CONTRIBUTION OF CORPORATE GOVERNANCE LEADERSHIP PRACTICES ON PERFORMANCE OF LISTED COMPANIES IN KENYA

RICHARD ISAAC MWANGANGI

DOCTOR OF PHILOSOPHY

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Contribution of Corporate Governance Leadership Practices on Performance of Listed Companies in Kenya

Richard Isaac Mwangangi

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DECLARATION

This thesis is my original work and has not been presented for a degree in any other university

Signature: …………………...…………… Date: …………………………

    Richard Isaac Mwangangi

This thesis has been submitted for examination with our approval as University supervisors.

Signature: ………………………………... Date: …………………………

    Dr. Wario Guyo;

    JKUAT, Kenya

Signature: ………………………………... Date: …………………………

    Dr. Makori Moronge;

    JKUAT, Kenya

Signature: .………………………………… Date: …………………………

    Dr. Victor Keraro;
    JKUAT, Kenya

DEDICATION

This thesis is dedicated to my beloved wife Theresia Munini and my children; Mwangangi, Kyangu, Kanini and Kasisi for their moral support, love and patience during my PhD studies.

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LIST OF ABBREVIATIONS AND ACRONYMS

AGM   Annual General Meeting

ANOVA   Analysis of Variance

ASX   Australian Stock Exchange

CEO   Chief Executive Officer

CHU   Complaints Handling Unit

CMA   Capital Markets Authority

CVI   Content Validity Index

DW   Durbin –Watson

EPS   Earnings Per Share

ETS   Electronic Trading System

GDP   Gross Domestic Product

GOK   Government of   Kenya

IFRS   International Financial Reporting Standards

IMF   International Monetary Fund

ISA   International Standards on Auditing

KES   Kenya Shillings (Kenya currency)

KPIs   Key Performance Indicators

NASI   NSE All Shares Index

NSE   Nairobi Securities Exchange

OECD   Organisation for Economic Co-operation and Development

SBU   Strategic Business Unit

SPSS   Statistical Packages for Social Studies software

SRS   Simple Random Sampling

UK   United Kingdom

VIF   Variance Inflation Factor

WAN   Wide Area Network

OPERATIONAL DEFINITION OF TERMS

Board of Directors: A body of elected or appointed leaders by the shareholders who jointly oversee the activities of a company or organisation. They are responsible for monitoring and setting policies for the management of the organisation (Al-Saidi & Al-Shammari, 2013).

Company performance: According to Mishra and Mohanty (2014) performance of a company is a tool of evaluating organizations, their actions and environments. It encompasses firm outcomes: financial performance; market performance; shareholder return and customer satisfaction.

Contribution: According to Compact dictionary, (2012), contribution is the role of or part played by a person or thing in bringing about a result or helping something to advance.

Corporate governance: Is the process by which organisations are directed, controlled and held to account (Lashgari (2014).

Financial Performance: Is a measure of how well firm use assets from its primary mode of business to generate revenues. It measures the financial health of an organisation. The common indicators of financial performance are; profits, return on investment, return on assets, value added and margins among others (Almazari, 2011).

Governance: Mo Ibrahim foundation (2015) defines governance as the provision of the political, social and economic goods that a citizen has the right to expect from his or her state, and that a state has the responsibility to deliver to its citizens.

Leadership: Is a process of social influence in which one person can enlist the aid and support of others in the accomplishment of a common task (Covey, 2011). It is organizing a group of people to achieve a common goal.

Leadership Composition: Is a leadership mix of directors with the expertise and experience to fulfil their essential oversight roles (Al-Saidi & Al-Shammari, 2013).

Leadership Independence: Is a corporate board that has a majority of outside directors (leaders) who are not affiliated with the top executives of the firm and have minimal or no business dealings with the company to avoid potential conflicts of interests (Xiaohui, 2015).

Leadership Structures: Leadership structures is how activities such as task allocation, coordination and supervision are directed toward the achievement of organisational aims (Mudashiru, Bakare & Ishmael, 2014).

According to Lunenburg, (2011) organization structure is the network of relationships and roles throughout a given organization. Leadership structure is the way responsibility and power is allocated inside an organization and work procedures done by employees and other members of the same organization.

Listed Companies: Is a public, publicly traded, publicly held company or public corporation whose ownership is dispersed among the general public in many shares of stock which are freely traded on a stock exchange or in over the counter markets (Business Dictionary, 2010). Listed companies in Kenya are those companies listed and publicly trading their stock shares in the Nairobi Securities Exchange (NSE, 2015).

Ownership Concentration: Is the amount of stock owned by individual investors and large-block shareholders are investors that hold at least five per cent of equity ownership within the firm (Clarke & Branson, 2012).

Stakeholders' Ownership: Is the situation or environment created for company stakeholders (employees, customers, creditors, managers, suppliers and the wider community) to have a feeling they own the company and get concerned on its performance (Solomon, 2013).

ABSTRACT

Leadership is a process of social influence in which one person can enlist the aid and support of others in the accomplishment of a common task. Corporate governance has dominated leadership policy agenda in developed market economies for more than a decade and African continent is gradually adopting it on their policy agenda on leadership and governance of their organisations. The Nairobi Securities Exchange (formerly Nairobi Stock Exchange) (NSE) is the only listing company in Kenya. The study main objective was to establish the contribution of Corporate Governance leadership practices on performance of Listed Companies in Kenya. The specific objectives were to study contribution of leadership structures; composition; independence; stakeholders' ownership and ownership concentration on the performance of listed companies in Kenya. The study relied on a positivist research philosophy and adopted survey research design. The study population was Sixty-Two firms listed on Nairobi Securities Exchange. Probabilistic sampling techniques was employed in determining the sample size of the study. Stratified sampling was first applied to group the Sixty-Two companies into nine categories (strata). Once the companies were grouped into strata, nine companies were selected using simple random sampling from which a sample size of Two Hundred and Thirty-Seven was determined. The study used primary data which was collected using questionnaires. Pilot testing was done equivalent to 10% of the sample size (Twenty-Four respondents) to check the liability and validity of the questionnaires. Data was analysed quantitatively and qualitatively and presented descriptively and illustrated by use of tables and charts. Information was sorted, coded and input into the statistical package for social sciences (SPSS) for production of graphs, tables, descriptive statistics and inferential statistics. Overall, the study concluded that corporate governance leadership practices had a positive contribution on performance of listed companies in Kenya. Specifically, the study established that corporate governance leadership composition and ownership concentration made the most positive contribution, among the independent variables investigated. The research revealed that outsider leaders have more impact on the company performance as they have enough incentive to monitor the company operations since their own reputations depend on it. The study recommended that listed companies should apply viable leadership structures for the realisation of sustainable company growth; ensure that the leadership composition embrace the expertise from financial management, industry of the company and corporate governance to guide on effective leadership strategies; ensure strict adherence to corporate governance principles on leadership independence for optimum performance of the leaders; ensure that emotional cancer does not get on the way of managing the operations of listed companies because it affects the stakeholders contribution to the performance of the company; embrace the principle of stakeholders' ownership in the management of listed companies affairs; initiate a strong effective ownership concentration so that urgent resolutions can be achieved on the best interest of the company without holding the action up to the next AGM. The findings from the study significantly benefit investors, Board of Directors, shareholders, NSE, CMA and government officers in terms of effective policy development, awareness of challenges and suggested solutions that affect the optimal operations of listed companies in Kenya. The study also benefits scholars, researchers and students in terms of opening up a

new frontier of information that enhance their understanding on this important and steadily growing thematic area on corporate governance in Kenya, as well as suggestions on future studies.

CHAPTER ONE

INTRODUCTION

This chapter presents the background of the study. It states and defines the statement of the problem, indicating why and how the issue studied is a problem. The objectives, research hypotheses, justification, scope and limitations of the study are also presented.

1.1   Background of the study

Mo Ibrahim foundation (2015) defines governance as the provision of the political, social and economic goods that a citizen has the right to expect from his or her state, and that a state has the responsibility to deliver to its citizens. According to Mensah (2012), governance is referred to mean all processes of governing, whether undertaken by a government, market or network, whether over a family, tribe, formal or informal organization or territory and whether through laws, norms, power or language. He further stated that it relates to the processes of interaction and decision-making among the actors involved in a collective problem that lead to the creation, reinforcement, or reproduction of social norms and institutions.

Governance is the dynamic interaction between people, structures, processes and traditions that support the exercise of legitimate authority in provision of sound leadership, direction, oversight, and control of an organization in order to ensure that there is proper accounting for the conduct of its affairs, the use of its resources, and the results of its activities (Coward, 2010). Corporate Governance is defined as the system by which corporations are directed, controlled and held to account (Solomon, 2013). He further noted that its the manner in which the power of or over a corporation is exercised in the stewardship of its total portfolio of assets and resources so as to increase and sustain shareholder value while satisfying the needs and interests of all stakeholders.

1.1.1 Corporate Governance on global perspective

Wellage (2012) study quoted the Australian Stock Exchange (ASX) Corporate Governance Council (2010) which defines corporate governance as the framework of rules, relationships, systems and processes by which corporations are directed and controlled. He further noted that the UK Corporate Governance Code (2010) which states that levels of remuneration should be sufficient to attract, retain and motivate directors of the quality required to run the company successfully but a company should avoid paying more than necessary for this purpose.

According to Yang (2012), in North America corporate governance is prominently regarded as a mechanism to address the agency problem. He stated that better corporate governance helps managers and shareholders to forecast the future of their company in two ways: better corporate governance practices lead to a higher cash flow for shareholders rather than expropriation of shareholders' wealth by company managers and good corporate governance reduces the cost of monitoring and auditing and helps companies to efficiently reduce costs. The significant role of corporate governance in companies, he noted, can be summarized in two categories: first corporate governance is significant because it reflects the quality of a firm's governance. They said corporate governance indicates topics that are related to the present and future of the firm and that is important for managers, shareholders and investors. Secondly, they noted, corporate governance is significant because it affects the performance of the firm. Corporate governance, they reported, is related to running issues of the firm including firm's financial performance and cost of capital.

For the last decades, there has been a growing awareness of the corporate governance in both the advanced and developing economies. According to McConvill (2012), Kakabadse, Mostovicz and Kakabadse (2011) despite good governance practices, high profile cases of corporate collapses worldwide among them Enron and WorldCom in the US, Marconi in the UK, Royal Ahold in the Netherlands, the Golden Quadrilateral in India and many others stimulated governments and international organizations to set regulatory principles for private and public companies. The awareness was intended to support corporate management structures

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and hence restore the public confidence in corporate governance and to ensure efficient leadership Structures which contributes to economic stability as confirmed by the World Bank, International Monetary Fund, and Organization for Economic Co-operation Development (Bekiris, 2013).

Chung, Kim, Park and Sung (2013) examined the relation between transparency related governance attributes and liquidity in the U.S. stock market and found out that corporate governance improves organisation performance. Their findings showed that firms with better management structures exhibit higher trading price per share and lower probability of market share loss. They said that the large number of company failures that occurred at the beginning of the 21st century may have damaged confidence in many economies.

1.1.2 Corporate Governance on regional perspective

In the context of Africa, corporate governance refers to all the influences that affect the business institutional processes; the policy and legal frameworks that society adopts to license, govern and regulate business conduct, this includes the mechanisms for appointing the regulators, controllers and governors involved in supervising, organizing and managing the production and sale of goods and services; the processes for regulating their conduct and the procedures for holding them to account for the exercise of power, use of entrusted resources and the results of their activities in all types of business enterprises regardless of whether or not the enterprises are incorporated (Serfontein, 2010).

According to Abor, Fiador and Abor (2012) study on Sub-Saharan African companies, corporate governance is required as a means of addressing the agency conflict between management and shareholders of the company. It is about supervising and holding to account those who direct and control the management. He noted that it is believed that, good governance generates investor goodwill and confidence. He further stated that in recent years, corporate governance has become one of the most commonly used terms in the modern corporation.

Opiyo (2013) cited Brownbridge (2010), who stated that corporate governance helps in defining the relation between the company and its general environment, the social

and political systems in which it operates. He further stated that corporate governance is linked to economic performance and the company's performance is affected by the way management and control is organized and its long run competitiveness. He concluded that it determines the conditions for access to capital markets and the degree of investors, confidence.

Poor corporate governance was seen as contributing to the company collapses. As a consequence, they noted, corporate governance has been debated extensively with management structures and leadership Structures improved in several countries. Loukill and Yousfi (2012) presented evidence of the effects of corporate governance on information asymmetry information and stock liquidity in the Tunisian Stock Market during the period 1998-2007. They found out that some attributes of corporate governance such as effective board of directors (board independence) and low ownership concentration improved stock liquidity because reduced insider trading caused due to information asymmetry.

Lashgari (2014) examined the impact of corporate governance measures, such as the leadership independence, leadership composition and board activity and ownership, on information asymmetry promote company performance. He found out that corporate governance attributes of board independence, board composition (size) as well as shareholder's level of ownership affected company trading shares. Further in the book by Wright, Siegel and Keasey (2013) the relationship between corporate governance as measured by discipline, transparency, independence, accountability, responsibilities, fairness, and social awareness affect company performance. They referred corporate governance acts as a framework to safeguard and control the relevant players (managers, employees, customers, shareholders, executive directors/managers, suppliers and the board of directors) in the market.

A study by Miring'u and Muoria (2011) indicated that as early as 1970s, many governments in Africa had recognized the fact that public companies were performing poorly. They noted that the poor state companies' performance was associated with labour rigidities in the market, increased fiscal and foreign debt and inflation problems. Further they noted that the companies provided poor and

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unreliable services, failed to meet demand and were lagging behind in technology areas. They concluded that mismanagement, bureaucracy, wastage, pilferage, incompetence and irresponsibility by directors and employees are the main problems that have made state companies to fail to achieve their objectives.

Although developing countries are increasingly embracing the concept of corporate governance knowing it leads to sustainable economic growth, collapse of their listed companies is on the rise. Some companies including state corporations have folded up partly as a result of corporate governance problems as observed in South Africa by Gossel and Biekpe (2014)

1.1.1 Corporate Governance on local perspective

The Nairobi Securities Exchange (formerly Nairobi Stock Exchange) is the only listing company in Kenya. It began in 1954 as an overseas stock exchange while Kenya was still a British colony with permission of the London Stock Exchange. The NSE is a member of the African Stock Exchanges Association. It is Africa's fourth largest securities exchange in terms of trading volumes, and fifth in terms of market capitalization as a percentage of Gross Domestic Product. The Exchange works in cooperation with the Uganda Securities Exchange and the Dar-es-Salaam Stock Exchange, including the cross listing of various equities. Trading is done through the Electronic Trading System which was commissioned in 2006. A Wide Area Network platform was implemented in 2007 and this eradicated the need for brokers to send their staff (dealers) to the trading floor to conduct business. Trading is now mainly conducted from the brokers' offices through the WAN. In order to provide investors with a comprehensive measure of the performance of the stock market, the Nairobi Stock Exchange introduced the NSE All-Share Index in 2008. In 2009 the Exchange launched its Complaints Handling Unit in a bid to make it easier for investors and the general public to forward any queries and access prompt feedback (NSE, 2015).

Muka (2012) wrote about the relationship between corporate governance and ownership structures of firms listed at the Nairobi Securities Exchange and states that the ownership levels of a company characterized by low ownership levels have an inverse effect on company performance. He noted that since the late 1980s, the Kenyan government adopted economic liberalisation policies with the aim of reducing economic distortions. Solomon (2013) noted that the World Bank and the International Monetary Fund (IMF) had begun imposing tough conditions that touched on governance and better economic management to NSE.

According to Iraya et al. (2015), in Kenyan there is a tremendous lack of data, however, in the globally changing environment of today, there is need for application of corporate governance principles throughout the organization to sustain shareholder investment value, improve its financial performance, create good share market and returns to the shareholders and provide good levels of customer

satisfaction. Khanchel (2014) attributed corporate governance failures in many corporate organisations in Kenya to bad politics leading to poor utilisation of shareholders' wealth.

Although the policies achieved some benefits, the country is still caught up in macro-economic instability as evidenced by high inflation rates, account deficits and policy uncertainties (Njanja, Ogutu & Pellisier, 2012). Kenya Airways Ltd in Kenya has been noted to win several good corporate governance awards for the last five years but the company continued to perform poorly over the period. The company had its Earnings Per Share operating between (-)13.35 and (-)2.25 down from 10.45 in 2006 and operating on downward share price trend of Kes. 5.00 down from Kes. 34.50 in 2011 and making losses year after year (NSE, 2015).

Companies such as Eveready (EA) Ltd, Uchumi Supermarkets, Unga Group Ltd, National Bank of Kenya, CMC Holdings Ltd Eveready (K) Ltd and East Africa Industries among many others have in the past won several good corporate governance awards but have poor company performance indicators (Madiavale, 2011, NSE, 2015). Kariuki (2015) and Mwithi (2017) reported that Mumias Sugar had almost doubled its loss to Sh 4.6 billion in the 12 months as per June 2015 financial results.

Mulili (2011) noted that politically, Kenya was governed through a one-party autocratic rule from the time of independence in 1963 to January 2003 when multiparty politics were reintroduced and a new government elected to office. Mulili (2011) further noted that the affirmation of the Kenya Constitution 2010 changed the way politics was played and brought in a new dimension to the way corporate governance was to be exercised on Kenyan companies.

Nafukho and Muyia (2014) notes that socially, Kenya is made of 42 tribes and the tribal differences are highly pronounced in all sectors of the society. He further said that a major social trend in the country has been experienced on corporate governance to Kenyan companies, partly owing to the demands of an increasingly sophisticated economy. Secondly, freedom of speech, he said, brought about by the Kenya Constitution 2010 is rampant in the country, and the citizens are free to

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question anything that does not seem to make sense to them on the way corporate governance is being dispensed on running of the Kenyan organisations. He concluded that there are increased efforts to reduce the prevalence of corruption and pressure groups tend to advocate for all forms of social change and as a result of these changes, there is a great push for improved corporate governance on all sectors.

The theoretical basis of the study was derived from agency, steward, transactional cost, stakeholders and resource dependency corporate governance theories which are most often viewed as both the structure and the relationships which determine corporate direction and performance. In this study, corporate governance was characterised by leadership Structure, leadership composition, leadership independence, stakeholders' ownership and ownership concentration. Essentially, the study focused on the understanding that corporate governance addresses the leadership role in the organisational framework. The scenario described above pointed to the need to research on the status of corporate organisation leadership practices vis-à-vis performance of listed companies in Kenya. It raised the question of the recommendable corporate governance leadership practices that can contribute to performance of listed companies in Kenya.

1.2 Statement of the Problem

Leadership is a process of social influence in which one person can enlist the aid and support of others in the accomplishment of a common task (Covey, 2011). A good corporate governance mechanism is assessable from; political stability, accountability, government effectiveness, rule of law, control of corruption and quality of regulation which can only be achieved through sound and effective leadership (Kaufmann, Kraay & Mastruzzi, 2012). Studies by Chung, Kim, Park and Sung (2013), Yang (2012), Wellage (2012) and Solomon (2013) have found out that corporate governance leadership practices have strong positive influence on organisational performance.

However, a study by McConvill (2012) noted numerous cases world over of companies' leadership where this relationship contradicted. Also studies by Iraya, Mwangi and Muchoki (2015), Baruch (2012) and Kariuki (2015) noted cases of non-

performing listed companies in Kenya that have attracted debates in their form of leadership and shaken both local and foreign investor confidence. Further, a study by Madiavale (2011) noted that although in Kenya listed companies have adopted corporate governance leadership practices, cases of organisations scandals that lead to poor company performance are rampant.

The listed companies in Kenya challenges are, first, the limited research done in the area of corporate governance in developing economies, especially those in Africa (Okeahalam, 2014). Second, Kenya's listed companies were faced with a myriad of challenges on areas that need to be reformed (NSE, 2015). Third, the corporate governance practices used in developed countries are not directly applicable in developing economies because of political, economic, technological and cultural differences (Mensah, 2012; Rabelo & Vasconcelos, 2012). Lastly, according to Oso and Onen, (2011) minimal research, if any, has been done on the corporate governance practices of Kenya's listed companies.

Therefore, the level of preparedness of the listed companies' leadership to face up with the identified challenges and potential complexities to ensure that they are managed to the desired performance was a major concern. This affected shareholders, employees, customers, creditors, managers, suppliers, the wider community and the country's economy. The implication was that stakeholder suffered and the investors, prospective and actual shareholders, accordingly lose confidence in the market and withdraw and the country's economy do not grow (Hudson, 2013). A study to offer guidance and suggest solutions to the challenges and potential complexities identified was, thus, necessary.

1.3   Objectives

1.3.1   General Objective

The general objective of this study was to ascertain the contribution of corporate governance leadership practices on performance of listed Companies in Kenya.

1.3.2   Specific Objectives

The study pursued the following specific objectives: -

1) To establish the contribution of leadership Structure on performance of listed companies in Kenya;

2) To determine the contribution of leadership composition on performance of listed companies in Kenya;

3) To examine the contribution of leadership independence on performance of listed companies in Kenya;

4) To explore the contribution of stakeholders' ownership on performance of listed companies in Kenya;

5) To assess the contribution of ownership concentration on performance of listed companies in Kenya.

1.4   Hypotheses of the Study

This study sought to test the following research hypotheses:

1) **H_{O1}:** Leadership Structure has no significant contribution on performance of listed companies in Kenya.

2) **H_{O2}:** Leadership composition does not have significant contribution on performance of listed companies in Kenya.

3) **H_{O3}:** Leadership independence has no significant contribution on performance of listed companies in Kenya.

4) **H_{O4}:** Stakeholders' ownership has no significant contribution on performance of listed companies in Kenya.

5) **H_{O5}:** Ownership concentration has no significant contribution on performance of listed companies in Kenya.

1.5   Justification of the Study

According to Tricker (2011), the concept of corporate governance gained prominence in the 1980s because this period was characterised by stock market crashes in different parts of the world and the failure of some corporations due in part to poor governance practices. Corporate governance is now an international topic due

not only to the globalisation of businesses but also to the massive failure of corporations that has occurred over the last decade in Africa, Asia, Europe and United States (Petra, 2014; Reed, 2012; Senge, 2013). It is acknowledged that corporate governance plays a major role in the management of all types of organisations in both developed and developing countries (Coward, 2011). Moreover, corporate governance is also associated with development agencies, donor countries and developmental politics (Hallak & Poisson, 2016). The study would be beneficial to the following groups of persons due to its informational value.

1.5.1 Listed Companies and Policy Makers

The study contributed valuable knowledge to the field of corporate governance in general. The leadership of listed companies in Kenya will find the study invaluable in making decisions regarding corporate governance. The company leadership, NSE, CMA and government officers and other policy makers will be able to know the role of corporate governance on company performance that can play a bigger role in shaping their operations.

In Kenya, due to poor corporate governance Leadership practices, listed companies like Eveready (EA) Ltd, Uchumi Supermarkets, Unga Group Ltd, National Bank of Kenya, CMC Holdings Ltd Eveready (K) Ltd and East Africa Industries among many others are at the verge of collapsing or have collapsed after incurring heavy losses and debts. The findings and recommendations of the study would be an eye opener to these listed companies and provide them with the opportunity of improving its corporate governance Leadership practices.

1.5.2 Investors and Stakeholders and Kenyan Public

The study would significantly benefit investors, stakeholders and the Kenyan public by creating awareness of challenges and suggested solutions that affect the optimal operations of listed companies in Kenya for maximization of their investments. Better performing listed companies owing to good corporate governance leadership practices would contribute to improved economic performance which will be

beneficial to the entire country. Besides, better performance would lead to better, efficient and effective service delivery to the citizens and advantageous as such since some listed companies provide utility services which do not receive competition from any other quarters.

1.5.3 Financiers, Suppliers and Donors

Additionally, financiers, suppliers, bilateral and multilateral donor organizations and creditors wish to know corporate governance leadership practices of listed companies so as to make informed decisions on whether to finance or do business with them or not. This study will highlight the corporate governance leadership practices in the listed companies and provide suggestions for remedy. The financiers, suppliers and the donors will, therefore, realize value for every money they spend in accountable, transparent and properly managed listed companies. This will further have a trickle-down effect on the economy.

1.5.4 Researchers and Scholars

Lastly, given the limited knowledge in the same field, the study has produced unavailable and confirmed available knowledge on this subject and therefore form a useful material for reference to researchers and academic community. Also, students and academics will use this study as a basis for discussions on the contribution of corporate governance leadership practices on performance of listed companies in Kenya.

1.6 Scope of the Study

This study focused on the contribution of corporate governance leadership practices on performance of listed companies in Kenya. The study was conducted in Kenya between June and September 2016 with a study population of sixty-two listed companies in Kenya (NSE, 2015). The study targeted staff members of nine listed companies, geographically spread across the country. One hundred and eighty-two responses were obtained out of the maximum anticipated sample of Two Hundred and Thirty-Seven responses. These responses represented 74% of the sample size identified for the study. The study utilised primary data that was collected using

questionnaires. Five predictor variables were investigated, namely; leadership Structure, composition, independence, stakeholders' ownership and ownership concentration on performance of listed companies in Kenya.

1.7   *Limitations of the Study*

A number of limitations were faced during the study. There was difficulty in gaining access to the sampled respondents who work in the listed companies. Additionally, the conservative nature of some companies and oaths of secrecy administered on their employees regarding information disclosure rendered data collection difficult. To delimit this limitation, the researcher reached the prospective respondents and asked for permission from the companies' management so as to get introduction letter and requisite permission for collecting data. Proper arrangements with employees to fill the questionnaires was made by motivating the employees on the importance of the study. Use of a research assistant also helped to address this challenge.

Secondly, the study was on the assumption that leadership structures, composition, independence, stakeholders' ownership and ownership concentration were the only independent variable that influence the dependent variable; company performance in listed companies in Kenya. There are other independent variables which could influence company performance in listed companies in Kenya such as politics, environments, legal etc but were assumed to have no significant contribution on the results because the variables under study were assumed to take care of all the other factors.

Thirdly, there was limited literature available that linked corporate governance leadership practices and company performance in Kenya to draw lessons from. This necessitated the review of literature relevant to the study from around the world. Nevertheless, all the challenges encountered were adequately addressed and they did not in any significant way impair the outcome of the study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

In this chapter literature was reviewed related to the corporate governance theories, leadership structures, composition, independence, stakeholders' ownership and ownership concentration and their contribution on company performance. The chapter comprised theoretical, conceptual framework and empirical review. A summary of the literature reviewed was made and research gap established.

2.2 Theoretical Review

This section presents theoretical literature reviewed relevant to the study. The corporate governance theories are fundamental to establishing the importance of investigating the firm performance and corporate governance relationships. The section begun with a review of the corporate governance theories which included: the agency theory, the stewardship theory, the transactional cost theory, stakeholders' theory and the resource dependency theory that underpin the study.

According to Lashgari (2014), corporate governance is concerned with managing the relationship among various organisation stakeholders. Much of the literature on corporate governance implicitly assumes that only listed organisations are the subject of analysis (Agyemang & Aboagye, 2013). They noted that various theories and philosophies have provided the foundation for the development of alternative forms of corporate governance systems around the world as corporate governance is concerned with managing the relationship among various corporate stakeholders. Studies indicate fundamental theories underlining corporate governance range from the agency theory and expanded into stewardship theory, stakeholder theory, resource dependency theory, transaction cost theory, political theory and ethics related theories such as business ethics theory, virtue ethics theory, feminist's ethics theory, discourse theory and postmodernism ethics theory.

2.2.1 Agency Theory

Recent researchers quoted agency theory as having its roots in economic theory as exposited by Alchian and Demsetz (1972) and further developed by Jensen and Meckling (1976) and is defined as the relationship between the principals, such as shareholders, and agents such as the company executives and managers (Al Mamun, Yasser, & Rahman, 2013; Keraro, 2014; Mwithi, 2016). In this theory, shareholders who are the owners or principals of the company, hires the agents to perform work. According to Clarke and Branson (2012) principals delegate the running of business to the directors or managers, who are the shareholder's agents. The leaders are to work out a viable leadership Structure to avert the agency problem so as to grow mutual trust and teamwork among the principals and the agents.

Mallin (2015) argued that agency theory identifies the relationship where one party, the principle, delegates work to another, the agent. He states that the principal agent model regards the central problem of corporate governance as self-interested managerial behaviour in a universal principal agent relationship. Further he notes that this separation is however, linked and governed through proper agency relationship at various levels, among others between shareholders and boards of directors, between boards and senior management, between senior and subordinate levels of management. He concludes in such a principal agent relationship, there is always inherent potential for conflicts within a firm because the economic incentives faced by the agents are often different from those faced by the principals. He quoted International Swaps and Derivatives Association (ISDA 2002) that all companies are exposed to agency problems and to some extent develop action plans to deal with them. The need for leadership independence and proper leadership composition is necessary to avert any agency problems.

According to Mishra et al. (2014), agency theory provides a framework that links corporate governance with firms' performance. Within agency theory framework, companies are defined as nexus of contracts under which one party (the principal) engages with another party (the agent) to perform some service on their behalf (Subramaniam, Stewart & Shulman, 2013). They further stated that on the one hand, the agent is generally assumed to act based on his/her self-interest and the principal

monitors agent's behaviour through adopting governance mechanisms. Studies indicate that since corporate governance mechanisms provide additional checks on managerial behaviour, governance mechanisms not only reduce the possibility that top managers will enhance their interests by using information asymmetries but also force managers to behave in such a way that maximize shareholders' value (Liu & Subramaniam, 2013). The development of stakeholders' ownership will provide the best governance system for managing the agency factor.

Liu et al. (2013) stated that agency problems arise when the agent does not share the principal's objectives and further quotes Berle and Means (2011) that the separation of ownership and control increases the power of professional managers and leaves them free to pursue their own aims and serve their own interests at the expense of shareholders. This promotes the leadership composition and discourages ownership concentration for better leadership independence. The agency theory was critical in analysing the type of leadership Structure required, the leadership independence, leadership composition, stakeholders' ownership and the ownership concentration variables.

2.2.2 Stewardship Theory

Stewardship theory and agency theory have both focused on the leadership philosophies adopted by the owners of an organization. According to Block and Piersanti (2013) stewardship theory assumes that some features of the internal governance structure could affect the ability of the steward to perform his/her duties and also can be counterproductive due to affecting his/her incentives and so he concluded the governance structure should give the CEO complete authority over the firm's activities (management and control decisions) in order to maximise the shareholders' value. Unlike agency theory, stewardship theory stresses not on the perspective of individualism, but rather on the role of top management being as stewards, integrating their goals as part of the organization (Aras, et al., 2013). The stewardship perspective suggests that stewards are satisfied and motivated when organizational success is attained. Aras, et al. (2013) insists that agency theory looks at an employee or people as an economic being, which suppresses an individual's

own aspirations, while stewardship theory recognizes the importance of structures that empower the steward and offers maximum autonomy built on trust.

Aras, et al. (2013) also stated that in contrast to the agency theory, stewardship theory argues that there are non-financial or intangible motivations that could alleviate opportunistic managerial behaviour. They explained that the CEO under this perspective is assumed to inherently have the motivation to maximise the firm's value, as the leader or the steward of the principals' assets. Stewardship theory has its roots from psychology and sociology and Aras, et al. (2013) states that steward protects and maximises shareholders' wealth through firm performance, because by so doing, the steward's utility functions are maximised. They also observed that the steward theory supports the CEO/chairman duality of which the firm enjoys benefits from this unity of command and control, and thus shareholders enjoy superior returns, better than what they would get with the separation of these positions. In this perspective, stewards are company executives and managers working for the shareholders, protects and make profits for the shareholders.

Albrecht, Albrecht and Albrecht (2013) study observed that the CEO's behaviour is believed to be collective rather than individualistic under this perspective and stewardship theory emphasises the importance of organisational structures that play authorising, facilitating, and empowering roles rather than controlling and monitoring ones. Stewardship theorists argue that this way of explaining the relationship between shareholders and managers leads to additional benefits beside the benefits that the firm obtains from the directors' help in terms of management decisions as experts in business, which are likely to contribute to increasing the shareholders' wealth, other benefits come through reducing the monitoring costs that the shareholders usually incur to supervise the managerial activities. Consequently, from this perspective the board of directors are considered as an instrument which assists the CEO, rather than as a monitoring mechanism. The theory contributed to the development of leadership independence, composition and ownership concentration variables.

2.2.3 Transactional Cost Theory

As defined by recent scholars, transaction cost theory was first initiated by Cyert and March (1963) and later theoretical described and exposed by Williamson (1996) (Hoskisson, Johnson, Tihany & White, 2015; Silanes, Shleifer & Vishny, 2012). They stated that transaction cost theory was an interdisciplinary alliance of law, economics and organizations. Further, they argued that the theory attempts to view the firm as an organization comprising people with different views and objectives. The underlying assumption of transaction theory, they concluded, was that firms had become so large that they in effect substitute for the market in determining the allocation of resources; in other words, the organization and structure of a firm could determine price and production. They also noted that the unit of analysis in transaction cost theory was the transaction and therefore the combination of people with transaction suggests that transaction cost theory managers were opportunists and arranged firms' transactions to their interests.

Williamson (2011) states that the transaction costs theory deals with the ideal transaction mode of corporations arguing that organisations choose this best possible mode between the extreme of market exchange and hierarchy, which leads to the lowest possible transaction and production costs. According to La-Porta, et al., (2012), transaction costs theory has been primarily introduced to developed economies where there are strong regulatory systems, social norms and mutual trust, however, emerging economies due to uncertainty and lower regulatory system increases transaction costs. Moreover, transaction costs theorist explains that a firm's environment is the main determinant of transaction costs. Hoskisson, et al., (2015) explained that where market transaction costs are high the hierarchical governance model will enhance efficiency. The theory brings the need of leadership composition of leaders who understands the firm's environment well in order to take control and monitor the transaction industry costs.

2.2.4 Stakeholders Theory

Recent scholars have stated that the stakeholders' theory was embedded in the management discipline in 1970 and gradually developed by Freeman incorporating corporate accountability to a broad range of stakeholders (Al Mamun, et al., 2013;

Keraro, 2014; Mwithi, 2016). They also noted Freeman (2010) who argued that stakeholder theory derived from a combination of the sociological and organizational disciplines. The researchers felt that the agency and resource dependency theories cannot suffice because of their emphasis on organisation as fragmented and closed social units independent of external forces.

To provide voice and ownership-like incentives to critical stakeholders, Freeman (2010) quoted Porter who recommended the stakeholders theory to US policy makers in 1992 so as to encourage long-term employee ownership and encourage board representation by significant customers, suppliers, financial advisers, employees, and community representatives. He also recommended that corporations seek long-term owners and give them a direct voice in governance (i.e. relationship investors) and to nominate significant owners, customers, suppliers, employees, and community representatives to the board of directors.

The only meaningful way to study an organisation is to regard it as a system. According to Mitchell, VanBuren, Greenwood and Freeman (2015) organisation is a system of stakeholders operating within the larger system of the host society that provides the necessary legal and market infrastructure for the firm's activities. He further states that the purpose of the organisation is to create wealth or value for its stakeholders by converting their stakes into goods and services. The stakeholder theory holds that corporations are social entities that affect the welfare of many stakeholders where stakeholders are groups or individuals that interact with a firm and that affect or are affected by the achievement of the firm's objectives (Donaldson & Preston, 2015; Freeman, 2010; Reed, 2012). They further stated that the key to achieving this is to enhance the voice of and provide ownership like incentives to those participants in the firm who contribute or control critical, specialized inputs (organisation specific human capital) and to align the interests of these critical stakeholders with the interests of independent, passive shareholders. According to Mulili (2011), successful organisations are judged by their ability to add value for all their stakeholders. He further noted some scholars, consider the natural environment as a key stakeholder. Further, the ability to successfully interact with the external

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environment, in line with the resource dependency theory, can be a source of competitive advantage for a firm (Okpara, 2011).

Mackenzie (2014) noted a corporation adopts a reactive approach when it does not integrate stakeholders into its corporate decision-making processes and this results in a misalignment of organisational goals and stakeholder demands. Some authors attribute scandals such as those of Enron and WorldCom to the failure to consider stakeholder concerns in decision making (Currall, Frauenheim, Perry & Hunter, 2014; Clarke & Branson, 2012; Watkins, 2013; Zandstra, 2012). A proactive approach is used by corporations that integrate stakeholder concerns into their decision-making processes; such corporations also establish necessary governance structures (Schouten, Wade & Wit, 2014). The theory brings in the thinking of stakeholders' ownership variable in the study.

Resource Dependency Theory

Whilst, the stakeholder theory focuses on relationships with many groups for individual benefits, resource dependency theory concentrates on the role of board directors in providing access to resources needed by the firm. Hillman, Canella and Paetzold (2010) contend that resource dependency theory focuses on the role that directors play in providing or securing essential resources to an organization through their linkages to the external environment. Indeed, Johnson, Daily and Ellstrand (2012) concurs that resource dependency theorists provide focus on the appointment of representatives of independent organizations as a means for gaining access in resources critical to firm success. According to Hillman et al. (2010) directors bring resources to the firm, such as funds, information, skills, access to key constituents such as suppliers, buyers, public policy makers, social groups as well as legitimacy.

Johnson, et al. (2014) notes the theory concentrates on the role of directors in securing access to resources critical to the success of the firm. Further, the theory argues that some firms prefer to appoint directors from independent organisations that have the resources needed by the firms. Al Mamun, Yasser, and Rahman, (2013) study classified directors into four categories, namely insiders, business experts, support specialists and community influentials. Darley, Luethge and Blankson (2013) and Turnbull (2012), studies noted a firm relying on the resource dependency theory would appoint directors from the business experts (e.g. current or former chief executives of other profit-making firms), support specialists (e.g. lawyers, bankers, insurance company representative, public relations experts) and community influentials (e.g. political leaders, members of the clergy, leaders of community service organisations, university faculty). Further, the support specialists would, for instance, be able to provide access to essential services like credit facilities and legal advice at reasonable costs thus support the leadership composition variable.

2.3 Conceptual Framework

According to Marshall and Rossman (2010), a conceptual framework is tool researchers use to guide their inquiry; it is a set of ideas used to structure the research. Burns and Burns (2012) define a conceptual framework as an

interconnected set of ideas (theories) about how a particular phenomenon functions or is related to its parts. It is a diagrammatic, flow chart or figurative illustration explaining the relationships between factors and variables identified, relevant to the study (Oso & Onen, 2011; Burns et al., 2012). They stated that the major function of a structural framework is that it enables the study to find links between the existing literature and own research goals. The thesis focused on combined approaches as each individual has different roles which they have to perform; for example, the role of shareholders and the board of directors.

The conceptual framework depicted in Figure 2.1 where corporate governance is hypothesised to influence company performance is characterised by leadership Structures, composition, independence, stakeholders' ownership and ownership concentration which are independent variables and the company performance which is the dependent variable. Accountability, transparency; fairness; insiders, business and support experts, shareholders, board of directors, management directors, firm size, firm value, majority shares, profits, market share, share returns and customer satisfaction are the research dependent variable constructs.

Leadership Structures
- Accountability,
- Transparency,
- Fairness

Leadership Composition
- Insiders,
- Business experts,
- Support Specialist

Leadership Independence
- Shareholders,
- Board of Directors,
- Management Directors,

Stakeholders' Ownership
- Stakeholders Contribution,
- Ownership Benefits,
- Types of Ownership,

Ownership Concentration
- Firm Size,
- Firm Value,
- Majority shares,

Company Performance
- Profits,
- Market Share,
- Share Returns,
- Customer Satisfaction

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Independent Variables   **Dependent Variable**

Figure 2.1 Conceptual Framework: Source: Author (2017)

2.3.1 Leadership Structure

Leadership Structure is a process of social influence in which one person can enlist the aid and support of others in the accomplishment of a common task (Covey, 2011). It is organizing a group of people to achieve a common goal. Recent challenges for corporate organisations leadership include changing demographics, reduced funding and increased scrutiny from the public (Adams, Ferreira & Raposo, 2011). In continental Europe, the three greatest challenges are expansion, diversification and massification (Schein, 2010). Enormous change has been occurring in corporate organisations that has greatly complicated corporate leadership (Saidi & Shammari, 2015). Saidi and Shammari (2015) further argued corporate organisations have grown in size and complexity in recent decades. The growing demands of stakeholders and shareholders for knowledge production, wealth creation and social relevance have placed inordinate pressure on these to maintain vigilance and be strategically positioned to seize opportunities and avert threats quickly and efficiently (Aduda, 2011).

According to Bebczuk, Auguste and Sánchez (2013) corporate governance can influence a firm's performance whenever a conflict of interest arises between management and shareholders and/or between controlling and minority shareholders. A weak corporate governance structure may provide an opportunity for managers to engage in behaviour that would eventually result in poor company performance, which is a strong indication of a serious decay in leadership ethics (Opiyo, 2015). The board of directors should be in firm control of the affairs of the company in a lawful, efficient and effective manner, such that the organisation may increasingly improve on its value creation; and with due regard to the other stakeholders'

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interests, ensure that the value created is shared among the interested parties such as the shareholders and employees (Mudashiru, Bakare & Ishmael, 2014). They noted the functions of the board of directors should include; strategic planning, selection, performance appraisal and compensation of senior executive members, succession planning, communicating with the shareholders, ensuring the integrity of financial controls and reports and ensuring that ethical standards are maintained and that the company complies with the law. They further stated that the board was the main custodian of the corporation's accountability and it moderates the conflicting interests of the stakeholders.

According to Opiyo (2013) study, Boards of directors are often involved in creating policy but executive management communicates the results to the organisation staff. It is in this case that company management also referred to as company executives who are accountable to the Board of Directors through the board committees has ultimate responsibility for directing the activity of the organisation, ensuring it is well run and delivering the outcomes for which it has been set up. Schmid and Zimmermann (2011) study stated that Management directors composed of Chief Executive Officer and head of departments or divisions should provide leadership to the organisation by; setting the strategic direction to guide and direct the activities of the organisation; ensuring the effective management of the organisation and its activities; and monitoring the activities of the organisation to ensure they are in keeping with the founding principles, objects and values. From a legal perspective, the board of directors is the first and foremost body responsible for governing the affairs of a corporation because board of directors have a fiduciary duty to look after the best interests of the shareholders.

Mishra and Mohanty (2014) argued that one of corporate governance mechanisms is the board committees (i.e. the compensation, risk management, audit, governance and nominating committees, etc). Their findings suggested that the presence of monitoring committees is positively related to factors associated with the benefits of monitoring. Khanchel (2014) added that corporate governance quality increases with the existence of separate committees and also with their meetings. Li, Pike and

Haniffa (2014) posted that board monitoring UAE listed firms' capability was a function of the board's committees where much of the important processes and decisions were monitored and taken. In this regard, Klein's (2013) study findings showed that the existence of independent board's committees reduced the likelihood of earnings management, thus improving performance. Therefore, studies indicate that board committees can be expected to improve internal control and consequently improve company performance.

Judge (2011) study suggested that a board that merely ratifies management proposals and takes at face value the management evaluations of strategic investments is usually found in poorly performing companies. The board of directors have to be a force to be reckoned within any successful company. However, another study by Malina (2013) indicates the existence of benefits of a collaborative relationship with management in terms of the provision by directors of advice and counselling. Not only did he find that board monitoring of chief executives was positively associated with business performance, he also found that the offer and acceptance of advice and counselling was positively associated with business performance. Our reading of this evidence is that a leadership board is skilled in combining both monitoring and support. It is possible that the relationship between directors and management takes the form of a challenging partnership in which the board of directors as the senior partners are not afraid to monitor and audit management, as well as help and guide them. There seems to be a growing element of mentoring and coaching in progressive companies where much of this is done by non-executive directors.

According to Aras and Crowther (2013) board of directors do not manage a company, they provide direction to those who do so. They note that their role is to articulate a vision, mission and strategic direction for the business that its shareholders and other stakeholders can share and support. The role of management is to help to shape the strategies to deliver the vision over time and to ensure that they are fully implemented. For boards to develop an effective partnership, chairpersons need to select directors with a wide range of complementary talents and personality types. One key competence that is as essential in the boardroom is advocacy to

enable preparing and presenting a convincing case and debating skills that can sustain it against challenge and should have the ability to listen constructively, if it is to be effective.

The challenging board of directors is firmly focused on the long-term interests of the company (Kirkpatrick, 2011). The study assumed that there were rarely simple answers to complex situations so that it takes a sceptical and exploratory approach to decision making. It was aware that the company's future was largely determined by factors in the external world over which it may have little control. It therefore encouraged processes which improve its understanding of the external world and of how it may evolve into the future. It was aware that knowledge is the key to business success and that knowledge is like a jigsaw puzzle in which many different people hold the pieces. Lashgari (2014) study found out that challenges of board of directors were commitment to maximising the use of the talents of its members by creating committees. They had a model that evolved ensuring that all substantive decisions are taken by the whole board of directors but encourages the use of the steering committees that report back to it. Greater use of management directors, chaired by the chief executive and involving the executive directors and key managers, was to be encouraged provided that its deliberations were reported to the substantive committees who eventually report to full board, the study said. According to the study, the creation of committees (audit, nomination and remuneration committees) opened up the way to use the talents of board of directors more fully and provide an appropriate degree of scrutiny.

2.3.2 Leadership Composition

Al-Saidi and Al-Shammari (2013) argued that the main purpose of boards is monitoring and setting policies for the management of the organisation. They noted that to achieve this mandate, highly effective boards include a mix of directors with the expertise and experience to fulfil their essential oversight roles. Further they argued that directors' responsibilities were expanding and the number and complexity of the issues they had to oversee were increasing and therefore having boards made up of the right people with the relevant skill sets is critical in today's

competitive business environment. Mudashiru, et al. (2014) noted that board of directors should be composed in such a way as to ensure the diversity of experience, without compromising compatibility, integrity, availability and independence. Membership of the board should rest uprightness in character, distinctive competencies, knowledge on board matters, entrepreneurial bias and sense of accountability, integrity, commitment to the task of corporate and institutional building.

According to Bekiris (2013), the composition of board of directors therefore would compose of: leaders who are the industry experts and competent to draw the organisation strategic plan to achieve the company vision, mission and core values; resource directors who are experts on financial matters to take interest on the company investments and growth; and governance and performance directors, experts on company operations to ensure viability and compliance of company regulations. Li, et al. (2014) argues that national differences in ownership and board structure create different patterns of corporate governance between countries. Ford, Gresock and Peeper (2011) states that the right board composition is a function of securing the right stakeholders in the right proportion. Xiaohui (2015) noted since it was impossible for any organization to control all of its needed resources, the Board of directors plays an important role in reducing an organization's uncertainty by facilitating exchange relationships between the organization and its environment. Further Zandstra (2012) argued given their personal and/or professional contacts, board members help it access information, specific skills, and other resources from the environment and thereby reduce uncertainty.

2.3.3 Leadership Independence

Empirical studies indicate that the degree of effective monitoring is directly related to the degree of independency of boards (Xiaohui, 2015). Based on this fact independency of boards becomes increasingly important and the number of outside directors plays a significant role in boards' performance (Mensah, 2012). Outside directors have enough incentive to monitor managers because their own reputations

depend on it and also improve their human capital. Reddy, Locke, Scrimgeour and Gunasekarage, (2011) also found an inverse relationship between the proportion of outside board members and commitment to capital expenditure (a proxy for growth). They also find a positive relationship between the proportion of outside board members, firm performance and board size. They demonstrate that the proportion of outsiders on boards in the New Zealand market increased after the passage of the 1993 Companies Act and related legislations. In this regard the New Zealand Securities Commission (New Zealand Securities Commission, 2004) published principles and guidelines for all New Zealand companies to have a high proportion of outside directors on their boards.

In support to prior studies, Rozanov (2011) indicate that outside directors are more likely to show independency in their roles and duties. They indicate that outside directors are willing to improve effort norms of the board, because they prefer to show that the board is doing a good job. A high proportion of outside directors on the board presumed to be more conducive to the firm's mission, goals and strategies. They also believe that outside directors bring more skills and knowledge to the company, because unlike the insiders who are well versed in their working relationships, outside directors have different backgrounds from different organisations and are unsure about the procedures and unacquainted with the inside directors. Mackenzie (2014) also found a positive relationship between the proportion of outside directors and growth opportunities of the firm.

According to Mudashiru, Bakare and Ishmael, (2014) the chairman's primary responsibility is to ensure effective operation of the board and as much as possible distance himself from the day-to-day running of the company which is the primary responsibility of the chief executive officer and management team. Opiyo (2013) study reported that independent boards are more likely to protect the interests of shareholders against managerial opportunism than boards that consist predominantly of corporate insiders and affiliates. Srinivasan (2015) found that accounting restatements increase the likelihood that an independent director will lose his or her position on the restating firm's corporate board as well as directorships at other firms.

Consistent with this view, prior research showed that boards with a higher fraction of independent directors were more effective at mitigating agency problems.

Ajinkya, Atiase, Dontoh and Gift (2011) found that management guidance was less optimistically biased, more accurate, and more precise when the issuing firm had a greater fraction of independent directors. In fact, independent directors were more highly motivated than inside directors in monitoring management since the weight of their external benefits, such as reputation, were much higher than their benefits accrued from the firm (Fama and Jensen, 2015; Srinivasan, 2015). Some studies suggest that information asymmetry and fear of litigation reduce the ability of independent directors to control opportunistic managerial behaviour (Drymiotes, 2015). Independent directors appointed by and have allegiance to the management and board could in general encourage conflicts, rendering the effects of board independence weak or non-existent (Larcker, Richardson & Tuna, 2014). However, the broader consensus in the literature, supported by analytical papers that derive optimal board structure (Harris & Raviv, 2016), was that while independent directors on the board could potentially lead to information loss, they were more likely to reduce agency costs.

In general, conventional corporate governance wisdom suggests that smaller boards and more independent boards are more effective at carrying out this fiduciary duty (Demirbas & Yukhanaev, 2011). Smaller boards were more likely to consist of individuals for a specific reason and were more likely to build internal trust and act decisively. Optimal board size was likely determined by firm and industry specific characteristics. In a study examining the evolution of board structure during the 10 years following a firm's IPO, Hazarika, Karpoff and Nahata (2012) found that board size increases in the size of the firm, was associated with the firm's competitive environment, and reflects a tradeoff between firm specific benefits and costs of monitoring.

In order to capture the complex relation between board size and board independence, Rozanov (2011) measured board size as the absolute value of the deviation of the number of directors serving on the firm's corporate board from the median number of

directors serving on the corporate boards in the firm's industry, size quintile and year. To the extent that this median captures an optimum, the greater the deviation from this median, the less effective is the monitoring by the board. The board size measure operationalizes this prediction, which is based on evidence in prior research as outlined above studies document that it is easier for a CEO to control a large board, and such boards can become less effective. Hazarika, et al. (2012) and Linck, Netter and Yang (2015) also demonstrate that the skills of directors along with the skills required by the company should be considered in selecting directors. They believe that there is an optimal board size for each company according to its nature and situation. Reddy, Locke, Scrimgeour and Gunasekarage (2011) in their study in New Zealand found that the average board size ranged between six to eight members. Singaporean companies also accept this type of board and mention that effective boards have seven or eight members (small boards). Singaporean companies believe that large boards are easier for CEO's to control (Phan, 2010).

CEO duality means that the same person has the CEO hat and is chairperson of the board and non-duality implies different people hold these positions. Having the same person with too much control over the board and managers creates different problems, for example: lower levels of effort, lower level of conflicts and lower level of usage of knowledge and skills on the board and in management (Wang et al., 2011). He observed that opponents of duality believe that: duality in a firm negatively affects board independence and prevents the board from monitoring and establishing governance roles; surviving in a competitive environment requires separation of decision management and control management; duality leads to long term organisational drift by affecting the honesty of insecure directors in evaluating firm performance.

2.3.4 Stakeholders' Ownership

According to Solomon (2013), countries that followed civil law; for example, France, Germany, Italy and Netherlands, developed corporate governance frameworks that focused on the interests of stakeholders that included employees, customers, creditors, managers, suppliers and the wider community. This introduced

the feeling that every stakeholder owned the company and took great interest on its performance. Smith (2013) study noted stakeholders had a more direct incentive than directors serving on the corporate board to monitor the management. He further stated that directors of joint stock companies, however, being the managers rather of other people's money than their own, could not well be expected, that they could watch over it with the same anxious vigilance as stockholders (Simsek, 2014). Prior research documents prove that certain ownership structure characteristics, such as the proportion of institutional holdings or the level of ownership concentration, were associated with the shareholders' willingness and ability to monitor the management. According to Ajinkya, et al. (2011) firms that have greater board independence, management guidance was less optimistically biased, more accurate, and more precise for firms with greater dispersed stakeholders' ownership.

As stated by Opiyo (2013), a key argument underlying the effective corporate governance role of stakeholders was that they have relatively more value at stake and have a greater incentive, and potentially greater means, to monitor managers. In general, prior studies found that a higher proportion of stakeholders' ownership was associated with improved corporate governance (Healy, Hutton & Palepu, 2011; Noe, 2012). Mallette and Fowler (2012); Gillan and Starks (2011) studies found that greater stakeholders' ownership was associated with greater stakeholder's protection, increased firm value, and improved performance.

Likewise, according Ajinkya, et al. (2011) as with firms that have greater stakeholders' independence was less optimistically biased, more accurate and more precise. Their study suggested that some institutional investors attempt to benefit at the cost of other shareholders. Bushee, Carter and Gerakos (2014) study established that cross-sectional variations in the corporate governance influences different types of institutional investors. Rozanov (2011) measured stakeholders' ownership as the fraction of shares held by institutional investors and examine whether this governance characteristic was associated with opportunistic insider trading. If higher institutional ownership resulted in more effective monitoring, then it was expected that stakeholders' ownership to be negatively associated with the measure of

opportunistic insider trading.

2.3.5 Ownership Concentration

Economic theory suggests that agency costs arise as a result of the separation of ownership and control, so to the extent that concentrated ownership, in contrast to diffuse ownership, reduces such separation, ownership concentration is likely to result in lower agency costs. Consistent with this view, several studies suggest that blockholders tend to actively promote long term performance and to discipline management (Clarke & Branson, 2012). In general, however, prior empirical evidence on the association between ownership concentration and indicators of good corporate governance, such as firm value, is somewhat mixed. Several studies found out that ownership concentration had no effect or a nonlinear effect on a firm's value. Nevertheless, many of these studies concluded that diffuse ownership exacerbates agency problems notwithstanding the ambiguous impact on overall firm value (Williamson, 2011).

If higher ownership concentration reduced the ability of corporate officers to engage in opportunistic insider trading, then it was expected that ownership concentration to be negatively associated with the measure of opportunistic insider trading. For the Capital Market in Kenya to grow, it requires the elimination of information asymmetries that lead to insiders raking in millions to the detriment of the ordinary investors (Hansen, 2013). Further the Capital Markets Authority must ensure that, investors in the market are protected since, the bedrock of any market is market integrity and investor confidence. Such protection includes incorporating strong licensing standards and swift but effective disciplinary sanctions for errant parties in instances of malpractices. It is however important to note that regulation should seek to strike a balance between catering for the protection of investors and at the same time provide the market with freedom to innovate and develop (Hudson, 2013).

2.3.6 Company Performance

Leadership is the process of motivating other people to act in particular ways in order to achieve specific goals (Hannagan, 2015). He further argued that in all organisations, leadership is required in order for its objectives to be achieved and

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good leadership can result in success while poor leadership can lead to failure. There are several approaches to understand leadership, ranging from traditional, behavioural, contingency and modern approaches. In whichever approach leadership is applied some leader's behaviour will be noticed ranging from directive, supportive, participative and achievement oriented leadership. The pressures to adopt a particular leadership Structure are seen through the effects of organisation culture and peer expectations. Leaders will need to lay strategy, plan on the allocation of the available resources and apply corporate governance principles to achieve the level of company performance desired.

According to Mishra and Mohanty (2014) company performance is the most important criterion in evaluating organizations, their actions and environments. They noted that organizational performance encompasses the following specific areas of firm outcomes: financial performance (profits, return on assets, return on investment, etc.); market performance (sales, market share, etc.); shareholder return (total shareholder return, economic value added, etc.) and customer satisfaction (customer retention, loyalty, products and service attributes, image and reputation, etc). Dutta and Fan (2014) stated that the nature of company performance measures can also be firm specific, depending on internal policies as cash flows, accounting numbers and stock prices produce different incentives for managers. They concluded that measuring performance requires weighing the relevance of the company performance to focal stakeholders.

At the most basic level, small and large firms are likely to perform in quite different manners although linked by competition; these firms have very different resources and strategies (Malina & Euske, 2013). In a cross-country survey by Liston, Chong and Bayram (2014) found that small Finnish and UK companies focused on profitability, product margins, customer satisfaction and liquidity. They further stated that within the strategy, economics and finance literatures market value based measures are the preferred instrument for characterizing organizational performance. The greatest strength of these measures is that they are forward looking, in theory representing the discounted present value of future

cash flows (Fisher, Strickland, & Knobe, 2012). They also incorporate intangible assets more effectively than accounting data, something of clear relevance to those interested in resource based and knowledge based views of the firm (Lev, Demerjian, & McVay, 2012).

Similarly, scholars in marketing, operations and management seek to understand and improve performance, each adopting discipline-specific measures such as customer satisfaction, productivity and employee satisfaction (Chenhall & Langfield-Smith, 2011).

2.4 *Empirical Review*

This section reviews literature from prior scholars regarding the contribution of corporate governance leadership practices on performance of listed companies. A review of the corporate governance literature emphasising different corporate governance mechanisms and corporate governance systems is provided. Furthermore, the literature review focuses on the contribution of leadership Structure, composition, independence, stakeholders' ownership and ownership concentration on the company performance.

2.4.1 Leadership Structure

In today's global business world nothing is static as markets, suppliers, competitors, technology, and customers are constantly shifting (Rozanov, 2011). Further, he stated that a number of studies have been made to examine factors impacting on company performance in world and there is a considerable body of literature that relates to many aspects of corporate governance. Many researchers have identified leadership as being one of the most, if not the most important factor, that influences company performance and basically when leadership do not meet the shareholders and the stakeholders' expectations, its termed as a failure (Jung, 2010, Berkman, et al., 2012).

However, the shifting nature of today's business environment requires all leaders to be explorers and consequently, leadership models of the past will not work appropriately in today's business environment (Clarke & Branson, 2012). Fisher,

Strickland and Knobe, (2012) stated that in the past two decades' corporate governance caught the interest of a wide variety of scholars and leaders adopting good corporate governance practices ultimately becomes moral in that it raises the level of human conduct and ethical aspirations of both the leader and led and, thus, has a company performance effect. The study findings clearly explained that good corporate governance practices which included leadership Structure, composition and independence displayed a higher price earnings ratio than their counterparts whose stated corporate governance practices ranked lower.

According to Kirkpatrick (2011) study, corporate companies collapse was the predominant driver for change to corporate governance codes. As more corporate entities in different parts of the world collapsed in the 1980s, there was a change of attitude among stakeholders and higher performance expectations came to be placed on the management boards. There was also a growing realisation that managers are to run firms while management boards (implementation of leadership Structure) are to ensure that the firms are run effectively and in the right direction which will result in improved financial performance and good shareholders returns (Adams et al., 2011). The same author further states that directors and managers require different sets of skills (entrenching competent board composition) to improve on company market share and shareholders returns.

Demirbas and Yukhanaev, (2011) reported that the performance of the board of directors was among factors affecting performance of firms. In the U.S. for example, the report of the Conference Board Commission on Public Trust and Private Enterprise issued on January 9, 2003, recommended that the CEO and chairman functions be separated and the position of the chairman be filled by an independent director (Schmid et al., 2011). They further reported that in the U.K., the Cadbury Report which was issued in 1992 strongly recommended a separation of leadership and structure to improve company performance. The scholars urged that a company's leadership required to have board of directors appointed by the shareholders, steering committees constituted by the board of directors and the management directors who

are employed by the board of directors to carry out the daily running of the company activities.

Wellage (2012) study reported that in 2008, Sri Lankan listed firms had been subject to mandated rules on corporate governance by the Securities and Exchange Commission of Sri Lanka. He noted that the main purpose of that new mandatory corporate governance rule was to promote best fit leadership Structure to achieve accountability, transparency and overall efficiency in corporate governance best practice. The study further reported that most significant legislation enacted in Sri Lanka corporate governance was the Companies Act 7 of 2007, effective as of March 3, 2007. The study further reviewed that actively trading companies were identified and clustered based on ownership, corporate culture and management. The results indicate that significant improvement was made to corporate governance issues in Sri Lanka. Wellage (2012) study noted that the corporate governance survey done in Sri Lanka (2007) over 80% of participants considered corporate governance contributed to the organisation's performance and shareholders' value.

2.4.2 Leadership Composition

According to Al-Saidi and Al-Shammari, (2013), Agency theory emphasises the role of the board of directors in monitoring the behaviour and performance of executives. They stated that a few insiders provide valuable information that assists in monitoring the affairs of the firm and the CEO. They further argued that the survival of an organisation is dependent upon the composition of the board of directors. Corporate governance mechanisms, including board of directors comprising a majority of independent outsiders, should harmonize agency conflicts and safeguard invested capital (Wang & Oliver, 2011).

Wang and Oliver, (2011) argued that the board should ensure that managers were not the sole evaluators of their own performance and the board's legal responsibilities to hire, fire and reward executives were seen as key elements in controlling conflicts of interest. The scholars indicated that company performance required a board of directors which consists members with the industry expertise, some members who should have skills in financial management and others who are conversant with the

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company operations in terms of governance and performance. A study carried out in the United States by Gompers, Ishii and Metrick, (2013) found a strong correlation between good corporate governance practices which included leadership Structure, composition and company financial performance.

2.4.3 Leadership Independence

Mashayekhi and Bazaz, (2013) investigated the effect of internal governance mechanisms on Iranian listed firms' performance. They examined the effect of board size, board independence, board leadership and institutional investors on earning per share, ROA and ROE. They found that board independence has a positive impact on firm performance, while board size has a negative impact. At the same time, they also found that board leadership and institutional investors do not show any significant effect on Iranian firms' performance. Kholeif (2013) re-examined the negative association between CEO duality, as internal governance mechanisms and corporate performance and found that CEO duality negatively affects Egyptian listed firms' performance if the firms have large board of directors and lower top management ownership.

Opiyo (2013) quoted Catherine, Daily and Dalton, (2011) who described board independence as a lighthouse on a dark and stormy night which serves as the beacon of hope for corporate governance reform activists who embrace the perspective that more independent boards will result in greater oversight of corporate management and that this, in turn, lead to improved firm performance. They argued that the abridged version was that board independence yields shareholder value. Ford, Gresock and Peeper (2011) states that from a legal perspective, the board of directors is the first and foremost body responsible for governing the affairs of a corporation because directors have a fiduciary duty to look after the best interests of the shareholders. In general, conventional corporate governance wisdom suggests that smaller boards and more independent boards are more effective at carrying out this fiduciary duty (Monks & Minow, 2011). They further stated that smaller boards were more likely to consist of individuals for a specific reason and were more likely to build internal trust and act decisively (Lipton & Lorsch, 2015). From the studies its

evident that board independence is characterised by board size, separation of the chairman and the CEO's responsibilities and having independent committees to run the specialised core policy mandate of the company without interference from the chairman, shareholders or the stakeholders. Based on this review the following hypothesis was formulated:

Clarke and Branson (2012) study show that prevention of corporate failure was not the only reason that led to the adoption of corporate governance ideals. On a positive note they stated that there was a growing acknowledgement of the role played by improved corporate governance practices which included leadership structures and composition on the growth and development of the whole economy of a country. A number of studies also found strong links between the performance of corporations and the independence of their management boards (Gregg, 2011; Hilmer, 2012; Kiel & Nicholson, 2013).

Gompers, Ishii and Metrick (2013) study revealed that two-thirds of investors were prepared to pay more for shares of companies that had good corporate governance practices in leadership independence and composition. Nevertheless, Wanyama and Olweny (2013) did not find any significant relationship between the financial performance and shareholders returns of firms and the governance practices of their leaders. Hilmer (2012) held that the management boards of firms were to be elected by shareholders to set policies and then to delegate to management the authority to manage the firms.

In any case, most developing countries adopted corporate governance systems from the developed countries and that adoption of their philosophy did not necessarily prevent corporate failures and scandals (Solomon, 2013). Mulili (2011). Consequently, there has been debate about what needs to be included in a comprehensive corporate governance framework. Some scholars argue that a comprehensive corporate governance framework should include, among other things, greater use of independent directors and constrains on the powers of CEOs (Monks & Minow, 2011).

2.4.4 Stakeholders' Ownership

According to Solomon (2013), countries that followed civil law; for example, France, Germany, Italy and Netherlands, developed corporate governance frameworks that focused on the interests of stakeholders that included employees, customers, creditors, managers, suppliers and the wider community. This introduced the feeling that every stakeholder owned the company and took great interest on its performance. Freeman (2010) noted that some shareholders choose to actively monitor the affairs of a corporation themselves. He further stated that directors of listed stock companies, however, being the managers rather of other people's money than their own, could not well be expected, that they could watch over it with the same anxious vigilance as stockholders. Smith (2013) research documents prove that certain ownership structure characteristics, such as the proportion of institutional holdings or the level of ownership concentration, were associated with the shareholders' willingness and ability to monitor the management. Navissi and Naiker (2014) argued that the principal-agent relationship that exists between owners and managers of a firm gives rise to agency conflicts as the interests and incentives of the two parties become misaligned and eventually affect the company performance.

Shleifer and Vishny (2012) argue that the presence of large institutional investors will have a positive effect on the market value of the firm because of the more effective monitoring. Berkman, Cole and Fu, (2012) provided evidence of positive excess returns around the announcement date when institutional investors acquire large equity positions. They predicted that large institutional investors have a positive influence on the value of the firm arises from the assumption that these investors have an incentive to and can efficiently monitor the company board of directors. They noted that this efficient monitoring reduces the likelihood that board of directors would make sub-optimal decisions or collude with the company managers. It's evident that institutional ownership is an interest of the shareholders, the board of directors and the management directors as each team has a share on the company performance. Senaratne and Gunarathne (2014) study stated that the ownership

structure, concentration, stakeholders' ownership and capital market structure created a unique environment for corporate governance practices in Sri Lankan.

2.4.5 Ownership Concentration

Farooq, (2015) defines ownership concentration as the percentage of shares held by insiders and states that firms in emerging markets are characterized by a concentrated ownership structure. He noted an important outcome of concentrated ownership that a significant amount of controlling shareholders' wealth was tied up in a single investment and as a result, they were unable to fully diversify their risk. Mitton (2011); Johnson, Boone, Breach and Friedman (2010) argued that ownership concentration results as a conflict of interest between controlling shareholders and minority shareholders, thereby affecting company performance.

According to Saidi and Shammari (2015), there are two types of ownership concentration, pyramidal and cross-ownership where pyramidal ownership is the process of controlling firms by the head of a group through a chain of ownership relations, whereas cross-shareholding is the process of controlling firms by having some shares in another firm in the same business. It is evidenced that ownership concentration is characterised by firm size, value and industry affiliation which contribute to company performance. Balasooriya, Alam and Coghill (2011) study reported that the ownership structure of Sri Lankan listed companies was characterised by extensive family ownership, pyramid structure and concentrated ownership and contributed to good company financial performance and shareholders returns.

Other studies by McConnell and Servaes (2010); Dittmar and Mahrt-Smith (2011) did find a positive relation between ownership concentration and firm value and more direct tests of the relation between ownership concentration and monitoring of management find the association to be positive. These results were consistent with the argument that the free-rider problem makes it cost ineffective for small shareholders to act as monitors of management (Opiyo, 2013). Rozanov (2011) evaluated the relation between ownership concentration, as a proxy for good corporate governance, and opportunistic insider trading. He measured ownership

concentration as the fraction of shares held by all beneficial owners of more than 5 percent of the company's common stock.

According to Serfontein (2010), on study to find the impact of corporate governance on the operational strategy and performance of business organisations in South Africa asserted that effective corporate governance practices could help organisations enhance their financial performance while competing successfully in the turbulent and unpredicted South African environment creating a bigger market share. In this study it was also confirmed that organisations need to adopt applicable ownership concentration in order to enable company perform according to the new goals and direction and that the company must have the capacity to create a culture and environment where all people and departments in the organisation have the ability to integrate their competencies, initiatives and skills.

Berle, et al. (2011); Kiel and Nicholson (2013) studies indicated that the rise of modern corporations led to the separation of control from ownership, implying that firms' owners could no longer control the actions of firms because that is the role of professional managers. This resulted in need for corporate governance frameworks to protect owners from the actions of professional managers; for instance, the Limited Liability Act 1855 (UK) was passed to protect shareholders from debt beyond their investment (Adams, et al., 2011). The above studies concluded that ownership concentration can affect negatively the company market share and financial performance.

Aras et al. (2013) noted that corporate governance practices are not uniform across nations. Further, the OECD (2004) acknowledges the lack of a single model of corporate governance practice that is applicable to all organisations even within one country. Consequently, every country adopts a unique set of corporate governance procedures that are based on factors such as the country's legal and financial system, corporate ownership structures, culture and economic circumstances. Nevertheless, Judge (2011) advises scholars to think in terms of developing globally applicable models of corporate governance.

2.4.6 Company Performance

According to Levenson and Stede (2011), the relationship between measures and performance is influenced by which measures the firm uses internally and how these are embedded into incentive and control systems within the firm; e.g., the firm's own key performance indicators. They noted the internal measurement systems used could influence performance at the individual and organizational level. Fisher et al. (2012) noted that within the strategy, economics and finance literatures market value based measures are the preferred instrument for characterizing organizational performance. They further stated that the greatest strength of these measures is that they are forward looking, in theory representing the discounted present value of future cash flows. They also incorporate intangible assets more effectively than accounting data, something of clear relevance to those interested in resource based and knowledge based views of the firm (Lev, et al., 2012).

Levis, et al. (2012), however, noted that the connection between market measures to the actual performance of the firm depends on how much of the rent generated from its activities flows to shareholders and the informational efficiency of the market. He further stated that the usual justification of these measures is that firms are instruments of shareholders. Merchant, Stede, Lin, and Yu (2011) noted that although market value might be generally recognized as the most appropriate measure of overall organizational performance, it is less useful for research focusing on performance where the dimensionality is defined in terms of a product or a strategic business unit. He concluded that an advantage of mixed market/accounting measures is that they are better able to balance risk (largely ignored by accounting measures) against operational performance issues that are sometimes lost in market measures.

Hannagan (2015) study concluded that leaders need to lay strategy, plan on the allocation of the available resources and apply corporate governance principles to achieve the level of company performance desired. Mishra and Mohanty (2014) study also noted that organizational performance encompasses specific areas of

firm outcomes: financial performance (profits, return on assets, return on investment, etc.); market performance (sales, market share, etc.); shareholder return (total shareholder return, economic value added, etc.) and customer satisfaction (customer retention, loyalty, products and service attributes, image and reputation, etc). The study concluded that good corporate governance is a major ingredient to company performance.

Dutta and Fan (2014) study went further to explain that the nature of company performance measures can also be firm specific, depending on internal policies as cash flows, accounting numbers and stock prices produce different incentives for managers and concluded that measuring performance requires weighing the relevance of the company performance to focal stakeholders. The study results agreed that the key reason why listed company would want to enhance its economic growth and development is so as to improve the material welfare of the company (Lev, Demerjian, & McVay, 2012). Various scholars observed that good corporate governance is a key factor in the performance of listed companies which could be measured through, among other factors, rising profits, increase in market share, dividends, company share value and corporate image (Liston, Chong & Bayram, 2014; Lev, Demerjian, & McVay 2012; Levenson & Stede, 2011).

2.5 *Critique of Existing Literature Relevant to the Study*

The challenges facing listed companies in Kenya indicate the need for broad policy changes in their management. Indeed, change is part and parcel of organisational life and organisations that fail to adapt to change risk the hazards of stagnating or going out of business as stated by Rozanov (2011) that in today's global business world nothing is static as markets, suppliers, competitors, technology, and customers are constantly shifting. The ability to adapt to a changing environment is a source of competitive advantage. Improved governance of listed companies benefits a wide range of stakeholders that include managers, employees, customers, shareholders, executive directors/managers, suppliers and the board of directors.

The Wellage (2012) study on Sri Lankan listed firms concluded that the main purpose of corporate governance was to promote accountability, transparency and

overall efficiency in corporate governance best practice. The study found out those actively trading companies were identified and clustered based on ownership, corporate culture and management which resulted in improved company performance. He noted corporate governance survey in Sri Lanka (2007) indicated corporate governance with clear leadership and structure contributed to the organisation's performance and shareholders' value. His findings clearly showed several companies that followed clear leadership and structure corporate governance practices, displayed a higher price earnings ratio than their counterparts who did not practice corporate governance. The reviewed Wellage (2012) and Balasooriya, et al. (2011) studies on Sri Lankan companies overemphasised the argument that corporate governance with clear leadership and structure influences company performance, however this is not the only corporate governance factor for listed companies' performance.

Berle et al. (2011) and Kiel et al. (2013) studies supported the separation of duties and board independence. This resulted in need for corporate governance frameworks to protect owners from the actions of professional managers as recommended by Adams, et al. (2011) study. Tricker (2011) and Kirkpatrick (2011) affirmed the concept of corporate governance gained prominence due to stock market crashes in different parts of the world and the failure of some corporations due in part to poor governance practices. The studies are advocating the creation of independent boards comprising of members conversant with the industry, financial experts and a team of operational experts as means of saving companies from eminent collapse. Adams, et al. (2011) study confirmed the growing realisation that management boards composition of different expertise to ensure that the firms are run effectively and in the right direction was crucial. The studies therefore indicate the need for company boards to be constituted with the right composition and independent to be able to operate without interference from any level and emphasised that companies practising corporate governance perform well, a case which is not always true.

Clarke and Branson (2012) study show that prevention of corporate failure was not the only reason that led to the adoption of corporate governance ideals as there was a

growing acknowledgement of the role played by improved corporate governance practices on the growth and development of the whole economy of a country. Gompers, et al. (2013) study found the contribution of institutional ownership and ownership concentration as a strong correlation between good corporate governance practices and company performance. However, Wanyama and Olweny (2013) did not find any significant relationship between the performance of firms and the governance practices of their boards. Solomon (2013) study has indicated that countries adopt corporate governance practices and policies which are favourable to their environment for their companies' performance. In his case, corporate governance is supposed to ensure that corporations achieved the objectives set by their owners and shareholders should hold a firm's management responsible for attaining the firm's goals. From the studies then it can be deduced that corporate governance structures for another country cannot be necessary applicable to another country and therefore every country is required to establish suitable corporate governance structures for their company performance.

All the studies under review in this research had company performance to corporate governance structures which include leadership Structure, composition, independence, stakeholders' ownership and ownership concentration. Effective corporate governance practices could help organisations enhance their performance while competing successfully in the turbulent and unpredicted country environment (Serfontein, 2010). Empirical evidence proved that good corporate governance results in improved company performance (Hudson, 2013), however, according to Iraya, et al. (2015), in Kenya there was a tremendous lack of data to prove the best corporate governance principles an organization should apply to sustain shareholder investment value. It was evident as Khanchel (2014) attributed corporate governance failures in many corporate organisations in Kenya to bad politics there was need for further research on why companies perceived to be practising good governance fail.

2.6   *Chapter Summary*

This chapter reviewed the various theories that explain the independent and dependent variables. The reviewed theories were then critiqued for relevance to

specific variables. The chapter also explored the conceptualisation of the independent and the dependent variables by analysing the relationships between the two set of variables. In addition, an empirical review was conducted where past studies global, regional and local were reviewed in line with the following criteria, title, scope, methodology resulting into a critique. It is from these critiques that the research gap was identified.

The aim of corporate governance is not just concerned about managing the relationship among various organisation stakeholders, it is also the most important criterion in evaluating organizations, their actions and environments to achieve the desired company performance. Organisational performance encompasses financial performance (profits, return on assets, return on investment, etc.); market performance (sales, market share, etc.); shareholder return (total shareholder return, economic value added, etc.) and customer satisfaction (customer retention, loyalty, products and service attributes, image and reputation, etc). All the studies under review in this research had company performance to corporate governance structures which include firm leadership and structures, leadership composition, leadership independence, stakeholders' ownership and ownership concentration. It has been noted that effective corporate governance practices could help organisations enhance their performance while competing successfully in the turbulent and unpredicted country environment. Empirical evidence has proven that good corporate governance results in improved company performance, however, in Kenyan there is a tremendous lack of data to prove the best corporate governance principles an organization should apply to sustain shareholder investment value.

The literature reviewed indicated that fundamental theories underlining corporate governance range from the agency theory and expanded into stewardship theory, stakeholder theory, resource dependency theory, transaction cost theory, political theory and ethics related theories such as business ethics theory, virtue ethics theory, feminists' ethics theory, discourse theory and postmodernism ethics theory. It was noted that corporate governance theories are fundamental to establishing the

importance of investigating the firm performance and corporate governance relationships. Studies clearly explained several companies which followed good corporate governance practices, displayed a higher price earnings ratio than their counterparts whose stated corporate governance practices ranked lower.

2.7 Research Gaps

The preceding sections have reviewed literature on the parent and immediate disciplines in the area of corporate governance of listed companies in Kenya. From the literature review, four research gaps have been identified. Firstly, limited research had been done in the area of corporate governance in developing economies, especially those in Africa (Okeahalam, 2014; Shleifer et al., 2012). According to Hynes (2010), the Kenyan government is working to improve ethics and governance in public and private companies as a way of attracting foreign direct investment (FDI), implying there is a need for more research on corporate governance in Kenya.

Secondly, Kenya's listed companies are faced with a myriad of challenges on areas that need to be reformed. Governance affects a wide range of issues such as the recruitment of management teams and the determination of the relevant management structures (Mulili, 2011). According to Mulili (2011), a policy implication is that Kenya's listed companies should consider governance as a serious issue, and train their board of directors and management directors on its application and importance.

Thirdly, the corporate governance practices used in developed countries are not directly applicable in developing economies because of political, economic, technological and cultural differences (Mensah, 2012; Rabelo & Vasconcelos, 2012), meaning that there is a need to develop other models that consider the conditions in each developing country, and that are not directly borrowed from developed countries.

Lastly, according to Oso and Onen, (2011) minimal research, if any, has been done on the corporate governance leadership practices of Kenya's listed companies. Listed companies in Kenya as much as perceived to be practising corporate governance will continue to fail if a research was not conducted to bridge the gap. Therefore, the

research gaps identified were to be filled by this study and it was expected that the best practices model developed from this research will be suitable for listed companies not only in Kenya but also in other developing countries.

CHAPTER THREE

RESEARCH METHODOLGY

3.1 Introduction

This chapter was a blueprint of the methodology that was used by the study to find answers to the research hypotheses. In this chapter the research methodology was presented in the following order; research design, target population, sample size and sampling technique, data correction instruments, data collection procedures, pilot testing, data analysis and presentation and hypotheses testing. The focus of the study was to establish the role of corporate governance leadership practices on performance of listed companies in Kenya.

3.2 Research Design

According to Zikmund, Babin, Carr and Griffin (2010) research design is defined as a logical arrangement and a master plan specifying the methods and procedures for collecting data and analysing the needed information. Newing (2011) states that the term 'research design' is used both for the overall process described above (research methodology) and also, more specifically, for the research design structure. The latter is to do with how the data collection is structured. Lavrakas (2013) argues research design is a general plan or strategy for conducting a research study to examine specific testable research questions of interest. Machuki (2014); Kothari (2011) also argued that a research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure.

This study adopted a survey research design that was descriptive in nature due to its in-depth analysis of the contribution of corporate governance on the performance of listed companies in Kenya within a particular point in time. This method was selected because it provides numeric descriptions of some part of the population and describes and explains events as they are, they were and will be (Oso & Onen, 2011). In this study the phenomenon included the contribution of corporate governance leadership practices on performance of listed companies in the Kenya. The study was designed to produce a model which could be used in assessing the relationship

between corporate governance leadership practices and company performance and the descriptive survey was the best suited method of research.

3.2.1 Research Philosophy

The study adopted a Positivist Research Philosophy. Mwaniki (2015), Bryman (2015) and Levin (2013) argued that positivist approach research is based on knowledge gained from positive verification of observable experience rather than introspection or intuition. May (2013) stated that the positivist philosophy presupposes that there is an objective reality that people can know reality and that symbols can accurately describe and explain this objective reality. Cohen and Crabtree (2015) and Creswell (2013) holds the beliefs that the positivist approach that there are general patterns of cause and effect that can be used as a basis for predicting and controlling natural phenomena and the goal is to discover this phenomena (prediction and control); that a researcher could rely on perceptions of observations or measurements of the world to provide accurate data (empirical verification) and; that provided a strict methodological protocol is followed, research could be free of subjective bias and objectivity could be achieved (research was value free). Mwaniki (2015); Keraro (2014); Schiffman and Kanuk (2012) observed that principal positivist methods often involve statistical analysis in order to generate findings and to test hypotheses.

3.3 Target Population

A population is an entire group of individuals, events or objects having common characteristics that conform to a given specification (Mugenda & Mugenda, 2012). Schutt (2015) also defined population as the entire set of individuals or other entities to which study findings are to be generalized. Machoki (2014) contended that a target population refers to the total number of subjects, or the total environment of interest to the researcher or the entire set of units for which the survey data is to be used to make inferences. Target population is a set of elements larger than or different from the population sampled and to which the researcher would like to generalize study findings (Schutt, 2015). He defines accessible population as a portion of the population to which the researcher has reasonable access which may

be a subset of the target population.

The population of this study focused on the listed companies in Kenya (See Appendix III). According to the list obtained from the Nairobi Securities Exchange website, there were a total of 62 listed companies (NSE, 2015). These companies were further subdivided into categories which included agricultural (7), automobiles and accessories, communication and technology, and growth enterprise market segment (6), banking (11), commercial and services (9), construction and allied (5), energy and petroleum (5), insurance (6), investment (4), manufacturing and allied (9).

The interest of this population was driven by the fact that listed companies, due to their poor performance, stakeholder suffered and the investors, prospective and actual shareholders, accordingly lose confidence in the market and withdraw and the country's economy suffers (Hudson, 2013). Corporate governance although a common phenomenon in Kenya, the level of preparedness of the listed companies' leadership to face up challenges and potential complexities to ensure that they are managed to the desired performance is a major concern.

Unit of analysis is the level of social life on which a research question is to be focused, such as individuals, groups, towns or nations and the unit of observation is the cases about which measures actually are obtained in a sample (Schutt, 2015). According to Schutt (2015), in most studies, the unit of observation and the unit of analysis are the same. Mugenda and Mugenda (2012) refers to unit of analysis as the individual units about which or whom descriptive or explanatory statements are to be made while the unit of observation is the subject, object, item or entity from which we measure the characteristic or obtain the data required in the research study. Therefore, based on the above definitions, the unit of analysis and observation for the study was the employees of listed companies in Kenya.

3.4 Sample size and Sampling Techniques

3.4.1 Sampling Frame

Schutt (2015) defines sample frame as the list of all elements or other units containing the elements in a population. Mugenda and Mugenda (2012) also defines sample frame as a list, directory or index of cases from which a sample can be selected. Särndal and Wretman (2012) stated that a sampling frame facilitates formation of a sampling unit that refers to one member of a set of entities being studied which is the material source of the random variable or a published list in which or a set of directions for identifying a population. A list which was sourced from the NSE website was used as the sampling frame as indicated in Annex 3 (NSE, 2015).

3.4.2 Sampling Techniques

A sample is a subset of a population that is used to study the population as a whole or a part of the target/accessible population that has been procedurally selected to represent it or the total collection of elements about which inferences are to be made (Kothari, 2011; Schutt, 2015). The required sample size depends on factors such as the homogeneity of the population, considerations of the proposed data analysis techniques as well as the availability of time and money for the study (Zikmund, et al., 2010). The study employed probability sampling techniques in order to determine the exact sample for the study. Mugenda and Mugenda (2012) states probability sampling techniques are used to select a reasonable number of subjects, objects or cases that represent the target population and can provide an accurate information about groups that are too large to study in their entity.

The sample for this study consisted of nine (9) companies. In stage one, stratified sampling was applied to group the sixty-two (62) companies into nine categories (strata) according to their area of operation. Stratified sampling was used as it ensured a greater statistical efficiency, and reduced sampling error. Stratified technique is a probability sampling technique that identifies subgroups in the population and their proportions and select from each subgroup to form a sample (Sekaran, et al., 2011; Gay & Mills, 2015). It groups a population into separate

homogenous subsets that share similar characteristics and selects from each subgroup so as to ensure equitable representation of the population in the sample. It aims at proportionate representation with a view of accounting for the difference in subgroup characteristics (Gay, et al., 2015). In stage two, once the companies were grouped into strata, nine (9) groups, simple random sampling was used to select one company from each stratum as presented in Table 3.1.

Table 3.1:   Sample Size

Groups (Listed Companies in NSE)	Companies per Group	No of Companies to be studied	Company to be sampled
Agricultural	7	1	Kakuzi Ltd
Automobiles & Accessories, Communication & Technology, Growth Enterprise Market Segment	6	1	Sameer Africa
Banking	11	1	National Bank
Commercial and Services	9	1	Standard Group
Construction and Allied	5	1	E.A Portland
Energy and Petroleum	5	1	KenolKobil Ltd
Insurance	6	1	CIC Insurance
Investment	4	1	Trans-Century Ltd
Manufacturing and Allied	9	1	Eveready (EA)
Total	**62**	**9**	

For the purpose of this study, the sample was determined using the procedure by Mugenda and Mugenda (2012) in which, if selecting a sample from a population of

less than ten thousand (10,000) objects, then the sample size shall be:

$$n = (z^2pq)/d^2$$

Where:

n = the desired sample size when the target population is greater than 10,000

z = standardized normal deviations at a chosen confidence level, for this study, confidence level is 95%, and z =1.96.

p = the proportion in the target population that assumes the characteristics being sought.

q = The balance from p to add up to 100%. That is 1- p, which in this case yield 1-50% (0.5)

d = Appropriate significance level, for this study at 95%, the significance level is 0.05.

Using this procedure, the sample size was found to be n=(1.96^2 x 0.5 x 0.5)/0.05^2 = 384. Since the population was less than 10,000, an adjusting formula, **nf** = n/(1+$^n/_N$) was used where: **nf** = the desired sample size after adjustment.

n = the desired sample size

N = an estimate of the population size

Upon using this formula, the adjusted sample size was **nf** = 384/(1+384/620) = 237.13, taken as 237 respondents (Mugenda & Mugenda, 2012).

In stage three, the 237 sampling units were allocated to the 9 selected companies using the proportional allocation scheme in which the sample size picked from each selected company was throughout being equivalent to the sampling fraction $^{237}/_{620}$. The weight attached to each company will be informed by the employee population of each selected company as contained in Annex 3. The respective company samples were as presented in the Table 3.2.

Table 3.2: Sample Distribution

Company to be sampled	Estimated Employees	Proportion (%)	No. of Respondents
Kakuzi Ltd	825	15.55	37
Sameer Africa	626	11.80	28
National Bank	934	17.60	42
Standard Group	554	10.44	25
E.A Portland	634	11.95	28
KenolKobil Ltd	525	9.89	23
CIC Insurance	609	11.48	27
Trans-Century Ltd	350	6.60	16
Eveready (EA)	250	4.71	11
Total	5,307	100.00	237

3.5   Data Collection Instruments

Oso and Onen (2011) define data as anything given or admitted as a fact on which a research inference will be based. Cooper and Schindler (2011); Mugenda and Mugenda (2012) defined data collection instruments as the tools and procedures used in the measurement of variables in research. The study was to establish the contribution of corporate governance on performance of listed Companies in Kenya. According to Mugenda and Mugenda (2012), in social science research, the most commonly used instruments are: questionnaires, interview schedules, observational forms and standardised tests. The study relied on primary data. Questionnaires was the main tools for collecting the primary data since the study was concerned with variables that cannot be directly observed such as views, opinions, perceptions and feelings of the respondents which are best collected by this technique (Touliatos & Compton, 2013). Questionnaires provide a high degree of data standardisation and adoption of generalised information amongst any population (Schutt, 2015). He further explains that questionnaires are useful in a descriptive survey study where there is need to quickly and easily get information from people in a non-threatening way.

Structured questionnaires were used as the tool to collect data in order to establish

the contribution of corporate governance on performance of listed Companies in Kenya. These enabled the study to balance between the quantity and quality of data collected and on the other hand provided more information on corporate governance. The data collection was conducted between May and June 2016.

3.6   Data Collection Procedure

Kombo and Tromp (2011), states that data collection is important in research because it allows for dissemination of accurate information and development of meaningful programmes. The questionnaires were self-administered. The researcher informed the respondents that the instruments being administered were for research purpose only and the response from the respondents will be kept confidential. The researcher obtained an introductory letter from the University in order to collect data from the field and then delivered the questionnaires to the respondents with the help of a research assistant using the drop and pick later method.

3.7   Pilot Testing

According to Cooper and Schindler (2011), pilot test is a pre-test done prior to the commencement of data collection to determine the accuracy of the research instruments (such as interview method questions and questionnaires) that is applied in obtaining desired information. The purpose of pilot testing was to establish the accuracy and appropriateness of the research design and instrumentation (Saunders, Lewis, & Thornhill, 2014). The instrument was first pre-tested using twenty-four respondents (about 10% of the sample size) from two listed companies in Kenya, who were not included in the final sample. The pilot testing exercise was conducted in a manner that mirrored the actual study. Research accepts items with validity and reliability coefficients to at least 0.70 (Oso & Onen, 2011). The aim of the pre-test was to improve, where necessary, the wording of the instruments in order to establish their psychometric properties. A questionnaire to produce useful results, it must be valid and reliable (Roberts, 2010). The pilot sample was conveniently selected to fast track the process and minimized time wastage in the collection of the pilot data as well as analysis.

3.7.1   Validity of the Research Instruments

Validity is the extent to which research results can be accurately interpreted and generalised to other populations. It is the extent to which research instruments measure what they are intended to measure (Oso & Onen, 2011). This study used both construct validity and content validity. For construct validity, the questionnaire was divided into several sections to ensure that each section assessed information for a specific objective, and also ensured that the same closely ties to the conceptual framework for this study.

To establish validity, the instruments was given to two experts to evaluate the relevance of each item in the instrument to the objectives and rate each item on a scale. They were asked to evaluate the statements in the questionnaire for relevance and whether they were meaningful, clear and polite. On the basis of the evaluation, the instrument was adjusted appropriately before subjecting it to the final data collection exercise. Their review comments were used to ensure that content validity is enhanced.

3.7.2   Reliability of the Research Instruments

Reliability is a measure of the degree to which a research instrument yields consistent results or data after repeated trials (Mugenda and Mugenda, 2012). This occurs due to random error and efforts were made to minimise it and hence increase the reliability of the data collected by ensuring accurate coding, the questionnaires ambiguities were removed and amble time was given to the correspondent for filling the questionnaire to avoid fatigue. Cronbach's alpha was used on the standardized items. This is a reliability coefficient that indicates how well the items in a set are positively correlated to one another. Cronbach's alpha is computed in terms of inter-correlation among the items measuring the concept.

The closer Cronbach's alpha is to 1, the higher the internal consistency reliability (Sekaran, 2011). If the Cronbach's alpha is above .70 the instrument is reliable. The pilot study results obtained indicated that all alpha coefficients were above 0.70, meaning that there was adequate internal consistency of the instrumentation that

allowed for the research to be undertaken. Observations made during the pilot testing exercise helped to improve the nature of questions contained in the questionnaire instrumentation.

3.8   *Data Analysis and Presentation*

According to Zikmund et al. (2010), data analysis refers to the application of reasoning to understand the data that has been gathered with the aim of determining consistent patterns and summarizing the relevant details revealed in the study. Cooper and Schindler (2011); Kombo and Tromp 2011; Kothari (2011); Mugenda and Mugenda (2012) and Oso and Onen (2011) argue data analysis refers to examining the data that has been collected and making deductions and inferences which involves uncovering underlying structures, extracting important variables, detecting any anomalies and testing any underlying assumptions. It involves scrutinizing the acquired information and making inferences.

The study expected to produce both quantitative and qualitative data. Therefore, both descriptive and inferential statistics were used to analyse the data. Once the questionnaires were received they were coded and edited for completeness and consistency. The data obtained was cleared and coded then SPSS was used for data analysis using quantitative data analysis as well as qualitative data analysis. The study collected and analysed primary data which was keyed into an excel table, before subjected to meaningful analysis through SPSS 22. The process involved the identification and correcting of errors in the data (data cleaning), coding the data and storing it in excel form. Data was coded and analysed simultaneously using content analysis method. A list of key categories and themes for each variable were generated and this helped to guide the nature of integration needed for the qualitative data processed.

The process, according to Cooper and Schindler (2011) involved reading through the questionnaires, developing codes, coding the data, and drawing connections between discrete pieces of data. Information was sorted, coded and input into the statistical package for social sciences (SPSS) for production of graphs, tables, descriptive statistics and inferential statistics. Descriptive statistics were describing the mean,

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frequency counts and standard deviation. Pearson correlation coefficient exploratory examined the relations between the variables. Multiple Regression examined the effect of the inter correlation of the control variables on the dependent variables and described the amount of variance.

To make inferences from an analysis, an assumption of a normally distributed dependent variable is important. One of the methods used to check for normality is the Q-Q test. A Q-Q test is a plot of percentiles of a standard distribution against the corresponding percentiles of the observed data (Keraro, 2014; Royston, 2012). When conducting a Q-Q test, the resulting plot should show an approximately straight line with a positive slope as a sign of normality. This method was employed to determine the normality of the dependent variable in the study.

Identification of multicollinearity in a model is important and is tested by examining the tolerance and the variance inflation factor (VIF) diagnostic factors (Mwaniki, 2015). The variance inflation factor (VIF) measures the impact of multicollinearity among the variables in a regression model. Keraro (2014) concluded that even though there is no formal criterion for determining the bottom line of the tolerance value or VIF, tolerance values that are less than 0.1 and VIF greater than 10 roughly indicates significant multicollinearity; a conclusion supported by Tavakol and Dennick (2011) and Gujarat (2011). A multicollinearity test was performed among the variables of the study and the results obtained are discussed in chapter four of this research study.

Autocorrelation is the correlation between members of a series of observations ordered in time or space (Gujarat, 2011; Cameron 2015). A Durbin-Watson test was used to detect the presence of autocorrelation between the variables and this produced a value of 1.630. The Durbin-Watson statistic ranges in value between 0 and 4 (Gujarat, 2011). A value near 2 indicates non-autocorrelation; a value closer to 0 indicates positive correlation while a value closer to 4 indicates negative correlation. An autocorrelation test was performed on the variables of the study and the results obtained are discussed in chapter four of this research.

3.9 Hypothesis Testing

The hypothesis testing was done at 5% level of significance and SPSS was used for this purpose. The data was then presented using frequency distribution tables, bar charts, and pie charts for easier understanding. Regression model was tested on how well it fitted the data. The significance of each independent variable was also tested. Fischer distribution test called F-test was applied; which refers to the ratio between the model mean square divided by the error mean square. F-test was used to test the significance of the overall model at a 95 percent confidence level. The study tested the individual linear regression models for each hypothesis of the form, $Y=\alpha+\beta X_i+\mu$ as follows:

H_{O1}: $Y = \alpha+\beta_1 X_1+\mu$ ---------------------------------- *Equation 1*

H_{O2}: $Y = \alpha+\beta_2 X_2+\mu$ ---------------------------------- *Equation 2*

H_{O3}: $Y = \alpha+\beta_3 X_3+\mu$ ---------------------------------- *Equation 3*

H_{O4}: $Y = \alpha+\beta_4 X_4+\mu$ ---------------------------------- *Equation 4*

H_{O5}: $Y = \alpha+ \beta_5 X_5+\mu$ ---------------------------------- *Equation 5*

Where: Y =   Company performance (dependent variable)

    α =   Constant

    $\beta_1....\beta_5$ =   Coefficients of independent variables

$X_1....X_5$ =   Values of the various independent (covariates) variables

    X_1 =   Leadership Structure

    X_2 =   Leadership composition

    X_3 =   Leadership independence

    X_4 =   Stakeholders' ownership

    X_5 =   Ownership concentration

μ =   Error term which is assumed to be normally distributed with mean zero and constant variance.

Multiple regression models attempt to determine whether a group of variables together predict a given dependent variable (Oso & Onen, 2011). A multiple regression model separates each individual variable from the rest allowing each to have its own coefficient describing its relationship to the dependent variable. This model was therefore adopted because the study had more than one variable. A multiple linear regression model was used to test the significance of the influence of the independent variables on the dependent variable. The multiple linear regression model was as laid below:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \mu \text{--------------------} \quad Equation\ 6$$

Where: Y =   Company performance (dependent variable)

α =   Constant

$\beta_1....\beta_5$ =   Coefficients of independent variables

$X_1....X_5$ =   Values of the various independent (covariates) variables

X_1 =   Leadership Structure

X_2 =   Leadership composition

X_3 =   Leadership independence

X_4 =   Stakeholders' ownership

X_5 =   Ownership concentration

μ =   Error term which is assumed to be normally distributed with mean zero and constant variance.

Analysis of Variance (ANOVA) was also done to establish whether the whole model was a significant fit of the data and therefore formed the tests of significance. ANOVA is a data analysis procedure that is used to determine whether there are significant differences between two or more groups of samples at a selected probability level (Mugenda & Mugenda, 2012). The data was presented using distribution tables for easier understanding. The p-value for the F-statistic was applied in determining the robustness of the model. The conclusion was based on the

basis of p-value where if the null hypothesis of the beta was rejected then the overall model was significant and if null hypothesis was accepted the overall model was insignificant. In other words, if the p-value was less than 0.05 then it was concluded that the model was significant and had good predictors of the dependent variable and that the results were not based on chance. If the p-value was greater than 0.05 then the model was not significant and was not used to explain the variations in the dependent variable. The decision rule is summarised in Table 3.3 below.

Table 3.3: Hypotheses Tests

Hypotheses statement	Hypothesis test	Decision rule
H$_{O1}$: Leadership Structure has no significant contribution on performance of listed companies in Kenya	Karl-Pearson's coefficient of correlation -F-test (ANOVA) -T-test **H01** : $\beta 1 = 0$	Reject H01 if P- value ≤ 0.05 otherwise fail to reject H01 if P is > 0.05
H$_{O2}$: Leadership composition does not have significant contribution on performance of listed companies in Kenya	Karl-Pearson's coefficient of correlation -F-test (ANOVA) -T-test **H02** : $\beta 2 = 0$	Reject H02 if P- value ≤ 0.05 otherwise fail to reject H02 if P is > 0.05
H$_{O3}$: Leadership independence has no significant contribution on performance of listed companies in Kenya	Karl-Pearson's coefficient of correlation -F-test (ANOVA) -T-test **H03** : $\beta 3 = 0$	Reject H03 if P- value ≤ 0.05 otherwise fail to reject H03 if P is > 0.05
H$_{O4}$: Stakeholders' ownership has no significant contribution on performance of listed companies in Kenya	Karl-Pearson's coefficient of correlation -F-test (ANOVA) -T-test **H04** : $\beta 4 = 0$	Reject H04 if P- value ≤ 0.05 otherwise fail to reject H04 if P is > 0.05
H$_{O5}$: Ownership concentration has no significant contribution on performance of listed companies in Kenya	Karl-Pearson's coefficient of correlation -F-test (ANOVA) -T-test **H05** : $\beta 5 = 0$	Reject H05 if P- value ≤ 0.05 otherwise fail to reject H05 if P is > 0.05

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSION

4.1   Introduction

The purpose of this study was to ascertain the contribution of corporate governance on performance of listed companies in Kenya. This chapter presents findings on the following areas: leadership structures; composition; independence; stakeholders' ownership; ownership concentration and company performance. Responses to these study areas are organised around specific questions asked. Findings for each question are corroborated with the empirical and theoretical literature reviewed in chapter two. At the end of each study question, the findings are briefly discussed and inferences drawn. Summary descriptive statistics, Regression and Correction Analyses and Analysis of Variance (ANOVA) are presented for each study variable. At the end of each variable, a model is fitted. An integrated model that takes into account all the variables of the study is fitted and discussed at the end of the chapter.

4.2   Response Rate

A response rate was calculated on the basis of the number of questionnaires collected out of the total distributed. A total of two hundred and thirty-seven (237) questionnaires were distributed to the nine companies targeted for the study. From the study, 182 questionnaires were duly filled and returned. However, after cleaning for outliers, the remainder was 175 questionnaires making a response rate of 74%. According to Mugenda and Mugenda (2012) a 50% response rate is adequate, 60% good and above 70% very good. Kothari (2011) supported this argument and said that responses between 60% - 70% are considered adequate while anything above 70% is considered an excellent response rate. According to Keraro (2014) a social study, responses yielding over 60% response rate are adequate for making significant research conclusions. The 74% response rate achieved was, therefore, considered excellent for providing information sufficient for analysis and drawing of meaningful conclusions of the study. Table 4.1 and Figure 4.1 present data on the response rate achieved.

Table 4.1:   Response Rate

Details	Frequency	Percent
Distributed Questionnaires	237	100%
Duly filled and returned Questionnaires	175	74%

From Table 4.2, a majority of the responses were received from Banking category, contributing 19% (34 respondents) of the total responses. The percentage distribution of the responses from each of the nine categories together with the number of respondents is presented in Table 4.2 below.

Table 4.2:   Respondents per Category

Category	Distribution	Responses	Responses %
Agricultural	37	30	17
Automobiles & Accessories, Communication & Technology, Growth Enterprise Market Segment	28	15	9
Banking	42	34	19
Commercial and Services	25	15	9
Construction and Allied	28	19	11
Energy and Petroleum	23	20	11
Insurance	27	19	11
Investment	16	14	8
Manufacturing and Allied	11	9	5
Total	**237**	**175**	**100**

4.3   Results of Pilot Study

4.3.1 Reliability of Research Instruments

The study sampled 9 companies and the instrument was first pre-tested in two listed companies in Kenya, using twenty-four respondents (about 10% of the sample size of 237 objects) who were not included in the final sample. Cronbach's alpha coefficients were used to check on the reliability among multiple measures and the internal consistency of the variables of the study. Cronbach's alpha is a reliability coefficient that indicates how well the items in a set are positively correlated to one another. It is computed in terms of inter-correlation among the items measuring the concept. The Cronbach's alpha coefficient ranges between 0 and 1 and alpha

coefficients of a minimum of 0.70 is considered appropriate (Hair *et al.,* 2010, Keraro, 2014). The closer Cronbach's alpha is to 1, the higher the internal consistency (Sekaran, 2010). If the Cronbach's alpha is above 0.7 the instrument is reliable. The study measures were found to be highly reliable in that they all had alpha coefficient greater than the minimum accepted Cronbach's alpha coefficient of 0.70 (Table 4.3).

Table 4.3:   Reliability Test Results

Variable Description	Nature of Variable	Cronbach's Alpha	No. of Items
Leadership Structure	Independent	.881	5
Leadership Composition	Independent	.909	5
Leadership Independence	Independent	.888	5
Stakeholders' ownership	Independent	.852	5
Ownership Concentration	Independent	.905	5
Company Performance	Dependent	.871	5

4.3.2 Validity of Research Instruments

The study used Principal Component Analysis (PCA) and Factor Analysis to validate data collected. According to Mugenda and Mugenda (2012), PCA is a variable reduction procedure that aims at decomposing many correlated measurements into a small set of uncorrelated (orthogonal) artificial variables called Principal Components. Factor analysis, on the other hand, is a statistical data exploration technique which is used in reducing a set of correlated variables to a smaller number of unobserved, uncorrelated factors (Cooper and Schindler, 2011; Mugenda and Mugenda, 2012; White, 2010). Before proceeding for the field, the data collected from the pilot study was subjected to factor analysis; appropriateness of factor analysis needed to be assessed.

While it is generally agreed that loadings from factor analysis of 0.7 and above are preferable for analysis, Keraro (2014) and Leech *et al.* (2011) explained that studies use 0.4 as a realistic measure if they are consistent with the theoretical labels given that 0.7 can be high for real life data to meet this threshold. However, as indicated in

the Principle Component matrices (Annex IV), all the components show a value of above 0.7 and therefore none was dropped. The two tests were performed to ensure that the data is suitable for analyses and Annex IV present the results obtained.

4.4   Respondents Information

4.4.1   Gender Distribution

The gender of the respondents was sought. A simple majority (66.1%) of the respondents were male while the rest (33.9%) of the respondents were female as shown in table 4.4. This is a good distribution which represents a fair gender balancing, an indication of successful efforts of various gender mainstreaming campaigns by various stakeholders and the Kenyan constitution 2010. Since majority of the responses for this study relies on the perceptual measures of the respondents, this gender distribution is expected to accommodate the opinions and views from both sides of the gender divide.

Table 4.4:   Distribution of Respondents by Gender

Gender	Frequency	Percent
Male	116	66.1
Female	59	33.9
Total	**175**	**100**

4.4.2   Job Titles of Respondents Distribution

This question sought to establish the level of employee title of the respondents. The unit of observation for this study was the top and middle management, supervisors and subordinate staff in the listed companies in Kenya as indicated in the methodology, this question sought to establish the job position of the respondents in the organization. Majority (54.4%) of the respondents were subordinate, 26.9% supervisory, 14.3% middle and top management designates with a paltry (4.4 %). Table 4.5 gives a summary of the position of the respondents. This was a very important profile distribution for this study since the respondents were the right people with adequate information relevant to this study hence best placed.

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Management take responsibility for company performance (Bossidy & Chara, 2012; Mauborgne & Kim, 2015; Mwanje, Guyo & Muturi, 2016). The distribution of the respondents is quite normal and fair representation of management.

Table 4.5:   Job Titles of Respondents

Designation levels	Subordinates	Supervisors	Middle Management	Top Management	Total
Frequency	95	47	25	7	175
Percent	54.4	26.9	14.3	4.4	100

4.4.3   Working Experience of Respondents Distribution

This question sought to investigate the number of years each respondent has worked with the listed company. Majority (79.5%) of the respondents had a working experience of 6 years and above and only (20.5%) had below 6 years of experience as shown in Table 4.6. This means that the respondents have adequate working experience with the listed company and therefore possess the necessary knowledge and information which was considered useful for this study.

Table 4.6:   Working Experience of Respondents

No. of Years Worked	0-5	6-10	11-15	16 and Above	Total
Frequency	36	68	54	17	175
Percent	20.5	38.6	31	9.9	100

4.5   Descriptive Analyses for the Independent Variables

This section presents descriptive analyses for the independent variables based on the findings and results obtained from the study. The purpose of descriptive statistics is to enable the study to meaningfully describe a distribution of scores or measurements using indices or statistics. The type of statistics or indices used depends on the type

of variables in the study and the scale of measurements. The commonly used measures are percentages, mode, mean, median and standard deviation. This study used percentages, means and standard deviations to present the study findings on factors used in examining the role of corporate governance leadership practices on performance of listed companies in Kenya. Results from each of the statements or questions used in collecting data have been corroborated with the literature reviewed in chapter two.

4.5.1 Descriptive Analysis for Leadership Structures

The study sought to establish the role of leadership structures on performance of listed companies in Kenya. Table 4.7 presents the frequency and percentage distribution of the findings on the independent variable; leadership structures.

A majority, 72% (sum of 48.1% and 23.9%) of the respondents agreed that leadership structures contribute to the performance of listed companies in Kenya. These findings concur with the views presented by Hannagan (2015) that leadership is the process of motivating other people to act in particular ways in order to achieve specific goals. Demirbas and Yukhanaev (2011) found that the CEO's leadership structure was among factors affecting performance of firms. The results are also consistent with observations made by Bekiris (2013) that while good management structures and processes do not in themselves produce good performance, poor structures make good performance impossible, no matter how good the individual managers may be.

These results reinforce observations by Schmid and Zimmermann (2011) that the structure of an organization is designed to breakdown the work to be carried out, tasks, into discrete components and that this might comprise individual businesses, divisions and functional departments. The findings further support the empirical results by Schmid and Zimmermann (2011) that a company's leadership required to have leaders appointed by the shareholders, steering committees constituted by the board of directors and the management directors who are employed by the board of directors to carry out the daily running of the company activities. The results support the argument that leadership structures is a process of social influence in which one person can enlist the aid and support of others in the accomplishment of a common

task (Covey, 2011).

Aras and Crowther (2013) justified the need for leadership structures by saying that the purpose of decision making, management structures are the division of work among members of the organization, and the co-ordination of their activities so they are directed towards the goals and objectives of the organization. Aras and Crowther (2013) gave five reasons why organizations should develop management structures as: they make possible the application of the processes and procedures of management; they create a framework of order and command through which activities of the organization can be planned, organised, directed and controlled; they define tasks and responsibilities, work roles and relationships, and channels of communication; they clarify work relations, establish hierarchical structures of decision making and power and finally; they provide an information portal for the organization.

Table 4.7: Responses to Leadership Structure Items

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total %
Leadership Strategy	3.4%	10.3%	13.7%	56.0%	16.6%	100.0
Leadership Structures	3.4%	8.6%	15.4%	57.7%	14.9%	100.0
Conflict of Interest	3.4%	10.3%	19.4%	48.0%	18.9%	100.0
Firm Company Checks	4.0%	4.6%	12.6%	46.3%	32.6%	100.0
Accountability Systems	3.4%	9.7%	17.7%	32.6%	36.6%	100.0
Average	**3.5%**	**8.7%**	**15.8%**	**48.1%**	**23.9%**	**100.0**

Table 4.8 presents the results using the weighted mean score and standards deviation. The highest mean score of 3.78 was on the conflict of interest question with a standard deviation of 1.012, followed by leadership structure mean of 3.73 with a standard deviation of 1.062. This implies that a majority of the respondents agreed that leadership Structure has a big role in organisations' corporate governance which in turn positively influences performance of listed companies in Kenya.

Table 4.8:   Weighted Means for Leadership Structure Items

	N	Minimum	Maximum	Mean	Std. Deviation
Leadership Strategy	175	1	5	3.69	1.028
Leadership Structures	175	1	5	3.73	1.062
Conflict of Interest	175	1	5	3.78	1.012
Firm Company checks	175	1	5	3.64	.995
Accountability Systems	175	1	5	3.66	1.060

Further, the respondents were probed to indicate how leadership structures influenced performance of their listed companies. The respondents explained that leadership structures of the CEO and good support and counsel of the chairman contribute heavily on the performance of the listed companies in Kenya on all aspects. On further probing the respondents indicated that good leadership structures contribute to profits, market share, share returns, customer satisfaction and overall performance of their listed companies.

4.5.2   Descriptive Analysis for Leadership Composition

Putting up proper leadership composition in organizations is always a necessity for any management processes. However, this necessity is often handled differently when it comes to the listed companies due to various competing demands or factors such as market dynamics, shareholder's politics, financial constraints and government regulations.

This study sought to examine the role of leadership composition in the performance of listed companies in Kenya. Table 4.9 present the percentage distribution of the findings of the independent variable, leadership composition. Table 4.9 presents results which show that over 70.2% (sum of 41.5% and 28.7%) of the respondents agreed that leadership composition contribute to the performance of listed companies in Kenya.

These results resonate well with those of the study undertaken by Mudashiru, et al. (2014) who concluded that good leadership composition in an organization should be composed in such a way as to ensure the diversity of experience, without compromising compatibility, integrity, availability and independence. The results are

also consistent with observations made by Bekiris (2013) that while good leadership composition does not in themselves produce good performance, poor composition make good performance impossible, no matter how good the individual managers may be.

These results reinforce observations by Al-Saidi and Al-Shammari (2013) that to achieve the leadership mandate, highly effective boards include a mix of leaders with the expertise and experience to fulfil their essential oversight roles. They also agree with Ford, Gresock and Peeper (2011) study which states that the right board composition is a function of securing the right stakeholders in the right proportion. The results support Li, et al. (2014) study argument that national differences in leadership provide different healthy patterns of corporate governance of different countries.

Table 4.9: Responses to Leadership Composition Items

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total %
Expertise	3.4%	9.7%	18.3%	39.4%	29.1%	100.0
Vision and Mission	4.6%	10.9%	14.3%	45.1%	25.1%	100.0
Ethical, Responsible and valuable perceptions	5.7%	8.6%	15.4%	39.4%	30.9%	100.0
Accessing of Information, Skills & Resources	7.4%	8.6%	12.6%	35.4%	36.0%	100.0
Policies, Regulations and Rules	6.3%	8.6%	14.9%	48.0%	22.3%	100.0
Average	5.5%	9.3%	15.1%	41.5%	28.7%	**100.0**

Table 4.10 presents the results using the weighted mean score and standards deviation. The highest mean score on the accessing of information, skills and resources question was for set objectives (3.84) with a standard deviation of 1.217, followed by expertise (3.81) with a standard deviation of 1.069 and ethical, responsible and valuable perception variable (3.81) with a standard deviation of 1.137. This implies that a majority of the respondents agreed that leadership

composition has a big role in organisations' corporate governance which in turn positively influences the performance of listed companies in Kenya.

Table 4.10:   Weighted Mean Results for Leadership Composition Items

	N	Minimum	Maximum	Mean	Std. Deviation
Expertise	175	1	5	3.81	1.069
Vision and Mission	175	1	5	3.75	1.089
Ethical, Responsible and valuable perceptions	175	1	5	3.81	1.137
Accessing of Information, Skills & Resources	175	1	5	3.84	1.217
Policies, Regulations and Rules	175	1	5	3.71	1.098

Further, the respondents were probed to indicate how leadership composition influenced performance of their listed companies. The respondents explained that good leadership composition contributes significantly to their company performance. On further probing the respondents indicated that good leadership composition should include their company business industry and market, financial management, legal and corporate governance experts which would ultimately contribute to profits, market share, share returns, customer satisfaction and overall performance of their listed companies.

4.5.3   Descriptive Analysis for Leadership Independence

The issue of leadership independence is important to the listed companies because each company holds unique cultures, some of which have been discovered and exploited while others have not. The issue, however, poses various complications because of the different levels of leadership between the board of directors, company committees, management and other stakeholders such as the employees. Deriving of benefits accruing from resources within listed companies by the shareholders is, thus, one big challenge for the listed company's leadership. Based on literature reviewed, it is argued that the degree of effective monitoring of listed companies is directly related to the degree of independency of the leaders (Xiaohui, 2015; Mensah, 2012; Prevost, Rao & Hossain, 2002).

This study sought to determine the extent to which leadership independence influences the performance of listed companies in Kenya. Findings from the study are presented in Table 4.11. These results show that a majority of 79.9% (sum of 53% and 26.9%) of the respondents affirmed that leadership independence is the responsibility of corporate governance and, therefore, important for the performance of listed companies in Kenya. The results support study by Mensah (2012) which stated that independency of boards was very important and the number of outside directors play a significant role in company performance as they have enough incentive to monitor managers since their own reputations depend.

The results agree with Prevost, Rao and Hossain (2002) study that found an inverse relationship between poor leadership independence and commitment to capital expenditure (a proxy for growth). In support to Mackenzie (2014); Wan and Ong (2005) studies, the results indicate that independent directors are more likely to perform better in their roles and duties. The study supports Opiyo (2013) and Srinivasan (2015) studies that reported that independent boards are more likely to protect the interests of shareholders against managerial opportunism. The results also agree with Ajinkya, et al. (2011) that firmed that greater board independence, management guidance was less optimistically biased, more accurate, and more precise for firm's success.

Table 4.11: Responses to Leadership Independence Items

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total %
Outsider Directors	0.0%	0.6%	33.7%	52.0%	13.7%	100.0
Code of Operations	0.6%	1.1%	13.1%	59.4%	25.7%	100.0
Effective Monitoring	0.0%	0.6%	9.1%	44.0%	46.3%	100.0
Separation of duties	0.6%	1.1%	24.0%	53.7%	20.6%	100.0
Leaders Relationships	0.0%	1.1%	14.9%	56.0%	28.0%	100.0
Average	0.2%	0.9%	19.0%	53.0%	26.9%	**100.0**

Table 4.12 presents weighted mean scores for the leadership independence variable of the study. The highest score on this variable was recorded on leadership

relationships with a mean score of 3.85 and a standard deviation of 0.983. This was followed by the outside directors with a mean of 3.83 and a standard deviation of 0.941. Based on these results, therefore, one may conclude that leadership independence that it is a critical factor that contributes to the company performance of listed companies in Kenya.

Table 4.12:   Weighted Means for Leadership Independence Items

	N	Minimum	Maximum	Mean	Std. Deviation
Outsider Directors	175	1	5	3.83	.941
Code of Operations	175	1	5	3.77	.925
Effective Monitoring	175	1	5	3.79	.955
Separation of duties	175	1	5	3.78	1.022
Leaders Relationships	175	1	5	3.85	.983

Further, the respondents were probed to indicate how leadership independence influenced performance of their listed companies. The respondents explained that good leadership independence contributes significantly to their company performance. On further probing the respondents indicated that for their companies to achieve best leadership independence, they outsider board of directors should be hired on qualifications, experience and persons of high integrity, which would ultimately contribute to profits, market share, share returns, customer satisfaction and overall performance of their listed companies.

4.5.4   Descriptive Analysis for Stakeholders' Ownership

This study sought to investigate the role of stakeholders' ownership on performance of listed companies in Kenya. Results obtained are presented in frequency distribution tables and percentages on Table 4.13. These results indicate that a majority of 64.6% (sum of 49.2 and 15.4%) of the respondents agreed that stakeholders' ownership contributed to the performance of listed companies in Kenya.

These findings are consistent with conclusions by Solomon (2013) that emphasised on the importance of stakeholders' ownership as the countries that followed civil law;

for example, France, Germany, Italy and Netherlands, developed corporate governance frameworks that focused on the interests of stakeholders that included employees, customers, creditors, managers, suppliers and the wider community. The results resonate Simsek (2014) and Smith (2013) studies that noted shareholders had a more direct incentive than directors serving on the corporate board to monitor the management. The scholars concluded that certain stakeholders' ownership characteristics, such as the proportion of stakeholder's influence or the level of stakeholders' ownership, were associated with the shareholders' willingness and ability to monitor the management.

The results support study by Opiyo (2013), that key argument underlying the effective corporate governance role of stakeholders was that they have relatively more value at stake and have a greater incentive, and potentially greater means, to monitor managers. The conclusion supports prior studies that found out that a higher proportion of stakeholders' ownership was associated with improved corporate governance (Healy, Hutton & Palepu, 2011; Noe, 2012). Mallette and Fowler (2012); Gillan and Starks (2011) studies that found that greater stakeholders' ownership was associated with greater stakeholder's protection, increased firm value, and improved performance.

Table 4.13:   Responses to Stakeholders' Ownership Items

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total %
Shareholders Contribution	2.3%	8.0%	33.7%	48.6%	7.4%	100.0
Ownership Benefits	3.4%	12.6%	29.7%	44.0%	10.3%	100.0
Types of Ownership	4.0%	12.0%	14.3%	56.0%	13.7%	100.0
Stakeholders and Investors Relationship	4.0%	11.4%	13.7%	50.3%	20.6%	100.0
Value of Ownership	3.4%	9.1%	15.4%	46.9%	25.1%	100.0
Average	3.4%	10.6%	21.4%	49.2%	15.4%	**100.0**

From Table 4.14, the highest mean score of 3.81 recorded on stakeholders' ownership contribution to performance of listed companies in Kenya. One may, thus,

conclude that stakeholders' ownership contributes to the performance of listed companies in Kenya.

Table 4.14:   Weighted Means for Stakeholders' Ownership Items

	N	Minimum	Maximum	Mean	Std. Deviation
Shareholders Contribution	175	1	5	3.51	.836
Ownership Benefits	175	1	5	3.45	.957
Types of Ownership	175	1	5	3.63	.996
Stakeholders and Investors Relationship	175	1	5	3.72	1.043
Value of Ownership	175	1	5	3.81	1.025

Further, the respondents were probed to indicate how stakeholders' ownership influenced performance of their listed companies. The respondents explained that stakeholders' ownership contributes significantly to their company performance. On further probing the respondents indicated that with conducive internal and external company environment where they are recognised and appreciated with freedom to give their views and creativity, they felt ownership of their companies which would ultimately contributed to the company profits, market share, share returns, customer satisfaction and overall performance of their listed companies.

4.5.5   Descriptive Analysis for Ownership Concentration

This study sought to investigate the role of ownership concentration on performance of listed companies in Kenya. Results obtained are presented in frequency distribution tables and percentages on Table 4.15. These results indicate that a majority of 86.9% (sum of 36.7% and 50.2%) of the respondents agreed that ownership concentration contributed to the performance of listed companies in Kenya.

These findings are consistent with conclusions by Clarke and Branson (2012); that blockholders tend to actively promote long term performance and to discipline management. The results agree with Williamson (2011) study that concluded that diffuse ownership exacerbates agency problems notwithstanding the ambiguous

impact on overall firm value. Listed companies such as Mumias Sugar Company, reportedly, are good example as farmers who had a single 80% ownership disaggregated to small individual shares. They concluded that ownership concentration is likely to result in lower agency costs.

Other studies that the results support are by McConnell et al. (2010); Dittmar and Mahrt-Smith (2011) that found a positive relation between ownership concentration and firm value and more direct tests of the relation between ownership concentration and monitoring of management find the association to be positive. These results were consistent with the argument that the free-rider problem makes it cost ineffective for small shareholders to act as monitors of management (Opiyo, 2013). The conclusions agree with Rozanov (2011) who found out that ownership concentration as a proxy for good corporate governance and opportunistic insider trading.

Table 4.15:   Responses to Ownership Concentration Items

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total %
Major Shareholders Interest	0.0%	0.6%	9.1%	39.4%	50.9%	100.0
Firm's Value	0.6%	1.7%	10.9%	35.4%	51.4%	100.0
Firm size	0.0%	0.0%	12.0%	40.6%	47.4%	100.0
Industry Affiliation	1.1%	3.4%	16.6%	36.6%	42.3%	100.0
Strong Ownership Command	0.0%	0.0%	9.7%	31.4%	58.9%	100.0
Average	0.3%	1.1%	11.7%	36.7%	50.2%	**100.0**

Table 4.16 summarizes the weighted means of the elements investigated on ownership concentration. These results, empirically provides evidence that, statistically, ownership concentration has a significant positive effect on the relationships between the independent variables and the performance of listed companies in Kenya. The result, further, indicate that major shareholders interest had the most influence on the sub-variables measured followed closely by industry affiliation in listed companies' operations.

Table 4.16:   Weighted Means for Ownership Concentration Items

	N	Minimum	Maximum	Mean	Std. Deviation
Major Shareholders Interest	175	1	5	3.94	.966
Firm's Value	175	1	5	3.65	.982
Firm size	175	1	5	3.75	1.024
Industry Affiliation	175	1	5	3.91	.942
Strong Ownership Command	175	1	5	3.71	1.016

Further, the respondents were probed to indicate how ownership concentration influenced performance of their listed companies. The respondents explained that ownership concentration contributes significantly to their company performance. On further probing the respondents indicated that shareholders should be encouraged to have a bigger stockholding in order to have a higher say in the management of the company which would ultimately contributed to the company profits, market share, share returns, customer satisfaction and overall performance of their listed companies.

4.6   Descriptive Analysis for the Dependent Variable

This section presents findings based on the various questions asked in relation to the dependent variable, performance of listed companies in Kenya. Five sub-variables were used to measure the dependent variable, i.e.: profits, market share, share value, customer satisfaction index and employee satisfaction index. A question was raised for each of the five measures of company performance and Tables 4.17- 4.21, presents the descriptive results obtained.

4.6.1   Range of Profits

The respondents were asked to indicate the range of the profits of their company for the past five years. Results are presented in table 4.17. In the year 2011, 32% of the respondents indicated that the profits in their company was between 2.1 - 5%, 30%

of the respondents indicated that the profits in their company was between 5.1 - 7%, 24% of the respondents indicated that the profits in their company was less than 2% while only 14% of the respondents indicated that the value of turnover in their company was more than 7%.

In the year 2012, 52% of the respondents indicated that the profits in their company was between 2.1 - 5%, 18% of the respondents indicated that the profits in their company was less than 2%, 18% of the respondents indicated that the profits in their company was between 5.1 - 7% while only 12% of the respondents indicated that the value of turnover in their company was more than 7%.In the year 2013, 68% of the respondents indicated that the profits in their company was between 2.1 - 5%, 18% of the respondents indicated that the profits in their company was between 5.1% - 7%, 10% of the respondents indicated that the profits in their company was less than 2% while only 4% of the respondents indicated that the value of turnover in their company was more than 7%.

In the year 2014, 35% of the respondents indicated that the profits in their company was less than 2%, 35% of the respondents indicated that the profits in their company was between 5.1 - 7%, 20% of the respondents indicated that the profits in their company was between 2.1 - 5% while only 10% of the respondents indicated that the value of turnover in their company was more than 7%.In the year 2015, 55% of the respondents indicated that the profits in their company was less than 2%, 30% of the respondents indicated that the profits in their company was between 2.1 - 5%, 10% of the respondents indicated that the profits in their company was between 5.1 - 7% while only 5% of the respondents indicated that the profits in their company was more than 7%.

Table 4.17:   Responses to Range of the Profits

Year	2011	2012	2013	2014	2015
Less than 2%	24	18	10	35	55
Between 2.1% - 5%	32	52	68	20	30

Between 5.1% - 7%	30	18	18	35	10
More than 7%	14	12	4	10	5
TOTAL %	**100**	**100**	**100**	**100**	**100**

4.6.2 Range of Market Share

The respondents were asked to indicate the range of the market share of their company in Kenya for the past five years. Results are presented in table 4.18. In the year 2011, 44% of the respondents indicated that the market share in their company in Kenya was between 11 - 30%, 25% of the respondents indicated that the market share in their company in Kenya was between 31 - 50%, 21% of the respondents indicated that the market share in their company in Kenya was less than 10% while only 10% of the respondents indicated that the market share in their company in Kenya was more than 50%.

In the year 2012, 40% of the respondents indicated that the market share in their company in Kenya was between 11 - 30%, 21% of the respondents indicated that the market share in their company in Kenya was less than 10%, 25% of the respondents indicated that the market share in their company in Kenya was between 31 - 50% while only 14% of the respondents indicated that the market share in their company in Kenya was more than 50%. In the year 2013, 35% of the respondents indicated that the market share in their company in Kenya was between 31 - 50%, 31% of the respondents indicated that the market share in their company in Kenya was less than 10%, 19% of the respondents indicated that the market share in their company in Kenya was more than 50% while only 15% of the respondents indicated that the market share in their company in Kenya was between 11 - 30%.

In the year 2014, 40% of the respondents indicated that the market share in their company in Kenya was between 31 - 50%, 27% of the respondents indicated that the market share in their company in Kenya was less than 10%, 18% of the respondents indicated that the market share in their company in Kenya was between 11 - 30% while only 15% of the respondents indicated that the market share in their company in Kenya was more than 50%. In the year 2015, 22% of the respondents indicated

that the market share in their company in Kenya was less than 10%, 32% of the respondents indicated that the market share in their company in Kenya was between 11 - 30%, 25% of the respondents indicated that the market share in their company in Kenya was between 31 - 50% while only 21% of the respondents indicated that the market share in their company in Kenya was more than 50%.

Table 4.18:   Responses to Range of the Market Share

Year	2011	2012	2013	2014	2015
Less than 10%	21	21	31	27	22
Between 11% - 30%	44	40	15	18	32
Between 31% - 50%	25	25	35	40	25
More than 50%	10	14	19	15	21
TOTAL %	100	100	100	100	100

4.6.3   Range of Shareholder Returns

The respondents were asked to indicate the range of return on shareholder returns of their company in Kenya for the past five years. Results are presented in table 4.19. In the year 2011, 32% of the respondents indicated that the shareholders returns in their company in Kenya was less than 5%, 34% of the respondents indicated that the shareholders returns in their company in Kenya was between 11 - 15%, 24% of the respondents indicated that the shareholders returns in their company in Kenya was between 6 - 10% while only 10% of the respondents indicated that the shareholders returns in their company in Kenya was more than 15%.

In the year 2012, 30% of the respondents indicated that the shareholders returns in their company in Kenya was between 6 - 10%, 29% of the respondents indicated that the shareholders returns in their company in Kenya was between 11-15%, 26% of the respondents indicated that the shareholders returns in their company in Kenya was less than 5% while only 15% of the respondents indicated that the shareholders returns in their company in Kenya was more than 15%. In the year 2013, 39% of the

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respondents indicated that the shareholders returns in their company in Kenya was between 11 - 15%, 25% of the respondents indicated that the shareholders returns in their company in Kenya was between 6 -10%, 21% of the respondents indicated that the shareholders returns in their company in Kenya was less than 5% while only 15% of the respondents indicated that the shareholders returns in their company in Kenya was more than 15%.

In the year 2014, 31% of the respondents indicated that the shareholders returns in their company in Kenya was between 6 - 10%, 39% of the respondents indicated that the shareholders returns in their company in Kenya was between 11-15%, 20% of the respondents indicated that the shareholders returns in their company in Kenya was more than 15% while only 10% of the respondents indicated that the shareholders returns in their company in Kenya was less than 5%. In the year 2015, 39% of the respondents indicated that the shareholders returns in their company in Kenya was between 6 - 10%, 22% of the respondents indicated that the shareholders returns in their company in Kenya was less than 5% while 29% of the respondents indicated that the shareholders returns in their company in Kenya was between 11 -15% and 10% respondents indicated more than 15%.

Table 4.19:   Responses to Range of the Shareholder Returns

Year	2011	2012	2013	2014	2015
Less than 5%	32	26	21	10	22
Between 6% - 10%	24	30	25	31	39
Between 11% - 15%	34	29	39	39	29
More than 15%	10	15	15	20	10
TOTAL %	**100**	**100**	**100**	**100**	**100**

The study findings on profits, market share and shareholders returns supports Dutta and Fan (2014) study which found that the nature of company performance measures can also be firm specific, depending on internal policies as cash flows,

accounting numbers and stock prices produce different incentives for managers and concluded that measuring performance requires weighing the relevance of the company performance to focal stakeholders. Thus, the results agree the key reason why listed company would want to enhance its economic growth and development is so as to improve the material welfare of the company (Lev, Demerjian, & McVay 2012).

4.6.4   Range of Customer Satisfaction Index

The respondents were asked to indicate the customer satisfaction index of their company in Kenya for the past five years. Results are presented in table 4.20. In the year 2011, 46% of the respondents indicated that the customer satisfaction index of their company in Kenya was less than 50%, 39% of the respondents indicated that the customer satisfaction index of their company in Kenya was between 51 - 75% while 15% of the respondents indicated that the customer satisfaction index of their company in Kenya was more than 75%. In the year 2012, 55% of the respondents indicated that the customer satisfaction index of their company in Kenya was between 51 - 75%, 25% of the respondents indicated that the customer satisfaction index of their company in Kenya was more than 75% while 20% of the respondents indicated that the customer satisfaction index of their company in Kenya was less than 50%.

In the year 2013, 62% of the respondents indicated that the customer satisfaction index of their company in Kenya was between 51 - 75%, 22% of the respondents indicated that the customer satisfaction index of their company in Kenya was more than 75% while 16% of the respondents indicated that the customer satisfaction index of their company in Kenya was less than 50%. In the year 2014, 61% of the respondents indicated that the customer satisfaction index of their company in Kenya was between 51 - 75%, 24% of the respondents indicated that the customer satisfaction index of their company in Kenya was more than 75% while 15% of the respondents indicated that the customer satisfaction index of their company in Kenya was less than 50%.

In the year 2015, 57% of the respondents indicated that the customer satisfaction index of their company in Kenya was between 51 - 75%, 35% of the respondents

indicated that the customer satisfaction index of their company in Kenya was more than 75% while 8% of the respondents indicated that the customer satisfaction index of their company in Kenya was less than 50%. It can generally be observed that customer satisfaction below 50% is declining every year thus explaining why market share was also raising as corporate governance leadership practices have continued to be improved at the listed companies in Kenya management.

Table 4.20:   Responses to Range of the Customer Satisfaction Index

Year	2011	2012	2013	2014	2015
Less than 50%	46	20	16	15	8
51% - 75%	39	55	62	61	57
Above 75%	15	25	22	24	35
TOTAL %	**100**	**100**	**100**	**100**	**100**

Further, the respondents were asked to indicate other ways in which corporate governance leadership practices have influenced customer satisfaction. The respondents indicated that corporate governance leadership practices have influenced customer satisfaction in various ways such as increasing the level of customer satisfaction which results to high customer turnover in the listed company, quick problem solving for customers, improved customer trust and quick response to any issues raised by the customers.

4.6.5   Range of Employee Satisfaction Index

The respondents were asked to indicate the employee satisfaction index of their company in Kenya for the past five years. Results are presented in table 4.21. In the year 2011, 45% of the respondents indicated that the employee satisfaction index of their company in Kenya was between 51 - 75%, 30% of the respondents indicated that the employee satisfaction index of their company in Kenya was less than 50%while 25% of the respondents indicated that the employee satisfaction index of their company in Kenya was above 75%. In the year 2012, 55% of the respondents

indicated that the employee satisfaction index of their company in Kenya was between 51 - 75%, 27% of the respondents indicated that the employee satisfaction index of their company in Kenya was above 75% while 18% of the respondents indicated that the employee satisfaction index of their company in Kenya was less than 50%.

In the year 2013, 59% of the respondents indicated that the employee satisfaction index of their company in Kenya was between 51 - 75%, 13% of the respondents indicated that the employee satisfaction index of their company in Kenya was less than 50% while 28% of the respondents indicated that the employee satisfaction index of their company in Kenya was above 75%. In the year 2014, 57% of the respondents indicated that the employee satisfaction index of their company in Kenya was between 51 - 75%, 12% of the respondents indicated that the employee satisfaction index of their company in Kenya was less than 50% while 31% of the respondents indicated that the employee satisfaction index of their company in Kenya was above 75%.

In the year 2015, 52% of the respondents indicated that the employee satisfaction index of their company in Kenya was between 51 - 75%, 35% of the respondents indicated that the employee satisfaction index of their company in Kenya was above 75% while 13% of the respondents indicated that the employee satisfaction index of their company in Kenya was less than 50%. It can generally be observed that employee satisfaction above 50% is generally rising every year thus explaining why staff unrest have reduced in the past years in many listed companies as corporate governance leadership practices have continued to be improved.

Table 4.21:   Responses to Range of the Employee Satisfaction Index

Year	2011	2012	2013	2014	2015
Less than 50%	30	18	13	12	13
51% - 75%	45	55	59	57	52
Above 75%	25	27	28	31	35

TOTAL %	100	100	100	100	100

Further, the respondents were asked to indicate other ways in which corporate governance leadership practices have influenced customer satisfaction. The respondents indicated that corporate governance leadership practices have increased the level of employee satisfaction among the listed companies in Kenya.

These results are consistent with arguments by Hannagan (2015) that leaders need to lay strategy, plan on the allocation of the available resources and apply corporate governance principles to achieve the level of company performance desired. The results also resonate with observations by Mishra and Mohanty (2014) that organizational performance encompasses specific areas of firm outcomes: financial performance (profits, return on assets, return on investment, etc.); market performance (sales, market share, etc.); shareholder return (total shareholder return, economic value added, etc.) and customer satisfaction (customer retention, loyalty, products and service attributes, image and reputation, etc). The study agrees with the scholars' conclusion that good corporate governance is a major ingredient to company performance.

The findings from this study, thus, reinforce observations made by various scholars that good corporate governance is a key factor in the performance of listed companies which could be measured through, among other factors, rising profits, increase in market share, dividends, company share value and customer satisfaction (Liston, Chong & Bayram, 2014; Lev, Demerjian, & McVay 2012; Levenson & Stede, 2011).

4.7   Requisite Tests

4.7.1   Principal Component and Factor Analyses

The study used Principal Component Analysis (PCA) and Factor Analysis to validate data collected. According to Mugenda and Mugenda (2012), PCA is a variable reduction procedure that aims at decomposing many correlated measurements into a small set of uncorrelated (orthogonal) artificial variables called Principal Components. Factor analysis, on the other hand, is a statistical data exploration

technique which is used in reducing a set of correlated variables to a smaller number of unobserved, uncorrelated factors (Cooper & Schindler, 2011; Mugenda & Mugenda, 2012; White, 2010).

While it is generally agreed that loadings from factor analysis of 0.7 and above are preferable for analysis. Keraro (2014) and Leech *et al.* (2011) explained that studies use 0.4 as a realistic measure if they are consistent with the theoretical labels given that 0.7 can be high for real life data to meet this threshold. However, as indicated in the Principle Component matrices (Annex IV), all the components show a value of above 0.7 and therefore none was dropped. The two tests were performed to ensure that the data was suitable for analyses and Annex IV present the results obtained.

4.7.2 Multicollinearity

Multicollinearity is a statistical phenomenon in which two or more independent variables in a multiple regression model are highly correlated (Kothari, 2011), meaning that one can be linearly predicted from the others with a non-trivial degree of accuracy. A multicollinearity test was conducted among the study variables using tolerance and variance inflation factor (VIF) statistics of predictor variables. According to Keraro (2014) and Cohen et al. (2015), the suggested cut-off point for multicollinearity is tolerance level of 0.8. Also, Gujarat (2011); Levenson and Stede (2011) proposed a cut-off point for determining presence of multicollinearity at a tolerance value of less than 0.10, or a variance inflation factor (VIF) of above 10.

This study finding show that the independent variables; leadership Structures, composition, independence, stakeholders' ownership and ownership concentration have a high tolerance. VIF values for study variables range between 1.561 and 5.041, an indication that the beta values of the regression equation of five independent variables were stable with low standard errors. The results presented in Table 4.22 show that there was no multicollinearity among the variables in the study data.

Table 4.22:   Multicollinearity Tests

Variable	Tolerance	VIF
Leadership Structures	.261	3.838
Leadership Composition	.626	1.598

Leadership Independence	.198	5.041
Stakeholders' ownership	.640	1.561
Ownership Concentration	.210	4.754

4.7.3 Autocorrelation Tests

An autocorrelation test was conducted on the study using the Durbin-Watson statistic. As a rough rule of thumb, Mwaniki (2015) quoted Verbeek (2004) and Gujarat (2011) who suggested that if the Durbin-Watson value is less than 1.0 or greater than 3.0, there may be cause for concern. Keraro (2014) quoted Verbeek (2004) who concluded that the closer to 2 the value is the better. According to Chen (2016) Autocorrelation is present when Durbin-Watson value is less than 1.5 (-ve autocorrelation) and greater than 2.5 (+ve autocorrelation). In the case of this study, the result of the autocorrelation test shows that there was no cause for concern since the Durbin −Watson value is **1.630** and it lies between 1.5 and 2.5 (Table 4.23).

Table 4.23:   Autocorrelation Tests

Model Summary[b]

Model	Durbin-Watson
1	1.630[a]

a. Predictors: (Constant), Ownership Concentration, Stakeholders' Ownership, Leadership Composition, Leadership Structures, Leadership Independence

b. Dependent Variable: Company Performance

4.7.4 Normality Test

As discussed in section 3.9 of this thesis, it is important for a research of this nature, to assume a normally distributed dependent variable in order to make inferences from the analysis. Test of normality is done by inspecting the output of the histogram and normal Q-Q plot for the dependent variable (Keraro, 2014; Pallant, 2010; Tabachnick & Fidell, 2014). One of the methods used to check for normality is the histogram and Q-Q test. Keraro (2014) quoted Royston (2012) who argued that a Q-Q test is a plot of percentiles of a standard distribution against the corresponding

percentiles of the observed data. In carrying out a Q-Q test, the resulting plot should show an approximately straight line with a positive slope as a sign of normality.

Normal test of the items of Performance of listed companies in Kenya as a dependent variable was carried out by the use of a normal Q-Q plot and histogram. The histogram and a Q-Q plot are shown in figure 4.1 and figure 4.2. The results of the histogram and Q-Q plot, shows an insignificant deviation of observations from the normal line thus a high level of normality. This, therefore, means that inferences on assumption of normality could be made on the dependent variable and a multiple regression model could be fitted since the dependent variable is normally distributed.
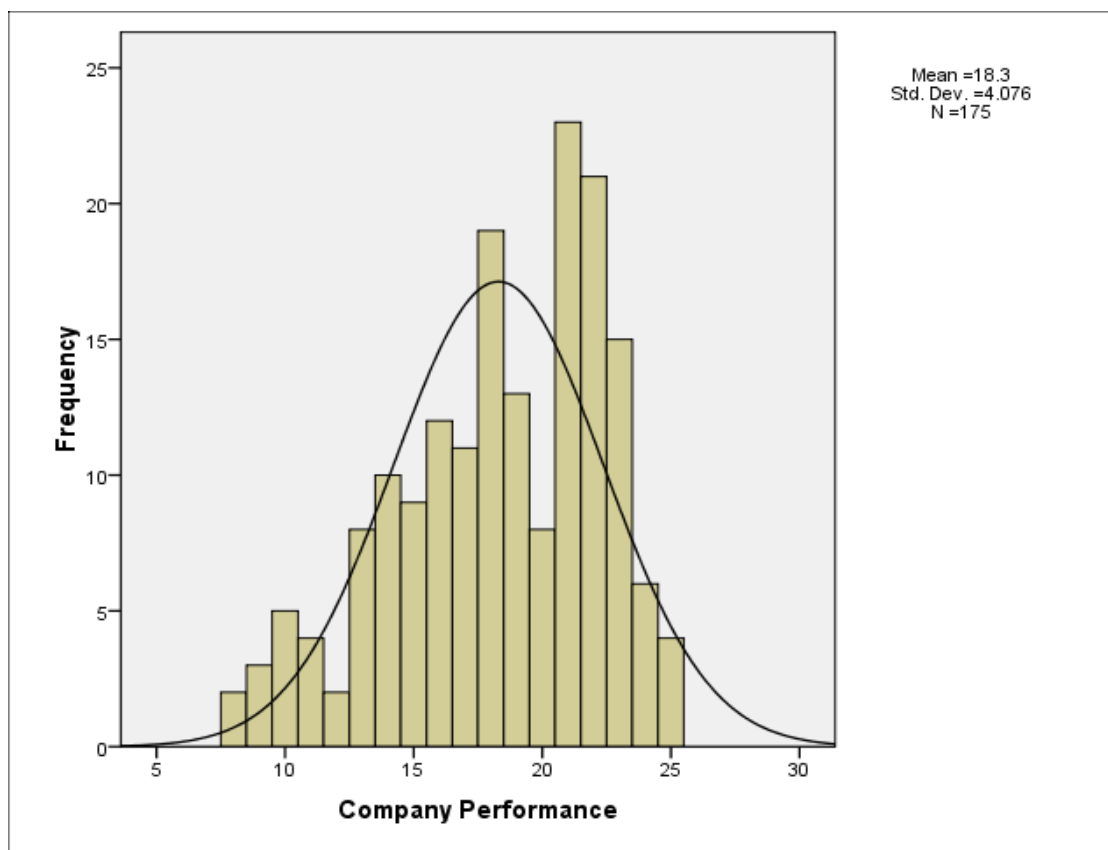
Figure 4.1   Histogram for the Dependent Variable
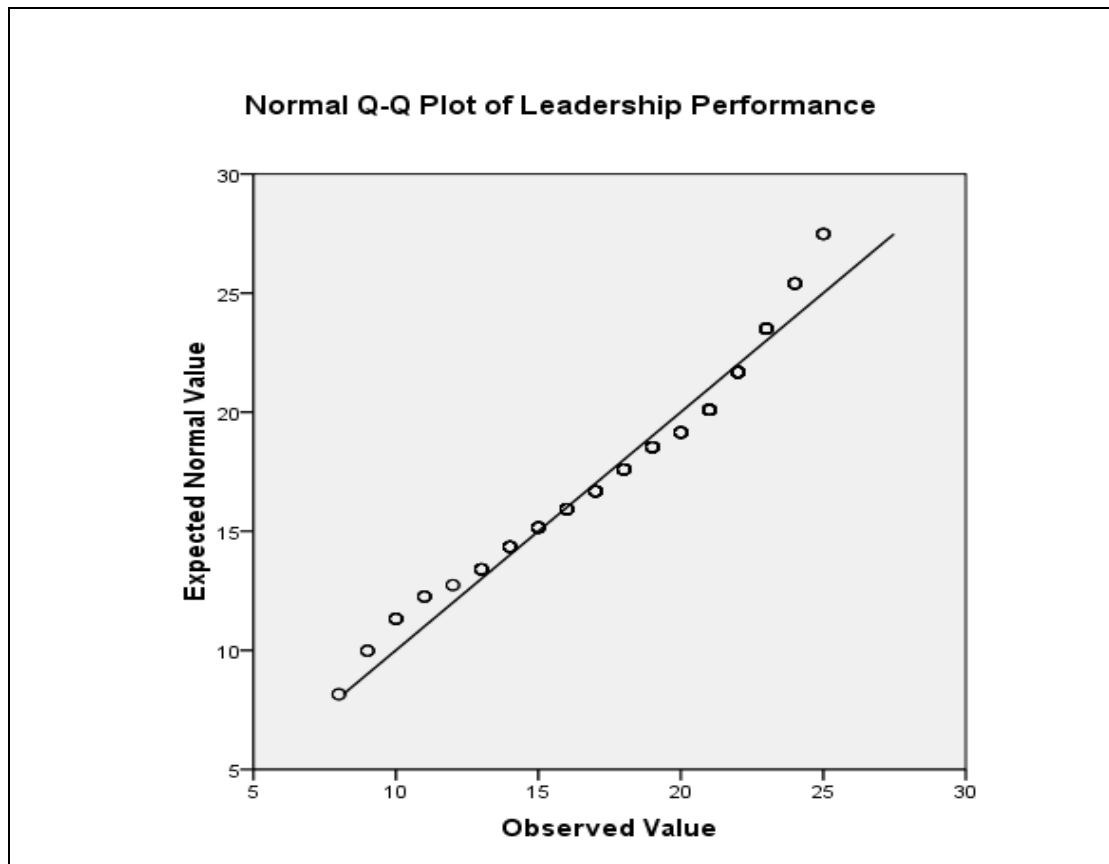
Figure 4.2   Q-Q plot for Dependent Variable

4.7.5   Heteroscedasticity

Heteroscedasticity means that previous error terms are influencing other error terms and this violates the statistical assumption that the error terms have a constant variance (Mugenda & Mugenda, 2012). The test for heteroscedasticity of the dependent variable performed on this study generated the results presented in Figure 4.3 and there was no evidence of heteroscedasticity. The Variance inflation factor (VIF) was checked in all the analysis and it ranged from above 1 to 5 which is not a cause of concern.
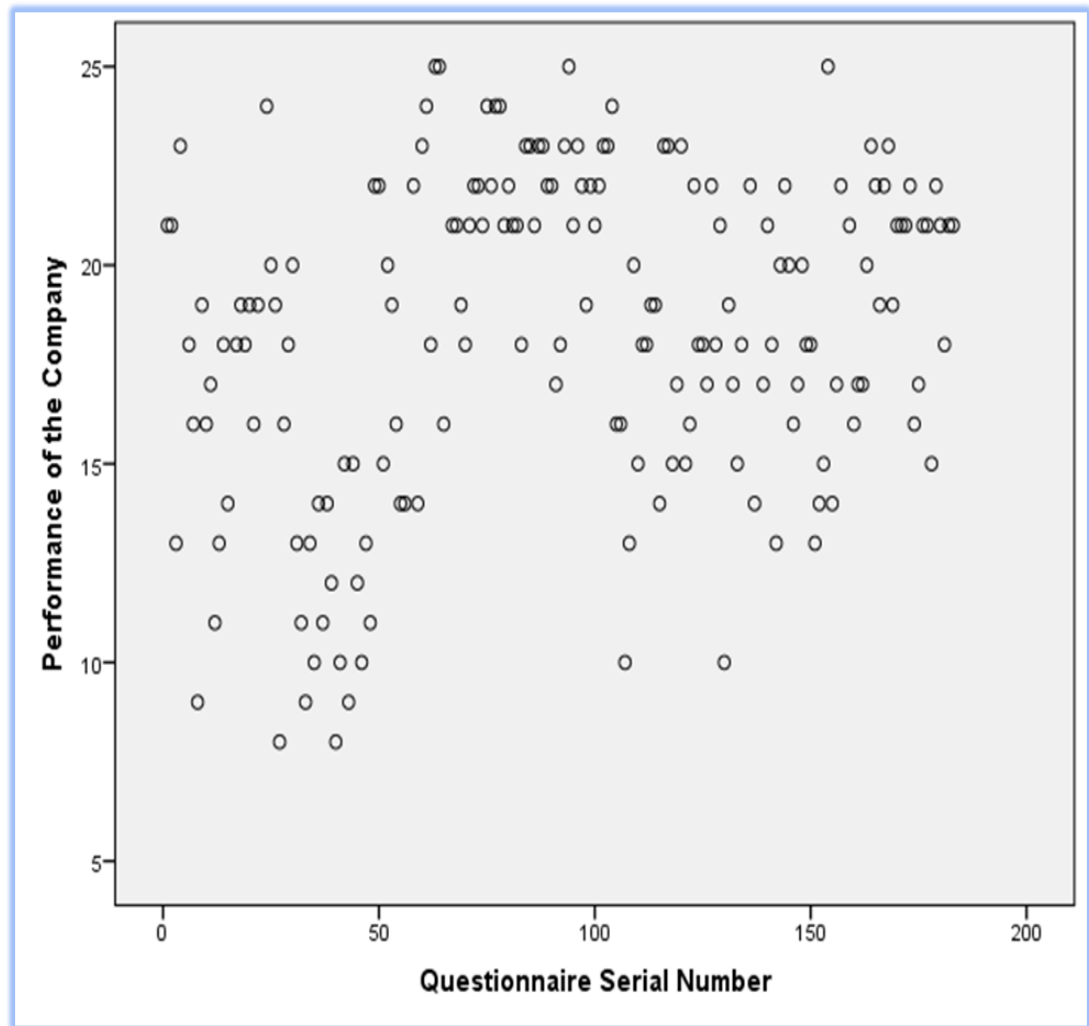
Figure 4.3   Heteroscedasticity Test

4.8   Inferential Analysis

Inferential statistics are a set of methods used to make generalization, estimate, prediction or decision. In statistics, statistical inference is the process of drawing conclusions from data that are subject to random variation, for example, observational errors or sampling variation (Ngari, 2016). More substantially, Freeman (2010) stated that the terms statistical inference, statistical induction and inferential statistics are used to describe systems of procedures that can be used to draw conclusions from datasets arising from systems affected by random variation, such as observational errors, random sampling, or random experimentation. Initial requirements of such a system of procedures for inference and induction are that the system should produce reasonable answers when applied to well-defined situations

and that it should be general enough to be applied across a range of situations. Inferential statistics are used to test hypotheses and make estimations using sample data. Thus, we use inferential statistics to make inferences from our data to more general conditions. In this study, inferential analysis was conducted through the use of correlation and regression analysis to determine the relationship between the dependent and other variables as used in the study.

4.8   Correlation Analysis

According to Ngari (2016) correlation refers to any of a broad class of statistical relationships involving dependence and is used to analyse the degree of relationship between the variables. The correlation ratio is able to detect almost any functional dependency, and the entropy based mutual information, total correlation and dual total correlation are capable of detecting even more general dependencies. These are sometimes referred to as multi-moment correlation measures, in comparison to those that consider only second moment (pair wise or quadratic) dependence. Mallin, 2015 stated that the Pearson correlation coefficient indicates the strength of a linear relationship between two variables, but its value generally does not completely characterize their relationship.

For this study, the Pearson moment correlation (r) was used as well as the P- values of significance showing the degree and significance of the relationship. The Pearson correlation coefficient (r) informs a researcher the magnitude and direction of the relationship between two variables, the bigger the coefficient, the stronger the association (Mugenda & Mugenda, 2011).

4.8.1   Correlation Analysis for Variable Leadership Structure

The study sought to find out the correlation of leadership Structure and company performance. Correlation was used to analyse the degree of relationship between leadership Structure and company performance. Pearson's Correlation indicates the extent of interdependence between the two variables. Tables 4.24 indicate there is a 30.1% positive correlation between leadership structures and company performance of listed companies in Kenya.

These results confirm conclusions by Aduda (2011) that growing demands of stakeholders and shareholders for knowledge production, wealth creation and social relevance have placed inordinate pressure on leaders to maintain vigilance and be strategically positioned to seize opportunities and avert threats quickly and efficiently in order to achieve the required performance. Mudashiru, et al (2014) argued that the leaders should provide sound leadership and structures in order to be in firm control of the affairs of the company in a lawful, efficient and effective manner, such that the organisation may increasingly improve on its value creation; and with due regard to the other stakeholders' interests, ensure that the value created is shared among the interested parties such as the shareholders and employees.

Opiyo (2013) concurred that research in legal perspective, that board of directors is the top leadership organ and foremost body responsible for governing the affairs of a corporation as they have a fiduciary duty to look after the best interests of the shareholders. This is true because leadership structures, according to Covey (2011) and Mudashiru et al. 2014) is organizing a group of people to achieve a common goal and activities such as task allocation, coordination and supervision directed toward the achievement of organisational aims. Adoption of appropriate leadership Structure and structure can help provide firm control of the company operations during periods of organizational turmoil and still achieve good performance (Aras & Crowther, 2013).

Table 4.24: Pearson Correlation Coefficients for Leadership Structure

		Company Performance	Leadership Structures
Company Performance	Pearson Correlation	1	.301[**]
	Sig. (2-tailed)		.000
	N	175	175
Leadership Structures	Pearson Correlation	.301[**]	1
	Sig. (2-tailed)	.000	
	N	175	175

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

4.8.2 Correlation Analysis for Leadership Composition

The study sought to find out the correlation of leadership composition and company performance. Pearson correlation coefficient was used to gauge the relationship between leadership composition and company performance. The results indicated that leadership composition has a significant positive relationship with company performance. Tables 4.25 show a 36.9% positive correlation between leadership composition and the company performance in listed companies in Kenya.

The findings support arguments by various scholars that leadership composition gives formal roles, responsibilities and lines of monitoring and evaluating an organisation. The results agree with Bekiris (2013), the company would have leader's experts on company operations to ensure viability and compliance of company regulations. The findings from this study also affirmed the conclusions in studies by Mudashiru, et al. (2014) that the main purpose of boards is monitoring and setting policies for the management of the organisation. These scholars held the view that modern leadership practises encourage formulation of policies, regulations and rules for adhered to by their employees which result in improvement to the company performance.

Leadership composition influence the sources of an organization's competitive advantage, particularly with regard to talent development and management. Failure to adjust leadership composition appropriately can fatally undermine company performance and thus jeopardize organisational success.

Table 4.25:   Coefficients for Leadership Composition

		Company Performance	Leadership Composition
Company Performance	Pearson Correlation	1	.369[**]
	Sig. (2-tailed)		.000
	N	175	175
Leadership Composition	Pearson Correlation	.369[**]	1
	Sig. (2-tailed)	.000	

		N	175	175

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

4.8.3 Correlation Analysis for Leadership Independence

The study sought to find out the correlation of leadership independence and company performance. Pearson correlation coefficient was used to gauge the relationship between leadership independence and company performance. The results indicated that leadership independence has a significant positive relationship with company performance.

Table 4.26 shows a 27% positive correlation between leadership independence and the dependent variable, the performance of listed companies in Kenya. These findings agree with conclusions reached by Kholeif (2013); Mashayekhi and Bazaz (2013) that practice of poor relationship between the Board and Management negatively affected Egyptian listed firms' performance. The results also confirm studies by Hazarika, et al. (2012); Linck, Netter and Yang (2015) who submitted that the growth of any listed company depends on the independence of the leaders employed to manage the company as well as the skills and knowledge each leader has in respect to the company.

These findings also agree with observations by Phan (2010) and Reddy, et al. (2011) who stated that there is need for a clear understanding of the risks and how to safeguard against the interference of leaders of listed companies' independence. They argued that more attention should be paid to oversight and accountability by putting in place laws that would strengthen listed companies' leaders' independence and boost stakeholder's participation and inclusiveness. They noted that different listed companies had varied policies of appointing their leaders as some are government companies while others are private companies; therefore, some were inevitably likely to have higher company performance than others.

Table 4.26:   Correlation Coefficients for Leadership Independence

		Company Performance	Leadership Independence
Company Performance	Pearson Correlation	1	.270**
	Sig. (2-tailed)		.000

		Company Performance	Stakeholders' Ownership
Leadership Independence	N	175	175
	Pearson Correlation	.270**	1
	Sig. (2-tailed)	.000	
	N	175	175

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

4.8.4 Correlation Analysis for Stakeholders Ownership

The study sought to find out the correlation of stakeholder's ownership and company performance. Correlation was used to analyse the degree of relationship between stakeholder's ownership and company performance. Pearson's Correlation indicates the extent of interdependence between the two variables. Table 4.27 shows that there is a 29.5% positive correlation between stakeholders' ownership and the dependent variable, the performance of listed companies in Kenya.

These findings are consistent with the observations made by Berkman, et al., (2012) that stakeholders' ownership is an interest of the shareholders, the company leadership as they contribute to the company performance. The findings uphold arguments by Solomon (2013) who held the view that every stakeholder owned the company and took great interest on its performance. He further argued that countries like France, Germany, Italy and Netherlands, developed corporate governance frameworks that focused on the interests of stakeholders; employees, customers, creditors, managers, suppliers and the wider community; performed better than those who despised.

Table 4.27:   Pearson Correlations for Stakeholders' Ownership

		Company Performance	Stakeholders' Ownership
Company Performance	Pearson Correlation	1	.295**
	Sig. (2-tailed)		.000
	N	175	175
Stakeholders' Ownership	Pearson Correlation	.295**	1
	Sig. (2-tailed)	.000	
	N	175	175

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

4.8.5 Correlation Analysis for Ownership Concentration

The study sought to find out the correlation of ownership concentration and company performance. Correlation was used to analyse the degree of relationship between ownership concentration and company performance. Pearson's Correlation indicates the extent of interdependence between the two variables. Table 4.28 shows a 30.8% positive Pearson's correlation for the independent variable, ownership concentration, the dependent variables and the performance of listed companies in Kenya. These results are consistent with discussions by Clarke and Branson (2012) that ownership concentration tend to actively promote long term performance and disciplined management.

Table 4.28:   Pearson Correlation Coefficients for Ownership Concentration

		Company Performance	Ownership Concentration
Company Performance	Pearson Correlation	1	.308**
	Sig. (2-tailed)		.000
	N	175	175
Ownership Concentration	Pearson Correlation	.308**	1
	Sig. (2-tailed)	.000	
	N	175	175

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

4.9 Regression Analysis

The study further carried out regression analysis to establish the statistical significance relationship between the independent variables notably, leadership Structure, leadership composition, leadership independence, stakeholder's ownership and ownership concentration on the dependent variable which is company performance. Recent researchers have quoted Marshall and Rossman (2006) who states regression analysis is a statistics process of estimating the relationship between variables (Keraro, 2014; Mwaniki, 2016; Opiyo 2012. Regression analysis helps in

generating equation that describes the statistics relationship between one or more predictor variables and the response variable.

The coefficient of determination, R^2 was used in this study as a useful tool because it gives the proportion of the variance (fluctuation) of one variable that is predictable from the other variable. It is a measure which allowed us to determine how certain one can be in making predictions from a certain model/graph. The coefficient of determination is the ratio of the explained variation to the total variation. The coefficient of determination is such that $0<R^2<1$, and denotes the strength of the linear association between x and y.

The coefficient of determination was used to measure how well the regression line represents the data. If the regression line passes exactly through every point on the scatter plot, it would be able to explain all of the variation. The further the line is away from the points, the less it is able to explain. The regression analysis results were presented using a scatter plot diagram, regression model summary tables, Analysis of Variance (ANOVA) tables and beta coefficients tables. The p - values were used to measures the hypotheses of the study.

4.9.1 Regression Analysis for Leadership Structure versus Company Performance

H_{O1}: *Leadership Structure has no significant contribution on the performance of listed companies in Kenya*

Regression analysis was conducted to determine whether there is significance relationship between leadership structures and company performance. To determine how well the model fits the data in question, the study deemed it necessary to draw a line of best fit given its importance as a key indicator of the predictive accuracy of the model (Keraro, 2014). Figure 4.4 indicates that, even though there are some observations that lie away from the line of best fit, there is a general trend demonstrating a positive linear relationship between leadership structure and the performance of listed companies in Kenya.
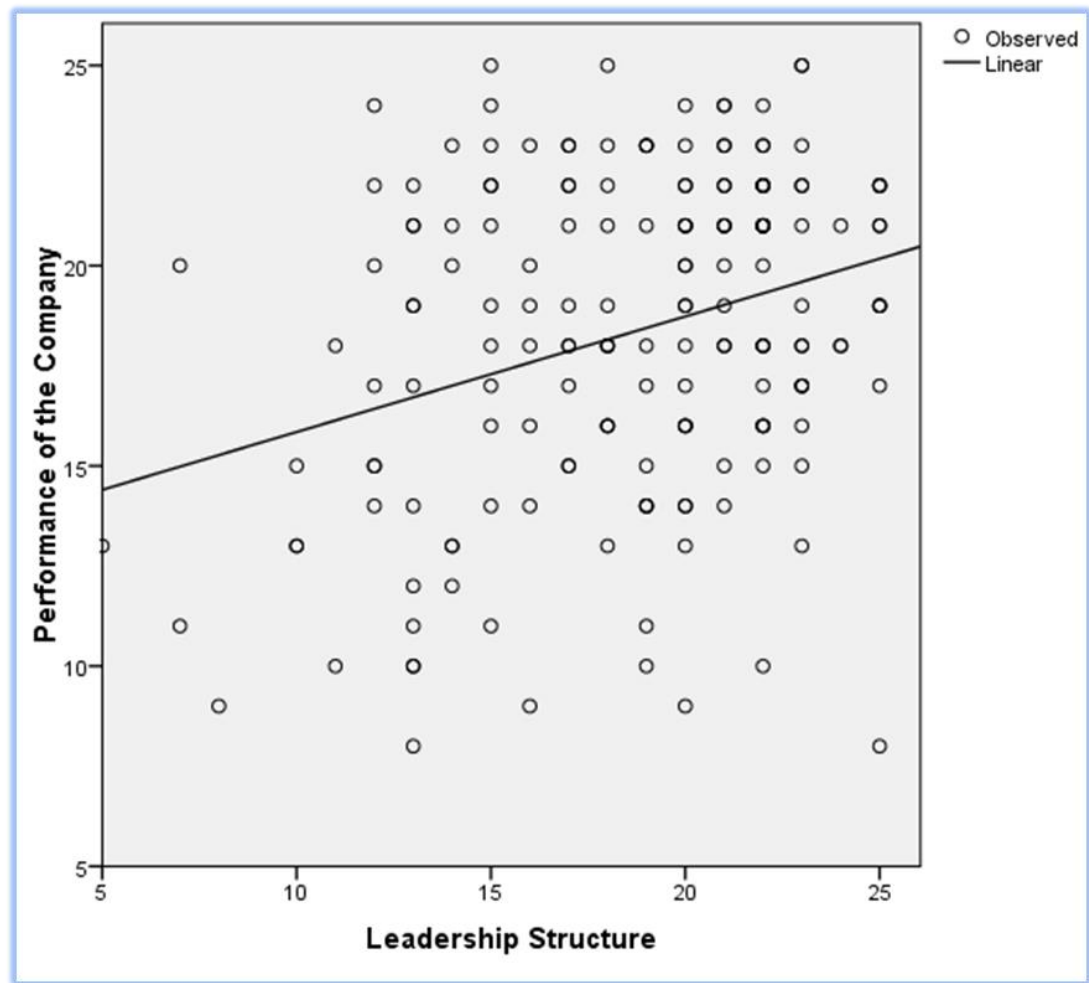
Figure 4.4   Line of Best Fit for Leadership Structures

Regression analysis for Leadership Structures was carried out in order to determine whether the independent variable, leadership structures can be relied on in explaining the change in the dependent variable, the performance of listed companies in Kenya. The coefficients obtained indicate that the correlation coefficient (R) between the independent variable and the performance of listed companies in Kenya was .301 which is a positive correlation relationship. Table 4.29 shows a coefficient of determination (R^2) of .090, which means that this variable alone can explain only up to 9.0% of the variations in the dependent variable, performance of listed companies in Kenya.

Table 4.29:   Model Fitness for Leadership Structures

Model	R	R^2	Adjusted R^2	Std. Error of the Estimate
		Model Summary		
1	.301[a]	.090	.085	3.898

a. Predictors: (Constant), Leadership Structures

An ANOVA test was performed on the variable, strategy formulation and execution and the results are summarised in Table 4.30. The table shows that the variable has a P-value equal to .000, demonstrating that the model is statistically significant in explaining the change in the dependent variable, considering that the P-value is less than .05 at the 95% level of confidence.

Table 4.30:   ANOVA for Leadership Structures

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	261.281	1	261.281	17.192	.000[b]
Residual	2629.267	173	15.198		
Total	2890.549	174			

a. Dependent Variable: Company Performance

b. Predictors: (Constant), Leadership Structures

Table 4.30 and 4.31 indicates that leadership structures is statistically significant since its p-value is less than .05 (*p*-value =.000). Using the summary presented in Table 4.31, a linear regression model of the form, $Y = α + βX_i$ can be fitted as follows:

Y = 12.961 +0.289X₁   ....*Equation 1*

The coefficient of 0.289 on Table 4.31 means that a unit change in leadership structures will lead a positive change in company performance at the rate of 28.9%. This implies that you cannot ignore leadership structures when driving performance

in the listed company in Kenya. The positive y-intercept means that in the absence of all the independent variables (i.e. when X_i is zero), the dependent variable has a positive constant of (+*12.961*).

Table 4.31: Correlation Coefficients of Leadership Structures

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	12.961	1.320		9.817	.000
	Leadership Structures	.289	.070	.301	4.146	.000

a. Dependent Variable: Performance of the Company

In terms of significant associations found between leadership structures versus company performance with regard to the entire tested sample, it was concluded that; the Null Hypothesis (H_{01}) is rejected and a conclusion reached that, at 5% level of significance, **leadership Structure play a significant role in for the performance of listed companies in Kenya.**

4.9.2   Regression Analysis for Leadership Composition versus Company Performance

H_{O2}: Leadership Composition has no significant contribution on the performance of listed companies in Kenya

Regression analysis was conducted to determine whether there is significance relationship between leadership composition and company performance. To determine how well the model fits the data in question, it was deemed necessary to draw a line of best fit since it is a key indicator of the predictive accuracy of the model (Keraro, 2014; Anderson et al., 2012). Figure 4.5 shows that there is, generally, a positive linear relationship between leadership composition and the

performance of listed companies in Kenya.
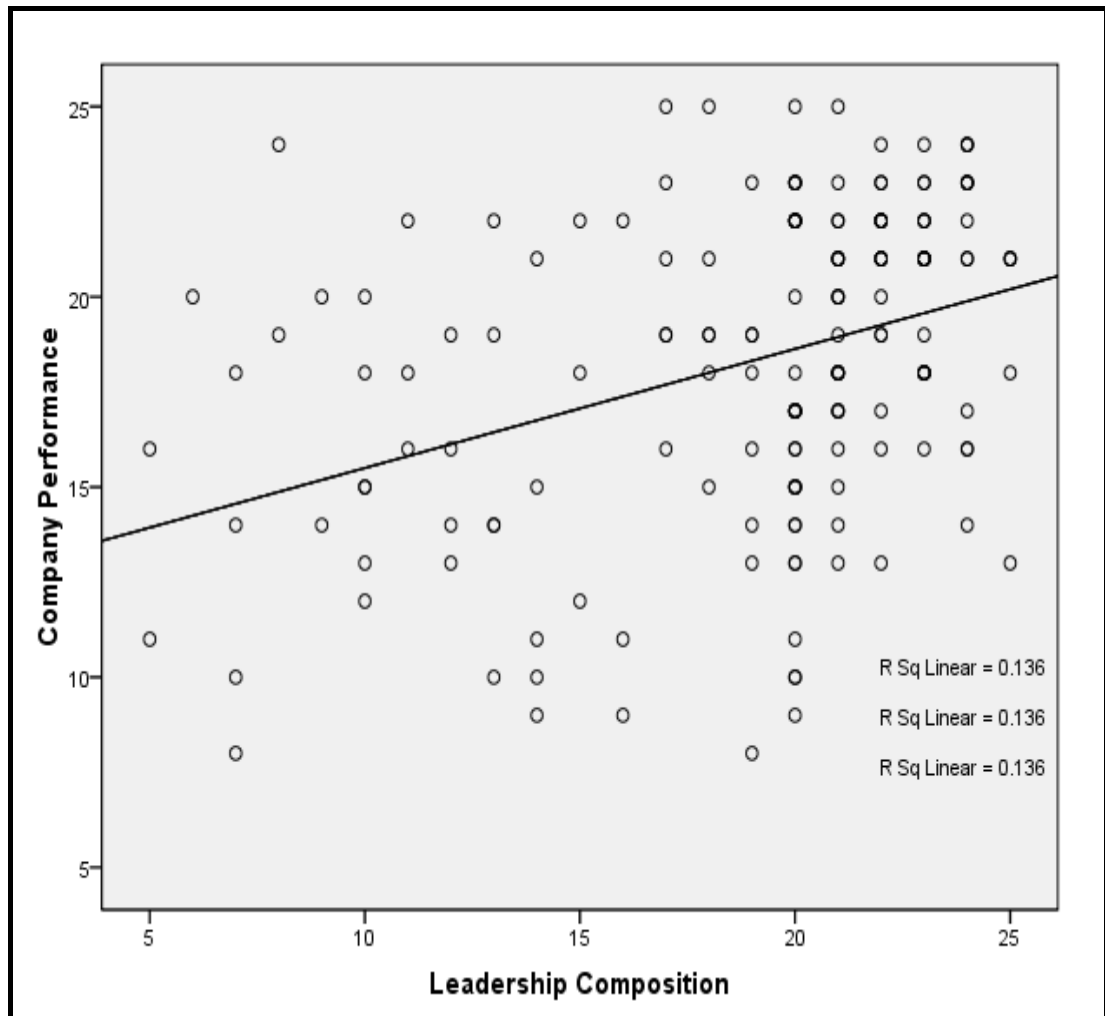
Figure 4.5   Line of Best Fit for Leadership Composition

Regression analysis was performed in order to determine whether the independent variable, leadership composition can be relied on in explaining the change in the dependent variable, performance of listed companies in Kenya. The coefficient of determination (R^2) derived from the study suggested that leadership composition can explain up to 13.6% (Table 4.32) of the change in the performance of listed companies in Kenya. This study, therefore, established that there is need to implement good leadership composition so as to enable leaders achieve the desired results in their respective companies.

Table 4.32: **Model Fitness for Leadership Composition**

				Model Summary	
Model	R	R^2	Adjusted R^2	Std. Error of the Estimate
1	.369[a]	.136	.131	3.799

a. Predictors: (Constant), Leadership Composition

Results of an ANOVA test performed on the variable, leadership composition is summarized in Table 4.33. This table shows that the variable has a P-value equal to .000, demonstrating that the model is statistically significant considering that the P value is less than .05 at the 95% level of confidence.

Table 4.33: **ANOVA for Leadership Composition Variable**

						ANOVA[a]
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	394.107	1	394.107	27.311	.000[b]
	Residual	2496.441	173	14.430		
	Total	2890.549	174			

a. Dependent Variable: Company Performance

b. Predictors: (Constant), Leadership Composition

Using the summary results presented in Table 4.31, a linear regression model of the form $Y = \alpha + \beta X_i$ can be fitted as shown in equation 2.

Y = 12.369 +0.313X₁ .... *Equation 2*

The coefficient of 0.313 on Table 4.34 means that a unit change in leadership composition will lead a positive change in company performance at the rate of 31.3%. This implies that you cannot ignore leadership composition when driving performance in the listed company in Kenya. The positive y-intercept means that in

the absence of all the independent variables (i.e. when X_i is zero), the dependent variable has a positive constant of (+*12.369*).

Table 4.34:   Correlation Coefficients for Leadership Composition

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	12.369	1.170		10.570	.000
	Leadership Composition	.313	.060	.369	5.226	.000

a. Dependent Variable: Company Performance

Thus, in terms of significant associations found between leadership composition versus Company performance with regard to the entire tested sample, it was concluded that; the Null Hypothesis (H02) is rejected and a conclusion reached that, at 5% level of significance, **leadership composition plays a significant role in the performance of listed companies in Kenya**.

4.9.3   Regression Analysis for Leadership Independence versus Company Performance

H$_{O3}$:   Leadership Independence has no significant contribution on the performance of listed companies in Kenya

Regression analysis was conducted to determine whether there is significance relationship between leadership independence and company performance. To determine how well the model fits the data in question, it was deemed necessary to draw a line of best fit since it is a key indicator of the predictive accuracy of the model (Keraro, 2014; Anderson et al., 2012). Figure 4.6 shows that there is, generally, a positive linear relationship between leadership independence and the

performance of listed companies in Kenya.
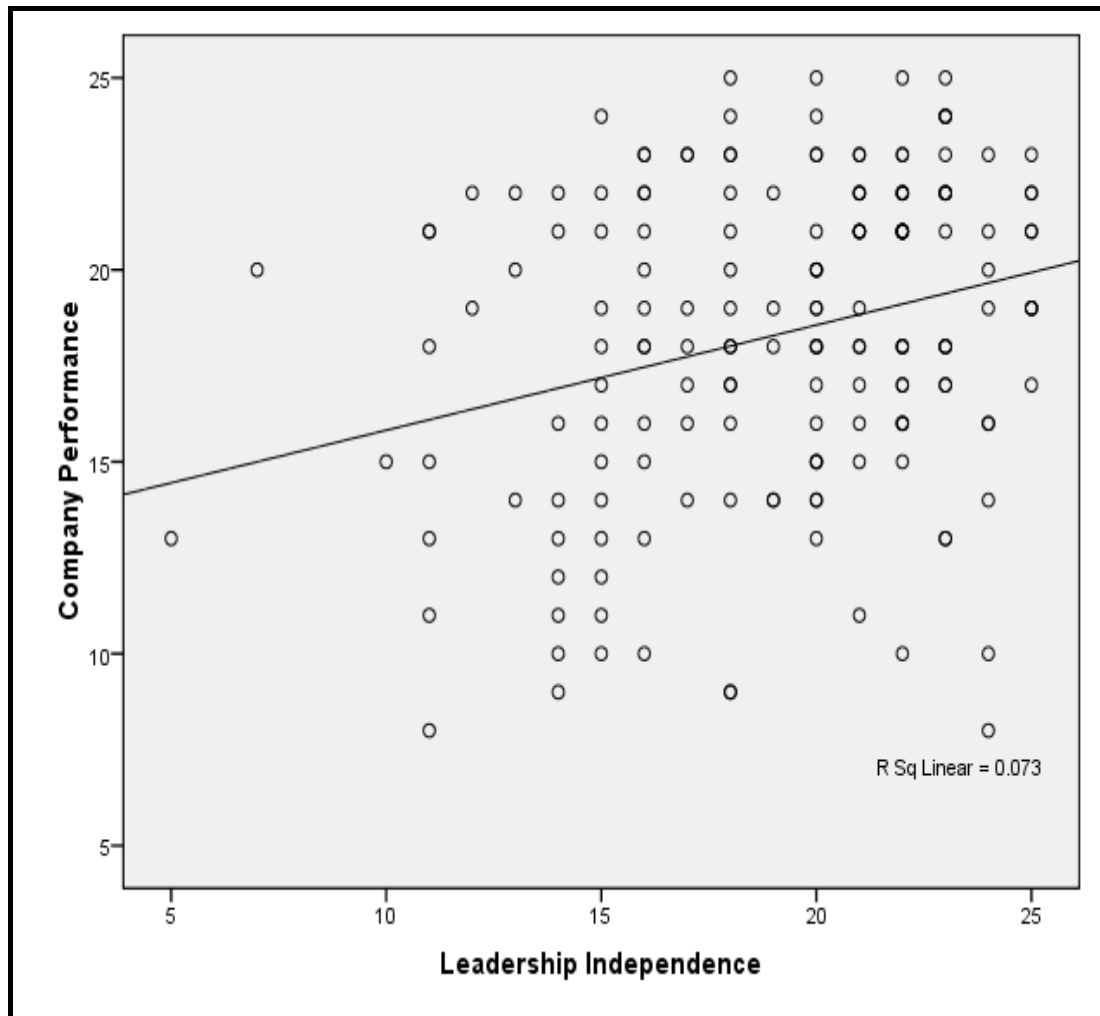
Figure 4.6   Line of Best Fit for Leadership Independence

A Regression analysis was carried out on leadership independence to determine whether the variable could be relied on in explaining the change in the dependent variable, performance of listed companies in Kenya. The results confirmed a 27% positive correlation (R) between leadership independence and performance of listed companies in Kenya (Table 4.35). The coefficient of determination statistic (R^2) derived suggested that leadership independence can explain up to 7.3% of the change in the performance of listed companies in Kenya. This means that listed companies require ensuring engaging independent leaders in management of their companies so as to achieve the desired company performance.

Table 4.35:   Model Fitness for Leadership Independence

Model Summary

Model	R	R2	Adjusted R2	Std. Error of the Estimate
1	.270[a]	.073	.067	3.936

a. Predictors: (Constant), Leadership Independence

Results of the ANOVA test performed on the leadership independence variable are presented in Table 4.36. This table shows that the variable has a *p-value* equal to .000, thus demonstrating that the model is statistically significant considering that the *p-value* is less than .05 at the 95% level of confidence.

Table 4.36:   ANOVA for Leadership Independence

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	210.238	1	210.238	13.570	.000[b]
	Residual	2680.311	173	15.493		
	Total	2890.549	174			

a. Dependent Variable: Company Performance

b. Predictors: (Constant), Leadership Independence

Using the date presented on table 4.34, a linear regression model of the form $Y = \alpha + \beta X_i$ can be fitted as shown in equation 3.

Y = 13.081 +0.274X$_1$ .... *Equation 3*

Table 4.34 shows a positive beta coefficient of 0.274, meaning that leadership independence has a positive influence on the performance of listed companies in Kenya. Table 4.34 indicates that leadership independence has a significant statistical

p-value =.000. This study, at 95% confidence level, thus solved the third hypothesis that there is a significant positive linear relationship between leadership independence and the performance of listed companies in Kenya.

The coefficient of 0.274 on Table 4.37 means that a unit change in leadership independence will lead a positive change in company performance at the rate of 27.4%. This implies that you cannot ignore leadership independence when driving performance in the listed company in Kenya. The positive y-intercept means that in the absence of all the independent variables (i.e. when X_i is zero), the dependent variable has a positive constant of (+*13.081*).

Table 4.37:   Correlation Coefficients for Leadership Independence

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	**Std. Error**	**Beta**	**t**	**Sig.**
1	(Constant)	13.081	1.447		9.041	.000
	Leadership Independence	.274	.074	.270	3.684	.000

a. Dependent Variable: Company Performance

Thus, in terms of significant associations found between leadership independence versus company performance with regard to the entire tested sample, it was concluded that; the Null Hypothesis (H03) is rejected and a conclusion reached that, at 5% level of significance, **leadership independence plays a significant role in the performance of listed companies in Kenya.**

4.9.4   Regression Analysis for Stakeholders' Ownership versus Company Performance

H$_{O4}$:   Stakeholders' Ownership has no significant contribution on the performance of listed companies in Kenya

Regression analysis was conducted to determine whether there is significance relationship between stakeholders' ownership and company performance. A line of

best fit was fitted to determine how well stakeholders' ownership fitted the data in question. A Line of best fit is one of the key indicators of the predictive accuracy of the model (Keraro, 2014; Anderson et al., 2012). Figure 4.7 shows that there is, generally, a positive linear relationship between stakeholders' ownership and the performance of listed companies in Kenya.
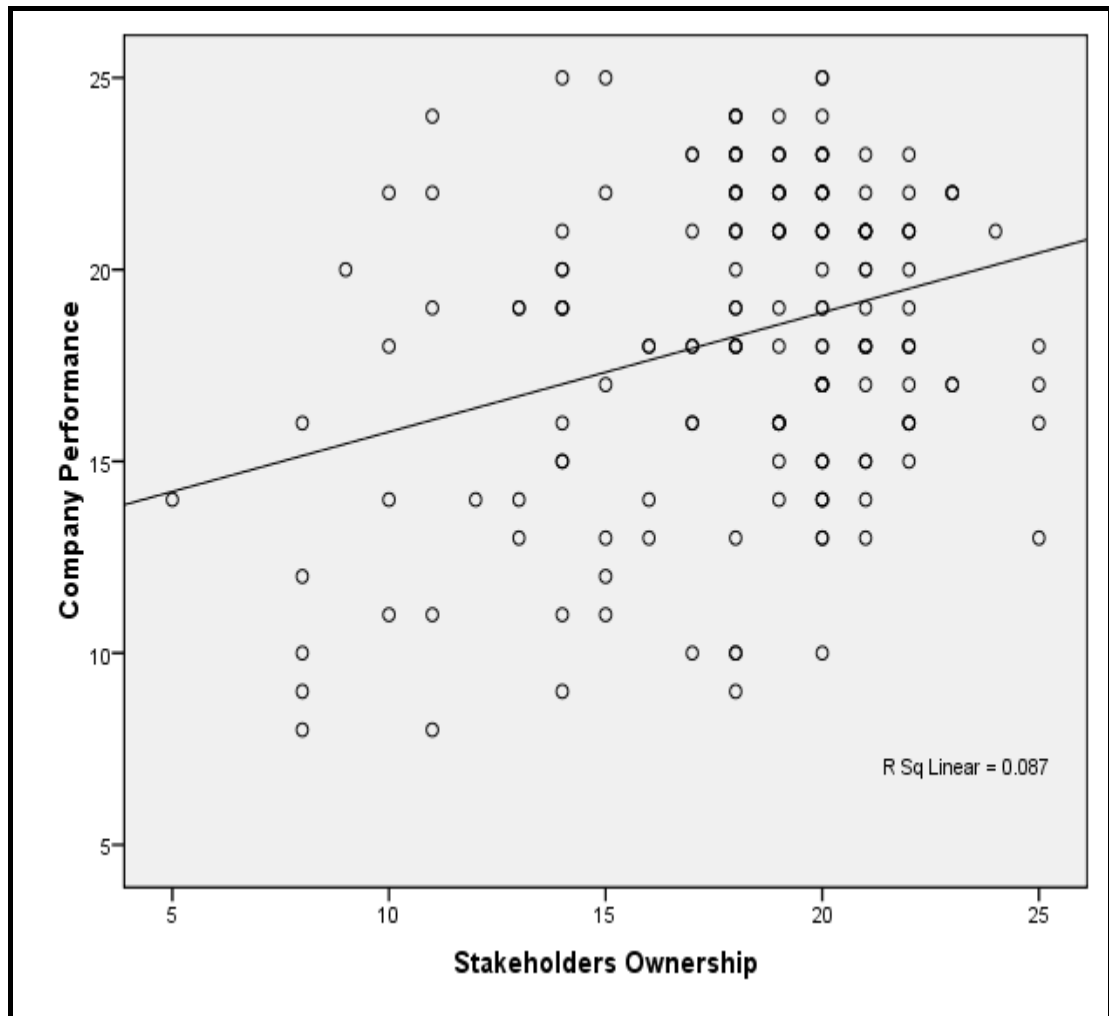

Figure 4.7 Line of Best Fit for Stakeholders' Ownership

Regression Analysis was carried out on stakeholders' ownership to determine whether the independent variable can be relied on in explaining the change in the dependent variable, performance of listed companies in Kenya. From the results presented in Table 4.38, the Pearson's coefficient of correlation (R) is equal to .295, confirming that there is a positive correlation of 29.5% between stakeholders' ownership and the performance of listed companies in Kenya. The coefficient of

determination (R^2) of .087 or 8.7% suggests that stakeholders' ownership can explain up to 8.7% of the change in the performance of listed companies in Kenya. These statistical findings, therefore, established that there is need to motivate stakeholders for higher level of company ownership so as to ensure efficiency and effectiveness in the performance of listed companies in Kenya.

Table 4.38:   Model Fitness for Stakeholders' Ownership

Model Summary

Model	R	R^2	Adjusted R^2	Std. Error of the Estimate
1	.295[a]	.087	.082	3.906

a. Predictors: (Constant), Stakeholders' Ownership

Similar to the other three independent variables, an Analysis of Variance (ANOVA) test was performed on stakeholders' ownership and the findings are summarized in Table 4.39. The table shows that the variable has a *P-value* equal to .000, meaning that the model is statistically significant in explaining the change in the dependent variable considering that the *P-value* is less than .05 at the 95% level of confidence.

Table 4.39:   ANOVA for Stakeholders' Ownership

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	250.993	1	250.993	16.450	.000[b]
	Residual	2639.555	173	15.258		
	Total	2890.549	174			

a. Dependent Variable: Company Performance

b. Predictors: (Constant), Stakeholders' Ownership

Using the data presented in Table 4.40, a regression model of the form $Y = \alpha + \beta X_i$

on stakeholders' ownership can be fitted as shown in equation 4.

Y = 12.656 +0.311X₁ …... Equation 4

The coefficient of 0.311 on Table 4.40 means that a unit change in stakeholders' ownership will lead a positive change in company performance at the rate of 31.1%. This implies that you cannot ignore stakeholders' ownership when driving performance in the listed company in Kenya. The positive y-intercept means that in the absence of all the independent variables (i.e. when X_i is zero), the dependent variable has a positive constant of (+*12.656*).

Table 4.40:   Correlation Coefficients for Stakeholders' Ownership

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	12.656	1.422		8.901	.000
	Stakeholders' Ownership	.311	.077	.295	4.036	.000

a. Dependent Variable: Company Performance

Thus, in terms of significant associations found between stakeholders' ownership versus company performance with regard to the entire tested sample, it was concluded that; the Null Hypothesis (H₀₄) is rejected and a conclusion reached that, at 5% level of significance, **stakeholders' ownership plays a significant role in the performance of listed companies in Kenya**.

4.9.5   Regression Analysis for Ownership Concentration versus Company Performance

H₀₅: Ownership Concentration has no significant contribution on the performance of listed companies in Kenya

Regression analysis was conducted to determine whether there is significance relationship between ownership concentration and company performance. A scatter plot was drawn and a line of best fitted from the ownership concentration data obtained as it was deemed necessary to do so owing to its importance (Keraro, 2014; Anderson et al., 2012). Figure 4.8 shows that there is, generally, a positive linear relationship between ownership concentration and the performance of listed companies in Kenya.
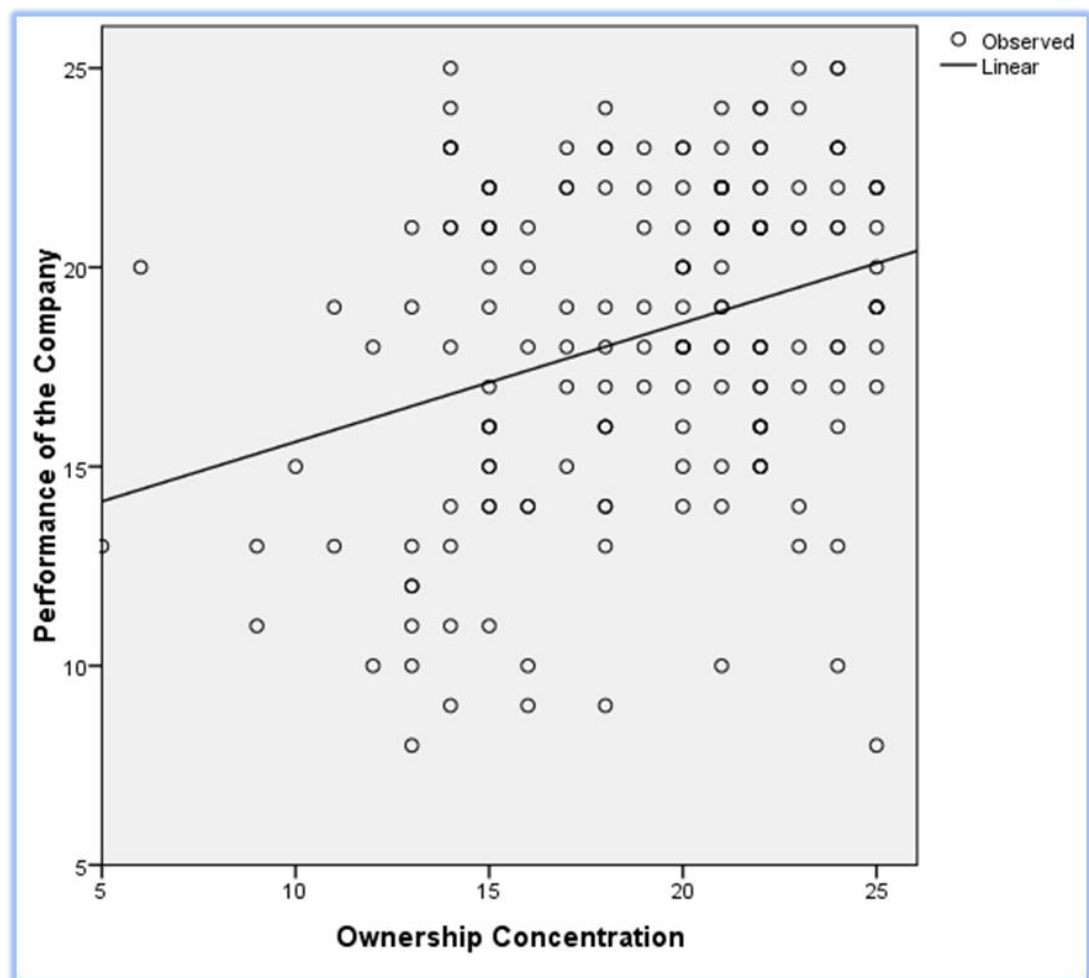

Figure 4.8   Line of Best Fit for Ownership Concentration

Regression Analysis was carried out on Ownership Concentration to determine whether the independent variable can be relied on in explaining the change in the dependent variable, performance of listed companies in Kenya. From the results presented in Table 4.41, the Pearson's coefficient of correlation (R) is equal to .308, meaning that there is a positive correlation of 30.8% between Ownership

Concentration and the in the dependent variable, performance of listed companies in Kenya.

The coefficient of determination (R^2) of .095 or 9.5% suggests that stakeholders' ownership can explain up to 9.5% of the change in the performance of listed companies in Kenya. These statistical findings, therefore, established that there is need to for strong ownership concentration to take control of the leadership of the listed company performance in Kenya.

Table 4.41:   Model Fitness for Ownership Concentration

Model Summary				
Model	R	R^2	Adjusted R^2	Std. Error of the Estimate
1	.308[a]	.095	.089	3.889

Table 4.42 presents results of the Analysis of Variance (ANOVA) test performed on the ownership concentration as an independent variable. The result shows that the variable has a *P- value* equal to .000, thus demonstrating that the model is statistically significant considering that the *p-value* is less than .05 at the 95% level of confidence.

Table 4.42:   ANOVA for Ownership Concentration

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	273.794	1	273.794	18.101	.000[b]
	Residual	2616.755	173	15.126		
	Total	2890.549	174			

a. Dependent Variable: Company Performance

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b. Predictors: (Constant), Ownership Concentration

Using the data presented on Table 4.43, a linear regression model of the form, $Y = \alpha + \beta X_i$ can fitted as shown in equation 5.

Y = 12.633 +0.299X1 ....*Equation 5*

The coefficient of 0.299 on Table 4.43 means that a unit change in ownership concentration will lead a positive change in company performance at the rate of 29.9%. This implies that you cannot ignore ownership concentration when driving performance in the listed company in Kenya. The positive y-intercept means that in the absence of all the independent variables (i.e. when X_i is zero), the dependent variable has a positive constant of (*+12.633*).

Table 4.43:   Correlation Coefficients for Ownership Concentration

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	**Std. Error**	**Beta**	**t**	**Sig.**
1	(Constant)	12.633	1.363		9.266	.000
	Ownership Concentration	.299	.070	.308	4.255	.000

 a. Dependent Variable: Company Performance

Therefore, in terms of significant associations found between stakeholders' ownership versus company performance with regard to the entire tested sample, it was concluded that; the Null Hypothesis (H_{05}) is rejected and a conclusion reached that, at 5% level of significance, **ownership concentration plays a significant role**

in the performance of listed companies in Kenya.

4.10   Optimal Model

4.10.1 Multiple Linear Regressions Model Development

In interpreting the results of multiple regression analysis, the R squared was used to check how well the model fitted the data. Therefore, it is interesting to know if the independent variables (leadership structures, composition, independence, stakeholder's ownership and ownership concentration) relate to the dependent (company performance). Tables 4.44, 4.45 and 4.46 present the integrated models of the study at the five combined independent variables, as the study used a hierarchical regression analysis method to for the integrated model for the study.

According to Keraro (2014), Brooks (2011) and Gujarat (2011), hierarchical regression analysis is a statistical procedure of computing regression results of a study where a researcher determines the order of entry of the variables (both predictor and outcome variables).   In this regression process, F-tests are used to compute the significance of each added variable (or set of variables) to the explanation reflected in R^2.

This procedure is an alternative to comparing betas for purposes of assessing the importance of the independents. In more complex forms of hierarchical regression, the model may involve a series of intermediate variables which are dependents with respect to some other independents, but are themselves independents with respect to the ultimate dependent. Hierarchical multiple regression may involve a series of regressions for each intermediate as well as for the ultimate dependent. According to Gujarat (2011) use of hierarchical regression has two key advantages, namely; it has less capitalization on chance and; a researcher is assured that hierarchical regression results such as R^2 are easily interpretable.

Table 4.44:   Regression Model Fitness for the Independent Variables

Model	R	R^2	Adj R^2	Std. Error of the Estimate
1	.435[a]	.189	.165	3.724

a. Predictors: (Constant), Ownership Concentration, Stakeholders' Ownership,

Leadership Composition, Leadership Structures, Leadership Independence

Table 4.44 shows that there is a 43.5% positive correlation (R) between the independent variables and the dependent variable, company performance of listed companies in Kenya. Table 4.44 further indicates that up to 18.9% (R^2) of the change in the performance of listed companies in Kenya can be explained by the combined effect of the five independent variables of the study.

ANOVA test was performed on all the independent variables. The results obtained (Table 4.45) show that the *p- values* are equal to .000; a demonstration that regression models (6) for the study is statistically significant considering that their *p- value* is less than .05 at the 95% level of confidence.

Table 4.45: ANOVA on the Independent Variables

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	546.852	5	109.370	7.887	.000[b]
	Residual	2343.696	169	13.868		
	Total	2890.549	174			

a. Dependent Variable: Company Performance

b. Predictors: (Constant), Ownership Concentration, Stakeholders' Ownership, Leadership Composition, Leadership Structures, Leadership Independence

Using the summaries contained in Tables 4.46, a linear regression model, combining all the independent variables is presented in equation 6. It is should be noted that the coefficients of all the independent variables are positive, an indication that they all have a positive contribution to the performance of listed companies in Kenya.

It is should also be noted that all independent variables taken together, ownership concentration has the strongest positive beta contribution to the performance of listed companies followed by leadership composition with the least contribution as leadership structures. The negative y-intercept means that in the absence of all the independent variables (i.e. when X_i is zero), the dependent variable is negative. This further demonstrates that the independent variables play a meaningful role in influencing the desired improvements at the listed companies. Using the data

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presented on Table 4.46, a linear regression model of the form, $Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5$ can fitted as shown in equation 6.

$$Y = 0.074X_1 + 0.214X_2 + 0.135X_3 + 0.101X_4 + 0.254X_5 - 4.802.................Equation\ 6$$

Where: Y =   Company performance (dependent variable)

α =   Constant

$X_1....X_5$ =   Values of the various independent (covariates)

variables

X_1 =   Leadership Structures

X_2 =   Leadership composition

X_3 =   Leadership independence

X_4 =   Stakeholders' ownership

X_5 =   Ownership concentration

μ =   Error term which is assumed to be normally

distributed with mean zero and constant variance.

Table 4.46:   Coefficients for Integrated Independent and Dependent Variables

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
1 (Constant)	-4.802	1.714		-2.801	.000
Leadership Structures	.074	.130	.077	.566	.572
Leadership Composition	.214	.074	.252	2.881	.004
Leadership Independence	.135	.158	.136	0.832	.396
Stakeholders' Ownership	.101	.091	.096	1.106	.270
Ownership Concentration	.254	.147	.261	1.731	.085

a. Dependent Variable: Company Performance

The *p-value* for the overall model is .000, less than .05 which means that the model is statistically significant. Therefore, based on this study, one may conclude that, taken together, all the independent variables have a significant positive effect on the change in the dependent variable, performance of listed companies, at a 95% level of confidence.

4.11 Summary

This chapter presented the analysis of the data collected and discussions of the findings. From the research findings above, the optimal model (conceptual framework) was retained 100%. This is because from the results of the study the results of data analysis confirmed a positive relationship between corporate governance and performance of listed companies in Kenya. Leadership structures, composition, independence, stakeholders' ownership and ownership concentration had a positive and significant effect on performance of listed companies in Kenya performance of listed companies in Kenya.

It was also noted that all independent variables taken together, ownership concentration has the strongest positive contribution to the performance of listed companies followed by leadership composition while leadership structures had the least contribution. The negative y-intercept meant that in the absence of all the independent variables, the dependent variable is negative which demonstrated that the independent variables play a meaningful role in influencing the desired improvements at the listed companies.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The purpose of this study was to establish the contribution of corporate governance leadership practices on performance of listed companies in Kenya. This chapter presents the summary, conclusion, recommendations and suggestions for further research as guided by the specific objectives. Five specific objectives were set for the study out of which five hypotheses were formulated. The chapter concludes by proposing areas for further research.

5.2 Summary of Major Findings

This chapter summarises the findings of the study. It describes the role of leadership Structures, composition, independence, stakeholders' ownership, ownership concentration in ensuring that listed companies achieve best company performance.

5.2.1 The Contribution of Leadership Structure on the Performance of Listed Companies in Kenya

The first objective of the study was to establish the contribution of leadership Structure on performance of listed companies in Kenya. From this objective, it was hypothesized that there is no significant relationship between leadership structures and performance of listed companies in Kenya. The results of this study showed a positive statistically significant relationship between leadership structures and performance of listed companies in Kenya. Therefore, hypothesis **H01:** leadership Structure has no significant contribution on performance of listed companies in Kenya was rejected and concluded that leadership Structure play a significant role in for the performance of listed companies in Kenya. The findings therefore confirmed that leadership structures is a determinant of performance of listed companies in Kenya. It is notable that the relationship at this stage was not as strong as expected. The researcher attributes this to the fact that corporate governance contribution in Kenya is still not well understood by many employees in listed companies.

These findings resonate with the literature reviewed that companies which had adopted the right leadership Structure practises achieve higher levels of success than those that have not. The findings corroborate with the views presented by Hannagan (2015) that leadership is the process of motivating other people to act in particular ways in order to achieve specific goals and Demirbas and Yukhanaev (2011) that the CEO's leadership Structure was among factors affecting performance of firms. The study further supports Williamson (2011) underlying assumption of transaction theory, that organization's leadership structures of a firm could determine price and production. The study also agrees with Albrecht, et al., (2013) study that observed that stewardship theory emphasises the importance of organisational structures that play authorising, facilitating, and empowering roles rather than controlling and

monitoring ones.

5.2.2 The Contribution of Leadership Composition on Performance of Listed Companies in Kenya

The second objective was to examine the contribution of leadership composition on performance of listed companies in Kenya. It had been hypothesized that leadership composition is not related to performance of listed companies in Kenya. The results confirmed that there is a positive statistically significant relationship between leadership composition and performance of listed companies in Kenya. Therefore, hypothesis **H02**: leadership composition does not have significant contribution on performance of listed companies in Kenya was rejected and concluded that leadership composition has a significant effect on performance of listed companies in Kenya. The findings therefore confirmed that leadership composition is a determinant of performance of listed companies in Kenya.

The results corroborate well with those of the study undertaken by Mudashiru, et al. (2014) who concluded that good leadership composition in an organization should be composed in such a way as to ensure the diversity of experience, without compromising compatibility, integrity, availability and independence. The study is also consistent with observations made by Bekiris (2013) that while good leadership composition do not in themselves produce good performance, poor composition make good performance impossible, no matter how good the individual managers may be. The study supports Al Mamun, el al., (2013); Darley, et al., (2013) and Turnbull (2012) studies on the resource dependency theory that classified organisations' leadership composition into four categories, namely insiders, business experts, support specialists and community influentials.

5.2.3 The Contribution of Leadership Independence on Performance of Listed Companies in Kenya

The study sought to examine the contribution of.

The third objective of the study was to evaluate the effect of leadership independence on performance of listed companies in Kenya. It had been hypothesized that leadership independence is not related to performance of listed companies in Kenya. The results confirmed that there is a positive statistically significant relationship between leadership independence and performance of listed companies in Kenya. The results reveal that leadership independence is statistically significant in explaining performance of listed companies in Kenya. Therefore, hypothesis **H03**: leadership independence has no significant contribution on performance of listed companies in Kenya is rejected and concluded that leadership independence had a significant effect on performance of listed companies. The findings led to a conclusion that leadership independence was a driver of performance of listed companies in Kenya.

The results support study by Mensah (2012) which stated that independency of boards was very important and the number of outside directors play a significant role in company performance as they have enough incentive to monitor managers since their own reputations depend. The results agree with Prevost, Rao and Hossain (2002) study that found an inverse relationship between poor leadership independence and commitment to capital expenditure (a proxy for growth). The study supports Mallin (2015) argument that agency theory identifies the relationship where one party delegates work to another and notes that the separation however, linked and governed through proper agency relationship at various levels, among others between shareholders and boards of directors, between boards and senior management, between senior and subordinate levels of management lead to organisation's better performance.

5.2.4 The Contribution of Stakeholders' Ownership on Performance of Listed Companies in Kenya

The study sought to explore the contribution of

The fourth objective of the study was to examine the effect of stakeholders' ownership on performance of listed companies in Kenya. It had been hypothesized that there is no relationship between stakeholders' ownership and performance of

listed in Kenya. The results confirmed that there is a positive statistically significant relationship between stakeholders' ownership and performance of listed companies in Kenya. Therefore, hypothesis **H04:** there is no significant relationship between stakeholders' ownership and performance of listed companies in Kenya is rejected and concluded that stakeholders' ownership had a significant effect on listed company performance. The findings led to a conclusion that stakeholders' ownership was a driver of listed company performance in Kenya though at an insignificant level.

The study strongly supports the empirical observations by Opiyo (2013), that stakeholders monitoring has relatively more value at stake and have a greater incentive, and potentially greater means to monitor managers as this gives conviction whether to do business with the company. The study further agreed with Healy, et al., (2011); Noe (2012); Mallette and Fowler (2012); Gillan and Starks (2011) that if higher stakeholders' ownership resulted in more effective monitoring, then it was expected that stakeholders' ownership to be negatively associated with the measure of opportunistic insider trading.

The study agrees with Mitchell, et al., (2015) study on stakeholder's theory that organisation is a system of stakeholders operating within the larger system of the host society that provides the necessary legal and market infrastructure for the firm's activities by converting their stakes into goods and services. The study further supports the stakeholder theory that holds that corporations are social entities that affect the welfare of many stakeholders where stakeholders are groups or individuals that interact with a firm and that affect or are affected by the achievement of the firm's objectives (Donaldson et al., 2015; Freeman, 2010; Reed, 2012).

5.2.5 The Contribution of Ownership Concentration on Performance of Listed Companies in Kenya

The fifth objective of the study was to determine the relationship between ownership concentration and performance of listed companies in Kenya. It was hypothesized that ownership concentration are not related to performance of listed companies in Kenya. The results confirmed that there is a positive statistically significant

relationship between ownership concentration and performance of listed companies in Kenya. Therefore, the study rejected hypothesis **H05** that ownership concentration is not related to performance of listed companies in county governments in Kenya. However, ownership concentration had a significant effect on performance of listed companies. The study concluded that ownership concentration had positive and significant influence on performance of listed companies in Kenya. The findings therefore confirmed that ownership concentration positively influences performance of listed companies in Kenya.

The study is consistent with conclusions by Clarke and Branson (2012); that blockholders tend to actively promote long term performance and to discipline management. The study agrees with Williamson (2011) study that concluded that diffuse ownership exacerbates agency problems notwithstanding the ambiguous impact on overall firm value. Listed companies such as Mumias Sugar Company, reportedly, are good example as farmers who had a single 80% ownership disaggregated to small individual shares. The study support Clarke and Branson (2012) study on agency theory that major shareholders delegate the running of business to the directors or managers, who are the shareholder's agents.

5.3 Conclusion

The following conclusions can be made arising from the findings of this study.

5.3.1 Leadership Structure and Company Performance

The findings confirm that there is a statistically significant influence of leadership structures on performance of listed companies in Kenya. A positive increase in leadership structures leads to an increase in performance of listed companies in Kenya. It can be concluded from this study that leadership structures was statistically significant in explaining performance of listed companies in Kenya. This confirms the findings by Demirbas and Yukhanaev (2011) that development of strategic corporate leadership structures at listed companies is a modern-day business practice that has direct influence on the effective performance of institutions.

The findings also support the findings of previous researchers that corporate

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leadership structures is less costly, facilitate faster decision making and communication, subordinates are free from close and strict supervision and control, and enhance creativity and innovation given the reduced levels of bureaucracy as it promotes horizontal management systems (Schmid & Zimmermann, 2011).

5.3.2 Leadership Composition and Company Performance

The study concluded that there exists a positive significant relationship between leadership composition and performance of listed companies in Kenya. The results reveal that leadership composition is statistically significant in explaining performance of listed companies in Kenya.

The findings support the previous researchers' findings that adopting effective leadership composition makes the company more responsive to the needs and preferences of the stakeholders (Al Mamun, et al., 2013; Darley, et al., 2013 & Turnbull, 2012). The study confirms that development of functional or effective leadership composition has the greatest and most direct impact on the overall effective performance of listed companies, therefore, leading to faster company growth (Ford, et al., 2011). The study further affirms that functional leadership composition upholds the principle of subsidiarity, meaning that planning and implementation takes place with the best impact and benefit to the listed companies (Li, et al., 2014).

5.3.3 Leadership Independence and Company Performance

The findings confirm that there is a statistically significant influence of leadership independence on performance of listed companies in Kenya. It was possible to infer that the relationship between leadership independence and company performance is positive and significant. The study concluded that leadership independence was statistically significant in explaining performance of listed companies in Kenya. The study supported Mensah (2012) findings on that the chairman and the company CEO, in particular, should have separate responsibilities for significant impact on the performance of listed companies to be achieved.

The study confirms that development and implementation of effective leadership independence systems is one sure solution to avoid the "emotional-curses"

experiences that have afflicted companies (Keraro, 2014). The study supports Mallin (2015) argument that agency theory identifies the relationship where one party delegates work to another.

5.3.4   Stakeholders' Ownership and Company Performance

The findings confirm that there is a statistically significant positive influence of stakeholders' ownership on performance of listed companies in Kenya. The study thus concluded that there is a positive and significant relationship between stakeholders' ownership and performance of listed companies in Kenya.

The study confirms involving stakeholders in management activities is critical for company growth (Healy, et al., 2011; Noe, 2012; Mallette & Fowler, 2012; Gillan & Starks, 2011). The study supports Mitchell, et al., (2015) study on stakeholder's theory that organisation is a system of stakeholders operating within the larger system of the host society that provides the necessary legal and market infrastructure for the firm's activities by converting their stakes into goods and services.

5.3.5   Ownership Concentration and Company Performance

The study concluded that ownership concentration has positive and significant effect on performance of listed companies in Kenya. The study supports the findings that for any company to achieve its performance targets, the distribution of shares should be well done so that you create a centre of command in terms of resources and leadership (Clarke & Branson, 2012). The study confirms that performance to any company is a must and therefore, there is need to create a stronghold ownership who the company leadership can respect and consult. The study support Clarke and Branson (2012) study on agency theory that major shareholders delegate the running of business to the directors or managers, who are the shareholder's agents. The study therefore concludes that strong major shareholders tend to actively promote long term performance and to discipline management and, therefore, significantly enhance the listed companies' performance.

5.4   Recommendations

The study recommendations are in line with the objectives, findings and conclusions of the study.

5.4.1 Leadership Structures

The study recommended that listed companies in Kenya should ensure practice of strategic corporate leadership structures for the realisation of sustainable company performance and adoption of compatible management structures that has direct and positive impact on the effective performance of companies. Compatible management structures are less costly, create fewer levels of management and facilitate quick decision making and enhance creativity and innovation given the reduced levels of bureaucracy and creates a horizontal management system. Rewarding of allies and engaging in acts of nepotisms should be discouraged and avoided completely as they impede the process of company performance. Effective leadership practises supported by strong internal firm control systems, accountability controls and transparency contribute directly to the performance of listed companies. This will enhance the capacity of the listed companies' business plan and supplement the shareholder's resources input.

5.4.2 Leadership Composition

The study also recommended that company leadership should be well composed to include experts in management, finance and the company industry. This will make the company more responsive to the needs and preferences of the stakeholders. Listed companies' development and management plans should be well crafted vision, mission, objectives and value statements to guide the effective execution of company performance strategies. This will provide strong incentives for employees and management to achieve listed companies' objectives; and serve as a basis for management control, among other benefits. The study also recommend that listed companies' shareholders should ensure that the company composition is highly ethical, responsible and valuable to all stakeholders as will show employees and management the way to follow. Functional leadership composition will uphold the principle of subsidiarity, so that planning and implementation takes place with the best impact and benefit to the listed companies.

5.4.3 Leadership Independence

The study also recommended that listed companies should ensure there is independence among their leaders as this is the only way leaders will give their best. Effective performance practises in companies begin with ensuring there is freedom within their leaders. Listed companies can only exploit their best monitoring strategies effectively if duties of each leader are specified to avoid duplication and interference. Development of written company code of corporate governance is a tool that can guarantee sustainable performance of the listed companies. Listed companies should ensure that adequate policies are developed effective and develop systems supported by all to fight conflict of interest and help curb the potential of drifting into a "emotional curse" syndrome status that has been witnessed in many companies around the world. The leadership of listed companies' resources should be tasked to qualified independent professionals in respective disciplines in order for the listed companies to realise the full benefits of corporate governance.

5.4.4 Stakeholders' Ownership

The study also recommended that listed companies should involve all stakeholders, that is the shareholders, employees, customers, community etc and everyone in running of the affairs of the company and be made to feel part of the company. Each group play a vital role in marketing, resource mobilisation and ensuring the company sails to its success. Therefore, the study recommends the need to develop shareholders' willingness and ability to monitor the management, create stakeholder's independence in their management guidelines, establishment an environment which will enable stakeholders and investors feel part of the company. Some of the key stakeholders' ownership incentives include feedbacks, keeping promises, transparency and accountability, customer social responsibility activities, sensitive to environment etc. The shareholders should provide an environment for the board of directors and management to have a strong value of ownership of the company; with job security and competitive terms of employment for stakeholders' ownership to be realised.

5.4.5 Ownership Concentration

The study also recommended that there should be a strong shareholding with sizable amount of shares to take control of the performance of the company with passion and interest. This will make it easier for the company leadership to seek guidance and direction on short notices for smooth steering of the ship. The strong major shareholder should not have conflict of interest or be an opportunist. The study encourages company leaders to draw strong strategies to counter any political interferences, ethnicity and nepotism which are the major cancerous effect to corporate governance leadership practices which are significant factors to performance.

5.5   Suggestions for Further Research

Based on the literature reviewed in chapter two, the findings of this research in chapter four and summarised in chapter five points to the need for further research in first, as with most research studies, replication of this study for validation purposes. Second, a similar study with a larger number of listed companies be sampled to provide an enhanced reflection of the situation on the ground. Third, a similar study using a different sample of non-listed companies' officials. Fourth, the same study can be conducted but with listed companies as unit of analysis. These would help to improve knowledge of corporate governance leadership practices in listed companies in Kenya and in developing countries in general.

Fifth, considering that this study major finding was that all the five independent variables taken together could only explain up to 18.9% of the variation in the dependent variable, the company performance of listed companies in Kenya, meaning that 81.1% of the change in the performance of listed companies could be explained by other variables. The researcher, therefore, proposes that a study be conducted to investigate other factors including, culture, social, environment, legal, political, financial, local and foreign shareholders influence, insider and outsider board of directors among other potential variables. This will help unearthing the myriad corporate governance leadership practices challenges and the areas that need to be reformed to ensure performance of listed companies. It will also help develop corporate governance practices that can be applicable in developing countries.

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APPENDICES

Appendix I:Letter of Introduction

Date: ………………...

Dear Respondent,

SUBJECT: <u>DATA COLLECTION</u>

I am a PhD student at Jomo Kenyatta of Agriculture and Technology (JKUAT) University conducting a research entitled "**CONTRIBUTION OF CORPORATE GOVERNANCE LEADERSHIP PRACTICES ON PERFORMANCE OF LISTED COMPANIES IN KENYA**". A questionnaire has been designed and will be used to gather relevant information to address the research objectives of the study. You have been selected to participate in this study and I would highly appreciate if you assist me by responding to the questions completely, correctly and honestly as possible.

Please note that the study is an academic research and the information provided will be treated in strict confidence. Strict ethical principles will be observed to ensure confidentiality and the study outcomes and reports will not include reference to any individuals.

Your assistance is highly appreciated.

Regards,

Richard Isaac Mwangangi

Appendix II: Questionnaire

This questionnaire is divided into six sections that should take a few minutes of your time to complete. The purpose of this questionnaire is to help collect data for a PhD thesis at Jomo Kenyatta University of Agriculture and Technology on "**Contribution of Corporate Governance Leadership Practices on Performance of Listed Companies in Kenya**". Please respond by ticking the appropriate box in the blank spaces provided and short brief where required. Information collected will be treated with strict confidentiality.

Organisation Name   ....

SECTION I: BASIC INFORMATION

Please answer the following questions by placing a tick [√] where necessary in the spaces provided: -

1.   What is your gender?   Male   [ ]   Female [ ]

2.   What is your designation level in your organisation?

Top Management   [ ]   Middle Management   [ ]

Supervisory   [ ]   Subordinate   [ ]

3.   How many years have you worked in your organisation?   ....

SECTION II: LEADERSHIP STRUCTUTRES

4.   The table below indicates various statements on the contribution of leadership structures on performance of listed companies in Kenya. You are required to express your level of agreement by ticking [√] in appropriate columns named;

SD = Strongly Disagree (1),   D = Disagree (2),   N = Neutral (3),

A = Agree (4),   SA = Strongly Agree (5)

Leadership Structures Statements	SD (1)	D (2)	N (3)	A (4)	SA (5)
The influence of corporate governance on the company					

performance depends on the company top leadership strategy				
Our company structure has the shareholders, Board of Directors, management committees and management directors who work in teamwork and trust.				
Our company has no conflict of interest between all levels of leadership and thus company performance is always improving.				
Our leaders have firm control of the affairs of the company in a lawful, efficient and effective manner, such that the organisation increasingly improve on its value creation; respect other stakeholders' interests and ensure that the value created is shared among the interested parties.				
Our company leadership is transparent and accountable and have ultimate responsibility for directing all the activities of the organisation, ensuring they are well run and delivering the outcomes for which it has been set up making our company financial performance excel.				

5. The performance of your company depends on the leadership structures of either the chairman or the CEO or both? Please give your opinion;

....

....

....

6. The performance of a company is noted through profits, market share, share value and customer satisfaction, on your own words, briefly explain the contribution you think the board of directors, management committees and management directors bring to your company towards its performance;

....

....

....

7.   According to your opinion, what are the best company leadership structures for the best company performance;

....

....

....

8.   In your own opinion, indicate all company performance indicators due to contribution of leadership structures;

Improved profits   [ ]   Increase of market share   [ ]

Increased Share value   [ ]   Customer satisfaction   [ ]   Other

(specify)..

SECTION III: LEADERSHIP COMPOSITION

9.   The table below indicates various statements on the contribution of leadership composition on performance of listed companies in Kenya. You are required to express your level of agreement by ticking [√] in appropriate columns named;

SD = Strongly Disagree (1),   D = Disagree (2),   N = Neutral (3),

A = Agree (4),   SA = Strongly Agree (5)

Leadership Composition Statements	SD (1)	D (2)	N (3)	A (4)	SA (5)
Our board of directors is composed of talented and experts in our industry, financial matters and operation matters which results in good company performance.					
Our vision and mission statement is commonly agreed-upon and understood and adopted by all employees for optimum performance of our company.					
The board of directors of our organisation is					

perceived as highly ethical, responsible and valuable to all stakeholders (i.e. investors/shareholders, employees etc.) which results to company growth.					
Our board members help in accessing information, specific skills and other resources from the environment and thereby reduce uncertainty and promote the company progress.					
Policies, regulations and rules exist in our company and are well stated and are strictly adhered to by our employees which result in improvement to the company performance.					

10. A good leadership composition consists of members who are experts in business industry, financial management and company leadership, briefly give your opinion on how board composition contributes to company performance.

....
....
....

11. On your opinion, what would you suggest as the best leadership composition of your organisation for optimum company performance.

....
....
....

12. In your own opinion, indicate all company performance indicators due to contribution board composition;

Improved profits   [   ]   Increase of market share   [   ]

Increased Share value [   ]   Customer satisfaction   [   ]   Other

(specify)..

SECTION IV: LEADERSHIP INDEPENDENCE

13. The table below indicates various statements on the contribution of leadership independence on performance of listed companies in Kenya. You are required to express your level of agreement by ticking [√] in appropriate columns named;

SD = Strongly Disagree (1), D = Disagree (2), N = Neutral (3),
A = Agree (4), SA = Strongly Agree (5)

Leadership Independence Statements	SD (1)	D (2)	N (3)	A (4)	SA (5)
Outside directors have enough incentive to monitor managers because their own reputations depend on it and thus improve the company performance.					
Our company have a written code of corporate governance wherein the rights of shareholders and duties of the boards are specified for best performance of the company.					
Our company have an effective and independent monitoring management committee whose task is to ensure full compliance of the company with existing laws and regulations that results in achieving targeted performance.					
Our company leadership have a structured scheme of service that prevent conflicts of interest and to ensure that the highest standards of ethics are followed in word and deed to propel the company performance to great heights.					
There is good relationship between the all the leaders in our organisation and they operate on teamwork, which					

have enable our company grow.					

14. Briefly give your opinion on how leaders independence contributes to company performance.

....

....

....

15. According to your opinion, how can your company achieve the best leaders independence for optimum performance?

....

....

....

16. In your own opinion, indicate all company performance indicators due to contribution of leadership impendence;

Improved profits   [   ]   Increase of market share   [   ]

Increased Share value [   ]   Customer satisfaction   [   ]   Other

(specify)...

SECTION V: STAKEHOLDERS' OWNERSHIP

17. The table below indicates various statements on the contribution of stakeholders' ownership on performance of listed companies in Kenya. You are required to express your level of agreement by ticking [√] in appropriate columns named;

    SD = Strongly Disagree (1),   D = Disagree (2),   N = Neutral (3),

        A = Agree (4),   SA = Strongly Agree (5)

Stakeholders' Ownership Statements	SD (1)	D (2)	N (3)	A (4)	SA (5)
There is positive effect on stakeholders active monitoring of the corporation affairs on the company performance					

The level on which the stakeholders benefit contributes to their involvement in ensuring company's success.					
Firms that consider stakeholders independence in their management guidelines is less optimistically biased, more accurate, more precise and the company performance is better than firms that do not.					
Our stakeholders and investors derive outstanding value from our organisations as they feel as part of the company which result to better company performance.					
Our organization is perceived as highly ethical with credible leaders by stakeholders which motivates value of ownership for better company performance.					

18. Briefly explain how your company manage stakeholders' ownership and how it contributes to company performance

....

....

....

19. Do everyone in your organisation have a feeling that they own the company and do everything possible to ensure improved company performance?

....

....

....

20. In your own opinion, indicate all company performance indicators due to contribution of stakeholders' ownership;

Improved financial performance　　　[ ]　　Increase of market share [ ]

Increased Share value　[ ]　　Others [ ] (specify)..

SECTION VI: OWNERSHIP CONCENTRATION

21. The table below indicates various statements on the effect of ownership concentration on the performance of listed companies in the SNE. You are required to express your level of agreement by ticking [√] in appropriate columns named;

SD = Strongly Disagree (1),   D = Disagree (2),   N = Neutral (3),
A = Agree (4),   SA = Strongly Agree (5)

Ownership Concentration Statements	SD (1)	D (2)	N (3)	A (4)	SA (5)
Major shareholders tend to actively promote long term performance and to discipline management which have a positive impact on company performance.					
Ownership concentration has negative effect on a firm's value					
Ownership concentration effect is more felt on bigger size companies than smaller ones.					
If the major shareholders are operating another business on the same industry will have a negative effect on the company performance as there will be conflict of interest.					
Strong ownership command reduces the ability of corporate officers to engage in opportunistic behaviours.					

22. Briefly give your opinion how do ownership concentration contributes to company performance.

....

....

....

23. Briefly give your opinion how ownership concentration can be handled for better company performance.

....

....

....

24. In your own opinion, indicate all company performance indicators due to contribution ownership concentration;

Improved profits   [   ]   Increase of market share   [   ]

Increased Share value   [   ]   Customer satisfaction   [   ]   Other

(specify)...

SECTION VII: COMPANY PERFORMANCE

This subsection is concerned with determining the performance of listed companies in Kenya.

25. For each of the past 5 years, please indicate the range of the profits of your company in Kenya.

Year	2011	2012	2013	2014	2015
Less than 2%					
Between 2.1% - 5%					
Between 5.1% - 7%					
More than 7%					

26. For each of the past 5 years, please indicate the range of market share of your company in Kenya.

Year	2011	2012	2013	2014	2015
Less than 10%					
Between 11% - 30%					
Between 31% - 50%					
More than 50%					

27. For each of the past 5 years, please indicate the range of the shareholder returns (share value) of your state corporation.

Year	2011	2012	2013	2014	2015
Less than 5%					
Between 6% - 10%					
Between 11% - 15%					
More than 15%					

28. (a) Please indicate the range of customer satisfaction index in your organization for the past five years in the data collection template below.

Year	2011	2012	2013	2014	2015
Less than 50%					
51% - 75%					
Above 75%					

(b) In what other ways has corporate governance leadership practices influenced customer satisfaction?

....

....

....

29. a) Please indicate the range of employee satisfaction index in your organization for the past five years in the data collection template below.

Year	2011	2012	2013	2014	2015
Less than 50%					
51% - 75%					
Above 75%					

b) In what other ways has corporate governance leadership practices influenced employee satisfaction?

....

....

....

Appendix III:2015 Listed of Companies in Kenya

#	Organisation	ISIN code	Trading Symbol	Total Number of Issued Shares	Estimated Employees

#	Organisation	ISIN code	Trading Symbol	Total Number of Issued Shares	Estimated Employees
A	**AGRICULTURAL**				
1)	Eaagads Ltd	KE0000000208	EGAD	32,157,000	216
2)	Kakuzi Ltd	KE0000000281	KUKZ	19,599,999	825
3)	Kapchorua Tea Co. Ltd	KE0000000229	KAPC	3,912,000	1,550
4)	The Limuru Tea Co. Ltd	KE0000000356	LIMT	1,200,000	351
5)	Rea Vipingo Plantations Ltd	KE0000000422	REA.	60,000,000	2,670
6)	Sasini Ltd	KE0000000430	SASN	228,055,500	3,930
7)	Williamson Tea Kenya Ltd	KE0000000505	WTK	8,756,320	3,690
B	**AUTOMOBILES & ACCESSORIES**				
8)	Car & General (K) Ltd	KE0000000109	C&G	40,103,308	258
9)	Marshalls (E.A.) Ltd	KE0000000364	MASH	14,393,106	125
10)	Sameer Africa Ltd	KE0000000232	FIRE	278,342,393	626
C	**BANKING**				
11)	Barclays Bank of Kenya Ltd	KE0000000067	BBK	5,431,536,000	2,800
12)	CFC Stanbic of Kenya Holdings Ltd	KE0000000091	CFC	395,321,638	141,680
13)	Diamond Trust Bank Kenya Ltd	KE0000000158	DTK	242,110,105	1,890
14)	Equity Bank Ltd	KE0000000554	EQTY	3,702,777,020	6,240
15)	Housing Finance Co.Kenya Ltd	KE0000000240	HFCK	235,750,000	7,500
16)	I&M Holdings Ltd	KE0000000125	I&M	392,362,039	1,400

#	Organisation	ISIN code	Trading Symbol	Total Number of Issued Shares	Estimated Employees
17)	Kenya Commercial Bank Ltd	KE0000000315	KCB	2,984,227,692	5,492
18)	National Bank of Kenya Ltd	KE0000000398	NBK	280,000,000	934
19)	NIC Bank Ltd	KE0000000406	NIC	597,282,563	909
20)	Standard Chartered Bank Kenya Ltd	KE0000000448	SCBK	309,159,514	1,698
21)	The Co-operative Bank of Kenya Ltd	KE1000001568	COOP	4,889,316,295	3,920
D	**COMMERCIAL AND SERVICES**				
22)	Express Kenya Ltd	KE0000000224	XPRS	35,403,790	220
23)	Hutchings Biemer Ltd	KE0000000257	HBER	360,000	21
24)	Kenya Airways Ltd	KE0000000307	KQ	1,496,469,035	3,986
25)	Longhorn Kenya Ltd	KE2000002275	LKL	58,500,000	90
26)	Nation Media Group Ltd	KE0000000380	NMG	188,542,286	1,540
27)	Scangroup Ltd	KE0000000562	SCAN	378,865,102	5,200
28)	Standard Group Ltd	KE0000000455	SGL	81,731,808	554
29)	TPS Eastern Africa Ltd	KE0000000539	TPSE	182,174,108	3,430
30)	Uchumi Supermarket Ltd	KE0000000489	UCHM	265,424,636	4,500
E	**CONSTRUCTION & ALLIED**				
31)	ARM Cement Ltd	KE0000000034	ARM	495,275,000	3,000
32)	Bamburi Cement Ltd	KE0000000059	BAMB	362,959,275	974
33)	Crown Paints Kenya Ltd	KE0000000141	BERG	23,727,000	264
34)	E.A.Cables Ltd	KE0000000174	CABL	253,125,000	242
35)	E.A.Portland Cement Co.	KE0000000190	PORT	90,000,000	634

#	Organisation	ISIN code	Trading Symbol	Total Number of Issued Shares	Estimated Employees
	Ltd				
F	**ENERGY & PETROLEUM**				
36)	KenGen Co. Ltd	KE0000000547	KEGN	2,198,361,456	2,063
37)	KenolKobil Ltd	KE0000000323	KENO	1,471,761,200	528
38)	Kenya Power & Lighting Co Ltd	KE0000000349	KPLC	1,951,467,045	7,015
39)	Total Kenya Ltd	KE0000000463	TOTL	175,028,706	376
40)	Umeme Ltd	KE2000005815	UMME	1,623,878,005	1,389
G	**INSURANCE**				
41)	British-American Investments Co.(Kenya) Ltd	KE2000002192	BRIT	1,938,415,838	408
42)	CIC Insurance Group Ltd	KE2000002317	CIC	2,615,538,528	178
43)	Jubilee Holdings Ltd	KE0000000273	JUB	59,895,000	609
44)	Kenya Re Insurance Corporation Ltd	KE0000000604	KNRE	699,949,068	115
45)	Liberty Kenya Holdings Ltd	KE2000002168	CFCI	1,030,540,728	366
46)	Pan Africa Insurance Holdings Ltd	KE0000000414	PAFR	96,000,000	89
H	**INVESTMENT**				
47)	Centum Investment Co Ltd	KE0000000265	ICDC	665,441,775	9
48)	Olympia Capital Holdings	KE0000000166	OCH	40,000,000	107

#	Organisation	ISIN code	Trading Symbol	Total Number of Issued Shares	Estimated Employees
	Ltd				
49)	Trans-Century Ltd	KE2000002184	TCL	280,284,476	350
50)	Nairobi Securities Exchange Ltd	KE3000009674	NSE	194,625,000	37
I	MANUFACTURING & ALLIED				
51)	A. Baumann & Co Ltd	KE0000000018	BAUM	3,840,066	64
52)	B.O.C Kenya Ltd	KE0000000042	BOC	19,525,446	95
53)	British American Tobacco Kenya Ltd	KE0000000075	BAT	100,000,000	500
54)	Carbacid Investments Ltd	KE0000000117	CARB	254,851,988	49
55)	East African Breweries Ltd	KE0000000216	EABL	790,774,356	1,190
56)	Eveready East Africa Ltd	KE0000000588	EVRD	210,000,000	250
57)	Kenya Orchards Ltd	KE0000000331	ORCH	12,868,124	27
58)	Mumias Sugar Co. Ltd	KE0000000372	MSC	1,530,000,000	1,690
59)	Unga Group Ltd	KE0000000497	UNGA	75,708,873	100
J	TELECOMMUNICATION & TECHNOLOGY				
60)	Safaricom Ltd	KE1000001402	SCOM	40,065,428,000	4,250
K	GROWTH ENTERPRISE MARKET SEGMENT (GEMS)				
61)	Flame Tree Group Holdings Ltd	KE4000001323	FTGH	161,866,804	19
62)	Home Afrika Ltd	KE2000007258	HAFR	405,255,320	37

#	Organisation	ISIN code	Trading Symbol	Total Number of Issued Shares	Estimated Employees
	TOTALS				**235,269**

Source: NSE 2015, Downloaded from https://www.nse.co.ke/listed-
companies/list.html ; Retrieved on 28th November 2015

Appendix IV: Factor and Principal Component Analyses

a) LEADERSHIP STRUCTURES

Table 1: Reliability check on Leadership Structures

Reliability Statistics

Cronbach's Alpha	N of Items
.881	5

Table 2: Factor Analysis on Leadership Structures

Component Matrix[a]

	Component
	1
The influence of corporate governance on the company performance depends on the company top leadership strategy	.805
Our company structure has the Board of Directors, management committees and management directors who work in teamwork and trust.	.802
Our company has no conflict of interest between all levels of leadership and thus company performance is always improving.	.763

164

Our leaders have firm control of the affairs of the company in a lawful, efficient and effective manner, such that the organisation increasingly improve on its value creation; respect other stakeholders' interests and ensure that the value created is shared among the interested parties.   .747

Our company leadership is transparent and accountable and have ultimate responsibility for directing all the activities of the organisation, ensuring they are well run and delivering the outcomes for which it has been set up making our company financial performance excel.   .699

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

b) LEADERSHIP COMPOSITION

Table 3:   Reliability check on Leadership Composition

Reliability Statistics

Cronbach's Alpha	N of Items
0.909	5

Table 4:   Factor Analysis on Leadership Composition

Component Matrix[a]

	Component
	1
Our board of directors is composed of talented and experts in our industry, financial matters and operation matters which results in good company performance.	.886
Our vision and mission statement is commonly agreed-upon and understood and adopted by all employees for optimum performance of our company.	.883

The board of directors of our organisation is perceived as highly ethical, responsible and valuable to all stakeholders' (i.e. investors/shareholders, employees etc.) which results to company growth.

.883

Our board members help in accessing information, specific skills and other resources from the environment and thereby reduce uncertainty and promote the company progress.

.815

Policies, regulations and rules exist in our company and are well stated and are strictly adhered to by our employees which result in improvement to the company performance.

.812

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

c)   LEADERSHIP INDEPENDENCE

Table 5:   Reliability check on Leadership Independence

Reliability Statistics

Cronbach's Alpha	N of Items
.888	5

Table 6:   Factor Analysis on Leadership Independence

Component Matrix^a

	Component
	1
Outside directors have enough incentive to monitor managers because their own reputations depend on it and thus improve the company performance.	.887
Our company have a written code of corporate governance wherein the rights of shareholders and duties of the boards are specified for best performance of the company.	.880

Our company have an effective and independent monitoring management committees whose task is to ensure full compliance of the company with existing laws and regulations that results in achieving targeted performance.	.856
Our company leadership have a structured scheme of service that prevent conflicts of interest and to ensure that the highest standards of ethics are followed in word and deed to propel the company performance to great heights.	.849
There is good relationship between the all the leaders in our organisation and they operate on teamwork, which have enable our company grow.	.814

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

d) STAKEHOLDERS' OWNERSHIP

Table 7: **Reliability check on Stakeholders' Ownership**

Reliability Statistics

Cronbach's Alpha	N of Items
.852	5

Table 8: **Factor Analysis on Stakeholders' ownership**

Component Matrix[a]

	Component
	1
There is positive effect on stakeholders active monitoring of the corporation affairs on the company performance	.916

The level on which the stakeholders benefit contributes to their involvement in ensuring company's success.	.862
Firms that consider stakeholders independence in their management guidelines is less optimistically biased, more accurate, more precise and the company performance is better than firms that do not.	.843
Our stakeholders and investors derive outstanding value from our organisations as they feel as part of the company which result to better company performance.	.809
Our organization is perceived as highly ethical with credible leaders by stakeholders which motivates value of ownership for better company performance.	.793

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

e) OWNERSHIP CONCENTRATION

Table 9:   Reliability check on Ownership Concentration

Reliability Statistics

Cronbach's Alpha	N of Items
.905	5

Table 10:   Factor Analysis on Ownership Concentration

Component Matrixᵃ

	Component
	1

Major shareholders tend to actively promote long term performance and to discipline management which have a positive impact on company performance.	.866
Ownership concentration has negative effect on a firm's value	.856
Ownership concentration effect is more felt on bigger size companies than smaller ones.	.844
If the major shareholders are operating another business on the same industry will have a negative effect on the company performance as there will be conflict of interest.	.835
Strong ownership command reduces the ability of corporate officers to engage in opportunistic behaviours.	.775

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

Appendix V: Model Summaries for the Independent Variables

a) Model Summary for Leadership Structures

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.301ᵃ	.090	.085	3.898

a. Predictors: (Constant), Leadership Structures

b) Model Summary for Leadership Composition

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.369ᵃ	.136	.131	3.799

a. Predictors: (Constant), Leadership Composition

c) Model Summary for Leadership Independence

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.270ᵃ	.073	.067	3.936

a. Predictors: (Constant), Leadership Independence

d) Model Summary for Stakeholders' Ownership

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.295ᵃ	.087	.082	3.906

a. Predictors: (Constant), Stakeholders Ownership

e) Model Summary for Ownership Concentration

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.308[a]	.095	.089	3.889

a. Predictors: (Constant), Ownership Concentration