

The variables subjected to reliability analysis included board diversity, stakeholder participation, board independence and transparency of operations (independent variables) and organizational performance (dependent variable). The questionnaire was reliable as results ranged from 0.784 to 0.876. The results therefore indicated that the research instrument was highly dependable.

Table 4.2: Reliability Analysis

| Variable | Number of Items | Cronbach Alpha | Conclusion |
|----------------------------|--------------------|-------------------|------------|
| Board Diversity | 8 | 0.841 | Acceptable |
| Stakeholder Participation | 8 | 0.850 | Acceptable |
| Board Independence | 7 | 0.784 | Acceptable |
| Transparency of Operations | 8 | 0.862 | Acceptable |
| Organizational Performance | 8 | 0.876 | Acceptable |

Source: Researcher (2022)

4.3 Respondent's Background Information

In this section, the study concentrated on the gender of the respondent, staff category, length of service and education level

4.3.1 Respondent's Gender

Most 34 (65.4%) were male while female respondents were 18 (34.6%). The findings imply that although both genders are represented in the two selected state corporations in Tana River County, males have dominated. This can partly be attributed to the culture in that area where women have not fully been embraced in management of corporations and other organizations of such magnitude.

Table 4.3 Respondent's Gender

| | | Respondent's Gender | | | Cumulative |
|-------|--------|---------------------|---------|---------------|------------|
| | | Frequency | Percent | Valid Percent | Percent |
| Valid | Male | 34 | 65.4 | 65.4 | 65.4 |
| | Female | 18 | 34.6 | 34.6 | 100.0 |
| | Total | 52 | 100.0 | 100.0 | |

Source: Researcher (2022)

4.3.2 Respondent's Staff Category

In this study majority of the respondents in this study were low level managers (51.9%), followed by middle level managers (32.7%), and finally board members (8%). All categories of managers were therefore represented in this study and were able to provide relevant information needed on corporate governance.

Table 4.4 Respondent's Staff Category

| | | Staff Category | | | Cumulative |
|-------|-----------------------|----------------|---------|---------------|------------|
| | | Frequency | Percent | Valid Percent | Percent |
| Valid | Board Member | 8 | 15.4 | 15.4 | 15.4 |
| | Middle level managers | 17 | 32.7 | 32.7 | 48.1 |
| | Low Level Managers | 27 | 51.9 | 51.9 | 100.0 |
| | Total | 52 | 100.0 | 100.0 | |

Source: Researcher (2022)

4.3.3 Respondent's Length of Service

Table 4.5 illustrates the distribution of working experience both in frequency and percentage. Majority of the respondents (59.6%) had served their state corporation between 2-5 years. 25.0% of the respondents had served it for less than 3years while 15.4% of the respondents had worked for 6-10 years. This shows that the staff selected had worked in their corporations for a reasonable period of time to provide important information on the two state corporations selected in the study.

Table 4.5 Working Experience

| | | Working Experience | | | Cumulative |
|-------|-------------------|--------------------|---------|---------------|------------|
| | | Frequency | Percent | Valid Percent | Percent |
| Valid | Less than 2 years | 13 | 25.0 | 25.0 | 25.0 |
| | 2-5 years | 31 | 59.6 | 59.6 | 84.6 |
| | 6-10 years | 8 | 15.4 | 15.4 | 100.0 |
| | Total | 52 | 100.0 | 100.0 | |

Source: Researcher (2022)

4.3.4 Respondent's Education Level

Table 4.5 presents the respondent's education level. From the results of the study majority, (57.7%) had a degree. This was followed by certificate/diploma levels at 36.5%, postgraduate were 3.8% and finally secondary school level at 1.9%.

Table 4.6 Education Level

| | | Education Level | | | Cumulative |
|-------|---------------------|-----------------|---------|---------------|------------|
| | | Frequency | Percent | Valid Percent | Percent |
| Valid | Secondary Level | 1 | 1.9 | 1.9 | 1.9 |
| | Certificate/Diploma | 19 | 36.5 | 36.5 | 38.5 |
| | Degree | 30 | 57.7 | 57.7 | 96.2 |
| | Postgraduate | 2 | 3.8 | 3.8 | 100.0 |
| | Total | 52 | 100.0 | 100.0 | |

Source: Researcher (2022)

4.4 Descriptive Statistics

Here respondents were asked to show their level of agreement with a number of statements the lowest being strongly disagree (1) and highest strongly agree (5). The other options consisted of disagree (2), not sure (3) and agree (4). Three remained 'not sure'. Mean and standard deviation for each item and aggregate mean were also indicated in the last row.

4.4.1 Board Diversity

The first objective of the study was to determine the effect of board diversity on Performance of State Corporations in Tana River County. Respondents agreed that their organization made effort to appoint board members of different age categories as indicated by a mean of 4.31 and a standard deviation of 0.701. Respondents who participated in this study felt that there were young people appointed as members of the board (m=4.29, sd=0.667) and both genders are considered in board appointment (m=4.42, sd=0.696). The statement that a considerable number of women had been appointed as members of the board had a mean of 4.40 where 0.823 was the standard deviation. The statement that there were board members with university education had the highest mean of 4.50 and that there were board members without university education had mean of 4.08 implying that there was education diversity in the two state corporations under investigation. There were two statements concerning board ethnicity where respondents agreed that the board is well balanced in terms of ethnicity and ethnic background is not an issue when it comes to board member selection with means of 4.02 and 4.02 respectively. This variable had an aggregate mean of 4.26 and a standard education of 0.829.

Table 4.7 Board Diversity

| | m | Sd |
|---|-------------|--------------|
| My organization makes effort to appoint board members of different age categories | 4.31 | 0.701 |
| There are young people appointed as members of the board | 4.29 | 0.667 |
| Both genders are considered in board appointment | 4.42 | 0.696 |
| A considerable number of women have been appointed as members of the board | 4.40 | 0.823 |
| There are board members with university education | 4.50 | 0.542 |
| There are board members without university education | 4.08 | 1.118 |
| The board is well balanced in terms of ethnicity | 4.02 | 1.038 |
| Ethnic background is not an issue when it comes to board member selection | 4.04 | 1.047 |
| Aggregate mean/standard deviation | 4.26 | 0.829 |

Source: Researcher (2022)

4.4.2 Stakeholder Participation

In the second study's second objective, the effect of stakeholder's participation on Performance of State Corporations in Tana River County was to be examined. This variable had a total mean of 3.89 and the standard deviation was 0.921. The statement's mean ranged from 3.58 to 4.19 implying that generally the respondents agreed with all the statements. The statement that community participation was done before undertaking projects in the County had the highest mean of 4.19 while the standard deviation was 0.793. This was followed by the statement that required reports were regularly submitted to the relevant government authorities ($m=4.17$, $sd=0.648$). The statement that local communities were considered during the appointment of the board had a mean of 4.13 and a standard deviation of 0.866. Government was also a stakeholder where respondents agreed that Government legislations have been strictly adhered to in the two state corporations under investigation.

The other statements; joint consultations were done between the employees and management, customer satisfaction surveys had been undertaken in the recent past years and customers were requested to give views concerning the services they are offered by the corporation had means of 3.73, 3.58 and 3.58 respectively. Respondents further agreed that in the state corporations there are employee suggestion schemes where employees give their suggestion ($m=3.52$, $sd=1.057$).

Table 4.8 Stakeholder Participation

| Statement | m | Sd |
|---|-------------|--------------|
| Customers are requested to give views concerning the services they are offered by the corporation | 3.58 | 1.109 |
| Customer satisfaction surveys have been undertaken in the recent past years | 3.58 | 1.144. |
| Joint consultations are done between the employees and management | 3.73 | 0.931 |
| There are employee suggestion schemes in the organization | 3.52 | 1.057 |
| Government legislations have been strictly adhered to | 4.10 | 0.799 |
| Required reports are regularly submitted to the relevant government authorities | 4.17 | 0.648 |
| Community participation is done before undertaking projects in the county | 4.19 | 0.793 |
| Local communities are considered during the appointment of the board | 4.13 | 0.886 |
| Aggregate mean/standard deviation | 3.89 | 0.921 |

Source: Researcher (2022)

4.4.3 Board Independence

The third objective of this study was to determine the effect of board independence on Performance of State Corporations in Tana River County. The variable aggregate mean and standard were 3.87 and 0.982 respectively. The statement with the highest and the smallest standard deviation was that strategic goals are strictly adhered to in this corporation (m=4.21, sd=0.871). Respondents also agreed that conflict of interest had been reduced in their corporation (m=4.02, sd=0.896). Respondents were on the opinion that non-executive board of directors contributed to effective governance by carrying out control over the decisions of their manager's (m=3.87, sd=0.991). Both the statements that non-executive board of directors are financially independent of management and are not involved in any conflicting situations and that management supervision was undertaken by their non-executive board of directors had mean of 3.81

but varying standard deviations. The statement by the respondents that non- executive board was taking care of management rights and ensured they were upheld had a mean of 3.65 and standard equal to 0.988.

Table 4.9: Board Independence

| Statement | m | sd |
|---|-------------|--------------|
| In this corporation our board of directors are known to monitors the management | 3.71 | 0.997 |
| Our non- executive board take care of management rights and ensures they are upheld | 3.65 | 0.988 |
| Non-executive board of directors contribute to effective governance by carrying out control over the decisions of our manager's | 3.87 | 0.991 |
| Non-executive board of directors are financially independent of management and are not involved in any conflicting situations | 3.81 | 1.049 |
| Management supervision is undertaken by our non-executive board of directors | 3.81 | 1.085 |
| Conflict of interest has been reduced in this corporation | 4.02 | 0.896 |
| Strategic goals are strictly adhered to in this corporation | 4.21 | 0.871 |
| Aggregate mean/standard deviation | 3.87 | 0.982 |

Source: Researcher (2022)

4.4.4 Transparency of Operations

The forth objective in this study was to examine the effect of transparency in operations on performance of state corporations in Tana River County. The variable summative mean and standard deviation were 4.28 and 0.744 respectively. This was the highest mean among all the variables in this study. Respondents agreed with the statement that sharing information reduces suspicion (m=4.46, sd=0.753), there is a code of conduct to guide the behavior of organizational members (m=4.40, sd=0.603) and code of conduct clearly states what is expected of every member (m=4.40, sd=0.603). These were the two statements measuring professionalism in this study. Both statements that

professionalism has been observed in this state corporation, and that consultancy service in done by professionals had a mean of 4.31. These were the two statements measuring professionalism in this study. Other statements were, budgets are openly discussed with the parties concerned (m=4.23, sd=0.899), information is freely shared in the organization (m=4.10, sd=0.934) and lastly finance prudence is highly valued in the organization (m=4.06, sd=0.938).

Table 4.10 Transparency of Operations

| Statement | m | Sd |
|--|-------------|--------------|
| Professionalism has been observed in this state corporation | 4.31 | 0.729 |
| Consultancy services are done by professionals | 4.31 | 0.673 |
| There is a code of conduct to guide the behavior of organizational members | 4.40 | 0.603 |
| Code of conduct clearly states what is expected of every member | 4.40 | 0.664 |
| Finance prudence is highly valued in this organization | 4.06 | 0.938 |
| Budgets are openly discussed with the parties concerned | 4.23 | 0.899 |
| Information is freely shared in this organization | 4.10 | 0.934 |
| Sharing Information reduces suspicion | 4.46 | 0.753 |
| Aggregate mean/standard deviation | 4.28 | 0.774 |

Source: Researcher (2022)

4.4.5 Organizational Performance

Concerning organizational performance, the dependent variable, its aggregate mean and standard were 3.88 and 1.020 respectively. Respondents supported the statements that effort has been made to reduce costs of operation in this organization (m=4.08, sd=0.837), this organization has been able to grow while offering quality services to the customers (m=3.96, sd=0.885), the organization responds fast when customers are having issues to be addressed (m=3.94, sd=0.998) and there is no manpower wastage in this organization (m=3.92, sd=0.967). Respondents also supported the statements that organization's resources have been well utilized (m=3.90, sd=0.975), there are enough employees to serve the customers in this corporation (m=3.88, sd=1.215) and

feedback from our customers generally indicate that the organization was performing well (m=3.77, sd=1.059). Lastly the respondents who participated in this study agreed that their organization was able to raise the capital required to meet its operational requirements (m=3.58, sd=1.226).

Table 4.11 Organizational Performance

| Statement | m | Sd |
|---|-------------|--------------|
| This organization has been able to raise the capital required to meet its operational requirements. | 3.58 | 1.226 |
| This organization has been able to grow while offering quality services to the customers | 3.96 | 0.885 |
| Organization's resources have been well utilized | 3.90 | 0.975 |
| Effort has been made to reduce costs of operation in this organization | 4.08 | 0.837 |
| There are enough employees to serve the customers in this corporation | 3.88 | 1.215 |
| There is no manpower wastage in this organization | 3.92 | 0.967 |
| Feedback from our customers generally indicate that the organization is performing well | 3.77 | 1.059 |
| The organization responds fast when customers are having issues to be addressed | 3.94 | 0.998 |
| Aggregate mean/standard deviation | 3.88 | 1.020 |

Source: Researcher (2022)

4.5 Correlation Analysis

The table below illustrates a moderate positive correlation between the variable board diversity and organizational performance as shown by $r=0.549$. This finding is consistent with the study by Khidmat, Khan and Ullah (2020) on board diversity and performance of Chinese Listed Companies which found that age, gender and education diversity influenced firm performance. Stakeholder participation was found to have a moderate positive relationship with performance ($r=0.577$). This study concurs with Kessler (2004) study on stakeholder participation which found that participation and consultation of stakeholders lead to enhanced legitimacy and thus if people are

consulted, they feel their inputs were articulated and this will ultimately improve their acquiescence. The third independent variable that is board independence had a strong positive relationship with the dependent variable as shown by $r=0.716$. These findings were supported by Malonza & Mohider (2017) in their study on corporate governance and profitability scale of Genghis Capital Limited in Nairobi Kenya where the study found that board independence influences company profitability. Lastly, transparency in operations had a moderate positive relationship with performance as shown by $r=0.590$. The findings concur with a study by Sinan (2008) conducted in Turkey which found a positive correlation between board transparency and management performance. Among the independent variables, board diversity and transparency in operations had the highest positive correlation of 0.668 while board diversity and stakeholder participation had the lowest correlation at 0.668.

Table 4.12 Correlations

| | | Board Diversity | Stakeholder Participation | Board Independence | Transparency in operations | Organizational Performance |
|---------------------------------------|-----------------|----------------------------|--------------------------------------|-------------------------------|---------------------------------------|---------------------------------------|
| Board Diversity | Pearson | | | | | |
| | Correlation | 1 | | | | |
| | Sig. (2-tailed) | | | | | |
| | N | 52 | | | | |
| Stakeholder Participation | Pearson | | | | | |
| | Correlation | .547** | 1 | | | |
| | Sig. (2-tailed) | .000 | | | | |
| | N | 52 | 52 | | | |
| Board Independence | Pearson | | | | | |
| | Correlation | .562** | .613** | 1 | | |
| | Sig. (2-tailed) | .000 | .000 | | | |
| | N | 52 | 52 | 52 | | |
| Transparency in operations | Pearson | | | | | |
| | Correlation | .668** | .616** | .583** | 1 | |
| | Sig. (2-tailed) | .000 | .000 | .000 | | |
| | N | 52 | 52 | 52 | 52 | |
| Organizational Performance | Pearson | | | | | |
| | Correlation | .549** | .577** | .716** | .590** | 1 |
| | Sig. (2-tailed) | .000 | .000 | .000 | .000 | |
| | N | 52 | 52 | 52 | 52 | 52 |

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

4.6 Regression Analysis

In this section the results for regression analysis done were presented in form of tables as shown below. This relationship between the variables being examined is shown by R which represents correlation coefficient. There is a strong correlation between the variables as shown by $R=0.757$. The adjusted R^2 indicates that there was 53.6% variation of organizational performance as a result of a change in board diversity, stakeholder participation, board independence and transparency in operations. The remaining 46.4% was assumed to be the contribution of other factors (not focused in this study) affecting the performance of the two state corporations in Tana River County.

Table 4.13 Model Summary

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Change Statistics | | | | |
|-------|-------------------|----------|-------------------|----------------------------|-------------------|----------|-----|-----|---------------|
| | | | | | R Square Change | F Change | df1 | df2 | Sig. F Change |
| 1 | .757 ^a | .572 | .536 | .51981 | .572 | 15.732 | 4 | 47 | .000 |

- a. Predictors: (Constant), Transparency in operations , Board Independence, Stakeholder Participation,
- b. Board Diversity

The study also computed analysis of variance (ANOVA) in order to establish whether the model was a good fit. The findings are presented in Table 4.13. The findings show that p-value (0.000) which is less than 0.05 the selected level of significance and therefore it can be concluded that the model was a good fit. This meant that board diversity, stakeholder participation, board independence and transparency in operations significantly explain changes in the performance of state corporations in Tana River County.

Table 4.14 ANOVA^a

| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
|-------|------------|----------------|----|-------------|--------|-------------------|
| 1 | Regression | 17.003 | 4 | 4.251 | 15.732 | .000 ^b |
| | Residual | 12.700 | 47 | .270 | | |
| | Total | 29.703 | 51 | | | |

a. Dependent Variable: Organizational Performance

b. Predictors: (Constant), Transparency in operations, Board Independence, Stakeholder Participation, Board Diversity

Organizational performance is insignificantly explained by board diversity as shown by $\beta=0.126$, $P=0.478$. This shows that board diversity weakly and positively relates to the performance of state corporations in Tana River County. It therefore, implies that a unit increase in board diversity is equal to a 0.126 increase in performance of the corporations in the County. Further the performance of corporations is insignificantly explained by stakeholder participation as shown by $\beta=0.148$, $P=0.361$. This shows that stakeholder participation weakly and positively relates to the performance of state corporations in Tana River County. A unit increase in stakeholder participation is equal to 0.148 increase in performance of the state corporations in the County.

Thirdly, unlike the other three variables, organizational performance is significantly explained by board independence as show by $\beta=0.505$, $P=0.000$. This shows that board independence moderately and positively relates with performance of the state corporations under investigation. It therefore implies that a unit increase in board independence will lead to 0.505 increase in performance of the state corporations. Chesire and Kinyua (2021) in their study among saving and credit co-operative societies found that board independence influences organizational performance. Lastly organizational performance is insignificantly explained by transparency in operations as shown by $\beta=0.222$, $P=0.260$. This shows that transparency in operations weakly and positively relates to the performance of state corporations in Tana River County. A unit increase in transparency in operations will translate to 0.222 increase in organizational performance. A survey study by Nyokabi (2009) conducted on the Kenyan banking system revealed that transparency in operations leads to board integrity resulting to increased financial performance.

Table 4.15 Coefficients^a

| Model | | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. |
|-------|----------------------------|-----------------------------|------------|---------------------------|-------|------|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | -.140 | .606 | | -.232 | .818 |
| | Board Diversity | .126 | .176 | .097 | .716 | .478 |
| | Stakeholder Participation | .148 | .160 | .123 | .923 | .361 |
| | Board Independence | .505 | .134 | .492 | 3.757 | .000 |
| | Transparency in operations | .222 | .195 | .163 | 1.140 | .260 |

a. Dependent Variable: Organizational Performance
Source: Researcher (2022)

The regression function below was extracted from the findings presented in table 4.15.

$$Y = -1.40 + 0.126X_1 + 0.148X_2 + 0.505X_3 + 0.222X_4$$

CHAPTER FIVE

SUMMARY OF FINDINGS CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter of the study covers the summary of findings, study conclusions and the study recommendations. It also has a suggestion for future studies.

5.2 Summary of Findings

Firstly, board diversity and Performance of State Corporations in Tana River County was being investigated. This variable had an average mean of 4.26 and a standard deviation of 0.829. In correlation analysis a moderate positive correlation was observed between board diversity and performance as shown by $r=0.549$. In regression analysis organizational performance is insignificantly explained by board diversity as shown by $\beta=0.126$, $P=0.478$. This showed that board diversity weakly and positively related to the performance of state corporations in Tana River County.

Secondly, stakeholder's participation influence on Performance of State Corporations in Tana River County was to be established. This variable had an average mean of 3.89 and the standard deviation was 0.921. In correlation analysis stakeholder participation was found to have a moderate positive relationship with performance ($r=0.577$). Further in regression analysis the performance of corporations is insignificantly explained by stakeholder participation as shown by $\beta=0.148$, $P=0.361$. This shows that stakeholder participation weakly and positively related to the performance of state corporations in Tana River County.

The third objective of this study was to determine the effect of board independence on Performance of State Corporations in Tana River County. The variable average mean and standard deviation were 3.87 and 0.982 respectively. In correlation analysis board independence had a strong positive relationship with the dependent variable as shown by $r=0.716$. In regression analysis organizational performance is significantly explained by board independence as show by $\beta=0.505$, $P=0.000$. This shows that board

independence moderately and positively relates with performance of the state the two corporations under investigation.

Lastly, the fourth objective in this study was to determine the effect of transparency in operations on performance of state corporations in Tana River County. The variable total mean and standard deviation were 4.28 and 0.744 respectively. In correlation analysis, transparency in operations had a moderate positive relationship with organizational performance as shown by $r=0.590$. In regression analysis organizational performance was insignificantly explained by transparency in operations as shown by $\beta=0.222$, $P=0.260$. This showed that transparency in operations weakly and positively relates to the performance of the state corporations in Tana River County.

5.3 Conclusions of the Study

Based on the outcome, the study concludes that board diversity weakly and positively influences the performance of state corporations in Tana River County. Although it is a weak relationship it is a positive one. The weak relationship may be attributed by the fact that the level of performance of the parastatals in the county has generally been low. Pertaining to board diversity it can still be concluded that people of different ages were appointed in the board and that both genders were considered during the appointment. In terms of ethnicity there was a balance as members from different ethnic backgrounds were appointed. Education background of the board members were also cutting across all level where some had university education while others have not attained that level of education.

Pertaining to the second objective, it was concluded that stakeholder participation weakly and positively influences the performance of state corporations in Tana River County. The level of stakeholder participation in the two state corporations under investigation was not high based on the findings on feedback from customers, customer satisfaction surveys, consultations between employees and management as well as availability of employee suggestion schemes. However it is clear that Government and the community as a stakeholders are highly involved on issues to do with the state corporations.

Additionally, the study concluded that board independence moderately and positively influenced performance of the two state corporations under investigation. Unlike the

other variables under investigation the relationship was moderate and also significant. Unlike the others, the role board independence plays in influencing performance cannot be taken for granted. The study also concluded that in the state corporations, conflict of interest had been reduced and strategic goals were strictly adhered to.

Finally the study concludes that transparency in operations weakly and positively relates to the performance the corporations under investigation. However the relationship was slightly stronger than that of both board diversity and stakeholder participation and performance. It was clear that in the state corporations sharing Information reduces suspicion; there is a code of conduct to guide the behavior of organizational members and budgets are openly discussed with the parties concerned. In the state corporations professionalism was observed and consultancies are done by professionals.

5.4 Recommendations for Policy and Practice

Based on the study conclusions, the study recommends that although it is important to have a diverse board some considerations are required in order to have people of appropriate age and level of education who can make the right decision to drive the parastatals into prosperity. Experience, expertise and exposure of the various board members need to be considered when selecting them.

Concerning the second objective, the study recommends that it is important to involve and allow other stakeholders to participate on issues to do with the running of the state corporations. These include customers and employees whose level of participation was low as per the study findings. Customer satisfaction surveys and joint consultations between the employees and management should be enhanced. Employee suggestion schemes in the organization should be promoted.

The study also recommended that corporation's boards should continuously monitor the management and undertake controls over their decisions. Supervision of managers by the non-executive board should also be enhanced to boost their performance. Conflict of interest should be reduced at all cost.

Lastly based on the conclusions the study recommendations were that high level of transparency need to be maintained in the corporations to boost their performance.

Openness in the operations, transparency and information sharing should be enhanced in the organizations.

5.5 Suggestions for Future Studies

The study investigated how corporate governance influences performance in finance and water provision entities. Future studies could be done focusing on other corporations in other counties in Kenya. In addition, further studies can focus on other corporate governance variables likely to influence performance of state corporations in Kenya.

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APPENDICES

Appendix I: Questionnaire

Dear Respondent,

My name is Godana Abubakar a student researcher from Kenyatta University undertaking a Master of Business Administration (Strategic). My study topic is on corporate governance and performance of selected State Corporations in Tana River County, Kenya. I would like to administer to you a questionnaire and will really appreciate if you spare a few minutes of your time to fill it. The researcher guarantees you that the information collected will be treated with confidentiality it deserves and used for academic research only.

PART A: DEMOGRAPHIC INFORMATION

1. Gender: Male Female
2. Staff Category
Board Member
Middle level managers
Low level managers.
3. Number of years you have worked for the corporation

Less than 2 years

2 to 5 years

6 to 10 years

More than 10 years
4. Level of Education
KCSE
Certificate/Diploma
Degree

Postgraduate

APPENDIX B:

Board Diversity

Using a scale of 1-5, Please signify your level of agreement with each of the following statements on board diversity. **1= strongly disagree and 5= strongly agree with 3 being neutral.**

| No | | 1 | 2 | 3 | 4 | 5 |
|----|---|---|---|---|---|---|
| 1 | My organization makes effort to appoint board members of different age categories | | | | | |
| 2 | There are young people appointed as members of the board | | | | | |
| 3 | Both genders are considered in board appointment | | | | | |
| 4 | A considerable number of women have been appointed as members of the board | | | | | |
| 5 | There are board members with university education | | | | | |
| 6 | There are board members without university education | | | | | |
| 7 | The board is well balanced in terms of ethnicity | | | | | |
| 8 | Ethnic background is not an issue when it comes to board member selection | | | | | |

Stakeholder participation

Using a scale of 1-5, please indicate the extent to which you agree with each of the following statements concerning shareholder participation. **1= strongly disagree and 5= strongly agree with 3 being neutral.**

| No | Statement | 1 | 2 | 3 | 4 | 5 |
|----|---|---|---|---|---|---|
| 1 | Customers are requested to give views concerning the services they are offered by the corporation | | | | | |
| 2 | Customer satisfaction surveys have been undertaken in the recent past years | | | | | |
| 3 | Joint consultations are done between the employees and management | | | | | |

| | | | | | | |
|----|---|--|--|--|--|--|
| 4 | There are employee suggestion schemes in the organization | | | | | |
| 5 | Government legislations have been strictly adhered to | | | | | |
| 6 | Required reports are regularly submitted to the relevant government authorities | | | | | |
| 7. | Community participation is done before undertaking projects in the county | | | | | |
| 8 | Local communities are considered during the appointment of the board | | | | | |

Board Independence

Using a scale of 1-5, please indicate your level of agreement with the following statements on board independence **1= strongly disagree and 5= strongly agree with 3 being neutral.**

| N o | Statement | 1 | 2 | 3 | 4 | 5 |
|----------------|---|----------|----------|----------|----------|----------|
| 1 | In this corporation our board of directors are known to monitor the management | | | | | |
| 2 | Our non- executive board take care of management rights and ensures they are upheld | | | | | |
| 3 | Non-executive board of directors contribute to effective governance by carrying out control over the decisions of our manager's | | | | | |
| 4 | Non-executive board of directors are financially independent of management and are not involved in any conflicting situations | | | | | |
| 5 | Management supervision is undertaken by our non-executive board of directors | | | | | |
| 6 | Conflict of interest has been reduced in this corporation | | | | | |
| 7. | Strategic goals are strictly adhered to in this corporation | | | | | |

Transparency of operations

Using a scale of 1-5, indicate the extent of your agreement with the following statements on transparency of operations. **1= strongly disagree and 5= strongly agree with 3 being neutral.**

| No | Statement | 1 | 2 | 3 | 4 | 5 |
|----|--|---|---|---|---|---|
| 1 | Professionalism has been observed in this state corporation | | | | | |
| 2 | An consultancy service is done by professionals | | | | | |
| 3 | There is a code of conduct to guide the behavior of organizational members | | | | | |
| 4 | Code of conduct clearly states what is expected of every member | | | | | |
| 5 | Finance prudence is highly valued in this organization | | | | | |
| 6 | Budgets are openly discussed with the parties concerned | | | | | |
| 7. | Information is freely shared in this organization | | | | | |
| 8 | Sharing Information reduces suspicion | | | | | |


Organizational Performance

Using a scale of 1-5, Please indicate your level of agreement with each of the following statements on organizational performance. **1= strongly disagree and 5= strongly agree with 3 being neutral.**

| N o | Statement | 1 | 2 | 3 | 4 | 5 |
|--------|---|---|---|---|---|---|
| 1 | This organization has been able to raise the capital required to meet its operational requirements. | | | | | |
| 2 | This organization has been able to grow while offering quality services to the customers | | | | | |
| 3 | Organization's resources have been well utilized | | | | | |
| 4 | Effort has been made to reduce costs of operation in this organization | | | | | |
| 5 | There are enough employees to serve the customers in this corporation | | | | | |
| 6 | There is no manpower wastage in this organization | | | | | |

| | | | | | | |
|----|---|--|--|--|--|--|
| 7. | Feedback from our customers generally indicate that the organization is performing well | | | | | |
| 8 | The organization responds fast when customers are having issues to be addressed | | | | | |


Appendix II: Research Permit



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Date of Issue: 25/October/2022


RESEARCH LICENSE




This is to Certify that Mr.. Godams Abdulsrahman Abubakar of Kenyatta University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Tana river on the topic: COPERATE GOVERNANCE AND PERFORMANCE OF SELECTED STATE CORPORATION IN TANA RIVER COUNTY for the period ending : 25/October/2023.

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