INFLUENCE OF GOVERNANCE PRINCIPLES ON PERFORMANCE OF COMMERCIAL STATE CORPORATIONS IN KENYA

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Influence of Governance Principles on Performance of Commercial State Corporations in Kenya

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DECLARATION

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

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

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DEDICATION

I dedicate this thesis to the memory of my loving father, Daniel Iringo kiringo who taught me the value of honesty, hard work and to believe in myself .

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I thank Almighty God for sufficient grace during the period I was developing this research. Also to my supervisors Dr Ester Waiganjo, Dr. Kennedy Nteere and Prof. Willy Muturi for their guidance that facilitated my research writing.

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I dedicate this thesis to my Mother Joyce Iringo whose love is my strength, family and friend's whose words and patience have been my source of encouragement and inspiration. I pray that may Almighty God bless and prosper them always.

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LIST OF ACRONYMS AND ABBREVIATIONS

CACG	Commonwealth Association for Principles of governance
CBK	Central Bank of Kenya
CCG	Codes of Corporate Governance
CG	Corporate Governance
CGI	Corporate Governance Index
CMB	Capital Markets Board
GDP	Gross Domestic Product
IRRC	Investor Responsibility Research Center
IS	Information Systems
IT	information technology
NGOs	non-governmental organization
SC	State Corporations
SSA	Sub–Saharan African countries
SPSS	Statistical Package for Social Scientists
UK	United Kingdom
USA	United States of America

DEFINITION OF TERMS

Accountability: the acknowledgment and assumption of responsibility for actions, products, decisions, and policies including the administration, governance, and implementation within the scope of the role or employment position and encompassing the obligation to report, explain and be answerable for resulting consequences (Collier, 2013).

Transparency: Turnbull, (2012) defined transparency is operating in such a way that it is easy for others to see what actions are performed. Hunger (2009) defined transparency as the perceived quality of intentionally shared information from a sender. Stefkovich (2010) defined transparency as lack of withholding relevant information unless necessary, leading to a default position of information provision (rather than concealment).

Fairness: According to Verhezen, (2013) fairness is the sense of equality in dealing with internal stakeholders. Friedman (2011) defined fairness ability to reach an equitable judgment in a given ethical situation.

Integrity: According to Arneson, (2011) integrity is the steadfast adherence to a strict moral, ethical code, and high moral virtue. According to Jennifer (2007) integrity is the prerequisite within agency relationships.

Performance: Performance is the measure of actual output or results of an organization against its intended outputs (or goals and objectives) (Weir & Laing, 2010). According to Richard (2009) organizational performance encompasses three specific areas of firm outcomes: financial performance (profits, return on assets, return on investment, product market performance (sales, market share,) and shareholder return (total shareholder return and economic value added).

ABSTRACT

The purpose of the study was to establish the influence of adoption of governance principles on the performance of commercial state corporations in Kenya. The study was guided with specific objectives which are; to establish the influence of accountability on performance of commercial state corporations in Kenya, to examine the influence of transparency on performance of commercial state corporations in Kenya, to determine the influence of fairness on performance of commercial state corporations in Kenya and to evaluate how integrity influence performance of commercial state corporations in Kenya. The study used descriptive research survey design. The target population was 55 commercial state corporations in Kenya. The study sample size was 55 commercial State Corporation, the study used census since the sample was small. The study used primary data, which was collected using questionnaires. The questionnaires were both open and close ended. The study used email, phone calls and meeting procedure with the targeted respondent in commercial state corporate to follow up. The reliability of the questionnaires was determined using test retest method. A coefficient of above 0.7 was obtained and this indicated that the data collection instruments were valid. Data collected from the field was coded, cleaned and categorized according to questionnaire items. The gathered data was analyzed using computer aided IBM Statistical Package for Social Scientists (SPSS) version 21 premium. Both descriptive and inferential statistics were used to analyze the data collected. Descriptive statistics involved computation of mean scores, standard deviation, percentages, cross tabulation and frequency distribution which will describe the demographic characteristics of the organization and the respondents. Inferential statistics was used to determine the relationships and significance between independent and dependent variable. The data was presented using tables, graphs and charts. The number of questionnaires that were administered to all the respondents were 55 questionnaires. A total of 38 questionnaires were properly filled and returned from the Commercial State Corporation. This represented an overall successful response rate of 69%. The study found that majority of the respondent agreed that adoption of governance principles influences on the performance of commercial state corporations in Kenya. The study also found that principle of accountability, transparency and fairness had a high influence on the performance of commercial state corporations in Kenya. Further the study established that principle of integrity was very low on influencing the performance of commercial state corporations in Kenya. The study recommended on the adoption of governance principles on the performance of commercial state corporations in Kenya. The study concludes that principle of accountability influence on the performance of commercial state corporations in Kenya. The study recommended that principle of accountability influences on the performance of commercial state corporations in Kenya to a great extent and therefore it should be adopted in state corporates. Also the study established that principle of integrity is negatively applied in the commercial state corporations in Kenya. The study established that annual report publication in state-corporate, report auditing by internal and external auditors and members providing feedback on their roles highly influences on the performance of commercial state corporations in Kenya. The study recommends further research to be conducted on influence of adoption of governance principles on the performance on government ministries, Non–governmental institutions and private sector.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Leadership, governance and the structure of any corporate entity affects the institution's ability to respond to external factors that have some bearing on its service delivery and eventual performance (Anum, 2010). Well-governed institutions largely perform better and that good Principle of governance is of essence to service delivery in all institutions. Indeed, it is believed that the Asian crisis and the seemingly poor performance of the corporate sector in Africa have made the concept of Principles of governance a catch phrase in the development debate (Arneson, 2011). Empirical studies have provided the link between Principles of governance and institution performance. Bonner (2010) indicates that well-governed public institutions have higher institution performance.

The relevance of principles of governance cannot be over-emphasized since it constitutes the organizational climate for the internal activities of a company. Principles of governance brings new outlook and enhances institution's corporate entrepreneurship and competitiveness (Kihara, 2006). Parastatals have tremendous governance problems. Some of the parastatals have folded up partly because of governance problems as observed in South Africa (Kyereboah & Biekpe, 2006). Good governance requires mediation of the different interests in society to reach a broad consensus in society on what is in the best interest of the whole community and how this can be achieved (Anon, 2004). Good governance requires a broad and long-term perspective on what is needed for sustainable human development and how to achieve the goals of such development. This can only result from an understanding of the historical, cultural and social contexts of a given society or community and a clear distinction between the concepts of good governance and politics (Anum 2010). Politics involves processes by which a group of people with initially divergent opinions or interests reach collective decisions. These decisions are generally regarded as binding on the group and enforced as common policy, (Bierstaker & Wright, 2001). Regionally, there are various motives behind the establishment of public enterprises in the Sub–Saharan African countries (SSA). For instance, in Uganda, the Ugandan Development Corporation created in 1963 a subsidiary known as African Business Promotion Ltd., the objective of which was to establish and promote our own people in the trade and commerce field generally so that Ugandans may play a reasonable part and hold a reasonable share of the country's commerce (Jones, 2010).

The Kenya government formed parastatals to meet both commercial and social goals. These parastatals exist for various reasons including: to correct market failure, to exploit social and political objectives, provide education, health, redistribute income or develop marginal areas. At independence in 1963, parastatals were retooled by Sessional Paper no. 10 of 1965 into vehicles for the indigenization of the economy. Thus majority of key parastatals that exist today were established in the 1960s and 1970s. By 1995, there were 240 state corporations.

The poor performance of SCs in Kenya by 1990 led to outflow from central government to parastatal equivalent to 1 percent of the GDP in 1991. Further, in 1990 – 1992, the direct subsidies to parastatal amounted to Ksh 7.2 billion and additional indirect subsidies amounted to Ksh. 14.2 billion. By 1994, the subsidies paid to parastatals were taking 5.5 % of the GDP. The levels of inflation in the country then reflected deficits financed by the Central Bank of Kenya (CBK). Some ways were devised to solve these problems, such as negotiations between SCs and government in a bid to clarify the former's objectives and set targets, introduction of competition and better accountability to customers, provision of incentives in the form of higher salaries and benefits to employees based on performance and increased training of employees. All these measures were not 100% successful. Failure of the above measures made the government to embark on privatization of many SCs (Chassin, Schmaltz, & Wachter, 2010).

1.1.1 Performance of Commercial based State Corporations

According to Rothman and Friedman (2011) corporate governance provides a firm foundation for the development of economies. A good corporate governance mechanism improves the health of the corporate sector, thus enhancing national competitiveness. Corporate governance mechanisms consist of a combination of economic and legal institutions that ensure the flow of external financing to the firm, aligns the interests of owners (investors) with managers and other stakeholders, and guarantees a return to investors. Board governance is one of the important controls in managing the firms operations (Turnbull, 2012). Previous studies by Western researchers (Amran & Ahmad, 2009) found mixed findings on corporate governance mechanisms and firm performance.

Richard (2009) identified various corporate governance mechanisms. These include: board size, board composition, audit committee, CEO status, board independence and transparency and accountability. Larger organizations often use corporate governance mechanisms to manage their businesses because of their size and complexity. Publicly held corporations are also primary users of corporate governance mechanisms. Larger organizations often use corporate governance mechanisms to manage their businesses because of their size and complexity. Publicly held corporations are also primary users of corporate governance mechanisms (Vitez, 2011). The literature suggests that both market and non-market mechanisms could be used to promote the alignment of interest of managers and stakeholders. The managerial labor market and the market for corporate takeover exerted pressures both within and outside the firm in order to achieve such an alignment of interest. Fama (2010) asserted that a firm can be viewed as a team, whose members realize that in order for the team to survive, they must compete with other teams, and that the productivity of each member has a direct effect on the team and its members. Thus, within the firm, each manager has the incentive to monitor the behavior of other managers, whether subordinates or superiors.

1.1.2 Corporate Regulations

Corporate regulations come from different sources including: Company Acts, Bankruptcy Acts, Accounting Standards, and disclosure requirements from stock exchanges. Recent research suggests that the extent of legal protection of investors in a country is an important determinant of the development of financial markets. La Porta (2010) found out that the protection of shareholders and creditors by the legal system is not only crucial to preventing expropriation by managers or controlling shareholders, it is also central to understanding the diversity in ownership structure and efficiency of investment allocation. La Porta et al. (2012) found evidence of higher valuation, measured by Tobin's Q, of firms in 27 wealthy countries with better protection of minority shareholders. This evidence indirectly supports the negative effects of expropriation of minority shareholders by controlling shareholders in many countries, and for the role of the law in limiting such expropriation.

Company performance is enhanced when regulations and guidelines have been adhered to. Investors, regulators and other stakeholders clearly consider compliance to be important (Fasterling, 2005). In addition to regulation, corporate governance practices are also reflected in different factors such as culture, traditional financial options, corporate ownership patterns and legal origins (Zattoni & Francesca, 2008). It is generally accepted that the purpose of regulations concerning corporate governance is not to increase the value of a firm but to enhance investors' confidence. Consequently pressure from the regulatory authorities will encourage firms to comply with voluntary codes of best practice. Bechner and Freyer (2009) suggest that regulatory compliance and corporate governance act in a complementary manner to resolve the agency problem. Regulations reduce management dominance in the firm by increasing the influence of external parties such as auditors and shareholders. Conversely, deregulation increases the influence of management (Kole & Lehn, 2007).

In a regulated environment, the internal control system of firms is expected to be secure, whereas monitoring costs are higher if the environment is deregulated because firms need to regularly monitor management activity for the sake of shareholders investment and return. Therefore, it can be argued that a regulated environment ensures better monitoring and lower agency costs. Moreover, regulations ensure a unique system or standard in the economy and enable the comparison of industry level practice, and the business environment will be unstable in the absence of regulations (Kole & Lehn, 2007). Corporate governance evolved due to the existence of the agency problem associated with the separation of owners and managers, and regulation can mitigate the conflicts that arise as a result (Drobetz, 2002). It is generally assumed that a regulatory environment would result in enhanced corporate governance because companies are meant to comply with the relevant regulations, and according to Hermalin (2005) regulation has a positive impact on corporate governance hence firm performance.

1.1.3 Corporate adoption of Governance Principles

Principles of governance brings new outlook and enhances institution's corporate entrepreneurship and competitiveness (Kihara, 2006). Parastatals have tremendous governance problems. Some of the parastatals have folded up partly because of governance problems as observed in South Africa (Kyereboah & Biekpe, 2006). Good governance requires mediation of the different interests in society to reach a broad consensus in society on what is in the best interest of the whole community and how this can be achieved (Anon, 2004).

According to Rothman and Friedman (2011) corporate governance provides a firm foundation for the development of economies. A good corporate governance mechanism improves the health of the corporate sector, thus enhancing national competitiveness. Corporate governance mechanisms consist of a combination of economic and legal institutions that ensure the flow of external financing to the firm, aligns the interests of owners (investors) with managers and other stakeholders, and guarantees a return to investors. Board governance is one of the important controls in managing the firms operations (Turnbull, 2012).

1.1.4 Global Perspective on Performance of State Corporations

The critical areas to be addressed by Principles of governance can be easily described as, efficient, responsible, transparent and honest governance of economic entities, whether they are private or state owned, large, medium or small. The principles set out by the Commonwealth Association for Principles of governance are a well-recognized benchmark within the Commonwealth; but similar codes and principles, for example the Cadbury and King Reports, are available in other jurisdictions (Dawes, 2010). According to Dobson (2011) principles of governance is a concept that is still at its evolution stage.

Forker (2012) state that Principles of governance is both the promise to repay a fair return on capital invested and the commitment to operate an institution efficiently given investment from the perspective of the investor (Metrick & Ishii, 2002). The importance of governance lies in the power that is given to the people running the affairs of the organization. In recent period, this power has not always been used in the best interest of shareholders, employees or the society in general. Keeping morale high among workers can be of tremendous benefit to any organization, as happy workers will be more likely to produce more, thus enhancing the institution's financial performance, and staying loyal to the organization.

Principles of governance therefore are about corporate democracy and just like in any democracy; it has various stakeholders who comprise of shareholders, employees, government, management and the Board of Directors. They all have an interest in the prosperity of the organization. If there is no good Principles of governance, then stakeholders can demand for a change. It is important to realize that corporate organizations exist to provide specific services (satisfaction) to their stakeholders. Success in the provision of these services is interpreted as good Principles of governance (Wheelen & Hunger, 2009).

Parastatals play a major role in most economies through the provision of public services such as transport and energy. Also because they were established to foster wider developmental goals, some of them such as the Kenya Power have its commitments towards communities. The Company is aware that its activities affect the environment and communities in which it operates (Wood, 2010).

1.1.5 Kenya Perspective on Performance of State Corporations

Governance approaches are becoming more differentiated and there is an increasing need for new governance mechanisms, which have to be embedded into changing economic and societal structures. Problems of sustainability prove to be intractable because of their spatio-temporal structures and interconnectedness, representing complex social ecological problems. This is especially true concerning the global and the interaction with national or regional levels might be one main theme of the general problems of governance. This holds true as more questions are raised not only about global governance but also about very different governance scales that is project governance, Principles of governance, (Kiel & Nicholson, 2008).

Verhezen (2013) post that good governance requires efficient, effective and sustainable institutions for the welfare of the society. It seeks a responsive and accountable corporation that creates wealth, employment and solutions to emerging issues. Good governance promotes an inclusive approach based on democratic ideals, legitimate representation and participation. It recognizes and protects stakeholder's rights. Development has more chance of success in those countries where governments actually invest in raising people's living standard. The importance of good governance is now well documented. LeClair (2008) stated that governance is "good" when there are certain principles that are guaranteed and respected by a country's leaders and when these benefit that country.

1.2 Statement of the problem

Organization for Economic Co-operation and Development (OECD) (2013) reported that State corporations in Kenya have been facing performance challenges. According to Lien, Piesse, Strange, and Filatotchev (2009) lack of maintained governance principles such as integrity, transparency and accountability highly affects state corporates performance. Bonner (2010) stated that governance relates to the rules and practices governing the negotiation and the implementation of its objectives and principles through the exercise of authority, management and control within the organization. It encompasses the structures and processes for making decisions, as well as the relationship between the organization and its members.

According to Clarke (2010) there are a number of governance principles that one would expect to be reflected in the governance arrangements of any organisation. Adams (2012) stated that bad governance is contributed by poor accountability in the management of public affairs and this affects service delivery to the people. Donaldson and Preston, (010) argued that in Kenya at the county level, the level of accountability in the management of public affairs has consistently declined since the implementation of the new constitution 2010 and thus it affect the performance of state corporation in Kenya. Various studies have been conducted in Kenya on State corporations in Kenya. Njoroge (2012) researched on the influence of corporate leadership on the performance of state corporations. Mugambi (2015) researched on influence of corporate entrepreneurship on performance of state corporations in Kenya. Koech (2012) conducted a study on effect of leadership styles on organizational performance at State Corporations in Kenya. However, these studies failed to focus on the influence of governance principles on the performance of commercial based state corporations in Kenya. This study will explain the influence of governance principles on the performance of commercial state corporations in Kenya. This study will fill the gap on influence of governance principle on the performance of commercial based state corporations in Kenya.

1.3 Research Objectives

1.3.1 General Objective

The general objective of the study was to determine the influence of governance principles on the performance of commercial state corporations in Kenya

1.3.2 Specific Objectives

The following specific objectives guided the study:

1. To establish the influence of accountability principle on the performance of commercial state corporations in Kenya.
2. To examine the influence of transparency principle on the performance of commercial state corporations in Kenya.
3. To determine the influence of fairness principle on the performance of commercial state corporations in Kenya.
4. To examine the influence of integrity principle on the performance of commercial state corporations in Kenya.
5. To determine the moderating effect of corporate regulation on the adoption of governance principles and the performance of commercial state corporations in Kenya.

1.4 Research Hypothesess

The following research hypothesis guided the study;

H_{01}: Adoption of accountability principles has no significant influence on performance of commercial state corporations in Kenya.

H_{02}: Adoption of transparency principles has no significant influence on performance of commercial state corporations in Kenya.

H_{03}: Adoption of fairness principles has no significant influence on performance of commercial state corporations in Kenya.

H_{04}: Adoption of integrity principles has no significant influence on performance of commercial state corporations in Kenya.

H_{05}: Corporate regulation has no significant moderating effect on the relationship between governance principles and the performance of commercial state corporations in Kenya.

1.5 Significance of the Study

Policy Makers; The study gives great importance to policy maker since they will understand how adoption of governance principles affect performance of commercial State Corporation. The study will help policy maker understand the importance compliance to the governance principle by the state corporation.

Researchers; The study gives great importance to the researchers since they will have available reference materials on influence of adoption of governance principle on the performance of commercial state corporations in Kenya

State Corporation of Kenya; The study gives great importance to the commercial State Corporation since they will understand the influence of accountability, transparency, fairness and integrity on the performance of commercial state corporations in Kenya.

1.6 Scope of the Study

The study was limited to adoption of governance principles on the performance of commercial State Corporations in Kenya. The study was conducted in 55 commercial state corporations in Kenya.

1.7 Limitations of the Study

Various limitations were encountered during the study. The respondents were initially suspicious on the information being sought by the researcher. This affected and delayed the study but the researcher provided the letter from University that indicated the research was conducted for academic purposes only. The study was also affected by the respondent who refused to fill the questionnaires and return. The researcher followed up the respondents with various calls, emails and visits. Also the researcher provided the consent letter from the university to the respondent to show that the research was conducted for the academic purpose only. The researcher provided the letter from University that indicated the research was conducted for academic purposes only.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents a review of literature related to the study. It entails literature on influence of governance principle on performance of commercial state corporations in Kenya. The chapter is organized under the following parts: theoretical framework, conceptualization of the variables, empirical review and critique of existing literature, research gaps and summary.

2.2 Theoretical Framework

This section explains the different theories that relate to variables of the study. Theories are formulated to explain, predict, and understand phenomena and, in many cases to challenge and extend existing knowledge within the limits of the critical bounding assumptions. According to Munday (2009) theoretical framework introduces and describes the theory which explains why the research problem under study exists. A theoretical framework consists of concepts, together with their definitions, and existing theory/theories that are used for the particular study (Cyert & March, 2013).

2.2.1 Agency theory

According to Anon (2008), the agency theory is concerned with analyzing and resolving problems that occur in the relationship between principles (owners or shareholders) and their agents or top management. The theory rests on the assumption that the role of organizations is to maximize the wealth of their owners or shareholders (Arneson, 2011).

The agency theory holds that most businesses operate under conditions of incomplete information and uncertainty. Agency theory advocates that agent is accountable for their duties to the principle. Also the theory emphasize that the agent is reliable for any negligence. On the other hand, moral hazard is a condition under which a principle cannot be sure if an agent has put forth maximal effort (Bierstaker, 2009). According to the agency theory, superior information available to professional managers allows them to gain advantage over owners of public institutions. The reasoning is that an institution's top managers may be more interested in their personal welfare than in the welfare of the institution's shareholders (Collier, 2013) argue that managers will not act to maximize returns to shareholders unless appropriate governance structures are implemented to safeguard the interests of shareholders. Therefore, the agency theory advocates that the purpose of governance is to minimize the potential for managers to act in a manner contrary to the interests of shareholders.

Proponents of the agency theory belief that an institution's top management becomes more powerful when the institution stock is widely held and the board of directors is composed of people who know little of the institution. The theory suggests that an institution's top management should have a significant ownership of the institution in order to secure a positive relationship between governance and the amount of stock owned by the top management (Mallin, 2004). Dobson (2011) argues that problems arise in corporations because agents (top management) are not willing to bear responsibility for their decisions unless they own a substantial amount of stock in the corporation. The agency theory also advocates for the setting up of rules and incentives to align the behavior of managers to the desires of owners (Forker, 2012). However, it is almost impossible to write a set of rules for every scenario encountered by employees.

Hall (2012) argue that the agency theory is mainly applied by boards of profit making organizations to align the interests of management with those of shareholders. Jennifer (2007) argues that the demands of profit making organizations are different from those of stakeholders such as shareholders, local communities, employees and customers. The conflicting demands can be used to justify actions that some may criticize as immoral or unethical depending on the stakeholder group.

According to this theory, people are self-interested rather than altruistic and cannot be trusted to act in the best interests of others. On the contrary, people seek to maximize their own utility. The agency theory presents the relationship between directors and shareholders as a contract (Adams, 2002). This implies that the actions of directors, acting as agents of shareholders, must be checked to ensure that they are in the best of the shareholders. This theory failed to explain on how accountability influences on performance of commercial State Corporation.

2.2.2 Stewardship theory

The stewardship theory, also known as the stakeholders' theory, adopts a different approach from the agency theory. It starts from the premise that organizations serve a broader social purpose than just maximizing the wealth of shareholders (Kaptein & Van 2008). The stakeholders' theory holds that corporations are social entities that affect the welfare of many stakeholders where stakeholders are groups or individuals that interact with an institution and that affect or are affected by the achievement of the institution's (Morck, Shleifer, & Vishny, 2008). Successful organizations are judged by their ability to add value for all their stakeholders. Some scholars consider the natural environment to be a key stakeholder (Munday, 2009). Stakeholders can be instrumental to success and have moral and legal rights (Lien et al., 2009). When stakeholders get what they want from an institution, they return to the institution for more (Freaman & McVea, 2001). Therefore, leaders have to consider the claims of stakeholders when making decisions (Blair, 1995) and conduct business responsibly towards the stakeholders (Manville & Ober, 2003; White, 2009). Participation of stakeholders in decision-making can enhance efficiency and reduce conflicts (Richard, 2009). Application of the stewardship theory suggests that institution's board of directors and its CEO acts as stewards are more motivated to act in the best interests of the institution rather than for their own selfish interests. This is because, over time, senior executives tend to view an institution as an extension of themselves (Shapiro & Stefkovich, 2010). The stewardship theory argues that shareholders in an institution's care more about the institution's long term success (Hall, 2012). This theory is relevant to this study since it elaborates on the influence of shareholders on the performance of commercial state corporations in Kenya

2.2.3 Institutional Theory

Institutional theory is a widely accepted theoretical posture that emphasizes organizations is social cultural systems and it focuses on the deeper and more resilient aspects of social structure. It considers the processes by which structures, including schemes; rules, norms, and routines as authoritative guidelines for social behavior (Arneson, 2011). Different components of institutional theory explain how these elements are created and adapted over time. The emphasis on institutional theory is normally viewed from the regulatory perspective. Better legal environment encourages the adoption of good corporate governance practices due increased incentives to the firms and countries have different governance codes that serve as templates for practice in the concerned countries (Anon, 2004). The main idea of institutional theory is that the organizations are exposed and linked to external environment accordingly; corporate governance should ensure that, there is a clear link between the organizations and environment based on organizations goals and objectives. Corporate governance should have an effective influence and involvement in formalizing and identifying corporate goals. Bonner (2010) suggested that, in order to formulate a compensation policy senior manager should understand all norms and traditions of the organization. However, those policies are resistant to change even in the face of major changes in job content and technology complexity. The adaptation and rejection of these changes should be examined and investigated based on the historical, social and political issues that are linked to recognizing organizational changes.

According to Burger and Owens (2012) corporate governance consists of external governance mechanisms and internal governance mechanisms that are linked to the concept of institutional theory. The theory explains the deeper and more resilient aspects of social structure, processes, schemes, rules, norms and routines that have become established as authoritative guidelines for social behavior. It looks at how these elements are created, diffused, adopted and adapted over space and time, and how they fall into decline and disuse. Basically, institutional theory asserts that organizational structures and procedures are adopted because important external institutions prefer them. Institutional networks are not merely control and co-coordinating mechanisms for economic transactions, they socially construct rules and beliefs for conformity and reward.

2.3 Conceptual framework

A conceptual framework is a structure of concepts which are pulled together as a map for the study (Gartner, 2005). The framework of this study highlights a number of influences of governance principle on the performance of commercial state corporations in Kenya. The conceptual framework (figure 2.1) shows the interrelationship between independent variables, (Accountability principle, Transparency principle, Fairness principle and Integrity principle) and the dependent variable (Performance of Commercial state Corporations) and moderating variable (Corporate Regulations).

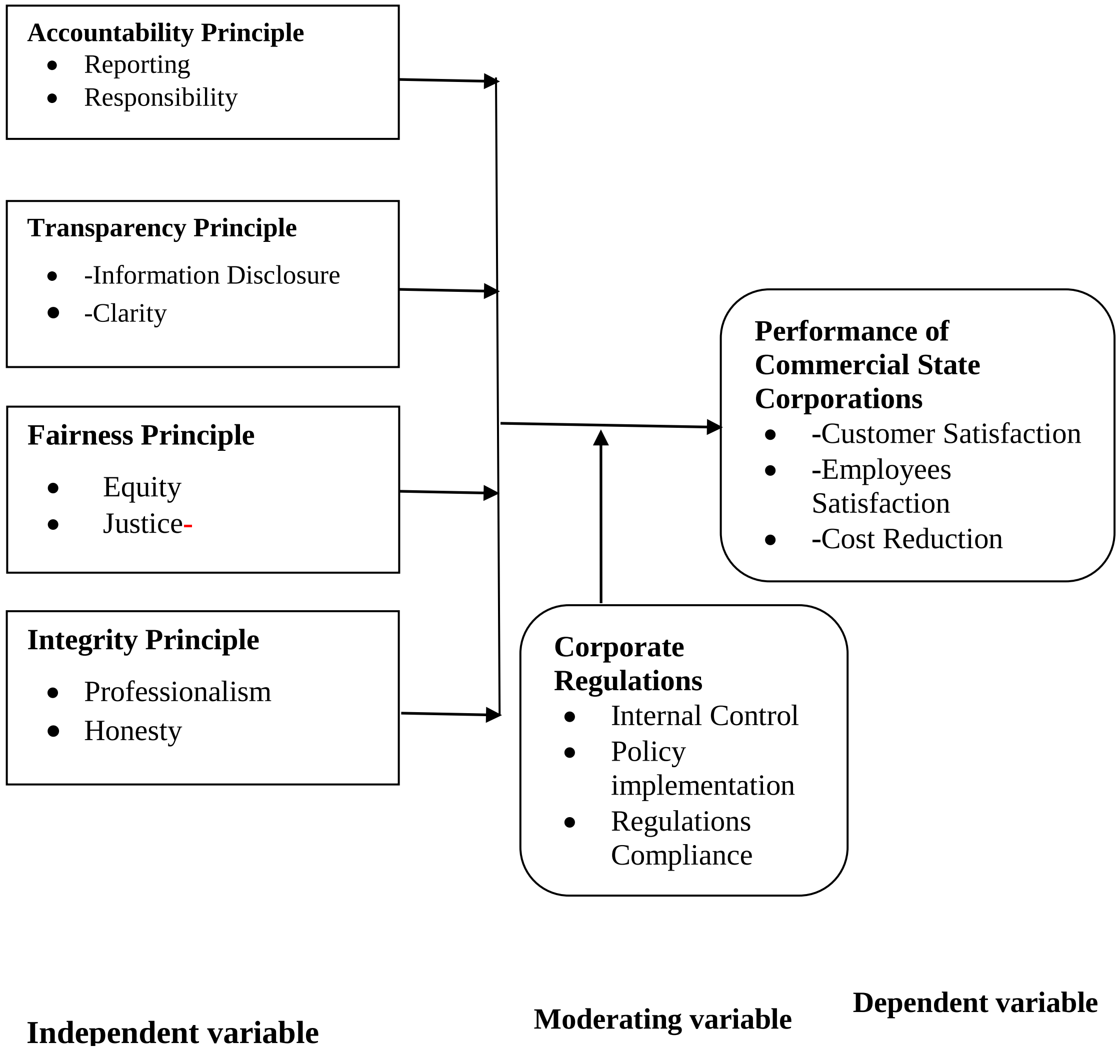

Figure 2.1: Conceptual framework

2.4 Review of the Variables

2.4.1 Accountability Principle

Accountability is one of the cornerstones of good governance; however, it can be difficult for scholars and practitioners alike to navigate the myriad of different types of accountability (Bierstaker, 2009). Recently, there has been a growing discussion within both the academic and development communities about the different accountability typologies (Carpenter & Westpal, 2011). Currall and Epstein (2013) stated that accountability ensures actions and decisions taken by public officials are subject to oversight so as to guarantee that government initiatives meet their stated objectives and respond to the needs of the community they are meant to be benefiting, thereby contributing to better governance and poverty reduction.

Bonner (2010) argued that accountability is an amorphous concept that is difficult to define in precise terms. However, broadly speaking, accountability exists when there is a relationship where an individual or body, and the performance of tasks or functions by that individual or body, are subject to another's oversight, direction or request that they provide information or justification for their actions. Scott (2009) reported that accountability involves two distinct stages: answerability and enforcement. Answerability refers to the obligation of the government, its agencies and public officials to provide information about their decisions and actions and to justify them to the public and those institutions of accountability tasked with providing oversight. Enforcement suggests that the public or the institution responsible for accountability can sanction the offending party or remedy the contravening behavior. As such, different institutions of accountability might be responsible for either or both of these stages.

According to Kaptein and Van (2008) managers accountability to shareholders is an important objective of corporate governance. Corporate governance is concerned with how a company is directed, controlled and managed, so as to ensure that there is an effective framework for accountability of directors to owners.

2.4.2 Transparency Principle

Starik and Rands (2007) argued that transparency improve the organization performance and governance structure of companies. Starik and Rands added that access to information improves transparency and governance. Especially Management Information Systems reporting, company intranet websites, company websites, Internet, email, and business intelligence systems that enable people to query almost everything, makes hiding information almost impossible.

Auld and Gulbrandsen (2010) stated that companies which have already solved their agency conflicts perform better and may also be more transparent on corporate governance. Due to sound performance this could be a credible signal for investors and a credible commitment to solve future agency conflicts. Given the costs of reporting on corporate governance high performing companies are assumed as being rather willing to invest more into high governance standards than low performing ones. Bierstaker (2009) in his study reported that companies with sound liquidity were identified to be more transparent on corporate governance in their annual reports and on their website with a generally higher degree of disclosure on non-financial information.

2.4.3 Fairness Principle

According to Baharifar and Javaheri (2010) justice or fairness refers to the idea that an action or decision is morally right, which may be defined according to ethics, religion, fairness, equity, or law. Trevino and Nelson (2010) stated that an individual's perceptions of these decisions as fair or unfair can influence the individual's subsequent attitudes and behaviors. Fairness is often of central interest to organizations because the implications of perceptions of injustice can impact job attitudes and behaviors at work. Justice in organizations can include issues related to perceptions of fair pay, equal opportunities for promotion, and personnel selection procedures.

Shapiro and Stefkovich (2010) argued that there are no viable arguments to support anyone in a leadership position being less than fair in all of their business dealings, or in expecting or accepting any less from others. Fairness facilitates improved communication and builds commitment, self-confidence, self-esteem, group cohesion, information and resource sharing and a sense of purpose and enthusiasm for success. And those characteristics in a work force feed the bottom line which of those benefits of fairness in the workplace they are willing to do without.

2.4.4 Integrity Principle

Chandima and Markeset (2011) argued that concept of Corporate Governance hinges on total transparency, integrity and accountability of the management which includes non-executive directors. Chandima and Markeset added that institutional directors are nominated to the Board of Directors, by financial institutions to take care of the interest of their institution, where they belong, they should play a key role in integrity, transparency and accountability.

The Government must act with respect to the appointment of institutional director, in time and put certain amount of responsibility and accountability towards the general public at large. Audit Committee is another important instrument of Corporate Governance. This is the sub-committee of the board with minimum three independent directors, having a function of watchdog of all financial activities. Even though this concept was existing earlier in West, in India it was brought first by Ministry of Petroleum and Natural Gas by way of guidelines, and was the first to establish audit committee in pursuance of these guidelines (Verhezen, 2013).

2.4.5 Corporate Regulations

Corporate regulations come from different sources including: Company Acts, Bankruptcy Acts, Accounting Standards, and disclosure requirements from stock exchanges. Recent research suggests that the extent of legal protection of investors in a country is an important determinant of the development of financial markets. La Porta (2010) found out that the protection of shareholders and creditors by the legal system is not only crucial to preventing expropriation by managers or controlling shareholders, it is also central to understanding the diversity in ownership structure and efficiency of investment allocation.

Company performance is enhanced when regulations and guidelines have been adhered to. Investors, regulators and other stakeholders clearly consider compliance to be important (Fasterling, 2005). Bechner and Freyer (2009) suggest that regulatory compliance and corporate governance act in a complementary manner to resolve the agency problem. Regulations reduce management dominance in the firm by increasing the influence of external parties such as auditors and shareholders.

2.4.6 Performance of Commercial based State Corporations

According to Rothman and Friedman (2011) corporate governance provides a firm foundation for the development of economies. A good corporate governance mechanism improves the health of the corporate sector, thus enhancing national competitiveness. Corporate governance mechanisms consist of a combination of economic and legal institutions that ensure the flow of external financing to the firm, aligns the interests of owners (investors) with managers and other stakeholders, and guarantees a return to investors. Board governance is one of the important controls in managing the firms operations (Turnbull, 2012).

Corporate Governance is the system by which companies are directed and controlled. It specifies the distribution of rights and responsibilities among different participants in the corporation, such as the board, managers, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs. It also provides the structure through which company objectives are set and monitoring performance attained (Davis, 2010).

2.5 Empirical Review

2.5.1 Accountability Principle

Accountability is enhanced when the roles and responsibilities are clearly articulated in a program charter, memorandum of understanding, or partnership agreement and when these agreements work out such issues as to whom and for what purposes the members of the governing body are accountable to the program or the organization (Douglas, Mertens & Wasley, 2012). Stakeholder participation in the formulation of these agreements and their public disclosure also strengthens the accountability of program governance. All persons in leadership positions should uphold high standards of ethics and professional conduct over and above compliance with the rules and regulations governing the operation of the program (Albuquerque & Wang, 2008). Members of the governing, executive and advisory bodies, as well as members of the management team, must exercise personal and professional integrity, including the avoidance of conflicts of interest. Programs decision-making, reporting, and evaluation processes should be open and freely available to the general (Fasterling, 2005).

The obligation of an individual or organization to account for its activities, accept responsibility for them, and to disclose the results in a transparent manner. It also includes the responsibility for money or other entrusted property. Improving government accountability improves service delivery. Conversely, increasing the resources allocated for public services without fixing the accountability incentive structure will most likely not translate into greater development benefits for the poor. Devolution offers significant opportunities to improve government accountability. Decentralization thus leads to new interactions and contractual relationships between local governments, between small and big private public institutions, and between providers and producers of services, and communities and nongovernmental organizations (Collier, 2013).

According to Ribot (2004), building appropriate local governance structures requires bridging the supply and demand side so that local governments can be downwardly accountable to citizens. A precondition for downward accountability is to simultaneously empower local governments and citizens. That requires setting priorities and sequencing decentralization reforms to strengthen accountability on both the supply and demand sides.

2.5.2 Transparency Principle

Recent studies, by Burger and Owens (2012) generally show higher degrees of transparency & disclosure for highly liquid companies. Thus, these companies may easier finance high costs for corporate governance reporting. Conyon and Mallin, (2010) argued that positive effects of firm performance on transparency & disclosure on corporate governance may also occur with a negative effect. Lower success could induce companies to increase transparency & disclosure on corporate governance and simply use it as an impression management tool to distract investors from low performance. Clarke (2010) argued that there are indications, that performance could also have an impact on transparency and disclosure on corporate governance.

According to Turnbull (2012) governance is the true source of transparency. Wheelen and Hunger (2009) in their study on public sector organizations showed that governance have the potential to facilitate the achievement of transparency within public sector and organizations. They showed how the open systems nature of Internet technologies can facilitate greater cooperation and communication across organization units both internally and externally. The positive role of good governance is increasing transparency as highlighted by (White, 2009). Yermack (2009) in his study reported that besides transparency impact on corporate also it has effects on company performance. Recent studies have established that transparency improve a company’s performance and competitive position (Lien et al., 2009).

2.5.3 Fairness Principle

Gillan (2006) introduced the concept of organizational justice with regard to how an employee judges the behavior of the organization and the employee's resulting attitude and behavior thus if a firm makes redundant half of the workers, an employee may feel a sense of injustice with a resulting change in attitude and a drop in productivity.

The reviewed theories assert that employees' organizational justice may be related to their work attitudes and behaviors as well as to non-work and health outcomes (Lockwood, 2012). A study by Abor (2007) stated that on average, justice perceptions had a strong association with organizational commitment, perceived organizational support, and the quality of the relationship between supervisor and employee. According to Noordwijk and Leimona (2011) organizational justice had moderately strong associations with organizational citizenship behaviors, and counterproductive work behaviors and weak to moderately strong associations with task performance. A study by Gotsis and Kortezi (2010) revealed that organizational fairness to the employees had a moderately strong association with positive affect to the performance of the organization. The results show that the dimensions of justice have strong associations with job satisfaction and withdrawal behavior such as absenteeism and turnover. Drobetz (2002) in his study revealed that individual predictability of the various fairness facets, the combination of them had stronger associations with outcomes such as job satisfaction, affective commitment to the organization, and perceived organizational support. Lockwood (2012) reviewed 83 studies that appeared between 1991 and 2009. Organizational injustice was found to have moderately strong associations with burnout, negative emotional states, and perceived stress; weak to moderately strong associations with mental health; and weak associations with health problems and absenteeism. The association between unfairness and health behaviors was the weakest.

The authors noted that including all justice facets consistently improved predictions as compared to predictions based only on one justice dimension. It may be that overall justice is a better predictor of health than individual justice dimensions, as would be predicted based on concerns that constructs of similar generality enhance predictions (Kahneman, Knetsch & Thaler, 2010).

One of the exceptions is the study by Kahneman, Knetsch and Thaler (2010) which showed that over the course of one year an improvement in justice practices was related to more favorable employee attitudes concerning job satisfaction, commitment, and intention to stay. Lockwood (2012) study found less consistent evidence for the relationship between fairness perceptions and work attitudes, which suggests that the effects of organizational justice may depend on the time lag between the measurement of organizational justice and the outcomes, with effects being stronger for shorter time periods. Most of these studies were based either on the Whitehall data on British civil servants or on hospital staff data from Finland. The majority of the studies showed that organizational justice was related to mental health over time even when taking into consideration other job stressors. According to Hermalin (2005) organizational fairness research has reached a point where there is enough evidence to strongly suggest that fairness is important to individuals at work.

2.5.4 Integrity Principle

Turnbull (2012) stated that Corporate Governance has become a key focus in the business around the world not only for corporations, but also of Government and Quasi Government authorities. Rothman and Friedman (2011) argued that sudden collapse of business giants like Enron and World Com around the world sent shockwaves to the International business community on the very basis of governance of these corporations, which were key motivators for the heightened interest in Corporate Governance. Rothman and Friedman (2011) added that integrity of corporations, financial institutions and markets is essential to maintaining confidence and economic activity, and to protecting the interests of stakeholders.

Corporate failures and scandals have called into question the veracity of published financial information and have compelled governments to take policy initiatives of a legal and regulatory.

Manville and Ober (2013) conducted a study in Asia, in their study they conclude that Corporate Governance gained momentum, since the Asian financial crisis in 1997, and thus a good Corporate Governance is a source of competitive advantage and critical to economic and social progress. Hall (2012) stated that Corporate Governance is the system of rights, structure and control mechanism established internally over the management of a listed public limited company, with the objective of protecting the interests of the various stakeholders.

Himmelberg, Hubbard and Palia (2009) argued that Corporate Governance is an indirect mechanism in reducing agency costs and transaction costs imposed by managers acting in their own interests at the expense of companies and stakeholders. Hutchinson and Gul (2013) suggested that Corporate Governance is the system of checks and balances, both internal and external to companies which ensures that companies discharge their accountability to all their stakeholders and act in a socially responsible way in all areas in their business activity. According to Jennifer (2007) Corporate Governance structure specifies the distribution of rights and responsibilities among different participants in the corporations, such as the board, managers, shareholders and other stakeholders and spells out the rules and procedure for making decisions on corporate affairs. In this way, Corporate Governance is a philosophy by which companies are directed, monitored, managed and controlled. However**,** the consequence of the separation of ownership and management was ownership dispersion and that such dispersion made subsequent monitoring and discipline of management difficult. Conyon and Mallin (2010) stated that Corporate Governance is different from corporate management, as the former is more ethical oriented and the later on operations specific. Management has the specific connotations of using the available resources comprising time, resources - finance and human, physical to get the result delivered. Corporate Governance is needed to create a corporate culture of consciences, transparency and operations.

2.5.5 Corporate Regulations

Company performance is enhanced when regulations and guidelines have been adhered to. Investors, regulators and other stakeholders clearly consider compliance to be important (Fasterling, 2005). In addition to regulation, corporate governance practices are also reflected in different factors such as culture, traditional financial options, corporate ownership patterns and legal origins (Zattoni & Francesca, 2008). It is generally accepted that the purpose of regulations concerning corporate governance is not to increase the value of a firm but to enhance investors' confidence. Consequently pressure from the regulatory authorities will encourage firms to comply with voluntary codes of best practice.

Bechner and Freyer (2009) suggest that regulatory compliance and corporate governance act in a complementary manner to resolve the agency problem. Regulations reduce management dominance in the firm by increasing the influence of external parties such as auditors and shareholders. Conversely, deregulation increases the influence of management (Kole & Lehn, 2007). La Porta et al. (2012) found evidence of higher valuation, measured by Tobin's Q, of firms in 27 wealthy countries with better protection of minority shareholders. This evidence indirectly supports the negative effects of expropriation of minority shareholders by controlling shareholders in many countries, and for the role of the law in limiting such expropriation.

In a regulated environment, the internal control system of firms is expected to be secure, whereas monitoring costs are higher if the environment is deregulated because firms need to regularly monitor management activity for the sake of shareholders investment and return. Therefore, it can be argued that a regulated environment ensures better monitoring and lower agency costs. Moreover, regulations ensure a unique system or standard in the economy and enable the comparison of industry level practice, and the business environment will be unstable in the absence of regulations (Kole & Lehn, 2007). Corporate governance evolved due to the existence of the agency problem associated with the separation of owners and managers, and regulation can mitigate the conflicts that arise as a result (Drobetz, 2002). It is generally assumed that a regulatory environment would result in enhanced corporate governance because companies are meant to comply with the relevant regulations, and according to Hermalin (2005) regulation has a positive impact on corporate governance hence firm performance.

According to Conyon (2010) regulatory compliance plays a significant role in determining the success of a corporate governance system and a good corporate governance is more likely to be associated with countries that have a strong legal system. Corporate governance encompasses rules and regulations as well as the framework of relationships and processes designed to ensure that the Board of Directors (BOD) acts in the interest of the company and shareholders. The regulatory and corporate governance framework influences the way boards function and how effective the board engage with the company shareholders. The regulatory framework for companies in EAC countries are centered on the Company's Act, Capital Markets Authority Act and securities exchange regulations of the respective countries. The Companies Act is the principle legislation regulating companies and it includes the framework surrounding the formation and duties of directors. The listing rules deal with the requirements for listing and quotation, market information, trading and supervisory matters. These rules apply to all companies listed at the securities exchanges. The Codes of Corporate governance (CCG) compliments the statutory law requirements and it gives guidelines on reporting and encourages, comply or explain type of reporting. EAC countries have adopted codes of corporate governance that have borrowed presumably from more developed countries. EAC countries have legislations that govern corporate governance, regulatory bodies overseeing the securities exchanges, and have developed codes of best practice.

Countries have different governance codes that serve as templates for practice in the concerned countries. They have different set of norms and rules governing the composition and the role of the BOD. In some countries, the aspects of the governance codes are voluntary, but most publicly listed firms tend to satisfy all these conditions and this is attributed to the market forces that coerce these into best practice codes and firms adopt them in an effort to gain legitimacy (Stulz *et al*., 2004).

According to Klapper and Love (2004) corporate governance takes various forms as a result of differences in the structure of corporate organizations in difference countries especially in the area of regulation by the state and various professional bodies, the ownership structure, control, board composition and structure tend to be different. The corporate governance structure relies on the legal, regulatory, and institutional environment. Moreover, factors like business ethics and corporate awareness of the environment and societal interest of the communities in which the company is operating can also affect its reputation and the long- term success. In addition, corporate governance is also affected by the relationships among those that are involved in the governance system, controlling shareholders, which can be individuals, family holding block alliance, cross shareholding, and other companies acting through a holding company. Creditors play the role of external monitors on corporate performance, while employee and other stakeholders contributing to the long-term success and performance of the company and the role of the government create the overall institutional and legal structure for corporate performance.

The law regulation, voluntary adaptation all play a part and the most important is the market forces. OECD (2004) revealed that supervisory, regulatory and enforcement authorities should have the authority, integrity, and resources to fulfill their duties in a professional and objective manner. Moreover, their rulings should be timely, transparent and fully explained.

Mallin, Mullineux, and Wihlborg (2005) explained that in US, the Enron failure brought a number of legislative initiatives like the Sarbanes-Oxley Act of 2002. The main motivation was to coordinate and strengthen corporate governance through the improvement of shareholder protection and restoring confidence in the system. Comply or explain is a regulatory approach used in the field of corporate governance and financial supervision. Rather than setting out binding laws, regulators set out codes which listed companies may either comply with, or if they do not comply, explain publicly why they do not. The purpose of comply or explain is to let the market decide whether a set of standards is appropriate for individual companies. Since a company may deviate from the standard, this approach rejects the view that one size fits all, but because of the requirement of disclosure, market investors anticipates that if investors do not accept a company's explanations, then investors will sell their shares, hence creating a market sanction, rather than a legal one (Cadbury, 2012).

2.5.6 Performance of Commercial based State Corporations

Richard (2009) identified various corporate governance mechanisms. These include: board size, board composition, audit committee, CEO status, board independence and transparency and accountability. Larger organizations often use corporate governance mechanisms to manage their businesses because of their size and complexity. Publicly held corporations are also primary users of corporate governance mechanisms. Larger organizations often use corporate governance mechanisms to manage their businesses because of their size and complexity. Publicly held corporations are also primary users of corporate governance mechanisms (Vitez, 2011). The literature suggests that both market and non-market mechanisms could be used to promote the alignment of interest of managers and stakeholders. The managerial labor market and the market for corporate takeover exerted pressures both within and outside the firm in order to achieve such an alignment of interest.

Fama (2010) asserted that a firm can be viewed as a team, whose members realize that in order for the team to survive, they must compete with other teams, and that the productivity of each member has a direct effect on the team and its members. Thus, within the firm, each manager has the incentive to monitor the behavior of other managers, whether subordinates or superiors. Previous studies by Western researchers (Amran & Ahmad, 2009) found mixed findings on corporate governance mechanisms and firm performance.

Fama (2010) argued that the firm was in the market for new managers and the reward system was based on performance in order for it to attract good managers or even to retain existing ones. Demsetz and Lehn (2014) provided an explanation for the weakness of the market induced mechanisms as a means of protecting stakeholder interests. They observed that the free rider problem tended to prevent any of the numerous owners of equity from bearing the cost of monitoring the managers. Empirical works on the mechanisms aimed to help reduce the agency problem. Abstracting from other dimensions of corporate governance they focused on various mechanisms, board composition, board size, independence of chief executive officer, Audit committee, Transparency and accountability, Shareholders communication policy and Continuous disclosure.

Corporate Governance is the system by which companies are directed and controlled. It specifies the distribution of rights and responsibilities among different participants in the corporation, such as the board, managers, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs. It also provides the structure through which company objectives are set and monitoring performance attained (Davis, 2010).

Craig (2005) stated that corporate governance is defined and practiced in different ways globally depending upon the relative power of owners, managers and provider of capital. It entails the procedures, customs, laws and policies that affect the way corporations are directed, administered or controlled. An important objective of corporate governance is to ensure accountability and transparency for those who are involved in the policy implementation of organizations through mechanisms that will reduce principle agent conflict.

Keasey and Wright (1993) define corporate governance as a framework for effective monitoring, regulation and control of companies which allows alternative internal and external mechanisms for achieving the laid down objectives. The internal mechanisms include the board composition, managerial ownership, and non-managerial shareholding including the institutional shareholding while external mechanisms includes; the statutory audit, the market for corporate control and stock market evaluation of corporate performance. Using the agency theory approach (Shleifer & Vishny, 1997) define corporate governance as a process in which suppliers of finance to firms assure themselves of getting a return on their investment. The authors posit that corporate governance is mainly concerned with principle agency problem between ownership and control and it is seen as a set of mechanisms through which outside investors protect themselves against expropriation by insiders. Corporate governance is also defined as the system by which companies are directed and controlled to attain the goals as well as the objectives. It is a set of relationship between the company's management, its board, its shareholders and stakeholders that provides the structure through which objectives of the company are set and achieved (Cadbury, 1992).

According to Denis (2011) the fundamental perception and understanding of the field of corporate governance originated from the fact that there are potential problems associated with separation of ownership and control which was inherent in the modern corporate form of organization and as a result they viewed corporate governance as a structure with a set of institutional and market mechanisms that induce self-interested managers to maximize the value of the residual cash-flow of the firm on behalf of its shareholders. Jensen and Meckling (2010) stated that the agency theory apply to modern corporation and they explained that a manager who owns anything less than 100 percent of the residual cash-flow rights of the firm will tend to have conflict of interest with outside shareholders.

Conyon (2010) stated that corporate governance served as one of the main elements in improving economic efficiency, growth and enhanced investor confidence. It provides a proper incentive for the board and management to pursue objectives that are in the interest of the company and its shareholder and to enhance effective monitoring. The availability of an effective corporate governance assists in providing a degree of confidence that is necessary for proper functioning of the market economy.

Patti (2005) stated that the boards and managers are accountable for pursuing effective corporate governance. The role of effective corporate governance is of great significance for society as whole and it enhances the efficient use of scarce resources both within the organization and larger economy, and therefore there is flow of resources to those sectors where there is efficient production of goods and services and the return is adequate to satisfy the demand of the stakeholders. It assists the managers to remain focused on enhancing performance and ensure they are replaced if they fail to perform. Corporate governance forces the organization to comply with laws and regulations in the corporate environment, and helps the supervisors to regulate the economy objectively without favoritism and nepotism. In addition, effective corporate governance enhances the confidence of investors, which encourages them to invest in those economic systems which are doing well. It also decreases the risk of capital flight from an economy and increases the flow and variety of capital in the economy and as a result, the cost of financing is lower therefore firms are encouraged to use resources more efficiently, thereby underpinning growth. Corporate governance has become such a prominent topic in the past two decades and it has attracted worldwide attention because of its apparent importance, particularly due to the much-unexpected collapse of giant corporations like Enron, and WorldCom (OECD, 2004).

There is no one model of corporate governance that works in all countries and all companies. Indeed, there exist many different codes of best practices that take into account differing legislation, board structures and business practices in individual countries. However, there are standards that can apply across a broad range of legal, political and economic environments. With this in mind, OECD (2004) has articulated a set of core principles of corporate governance practices that are relevant across a range of jurisdictions namely: Fairness, Transparency, Accountability and Responsibility. These same principles can be used as cornerstones in a corporate governance Index (CGI). In recent years researchers have explored whether corporate governance as a whole, either viewed as multiple rating factors or as measured by a composite score is related to firm performance. Gompers et al. (2003) constructed a CGI to proxy for the level of shareholder rights. The CGI was constructed from factors in the Investor Responsibility Research Center (IRRC) database and the study focused on corporate governance provisions related to takeover defenses.

Patterson surveyed some of the major studies on corporate governance and corporate performance conducted from 2002 to 2010 and found that both the terms "corporate governance" and "corporate performance" were elusive because of the different ways in which different studies defined and proxied "corporate governance" and "corporate performance." This has resulted in "an array or matrix of different definitions of governance matched against different measures of performance" (Brancato, 2000).

The role of auditor is important in implementing corporate governance principles and improving the value of a firm. The principles of corporate governance suggest that auditors should work independently and perform their duties with professional care. In case of any financial manipulation, the auditors are held accountable for their actions as the availability of transparent financial information reduces the information asymmetry and improves the value of a firm (Bhagat & Jefferis, 2002). However, in developing markets auditors do not improve the value of a firm. They manipulate the financial reports of the firms and serve the interests of the majority shareholders further disadvantaging the minority shareholders. The weak corporate law and different accounting standards also deteriorate the performance of the auditors and create financial instability in the developing market. Examples are cited from the USA (Enron, World Com and Tyco), the UK (the collapse of Maxwell publishing group), Germany (the cases of Holtzman, Berliner Bank, and HIH), Korea (the widespread banking distress in 1997), Australia (Ansett Airlines and One Tel), France (Credit Lyonnais and Vivendi), and Switzerland (Swissair). Especially the collapse of Enron in the USA in 2001 increased the importance of corporate governance both in the USA and other countries (Demirag, 2005).

Yeh, Lee, and Ko (2002) state that major contributions of corporate governance to the company include enhancing performance and preventing fraud. According to the research by Black et al. (2002), companies with better corporate governance have better performance than companies with poor corporate governance. A sound corporate governance structure not only provides useful information to investors and creditors to reduce information asymmetry but also helps the company to improve performance. A study by Berle and Means (2007) found that in 2007, Turkey's Capital Markets Board (CMB) issued its corporate governance Principles, assigning new roles and duties, and imposing a structure on boards of directors. In 2005, CMB updated the corporate governance principles. The publication of corporate governance principles and plans for a new corporate governance index for the Istanbul Stock Exchange (ISE) is encouraging.

2.6 Critique of Existing Literature

Dobson (2011) conducted a study on the impact of corporate ethical values on ethical leadership and employee performance in the context of Pakistan. The study was conducted considering three variables that is; corporate ethical values, ethical leadership and employee performance. The findings showed that leadership having no ethical manners is harmful, vicious and even poisonous. Results also revealed that a corporate ethical value is the most important factor for ethical leadership and employee performance. So, the two variables (corporate ethical and ethical leadership) collectively proved a photogenic effect and augment the overall productivity of the employees. This study by Dobson (2011) was limited to employee’s performance in Pakistan rather that investigating the influence of governance principle on performance of state corporations in Kenya. This study by Dobson (2011) was limited to corporate ethical values, ethical leadership and employee performance and thus failed to look on these variables accountability, transparency, ethics and integrity. Lockwood (2012) study found less consistent evidence for the relationship between fairness perceptions and work attitudes, which suggests that the effects of organizational justice may depend on the time lag between the measurement of organizational justice and the outcomes, with effects being stronger for shorter time periods. Most of these studies were based either on the Whitehall data on British civil servants or on hospital staff data from Finland. The majority of the studies showed that organizational justice was related to mental health over time even when taking into consideration other job stressors.

2.7 Research Gaps

According to Kaptein and Van 2008 managers accountability to shareholders is an important objective of corporate governance. Corporate governance is concerned with how a company is directed, controlled and managed, so as to ensure that there is an effective framework for accountability of directors to owners. Accountability is enhanced when the roles and responsibilities are clearly articulated in a program charter, memorandum of understanding, or partnership agreement and when these agreements work out such issues as to whom and for what purposes the members of the governing body are accountable to the program or the organization (Douglas, Mertens & Wasley, 2012). The study by Kaptein and Van was limited to managers accountability to shareholders is an important objective of corporate governance. The study failed to highlight how accountability influences on performance of commercial State Corporation.

The reviewed theories assert that employees' organizational justice may be related to their work attitudes and behaviors as well as to non-work and health outcomes (Lockwood, 2012). The researcher noted that most of the studied were conducted on investigation of employee's performance. This study will fill the existing gap by conducting a research on influence of governance principles on the performance of commercial state corporations in Kenya.

2.8 Summary

Accountability is one of the cornerstones of good governance; however, it can be difficult for scholars and practitioners alike to navigate the myriad of different types of accountability (Bierstaker, 2009). According to Baharifar and Javaheri (2010) ethics within an organization is a set of principles that is used to guide the organization in its decisions, programs, and policies.

According to Rothman and Friedman (2011) corporate governance provides a firm foundation for the development of economies. A good corporate governance mechanism improves the health of the corporate sector, thus enhancing national competitiveness. Corporate governance mechanisms consist of a combination of economic and legal institutions that ensure the flow of external financing to the firm, aligns the interests of owners (investors) with managers and other stakeholders, and guarantees a return to investors.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents research design, target population, sample size and sampling technique, research instruments, instrument validity, instrument reliability, data collection procedure and data analysis techniques.

3.2 Research Design

Research design is a roadmap of how one goes about answering the research questions (Bryman & Bell, 2007). Sekaran (2010) states that a good research design had a clearly defined purpose, and had consistency between the research questions and the proposed research method. Mugenda and Mugenda (2003) define this as simply the framework or blue print for the research, Orodho (2003) define the research design as a framework for the collection and analysis of data that is suited to the research question. Orodho (2003) defines research design as the scheme, outline or plan that is used to generate answers to the research problem.

The study used cross sectional survey research design. Descriptive research design determines and reports the findings the way things are (Mugenda & Mugenda, 2003). The design also has enough provision for protection of bias and maximized reliability (Kothari, 2008). Cross sectional design uses a preplanned design for analysis (Mugenda & Mugenda, 2003). In this study, inferential statistics and measures of central, dispersion and distribution was applied. Cross sectional survey research design is a method of collecting information by interviewing or administering a questionnaire to a sample of individual (Orodho, 2003). The study used qualitative and quantitative approach, which according to Yin (2004), allows for in-depth contextual analysis.

3.3 Target Population

Population is a well-defined or set of people, services, elements, and events, group of things or households that are being investigated (Orodho & Kombo, 2002). Target population is the specific population about which information is desired (Orodho, 2004). The population of interest should be homogeneous. The target population was the commercial state corporation in Kenya. These entities are state owned public corporations formed under the Public Corporations Act with the main aim of delivering public services. The interest of this population was driven by the fact that state corporations are agents of the government in implementing the performance of state corporations.

The Taskforce on Corporations Reforms (2013), recommended dissolution, transfer and merging of some of the agencies, and from the elimination, the actual number of state corporations is 187 that are reclassified into five categories. The choice of the techniques was based on the fact that state corporations are reclassified into five categories of purely commercial agencies, agencies with strategic function, regulatory agencies, executive agencies and research institutions, public universities, tertiary education training (Taskforce on Corporations Reforms, 2013). The study target population was the 55 Commercial state Corporations in Kenya, since they were believed to have the knowledge in the study area.

3.4 Sampling Frame

A sample is a finite part of a statistical population whose properties are studied to gain information about the whole. A good sample should be adequate and representative of the underlying population. The sampling frame was the list of all the 55 commercial state corporations in Kenya, as outlined by Presidential taskforce on parastatals reforms (2013) report. According to this report, the commercial state corporations have performed poorly compared to their private counterparts. The study sampled all the 55 commercial state corporation.

3.5 Census

The study used census, where all the 55 commercial state corporations were sampled and CEO/ Directors were the respondents. Census is the procedure of systematically acquiring and recording information about the members of a given population (Orodho, 2009). The study used census since the study sample was small.

3.6 Data Collection Instruments

The study used primary data, primary data is data observed or collected directly from first-hand experience. Primary data is that which is collected by sociologists themselves during their own research using research tools such as experiments, survey questionnaires, interviews and observation. Primary data can take a quantitative or statistical form, such as charts, graphs, diagrams and tables. It is essential to interpret and evaluate this type of data with care. In particular, look at how the data is organized in terms of scale. Primary data can also be qualitative, such as extracts from the conversations of those being studied. Some researchers present their arguments virtually entirely in the words of their subject matter. Consequently the data speaks for itself and readers are encouraged to make their own judgements. The study used questionnaires as the main data collection instrument that contained both open ended and close ended questions. Questionnaires are preferred because they are effective data collection instruments that allow respondents to give much of their opinions pertaining to the research problem (Dempsey, 2003). According to Kothari (2008), the information obtained from questionnaires is free from bias and researchers' influence and thus accurate and valid data was gathered.

3.7 Data Collection Procedure

The study collected primary data based on the objectives of the study. The questionnaires were designed and uploaded to online platform called survey monkey, where a link of the formatted questionnaire was emailed to the respectful respondent with attachment of the data collection letter from the university.

3.8 Pilot Study

Pilot test is a method that is used to test the design, methods and instrument before carrying out the research (Cooper, & Schindler, 2003). It involves conducting an initial test, the pre-test sample of 1% -10 % depending on the sample size (Mugenda & Mugenda, 2003). The rule of thumb is that 10% of the sample should constitute the pilot test (Cooper & Schilder, 2011). The proposed pilot test was within the recommendation. The pre-test questionnaires were distributed randomly to 6 selected respondents in order to gather a cross-sectional feeling of respondents. This helped in ascertaining the reliability and validity of the instrument.

3.8.1 Reliability of Research Instruments

Reliability refers to the ability of a measurement instrument to produce the same answer in the same circumstances, time after time (Mugenda & Mugenda, 1999). This means that if people answered the same question the same way on repeated occasions, then the instrument can be said to be reliable. Reliability analysis was used to test the internal consistency of the research instruments for the purposes of identifying those items in the questionnaire with low correlations in order to exclude them from further analysis. Cronbach's alpha a coefficient of reliability that gives unbiased estimate of data generalizability will be used to test reliability of the answered questionnaires. According to Orodho (2009) Cronbach's alpha is a coefficient of reliability that gives an unbiased estimate of data generalizability. An alpha coefficient higher than 0.70 indicated that the gathered data had a relatively high internal consistency and could be generalized to reflect opinions of all respondents in the target population.

3.8.2 Validity of Research Instruments

Validity refers to the extent to which an instrument measure what it's supposed to measure. Data need not only to be reliable but also true and accurate, if a measurement is valid, it is also reliable, (Cooper & Schindler, 2006). The content of validity of the data collection instruments was determined through discussing the research instrument with the supervisors and research experts in the university. The valuable components, corrections and suggestions given by the research experts assisted in the validation of the instruments. The questionnaire will be pilot tested on 10% (Mugenda & Mugenda 2003) respondents drawn from commercial state corporations that was the study sample. In choosing the 10% organizations, the researcher used simple random sampling. After pilot testing, the questionnaire was revised to incorporate the feedback that will be provided.

3.9 Data Analysis and Presentation

Data collected from the field was coded, cleaned and categorized according to questionnaire items. The gathered data was analyzed using computer aided IMB Statistical Package for Social Scientists (SPSS) version 21 premium. Both descriptive and inferential statistics were used to analyze the data collected. Descriptive statistics involved computation of mean scores, standard deviation, percentages, cross tabulation and frequency distribution which will describe the demographic characteristics of the organization and the respondents. Inferential statistics was used to determine the relationships and significance between independent and dependent variable. On the other hand linear regression analysis was done to analyze the contribution of each independent variable to the dependent variable. Regression analysis was utilized to establish the relationship between a range of variables, these including an error term, whereby a dependent variable is expressed as a combination of independent or explanatory variables, and the unknown parameters in the model are estimated, using observed values of the dependent and explanatory variables (Cooper & Schindler, 2006). The data was presented using tables, graphs and charts.

3.9.1 Statistical Measurement Model

Multiple regression analysis technique was used to test the hypotheses. The following represents the regression equation, according to the general model used to represent the relationship between the dependent variable (Y) as a linear function of the independent variables (Xs), with έ representing the error term (Cooper & Schindler, 2006).

$$Y= \beta_0+\beta_1X_1+\beta_2X_2+\beta_3X_3+\beta_4X_4+ \beta_1X_1Z + \beta_2X_2Z+ \beta_3X_3Z+ \beta_4X_4Z +\varepsilon$$

Where:

Y = Organizational Performance

X_1 = Accountability principle

X_2 = Transparency principle

X_3 = Fairness principle

X_4 = Integrity principle

Z= Corporate Regulation

β_1X_1Z, β_2X_2Z, β_3X_3Z, β_4X_4Z Interaction term of corporate regulation (moderating variable) with each of the independent variables, ε= Error Term

β_0 = Constant of Regression which is the value of the dependent variable when the independent variable is 0. Multiple regression Model was used to measure the linear relationships that exist between the principle of governance and the state corporate performance. The model was used to eliminate or retain variables that had effect on the response or will be insignificant (Mugenda, & Mugenda, 2003).

3.9.2 Operationalization of the variables

Table 3.1: Summary of Hypothesis Testing

Objective	Indicators	Hypothesis	Analysis Model	Analytical Method	Interpretation
Objective One: To establish the influence of adoption of accountability principle on the performance of commercial state corporations in Kenya.	- Reporting - Responsibility	H_{01} Adoption of accountability principles has no significant influence on performance of commercial state corporations in Kenya	Simple Linear Regression Analysis Performance of Commercial State Corporation = f (accountability principle) $Y = \beta_0 + \beta_1 X_1 + \varepsilon$ β_0= Intercept, β_1 =Coefficient, Y= Performance of Commercial State Corporation, X_1= accountability principle, ε_1=Error term	□ Linear regression analysis □ R^2 □ F –test □ t-test	The closer R approaches ±1, then a relationship exists. If (R^2) value is significant, then the relationship is significant if A small p-value (less than or equal to ≤ 0.05) indicates strong evidence against the null hypothesis, so you reject the null hypothesis. If p≤0.05, the results are significant (P-value below 0.05, is significant) A large p-value (greater than > 0.05) indicates weak evidence against the null hypothesis, so you fail to reject the null hypothesis. If p > 0.05, the results are not significant (P-value over 0.05, not significant)

Objective Two: To examine the influence of adoption of transparency principle on the performance of commercial state corporations in Kenya**.**	-Information Disclosure -Clarity	H_{02}	Adoption of transparency principle has no significant influence on performance of commercial state corporations in Kenya.	Simple Linear Regression Analysis Performance of Commercial State Corporation = f (transparency principle) $Y = \beta_0 + \beta_2 X_2 + \varepsilon$ β_0= Intercept, β =Coefficient, Y= Performance of Commercial State Corporation, X_2= transparency principle, ε=Error term	□ Linear regression analysis □ R^2 □ F –test □ t-test	The closer R approaches ±1, then a relationship exists. If (R^2) value is significant, then the relationship is significant
Objective Three: To determine the influence of adoption of fairness principle on the performance of commercial state corporations in Kenya.	-Equity -Justice	H_{03}	Adoption of fairness principle has no significant influence on performance of commercial state corporations in Kenya.	Simple Linear Regression Analysis Performance of Commercial State Corporation = f (fairness principle) $Y = \beta_0 + \beta_3 X_3 + \varepsilon$ β_0= Intercept, β_3 =Coefficient, Y= Performance of Commercial State Corporation, X_3= fairness principle, ε=Error term	□ Linear regression analysis □ R2 □ F –test □ t-test	The closer R approaches ±1, then a relationship exists. If (R^2) value is significant, then the relationship is significant
Objective Four: To examine the influence of adoption of integrity principle on the performance of commercial state corporations in Kenya.	-Professionalism - Honesty	H_{04}	Adoption of integrity principle has no significant influence on performance of commercial state	Simple Linear Regression Analysis Performance of Commercial State Corporation = f (integrity principle) $Y_1 = \beta_0 + \beta_4 X_4 + \varepsilon$ β_0= Intercept, β_4 =Coefficient, Y= Performance of Commercial State Corporation,	□ Linear regression analysis □ R2 □ F –test □ t-test	The closer R approaches ±1, then a relationship exists. If (R^2) value is significant, then the relationship is significant

		corporations in Kenya.	X_4= integrity principle, ε=Error term		
Objective Five: To determine the moderating effect of corporate regulation on the adoption of governance principles and the performance of commercial state corporations in Kenya.	Internal Control - Policy implementation - Regulations Compliance	H_{05} Corporate regulation has no significant moderating effect on the relationship between governance principles and the performance of commercial state corporations in Kenya.	Multiple Linear Regression Analysis Performance of Commercial State Corporation = f (Accountability principle, Transparency principle, Fairness principle, Integrity principle, Corporate Regulation ε_1=Error term) $Y=\beta_0+\beta_1X_1+\beta_2X_2+\beta_3X_3+\beta_4X_4+ B_iX_i Z +\varepsilon_1$ β_{01}= Intercept, $\beta_1, \beta_2, \beta_3, \beta_4, B_i$ =Coefficient, Y= Performance of Commercial State Corporation, X_1= Accountability principle X_2 = Transparency principle X_3 = Fairness principle X_4 = Integrity principle Z= Corporate Regulation	Multiple linear regression analysis R2 F –test t-test	The closer R approaches ±1, then a relationship exists. If (R^2) value is significant, then the relationship is significant

3.9.3 Measurement of Study Variables

To operationalize the research variables, indicators/parameters of each independent variable and sub variable is determined and the five point Likert scale was employed to measure the independent variables of which the researcher was seeking the perceptions and opinions of the respondents. This comprised of a scale of 1-5 (1 = Strongly Disagree, 2 = Disagree, 3 = Neither Agree nor Disagree, 4 = Agree, 5 = Strongly Agree. The responses were measured in terms of strengths of agreement or disagreement and a respondent’s agreement ratings was summed to obtain a score representing his or her opinion (Cooper, & Schindler, 2006).

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction

The chapter present the research findings with the discussion from the data results of pilot study, response rate, descriptive findings and inferential statistics. This chapter reviews the analysis and presentation of data on the influence of adoption of governance principles on the performance of commercial state corporations in Kenya

4.2 Response Rate

This section represents the response rate of the respondents. The number of questionnaires that were administered to all the respondents were 55 questionnaires. A total of 38 questionnaires were properly filled and returned from the Commercial State Corporation. This represented an overall successful response rate of 69%. According to Mugenda and Mugenda (2003), a response rate of 50% or more is adequate. Babbie (2004) also asserted that return rates of 50% are acceptable to analyze and publish, 60% is good and 70% is very good.

Table 4.1: Response Rate

Response Rate	Frequency	Percent
Returned	38	69%
Unreturned	17	31%
Total	**55**	**100%**

4.3 Results of Pilot Study

The coefficient of the data gathered from the pilot study was computed with assistance of Statistical Package for Social Sciences (SPSS) version 21. A coefficient of above 0.7 was obtained and this indicated that the data collection instruments were valid (Kothari, 2005). The reliability of the questionnaires was determined using test retest method. A reliable measurement is one that if repeated a second time gives the same results as it did the first time (Mugenda & Mugenda, 2003).

Table 4.2: Reliability Analysis

Reliability Statistics	Cronbach's Alpha Value	Comments
Principle of Accountability	0.753	Accepted
Principle of Transparency	0.721	Accepted
Principle of Fairness	0.719	Accepted
Principle of Integrity	0.751	Accepted
Corporate Regulations	0.702	Accepted
Performance of Commercial state Corporations	0.711	Accepted

4.4 Descriptive Statistics

4.4.1 Principle of Accountability

The study sought to establish the level at which the respondents agreed or disagree on the influence of Principle of Accountability on the performance of commercial state corporations in Kenya.

Table 4.3: Principle of Accountability

	N	Mean	Std. Deviation
1.There is sustainability of reporting on performance	38	4.2696	.51987
2.Members provide feedback on their roles	38	4.1043	.51985
3.Management are held responsible	38	4.3043	.51986
4.Management is reliable	38	3.1652	.51987
5.Annual report publishing is done in my organization	38	4.04348	.519875
6.The report is audited by internal and external auditors	38	2.9652	.70811
7.The organization report is revealed to all the stakeholder	38	4.2696	.51985
Valid N (listwise)	38		

The study established that majority of the respondents agreed with the statement in table 4.3 on Principle of Accountability influence on the performance of commercial state corporations in Kenya as follows as indicated by table 4.3; there is sustainability of reporting on performance with a mean of 4.2696, members provide feedback on their roles with a mean of 4.1043, Management are held responsible with a mean of 4.3043, Management is reliable with a mean of 3.1652, Annual report publishing is done in my state-corporate with a mean of 4.04348, The report is audited by internal and external auditors with a mean of 2.9652, The organization report is revealed to all the stakeholder with a mean of 4.2696.

The above findings agree with Douglas, Mertens and Wasley (2012) in their study they argued that accountability is enhanced when the roles and responsibilities are clearly articulated in a program charter, memorandum of understanding, or partnership agreement and when these agreements work out such issues as to whom and for what purposes the members of the governing body are accountable to the program or the organization. The study also agree with Albuquerque and Wang (2008) who stated that persons in leadership positions should uphold high standards of ethics and professional conduct over and above compliance with the rules and regulations governing the operation of the program.

4.4.2 Principle of Transparency

The study sought to establish the level at which the respondents agreed or disagree on the influence of Principle of Transparency on the performance of commercial state corporations in Kenya.

Table 4.4: Principle of Transparency

	N	Mean	Std. Deviation
1.There is withholding of relevant information in my organization	38	4.0526	.83658
2.Auditing of financial statement is done	38	3.8684	.34257
3.Management organize invitation for meeting of the shareholders	38	3.6053	.49536
4.Management discloses information to the required stakeholders	38	3.8947	.92384
5.Management discloses information in relevant and timely manner	38	4.0000	.51988
6.Are the semi-annual, annual and quarterly reports available to the shareholders	38	4.3421	.70811
7.The corporate prepare the calendar of important events	38	2.7895	1.18909
Valid N (listwise)	38		

The study established that majority of the respondents agreed with the statement in table 4.4 on Principle of transparency influence on the performance of commercial state corporations in Kenya as follows; there is withholding of relevant information in my organization with a mean of 4.0526, Auditing of financial statement is done with a mean of 3.8684, Management organize invitation for meeting of the shareholders with a mean of 3.6053, Management discloses information to the required stakeholders with a mean of 3.8947, Management discloses information in relevant and timely manner with a mean of 4.0000, Are the semi-annual, annual and quarterly reports available to the shareholders 4.3421, The corporate prepare the calendar of important events with a mean of 2.7895.

The study is in line with that of Wheelen and Hunger (2009) showed that governance have the potential to facilitate the achievement of transparency within public sector and organizations. They showed how the open systems nature of Internet technologies can facilitate greater cooperation and communication across organization units both internally and externally. The study is in agreement with that of Yermack (2009) in his study reported that besides transparency impact on corporate also it has effects on company performance.

4.4.3 Principle of Fairness

The study sought to establish the level at which the respondents agreed or disagree on the influence of Principle of fairness on the performance of commercial state corporations in Kenya.

Table 4.5: Principle of Fairness

	N	Mean	Std. Deviation
1.Shareholders are equally treated by the management	38	4.0526	.83658
2.There is an established mechanism for prevention and settlement of possible conflicts between its shareholders	38	2.8684	.34257
3.Diversity is embraced in the organization	38	4.6053	.49536
4.Employees are treated equally	38	2.8947	.92384
5.Comprehensive information on the proposed nominees is available to the Shareholders' Assembly when selecting Board members	38	4.0000	.51988
6.The management of the corporate hold meetings with interested investors yearly	38	3.3421	.70811
7.The corporate establish mechanisms to ensure that persons who have access to or possess inside information understand the nature and importance of such information and limitations related to it	38	3.7895	1.18909
Valid N (listwise)	38		

The study established that majority of the respondents agreed with the statement on Principle of fairness on the performance of commercial state corporations in Kenya as follows in the table 4.5; Shareholders are equally treated by the management with a mean of 4.0526, There is an established mechanism for prevention and settlement of possible conflicts between its shareholders with a mean of 2.8684, Diversity is embraced in the organization with a mean of 4.6053, Employees are treated equally with a mean of 2.8947, Comprehensive information on the proposed nominees is available to the Shareholders' Assembly when selecting Board members with a mean of 4.0000, The management of the corporate hold meetings with interested investors yearly with a mean of 3.3421, The corporate establish mechanisms to ensure that persons who have access to or possess inside information understand the nature and importance of such information and limitations related to it with a mean of 3.7895

The results of this study concurs with those of Shapiro and Stefkovich (2010) who argued that there are no viable arguments to support anyone in a leadership position being less than fair in all of their business dealings, or in expecting or accepting any less from others. Fairness facilitates improved communication and builds commitment, self-confidence, self-esteem, group cohesion, information and resource sharing and a sense of purpose and enthusiasm for success. And those characteristics in a work force feed the bottom line which of those benefits of fairness in the workplace they are willing to do without.

The study agree with those of Abor (2007) stated that on average, justice perceptions had a strong association with organizational commitment, perceived organizational support, and the quality of the relationship between supervisor and employee. Also Drobetz (2002) in his study revealed that individual predictability of the various fairness facets, the combination of them had stronger associations with outcomes such as job satisfaction, affective commitment to the organization, and perceived organizational support.

4.4.4 Principle of Integrity

The study sought to establish the level at which the respondents agreed or disagree on the influence of Principle of integrity on the performance of commercial state corporations in Kenya.

Table 4.6: Principle of integrity

	N	Mean	Std. Deviation
1.Management observes professionalism in their work	38	4.0526	.83658
2.shareholders' are enabled to exercise their rights to unrestricted participation in the state corporate	38	3.8684	.34257
3.Shareholders' Assembly activities and decision-making	38	1.6053	.49536
4.The acts governing our organization define the details of the competence of the Board of Directors	38	3.8947	.92384
5.The management hire candidate who are professionally qualified	38	4.0000	.51988
6.The Company acts defines criteria required for expert and professional knowledge and experience	38	2.4211	.82631
7.The nomination committee ensures that potential members are suitable to serve on the board	38	2.7895	1.18909
Valid N (listwise)	38		

The study established that majority of the respondents agreed with the statement in table 4.6 on Principle of integrity influence on the performance of commercial state corporations in Kenya as follows; Management observes professionalism in their work with a mean of 4.0526,shareholders' are enabled to exercise their rights to unrestricted participation in the state corporate with a mean of 3.8684, Shareholders' Assembly activities and decision-making with a mean of 1.6053, The acts governing our organization define the details of the competence of the Board of Directors with a mean of 3.8947, the management hire candidate who are professionally qualified with a mean of 4.0000, the Company acts defines criteria required for expert and professional knowledge and experience with a mean of 2.4211, The nomination committee ensures that potential members are suitable to serve on the board with a mean of 2.7895

The study agree with those of Chandima and Markeset (2011) argued that concept of Corporate Governance hinges on total transparency, integrity and accountability of the management which includes non-executive directors. Chandima and Markeset added that institutional directors are nominated to the Board of Directors, by financial institutions to take care of the interest of their institution, where they belong, they should play a key role in integrity, transparency and accountability. The Government must act with respect to the appointment of institutional director, in time and put certain amount of responsibility and accountability towards the general public at large. Audit Committee is another important instrument of Corporate Governance.

The results of this study concurs with those of Turnbull (2012) stated that Corporate Governance has become a key focus in the business around the world not only for corporations, but also of Government and Quasi Government authorities. According to Rothman and Friedman (2011) integrity of corporations, financial institutions and markets is essential to maintaining confidence and economic activity, and to protecting the interests of stakeholders.

4.4.5 Corporate Regulation

The study sought to establish the level at which the respondents agreed or disagree on the influence of Corporate Regulation on the performance of commercial state corporations in Kenya.

Table 4.7: Corporate Regulation

	N	Mean	Std. Deviation
1.Corporate complies with the regulations from the regulating body	38	4.0526	1.16125
2.Corporate complies with remunerations policy	38	3.0526	1.54128
3.Board of Directors and members adheres with the regulation governing corporate	38	3.4737	1.24633
4.Corporate complies with statutory requirement	38	4.0526	1.08919
5.Corporate implement the policies provided by the government	38	3.4211	1.38782
6. Corporate acts clearly as defined by the authorities	38	3.7632	1.32408
7.There are clear written down responsibilities for the company secretary	38	4.0263	1.19655
Valid N (listwise)	38		

The study established that majority of the respondents agreed with the statement on corporate complies with the regulations from the regulating body with a mean of 4.0526, corporate complies with remunerations policy with a mean of 3.0526, Board of Directors and members adheres with the regulation governing corporate with a mean of 3.4737, Corporate complies with statutory requirement with a mean of 4.0526, Corporate implement the policies provided by the government with a mean of 3.4211, Corporate acts clearly as defined by the authorities with a mean of 3.7632, and There are clear written down responsibilities for the company secretary with a mean of 4.0263. The study is in agreement with Company performance is enhanced when regulations and guidelines have been adhered to. Investors, regulators and other stakeholders clearly consider compliance to be important (Fasterling, 2005). In addition to regulation, corporate governance practices are also reflected in different factors such as culture, traditional financial options, corporate ownership patterns and legal origins (Zattoni & Francesca, 2008).

4.5 Inferential Statistics

4.5.1 Correlations Analysis of governance principles on the performance of commercial state corporations

Correlation is a term that refers to the strength of a relationship between two variables. A strong or high correlation means that two or more variables have a strong relationship with each other while a weak or low, correlation means that the variables are hardly related. Correlation coefficient can range from -1.00 to +1.00. The value of -1.00 represents a perfect negative correlation while a value of +1.00 represents a perfect positive correlation. A value of 0.00 means that there is no relationship between variables being tested (Orodho, 2003). The most widely used types of correlation coefficient is the Pearson R which is also referred to as linear or product-moment correlation. This analysis assumes that the two variables being analyzed are measured on at least interval scales. The coefficient is calculated by taking the covariance of the two variables and dividing it by the product of their standard deviations. A value of +1.00 implies that the relationship between two variables X and Y is perfectly linear, with all data points lying on a line for which Y increases and X increases. Conversely a negative value implies that all data points lie on a line for which Y decreases as X increases (Orodho, 2003). In this study Pearson correlation is carried out to determine how the research variables related to each other. Pearson’s correlation reflects the degree of linear relationships between two variables. It ranges from+1 to -1. A correlation of +1 means there is a perfect positive linear relationship between variables (Young, 2009).

Table 4.8: Correlations Analysis

		Performance	Principle of Accountability	Principle of Transparency	Principle of Fairness	Principle of Integrity	Corporate Regulation
Performance	Pearson Correlation	1					
	Sig. (2-tailed)						
	N	38					
Principle of Accountability	Pearson Correlation	.557**	1				
	Sig. (2-tailed)	.000					
	N	38	38				
Principle of Transparency	Pearson Correlation	.261	.391*	1			
	Sig. (2-tailed)	.113	.015				
	N	38	38	38			
Principle of Fairness	Pearson Correlation	.676**	.557**	-.093	1		
	Sig. (2-tailed)	.000	.000	.577			
	N	38	38	38	38		
Principle of Integrity	Pearson Correlation	-.065	.075	.307	-.065	1	
	Sig. (2-tailed)	.698	.656	.061	.698		
	N	38	38	38	38	38	
Corporate Regulation	Pearson Correlation	.078	.105	-.074	.025	-.296	1
	Sig. (2-tailed)	.642	.530	.660	.884	.072	
	N	38	38	38	38	38	38

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

*. Correlation is significant at the 0.05 level (2-tailed).

The study from the finding in Table 4.8 show that all the predictor variables were shown to have a positive association at 05 significance level. The findings of the study were illustrated with a strong positive relationship. The study established that there was a positive association between variables as shown; principle of accountability and performance of commercial state corporations Pearson correlation was.557, principle of transparency and performance of commercial state corporations Pearson correlation was .261, principle of fairness and of commercial state corporations Pearson correlation was .676, principle of integrity and performance of commercial state corporations Pearson correlation was -.065. The correlation matrix implied that variables with negative significance had a negative influence on Performance and variables with positive significance had a significance influence on Performance. If one variable increases the other variable increases and vice versa. When two variables are negatively correlated it indicates that if one variable increases and the other variable decreases and vice versa. The correlation matrix implies that the independent variables: principle of integrity, principle of fairness, principle of transparency, principle of accountability are very crucial determinants of performance of commercial state corporations as shown by their strong and positive relationship with the dependent variable.

4.5.2 Regression Analysis on Principle of Accountability Vs Performance of Commercial state Corporations

Linear regression model of Principle of Accountability on performance of commercial state corporations

Table 4.9: Model Summary Principle of Accountability on performance of commercial state corporations

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.557[a]	.310	.291	.48639

a. Predictors: (Constant), Principle of Accountability

The regression model of principle of accountability with a coefficient determination of R^2 = .310 and R= .557[a] at 0.05 significance level. The coefficient of determination indicates that 55.7 % of the variation on performance of commercial state corporations in Kenya is influenced by Principle of Accountability. This shows that there exists a positive relationship between Principle of Accountability on performance of commercial state corporations in Kenya.

Table 4.10: ANOVA Principle of Accountability on performance of commercial state corporations in Kenya

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.825	1	3.825	16.169	.000[b]
	Residual	8.517	36	.237		
	Total	12.342	37			

a. Dependent Variable: Performance

b. Predictors: (Constant), Principle of Accountability

The results of Analysis of variance (ANOVA) for regression coefficients are shown in table 4.10 the analysis results revealed that the significance of F statistics is 0.000 which is less than 0.05 this imply a good fit for the model since it shows that there is a significant relationship between Principle of Accountability and Performance of Commercial state Corporations. Adoption of governance principles is justified only when the perceived benefit is large enough to influence performance. Currall and Epstein (2013) stated that accountability ensures actions and decisions taken by public officials are subject to oversight so as to guarantee that government initiatives meet their stated objectives and respond to the needs of the community they are meant to be benefiting, thereby contributing to better governance and poverty reduction.

Table 4.11: Coefficients a Principle of Accountability and Performance of Commercial state Corporations

		Unstandardized Coefficients		**Standardized Coefficients**		
Model		**B**	**Std. Error**	**Beta**	**t**	**Sig.**
1	(Constant)	3.207	.421		7.621	.000
	Principle of Accountability	.374	.093	.557	4.021	.000

a. Dependent Variable: Performance

The study further determined the beta coefficients of Principle of Accountability versus Performance of Commercial state Corporations. The table 4.9 also presents that the coefficient of Performance of Commercial state Corporations is 0.374. The t statics for this coefficient is 4.021 with a p-value of 0.000 which is less than 0.05 showing that it is statistically significant. This p value confirms the significance of the coefficient of Performance of Commercial state Corporations at 95% confidence. The study thus concludes that Principle of Accountability significantly influences Performance of Commercial state Corporations and thus has a significant relationship with Performance of Commercial state Corporations. As presented in the scatter diagram in Figure 4.1, all the plots are in the first quadrate and the line of best of fit indicates an estimate line that is increasingly positively upwards. This therefore demonstrates that there is a positive linear relationship between Principle of accountability and performance of commercial state corporations in Kenya.

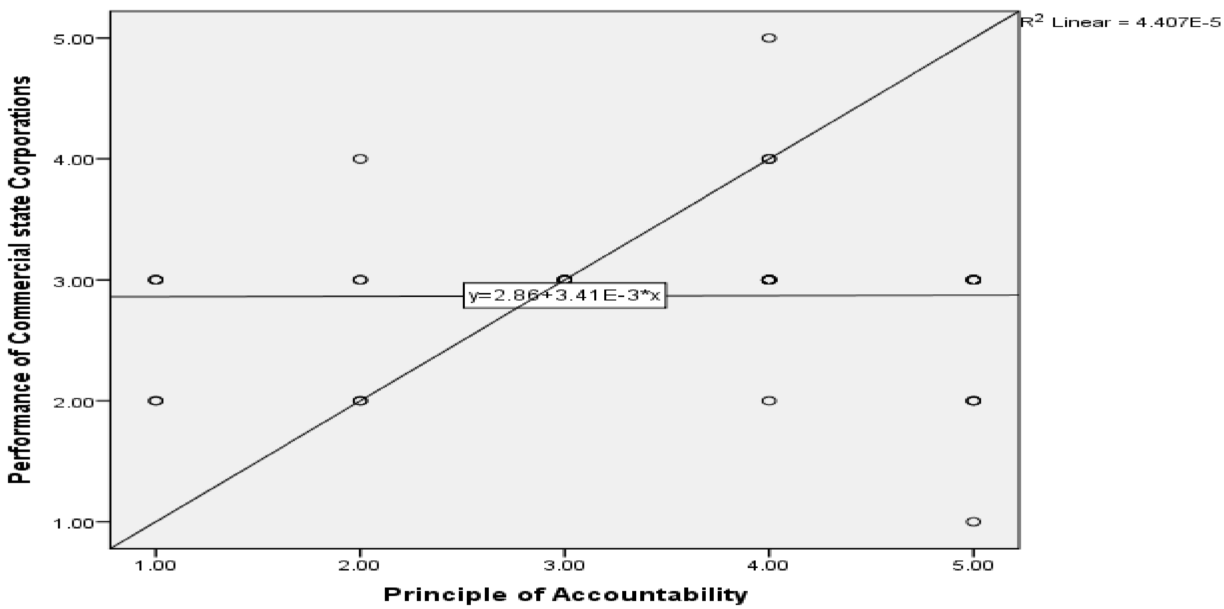

Figure 4.1: Principle of Accountability significantly influences Performance

The study is in agreement with a study conducted by Starik and Rands (2007) where they argued that transparency improve the organization performance and governance structure of companies. Starik and Rands added that access to information improves transparency and governance. The study is in consensus with Wheelen and Hunger (2009) where they showed that governance have the potential to facilitate the achievement of transparency within public sector and organizations. They showed how the open systems nature of Internet technologies can facilitate greater cooperation and communication across organization units both internally and externally.

4.5.3 Regression Analysis on Principle of Transparency Vs Performance

Linear regression model of Principle of transparency on performance of commercial state corporations.

Table 4.12: Model Summary Principle of Transparency on performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.261[a]	.068	.042	.56519

a. Predictors: (Constant), Principle of Transparency

The regression model of Principle of Transparency with a coefficient determination of R^2 = .068and R= .261[a] at 0.05 significance level. The coefficient of determination indicates that 26.1 % of the variation on performance of commercial state corporations in Kenya is influenced by Principle of Transparency. This shows that there exists a positive relationship between Principle of Transparency on performance of commercial state corporations in Kenya.

Table 4.13: ANOVA[a] Principle of Transparency on performance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.842	1	.842	2.636	.113[b]
	Residual	11.500	36	.319		
	Total	12.342	37			

a. Dependent Variable: Performance of Commercial state Corporations

b. Predictors: (Constant), Principle of Transparency

The results of Analysis of variance (ANOVA) for regression coefficients are shown in Table 4.13 the analysis results revealed that the significance of F statistics is 0.113 which is greater than 0.05 hence implying that the predictor coefficient is at least equal to zero. This does not imply a good fit for the model since it shows that Principle of Transparency has no significant influence on performance of commercial state corporations in Kenya.

Table 4.14: Coefficients[a] Principle of Transparency on Performance

		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	3.500	.848		4.128	.000
	Principle of Transparency	.286	.176	.261	1.624	.113

a. Dependent Variable: Performance of Commercial state Corporations

The study further determined the beta coefficients of Principle of Transparency versus Performance of Commercial state Corporations. The table 4.14 also presents that the coefficient of Performance of Commercial state Corporations is 0.286. The t statics for this coefficient is 1.624 with a p-value of 0.113 which is greater than 0.05. This p value does not confirms the significance relationship of the coefficient of Performance of Commercial state Corporations at 95% confidence. We can thus conclude that Principle of Transparency is not significantly influencing Performance of Commercial state Corporations and thus has no significant relationship with Performance of Commercial state Corporations.

The regression analysis was conducted to establish the significance of the relationship between Principle of Transparency and performance of commercial state corporations in Kenya. As presented in the scatter diagram in Figure 4.2, all the plots are not in the first quadrate and the line of best of fit indicates an estimate line that is weak positively upwards. This therefore demonstrates that there is a weak positive linear relationship between Principle of Transparency and performance of commercial state corporations in Kenya.

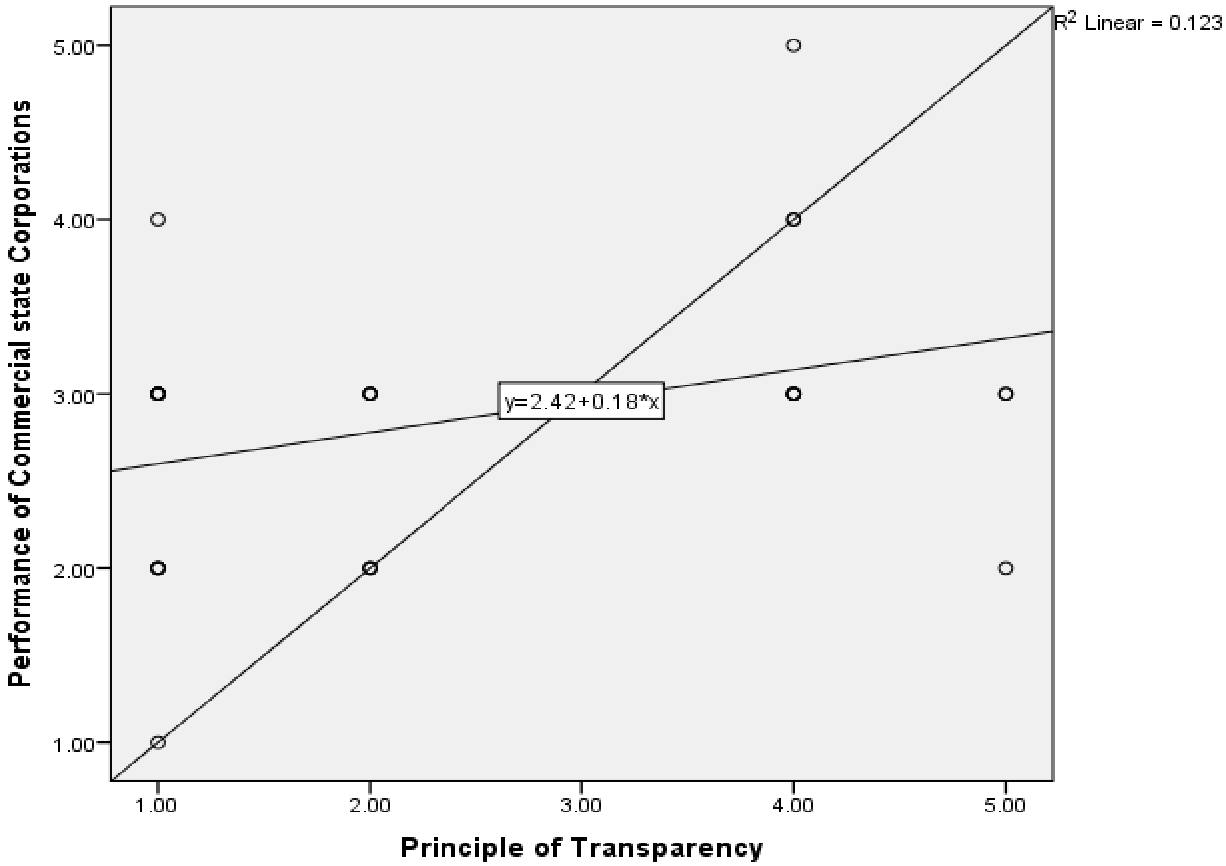

Figure 4.2: Principle of Transparency on Performance

The study is supported by Starik and Rands (2007) who argued that transparency improve the organization performance and governance structure of companies. Starik and Rands added that access to information improves transparency and governance. Yermack (2009) in his study reported that besides transparency impact on corporate also it has effects on company performance.

4.5.4 Regression Analysis on Principle of Fairness Vs Performance

Linear regression model of Principle of fairness on performance of commercial state corporations

Table 4.15: Model Summary between Principle of Fairness on performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.676[a]	.457	.442	.43152

a. Predictors: (Constant), Principle of Fairness

The regression model of Principle of Fairness with a coefficient determination of R^2 = .45.7 and R= .676[a] at 0.05 significance level. The coefficient of determination indicates that 45.7 % of the variation on performance of commercial state corporations in Kenya is influenced by Principle of Fairness. This shows that there exists a positive relationship between Principle of Fairness on performance of commercial state corporations in Kenya.

Table 4.16: ANOVA a between Principle of Fairness on performance

Sum of Squares	Model		df	Mean Square	F	Sig.
5.638	1	Regression	1	5.638	30.280	.000[b]
6.704		Residual	36	.186		
12.342		Total	37			

a. Dependent Variable: Performance of Commercial state Corporations

b. Predictors: (Constant), Principle of Fairness

The results of Analysis of variance (ANOVA) for regression coefficients are shown in Table 4.16 the analysis results revealed that the significance of F statistics is 0.000 which is less than 0.05 this imply a good fit for the model since it shows that there is a significant relationship between Principle of Fairness and Performance of Commercial state Corporations. Adoption of governance principles is justified only when the perceived benefit is large enough to influence performance.

Table 4.17: Coefficients a between Principle of Fairness on performance

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.578	.602		2.621	.013
	Principle of Fairness	.676	.123	.676	5.503	.000

a. Dependent Variable: Performance of Commercial state Corporations

The study further determined the beta coefficients of Principle of Fairness versus Performance of Commercial state Corporations. The table 4.17 also presents that the coefficient of Performance of Commercial state Corporations is 0.676. The t statics is for this coefficient is 5.503 with a p-value of 0.000 which is less than 0.05. This p value confirms the significance of the coefficient of Performance of Commercial state Corporations at 95% confidence. We can thus conclude that Principle of Fairness significantly influences Performance of Commercial state Corporations and thus has a significant relationship with Performance of Commercial state Corporations.

The study further carried out regression analysis to establish the significance of the relationship between Principle of Fairness and performance of commercial state corporations in Kenya. As presented in the scatter diagram in Figure 4.3 all the plots are in the first quadrate and the line of best of fit indicates an estimate line that is increasingly positively upwards. This therefore demonstrates that there is a positive linear relationship between Principle of Fairness and performance of commercial state corporations in Kenya.

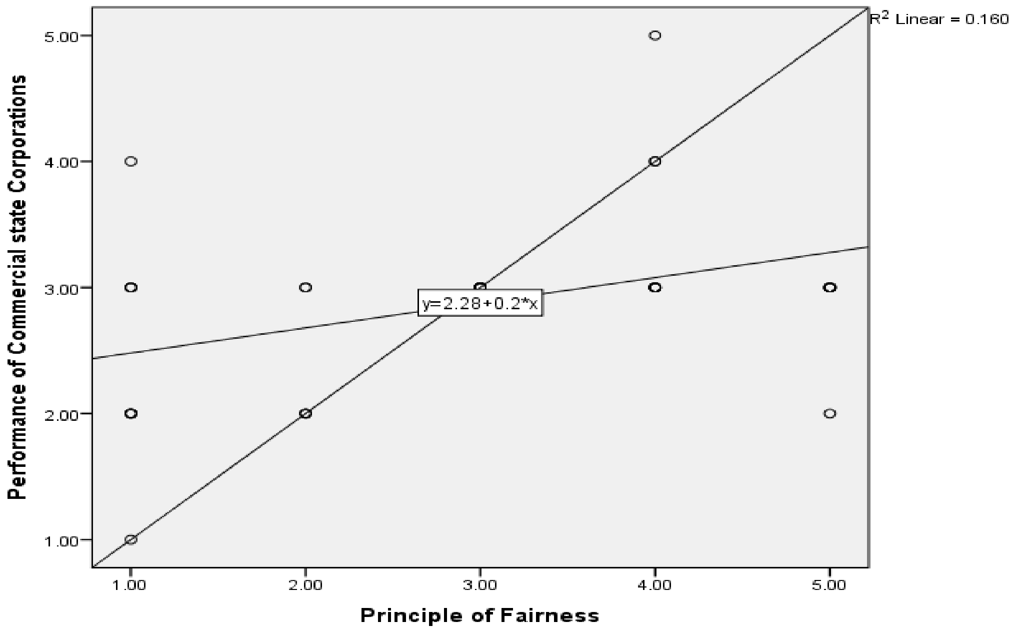

Figure 4.3: Principle of Fairness on performance

A study by Gotsis and Kortezi (2010) revealed that organizational fairness to the employees had a moderately strong association with positive affect to the performance of the organization. The study is in consensus with Hermalin, (2005) who reported that organizational fairness has reached a point where there is enough evidence to strongly suggest that fairness is important to individuals at work.

4.5.5 Regression Analysis on Principle of Integrity Vs Performance

Linear regression model of Principle of integrity on performance of commercial state corporations

Table 4.18: Model Summary Principle of integrity vs Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.065[a]	.004	-.023	.58428

a. Predictors: (Constant), Principle of Integrity

The regression model of Principle of Accountability with a coefficient determination of R^2 = .004 and R= .065[a] at 0.05 significance level. The coefficient of determination indicates that 0.4 % of the variation on performance of commercial state corporations in Kenya is influenced by Principle of integrity. This shows that there exists a positive relationship between Principle of integrity on performance of commercial state corporations in Kenya.

Table 4.19: ANOVA a Principle of integrity and Performance

1	Regression	.052	1	.052	.153	.698[b]
	Residual	12.290	36	.341		
	Total	12.342	37			

a. Dependent Variable: Performance of Commercial state Corporations

b. Predictors: (Constant), Principle of Integrity

The results of Analysis of variance (ANOVA) for regression coefficients are shown in Table 4.19 the analysis results revealed that the significance of F statistics is 0.153 and p-value .698 which is greater than 0.05 this imply no good fit for the model since it shows that there is a no significant relationship between Principle of integrity and

Performance of Commercial state Corporations. Adoption of governance principles is justified only when the perceived benefit is large enough to influence performance.

Table 4.20: Coefficients a Principle of integrity and Performance

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	5.078	.545		9.315	.000
	Principle of Integrity	-.044	.113	-.065	-.391	.698

a. Dependent Variable: Performance of Commercial state Corporations

The study further determined the beta coefficients of Principle of integrity versus Performance of Commercial state Corporations. The table 4.20 also presents that the coefficient of Performance of Commercial state Corporations is -0.044. The t statics is for this coefficient is 0.-with a p-value of 0.698 which is less than 0.05. This p-value confirms the significance of the coefficient of Performance of Commercial state Corporations at 95% confidence. We can thus conclude that Principle of integrity negatively significantly influences Performance of Commercial state Corporations and thus has a negative significant relationship with Performance of Commercial state Corporations. The study conducted a regression analysis to establish the significance of the relationship between Principle of Integrity and performance of commercial state corporations in Kenya. As presented in the scatter diagram in Figure 4.4, all the plots are in the first quadrate and the line of best of fit indicates an estimate line that is weak positively upwards. This therefore demonstrates that there is a positive linear relationship between Principle of Integrity and performance of commercial state corporations in Kenya.

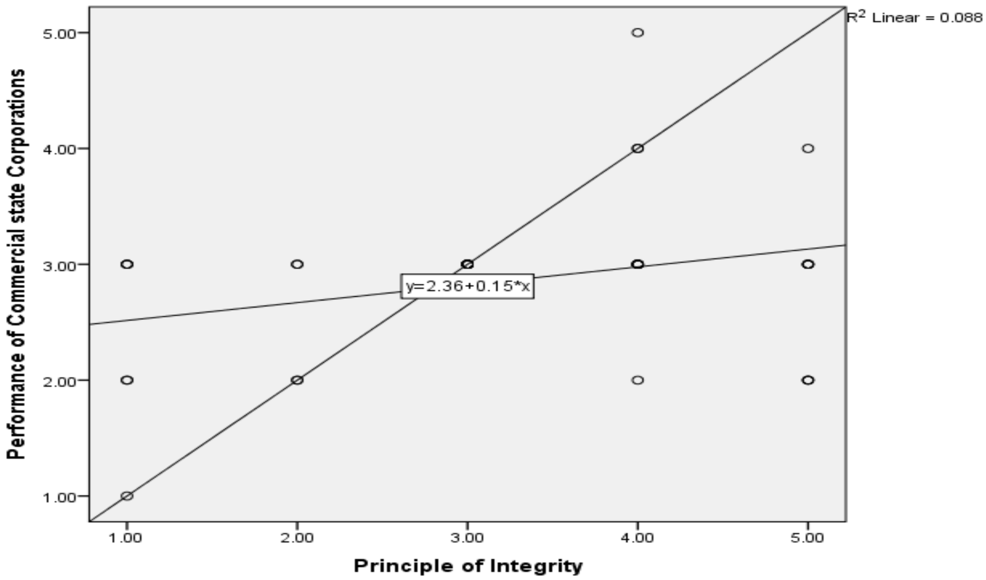

Figure 4.4: Principle of integrity and Performance

Rothman and Friedman (2011) agree with this study that integrity of corporations, financial institutions and markets is essential to maintaining confidence and economic activity, and to protecting the interests of stakeholders. Hall, (2012) stated that Corporate Governance is the system of rights, structure and control mechanism established internally over the management of a listed public limited company, with the objective of protecting the interests of the various stakeholders. According to Conyon and Mallin (2010) stated that Corporate Governance is different from corporate management, as the former is more ethical oriented and the later on operations specific. Management has the specific connotations of using the available resources comprising time, resources - finance and human.

4.5.6 Corporate Regulation Model

Linear regression model of corporate regulation on performance of commercial state corporations.

Table 4.21: Linear regression model

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.078[a]	.006	-.022	.58374

a. Predictors: (Constant), Corporate Regulation

b. Dependent Variable: Performance of Commercial state Corporations

The regression model of corporate regulation with a coefficient determination of R^2 = .006 and R= .078[a] at 0.05 significance level. The coefficient of determination indicates that 0.6 % of the variation on performance of commercial state corporations in Kenya is influenced by Principle of integrity. This shows that there exists a positive relationship between corporate regulation on performance of commercial state corporations in Kenya.

Table 4.22: Corporate Regulation with a Coefficient

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.075	1	.075	.220	.642[b]
	Residual	12.267	36	.341		
	Total	12.342	37			

a. Dependent Variable: Performance of Commercial state Corporations

b. Predictors: (Constant), Corporate Regulation

The results of Analysis of variance (ANOVA) for regression coefficients indicated that the p-value was 0.642 which is greater than 0.05 significant level.

Table 4.23: Analysis of variance (ANOVA) for regression coefficients

		Unstandardized Coefficients		**Standardized Coefficients**		
Model		B	Std. Error	Beta	**t**	**Sig.**
1	(Constant)	4.787	.198		24.130	.000
	Corporate Regulation	.026	.055	.078	.469	.642

a. Dependent Variable: Performance of Commercial state Corporations

The study conducted a regression analysis to establish the significance of the relationship between corporate regulation and performance of commercial state corporations in Kenya. The study established that the p-value is 0.642 which is greater than 0.05 significance level. A large p-value indicates weak evidence against the null hypothesis, so you fail to reject the null hypothesis. This therefore demonstrates that there is a positive linear relationship between corporate regulation and performance of commercial state corporations in Kenya.

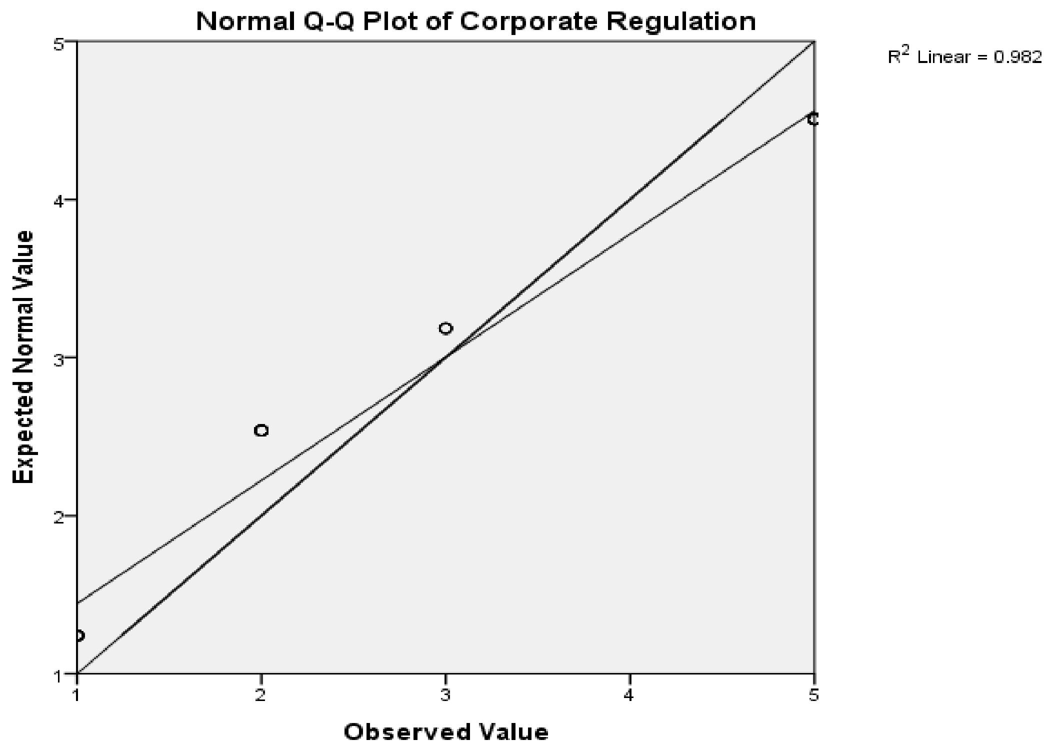

Figure 4.5: Normal Q-Q Plot of Corporate Regulation.

The study used a scatter plot diagram to measure the best line of fit. The study established that an estimate line that is strong positively upwards. This therefore demonstrated that there is a positive linear relationship between corporate regulation and performance of commercial state corporations in Kenya.

4.6 Combined Effect Model

4.6.1 Normality Test

For one to fit a linear model to some given data, the dependent variable (Performance of Commercial state Corporations) has to be normally distributed (Ghasemi & Zahedias 2012).

Q-Q Plot

For data to be normally distributed, the observed values should be spread along the straight diagonal line shown in figure 4.6. Since most of the observed values are spread very close to the straight line, there is high likelihood that the data are normally distributed. This finding is confirmed by the Q-Q plot test below.

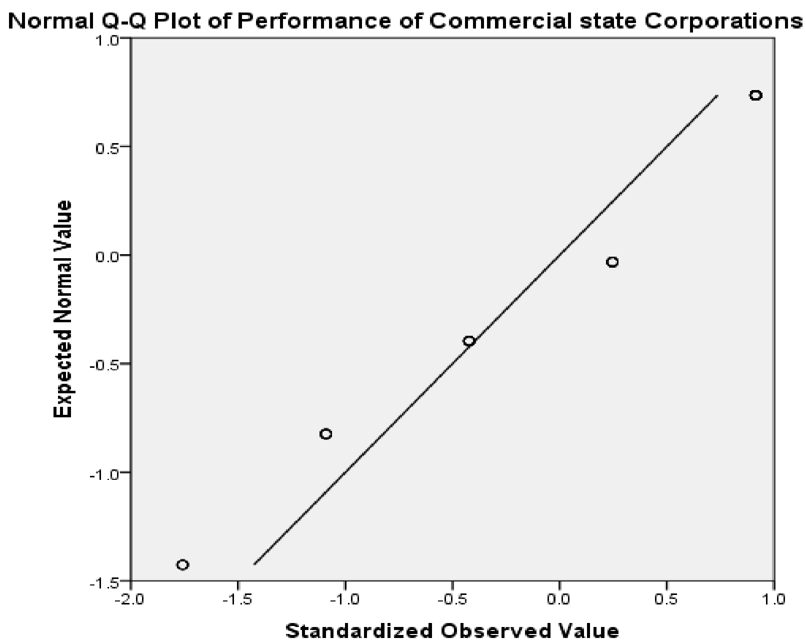

Figure 4.6: Normal Q-Q Test Performance of Commercial State Corporations

Kolgomorov-Smirnov Test

The Kolgomorov-Smirnov test is a non-parametric test that can be used to test the underlying distribution of a given random variable. This was used to test whether the dependent variable followed a normal distribution. From table 4.24 the Shapiro-Wilk statistic 0.241 has a p-value of 0.000 which is less than 0.05 with 95% confidence, the study concluded that the dependent variable Performance of Commercial state Corporations followed a normal distributed. Fitting a linear model to the data was thus justified.

Table 4.24: Tests of Normality

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	**Df**	**Sig.**	**Statistic**	**df**	**Sig.**
Performance of Commercial state Corporations	.537	38	.000	.241	38	.000

a. Lilliefors Significance Correction

Table 4.25: Multiple Regression Model Summary governance principles on the performance of commercial state corporations

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.762[a]	.581	.530	.39595

a. Predictors: (Constant), Principle of Integrity, Principle of Fairness, Principle of Transparency, Principle of Accountability, Corporate Regulation

b. Dependent Variable: Performance

As can be observed in table 4.25, the regression model of performance of commercial State Corporation's coefficient of determination R Square was 0.581 and R was 0.762. The coefficient of determination R Square indicated that 58.1 % of the variation on performance of commercial state corporations can be explained by the set of independent variables, namely; X1 = Principle of Accountability, X2 = Principle of Transparency, X3 = Principle of Integrity, X4 = Principle of Fairness. The remaining 41.9% of variation in Performance of Commercial state Corporations can be explained by other variables not included in this model. This shows that the model has a good fit since the value is above 50%. This concurs with Kothari (2004) that R-squared is always between 0 and 100%: 0% indicates that the model explains none of the variability of the response data around its mean and 100% indicates that the model explains the variability of the response data around its mean. In general, the higher the R-squared, the better the model fits the data. The adjusted R square is slightly lower than the R square which implies that the regression model may be over fitted by including too many independent variables. Dropping one independent variable will reduce the R square to the value of the adjusted R square. The study further used Analysis of Variance (ANOVA) in order to test the significance of the overall regression model. Green and Salkind (2003) posit that Analysis of Variance helps in determining the significance of relationship between the research variables. The variables collectively show that 58.1% is variation in the adoption of governance principles as explained by the variables considered in the model, that is the Principle of Integrity, Principle of Fairness, Principle of Transparency, Principle of Accountability as indicated by the coefficient of determination (R^2) which is also evidenced by F change 11.431>p-values (0.05). The 41.9% attributed to other factors that influence successful performance of commercial state corporations in Kenya

Table 4.25 provides the data to compute R^2 this is sum of squares-regression divided by sum of squares total R squared. Table 4.25 reports that the summary of ANOVA and F-statistic which reveals the value of F (11.431) is significant at 0.05 confidence level. The value of F is large enough to conclude that the set independent variables X_1-X_4 are the factors enhancing performance of commercial State Corporation in Kenya.

4.6.2 Analysis of Variance (ANOVA) of governance principles on the performance of commercial state corporations

The results of Analysis of variance (ANOVA) for regression coefficients are shown in Table below

Table 4.26: ANOVA a governance principles on the performance of commercial state corporations

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.168	5	1.792	11.431	.000[b]
	Residual	5.174	32	.157		
	Total	12.342	37			

a. Dependent Variable: Performance of Commercial state Corporations

c. Predictors: (Constant), Principle of Integrity, Principle of Fairness, Principle of Transparency, Principle of Accountability, Corporate Regulation

The results of Analysis of Variance (ANOVA) for regression coefficients in table 4.26 reveals that the significance of the F statistics is 0.00 which is less than 0.05 and the value of F (11.431) being significant at 0.000 confidence level. The value of F is large enough to conclude that the set coefficients of the independent variables are not jointly equal to zero. This implies that at least one of the independent variables has an effect on the dependent variable. The F-value in the ANOVA Table 4.8 as shown above was used to test the overall regression model of the goodness of fit. The value of the F statistic (11.431) indicates that the overall regression model is significant at the confidence level of 0.05 confidence level. The value of F is greater than the zero and it’s enough to conclude that predictor; Principle of Integrity, Principle of Fairness, Principle of Transparency, Principle of Accountability influence performance of commercial state corporations in Kenya.

4.6.3 Multiple Regression Coefficients of governance principles on the performance of commercial state corporations

Table 4.27: Multiple Regression Coefficients a governance principles on the performance of commercial state corporations

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	.102	.946		.108	.915
	Principle of Accountability	.044	.108	.066	.409	.685
	Principle of Transparency	.369	.153	.337	2.417	.021
	Principle of Fairness	.662	.149	.662	4.458	.000
	Principle of Integrity	-.088	.080	-.130	-1.099	.280
	Corporate Regulation	.015	.040	.046	.383	.704

a. Dependent Variable: Performance

The constant term is 0.102 dependent variable when all the independent variables are equal to zero. The constant term has a p-value of 0.915 which is greater than 0.05. This implies that the constant term is insignificant. The multiple regression performance of commercial state corporations is thus an equation through the origin. If all the independent variables take on the values of zero, there would be zero performance of commercial state corporations.

The t statistics helps in determining the relative importance of each variable in the model. As a guide regarding useful predictors, we look for t values well below -0.5 or above +0.5. In this case the significant variable level of the variables was as follows; Principle of Fairness (0.000 less than P-value 0.05) followed by Principle of Transparency (0.021), Principle of Integrity (0.280) and Principle of Accountability (0.685), respectively.

$$Y = \beta 0 + B_1X_1 + B_2X_2 + B_3X_3 + B_4X_4 + e$$

$$Y = .102 + .044X_1 + .369X_2\ .662X_3 + .-088X_4 + e$$

4.7 Hypothesis Testing

The statistical significance of the model as well as the usefulness of each of the independent variables ($X_{1\text{-}4}$) was ascertained by conducting an F-test & T-test using the following hypothesis:

H_O: $\beta 1=0, \beta 2=0, \beta 3=0, \beta 4=0\ \beta 5=0$

$H_0 1$: $\beta 1 \neq 0, \beta 2 \neq 0, \beta 3 \neq 0, \beta 4 \neq 0\ \beta 5 \neq 0,$

Whereby, **H_0** -the null hypothesis - implies the model is not useful at predicting Performance of Commercial state Corporations and **H_1** - the alternate hypothesis – implies that the model is not useful.

According to the **H_0**, if a coefficient (βi) =0 that it is statistically significant at $P<0.05$, then the distribution of the response variable (Y) does not directly depend on the input variable Xi, which can therefore be “dropped” from the model. Consequently, it is useful to test the hypotheses:

$H_{0:}$ $\beta 1=\beta 2=\beta 3=\beta 4$Versus

$H_{1:}$ $Bj \neq 0$ for at least one j

H_{01} Adoption of accountability principles has no significant influence on performance of commercial state corporations in Kenya. The study sought to establish the influence of adoption of accountability principle on the performance of commercial state corporations in Kenya. The P-value $0.000^b < 0.05$ thus a small p-value indicates strong evidence against the null hypothesis, so you reject the null hypothesis. The results are significant between accountability principle and Performance of Commercial State Corporation

H_{02} Adoption of transparency principle has no significant influence on performance of commercial state corporations in Kenya. The study sought to examine the influence of adoption of transparency principle on the performance of commercial state corporations in KenyaThe p-value of $0.113^b > 0.05$, thus large p-value indicates weak evidence against the null hypothesis, so you fail to reject the null hypothesis. The results are not significant between transparency principle and the performance of commercial state corporations in Kenya**.**

H_{03} Adoption of fairness principle has no significant influence on performance of commercial state corporations in Kenya. The study sought to determine the influence of adoption of fairness principle on the performance of commercial state corporations in Kenya. The P-value $0.000^b < 0.05$, thus p-value was less than 0.005 this indicates strong evidence against the null hypothesis, so you reject the null hypothesis. The results are significant between fairness principle and Performance of Commercial State Corporation

H_{04} Adoption of integrity principle has no significant influence on performance of commercial state corporations in Kenya. The study sought to examine the influence of adoption of integrity principle on the performance of commercial state corporations in Kenya. The P-value of $0.698^b > 0.05$ was established, this indicated that the p-value was large that 0.005 therefore weak evidence against the null hypothesis, so you fail to reject the null hypothesis. The results are not significant between integrity principle and the performance of commercial state corporations in Kenya**.**

H_{05} Corporate regulation has no significant moderating effect on the relationship between governance principles and the performance of commercial state corporations in Kenya. The study sought to determine the moderating effect of corporate regulation on the adoption of governance principles and the performance of commercial state corporations in Kenya. The study established that the p-value was $0.000^{b} < 0.05$, this indicates strong evidence against the null hypothesis, so you reject the null hypothesis. The results are significant between combined variable and Performance of Commercial State Corporation

Table 4.28: Hypothesis Testing

Objective	**Hypothesis**	**Analysis Model**	**Analytical Method**	**Interpretation**	**Findings**	**Conclusion**
Objective One: To establish the influence of adoption of accountability principle on the performance of commercial state corporations in Kenya.	H_{01} Adoption of accountability principles has no significant influence on performance of commercial state corporations in Kenya	Simple Linear Regression Analysis Performance of Commercial State Corporation = f (accountability principle) $Y = \beta_0 + \beta_1 X_1 + \varepsilon$ β_0= Intercept, β_1 =Coefficient, Y= Performance of Commercial State Corporation, X_1= accountability principle, ε_1=Error term	□ Linear regression analysis □ R^2 □ F –test □ t-test	The closer R approaches ±1, then a relationship exists. If (R^2) value is significant, then the relationship is significant if A small p-value (less than or equal to ≤ 0.05) indicates strong evidence against the null hypothesis, so you reject the null hypothesis. If p≤0.05, the results are significant (P-value below 0.05, is significant) A large p-value (greater than > 0.05) indicates weak evidence against the null hypothesis, so you fail to reject the null hypothesis. If p > 0.05, the results are not significant (P-value over 0.05, not significant)	Adjusted R^2 =.310 Model significant (F =16.169, $P.000^b < 0.05$)	**H_1** A small p-value indicates strong evidence against the null hypothesis, so you reject the null hypothesis. the results are significant between accountability principle and Performance of Commercial State Corporation

Objective Two: To examine the influence of adoption of transparency principle on the performance of commercial state corporations in Kenya**.**	H_{02} Adoption of transparency principle has no significant influence on performance of commercial state corporations in Kenya.	Simple Linear Regression Analysis Performance of Commercial State Corporation = f (transparency principle) $Y = \beta_0 + \beta_2 X_2 + \varepsilon$ β_0= Intercept, β =Coefficient, Y= Performance of Commercial State Corporation, X_2= transparency principle, ε=Error term	□ Linear regression analysis □ R^2 □ F –test □ t-test	The closer R approaches ±1, then a relationship exists. If (R^2) value is significant, then the relationship is significant	Adjusted R^2 =.068 Model significant (F =2.636, p 0.113^b >0.05)	**H2** A large p-value indicates weak evidence against the null hypothesis, so you fail to reject the null hypothesis. The results are not significant between transparency principle and the performance of commercial state corporations in Kenya**.**

Objective Three: To determine the influence of adoption of fairness principle on the performance of commercial state corporations in Kenya.	H_{03} Adoption of fairness principle has no significant influence on performance of commercial state corporations in Kenya.	Simple Linear Regression Analysis Performance of Commercial State Corporation = f (fairness principle) $Y = \beta_0 + \beta_3 X_3 + \varepsilon$ β_0= Intercept, β_3 =Coefficient, Y= Performance of Commercial State Corporation, X_3= fairness principle, ε=Error term	□ Linear regression analysis □ R2 □ F –test □ t-test	The closer R approaches ±1, then a relationship exists. If (R^2) value is significant, then the relationship is significant	Adjusted R^2 =.442 Model significant (F = 30.280 P $0.000^b < 0.05$)	A small p-value indicates strong evidence against the null hypothesis, so you reject the null hypothesis. The results are significant between fairness principle and Performance of Commercial State Corporation

Objective Four: To examine the influence of adoption of integrity principle on the performance of commercial state corporations in Kenya.	H_{04} Adoption of integrity principle has no significant influence on performance of commercial state corporations in Kenya.	Simple Linear Regression Analysis Performance of Commercial State Corporation = f (integrity principle) $Y_1 = \beta_0 + \beta_4 X_4 + \varepsilon$ β_0= Intercept, β_4 =Coefficient, Y= Performance of Commercial State Corporation, X_4= integrity principle, ε=Error term	□ Linear regression analysis □ R2 □ F –test □ t-test	The closer R approaches ±1, then a relationship exists. If (R^2) value is significant, then the relationship is significant	Adjusted R^2 =0.004 Model significant (F =0.153 P 0.698^b>0.05)	A large p-value indicates weak evidence against the null hypothesis, so you fail to reject the null hypothesis. The results are not significant between integrity principle and the performance of commercial state corporations in Kenya.

Objective Five: To determine the moderating effect of corporate regulation on the adoption of governance principles and the performance of commercial state corporations in Kenya.	H_{05} Corporate regulation has no significant moderating effect on the relationship between governance principles and the performance of commercial state corporations in Kenya.	Multiple Linear Regression Analysis Performance of Commercial State Corporation = f (Accountability principle, Transparency principle, Fairness principle, Integrity principle, Corporate Regulation ε_1=Error term) $Y=\beta_0+\beta_1X_1+\beta_2X_2+\beta_3X_3+\beta_4X_4+B_iX_i\ Z+\varepsilon_1$ β_{01}= Intercept, $\beta_1, \beta_2, \beta_3, \beta_4, B_i$ =Coefficient, Y= Performance of Commercial State Corporation, X_1= Accountability principle X_2 = Transparency principle X_3 = Fairness principle X_4 = Integrity principle Z= Corporate Regulation	Multiple linear regression analysis R2 F –test t-test		Adjusted R^2 =0.581 Model significant (F = 11.431 P $0.000^b < 0.05$)	A small p-value indicates strong evidence against the null hypothesis, so you reject the null hypothesis. The results are significant between combined variable and Performance of Commercial State Corporation

4.8 Performance of Commercial State Corporations

The study sought to establish the performance of commercial state corporations in Kenya in 2012, 2013, 2014 and 2015 and 2016.

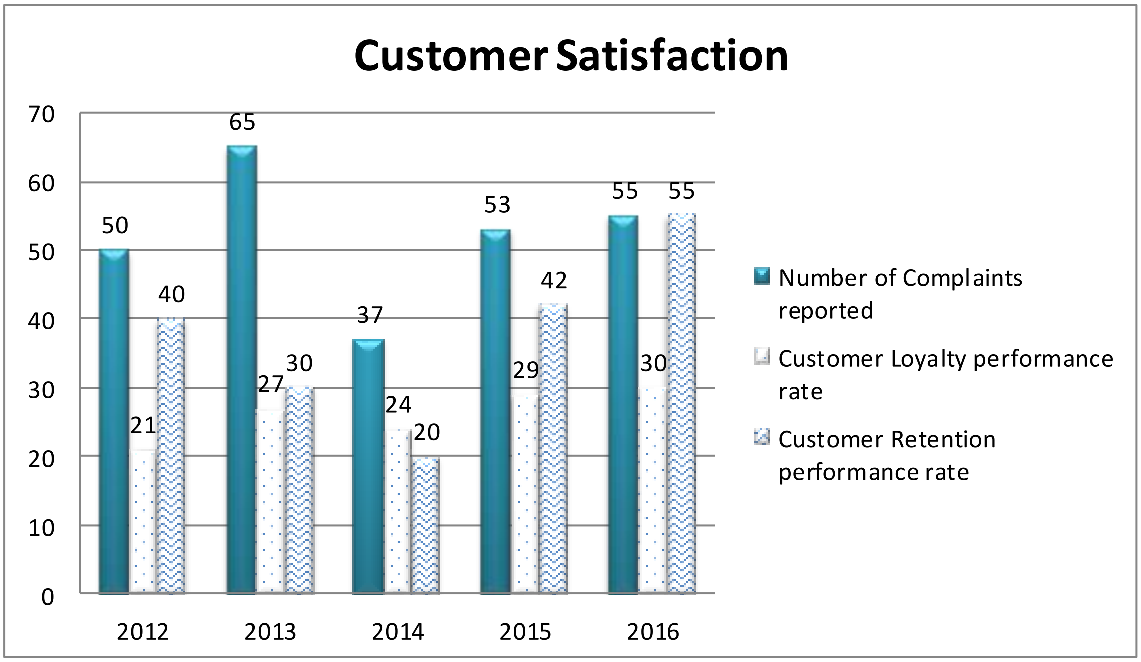

Figure 4.7: Customer Satisfaction

The study established that in 2012, 2013, 2014, 2015 and 2016 the customer satisfaction was reported as follow; in 2012, 2013, 2014, 2015 and 2016 Number of Complaints reported 50%, 65%, 37%, 53% and 55%. In 2012, 2013, 2014, 2015 and 2016 Customer Loyalty performance rate 21%, 27%, 24%, 29% and 30%. In 2012, 2013, 2014, 2015 and 2016 Customer retention performance rate 40%, 30%, 20%, 42%, and 55%. The study established that the customer loyalty increased from 2012 at 21% to 2016 at 30%. According to Rothman and Friedman (2011) corporate governance provides a firm foundation for the development of economies. A good corporate governance mechanism improves the health of the corporate sector, thus enhancing national competitiveness.

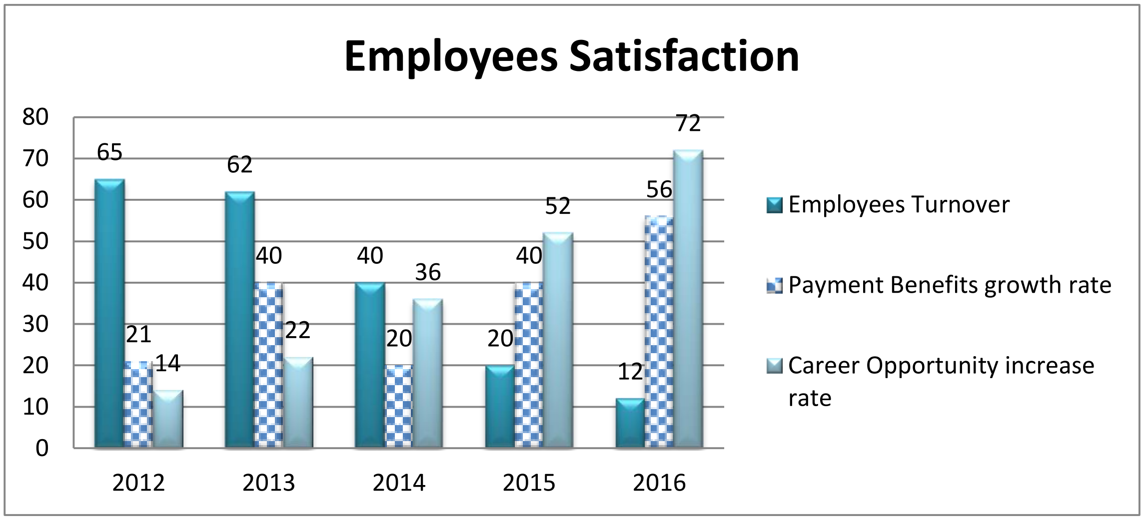

Figure 4.8: Employees Satisfaction

The study established that in 2012, 2013, 2014, 2015 and 2016 the Employees Satisfaction performance was reported as follow; in 2012, 2013, 2014, 2015 and 2016 Employees Turnover was 65%, 62%, 40%, 20%, and 12%. In 2012, 2013, 2014, 2015 and 2016 Payment Benefits growth rate was 21, 40, 20, 40, and 56. In 2012, 2013, 2014, 2015 and 2016 Career Opportunity increase rate was 14%, 22%, 36%, 52%, and 72%. The study established that employee’s turnover rate decreased from 65% in 2012 to 12% in 2016. Dobson (2011) conducted a study on the impact of corporate ethical values on ethical leadership and employee performance in the context of Pakistan. The study was conducted considering three variables that is; corporate ethical values, ethical leadership and employee performance. The findings showed that leadership having no ethical manners is harmful, vicious and even poisonous. Results also revealed that a corporate ethical value is the most important factor for ethical leadership and employee performance.

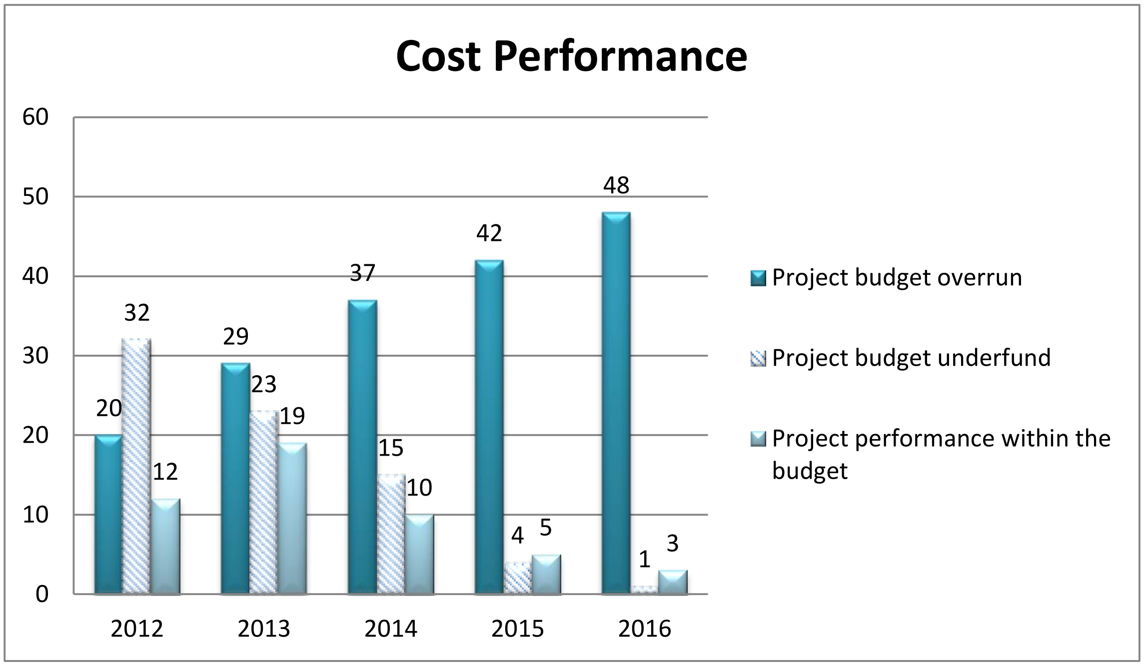

Figure 4.9: Cost Performance

The study established that in 2012, 2013, 2014, 2015 and 2016 the Cost Performance was reported as follow; In 2012, 2013, 2014, 2015 and 2016 Project budget overrun was 20%, 29%, 37%, 42% and 48%. In 2012, 2013, 2014, 2015 and 2016 Project budget underfund was 32%, 23%, 15%, 4% and1% In 2012, 2013, 2014, 2015 and 2016 Project performance within the budget was 12%, 19%, 10%, 5% and 3%. The study established that in 2012 budget overrun was 20%, and in 2016 budget overrun was 48%, this indicated there was an increase in budget overrun over the last 5 years. Company performance is enhanced when regulations and guidelines have been adhered to. Investors, regulators and other stakeholders clearly consider compliance to be important (Fasterling, 2005).

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the findings, conclusion and recommendation of the study objectives and the corresponding hypothesis. It then draws conclusions based on these findings and discussions are put forth for the recommendations of the study based on governance principles on the performance of commercial state corporations. Finally, the chapter presents the study limitations and recommendations for further areas of research.

5.2 Summary

5.2.1 Influence of Principle of Accountability on the Performance of Commercial state Corporations

The study sought to establish the influence of principle of accountability on the performance of commercial state corporations in Kenya. The study found out that the regression model of principle of accountability coefficient determination of $R^{2\ \text{was}}$ significance at confidence level. The coefficient of determination indicates that performance of commercial state corporations in Kenya is influenced by principle of accountability to a great extent. The results of Analysis of variance (ANOVA) revealed that the significance of F statistics is a good fit for the model since it shows that there is a significant relationship between principle of accountability and performance of commercial state corporations. The coefficient of Performance of Commercial state Corporations was less than confidence. The t statics for this coefficient was less than confidence level showing that it was statistically significant. This p-value confirms the significance of the coefficient of Performance of commercial state corporations at the confidence level. The study thus concluded that Principle of accountability significantly influences performance of commercial state corporations and thus has a significant relationship with performance of commercial state corporations. As presented in the scatter diagram all the plots are in the first quadrate and the line of best of fit indicates an estimate line that is increasingly positively upwards. This therefore demonstrates that there is a positive linear relationship between Principle of accountability and performance of commercial state corporations in Kenya. The study found out that principle of accountability has a significant strong positive correlation with performance of commercial state corporations

5.2.2 Influence of Principle of Transparency on the Performance of Commercial state Corporations

The study aimed to find out the influence of principle of transparency on the performance of commercial state corporations in Kenya. The coefficient of determination indicates that the variation on performance of commercial state corporations in Kenya is influenced by Principle of Transparency. This shows that there exists a positive relationship between Principle of Transparency on performance of commercial state corporations in Kenya. Analysis of variance (ANOVA) for regression coefficients were shown in the analysis results revealed that the significance of F statistics was greater than confidence level hence implying that the predictor coefficient is at least not equal to zero. This did not imply a good fit for the model since it showed that Principle of Transparency had no significant influence on performance of commercial state corporations in Kenya. The coefficient of performance of commercial state corporations is less than the confidence level. The t statics for this coefficient had a p-value which was greater than confidence level. This p value confirmed the significance of the coefficient of Performance of Commercial state Corporations the confidence. The study thus concluded that principle of transparency significantly influences performance of commercial state corporations and thus has a significant relationship with performance of commercial state corporations. Scatter diagram plots demonstrates that there is a positive linear relationship between Principle of

Transparency and performance of commercial state corporations in Kenya. The study established that principle of transparency has a significant positive correlation with Performance of Commercial state Corporations.

5.2.3 Influence of Principle of Fairness on the Performance of Commercial state Corporations

The study sought to establish the influence of Principle of fairness on the performance of commercial state corporations in Kenya. The regression model of Principle of Fairness with a coefficient determination of R^2 at significance level, the coefficient of determination indicated that the variation on performance of commercial state corporations in Kenya is influenced by Principle of Fairness. This shows that there exists a positive relationship between Principle of Fairness on performance of commercial state corporations in Kenya. Analysis of variance (ANOVA) for regression revealed that the significance of F statistics which is less than confidence level imply a good fit for the model since it shows that there is a significant relationship between principle of fairness and performance of commercial state corporations. The coefficient of performance of commercial state corporations was greater than confidence level. The t statics for this coefficient had a p-value which is less than confidence level. This p value confirms the significance of the coefficient of performance of commercial state Corporations at confidence level. The study thus concluded that principle of fairness significantly influences performance of commercial state corporations and thus has a significant relationship with performance of commercial state corporations. The scatter diagram plot indicates an estimate line that is increasingly positively upwards. This therefore demonstrates that there is a positive linear relationship between principle of fairness and performance of commercial state corporations in Kenya. The study established that principle of fairness has a significant positive correlation with Performance of Commercial state Corporations.

5.2.4 Influence of Principle of Integrity on the Performance of Commercial state Corporations

The study sought to establish the influence of Principle of integrity on the performance of commercial state corporations in Kenya. The regression model of Principle of Accountability with a coefficient determination of R^2 at significance level. The coefficient of determination indicated that the variation on performance of commercial state corporations in Kenya is influenced by Principle of integrity. This shows that there exists a positive relationship between Principle of integrity on performance of commercial state corporations in Kenya. Analysis of variance (ANOVA) for regression coefficients revealed that the significance of F statistics and p-value were greater than the confidence level this imply no good fit for the model since it shows that there is a no significant relationship between principle of integrity and performance of commercial state corporations. Adoption of governance principles is justified only when the perceived benefit is large enough to influence performance.

The coefficient of Performance of Commercial state Corporations was at negative value. The t statics is for this coefficient was a negative value with a p-value which is greater than confidence level. This p-value confirms there is no significance relationship of the coefficient of performance of commercial state corporations at confidence. The study therefore concluded that principle of integrity is negatively significantly influencing performance of commercial state corporations and thus has a negative significant relationship with performance of commercial state corporations.

5.2.5 Influence of moderating variable (corporate regulation) on the adoption of governance principles and Performance of Commercial state Corporations

The study sought to determine the moderating effect of corporate regulation on the adoption of governance principles and the performance of commercial state corporations in Kenya. The study established that corporate regulation was significant at confidence level, this indicated a strong evidence against the null hypothesis, so you reject the null hypothesis. The results are significant between combined variable and Performance of Commercial State Corporation

5.3 Conclusion

Based on the study findings, the study concludes that principle of accountability influence on the performance of commercial state corporations in Kenya, there is sustainability of reporting on performance, members provide feedback on their roles, Management are held responsible, Annual report publishing is done in my state - corporate, The report is audited by internal and external auditors and the organization report is revealed to all the stakeholder. The coefficient of determination indicates that the variation on performance of commercial state corporations in Kenya is influenced by principle of accountability. The results of Analysis of variance (ANOVA) revealed that the significance of F statistics which is less than confidence level imply a good fit for the model since it shows that there is a significant relationship between Principle of accountability and performance of commercial state Corporations. The coefficient of performance of commercial state corporations was greater than the confidence level. The t statics for this coefficient and p-value which was less than confidence level showing that it was statistically positively significant. This p-value confirmed the significance of the coefficient of Performance of Commercial state Corporations at confidence. The study thus concluded that principle of accountability significantly influences performance of commercial state corporations and thus has a significant relationship with performance of commercial state corporations. As presented in the scatter diagram all the plots are in the first quadrate and the line of best of fit indicates an estimate line that is increasingly positively upwards. This therefore demonstrates that there is a positive linear relationship between principle of accountability and performance of commercial state corporations in Kenya. The study found out that principle of accountability has a significant strong positive correlation with performance of commercial state corporations. The study concludes that principle of transparency had a positive significant influence on performance of commercial state corporations in

Kenya. Scatter diagram plots demonstrates that there is a positive linear relationship between Principle of Transparency and performance of commercial state corporations in Kenya.

Principle of Fairness significantly influences performance of commercial state corporations and thus has a significant relationship with performance of commercial state corporations. The scatter diagram plot indicates an estimate line that is increasingly positively upwards. This therefore demonstrates that there is a positive linear relationship between principle of fairness and performance of commercial state corporations in Kenya. The study established that principle of fairness has a significant positive correlation with Performance of Commercial state Corporations.

Principle of integrity negatively significantly influences Performance of Commercial state Corporations and thus has a negative significant relationship with Performance of Commercial state Corporations. Analysis of variance (ANOVA) for regression coefficients revealed that the significance of F statistics and p-value is greater than confidence level this imply no good fit for the model since it shows that there is a no significant relationship between principle of integrity and performance of commercial state corporations.

5.4 Recommendations

The study recommends that principle of accountability influences on the performance of commercial state corporations in Kenya to a great extent and therefore it should be adopted in state corporates. Also the study established that principle of integrity is negatively applied in the commercial state corporations in Kenya. The study established that annual report publication in state-corporate, report auditing by internal and external auditors and members providing feedback on their roles. The study also recommended that effective implementation of Principle of integrity should apply to increase good Performance of Commercial state Corporations Kenya. The lack Principle of integrity in

Commercial state Corporations was established to influence on poor Performance in state corporate.

5.5 Areas for further Research

The study established that Principle of Integrity, Principle of Fairness, Principle of Transparency, Principle of Accountability, Corporate Regulation influences performance of commercial state corporations with 58.1 % while 41.9% are other factors influencing performance of commercial state corporations. The study recommends on further research to be conducted on other factors influencing performance of commercial state corporations in Kenya.

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APPENDICES

Appendix I: Introduction Letter

JOMO KENYATTA UNIVERSITY
OF
AGRICULTURE AND TECHNOLOGY

DEPARTMENT OF ENTREPRENEURSHIP, TECHNOLOGY, LEADERSHIP AND MANAGEMENT

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OFFICE OF THE CHAIRPERSON
P. O. BOX 62000
NAIROBI

JKU/3/114/22

DATE: 17TH NOVEMBER, 2016

To whom it may concern:

RE: RESEARCH PROJECT FOR: SUSAN LAIMARU HD419-4514/2013

This is to introduce to you **Ms. Susan Laimaru** who is a student pursuing Doctor of philosophy in Leadership and Governance in the Department of Entrepreneurship, Technology, Leadership and Management, in the School of Entrepreneurship, Procurement and Management, at Jomo Kenyatta University of Agriculture and Technology.

The student is currently undertaking a research on: **"Influence of adoption of governance principles on the performance of commercial state corporation in Kenya."** in partial fulfilment of the requirement for the programme.

The purpose of this letter is to request you to give the student the necessary support and assistance to enable her obtain the necessary data for the research. Please note that the information given is purely for academic purposes and will be treated with strict confidence.

Thank you!

17 NOV 2016

Yours Sincerely,

Dr. Alice Simiyu
Research Project Coordinator, ETLM Department

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Appendix II: Research Questionnaire

Section 2: Principle of Accountability

To what extent do you agree with the following statements regarding your organization? Use a scale of 1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree.

Statement	**Strongly**	**Disagree**	**Neutral**	**Agree**	**Strongly**
1. There is sustainability of reporting on performance					
2. Members provide feedback on their roles					
3. Management are held responsible					
4. Management is reliable					
5. Annual report publishing is done in my organization					
6. The report is audited by internal and external auditors					
7. The organization report is revealed to all the stakeholder					

Could you suggest how the state corporate could improve on accountability in order to realize increased performance? (Explain)

……………………………………………………………………………………...…………….

………………………………………………………………………………………

Section 3: Principle of Transparency

To what extent do you agree with the following aspects as they apply in your organization? Use a scale of 1-5 where 1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1. Withholding of relevant information in my organization					
2. Auditing of financial statement is done					
3. Management organize invitation for meeting of the shareholders					
4. Management discloses information to the required stakeholders					
5. Management discloses information in relevant and timely manner					
6. Are the semi-annual, annual and quarterly reports available to the shareholders					
7. The corporate prepare the calendar of important events					

What would you suggest to state corporations on transparency to improve performance? (Explain).

………………………………………………………………………………………

Section 4: Principle of Fairness

To what extent do you agree with the following statements regarding your organization? Use a scale of 1-5 where 1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1. Shareholders are equally treated by the management					
2. There is an established mechanism for prevention and settlement of possible conflicts between its shareholders					
3. Diversity is embraced in the organization					
4. Employees are treated equally					
5. Comprehensive information on the proposed nominees is available to the Shareholders' Assembly when selecting Board members					
6. The management of the corporate hold meetings with interested investors yearly					
7. The corporate establish mechanisms to ensure that persons who have access to					

or possess inside information understand the nature and importance of such information and limitations related to it					

Could you suggest how the state corporate could improve on fairness in order to realize increased performance? (Explain)

……………………………………………………………………………………………....
………………………………………………………………………………………………

Section 5: Principle of Integrity

Indicate the extent to which the following statements apply to your organization? Use a scale of 1-5 where 1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree

Statement	**Strongly Disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**
1. Management observes professionalism in their work					
2. shareholders' are enabled to exercise their rights to unrestricted participation in the 3. Shareholders' Assembly activities and decision-making					
4. The acts governing our organization define the details of the competence of the Board of Directors					
5. The management hire candidate who are professionally qualified					
6. the Company acts defines criteria required for expert and professional knowledge and experience					

7. The nomination committee ensures that potential members are suitable to serve on the board					

What would you suggest to state corporations on integrity to improve performance? (Explain)

…………………………………………………………………………………………...

Section 6: Corporate Regulation

You are requested to indicate the extent to which the following statement apply to your organization? Use a scale of 1-5 where 1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree

Regulation	**Strongly Disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**
1. Corporate complies with the regulations from the regulating body					
2. Corporate complies with remunerations policy for the 3. Board of Directors and members					
4. Corporate complies with statutory requirement					
5. Corporate implement the policies provided by the government					
6. Corporate acts clearly as defined by the authorities					

7. There are clear written down responsibilities for the company secretary					

Could you suggest how the state corporate could improve on corporate regulation in order to realize increased performance? (Explain)

…………………………………………………………………………………………....
…………………………………………………………………………………………
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Section 7: Performance of Commercial State Corporation's

Kindly indicate in percentage the measures of the performance of commercial state corporations in Kenya as stated below

	2012	**2013**	**2014**	**2015**	**2016**
Customer Satisfaction					
1. Number of Complaints reported					
2. Customer Loyalty performance rate					
3. Customer Retention performance rate					
Employees Satisfaction					
1. Employees Turnover					
2. Payment Benefits growth rate					

3. Career Opportunity increase rate					
Cost Performance					
1. Project budget overrun					
2. Project budget underfund					
3. Project performance within the budget					

Appendix III: List of the Selected State Corporation in Kenya

1 Agro-Chemical and Food company	Agriculture, Livestock & Fisheries
2 Kenya Meat Commission	Agriculture, Livestock & Fisheries
3 Muhoroni Sugar Company Ltd	Agriculture, Livestock & Fisheries
4 Nyayo Tea Zones development Corporation	Agriculture, Livestock & Fisheries
5 South Nyanza Sugar Company Limited	Agriculture, Livestock & Fisheries
6 Chemilil Sugar Company Ltd	Agriculture, Livestock & Fisheries
7 Nzoia Sugar Company Ltd	Agriculture, Livestock & Fisheries
8 Simlaw Seeds Kenya	Agriculture, Livestock & Fisheries
9 Simlaw Seeds Tanzania	Agriculture, Livestock & Fisheries
10 Simlaw Seeds Uganda	Agriculture, Livestock & Fisheries
11 Kenya National Trading Trading (KNTC)	East African Affairs, Commerce & Tourism
12 Kenya Safari Lodges and Hotels Ltd	East African Affairs, Commerce & Tourism
13 Golf Hotel Kakamega East African	Affairs, Commerce & Tourism
14 Kabarnet Hotel Limited East African	Affairs, Commerce & Tourism
15 Mt Elgon Lodge East African	Affairs, Commerce & Tourism
16 Sunset Hotel Kisumu East African	Affairs, Commerce & Tourism
17 Jomo Kenyatta Foundation	Education, Science & Technology
18 Jomo Kenyatta University Enterprises Ltd	Education, Science & Technology
19 Kenya Literature Bureau (KLB)	Education, Science & Technology
20 Rivatex (East Africa) Ltd	Education, Science & Technology
21 School Equipment Production Unit	Education, Science & Technology
22 University of Nairobi Enterprises Ltd	Education, Science & Technology
23 University of Nairobi Press (UONP)	Education, Science & Technology
24 Development Bank of Kenya Ltd	Industrialization & Enterprise Development

25 Kenya Wine Agencies Ltd (KWAL)	Industrialization & Enterprise Development
26 KWA Holdings	Industrialization & Enterprise Development
27 New Kenya Co-operative Creameries	Industrialization & Enterprise Development
28 Yatta Vineyards Ltd	Industrialization & Enterprise Development
30 Research Development Unit Company Ltd	Lands, Housing & Urban Development
31 Consolidated Bank of Kenya	National Treasury
32 Kenya National Assurance Co. (2001)Ltd	National Treasury
33 Kenya Reinsurance Corporation Ltd	National Treasury
34 Kenya National Shipping Line	Transport & Infrastructure
35 Kenya Animal Genetics Resource Centre	Agriculture, Livestock & Fisheries
36 Kenya Seed Company (KSC)	Agriculture, Livestock & Fisheries
37 Kenya Veterinary Vaccine Production Institute	Agriculture, Livestock & Fisheries
38 National Cereals & Produce Board (NCPB)	Agriculture, Livestock & Fisheries
39 Kenyatta International Convention Centre	East African Affairs, Commerce & Tourism
40 Geothermal Development Company (GDC)	Energy & Petroleum
41 Kenya Electricity Generating Company (KENGEN	Energy & Petroleum
42 Kenya Electricity Transmission Company (KETRACO)	Energy & Petroleum
43 Kenya Pipeline Company (KPC)	Energy & Petroleum
44 Kenya Power and Lighting Company (KPLC)	Energy & Petroleum
45 National Oil Corporation of Kenya	Energy & Petroleum

46 National Water Conservation and Pipeline	Corporation Environment, Water & Natural Resources
47 Numerical Machining Complex	Industrialization & Enterprise Development
48 Kenya Broadcasting Corporation	Information, Communication & Technology
49 Postal Corporation of Kenya	Information, Communication & Technology
50 Kenya Development Bank (After merger of TFC, ICDC, KIE, IDB, AFC)	National Treasury
51 Kenya EXIM Bank	National Treasury
52 Kenya Post Office Savings Bank	National Treasury
53 Kenya Airports Authority (KAA)	Transport & Infrastructure
54 Kenya Ports Authority (KPA)	Transport & Infrastructure
55 Kenya Railways Corporation (KRC)	Transport & Infrastructure

Source: Presidential Taskforce on Parastatal Reforms (2015)