CORPORATE GOVERNANCE AND PERFORMANCE OF PRIVATE SECURITY FIRMS IN KENYA

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Corporate Governance and Performance of Private Security Firms 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 of the University supervisors

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DEDICATION

This thesis dedicated to my family.

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ABBREVIATIONS AND ACRONYMS

AGM	Annual General Meeting
ANOVA	Analysis of Variance
CEO	Chief Executive Officer
CG	Corporate Governance
CSR	Corporate Social Responsibility
EPS	Earning Per Share
GCC:	Gulf Cooperation Council
JKUAT	Jomo Kenyatta University of Agriculture and Technology
KEPSA	Kenya Private Sector Alliance
KIPPRA	Kenya Insititute of Public Policy Research and Analysis
KSIA	Kenya Security Industry Association
MCCG	Malaysian Code of Corporate Governance
NSCDC	Nigeria Security and Civil Defence Corps
PSFs	Private Security Firms
PMSCs	Private Military and Security Companies
PSIA	Protective Security Industry Association
PSRA	Private Security Regulatory Authority
RoA	Return on Asset
RoE	Return on Equity
SPSS	Statistical Package for the Social Sciences
UK	United Kingdom
UN	United Nations
USA	United States of America

DEFINITION OF OPERATIONAL TERMS

Board Characteristics in relation to corporate governance in private security firms in Kenya refer to the composition, structure, roles, and behaviors of the board of directors. These characteristics play a crucial role in shaping the governance practices and decision-making processes within the organization (Fatihudin & Mochklas, 2018).

Board Independence is a corporate board that has a majority of outside directors who are not affiliated with the top executives of the firm and have minimal or no business dealings with the company to avoid potential conflicts of interests (Miko &Kamardin, 2015).

Chief Executive Officer (CEO) Duality refers to the situation when the CEO also holds the position of the chairman of the board. The board of directors is set up to monitor managers such as the CEO on the behalf of the shareholders. They design compensation contracts and hire and fire CEOs (Frijing et al., 2016).

CEO-Board Collaboration is a trusting partnership, where both board and the CEO work together, united as a team to achieve the greatest level of organizational success. The relationship can be enhanced through a clear understanding of one another's needs and expectations, clear and consistent communication, shared goals and objectives, dialogue-rich and purposeful meetings, and a constant sharing of timely and critical information (Basco & Voordeckers, 2015).

Competitive Environment is the dynamic external system in which private security firms competes and functions. The more firms offer a similar product or service, the more competitive the environment in which they operate (Alsaad, Mohamad & Ismail, 2015).

Corporate Governance refers to the system and processes by which a corporation controlled and directed; involves balancing the many interests of the stakeholders of a corporation *(*Madhani, 2016).

Corporate Strategy is the pattern of decisions in a company that determines and reveals its objectives, purposes or goals, produces the principal policies and plans for achieving those goals, and defines the range of businesses the company is to pursue, the kind of economic and human organization it is or intends to be, and the nature of the economic and non-economic contribution it intends to make to its shareholders, employees, customers and communities (Grant, 2016).

Ethical Leadership is a form of leadership in which individuals demonstrate conduct for the common good that is acceptable and appropriate in every area of their life. It is exhibiting morals and values in a management position. An ethical leader demonstrates character, morals, and virtue in their work, focusing on the needs and rights of their employees (Shin, Sung, Choi, & Kim, 2015).

Ownership Structure is defined by the distribution of equity with regard to votes and capital but also by the identity of the equity owners. These structures are of major importance in corporate governance because they determine the incentives of managers and thereby the economic efficiency of the corporations they manage (Said, 2013).

Performance is the measure of actual output or results of an organization against its intended objectives (Hodge, 2018). According to Moturi (2017) 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).

Private Security Firm is a business corporation, which provides private security services and expertise to private and public clients (Wiers, 2018).

Shareholders' Assembly will comprise the shareholders who are holders of capital shares with the right to vote, acting personally or through a legal representative or another person to whom they have granted a written power or through meetings–verbal or in writing–in which physical presence is not required, in each case pursuant to legal requirements (Naushad & Malik, 2015).

ABSTRACT

The general objective of the study was to examine the relationship between corporate governance and performance of private security firms in Kenya. The specific objectives of the study were as follows: To determine the relationship between shareholder assembly and performance of private security firms in Kenya; To assess the relationship between board characteristics and performance of private security firms in Kenya; To establish the relationship between CEO-Board Collaboration and performance of private security firms in Kenya; To determine the relationship between ethical leadership on performance and private security firms in Kenya; To assess the moderating influence of competitive environment on the relationship between the corporate governance and performance of private security firms in Kenya. The study is grounded on the Agency Theory, Stewardship Theory, General Systems Theory, Cognitive Moral Development Theory, Competitive Advantage Theory and Firm Theory. A conceptual framework has been illustrated to show the relationship among the variables. The study applied descriptive analysis with a positivist approach. The study participants were members of Kenya Security Industry Association (KSIA) and Protective Security Industry Association (PSIA), since they have representation in Private Security Regulatory Authority (PSRA) board. The private security firms have a complement of 896 (336 board members and 560 managers) according to the Human Resource departments in the private security firms to be studied. The study sample size was 384 respondents and used stratified random sampling technique. Structured questionnaires and performance reports were used in eliciting data. The study adopted a questionnaire as the data collection instruments to compliment by other secondary sources. After the pilot testing and all necessary modifications, the questionnaires were subjected to reliability and validity tests and then administered directly to the respondents. Descriptive analysis, factor analysis, Pearson correlation, analysis of variance (ANOVA) and regression were carried out to analyze data using SPSS. The study used bivariate regression analysis and moderated multiple regressions to analyze the association between corporate governance and performance of security firms ‘variables. The qualitative data was analyzed by the use of content analysis. Results revealed that all the corporate governance practices had a positive and significant relationship with performance of private security of firms in Kenya. However, the magnitude of the influence was different for the specific corporate governance practices. Board characteristics had the largest effect followed by CEO-board characteristics then ethical leadership and finally the shareholder assembly. Further, the results showed that competitive environment had a significant moderating effect on the relationship between corporate governance practices and performance of private security firms in Kenya. The results support the current theories related to the study. Consequently, this study provides security firms with insights of how to improve performance through the adoption of appropriate corporate governance practices. The findings contribute to a deeper understanding of the role of corporate governance in shaping the strategic direction, risk management practices, and ethical conduct of private security firms in Kenya, with implications for stakeholders including investors, regulators, policymakers, and industry practitioners. However, limitations of the study include potential biases in the secondary data sources, constraints in data availability and quality, and the inability to establish causality due to the observational nature of the

research. Despite these limitations, the study provides valuable insights into the governance-performance nexus in the private security sector and identifies avenues for future research and policy development in this area.

CHAPTER ONE

INTRODUCTION

1.1 Background Information

The study seeks to examine the relationship between corporate governance and perfomance of private security firms in Kenya.The role of good corporate governance practices in the control of corporate organisations cannot be underestimated (Du Pleiss, Hargovan & Harris, 2018; Mallin, 2011). Today, good corporate governance practices are no longer an option but a benchmark to measure the success or failure of any institution. According to Masulis, Wang and Xie (2012), investors are willing to commit more money in companies that are well managed because they provide security for their money. In addition, professionals would want to work for organizations that have good reputation and not those that have governance issues. Corporate governance are concerned with how companies are directed and controlled; therefore, influence's an organization's growth and development (Tricker, 2015; Field, Lowry & Mkrtchyan, 2013). Because of this, most world economies have undertaken new initiatives and reforms to improve their corporate goverance systems (Tricker, 2015; Masulis & Mobbs, 2014).

The corporate governance and performance of private security firms involves understanding the critical role that governance structures and leadership practices play in shaping the operational and financial performance of organizations within the private security sector (Field, Lowry & Mkrtchyan, 2013). Corporate governance refers to the system of rules, practices, and processes by which companies are directed and controlled, with the aim of safeguarding the interests of shareholders, stakeholders, and the broader society (Masulis & Mobbs, 2014). Corporate governance encompasses various aspects, including shareholder assembly practices, board characteristics, CEO-board collaboration, and ethical leadership (Franke, Von Boemcken 2011). Shareholder assembly involves mechanisms for shareholder engagement, such as annual general meetings, where investors have the opportunity to voice their concerns and participate in decision-making processes (Du Pleiss, Hargovan & Harris, 2018). Board characteristics refer to the composition, structure, roles, and behaviors of the board of directors, which influence governance effectiveness and oversight (Berndtsson, 2012). CEO-board collaboration relates to the relationship between the CEO and board, including communication, consultation, and decision-making dynamics (Berndtsson, 2012). Ethical leadership entails promoting integrity, transparency, and accountability throughout the organization, fostering a culture of ethical conduct and responsible business practices (Tricker, 2015).

The concept of corporate governance can be traced back to the 19thCentury period in the United Kingdom (UK) when the Joint Stock Companies Act (1844) allowed the registration of companies. According to Masulis and Mobbs (2014), this registration led to the birth of the modern company. The registration of a company meant separation of the ownership from the control where professional managers were the ones to run the business (Tricker, 2015; Masulis & Mobbs, 2014). Whereas the birth of company reduced the owners' liabilities in the company, it also created conflicts between owners and managers. Consequently, corporate governance framework was necessary to protect owners from the actions of the managers who had the advantage of running the company. In developing countries, corporate governance practices became prominent in the 1980s after the storm of corporate failure sweeping across developed world had calmed down (Tricker, 2015; Field, Lowry & Mkrtchyan, 2013). Organizations such as the WorldCom and Enron in the United States of America (USA) and Golden Quadrilateral in India collapsed due to bad governance and financial impropriety.

This study on corporate governance has been an important theme in management and business research for the past few decades due to its potential to affect a range of organizationally and individually desired outcomes such as commitment, loyalty, turnover intent, and satisfaction (Du Pleiss, Hargovan & Harris, 2018; Mullin, 2011). There is also a consensus that corporate governance is a management philosophy and a way of managing organizations to improve their overall effectiveness and performance (Cashmann, Gillain & Jun, 2012). In today's business environment, corporate governance is used as a powerful tool to quantify the way a business functions (Mallin, 2011; Tricker, 2015). Research has confirmed that corporate governance is able to influence organizational performance (Mallin, 2011; Cashmann, Gillain & Jun, 2012). Generally, lack of attention to shareholder assembly, board characteristics and CEO-Board Collaboration in a very competitive environment can lead to absolute failure of organization in achieving its goals. It also creates many operational problems and waste a lot of resources to solve problems (Field, Lowry & Mkrtchyan, 2013; Masulis & Mobbs, 2014).

The performance of private security firms is one of the key areas that need urgent research on the viable ways to revamp and re-engineer the sector (Franke, Von Boeckmann, 2011). Their future lies in dilemma, owing to the fact that most of them face stiff challenges, some of which have their background from government interference, lack of right personnel, conflicting interests between organizational objectives and individual needs, lack of proper statutes of total quality management among other related managerial needs and challenges (Franke, Von Boemcken 2011; Krahmann, 2012). In most countries private security firms are under pressure to deliver quality services (Berndtsson, 2012). An improvement in private security sector performance and quality service delivery in any country requires a clear understanding of corporate governance as well as the current working of the private security sector systems (Joachim & Schneiker, 2012; Berndtsson, 2012).

Private security firms provide crucial security services to both private and public sector. They provide a solid base for economic and social development and also contribute significantly as an important tool to achieve government policies. The public interest in the performance of private security firms is thus often acute (Joachim & Schneiker, 2012; Franke, Von Boeckmann, 2011). From the state's perspective, maximizing private security firms 'performance is a goal of overriding importance. Studies on firms' performance show that strong corporate governance translates into better results, while weak corporate governance is often at the root of many of the performance problems typically associated with insecurity in the country (Joachim & Schneiker, 2012; Berndtsson, 2012).However, the dearth of credible research in Kenya and particularly private security sectorstill hinders the implementation of corporate goverance practices reforms that could prevent the negative effects of crises and uncertainties in the security sector. It is on this premise that the current study seeks to examine the influence of corporate governance practices on the performance of security firms in Kenya.

1.1.1 Global Perspective on Corporate Governance and Performance of Private Security Firms

Taking a global perspective on the study of corporate governance and its impact on the performance of private security firms provides valuable insights into trends, best practices, and challenges that transcend national boundaries (Akman et al., 2015). Shareholder engagement practices vary across different countries due to variations in regulatory frameworks, cultural norms, and ownership structures (Bazirifisha et al., 2021). In some jurisdictions, annual general meetings are highly structured and serve as important forums for shareholder dialogue and decision-making. In others, shareholder activism and proxy voting play significant roles in shaping corporate governance (Basco et al., 2015). The composition and structure of boards of directors are subject to global scrutiny, with an increasing emphasis on diversity, independence, and expertise (Bochet et al., 2018). Many countries have adopted regulatory requirements or voluntary guidelines aimed at ensuring a balanced mix of skills, experience, and backgrounds among board members. Board diversity initiatives often focus on gender, ethnicity, age, and professional background to promote broader perspectives and mitigate groupthink (Du Plessis et al., 2018).

Effective collaboration between CEOs and boards is essential for fostering strategic alignment, transparent communication, and constructive oversight. In some countries, there is a trend towards separating the roles of CEO to enhance board independence and governance effectiveness (Butt et al., 2015). However, the optimal leadership structure may vary depending on organizational context, industry dynamics, and cultural norms. Ethical leadership is a universal principle that transcends geographical boundaries and industry sectors (Bochet et al., 2018). Leaders are increasingly expected to demonstrate integrity, accountability, and social responsibility in their decision-making and behavior. Ethical lapses can have significant reputational and financial consequences for security firms, highlighting the importance of fostering a culture of integrity and ethical conduct throughout the organization (Alsaad et al., 2018).

According to Freedonia Group (2023) the private security services global market was expected to have grown at a rate of 4.4 percent annually, reaching a size of US$295 billion by 2026. This was evaluated in regard to contract on guarding services totalling more than half of the market and alarm monitoring services, armoured car transport and private investigation services among others (ibid.). In regard to Confederation of European Security Services (CoESS) (2011), the private security firms vary in size from small-scale local operations to larger national- and regional-level firms, all the way to several massive transnational private security firms. For instance, in Europe, there are 60,000 private firms employing 2.2 million private security guards, giving an average size per company of 36.6 guards.

In United Kingdom many organizations prefer outsourcing non-core services like private security rather than having a department that caters for such (Bitzinger, 2014). This is seen both as a strategic and operational tactic to save costs and focus on their core business of providing key services. In Australia security services by private businesses is common. Australian businesses outsource private security services to save on cost, access superior technology and expertise, and all-day support (Pearson, 2018). Running an in-house security team means hiring and paying salaries and benefits, creating office space and overall operational costs. This means managed security service providers have the best hardware and software and skilled personnel. Moreover, security in Australia is a sensitive area and so all managed security service providers offer support all-day, all year as long as the contract is valid.

More than 40 countries comprising at least half of the world's population have more private security officers than police officers. Estimates suggest there are more than 20 million private security workers around the globe, serving a market worth an estimated $180 billion – predicted to be $240 billion by 2020, *the Guardian* reported. In the United States the number of private security officers is one and a half (1½) times the number of security officers and sheriff's officers combined. Actually, the country has 1.1 million private security officers against about 660,000 police and sheriff officers according to *The Guardian*. As indicated by the yearly U.S. Agreement Security Industry white paper for 2017 by Robert H. Perry and Associates, Inc., delivered in July, shows the business merits a sum of $44 billion across the country, about $24.5 billion of which is re-appropriated and the rest in-house. The main three organizations in the re-appropriated industry, Securitas, G4S and Allied Universal, added up to $11.5 billion in income. The business in the U.S. was made out of 8,000 organizations and 800,000 redistributed security officials, getting a charge out of 6.5 percent complete income development, in spite of the fact that without Securitas' obtaining of Diebold that figure would have been four percent, the white paper appeared. Incomes were up 14 percent at the three market pioneers, who are forcefully seeking after an extended menu of administrations that incorporates digital security, automatons and mechanical technology, albeit three percent of that development originated from the $350 million Diebold acquisition

In Trinidad and Tobago, there is a core group of approximately 20 to 25 firms that make up the vast majority of the market for private security services, but perhaps as many as 500 small, unregulated firms operating at a largely informal or local level (Bishop, 2013). Jamaica's approximately 320 private security companies employ a total of 19,100 guards, or roughly 60 per company, while the largest three firms in Jamaica make up 37 percent of the market (Epps, 2013). In addition to scale and scope, the large global private security companies also occupy substantial market share. Securitas's share of the market, for example, varies from 14 percent in Latin America, Portugal and Spain, to 18 percent in the United States, and 19 percent in the remainder of Europe (Securitas, 2012). At the national level in Europe, the average combined market share of the three largest private security companies is 54.7 percent (CoESS, 2011). In the United States, the six largest private security firms (PSF's) control 44 percent of the market Service Employees International Union (SEIU), 2016).

China is an emerging frontier for the private security industry. Outlawed until 2010, private security in the Chinese market is now growing at an annual rate of 20 percent per year (Duchâtel, Bräuner & Hang, 2014). In China the private security firms are locally owned, providing a range of protection services from body guarding to facility security (Feng, 2013). The Chinese private security industry is still relatively underdeveloped compared to many of its international competitors. There are also structural and legal barriers that have limited the expansion of these companies. China has restrictive firearms laws that prevent individuals and private entities from purchasing, carrying or conducting training with firearms. In addition, many Chinese private security companies are closely linked to China's official security forces, in some cases even employing active personnel (ibid.).

1.1.2. Regional Perspective on Corporate Governance and Performance of Private Security Firms

Examining corporate governance in the private security sector from a regional perspective provides insights into the unique challenges, opportunities, and governance that characterize specific geographical areas (Alsaad et al. 2018) Regional differences in ownership structures and shareholder activism affect the governance landscape of private security firms. In some regions, family-owned businesses dominate the private security sector, leading to concentrated ownership and unique governance challenges related to family dynamics, succession planning, and shareholder rights (Bochet et al. 2018). In contrast, regions with dispersed ownership and active institutional investors may experience higher levels of shareholder activism and engagement in governance matters (Akmann et al. 2015).

Regional variations in board diversity and independence reflect differences in cultural attitudes towards gender, ethnicity, and professional backgrounds (Butt et al. 2018). Some regions may have more homogenous boards dominated by insiders or representatives of the controlling shareholders, while others prioritize diversity and independence as governance principles (Bazirfisahn et al., 2021). Understanding the composition and dynamics of boards is essential for assessing their effectiveness in providing oversight and strategic guidance to security firms (Basco et al., 2015). The relationship between CEOs and boards of directors can vary across regions, influenced by cultural norms, power dynamics, and leadership styles (Butt et al., 2016).

In regions where hierarchical structures are prevalent, CEO-board collaboration may be characterized by deference to authority and limited independent oversight (Bochet et al., 2018). In contrast, regions with a more egalitarian culture may promote greater transparency, dialogue, and shared decision-making between CEOs and boards (Basco et al., 2018). Ethical leadership and corporate responsibility are increasingly important considerations for private security firms across regions. (Butt et al., 2016). Regional differences in social values, environmental concerns, and community expectations shape the ethical framework within which security firms operate and influence governance practices related to sustainability, human rights, and corporate citizenship (Du Plessis et al., 2018).

In Africa the security-related tasks to private security actors has become a norm that presents a plethora of ethical, operational and strategic challenges in the continent. Not only have private security firms been carrying out security-related tasks for warring factions, but also have been directly involved in combat operations, resulting, among other things, in the destabilization of parts of the continent (Juma, 2013). The privatization of security has not been adequately addressed in Africa. This is partly due to the very limited knowledge of the phenomenon, especially by policymakers, a majority of whom still confuse private security companies with mercenaries (Ndungu, 2011). The issues surrounding private security companies in Africa do not have the same level of policy focus and regulatory oversight as mainstream peace and security issues. However, private security firms play significant roles in security sectors across the continent and have substantial potential to impact the security of the state and its citizens.

Private security firms are active on national, regional and transnational levels and are frequently inadequately regulated, operating under the radar screen of public state actors, regional organizations, and transnational frameworks. In South Africa, the average size of firms is significantly larger, with more than 8,000 private security firms collectively employing over 1.5 million security officers, or an average of 187.5 guards per company (African Business Magazine, 2012). There is no adequate public security to cater for private businesses effectively and therefore, these businesses turn to private security firms for security services (Diphoorn & Berg, 2014). This makes private security services outsourcing attractive in South Africa. The experts put the industry's growth down to high crime rates and inefficient policing and some claim that the industry is a threat to national security (Diphoorn, 2016).

Analyzing corporate governance in the private security sector from a North Africa perspective involves understanding the unique socio-economic, political, and cultural contexts of countries in the region, such as Egypt, Morocco, Algeria, Tunisia, and Libya.Board compositions in North African security firms may reflect a mix of insiders, representatives of state entities, and independent directors (Hasaan, 2019). Ensuring board independence and diversity remains a challenge in some countries, where familial or political affiliations may influence board appointments (El-Halaby & Abdel-Meguid, 2020). Researchers should examine the extent to which boards demonstrate independence, transparency, and accountability in fulfilling their governance responsibilities. The relationship between CEOs and boards of directors varies across North African countries, influenced by cultural norms, power dynamics, and leadership styles (Abbou-saada & El-Kholly, 2020). In some cases, CEOs may hold significant authority and decision-making power, limiting board oversight and collaboration (Khali & Masour, 2017). Ethical leadership practices, including transparency, integrity, and accountability, are increasingly important for fostering trust and confidence in the security sector (Chafiki & Boussedha, 2018).

In Nigeria, there are approximately 1,200 private security companies, employing at least 100,000 people in total (Abrahamsen and Williams, 2005). In the Caribbean, the level of concentration and international market penetration varies. In St. Lucia, 16 private security companies have employed 868 guards, averaging 54.3 per firm and 55 percent of guard’s work for one of the three largest firms (Montoute & Hill, 2013). Kasali (2011) examined the regulation of private guards’ companies in Nigeria using Abuja as its empirical core. The main aim was to promote understanding of how the private security industry is regulated and evaluate the effectiveness of the existing regulatory policy. Data for study were generated from in-depth interviews with the Nigeria Security and Civil Defence Corps (NSCDC) analysis of the policy for private security firms, and a review of the annual performance report of the regulatory agency. The results revealed that the current system of private security firm's regulation is characterized by a lack of specialty in classification of private security licenses, limited regulatory scope with a focus on licensing of firms, lack of uniform standards on training, high cost and difficulties in obtaining operational license.

In Ghana as of December 2014, Ghana's Ministry of Interior, responsible for the registration and regulation of private security firms, reported that there were as many as 176 licensed firms in good standing which have renewed their operating licenses in the country. In broad terms, the proliferation of private security firms reflects a global trend and represents a logical extension of economic liberalization and privatization efforts of the Ghanaian state (Owusu et al., 2016).

Uganda is becoming common as more and more private businesses outsource security for their facilities (Kirunda, 2018). Although organizations have internal security arrangements, majority of the security services are outsourced from private security providers. The most common driver for outsourcing private security services is the necessity to gain quality services from another organization's expertise. In Tanzania, security costs are among the most expensive in modern businesses (Shadrack, 2011). Most businesses in the country are looking to cut costs and increase returns and outsourcing security goes a long way in achieving this. However, when done according to the laid down procedures, they are cheaper and efficient compared to an in-house security team.

In other jurisdictions like Angola, they offer additional services such as maintenance and operation of weapons systems, prisoner detention, maintain private prisons, training and security review, convoy security and risk analysis. They offer business intelligence and investigation such as due diligence, asset tracking and recovery, counter-surveillance and managing detention facilities and training police and military personnel. They also provide humanitarian assistance in war-torn areas as private security military companies (PMSC) (Gudmeze, 2009).

1.1.3. Local Perspective on Corporate Governance and Performance of Private Security Firms

Kenya's constitution provides the overarching legal framework for corporate governance practices within the security sector. The Constitution of Kenya, promulgated in 2010, outlines principles of accountability, transparency, and integrity that guide governance practices in all sectors, including security firms (Chege & Nyaga, 2019). Private security firms operating in Kenya are required to adhere to constitutional provisions, statutory regulations, and other legal requirements governing corporate governance (Kibet & Mwangi, 2021). This includes compliance with laws related to shareholder rights, board composition, transparency in financial reporting, and ethical conduct (Muthoni & Kioko, 2017). Constitutional principles of separation of powers and checks and balances influence the relationship between CEOs and boards of directors in security firms (Kimani & Gitari, 2018). The constitution may advocate for clear delineation of roles and responsibilities between the CEO and board, promoting collaboration, transparency, and accountability in decision-making processes (Mutai & Oduor, 2020).

In Kenya, the Private Security Regulation Act (2016) provides a regulatory framework for the private security industry. Understanding this act in relation to corporate governance in private security firms is crucial for analyzing the governance dynamics and their impact on performance (Nyambura & Otieno, 2020). The act may outline provisions for shareholder engagement and assembly in private security firms, specifying rights, responsibilities, and procedures for conducting meetings (Chege & Kamau, 2019). Analyzing shareholder assembly practices in light of the act can provide insights into governance effectiveness and accountability mechanisms (Mwangi & Kibet, 2021).

The Private Security Regulation Act stipulate requirements regarding the composition of the board of directors in security firms, ensuring representation from various stakeholders and expertise (Kamau & Mutai, 2016). Researchers can explore how compliance with these provisions influences governance practices and firm performance (Nyambura & Otieno, 2020). Provisions within the Private Security

Regulation Act may address the roles and responsibilities of CEOs and board, emphasizing collaboration, transparency, and accountability in decision-making processes (Mwangi & Kibet, 2021). Researchers can examine the extent to which CEO-board collaboration aligns with regulatory requirements and its impact on firm performance (Wambua & Gathogo, 2018). The act may include provisions related to ethical conduct, integrity, and professional standards for private security firms and their leadership. Studying ethical leadership practices in compliance with the act can shed light on governance culture, risk management, and stakeholder trust, influencing performance outcomes (Kipruto & Mutai, 2016).

By aligning corporate governance practices with the principles and objectives of Kenya Vision 2030, private security firms can contribute to the country's development agenda while promoting transparency, accountability, and sustainability in their operations. Kenya Vision 2030 recognizes good governance as a fundamental pillar for achieving sustainable economic growth, social equity, and political stability (Mutua & Kariuki, 2021). Corporate governance principles, including transparency, accountability, and ethical leadership, are integral to fostering trust, integrity, and efficiency in both public and private sector institutions, including security firms (Ochieng & Mwangi, 2020). The vision places a strong emphasis on private sector-led economic growth and development (Kipruto & Maina, 2017). Corporate governance practices that promote transparency, accountability, and investor confidence are essential for attracting investment, fostering innovation, and promoting business sustainability in private security firms (Kamau & Nyambura, 2019). Kenya Vision 2030 underscores the importance of ethical leadership, integrity, and anti-corruption measures across all sectors of society. Security firms are expected to demonstrate ethical conduct, integrity, and professionalism in their operations, guided by the vision's principles of integrity and accountability (Chege & Otieno, 2017).

The increase in crime rates resulted to development of the private security industry in Kenya and brought about attrition of the nation’s security as well as economy (Diphoorn, 2016). The services from the government in Kenya began to worsen more in the late l980s through to l990s whereby the nation’s spending and investments were diminished during this period of economic decline (Smith, 2015). The capability of the administration and civic organizations to bring rule of law and command services had worsened; fraud and financial malpractice became undiminished. This resulted to a sharp rise in criminality and insecurity, especially in the urban areas (Oketch, 2018). This situation brought about growth in private security sector, therefore becoming one of the areas with the fastest growth in Kenya's economy.

In Kenya, the private security industry is one of the fastest growing sectors of the economy and it is a significant employer with over 2,000 security companies operating. In 2014, the industry was valued at $43 million and provided employment to about 500,000 Kenyans (Gatoto, 2015). It spreads across the country, although it is much more visible in urban centers than in rural areas. The private security industry fills the gap that government may be unable to bridge using their security architecture. Currently in Kenya there is specific government oversight body that regulates the private security industry. Approximately 40 private security companies are members of the Kenya Security Industry Association (KSIA) and around 72 private security companies are members of the Protective Security Industry Association (PSIA). This means that majority fall outside the ambit of the industry self-regulation mechanisms. Besides, a sizeable number of locally owned security companies operate illegally, since they are not registered with government authorities as security service providers. As a consequence, many companies pay little attention to quality service standards. To bridge the gap KSIA & PSIA were formed by companies in need to comply with the set standards which are drawn from the laws of Kenya, internationally accepted technical and systems specifications, the professional experience of all member companies and to establish a set of benchmarks.

Private security firms play an important role in the enforcement of the safety of people, property, and intellectual property such as classified company information (Colona & Diphoorn, 2017). It is the duty of private security officers to protect much of the country's institutions and important infrastructural equipment, with the inclusion of transport, the manufacturing industry, utilities, learning institutions, and health care facilities among others. The government passed Private Security Regulation Act 2016 that requires all private security firms to develop internal governance system that will enhance transparency and accountability. Private security market has grown to prominence out of increased crime rate and proliferation of small arms, fear by citizens of insecurity, distrust and lack of confidence with government security agents. This has resulted to purchasing of security service from private security firms (Oketch, 2018). The shift has redefined private security as a demand-based service as compared to the previous view of the general public utility service only provided by state (Ouma, 2014).

The effectiveness of corporate governance practices, including shareholder assembly, board characteristics, CEO-board collaboration, and ethical leadership, profoundly influences the performance and sustainability of security firms in Kenya (Mutua & Kariuki, 2021). However, despite the recognized importance of these governance mechanisms, there remains a significant gap in understanding their specific impact on the performance of security firms within the Kenyan context. Addressing these challenges requires concerted efforts from various stakeholders, including regulators, industry associations, shareholders, and management. Strengthening regulatory frameworks, enhancing enforcement mechanisms, promoting transparency and accountability, and fostering a culture of ethical leadership are essential steps towards improving corporate governance (Ochieng & Mwangi, 2020) and ultimately enhancing the performance of private security firms in Kenya. By delving into the dynamics of shareholder assembly, board composition and diversity, collaboration between the CEO and board, and the promotion of ethical leadership within security firms, this study endeavors to provide actionable insights for policymakers, industry practitioners, and stakeholders. Ultimately, the findings of this study will contribute to enhancing corporate governance standards and fostering sustainable performance outcomes within Kenya's security industry landscape. It is on this premise the current study sought to examine the relationship between corporate governance and performance of private security firms in Kenya.

1.2 Statement of the Problem

Despite the recognized importance of corporate governance in driving organizational effectiveness and performance (Ochieng & Mwangi, 2020; Mwangi & Kibet, 2021), there exists a significant gap in understanding the nuanced dynamics between corporate governance and the performance outcomes of private security firms in Kenya. It is acknowledged that private security sector in Kenya faces persistent challenges related to poor performance (Mutua & Kariuki, 2021; Kipruto & Maina, 2017), which significantly impacts its ability to fulfil its vital role in safeguarding individuals, properties, and businesses (Nyambura & Otieno, 2020; Chege & Kamau, 2019; Kipruto & Maina, 2017). For instance, Diphoorn (2016) used the Private Security Performance Index to evaluate the performance of private security firms globally. With a possible maximum score of 1.750 based on the incorporation of corporate governance, the best firm globally scored 1.065 with an average score of all firms at 0.760, with those in the North America. Besides, Ochieng and Mwangi (2020) contend that in Kenya there has been a rise in complaints by the public and other stakeholders about the performance is way below the stakeholders' expectations. In the pursuit of improved performance of private security firms have turned towards corporate governance (Mwangi & Kibet, 2021). However, the specific mechanisms through which these corporate governance elements impact performance outcomes remain unclear.

Moreover, the lack of clarity regarding the extent to which shareholder assembly procedures (Diphoorn, 2016; Karagu & Ombui, 2014; Kavila., Mwambia, & Baimwera, 2017; Marisa & Oigo, 2018), the composition of the board of directors, collaborative dynamics between the CEO and board (Kaguru & Ombui, 2014; Kavila., Mwambia, & Baimwera, 2017; Kavila., Mwambia, & Baimwera, 2017; Diphoorn, 2016;), and the promotion of ethical leadership practices contribute to the operational effectiveness, financial resilience, and stakeholder trust within private security firms in Kenya poses significant challenges. Without a comprehensive understanding of these relationships, policymakers, industry stakeholders, and practitioners face difficulties in formulating targeted strategies to enhance governance standards and improve performance outcomes in the security sector.

Therefore, this study sought to address the gap by investigating the nuanced interplay between corporate governance mechanisms and the performance of private security firms in Kenya. By examining the relationship between shareholder assembly practices, board characteristics, CEO-board collaboration dynamics, and ethical leadership promotion on various performance indicators such as operational efficiency, financial viability, customer satisfaction, and regulatory compliance, this research aims to provide actionable insights for enhancing governance effectiveness and fostering sustainable growth within Kenya's security industry.

1.3 Objectives of the Study

The objectives of the study included the following:

1.3.1. General Objective

The general objective of the study was to examine the relationship between corporate governance and performance of private security firms in Kenya.

1.3.2 Specific Objectives

The specific objectives of the study were:

i. To determine the relationship between shareholder assembly and performance of private security firms in Kenya.
ii. To assess the relationship between board characteristics and performance of private security firms in Kenya
iii. To establish the relationship between CEO-Board collaboration and performance of private security firms in Kenya.
iv. To determine the relationship between ethical leadership and performance of private security firms in Kenya.
v. To assess the moderating effects of competitive environment on the relationship between the corporate governance and performance of private security firms in Kenya.

1.4 Research Hypothesis

The study was guided by the following null hypotheses:

H_{01}: Shareholder assembly does not significantly influence performance of private security firms in Kenya.

H_{02}: Board characteristics does not significantly influence performance of private security firms in Kenya.

H_{03}: CEO-Board collaboration does not significantly influence performance of private security firms in Kenya.

H_{04}: Ethical leadership does not significantly influence performance of private security firms in Kenya.

H_{05}: Competitive environment does not significantly moderate the relationship between the corporate governance and performance of private security firms in Kenya.

1.5 Justification of the Study

The private security sector plays a crucial role in ensuring the safety and security of individuals, properties, and businesses in Kenya. Understanding the factors that influence the performance of private security firms is essential for promoting public safety, protecting assets, and fostering economic development. Effective corporate governance practices are fundamental to the success and sustainability of any organization, including private security firms. Investigating the relationship between corporate governance mechanisms (such as shareholder assembly, board characteristics, CEO-board collaboration, and ethical leadership) and performance outcomes can provide insights into how governance structures can be optimized to enhance operational efficiency, financial stability, and stakeholder trust within security firms. The research will benefit several stakeholders like the academicians, private security firms, private security regulatory authority and investors amng others.

1.5.1 Academicians

The members of the academia shall be the first beneficiary of this research, because little has been researched in private security industry in relation to good corporate governance practices. This research will enable members of the academia understand the field of private security sector and how it operates and create a motivation for further research. According to Tshipa et.al (2018), private security sector has poor corporate governance practice, but in Kenya their performance is rapidly increasing hence creating a need for research for the academicians.

1.5.2. Private Security Firms

Private security firms shall be the second beneficiary of this research**,** because acccording to emperical research it is possible to improve firm perfomance as Jackowicz and Kowalewski, (2014) found that good corporate governance improves organizational performance. These firms can compete competitively in the global market for private security services which is growing at rate of 4.4 percent according to Freedonia Group (2023).

1.5.3. Private Security Regulatory Authority (PSRA)

Private Security Regulatory Authority (PSRA) shall be the third beneficiary of this research, because by law, they are mandated to audit the internal governance of private security firms. The Authority being the regulator of the industry that has never been regulated will benefit from the findings of the research on the benefits of corporate governance specifically in the sector. The private security industry is regulated and evaluated through the effectiveness of the existing regulatory authority. In Kenya, PSRA will be able to understand how to audit internal governance system to promote transparency and accountability of private security companies as required by law.

1.5.4. Investors

Finally, this study will also help investors in making appropriate decisions when considering investing in private security firms as critical driving force to spur economic growth of the country and the region as a whole. According to Masulis, Wang and Xie (2012), investors are willing to commit more money in companies that are well managed because they provide security for their money. Investor's decisions and interventions in private security firms are viable for the development on enhancement of growth and also give indication on how the firms benefit from the improved performance. This in turn enhances the security sector and the general performance of the firms.

1.6 Scope of the Study

The aim of the study was to establish the relationship between corporate governance and performance of private security firms in Kenya. The theoretical scope is anchored on the agency theory, stewardship theory, general systems theory, cognitive moral development theory and firm theory may be employed to understand the relationships between different corporate governance mechanisms and performance outcomes within security firms. Methodologically, the study participants were members of Kenya Security Industry Association (KSIA) and Protective Security Industry Association (PSIA), since they have representation in Private Security Regulatory Authority (PSRA) board. Despite the United Nation (UN) guide (2009)which is composed of five domains of corporate governance and 52 practices distributed among them(Appendix VII), the study dealt with four practices as variables for the purpose of the study which affects performance of private security firms.Conceptually, the four variable under study were, shareholder assembly, board characteristics, CEO-Board collaboration and ethical leadership. Performance of private security firms is the dependent variable and the moderating variable was competitive environment. The study was carried out between July 2020 to December 2022.

1.7 Limitations of the Study

There were a number of challenges faced by the researcher despite the fact that they were overcome and the study was successfully complete on time. Firstly, some respondents were either reluctant or unwilling to provide data raising the issue of sharing out sensitive organizational information. The researcher assured them that the study was purely for academic purposes and that the information given would be kept confidential. The researcher provided the consent letter from the university as proof that the study served academic intent only. In addition, COVID-19 protocols delayed data collection since some respondents in the private security firms worked in alternate shifts. The researcher mitigated this challenge by rescheduling meetings and in some cases resulted to online communication channels. Another limitation was extracting information on the performance of these private security firms since some organization’s had confidentiality policy which limited respondents’ response as regards to safety data. Since this challenge was realized during the pilot testing, the researcher altered the questionnaire to test the performance variable using perceptual measure and therefore minimized the cases of non-response.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews literature derived from the research works of other scholars. It also lays down the theoretical orientation, empirical review, conceptualization and operationalization as relates to the study of corporate governance. It also presents theories that seek to predict corporate governance practices in relation to organizational performance. According to Trochim, and Arora (2016), their study defined literature review as a systematic compilation and written summary of all the literature or past studies published in scientific journals that are related to a research topic of interest to study.

2.2 Theoretical Review

This subsection provides an insight into theories revolving around corporate governance that will enhance the foundation of this study. According to Trochim and McLinden (2017), theories are formulated to express, predict and understand phenomena, and in many cases to challenge and extend existing knowledge within the limits of critical bounding assumptions. The theoretical framework is therefore the structure that holds or supports a theory or theories of a research study; it introduces and describes the theory or theories that explain why the research problem under study exists. This study is built on the following theories to explore the performance of private security firms' phenomena.

2.2.1 Agency Theory

Jensen and Meckling (1976) put forward the theory of the agency explaining that the interest of management and shareholders often conflict because managers try to give priority to their interest at the expense of shareholders. In turn shareholders who are principals have to incur costs to monitor and direct the managers. Agency theory is defined as "the relationship between the principals and agents such as the company executives and managers". In this theory, principals hire the agents to perform work.

Principals delegate the running of business to the directors or managers, who are the agents to the shareholders (Means, 2017; Sasu & Asafo-Adjei, 2018). Yosi and Yuniashi (2017), argued that two factors can influence the prominence of agency theory. This theory defines the relationship between ownership and control. Principal/Agency attributes are determined by right to annual reports, vote in annual general meeting and receive dividend.

Critics argue that agency theory relies on oversimplified assumptions about human behaviour, such as rationality and self-interest. In reality, individuals within private security firms may have diverse motivations and may not always act in a self-interested manner (Wang & Shailer, 2018; Mykhayli & Zauner, 2017). Agency theory primarily focuses on financial performance metrics as indicators of firm performance. However, security firms provide services beyond financial returns, such as ensuring public safety and maintaining trust. This narrow focus may overlook other critical aspects of performance explored by Vintila and Gherghina (2015) and the first detailed description of agency theory was presented by Jensen and Meckling (1976). Indeed, agency theory tends to overlook the influence of contextual factors, such as institutional environments and cultural norms, on governance practices and performance outcomes. In the context of security firms in Kenya, unique cultural, regulatory, and market dynamics may shape the effectiveness of shareholder assembly practices in ways that agency theory does not fully capture. has been confirmed by (Shan & An, 2018; Means, 2017).

Ouma (2014) argued that for the private security firms to perform there is need to take into consideration the shareholders participation in the firm assemblies to avoid the self-interest, opportunistic behaviour and falling short of congruence between the aspirations of the principal and the agent’s pursuits. Due to the fact that in most of the private security companies, the executive management comprises of friends and family members, self-interests may affect their performance. The shareholders must apply good corporate governance practices that will reduce conflict by understanding the role shareholder assembly of the private security firms and to enhance their overall performance.

Shareholder assembly serves as a mechanism through which shareholders exercise their ownership rights and oversee the actions of management (Wang & Shailer, 2018; Mykhayli & Zauner, 2017). According to agency theory, there is a principal-agent relationship between shareholders and management, where shareholders delegate decision-making authority to management but expect them to act in the best interests of shareholders (Means, 2017). Agency theory suggests that effective governance mechanisms, such as shareholder assembly, help align the incentives of management with the interests of shareholders (Shan & An, 2018). By providing incentives for management to act in the best interests of shareholders, shareholder assembly can encourage behaviors that enhance firm performance, such as prudent decision-making, risk management, and value creation (Mykhaliv & Zauner, 2017; Shan & An, 2018; Means, 2017). The application of agency theory to the relationship between shareholder assembly and the performance of private security firms in Kenya underscores the importance of effective governance mechanisms in mitigating agency conflicts, aligning incentives, and promoting shareholder value. By understanding and addressing agency issues through shareholder assembly, firms can enhance their performance and long-term sustainability (Vintila & Gherghina, 2015; Means, 2017). It is on this premise the current study adopted agency theory to establish the relationship between shareholder assembly and performance of private security firms in Kenya.

2.2.2 Stewardship Theory

Stewardship theory was put forward by Donaldson and Davis (1991; 1993) to expound the existing relationships between ownership and management of the company. A steward is a person who essentially wants to do a good job and to be a good steward of the corporate assets (Siekkinan, 2017). Stewardship theory is defined by (Bosch, 2014) as someone who protects and maximizes shareholder's wealth through firm performance, because by so doing, the steward's utility functions are maximized. This theory assumes that managers are basically trustworthy and attach significant value to their own personal reputation (Busso, 2018; Jadah & Adzis, 2016). In contrast to agency theory, stewardship theory suggests that executives tend to be more motivated to act in the best interest of the corporation than in their own self-interest (Sathymoorthi, Baliyan & Dzimiri, 2017; Siekkinen, 2017; Bosch, 2014). This is based more on the management of the firm as determined by the board characteristics (Jadah &Adzis, 2016; Sathymoonthi, Baliyan & Dzimiri, 2017).

Stewardship theory argues that, over time, senior executives tend to view the corporation as an extension of themselves (Sathymoonthi, Baliyan & Dzimiri, 2017; Shan & An, 2018), rather than use the firm for their own ends. The executives are more interested in guaranteeing the continued life and success of the organization (Yosi &Yuniashi, 2017; Busso, 2018; Sathymoonthi, Baliyan & Dzimiri, 2017). The relationship between the board and top management is thus one of principle and steward, not principle and agent ("hired hand") (Yosi & Yuniashi, 2017; Means, 2017; Vintila & Gherghina, 2015; Mahmudi & Nurhayati, 2015; Busso, 2018).

When critiquing stewardship theory in relation to a study on board characteristics and performance of security firms in Kenya. Stewardship theory promotes a long-term focus on organizational goals and values, which can be beneficial for private security firms in Kenya. Boards characterized by stewardship principles may prioritize sustainable growth, strategic planning, and risk management over short-term financial gains, leading to more resilient and stable performance (Wekesa, Kiprotich & Khwasir, 2013; Smith, 2015). Stewardship theory underscores the importance of trust and collaboration between board members and managers. In the context of private security firms in Kenya, where effective coordination and cooperation are critical for addressing complex security challenges, a board characterized by stewardship principles may foster a culture of mutual respect, open communication, and collective decision-making (Smith, 2015; Yosi & Yuniashi, 2017; Mahmudi & Nurhayati, 2015; Busso, 2018).

Stewardship theory assumes that board members and managers are inherently altruistic and motivated to act in the best interests of shareholders. However, in reality, board members may have personal interests, conflicts of interest, or biases that influence their decision-making. This can lead to agency problems and governance failures, particularly if accountability mechanisms are weak or ineffective (Mahmudi & Nurhayati, 2015). Stewardship theory provides less prescriptive guidance on the design and implementation of governance practices compared to agency theory. While it emphasizes the importance of fostering trust, collaboration, and empowerment within boards, it may offer fewer specific recommendations for addressing governance challenges or improving board effectiveness in security firms (Smith, 2015; Yosi & Yuniashi, 2017).

Stewardship theory recognizes the importance of private security firm’s board characteristics that empower the steward and offers maximum autonomy built on trust (Gatoto, 2015). On the other end, Johl, Kaur and Cooper (2015) stresses that the position of board characteristics has effect on the firm performance. Moreover, stewardship theory suggests unifying the role of the CEO and the board so as to reduce agency costs and to have greater role as stewards in the organization to enhance firm performance. Stewardship theory provides a framework for understanding how board characteristics influence the performance of private security firms in Kenya. By promoting trust, collaboration, and a long-term orientation in governance practices, boards can act as effective stewards of the firm's resources and contribute to sustainable value creation (Wekesa et al., 2013; Smith, 2015).

Critics of Stewardship theory advocates for a long-term orientation in board decision-making, focusing on sustainable value creation rather than short-term gains. In the context of private security firms in Kenya, boards should prioritize strategic planning, risk management, and investments in capabilities that enhance firm competitiveness and resilience over the long term (Busso, 2018). Boards with a stewardship mindset encourage management to adopt a strategic, forward-looking approach to decision-making, leading to improved firm performance and sustainability. Stewardship theory posits that board members, acting as stewards of the firm, are motivated to act in the best interests of shareholders. In the context of private security firms in Kenya, board characteristics such as composition, expertise, and independence should align with the firm's goals and values (Sathymoonthi et al., 2017). Boards comprise of members with diverse skills, industry experience, and a commitment to ethical conduct are more likely to act as effective stewards of the firm's resources (Means, 2017). It is on this basis the current study adopted stewardship theory to examine the relationship between board characteristics and performance of private security firms in Kenya.

2.2.3 General Systems Theory

The General Systems Theory was based on the 1949 work by Ludwig von Bertalanffy, in which he described the nature of biological and physical systems. Katz and Kahn (1966) paved the way for application of Bertalanffy‘s general science systems approach to the management of organizations. Contributions of this work include the concepts of organizational inputs and outputs which encouraged managers to pay attention to economic, psychological, and sociological factors in their analysis of an organization; discouraging the one best way ‘approach and recommending a contingency model in which factors in the environment help to determine organizational design (Hanson, 2014).

A systems theory is a theoretical perspective that analyses a phenomenon seen as a whole and not as simply the sum of elementary parts. The focus is on the interactions and on the relationships between parts in order to understand an entity’s organization, functioning and outcomes (Hespansah, 2018). This perspective implies a dialogue between holism and reductionism. The systems approach views the organization as a whole and involves the study of the organization in terms of the relationship between technical and social variables within the system. Change in one part, technical or social will affect other parts and thus the whole system (Szidarovszky, 2018).

Hanson (2014) reinforces the import of the systems theory to management of modern organizations, and opined that, the use of systems thinking aids in diagnosing the interactive relationships among task, technology, environment, and organizational members and that the systems approach has shown that managers operate in fluid, dynamic, and often ambiguous situations and hence, must learn to shape actions and to make progress toward goals keeping in mind that the results achieved will be affected by many factors and forces (Tricker & Tricker, 2015).

Hanson (2014) affirmed that business value creation in the firm is related both to the sub-system (through quality management, Research and Development activities, internal auditing, feedback daily research among others) and to the supra-system (through cooperation logics and asset improvement in terms of technical, cognitive, relational and adaptive aspects). In the context of the study, this underpins the relationship between the functional subsystems in contributing to the firm strategic goals. In Total Quality Management, the systemic conception of the firm is strengthened by its emphasis on the importance of the relationships of the parts to the goal to be reached (Tricker & Tricker, 2015).

Critics of General systems theory acknowledges the complexity and nonlinearity inherent in organizational systems, which can make it challenging to predict and control behavior. In the context of CEO-board collaboration, the multiplicity of factors influencing collaboration dynamics can lead to ambiguity and uncertainty. Researchers may struggle to disentangle the causal relationships between CEO-board collaboration and performance outcomes amidst this complexity (Szidarovszky, 2018). General systems theory provides a descriptive framework for understanding organizational phenomena but offers limited prescriptive guidance for intervention or action (Hanson, 2014). While it can help identify patterns and relationships within organizational systems, it may not offer clear recommendations for improving CEO-board collaboration or enhancing performance in security firms. Researchers may need to supplement general systems theory with more prescriptive approaches to inform practical interventions and strategies (Tricker & Tricker, 2015).

General systems theory emphasizes the interconnectedness and interdependence of various elements within a system. In the case of private security firms, CEO-board collaboration represents a critical subsystem within the larger organizational system (Belifanti & Stout, 2017). Effective collaboration between the CEO and board relies on mutual understanding, communication, and alignment of goals, reflecting the interconnectedness and interdependence of leadership roles in driving firm performance (Szidarovszky, 2018). The general systems theory offers valuable insights into the relationship between CEO-board collaboration and the performance of private security firms in Kenya. By understanding the systemic nature of leadership collaboration within organizations, security firms can leverage CEO-board collaboration to enhance performance, adaptability, and resilience in an increasingly dynamic and uncertain business environment (Hespansa, 2018).

General systems theory suggests that systems exhibit emergent properties that arise from the interactions among their components (Hanso, 2014). Effective CEO-board collaboration can lead to the emergence of synergies that enhance firm performance (Szidarovszky, 2018). Synergistic collaboration between top leadership positions can result in strategic alignment, shared vision, and more informed decision-making, contributing to improved operational efficiency (Tricker & Tricker, 2015), innovation, and competitive advantage for private security firms in Kenya. It is on this premise the current study adopted the General Systems Theory to expound the relationship between CEO-board collaboration and performance of private security firms in Kenya.

2.2.4 Cognitive Moral Development Theory

Cognitive Moral Development Theory was developed by Lawrence Kohlberg (1958) argues that if organizations do not include concerns about ethical behaviour into performance appraisals, then organizations will be unable to articulate values-orientation that is integrated across the organization (Gibbs, 2019). Ethical behaviour involves principles such as fairness, honesty and concern for others. Ethical leadership thus refrains from any concerns that may cause harm to others (Lind, 2017). When unethical situations arise, there might be suspicion among employees that some individuals are not accountable to ethical ideals postulated in the company's policy. With leaders being the key figures for the achievement of organizational goal, they should thus set the tone for ethical behaviour including promotions, appraisals and strategies (Pircher, Verdorfer & Weber, 2016).

The theory emphasizes the mode of individuals 'reasoning in ethical dilemmas and how they comprehend right or wrong conducts. Human beings 'reason at three stages that can be categorized into pre-conventional, conventional and post-conventional (Malti, Ongley, Killen & Smetana, 2014). The law of reciprocacy is applicable to the pre-conventional personalities who are also generally concerned with avoiding punishment. Principled personalities make judgments' independently by assessing themselves and are most often guided by principles of rights and justice (Gibbs, 2019). On the other hand, conventional-level personalities look beyond themselves to rules, laws and expectations of significant others in their environment for direction when deciding what conducts are ethically acceptable (Williams & Seaman, 2016). This makes ethical leaders the most significant source of moral direction as followers heavily rely on their leaders for hints about what behavior is socially and morally acceptable (Tricker & Tricker, 2015).

This theory informs ethical leadership practices, by seeking to explain the interaction between the leader and organizational labour force, investors, and consumers. This is because it explains how people reason in instances of ethical dilemmas and how people gauge what is right. Employees 'level of moral reasoning is a significant predictor of their altruistic behaviour (Pircher, Verdorfer & Weber, 2016). Accordingly, Manduku (2016) established that both intrinsic motives and extrinsic motives contribute significantly towards altruistic behaviour. Wanjiru, Muathe and Njuguna. (2019) revealed that job control and social support were essential predictors of altruistic behaviour.

Cognitive moral development theory has been criticized for its cultural bias, as it was primarily developed based on research conducted in Western societies (Williams & Seaman, 2016). The applicability of the theory to diverse cultural contexts, such as Kenya, where cultural norms, values, and ethical frameworks may differ, is a point of contention. Thus, the theory's universal applicability in explaining ethical leadership and performance in private security firms in Kenya may be limited. The theory's focus on cognitive processes and rational decision-making may overlook the role of emotions, intuition, and situational factors in ethical leadership (Vintila & Gherghina, 2015). In real-world settings, ethical leadership often involves navigating complex moral dilemmas and emotionally charged situations, which may not align with the linear progression of moral reasoning posited by cognitive moral development theory (Wang & Shailer, 2018).

For private security firms in Kenya, the debate is whether the country has moral leaders whose reasoning can be depended on to provide ethical leadership. Human Resource (HR) is most likely to adopt an employee development method to ethics training. The Cognitive Moral Development Theory proposes that moral judgment can be enhanced with explicit training processes designed to challenge the thinking of individuals by establishing cognitive conflict (Williams & Seaman, 2016). From the theory, what people believe, think and feel affect how they behave (Vintila & Gherghina, 2015). With the function of culture creation and management falling under human resource policies, the affected leaders need to create and manage the ethical cultural environment (Wang & Shailer, 2018).

Cognitive moral development theory, proposed by Lawrence Kohlberg, provides a framework for understanding how individuals' moral reasoning evolves over time and how it influences their ethical decision-making (Vintila & Gherghina, 2015). Ethical leaders serve as role models whose actions and behaviour’s influence the moral development of their followers (Wang & Shailer, 2018). According to cognitive moral development theory, individuals progress through stages of moral reasoning, from a focus on self-interest (pre-conventional) to an understanding of social norms and ethical principles (conventional) to an internalization of universal moral principles (post-conventional). Ethical leaders can foster moral development by promoting ethical awareness, moral reasoning, and ethical decision-making among employees within private security firms (Yang, Bui & Truong, 2017). It is on this premise the current study adopted Cognitive Moral Development Theory to expound the relationship between between ethical leadership and performance of private security firms in Kenya.

2.2.5 Competitive Advantage Theory

Porter (1980) developed the idea of the competitive advantage and explains the competitive strategies as cost leadership, differentiation and market niche. According to Porter, there is need to have an inside-out business strategy for a firm to survive. In regard to this study affirmed to organize itself using its internal unique resources and capabilities to outperform its rivals (Oryzalin, Mahmood & Jung, 2016). The private security firms operates in a very competitive environment which requires corporate governance practices adoption to remain in the market. Muchemwa, Padia and Callaghan (2016) states that every firm has its own internal competencies which can form the basis for strength than its rivals in the market and recommends need to adopt strategies to stay competitive. In this study, similarly, the private security firms have generic strategies on the adoption of corporate governance practices which can be implemented in the cost reduction, innovation and quality enhancement that need to be adopted strategically to have a better competitive advantage in a cheaper way than the competitors (Tshipa & Mokoali-Mokoteli, 2015).

Competitive advantage theory assumes a relatively stable industry environment and focuses on achieving sustainable competitive advantage over time (Kaveke & Gachunga, 2013). However, the private security industry in Kenya may be characterized by rapid technological advancements, regulatory changes, and shifts in customer preferences, challenging the assumption of stability. As a result, the effectiveness of corporate governance practices in enhancing firm performance may vary in response to dynamic competitive forces (Kaveke & Gachunga, 2013). Competitive advantage theory encourages firms to analyze their industry structure, competitive forces, and market dynamics to identify opportunities for strategic advantage (Muchemwa, Padia & Callaghan, 2016). By examining how different aspects of corporate governance interact with the competitive environment, researchers can identify governance practices that are most effective in enhancing firm performance within the unique context of the private security industry in Kenya.

Competitive advantage theory, as proposed by Michael Porter, suggests that firms can achieve superior performance and sustainability by establishing a unique and defensible position within their industry. When applied to the moderating influence of the relationship between corporate governance factors (shareholder assembly, board characteristics, CEO-board collaboration, and ethical leadership) and performance of private security firms in Kenya, several insights emerge; competitive advantage theory emphasizes the importance of differentiation in creating value for customers and stakeholders (Tshipa & Mokoali-Mokoteli, 2015). Effective corporate governance practices can serve as a source of differentiation for private security firms, setting them apart from competitors in the market. Firms that excel in governance areas such as shareholder engagement, board effectiveness, leadership collaboration, and ethical conduct can build a reputation for transparency, accountability, and integrity, which may confer a competitive advantage in attracting clients, investors, and talent (Williams & Seaman, 2016).

The application of competitive advantage theory to the moderating influence of corporate governance on the performance of private security firms in Kenya highlights the strategic importance of governance practices in achieving and sustaining competitive advantage (Oryzalin, Mahmood & Jung, 2016). By aligning governance mechanisms with strategic objectives, fostering adaptation to market dynamics, and creating value for stakeholders, security firms can leverage governance excellence to differentiate themselves in the market and achieve superior performance outcomes over time (Tshipa &Mokoali-Mokoteli, 2015). It is on this basis the current study adopted competitive advantage theory to expound the moderating influence of competitive environment on the relationship between corporate governance and performance of security firms in Kenya.

2.2.6 Firm Theory

Theories of the firm were originally developed to identify why firms existed, hence earlier theories of the firms were rooted in deductive economics and had their foundation on transaction cost theory (Penrose, 2009). According to Maghanga (2011), introduction of the concept of transaction costs as the factor was to determine whether a firm or market contracts existed for the coordination of production or not. Firm existence was based on differences between the transaction costs of market contracts versus those of a firm (Kiptum, 2013). If market contracts were characterized by low transaction costs, it meant that all factors of firm production both intra and inter had low transaction costs as well, hence logistics could have influenced such situation in the market when handled rightly by the firms (Kaveke & Gachunga, 2013).

Firm theory, also known as the theory of the firm, offers insights into how organizations make decisions regarding resource allocation, production, and performance (Muhoza, 2017). Firm theory suggests that firms allocate resources to activities and investments that maximize their profitability and sustainability. In the case of private security firms in Kenya, resource allocation decisions involve investing in personnel, training, technology, and infrastructure to deliver security services effectively. Firms must assess the costs and benefits of different resource allocations to optimize performance outcomes (Kinyanjui, 2014).

Private security firms engage in the production and delivery of security services to clients. Firm theory emphasizes efficiency and effectiveness in service delivery to minimize costs and maximize value creation. This includes aspects such as optimizing staffing levels, deploying technology for surveillance and monitoring, and developing standardized procedures for responding to security incidents. By streamlining production processes, security firms can enhance performance and competitiveness. (Means, 2017; Amman & Ehmann, 2017). Firm theory considers the impact of market structure and competitive dynamics on firm behavior and performance. In Kenya, the private security industry may exhibit characteristics of an oligopolistic market, with a few large firms dominating the sector. Competitive pressures drive firms to differentiate their services, innovate, and improve operational efficiency to gain market share and achieve competitive advantage. Understanding market dynamics is crucial for private security firms to develop effective strategies for performance enhancement (Muchemwa, Padia &Callaghan, 2016).

Firm theory provides a framework for understanding the drivers of performance in private security firms operating in Kenya. By considering factors such as resource allocation, production processes, market dynamics, governance mechanisms, risk management, and performance measurement, private security firms can develop strategies to enhance their competitiveness, profitability, and sustainability in the dynamic security industry landscape (Kaveke & Gachunga, 2013). Firm theory underscores the need for performance measurement and evaluation systems to assess firm performance and inform decision-making. Security firms in Kenya may use key performance indicators (KPIs) such as client satisfaction ratings, employee turnover rates, revenue growth, and profitability margins to gauge performance (Amman &

Ehmann, 2017). Regular performance assessments enable firms to identify strengths, weaknesses, and areas for improvement, guiding strategic adjustments and resource reallocation to optimize performance outcomes (Muchemwa, Padia &Callaghan, 2016). It is on this premise that the current study will explore the relationship between the corporate governance and performance of the private security firms in Kenya.

2.3 Conceptual Framework

Conceptual Framework represents the researcher's synthesis of literature on how to explain phenomena (Trochi & Arora, 2016). Actually, it's a diagrammatic, flow chart or figurative illustration explaining the relationships between factors and variables identified, relevant to the study (Muchemwa et al., 2016). It is a set of broad ideas and principles taken from relevant fields of enquiry and used to structure a subsequent presentation. A conceptual framework presents factors that are helpful in conceptualizing a study. According to Busso (2018) in conducting the study, a conceptual framework should be developed to show the relationship between the independent variables and dependent variable. Out of the literature reviewed various variables were suggested, but in this study shareholder assembly, board characteristics, CEO-Board collaboration, ethical leadership and moderating variable competitive environment were chosen and also their relationship deduced. This is illustrated in the following conceptual model referred to as conceptual framework on Figure 2.1 below:

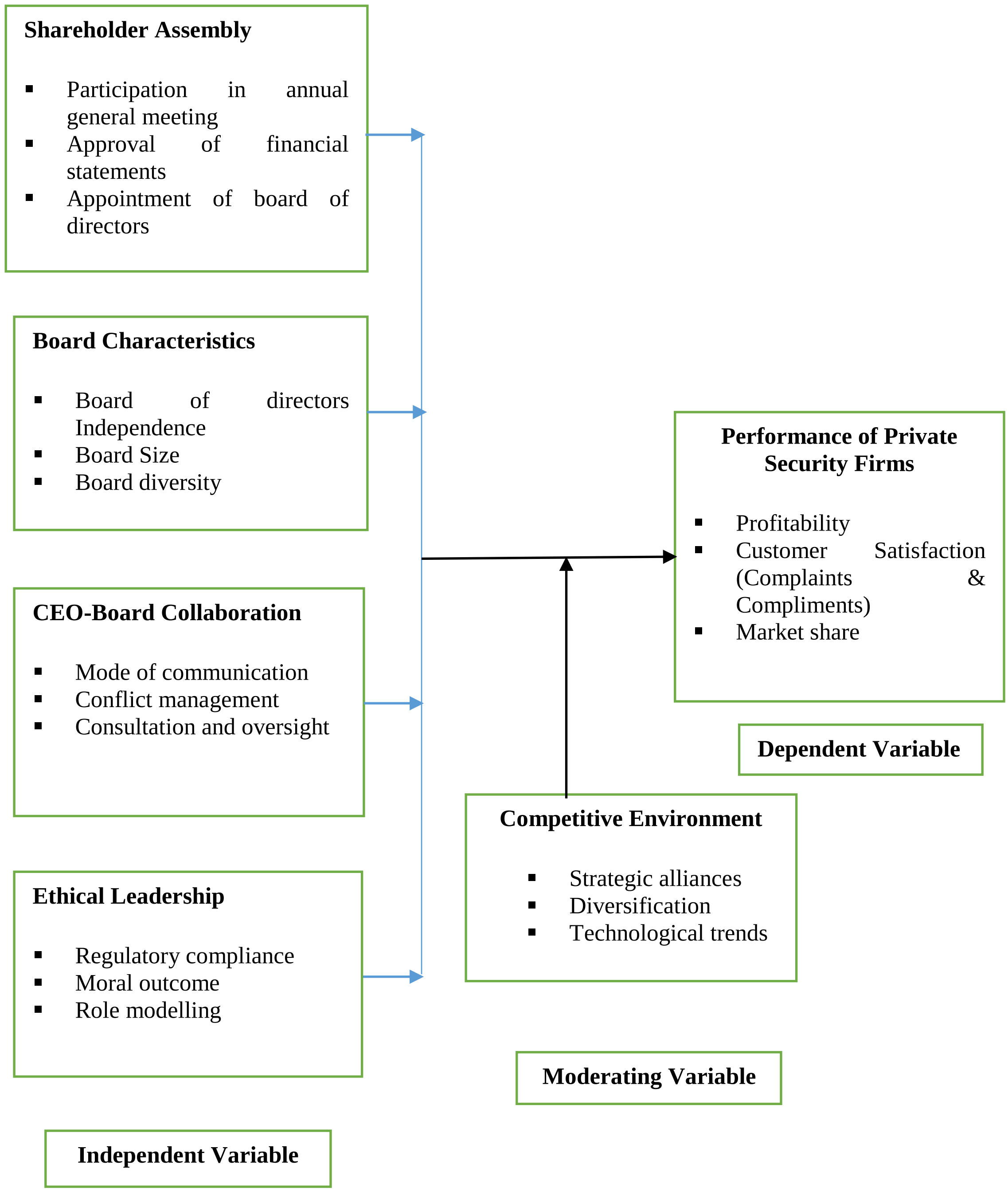

Figure 2.1: Conceptual Framework

2.3.1 Shareholder Assembly

Shareholders assembly refers to a group of individuals registered in the company's shares registry book and are holders of capital shares with the rights to vote, either personally or through a legal representative (Honoré, Munari, & de La Potterie, 2015). The primary responsibility of any business is to maximize profit. In family businesses, family values and interests in certain circumstances override the profit motive. Managers and shareholders of family businesses therefore need to help family members understand their role in achieving their business goals (Mburu, 2019). Typically, the governance structure in family-owned businesses is the shareholder council and the family council. Firm performances in family run businesses are fully dependent on the principal shareholder. Other shareholders' existence depends majorly on statutory compliance needs (Naushad & Malik, 2015).

The shareholders' rights outlined above are clearly seen as fundamental to the shareholder-company relationship (Golden, 2015; Samat & Ali, 2015). Directors are in a position of trust and should manage the company in such a way as to generate long term sustainable value whilst also taking into consideration their relationships with wider stakeholder groups including employees, customers, suppliers and the wider community on which their activities have an impact. Shareholders' rights include, shareholder voting which is an important tool as it can be used to elect directors, to approve the annual report and accounts and so on. In the context of shareholders' voting at general, lliev, Lins, Miller and Roth (2015) describe the various areas that may be decided upon at a company's general meeting. These include adoption of the annual accounts by the general meeting (which may, depending on the country, imply a discharge of management board members and supervisory board members from liability for the performance of their duties); distribution of profits; issue of shares and pre-emptive rights; share repurchase; amendment to articles of association; reduction of share capital; appointment of external accountant/auditor; remuneration of board members; appointment and dismissal of board members; and takeover defences (Wagner & Wenk, 2019; Yang, Bui & Truong, 2017)

The shareholder vote is increasingly considered as one of the most powerful means that institutional investors have to engage with the boards of directors of their investee companies (Means, 2017; Cabeza-García *et al.*, 2016). Previous empirical studies found that shareholders do exert pressures on boards of directors even when their vote at the shareholders' meeting is not legally binding, because proposals that win a majority vote end up being implemented by the board of directors in many cases (Onditi, Kibera, Aranga, & Iraki, 2020), with relevant spillover effects even on non-target companies (Brochet, Ferri & Miller, 2018). Boards of directors that choose to ignore the shareholder vote have been shown to draw negative press and receive downgrades by governance rating firms.

The wishes of the shareholders are reflected in the exercise of their voting rights designed to encourage directors' accountability (Matsusaka, Ozbas & Yi, 2019). As such, Kavila, Mwambia and Baimwera (2017) described the shareholders' meeting as a vehicle to monitor the directors' conduct. According to Fried, Kamar and Yafeh (2018), decisions in respect of executive compensation, initiating takeovers and opposing them are among many areas of company's management that have been subjected to substantial abuses to the detriment of the shareholders 'interests. The potential abuses can actually be avoided by the shareholders through an open debate and the exercise of voting rights in the shareholders' meeting (Diphoorn, 2016). Although the power to manage the company stays in the boardroom, decisions with respect to fundamental issues including election of directors still remain with the shareholders (Marisa & Oigo, 2018).

In cases where the shareholders are not satisfied with the performance or actions taken by the directors, the shareholders can easily remove them by a vote of simple majority (ordinary resolution). It may be considered as a powerful and extreme action by the shareholders and may create a 'check and balance' mechanism within the company (Ojiambo, Francis & Joseph, 2020). A shareholder assembly regarding the performance of private security firms in Kenya would typically involve stakeholders, such as shareholders, executives, directors, and possibly regulatory bodies, coming together to discuss and assess the financial, operational, and strategic aspects of security firms operating in the country. Overall, a shareholder assembly on the performance of security firms in Kenya serves as a platform for transparency, accountability, and engagement between stakeholders, providing valuable insights into the operations and future prospects of the companies in the security industry

2.3.2 Board Characteristics

Board characteristics are critical parameters of efficient corporate governance practices. Therefore, board structures, compositions, sizes and diversification have a direct influence on firm performance (Shan & An, 2018; Wang & Shailer, 2018). Boards normally have different charatersistic depending with shareholder assembly, country of origin and market where it is operating. In view of these, the study basically will investigate whether a significant relationship exists between board characteristics and firm's performance of private security firms in Kenya. To achieve this objective, the study will restrict its board characteristics to director independence, board size and board composition.

Mykhyliv and Zauner (2017) argues that the concept of board composition enables organizations to reflect the structure of society and properly represent the gender, ethnicity and professional backgrounds of those within it. Board of directors in a company need to have the right composition to provide diverse viewpoints. Board diversity supports on the moral obligation to shareholders, stakeholders and for commercial reasons by obtaining extensive decisions (Jada &Adzis, 2016; Busso, 2018; Sathyamoonthi, Baliyan & Dzimiri, 2017; Bosch, 2014). Gender diversity is considered part of the broader conception of board diversity and many scholars have shown that few women sit on corporate boards. When compared to men, most women directors possess staff/support managerial skills, such as legal, public relations, human resources and communications rather than operating and marketing skills. Board diversity should also greatly consider the technical expertise of the board members (Siekmannn, 2017, Bosch, 2014).

Ammann and Ehmann (2017) states that there is no ideal board size so as to avoid a stale mate, it should be an odd number (Vintila & Gherghina, 2015) while Sasu and Asafo-Adjei (2018) suggest that large boards offer relevant networking and are more diverse, experienced, better exposed and execute more objectivity in decision making. Mykhayliv and Zauner (2017) argue that larger boards are more likely to be dysfunctional, have greater productivity losses resulting from greater coordination problems, slower decision making and more director free riding. When examining the performance of private security firms in Kenya, various board characteristics can significantly impact their effectiveness and success. Overall, board characteristics such as composition, independence, leadership, diversity, expertise, training, and committee structure can significantly influence the performance of security firms in Kenya. A well-governed board that exhibits strong leadership, diversity, and expertise is better positioned to provide effective oversight, strategic guidance, and accountability, ultimately contributing to improved firm performance and long-term success.

2.3.3 CEO-Board Collaboration

The CEO-Board friendship ties imply trust or expectation of personal loyalty (Wu, 2018) Similarly, Schalka and Sarfati (2014), noted that certain social obligations are normatively part of the friendship. This friendship relation is governed by communal norms whereby individuals are obliged to care for each other’s welfare rather than exchanged-based with reciprocation of benefits norms (Muriuki, Cheruiyot & Komen, 2017). Thus, friendship ties between CEO and outside directors should increase the boards’ loyalty to the CEO (Westphal, 2019). The board is a critical leadership position within the board and overall firm, especially when a separate individual occupies the CEO position (Krause, in press; Krause, Semadeni, and Withers, 2016). In particular, separate board can provide additional governance oversight and resources, such as advice and counsel, to the CEO (Lorsch and Zelleke, 2005). From this perspective, the board may perform critical functions that directly impact firm performance. However, given the historic norm of combining the CEO and board (Finkelstein et al., 2009), research has not fully developed a perspective on the function and influence of boards

Recently, boards have introduced corporate governance innovations that have confounded extant theoretical conceptualizations of board leadership (Krause, Withers, & Semadeni, 2017; Semadeni & Krause, 2020). One such innovation is the executive board position. The executive board leads the board in its oversight responsibilities and is separate from the CEO, consistent with the prescriptions of agency theory. However, unlike a non-executive board, the executive also leads the firm's strategic decision-making and may even be involved in its implementation. While these additional responsibilities raise questions about the executive board position's efficacy in monitoring, many have argued that effective oversight requires in-depth knowledge of firm activities (Zorn, Shropshire, Martin, Combs, & Ketchen, 2017) and that firms can benefit from the strategic resources a board offers (Krause et al., 2016b; Withers & Fitza, 2017). Thus, it may be that mixing oversight and strategic decision-making, as represented in the executive board, benefits the firm's governance. However, the consequences of the executive board structure for firm performance remain wholly unknown, and with nearly a quarter of all separate board in the S&P 500 now designated as "executive" (Spencer Stuart, 2019), knowledge of these consequences has never been more important.

Although the independent Board Model suggests that such loyalty can diminish board-monitoring activity, the collaboration model agrees that perceived friendship ties may increase CEOs advice seeking behavior by enhancing his or her trust in the boards supports while also increasing the board's perceived social obligation to provide assistance. Further CEO's financial incentives may enhance the benefits of friendship ties with the directors. From an Agency Perspective, incentive alignment motivates a CEO to use corporate resources to the advantage of shareholders (Schalka &Sarfati, 2014; Wu, 2018; Muriuki, Cheruiyot & Komen, 2017). Academic research on boards has also devoted increased attention to how CEO-board relationships influence board effectiveness. Empirical studies have often assumed that a lack of social independence from management can compromise board effectiveness in the strategy-making process. It has been proposed, for instance, that CEOs keep their boards largely passive and uninvolved in strategic decision making through co-optation, or packing boards with their supporters (Basco & Voordeckers, 2015). Outside directors are thought to engage in less vigilant monitoring and to exert less control over top managers with whom they have close personal ties (Schalka & Sarfati, 2014). Zheng and Zhu (2022) study investigated whether trust between a corporation's board and the CEO affects firm performance. After using a unique survey data set of regional trustworthiness from China to measure this trust, the study results show a positive relationship between trust and the performance of Chinese companies from 2000 to 2016.

Additional test results suggest that the relationship is causal. Further results show that the positive trust-performance effect is more evident for firms with greater advisory needs and boards that can deliver high-quality advice. Finally, results support evidence that the CEO-board trust increases firm value by improving the board advisory results, including value-adding decisions of R&D and merger and acquisition. The collaboration between the CEO and the board is critical for the performance of private security firms in Kenya. In summary, the collaboration between the CEO and board is essential for the performance of private security firms in Kenya. By aligning on strategic priorities, facilitating informed decision-making, strengthening governance practices, fostering open communication, managing risks effectively, and building positive stakeholder relations, they can drive sustainable growth, profitability, and success for the firm.

2.3.4 Ethical Leadership

Firms' ethical issues are basically the approaches or ways which the stakeholders of the firms use in managing the collective action from the majority point of view and avoiding the damaging actions by ensuring proper control measures are put in place to control the powers, authorities and responsibilities of the management (Crane, Matten, Glozer, & Spence, 2019). The ethical behavior of firms regards their relationship with the customers, the environment in which they operate and the employees. Establishing the influence which this ethical behavior has on the corporate governance of the firms is essential not only for the firms but also for the policy makers in the corporate level to understand its impact. The corporate governance principles are significant in the management of the organizations (Shin, Sung, Choi, & Kim, 2015).

Ethics generally deal with the behavior of morals of human beings and character. It deals with all types of behavior, assesses conduct against some obvious principles and puts negative or positive values on it (Saha, Cerchione, Singh, & Dahiya, 2019).

In the same way, Manduku (2017) describes ethics as the elementary principles of the right action and rules of conduct. Integrity on the other hand is one of the most vital and often cited of virtue terms. The perception of integrity has to do with seeming steadiness of actions, values, methods, measures, principles, expectations and outcome. Shin, Sung, Choi and Kim (2015) offers a dissimilar way of crucial integrity in terms of moral purpose. Half on defines integrity in terms of a person's devotion to the quest of a moral life and their knowledgeable duty in seeking to comprehend the demands of such life.

The directors must assume a code of business conduct setting out the company's desires and channel to report, a conflict of interest policy, deal with non-compliance, and a whistle-blower policy (Naushad & Malik, 2018). Further, they must make someone accountable for oversight and control of these policies and procedures. To form and cultivate this culture, firms should have someone answerable for errors and management of these policies and procedures. Ethical leadership is key to good governance (Butt, Butt & Ayaz, 2016). This is more of an internal imperative and has to be wired into the normative make-up and organizational culture in companies. Responsible corporate citizenship, which assumes inter-dependence between corporate and citizens, imposes responsibility on corporate to act in ways that reinforce society's ethical standards (Williams & Seaman, 2016). Measures such as South Africa King IV, which place emphasis on principles rather than legalism, are designed to nudge corporate towards higher ethical standards. It is important for corporate to understand the unique and powerful role they occupy in society, and act in ways that strengthen rather than weaken public virtues and trust (Butt, Butt & Ayaz, 2016).

Ultimately, ethical leadership contributes to the long-term sustainability and success of private security firms in Kenya. By fostering a culture of ethics, integrity, and accountability, ethical leaders lay the foundation for a resilient and prosperous organization that delivers value to its stakeholders while upholding the highest standards of ethical conduct (Naushad & Malik, 2018). Ethical leadership plays a crucial role in shaping the performance of private security firms in Kenya. In conclusion, ethical leadership is essential for driving performance, fostering trust, promoting compliance, enhancing customer satisfaction, fostering innovation, and contributing to the long-term sustainability and success of security firms in Kenya. By embodying ethical values and principles, leaders can create a positive organizational culture that benefits employees, clients, stakeholders, and society as a whole.

2.3.5 Competitive Environment

Competitive strategy represents that firm's business strategy orientation toward external environmental conditions that include competitors and customers (Papilaya, Soisa & Akib, 2015; Noe et al., 2017). Key indicators related to competitive environment include technology, innovation, market orientation, finance, and distribution (Babatunde & Adebisi, 2012; Reeves & Deimler, 2012; Girneata, 2014). In this study, the moderating variable that is competitive environment will be measured with the following indicators: market orientation, differentiation strategy and technological trends. In a highly competitive environment, firms may face greater pressure to deliver superior performance to gain a competitive edge (Reeves & Deimler, 2012). Effective corporate governance practices become even more critical in such contexts, as they help firms navigate competitive challenges and capitalize on opportunities. A strong governance framework can enable private security firms to make timely and strategic decisions, adapt to market dynamics, and maintain their competitive position (Noe et al., 2017).

Competitive environment continuously enables firms to develop capabilities to confront new competitive environment. Equally, Reeves and Deimler (2012) conducted a study on the relationship between market-orientation and competitive advantage in Iranian tractor manufacturing industry. In fact, based on the results of the study; it was deduced that the market orientation is one of the main elements of competitive advantage. When companies develop their organizational capabilities, they can manage their resources in a way that creates competitive advantage (Girneata, 2014; Reeves & Deimler, 2012). The acquisition and use of appropriate technology are essential in a strongly competitive environment creating value in the market for the firm (Zerger, 2013; Dixon, Meyer & Day, 2014), and a capacity for development, specialization and competitive advantage (Reeves & Haanaes, 2015; Dixon, Meyer & Day, 2014).

In relation to private security firms, the competitive landscape can impact market share and profitability for private security firms. In highly competitive markets, firms may experience downward pressure on prices and margins, requiring efficient cost management and operational excellence (Noe et al., 2017). Corporate governance mechanisms such as effective risk management, financial transparency, and performance monitoring become crucial for maintaining profitability and sustaining growth amidst intense competition (Naushad & Malik, 2018). Moreover, firms with strong governance structures may be better positioned to attract investment and capital, enhancing their competitiveness and market share (Reeves & Haanaes, 2015).

The competitive environment shapes stakeholder expectations and perceptions of private security firms. Firms with strong corporate governance practices tend to enjoy higher levels of trust and credibility among stakeholders, including investors, customers, regulators, and the public. This positive reputation can confer a competitive advantage, as stakeholders prefer to engage with firms that demonstrate ethical conduct, transparency, and accountability (Dixon, Meyer & Day, 2014). Conversely, firms with poor governance may face reputational risks and loss of trust, undermining their competitiveness and performance in the market. The moderating effect of the competitive environment on the relationship between corporate governance and the performance of private security firms in Kenya can significantly influence organizational outcomes (Dixon, Meyer & Day, 2014).Overall, the moderating effect of the competitive environment on the relationship between corporate governance and the performance of private security firms in Kenya underscores the importance of effective governance practices in driving competitive advantage, resilience, and sustainability. In a dynamic and challenging marketplace, firms that prioritize governance excellence are better positioned to thrive and succeed amidst competition (Naushad & Malik, 2018).

2.3.6. Firm Performance

The idea behind firm performance is to enhance sustainability in service delivery (Ahmed & Hadi, 2017; Mburu, 2019; Tulung & Ramdani, 2018). More importantly, all measures must be in line with firms' goals, objectives and mission (Muriuki, Cheruiyot & Komen, 2017). The greatest challenge for private security firms is aligning measures of performance with overall business strategy and corporate culture (Mahrous, 2014; Hope, Thomas & Vyas, 2017). In this study the dependable variable (firm performance) will be measured with the following indicators: profitability, market share and customer satisfaction. Hope, Thomas & Vyas (2017); and Kirunda (2018) studies found that different firms in different sectors and countries tend to emphasize on different objectives, the literature suggests profitability to be the most common measure of firm performance.

Profitability of the firm is defined as the state or condition of yielding a financial profit or gain (Galluci, Arugu & Dandago, 2014). Diphoorn (2016); claimed that profitability is the best indicator to identify whether firm is doing things right or not (Ironkwe & Adee, 2014; Muriuki, Cheruiyot & Kome, 2017) and hence profitability can be used as the primary measure of firm success. Firm profitability has also been the primary concern of business practitioners in all types of firms since financial performance has implications for firm's health and ultimately its survival (Tulung & Ramdeni, 2018; Ironkwe & Adee, 2014). Furthermore, some scholars pointed profitability as the most common measure of firm performance in private security companies (Hope, Thomas & Vyas, 2017; Islam, Bhuiyan & Tuhin, 2014). Profit margin, return on assets return on equity, and return on sales are considered to be the common measures of financial profitability (Kirunda, 2018; Diphoorn, 2016; Muriuki, Cheruiyot & Kome, 2017).

Market share is simply the percentage of firm's transactions compared to the market full amount within a specified time period (Ironkwe & Adee, 2014; Muriuki, Cheruiyot Komen, 2017; Mburu, 2019). Market share simply points out a firm's current spot in the market as well as its power within the industry (Tulung & Radani, 2018; Kirunda, 2018; Mahrous, 2014. It therefore measures the consumers' preferences for a good or a service over comparable products and service (Ahmed & Hadi, 2017; Mburu, 2019; Hope, Thomas & Veyas, 2017). Therefore, a higher market share leads to higher profits (Ironkwe & Adee, 2014. Muriuki, Cheruiyot & Komen, 2017). There are four possibilities with regard to market share: gaining, holding or maintaining, harvesting market share or abandonment or divestment. Building or gaining market share is an attack stratagem with the goal of increasing the market position at the expense of the peers while (Galluci, Santulli & Calabro, 2015; Diphoorn, 2016) describes it as an odious or assail approach to progress the company's rank in the market that is, a firm gains market shares by stealing it from its peers. Islam, Bhuiyan & Tuhim (2014); Kirunda (2018) describes it as a conspicuous sense of battle. This means that market share is a key pointer of the competitiveness of any industry an important factor for investors in determining the viability a prospective firm to invest in (Hope, Thomas & Vyas, 2017; Islam, Bhuiyan & Tuhim, 2014).

Customer satisfaction refers to the degree to which customers‟ expectation of a product or services are met (Kirunda, 2018; Mahrous, 2014). Client satisfaction surveys and feedback mechanisms can gauge the level of satisfaction with the security services provided (Tulung & Ramdani, 2018). Metrics may include client ratings, testimonials, and retention rates. Tracking the number and types of security incidents reported by clients provides insights into the prevalence and nature of security threats faced by clients. It also helps identify trends and areas for improvement in security protocols (Muriuki, Cheruiyot & Komen, 2017). Contract retention rate measures the percentage of clients who renew their contracts with the private security firm. A high contract retention rate indicates satisfied clients and a strong reputation for service quality. Customer satisfaction measures are similar to service quality measures but are from the standpoint of the citizen consuming the service (Kirunda, 2018). Customers are the most important factor to any organization (Galluci, Santulli & Calabro, 2015). It is therefore important for private security firms to ensure that their customers are satisfied with the firm's products and services (Tulung & Ramdani, 2018; Ironkwe & Adee, 2014). Once a firm has set its goals to satisfy customers in all aspects it has to ensure that the customers‟ expectations and needs are met according to their specifications (Muriuki, Cheruiyot & Komen, 2017).

Private security firms try to identify their customers' needs and the various techniques and methods that can be used to satisfy them and to understand how to apply them.

2.4 Empirical Review

Rochim and McLinden (2017) stated that empirical review is based on direct observations and measurement of reality of what you perceive of the world around you. The empirical research is based on observed and measured phenomena. This section thus describes past studies that have been done that links the independent variables: shareholder assembly, board characteristics, CEO- board bollaboration, Ethical Leadership and moderating variable competitive environment and firm performance as the dependent variable.

2.4.1 Shareholder Assembly

Samat and Ali (2015) study on a legal perspective of shareholders' meeting in the globalized and interconnected business environment concluded that efforts to encourage shareholders' commitment in decision-making and preservation of shareholders' rights have become a crucial issue. The extended concept of shareholders' meeting causes disadvantages to shareholders as well when certain elements of a valid meeting are being modified. The concept of 'virtual presence' for instance, clearly set aside the importance of face-to-face dialogue. Similarly, the dispensation of private companies to hold annual general meeting (AGM) is not only removing a physical gathering but leave behind the importance of holding the AGM completely. Shareholders' meeting may have been treated as a 'waste of time and resources 'but the power of 'ownership' is actually more forceful compared to any statutory enforcement, which is desperately needed in our current business environment. Therefore, any future modification to the concept, laws, rules and regulations in respect of the shareholders' meeting should not abandon completely the true objective of a meeting and the significant role of it in the company.

Wagner and Wenk (2019) study focused on the agency versus Hold-up: Benefits and Costs of Shareholder Rights. The set of policy experiments regarding binding votes on compensation in Switzerland sheds light on the hitherto mostly theoretical argument that shareholders may prefer to have limits on their own power. The empirical evidence suggests a trade-off: On the one hand, binding votes on compensation amounts provide shareholders with an enhanced ability to ensure alignment. On the other hand, when shareholders can (partially) set pay levels ex post, this may distort ex ante managerial incentives for extra-contractual, firm-specific investments. Thus, increased shareholder power reduces agency costs, but accentuates hold-up problems.

Iliev, Lins, Miller and Roth (2015) there is significant debate as to whether the shareholder voting process is an effective way to exercise corporate governance. Using a sample of 7,975 companies across 42 countries over the years 2003-2009, they investigated whether the votes cast by U.S. institutional investors for director elections, as well as subsequent director turnover, are consistent with a shareholder voting process that works. They found greater voting against directors when country-level shareholder protection is low or firm-level managerial entrenchment is high, indicating that investors exercise dissent voting when they fear expropriation the most. Further, controlling for firm performance, greater voting against directors is associated with greater director turnover. Our findings suggest that shareholders vote as though they are exercising governance, and that the votes they cast have a governance-related outcome. The study concluded that shareholder voting is an important channel through which corporate governance is exercised in firms across the world.

Brochet, Ferri and Miller (2018) study focused on the Investors' Perceptions of Activism via Voting: Evidence from Contentious Shareholder Meetings Using a sample of almost 28,000 meetings between 2003 and 2012, the study examined stock returns over the period between the proxy filing and the annual meeting, when investors learn about the contentious nature of the meeting and form expectations about its likely impact on firms' behavior. The study found that abnormal stock returns prior to contentious meetings are significantly positive and higher than prior to non-contentious meetings. These higher abnormal returns increase with the contentiousness of the meeting, are more pronounced in firms with poor past performance (which are more likely to respond to shareholder pressure) and persist after controlling for firm-specific news and proxies for risk factors. The results were consistent with investors expecting shareholder activism via voting to have a positive impact on firm value, on average.

Matsusaka, Ozbas and Yi (2019) analyzed the opportunistic proposals by union shareholders is and found out that labor unions used shareholder proposals "opportunistically" to influence contract negotiations. The study showed theoretically that shareholder proposals could be used as bargaining chips to extract side payments from management. The empirical strategy was based on the observation that proposals had a higher-than-normal value for unions in contract expiration years, when a new contract must be negotiated. The study found out that during contract expiration years, unions increased their proposal rate by one-quarter (and by two-thirds during contentious negotiations); non-union shareholders did not change their proposal rate in expiration years. Unions were much more likely than other shareholders to make proposals concerning executive compensation, especially during expiration years. Opportunistic union proposals were associated with better wage outcomes for union workers. Overall, the evidence suggested that sometimes having more rights could be costly for shareholders.

Fried, Kamar and Yafeh (2018) study on the effect of minority veto rights on controller tunnelling, acknowledged a central challenge in the regulation of controlled firms. As independent directors and fiduciary duties are widely seen as not up to the task, a number of jurisdictions have given minority shareholders veto rights over these transactions. To assess these rights' efficacy, they exploited a 2011 regulatory reform in Israel that gave the minority the ability to veto pay packages of controllers and their relatives ("controller executives"). The study found out that the reform curbed the pay of controller executives and led some controller executives to quit their jobs, or work for free, in circumstances suggesting their pay would not have received approval. These findings suggested that minority veto rights could be an effective corporate governance tool.

Golden (2015) investigated the effect of shareholder rights and information asymmetry on option-related repurchase activity. The study showed that the dilution effect of the exercise of the employee stock options on earnings per share (EPS) decreases the value of stock options. Thus, managers tended to use stock repurchases rather than dividends to return cash to shareholders (the dividend substitution effect). The study found out that the executive stock option incentives to repurchase stock as a substitute for dividends are stronger when firms have weak shareholder rights and the level of information asymmetry positively influences managerial stock option incentives to repurchase stock. Furthermore, prior research indicated that information asymmetry was positively associated with stock repurchases. The study provided evidence indicating that the relationship between information asymmetry and stock repurchases is stronger when firms have weaker shareholder rights.

Bazrafshan, Banaiy and Bazrafshan (2021) study sought to examine the beneficial effect of shareholder participation in general meetings: Evidence in the context of audit quality. The study used the percentage of the ownership represented by the shareholders who attend the general meeting. Audit quality was measured by auditor industry specialization, audit firm size, and auditor fees. A sample of 576 firm-years from Iran's capital market between 2012 and 2018 and employed multivariate regression analysis. The study revealed that there is a positive and significant association between the presence of institutional shareholders in general meetings and audit quality. Furthermore, for the companies with a high presence of institutional shareholders in their general meetings, there is a significant and positive relationship between the participation of other shareholders in the general meetings and audit quality.

2.4.2 Board Characteristics

Emperical research by, Liu *et al.* (2014) found that the effect of board independence is becoming stronger. According to them, board independence is the ability of board members to be free from interference or pressure in the course of doing their duties, to enable them provide oversight and enforce accountability on the company decision by the management. Sabry (2015), in his study, found that independent board members do not have inherent self-interests parse and are instead guided by the interests of the stakeholders who appointed them. Foo and Zain (2010) studied the sample of 481 Public-Listed firms in Malaysia at the end of the year 2007 for board independence. They found a significant relationship between the board independence and the disclosure of information.

Tulung (2017) found that Board independence is associated with positive firm performance. Equally, in Hong Kong Leung, Richardson and Jaggi, (2014), found that there is a positive relationship between board independence and firm performance in non-family firms. Similarly, independent boards influence a firm's performance in such matters as monitoring the operational processes encouraging managers to focus on long term performance rather than routine activities (Alves, 2014) and authorizing the decisions of management based on whether they benefit shareholders.

Tulung and Ramdani (2018) found a negative relationship between board independence and firm performance in an emerging market. Lastly, Fuzi et al. (2016) found that board independence was not significantly associated with firm performance. The second charateristic under board characteristic is board size which affects corporate goverance practices, and thus influences firm performance. According to Adekunle and Aghedo, (2014), board size of an organization is the number of directors on the board of a firm which includes both executive and non-executive directors.

A study by Ironkwe and Adee (2014) found a positive and statistically significant relationship between board size and firm performance, in sample of 40 financial firms in Nigeria. Using time series data from 166 firms quoted on the Nigerian Stock Exchange market from 2005 to 2012 in the Food and Beverages sector, Ilaboya and Obaretin (2015) also found a similar result which showed a positive relationship between board size and corporate financial performance measured. Kim (2013) obtained positive and statistically significant ($p<0.05$) relationship between board size and Return on Assets (ROA) for 290 American companies listed in Fortune 1000 in 2002.

The Nigerian studies (Ujunwa, 2012; Adebayo *et al*., 2013; Dabor, Survive, Ajagbe & Oke., 2015) and non-Nigerian studies (O'Connell & Cramer, 2010; Guo &Kga, 2012) have mostly found consistent results that board size is negatively related to firm performance. According to Adekunle and Aghedo, (2014) board diversity is the proportion of non-executive directors to total number of directors in an organization. Evidence on the relationship between the proportion of non-executive directors on the board and firm performance is mixed (Satirenjit & Oladipupo, 2014); (Adekunle & Aghedo, 2014). They are mixed in the sense that some of the study reviewed show positive relationship between board diversity and financial performance while some shows negative relationship between the variables.

Similarly, Al-Matari (2013) also found that the proportion of non-executive directors is positively related to ROA. Also, using a sample 13 listed deposit money banks for the period 2007 to 2011, Shehu and Musa (2014) found that board composition positively, strongly and significantly influences firm performance measured by ROA. These similar findings suggest that boards with higher proportion of outside directors offer higher performance. In contrast, Ogbulu and Emeni, (2012) reported that the proportion of independent non-executive director's representation on the board is negatively related to firm performance.

Contrary, Mahrous (2014) reported a statistically negative relationship between non-executive board members and ROE, in a sample of 50 Egyptian listed non-financial companies from 2006 –2010. Also, Garba and Abubakar (2014), using 12 listed insurance companies for the period 2004 to 2009 found a negative and significant relationship between board composition and firm performance measured by Tobin's Q and return on equity (ROE). This indicates that the benefit of board independence, objectivity and experience expected from the representation of outside directors to influence board strategic decisions appears to hold back managerial initiative through too much monitoring.

Odhiambo and Mwanzia (2021) study focused on board Characteristics and Financial Performance of Government-Owned Sugar Manufacturing Companies in Kenya. Specifically, the study sought to establish the association between; board diversity, board independence, board size and financial performance of government-owned sugar manufacturing companies in Kenya. The study adopted the Agency Theory and Stewardship Theory. The study targeted the Government-Owned Sugar manufacturing companies in Kenya during the years 2000 to 2016 when the companies were operational. The findings indicated that board diversity and financial performance of government-owned sugar manufacturing companies. In addition, board independence and financial performance of government-owned sugar manufacturing companies was also significant. Board Size had a positive but insignificant relationship with financial performance of government-owned sugar manufacturing companies in Kenya.

2.4.3. CEO-Board Collaboration

Muriuki, Cheruiyot and Komen (2017) sought to explore the influence of corporate governance on organizational performance of state corporations in Kenya. A survey design was used to arrive at the expected outcomes in this study. Out of a population of 187 State Corporation, a sample size of 125 was considered with 375 respondents. Data was collected using questionnaires. Linear regression model was used to determine the relationship between corporate governance and organizational performance. The study revealed that the board CEO-board Collaboration was statistically significant at 5% level.

Westphal (2019) study focused on collaboration in the boardroom on the behavioural and performance consequences of CEO-board social ties. Empirical research typically rested on the assumption that board independence from management enhances board effectiveness in administering firms. The present study shows how and when a lack of social independence can increase board involvement and firm performance by raising the frequency of advice and counsel interactions between CEOs and outside directors. Hypotheses were tested with original survey data from 243 CEOs and 564 outside directors on behavioural processes and dynamics in management-board relationships. The study found out that CEO-Board collaboration influence performance of the firms.

Basco and Voordeckers (2015) investigated the added value of boards of directors and CEO through the lenses of both demographic and behavioural approaches. However, investigations into these two approaches, and the subsequent implications for firm performance, have thus far been mainly decoupled from one another. Therefore, the aim of the study was to put both approaches to the test in the family business context. Using a sample of 567 Spanish family firms, they found out that although both approaches could explain the performance of family firms, the behavioural approach explains a much higher proportion of the variation in the firm's performance. Furthermore, the findings support the hypotheses that the relationship between the CEO-board collaboration and firm performance follows an inverted U-shape in private family firms, and that both business-oriented and family-oriented board role performance are positively related with firm performance.

Schalka and Sarfati (2014) investigated if companies with a stricter control and monitoring system perform better than others in Brazil. The works compares 116 companies in respect to their independence level between top management team and board directors– being that measured by four parameters, namely, the percentage of independent outsiders in the board, the separation of CEO and board, the adoption of contingent compensation and the percentage of institutional investors in the ownership structure and their financial return measured in terms return on assets (ROA) from the latest Quarterly Earnings release of 2012. Two variables are significant in the regression. The study provided evidences that the increase in the formal governance structure trough outside directors in the board and CEO collaboration might actually lead to improved performance.

Wu (2018) study aimed to address how board–CEO relationships, in terms of power balance and social ties; contribute to the performance of new product introduction. It proposed a contingency view to highlight the context-dependent nature of such governance arrangements. Using survey and archival data in a sample of 198 industrial firms in Taiwan, this research finds that the two distinct types of board–CEO relationships relate curvilinearly to the performance of new product introduction. Furthermore, such universal relationships are moderated by market instability and board interlocks. Islam (2011) analyzed the Board -CEO relationship.

The study finding suggests that there should be mutual respect between CEO and board and both have to be honest and transparent to each other. Both CEO-board should be able to communicate at ease with each other regarding any trivial matters concerning the company. The relationship between board and CEO should be complementary rather than competing. The role of the board and the CEO should be based on mutual trust; they should work as a team.

There has been relatively little empirical research on the relationship between CEOs and board in corporate governance. Research has tended to focus more broadly on the relationship between boards and executives/staff. The role of the board of directors in the modern corporation is complex and ambiguous. For decades, research on board leadership was limited to investigating the relative merits of the CEO also serving as board, a practice known as CEO duality (Krause, Semadeni, & Cannella, 2014). However, as firms have increasingly separated their CEO and board (Spencer Stuart, 2019), researchers have begun to develop newer, more nuanced theories around the unique role the board performs when separate from the CEO (e.g., Hoppmann, Naegele, & Girod, 2019; Krause, 2017; Withers & Fitza, 2017). Scholars have demonstrated that board significantly impact their firms, acting as a resource (Krause, Semadeni, & Withers, 2016b), driving strategic change (Hoppmann et al., 2019), determining director engagement (Bezemer, Nicholson, & Pugliese, 2018), and ultimately explaining a significant amount of variance in firm performance across institutional contexts (Krause, Li, Ma, & Bruton, 2019; Withers &Fitza, 2017).

2.4.4 Ethical Leadership

Salin *et al.,* (2019) examined the relationship between corporate governance practices and company performance and how a board's ethical commitment can influence this relationship. This study collected data for two years, that is 2013 and 2014, from the biggest 500 Malaysian companies listed in the stock exchange. Corporate governance is measured based on the requirements of the Malaysian Code of Corporate Governance (MCCG), while a board's ethical commitment is measured based on the MCCG and various international best practices. Corporate performance is measured based on return on equity, return on assets, net profit margin, market-to-book value and Tobin Q.A board’s ethical commitment was found to be significant in increasing the strength of the relationship between corporate governance and firm performance.

Kwakye *et al.,* (2018) study aimed at analysing the influence which ethical behaviour has on the corporate governance of firm’s performance in Ghana. The existing of ethical issues in business organizations and the general code of conduct which these companies were supposed to follow has brought about the need for researchers to assess their implications to the management of these firms. The findings in this study were essential in acknowledging the impact of ethical behaviour on the management of the organization. The study provided an in-depth understanding of the effects of ethical attributes such as ethical leadership and corporate governance to the overall financial development and performance of firms in Ghana.

Kim and Thapa (2018) examined the impact of senior management’s ethical leadership in evaluating operational, commercial, and economic performances along with the mediating role of Corporate Social Responsibility (CSR) in the food service industry. A conceptual model was formulated and empirically tested based on responses from 196 food service franchise firms in South Korea. The results indicated ethical leadership significantly influenced CSR and operational performance, while CSR also had a positive effect on operational and commercial performances. Additionally, operational performance had a significantly positive influence on commercial performance, which subsequently enhanced economic performance. Overall, the findings highlight the role that ethical leadership exhibited by senior management of foodservice franchises influenced initiation of CSR activities, which provide implications for research and industry practice.

Khalid (2014) study focused on the relationship among ethical leadership and Organizational Performance in Corporate Governance in the Public and Private Sectors of Islamabad/Rawalpindi, Pakistan. The instrument used for collecting the required information was questionnaire developed by Wu (2006). Descriptive statistics, regression and correlation were used for the purpose of data analysis.

Results obtained showed positive relationship between ethical leadership, corporate governance practices and organizational performance. Similarly, Amisano (2017) study examined the relationship between ethical leadership and financial, social, and environmental sustainability in small businesses. The participants were 80 members of a Miami, Florida chamber of commerce. Correlation analysis and Bonferroni corrected calculation indicated significant relationships ($p < .001$) between ethical leadership behaviour's and social and environmental sustainability.

Ogwoka, Namada and Sikalieh (2017) sought to investigate the influence of ethical investor relations on the financial performance of listed firms in Kenya. The study adopted a causal research design to establish the relationship between ethical leadership and financial performance of companies listed in the Nairobi Securities Exchange using correlation and regression analysis. Primary data was collected through a semi-structured questionnaire. Secondary data was collected from both the listed firms in the Nairobi Securities Exchange (NSE), and information from the sector regulator, the Capital Markets Authority (CMA). The target population of this study was 64 companies listed in the Nairobi Securities Exchange (NSE) with consistency being evaluated between the years 2011 to 2015.The study found out that there exists a strong relationship between ethical investor relations and financial performance. The study established that the practice of corporate ethics and vetting of board members being based on ability to achieve the firms' vision is essential for the listed firms.

Kamalakannan (2021) study focused on ethical Leadership and its influences on organizational Performance. The quantitative research (survey) was chosen in order to meet the purpose of the research and to test those relationships empirically the data was collected from structured questionnaire. Sample size was 210 and also descriptive research study was used as a research design and followed simple random sampling method. The sample was selected from various information technology companies being operative in Chennai. These findings indicated a positive relationship between ethical leadership and organizational performance.

2.4.5. Competitive Environment

Competitive environment has been studied and widely acknowledged by scholars to enhance competitive advantage and firm performance. A study by Ting, Wang and Wang (2012) on the moderating role of competitive environmental dynamism on the influence of innovation strategy and firm performance, established an association between innovation strategy and firm performance. The competitive environmental factor also discussed about has a moderate effect between innovation strategy and firm performance relationship. An empirical model that can be applied in other sectors to improve performance was developed. Similarly, Han, Omta, Triekens and Kemp (2010) looked at the moderating role of competitive strategy in relating firm performance to quality management and government support. The study results indicated that the business environment had a positive relationship to firm performance.

Supportively, Tribbitt (2012) examined the moderating role of environment on the relationship between corporate governance and entrepreneurship. From a methodological perspective, this study improves the understanding of the relationships by utilizing a longitudinal analytical approach. Milovanovic and Wittine (2014) analyzed the external environment's moderating role on the entrepreneurial orientation and business performance relationship among Italian small enterprises. The study findings indicated that the relation between the entrepreneurial orientation and performance is extremely complex because it is moderated by many internal and external factors.

Additionally, Ruzgar, Kocak and Ruzgar (2015) investigated the moderating role of competitive intensity on market and entrepreneurial orientation. The aim of the study was to develop and test a structural equitation model for the relationship between entrepreneurial orientation and market orientation. The model included both moderator and mediator factors. The study was conducted with 720 Small and Medium Sized Enterprises. The results indicated that entrepreneurial orientation and responsive market orientation had positive and significant impact on performance, whereas proactive market orientation had negative effect. In addition, environmental competition moderated the relations in the model. Further, drawing on Miles and Snow's classification of strategy type, Auh and Meguc (2015) study on The Balancing Exploration and Exploitation: The Moderating Role of Competitive Intensity addressed the contingency role that competitive intensity plays in explaining the relationship between exploration/exploitation and firm performance. Empirical results provide general support for the study predictions.

Lengler, Sousa and Marques (2014) examined whether competitive intensity moderates the relationships among the components of market orientation and export performance. Data was used from 197 Brazilian export companies. Results suggested that inter-functional coordination enhances customer and competitor orientation. Moreover, customer orientation has no direct effect on export performance, while competitor orientation had a positive effect on firm's international performance. Findings also indicated that competitive intensity moderated all the relationships tested in the model. Teeratansirikool *et al.*(2013) examined the mediating role performance measurement plays in the relationship between competitive strategies and firm performance. The study conducted a mail-survey of Thai listed companies in 2009.The study found that generally, all competitive strategies positively and significantly enhance firm performance through performance measurement.

Lastly, Wanjiru, Muathe and Njuguna (2019) examined the moderating effect of external operating environment on the relationship between corporate strategies and performance of manufacturing firms in Nairobi City County, Kenya; which is a developing economy within Sub-Saharan Africa. The study adopted indicators of competitive position, consumer behavior and credit accessibility to measure external operating environment. The study findings indicate that external operating environment has a moderating effect on the relationship between corporate strategies and firm performance. Ogaga and Owino (2017) attempted to highlight the indirect influence of the environment by testing the moderating influence of industry competition on the relationship between corporate strategy and performance. The findings demonstrated that industry competition has a significant moderating influence on the relationship between corporate strategy and performance.

2.5 Critique of the Existing Literature

A critique is a systematic way of objectively reviewing a piece of research to highlight both its strengths and weaknesses, and its applicability to practice (Schutt, 2018). Several empirical studies are reviewed with a view to building a case for the current study. These studies relate to the relationship between corporate governance and performance of private security firms in Kenya. Previous literature indicates existence of a relationship between corporate governance and firm performance. Studies on this area will be compared and contrasted on the basis of scope, methodology, objectives, variables, conclusions and research gaps.

Shah and Hussain (2012) study was conducted to analyze the significant relationship of ownership structure with Firm Performance in non-financial companies listed at Karachi Stock Exchange during the period 2008 to 2010. Tobin's Q was used as a proxy for Firm Performance. Panel Data Technique was employed to foresee the significant relationship among the variables. The results suggested that Firm Performance critically depends on Managerial Ownership. Agency problems arose due to increase in Managerial Shareholdings in Pakistani context, which ultimately impacts the performance of the firms. The findings of the above study cannot be generalized due to the fact that pre and post diagnostic analysis of the properties of the data were not tested before conducting the regression and this could lead to spurious regression and therefore affect the overall result of the study.

Ahmed and Hadi (2017) study sought to investigate the impact of shareholder assembly on firm financial performance in the MENA region. The sample covers nine MENA countries (Egypt, Bahrain, Qatar, Kuwait, Tunisia, UAE, Morocco, Oman and Jordan) for the year 2014. The study examined the impact of shareholder assembly on firm performance. Performance was proxied by Tobin-Q, ROE and ROA, while ownership structure was insider ownership, governmental, and blocks holders. The study control was risk, size, country effect and industry type. The study results suggest that block holders, insider ownership and governmental ownership play a crucial role in firm performance measured by Tobin-Q, ROE and ROA respectively. The study results suggest that insider ownership negatively affects firm's return on equity, while block holder ownership had a positive impact on a firm's Tobin-Q. The study recommended that the governmental ownership plays a positive role on a firm's return on assets in the MENA region. Conceptually, the current study will examine the relationship between shareholder assembly and performance of private security firms in Kenya. The findings of the above study cannot be generalized to the private security firms in Kenya.

Ujunwa (2012) in Nigeria, investigated the relationship between the board characteristics represented by board size, gender, ethnicity, skills, duality and nationality and financial performance depicted by accounting measure i.e. Return on Assets. Panel data collected from the annual reports of 122 Nigerian firms between 1991 and 2008 revealed no significant association between board characteristics and firm performance in particular. Between different variables of board characteristics, CEO duality was positively associated with the Nigerian firm's performance. The findings of the above study cannot be generalized due to the fact that pre and post diagnostic analysis of the properties of the data were not tested before conducting the regression, this could lead to spurious regression and therefore affect the overall result of the study. The current study seeks to examine the relationship between the board characteristics and performance of private security firms in Kenya.

According to Ruzgar, KOcak and Ruzgar (2015) their study investigated the Moderating Role of Competitive Intensity on Market and Entrepreneurial Orientation. The study was conducted within Small and Medium Sized Enterprises. The results indicated that entrepreneurial orientation and responsive market orientation have positive and significant impact on performance, whereas proactive market orientation has negative effect. In addition, environmental competition moderates the relations in the model. The findings of the study cannot be generalized since the context is different from the private security sector. The current study will adopt competitive environment as the moderator to show the relationship between corporate governance and performance of private security firms in Kenya.

A study by Ting, Wang & Wang (2012) on the moderating role of competitive environmental dynamism on the influence of innovation strategy and firm performance, established an association between innovation strategy and firm performance. The competitive environmental factor also discussed about has a moderate effect between innovation strategy and firm performance relationship. An empirical model that can be applied in other sectors to improve performance was developed. The findings of the study cannot be generalized since the context is different from the private security sector. The current study will adopt competitive environment as the moderator to show the relationship between corporate governance and performance of private security firms in Kenya.

Drawing on Miles and Snow's classification of strategy type, Auh and Meguc (2015) study on The Balancing Exploration and Exploitation: The Moderating Role of Competitive Intensity addressed the contingency role that competitive intensity plays in explaining the relationship between exploration/exploitation and firm performance. We further refine our firm performance measure into separate measures of effective and efficient firm performance. Our conceptual argument posits that for defenders, exploration will be positively related to effective firm performance while exploitation will be negatively related to efficient firm performance as competitive intensity increases. Conversely, for prospectors, we assert that exploration will be negatively related to effective firm performance, whereas exploitation will be positively associated with efficient firm performance as competition intensifies. Empirical results provide general support for our predictions. The implications for business theory and practice are discussed. The current study will adopt competitive environment as the moderator to show the relationship between corporate governance and performance of private security firms in Kenya. Further, post diagnostic analysis of the properties of the data were not tested before conducting the regression, this could lead to spurious regression and therefore affect the overall result of the study.

Ogaga and Owino (2017) attempted to highlight the indirect influence of the environment by testing the moderating influence of industry competition on the relationship between corporate strategy and performance. The study adopted the descriptive cross-sectional survey with data collected from companies listed at the Nairobi Securities Exchange. The findings demonstrate that industry competition has a significant moderating influence on the relationship between corporate strategy and performance. The current study will adopt competitive environment as the moderator to show the relationship between corporate governance and performance of private security firms in Kenya.

2.6. Summary of Literature Reviewed

This chapter reviewed the various theories that explain the independent and dependent variables. To start with is the agency theory which attempted to explain and was concerned with analysing and resolving problems that occur in the relationship between principals (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. Secondly, is the stewardship theory and it holds that corporations are social entities that affect the welfare of many stakeholders where stakeholders are groups or individuals that interact with a firm and that affect or are affected by the achievement of the firm's objectives. Thirdly, general system theory which seeks to explain the application of general science systems approach to the management of organizations. Fourthly, cognitive moral development theory is concern with ethical behaviours into performance appraisals then organization will be able to articulate value- oriented that is integrated across the organization. Fifthly, competitive advantage theory, explains that every firm has its own internal competencies which can form the basis for strength than its rivals in the market which if adopted the firm will remain competitive.

The chapter also posits the conceptual framework which presented diagrammatically the independent variables showing the specific constituents that influence a particular variable. For instance, shareholder assembly is influenced by annual reports to shareholders, shareholder voting rights and right to receive dividends. Board characteristics are influenced by director independence, board size and board composition. CEO- Board Collaborations is influenced by commitment to transparency, spheres of responsibility and strategy making process. Ethical Leadership is influenced by code of conduct, legal standards, and norms, values and beliefs. The dependent variable (firm performance) is depicted by market orientation, differential strategy and technological trends. The moderating variable is competitive environment which will be measured by the market orientation, differential strategy and technological trends. It is evident from the review that shareholding assembly, board characteristics, CEO-Board collaboration and ethical leadership affect firm performance. This effect can either be positive or negative. Finally, an empirical review has been conducted where past studies both global and local is reviewed into a critique. It is from these critiques that the research gaps have been identified.

2.7. Research Gaps

Kamaara, Gachunga and Waititu (2013) established that board characteristics influenced performance of Kenyan state corporations; however, this study did not focus on the role of shareholder assembly and other structures such as the boards on firm performance. The study was also limited to commercial state corporations. Several studies have been carried out in order to highlight the empirical relationship between the ownership structure and the performance of firms. More particularly, the financial literature has devoted great attention to two relationships. First, several studies are studying the relationship between the concentration of capital and business performance.

Muriithi (2016) on a study on the relation between the structure of board and the performance of firms quoted on the Nairobi Securities Exchange (NSE) that the presence of outside directors is positively associated with output of a firm. In their study Ongore, K'Obonyo and Ogutu (2011) examined the interrelations among ownership, board and manager characteristics and firm performance in a sample of 54 firms listed at the Nairobi Stock Exchange (NSE). The results showed a significant positive relationship between managerial discretion and performance. The current study seeks to establish the influence of corporate governance practices on performance of security firms in Kenya.

Barako (2008) examined the determinants of voluntary disclosure in Kenyan listed companies' annual reports and concluded that board disclosure, foreign ownership and firm size significantly affects the level of disclosure. Matengo (2008) carried out a study on the relationship between corporate governance and financial performance of banking industry in Kenya and found that transparency significantly affect financial performance while disclosure did not show any significant relationship. In terms of context, the study was carried out in the Kenyan listed companies and banking industry. The current study seeks to establish the influence of information disclosure on the performance of private security firms in Kenya.

Conceptualization and empirical studies that have established the influence of either the board characteristics and or shareholder assembly on the relationship between organizational resources and performance are rare. There is a compelling need to provide more empirical evidence to this relationship. Methodologically, most studies on resource-performance have either been conceptual in nature (Pearce et al., 2014) or purely depended on subjective data (Newbert, 2008). Contextually, there have been studies on Kenyan state corporations but not on the security firms. Kobia and Mohamed (2016) established that performance of Kenyan state corporations was impeded by lack of adequate resources, resources not being released on time, overambitious performance targets and unplanned staff transfers. In practice though, literature on corporate governance (Juma, 2014) contradicts this position by positing that, managers left on their own, pursue self-seeking interests using organizational resources. The empirical role of corporate governance structures on the relationship between organizational resources and performance of Kenyan state corporations is not applicable to the private security firms.

From the aforementioned studies, extensive research on corporate governance has been done in the past but none of the researchers however has studied on the moderating effect of competitive environment on corporate governance and how this affects performance of private security firms. This research will strive to show the relationship between corporate governance and performance of private security firms, with competitive environment acting as a moderating factor, which will add value to the existing literature available on this topic. All the empirical studies that have been done so far have not managed to point out the most critical corporate governance, which when bundled together have the greatest impact on performance of private security sector.

This research aims to bridge this gap, by carrying out an empirical study that will help to identify the most critical corporate governance practices that are crucial in ensuring performance of security firms, with competitive environment as a moderating factor. Additionally, most of the research has been limited to the Western and Eastern countries. This research aims at replicating these studies in the Kenyan context, in view of the fact that it is unique since it is a developing country which is in transition from personnel management to corporate governance. Kenya has its own unique history and culture, power and political play as well as a unique vision (Vision 2030). The studies done elsewhere cannot be completely replicated in Kenya, in helping to explain the relationship between corporate governance and performance of security firms which is also responsible for the realization of vision 2030 and for transforming Kenya.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the methodological framework used to attain the stated objectives of the study. The main focus of this chapter was on research design, type and sources of data, population description, sample size, sampling frame and its characteristics, sampling technique and a description of the choice of data collection instruments, questionnaire design, and methods of data measurement. In addition, this chapter also discussed the procedure for conducting the research and how the findings will be handled.

3.2 Research Philosophy

Research philosophy can be defined as the development of the research background, research knowledge and its nature (Scott, 2015; Mackey & Glass, 2015; Saldana, 2015; Babbie, 2015; Gelman et al., 2013). Research philosophy can also be defined with the help of research paradigm. According to Cohen, West and Aiken (2014), research paradigm can be defined as the broad framework, which comprises perception, beliefs and understanding of several theories and practices that are used to conduct a research (Mackey & Glass, 2015; Saldana, 2015; Babbie, 2015). It can also be characterized as a precise procedure, which involves various steps through which a researcher creates a relationship between the research objectives and questions (Yin, 2017; Kumar, 2019; Marshall & Rossmann, 2014; Glaser & Strauss, 2017).

This study adopted the positivism approach which advocates for application of the methods of the natural sciences to the study on social reality and more (Creswell & Creswell, 2017; Creswell & Poth, 2017; Marckey &Gass, 2015). In such an approach, the research associate’s objectivism with the concept of positivism (Bryman, 2016; Creswell & Creswell, 2017; Mackey & Gass, 2015; Saldana, 2015). A positivist philosophy is premised on the belief that reality is stable and can be observed and described from an objective view point without interfering with the phenomenon being observed (Creswell & Creswell, 2017). Babbie (2015) posits that since the focus of the positivist paradigm is to discover the "truth" through empirical investigation, the quality standards under this paradigm therefore are validity and reliability.

The conceptual framework sought to quantify the data for the purposes of explaining the causal relationships. The concept of positivism is directly associated with the idea of objectivism (Bryne, 2016; Kline, 2015; Bell, Bryman & Harley, 2018; Creswell & Creswell, 2017). In this kind of philosophical approach, scientists give their viewpoint to evaluate social world with the help of objectivity in place of subjectivity (Kline, 2015; Bell, Bryman & Harley, 2018; Yin, 2017; Maxwell, 2012; Marshall & Rossmann, 2014). The positivist position is derived from that of natural science and is characterized by the testing of hypothesis developed from existing theory (hence deductive or theory testing) through measurement of observable social realities (Maxwell, 2012; Pallant, 2013; Bell, Bryman & Harley, 2018; Marshall & Rossmann, 2014). It is on this premise the current study seeks to establish the relationship between corporate governance and performance of private security firms in Kenya. Based on these arguments, therefore the study adopted positivism philosophy.

3.3 Research Design

A research design describes how a study addresses the specific aims and objectives of the research. This study adopted a descriptive survey design to establish the relationship between corporate governance and performance of private security firms in Kenya. Descriptive research studies are designed to obtain pertinent and precise information concerning the current status of phenomena and whenever possible to draw valid general conclusion from the facts discovered (Saldana, 2015; Babbie, 2015; Gelman et al., 2013). Descriptive survey attempts to describe characteristics of subjects or phenomena, opinions, attitudes, preferences and perceptions of persons of interest to the researcher (Kumar, 2019; Yin, 2017). Moreover, a descriptive survey aims at obtaining information from a representative selection of the population and from that sample the researcher is able to present the findings as being representative of the population as a whole (Bryman, 2016; Kumar, 2019; Yin, 2017).

It is able to establish association between variables by quantifying relationship between the variables using techniques such as correlations, relative frequencies or differences between them. Manly and Alberto (2016) and Chaffield (2018) both concur that descriptive survey allows a researcher to gather information, summarize, present and interpret for the purpose of clarification and conclusions. The design was considered appropriate for the study because it allowed the reseacher to describe, record, analyze and report conditions as they existed in the field(Saldana, 2015; Babbie, 2015; SGelman et al., 2013).

Taylor and Bonsall (2017) and Glaser and Strauss (2017) noted that surveys can be used for explaining or exploring the existing status of two or more variables at a given point in time. Bell, Bryman and Harley (2018) and Maxwell (2012) similarly perceive a descriptive survey design as one that provides an investigator with quantitative and qualitative data. Against this background, descriptive survey was used to provide the current study with appropriate procedure for examining the relationship between corporate governance and performance of private security firms in Kenya.

3.4. Target Population

Glaser and Strauss (2017) defined population as the members of a real or hypothetical set of people, events or objects the researcher wishes to generalize the results of the research while the target population refers to the total number of subjects of interest to the researcher (Maxwell, 2012; Sekaran & Bougie, 2016; Cohen, West & Aiken, 2014; Marshall & Rossmann, 2014). A sample frame is a list containing all the sampling units (Maxwell, 2012; Creswell & Poth, 2017; Kumar, 2019; Marshall & Rossmann, 2014). It is from this list that items in the sample are drawn. The sampling frame of the study was a list of all the board members and managers in the private security firms in Kenya. In defining study population, the unit of analysis and unit of observation is a critical measure that demystifies the entities, subjects and the objects to be considered in the study. The unit of analysis is the entity that frames what is being analysed in a study, or is the entity being studied as a whole, within which most factors of causality and change exist. The unit of analysis was private security firms in Kenya (See the attached list as appendix V for KSIA & VI for PSIA). For the purpose of this study, the members of Kenya Security Industry Association (KSIA) and Protective Security Industry Association, were chosen since they have representation in Private Security Regulatory Authority (PSRA) board.

The private security firms have a complement of 896 (336 board members and 560 managers) according to the Human Resource Personnel departments in the private security firms to be studied. On the other hand, the unit of observation is the unit described by the data that one analyzes and is an object about which information was collected. Researchers base conclusions on information that is collected and analyzed, by using defined units of observation in a research or other study to help clarify the reasonable conclusions that can be drawn from the information collected. For the purpose of this study, the unit of observation was board members and management staff of private security firms. The number of board members and management staff per associations and the total is presented under table 3.1.

Table 3.1: Target Population

Association	BOD Members	Management Staff	Total
KSIA	120	200	320
PSIA	216	360	576
Total	336	560	896

Source: KISA and PSIA (2019)

3.5. Sampling Technique and Sample Size

The sample size of 384 respondents were derived from the target population using Fishers sample size determination formula. The sample size is derived as shown in the Table 3.2 basing on a table for determining Sample size for a given population size generated by Chatfield (2018). This can also be compared to the formula by

Kumar (2019). Since the study population was less than 10, 000, the total sample size was determined by use of Mugenda and Mugenda (2012) as effective for social sciences, for samples less than 10,000. The Fisher's formula was used to determine the appropriate sample size of this study. This is because the target population consists of a large number of units (Manly & Alberto, 2016; Kline, 2015; Bryne, 2016). Based on the total population of 896, a sample size was determined using Fisher's formula since the target population consists of a large number of units (Brymann, 2016). The researcher assumes 95% desired level of confidence, which was equivalent to standardized normal deviate value of 1.96, and an acceptable margin of error of 5% (standard value of 0.05).

$$n = z^2pq/e^2 = 384;$$

Where: n = the desired sample size (if target population is large)

z = the standard normal deviate at the required confidence level.

P = the proportion in the target population estimated to have characteristic being measured.

q = 1-p d = the level of statistical significance set.

Assuming 50% of the population have the characteristics being measured, q=1-0.5

Assuming we desire accuracy at 0.05 level.

The Z-statistic is 1.96 at this level.

Therefore, $n= (1.96)^2(.5)\ (.5)/\ (.05)^2 =384$. The 384 sampling units were distributed to the conveniently identified population using the proportional stratified sampling technique using the formula;

$$n_i = \left(\frac{N_i}{N}\right)n$$

This sampling method was appropriate for this kind of study because it provided a quantitative description of role of corporate governance and performance of the private security firms. Relevant studies elsewhere have used different representative populations for measuring corporate governance practices. Some studies (for example Taylor & Bonsall, 2017; Silvermann, 2018; Scott, 2015) have collected data only from executives and top management within the organization. Collecting data only from higher hierarchical positions may provide important insights about top management (Taylor & Bonsall, 2017; Kline, 2015; Saldana, 2015; Marshall & Rossmann, 2014; Silvermann, 2018; Scott, 2015).

Table 3.2: Sample Size Distribution

Association	BOD Members	Sample Size $n_i = \left(\frac{N_i}{N}\right)n$	Management Staff	Sample Size $n_i = \left(\frac{N_i}{N}\right)n$	Total (n)
KSIA	120	51	200	86	137
PSIA	216	93	360	154	247
Total	336	144	560	240	384

3.6. Data Collection Methods

Data collection plays a very crucial role in the statistical analysis. In research, there are different methods used to gather information, all of which fall into two categories, i.e., Primary and Secondary data (Mackey & Gass, 2015). Primary data is one which is collected for the first time by the researcher while secondary data is the data already collected or produced by others. The study analysed primary collected data from the respondents and rely on questionnaires in the collection of the primary data. Equally, the study used secondary data relating to the performance of private security firms in annual and published financial statements in national newspapers, annual general meetings messages and in-house magazines used to provide information on relevant performance indicators. The secondary data collected was used to cross validate the primary data collected.

3.6.1 Data Collection Procedure

According to Saldana (2015) and Scott (2015) data collection is the precise, systematic gathering of information relevant to the research sub-problems, using methods such as interviews, participant observations, focus group discussion, narratives and case histories. For purposes of this study, the data collection procedure involved seeking authorization from JKUAT CBD campus to allow the researcher to collect data. A research permit was also obtained from National Commission for Science, Technology, and Innovation. In addition, the researcher seeked the permission from the PSIA and KSIA, offices in order to be allowed to collect data from private security firms. The data was collected through the use of questionnaires. The questionnaires were presented to the respondents under a questionnaire-forwarding letter accompanied by an introductory letter from the university. The researcher identified the respondents, introduce himself and request to drop the questionnaire and collect back answered instruments. The questionnaire method was selected because it is relatively unobtrusive and inexpensive method of data collection (Maxwell, 2012; Yin, 2017; Mackey & Gass, 2015; Creswell & Creswell, 2017).

3.6.2. Research Instruments

Maxwell (2012) and Scott (2015) defined data collection instruments as the tools and procedures used in the measurement of variables in research. The main objective of this study was to establish the influence of corporate governance practices and performance of private security firms in Kenya.

Questionnaires

Various scholars' views questionnaire as a collection of questions or statements that assesses attitudes, opinions, beliefs, biographical information or other forms of information (Scott; 2015; Silvermann, 2018; Kumar, 2019; Bryman, 2016). The study adopted a questionnaire as one of the data collections instruments for this study. It was modified to include questions on competitive environment and performance. The key persons in the private security firms filled the questionnaires.

The questions (Appendix B) was aimed at eliciting relevant information concerning corporate governance practices and performance of private security firms. Questions relating to Shareholder Assembly, CEO-Board Collaboration, Board Characteristics, and Ethical Leadership and firm performance was asked in the questionnaire. The questionnaire had sections according to the independent and dependent variables. Part 'One' was on personal data of the respondents and has four items; Part 'Two' is on corporate governance practices with a total of eight items; that is on Shareholder Assembly, Board Characteristics, CEO-Board Collaboration, Ethical Leadership and firm performance.

Interviews

Conducting interviews on corporate governance and performance of private security firms in Kenya involved careful planning and execution to gather valuable insights from key stakeholders. The objectives were clearly outlined including the specific aspects of corporate governance and performance you aim to explore. This could include topics such as shareholder assembly, board characteristics, CEO-board collaboration, ethical leadership, and their impact on firm performance. The researcher determined the key stakeholders to interview, such as shareholders, board members, CEOs, managers, industry experts, regulators, and other relevant parties. The participants selected were considered to have diverse perspectives and experiences within the private security industry in Kenya. The research created a structured interview protocol outlining key topics, questions, and prompts to guide the interviews. Ensure that the questions are open-ended and designed to elicit detailed responses from participants. Consider including probes to follow up on responses and encourage participants to elaborate on their answers. The participants were reached out to selected participants and invite them to participate in the interviews. Provided information about the purpose of the interviews, expected duration, and logistics. Schedule interviews at a time convenient for participants and ensure they understand the confidentiality and voluntary nature of their participation. The study begun by introducing the purpose of the interview and establishing rapport with the participant. The interview followed the interview protocol, asking questions and probing for additional insights as needed.

Focus Groups

The study conducted focus groups to explore the relationship between corporate governance and performance in private security firms in Kenya. This gathered valuable insights from stakeholders to inform research and decision-making on shareholder assembly, board characteristics, CEO-board collaboration and ethical leadership on performance of private security firms in Kenya. The study clearly outlined the objectives of the focus groups, including what specific aspects of corporate governance and performance you aimed to explore. This could include topics such as shareholder assembly, board characteristics, CEO-board collaboration, ethical leadership, and their impact on firm performance. The study identified participants who had relevant knowledge and experience in corporate governance and the private security industry in Kenya. This could include shareholders, board members, CEOs, managers, industry experts, and other stakeholders. The study reached out to selected participants and invite them to participate in the focus groups. Provided information about the purpose of the focus groups, expected duration, and logistics. The focus group were scheduled and conducted in sessions in a conducive environment, ensuring that participants felt comfortable and free to express their opinions. It was begun by introducing the purpose of the focus group and establishing ground rules for respectful and constructive discussion.

Document Analysis

Conducting document analysis on corporate governance and performance of private security firms in Kenya involves systematically examining various documents, reports, and records to gather information and insights. The study identified the relevant documents. These included annual reports, corporate governance guidelines, board meeting minutes, financial statements, regulatory filings, internal policies and procedures, industry reports, and any other relevant documents. The researcher defined specific criteria or key areas of interest that focused on during the document analysis. These included aspects such as shareholder assembly practices, board characteristics, CEO-board collaboration, ethical leadership, financial performance metrics, regulatory compliance, and any other relevant governance and performance indicators. The study organized and review documents by taking notes or use coding techniques to annotate the documents based on the established criteria.

Thematic Coding

Thematic coding is a qualitative data analysis technique used to identify and categorize patterns, themes, and concepts within a dataset. When applying thematic coding to analyze corporate governance and performance of private security firms in Kenya, the researcher gathered and organized your data, which could include documents such as annual reports, corporate governance policies, meeting minutes, financial statements, and any other relevant materials. The items reviewed the data to become familiar with its content and context. The researcher took notes and highlighted key passages that relate to corporate governance practices and performance indicators in private security firms in Kenya. The themes were identified and generated initial codes, look for patterns and connections among them. The similar codes were grouped together to identify broader themes or categories that emerge from the data. The identified themes were refined by reviewing and comparing coded segments of text within each theme. The researcher ensured that there was consistency in coding by clearly defining what does and does not belong to each theme.

Secondary Data

The study identified relevant secondary sources of data, such as reports, articles, academic papers, industry publications, and government statistics, related to corporate governance practices and performance indicators of security firms in Kenya. The researcher screened the collected data to ensure relevance and reliability. Removed any irrelevant or duplicate data. Cleaned the data by correcting errors, standardizing formats, and addressing missing values. The researcher organized the data in a structured format, such as a spreadsheet or database, to facilitate analysis. This was ensured that each data point was properly labeled and categorized based on relevant variables, such as corporate governance practices, financial performance metrics, competitive environment and other key indicators.

3.7. Pilot Study

Pre-testing enables the researcher to modify and remove ambiguous items on instruments (Taylor & Bonsall, 2017; Kumar, 2019; Pallant, 2013; Silverman, 2018; Scott, 2015). The developed research instrument was pre-tested using an identical sample in the specified strata with the aim of aiding data collection instruments. It helped to ensure that research instruments were stated clearly and have the same meaning to all respondents. In order to achieve high precision pilot studies, 1% to 10 % of the sample constituted the pilot test size (Kumar, 2019; Kline, 2015; Cohen, West & Aiken, 2014). This study collected pre-test data from a total of 38respodents. The reliability coefficient of the reseach instruments was checked against Cronbach's Alpha whereby a threshold of 0.70 was used (Sekaran & Bourgie, 2016; Bell, Bryman & Harley, 2018). The standard minimum value of alpha of 0.7 was adopted in this study as recommended as the minimum level for item loadings. Higher alpha coefficient values mean there is consistency among the items in measuring the concept of interest. The recommended value of 0.7 was used as a cut-off of reliabilities.

The content validity was achieved by subjecting the data collection instruments to an evaluation group of experts who provided their comments and relevance of each item of the instruments and the experts indicated whether the item was relevant or not. The content validity formula by Manly and Alberto (2016) was used in line with other previous studies (Kline, 2015; Bryne, 2016; Cohen, West & Aiken, 2014). The formula is; Content Validity Index = (No. of judges declaring item valid) / (Total No. of items). This study used construct validity. For construct validity, the questionnaire was divided into several sections to ensure that each section assessed information for a specific objective, and also ensure that the same closely ties to the conceptual framework for this study (Taylor & Bonsall, 2017; Silverman, 2018; Scott, 2015). Construct validity was established by relating the survey questionnaire to a general theoretical framework. The instrument measuring provided adequate coverage of the investigative questions, criterion-related validity where the instrument made accurate predictions of expected information and the instrument measures the presence of those constructs that is intended to be measured (Maxwell, 2012; Silverman, 2018;

Gelmann et al., 2013; Sekeran & Bougie, 2017; Glaser & Strauss, 2017; Kline, 2015).

3.7.1. Operationalization of the Variables

To operationalize the research variables, the study first determined the indicators of each independent variable and then employs Likert Scale to measure the independent variables. According to Cohen, West and Aiken (2014) Likert scales are good because they show the strength of the person's feelings to whatever is in the questions, they are easy to collect and analyse, they are more expansive and quicker. The independent variables for the study are shareholder assembly, board characteristics, CEO-board collaboration, ethical leadership and performance of security firms (dependent variable). The study also has a moderating variable, which is competitive environment. The variables are measured by the indicators as shown Table 3.3.

Table 3.3: Variable Definition and Measurement

Objective	Variables	Measurement
Dependent Variable (Performance of Private Security Firms).	■ Profitability ■ Customer Satisfaction ■ Market Share	■ Likert Scale of 1-5 ■ Descriptive Statistics ■ Inferential Statistics
Independent Variables (Corporate Governance)		
Shareholder Assembly	■ Participation in annual general meeting ■ Approval of financial statements ■ Appointment of board of directors	■ Likert Scale of 1-5 ■ Descriptive Statistics ■ Inferential Statistics
Board Characteristics	■ Board of directors Independence ■ Board Size ■ Board diversity	■ Likert Scale of 1-5 ■ Descriptive Statistics ■ Inferential Statistics
CEO-Board Collaboration	■ Mode of communication ■ Conflict management ■ Consultation and oversight	■ Likert Scale of 1-5 ■ Descriptive Statistics ■ Inferential Statistics
Ethical Leadership	■ Regulatory compliance ■ Moral outcome ■ Role modelling	Likert Scale of 1-5 Descriptive Statistics Inferential Statistics
Moderating Variable (Competitive Environment)	■ Strategic alliances ■ Diversification ■ Technological trends	Likert Scale of 1-5 Descriptive Statistics Inferential Statistics

3.8. Data Analysis and Presentation

Data analysis is the representation of data gathered during a study (Kline, 2015; Byrne, 2016). This study gathered both quantitative and qualitative data which was coded and analyzed using Statistical Package for Social Sciences (SPSS) computer software. SPSS software was used because of its ability to appropriately create graphical presentations of questions, data for reporting, presentation and publishing. SPSS is able to handle large amount of data and given its wide spectrum of statistical procedures purposefully designed for social sciences, it will be efficient (Cohen, West & Aiken, 2014; Babbie, 2015). The analyzed data was presented in the form of frequency distribution tables.

3.8.1. Diagnostic Tests

The statistical assumptions relate to Classical Linear Regression Model (CLRM). These assumptions showed that the estimation technique, Ordinary Least Squares (OLS), has a number of desirable properties. These assumptions gave an indication that the hypothesis tests regarding the coefficient estimates were validly conducted. When these assumptions are violated the results of the analysis could have been misleading.

a) Linearity Assumption

This assumption asserts that the dependent variable is linearly related to the coefficients of the model and the model is correctly specified. Computation of ANOVA statistics was used to test for the linearity assumption. The study should hypothesize that: H_0: the dependent variable has no linear relationship with the independent variables. If is established that the F-statistic with p-value <0.05, then there is significant linearity (Taylor & Bonsall, 2017; Silverman, 2018).

b) Multicollinearity Assumption

This assumption asserts that no independent variable has a perfect linear relationship with any of the other independent variables. It is therefore a type of disturbance in the data and if present in the data the statistical inferences made about the data may not be reliable. This was tested using Variance Inflation Factor. If VIF = 1, not correlated; 1<VIF<5 moderately correlated; VIF>5 to 10 highly correlated. Results showed that all the variables had a variance inflation factors (VIF) of less than 10. This implies that there was no severe collinearity with the variables thus all the variables were maintained in the regression model.

c) Autocorrelation Assumption

This assumption asserts that the error terms are not related with each other. Autocorrelation was tested by calculating the Durbin–Watson statistic to detect the presence of autocorrelation. The Durbin-Watson statistic should be between 1.5 and 2.5 for independent observations (Pallant, 2013; Scott, 2015). In this data analysis, Durbin Watson value was 2.109, which is between the acceptable ranges, it showed that there were no autocorrelation problems. This reaffirms that the data was fit for correlation analysis.

d) Normality Assumption

Test for normality was used to determine if the set is well-modelled by a normal distribution. In statistical hypothesis testing, data is tested against the null hypothesis that it is normally distributed. Normality was tested through Shapiro-Wilk test. The Shapiro-Wilk's (W) is recommended for small and medium samples up to n = 2000.

3.8.2. Inferential Analysis

The study carried out inferential statistics through correlation analysis. Correlation is a statistical tool with the help of which relationships between two or more variables is determined (Byrne, 2016; Kline, 2015; Manly & Alberto, 2016). Pearson correlation coefficient will be used for testing associations between the independent and the dependent variables. Correlation usually refers to the degree to which a linear predictive relationship exists between random variables, as measured by a correlation coefficient (Manly & Alberto, 2016; Sekeran & Bougie, 2016). Correlation coefficients between independent variables (shareholder assembly, board characteristics, CEO-Board collaboration, ethical leadership), moderating variable (competitive environment) and dependent variable (performance of private security firms) will be computed to explore possible strengths and direction of relationships. A correlation coefficient (r) has two characteristics that is direction and strength. Direction of relationship is indicated by how r is to 1, the maximum value possible. r is interpreted as follows; When r = +1 it means there is perfect positive correlation between the variables. r = -1 means there is perfect negative correlation between the variables. r = 0 means there is no correlation between the variables, that is the variables are uncorrelated.

This study will also conduct inferential statistics through bivariate regression analysis and multiple regression analysis. Using SPSS software, the data will be subjected to regression analysis. Simple linear regression analyses for (H_{01}, H_{02}, H_{03} and H_{04}) and multiple regression analysis will be used to establish the nature and the magnitude of the relationship between the dependent and the independent variables and to test the hypothesized relationships. In addition, moderated multiple regression models will be used to establish the direction and the magnitude of the effect of the moderator variable, on each of the independent variables and the total effect of the moderator variable, on the dependent variable H_{05}. In this study, the influence of each variable will be determined by the size and the direction (sign) of the regression for the significant terms.

According to Kumar (2019) regression analyses attempts to determine whether a group of variables together predict a given dependent variable and, in this way, attempt to increase the accuracy of the estimate. The use of regression model is preferred due to its ability to show whether there is a positive or a negative relationship between independent and dependent variables (Saldana, 2015; Maxwell, 2012; Chatfield, 2018; Pallant, 2013). Previous studies have used regression models with satisfactory results.

Statistical Analytical Modelling

The study used both simple regression models and multiple regression model for objective 1,2,3,4 and moderated regression models for objective 5

a) Simple Regression Models

Objective one: $Y = \beta_0 + \beta_1 X_1 + \varepsilon$...1.1

Where;

Y- Performance of Private Security Firms (Dependent Variable)

X_1-Shareholder Assembly

β_0 -The constant

β_1- The coefficient

ε -Error term

Objective two: $Y = \beta_0 + \beta_2 X_2 + \varepsilon$ 1.2

Where;

Y-Performance of Private Security Firms (Dependent Variable)

X_2- Board Characteristics

β_0 -The constant

β_2- The coefficient

ε -Error term

Objective three: $Y = \beta_0 + \beta_3 X_3 + \varepsilon$ 1.3

Where;

Y- Performance of Private Security Firms (Dependent Variable)

X_3- CEO-Board collaboration

β_0 -The constant

β_3- The coefficient

ε -Error term

Objective four: $Y = \beta_0 + \beta_4 X_4 + \varepsilon$ 1.4

Where;

Y-Performance of Private Security Firms (Dependent Variable)

X_4- Ethical Leadership

β_0 -The constant

β_4- The coefficient

ε -Error term

b) Multiple Regression Model

$\mathbf{Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon}$ 1.5

Where:

Y –Performance of Private Security Firms (Dependent Variable)

X_1 –Shareholder Assembly

X_2 –Board Characteristics

X_3 –CEO-Board collaboration

X_4 –Ethical leadership

ε -Error term

β_0 -Constant (Y- Intercept)

βi - are the regression coefficients of each Xi (i=1, 2, 3, 4)

c) Moderated Multiple Regression Models

Moderator is a variable that affects the direction and the strength of the relationship between an independent or predictor variable and a dependent criterion variable (Kline, 2015; Glaser & Strauss, 2017; Taylor & Bonsall, 2017). This variable may reduce or enhance the direction of the relationship between a predictor variable and a dependent variable, or it may change the direction of the relationship between the two variables from positive to negative (Silverman, 2018; Scott, 2015; Bell, Bryman& Harley, 2018). The study used multiple regressions analysis (stepwise method) to establish the moderating effect of competitive environment (Z) on relationship between corporate governance and performance of private security firms. To determine the direction and the effect of the moderating variable on each of the independent's variables and the total effect on the dependent variable, model 1.6 was used while model 1.7 was used to test the joint moderating effect.

$Y = \beta_0 + \beta_1X_1+ \beta_2X_2+ \beta_3X_3+ \beta_4X_4+ \beta_5Z+ \beta_6\ X_1Z+ \beta_7\ X_2Z+ \beta_8\ X_3Z+ \beta_9\ X_4Z+ \varepsilon$.......1.6

Where:

Y is Performance of Private Security Firms (Dependent Variable),

$X_{1=}$Shareholder Assembly

$X_{2=}$ Board Characteristics

X_3,= CEO-Board Collaboration,

X_4= Ethical Leadership

X_5 = Competitive Environment

Z is the hypothesized moderator (Competitive Environment)

Z_iX is the interaction term of the competitive environment with each of the independent variables (1,2,3,4)

β_0 is constant (Y- Intercept) which represent the value of Y when X =0

3.8.3. Test of Significance

To draw conclusions on the objectives, the study will test the hypotheses based on statistics from the results and findings of statistical modelling. The study will fit the various Ordinary Least Square (OLS) models for and test for significance at 0.05 level of significance. On correlation analyses, the correlation coefficients estimated will be tested and concluded to be significant if the p-values are less than 0.05. Regression models will be tested for goodness of fit by computing the R-square statistics that showed the explanatory power of the models. A large R-square will be associated with high explanatory power implying good fitness. The moderating effect will be tested by computing the R-square, change in its corresponding F-change p-value where a significant moderating effect will be associated with a p-value of less than 0.05.

3.8.4. Hypothesis Testing

The significance of each independent variable will also be tested. The t-test statistics will be used to test the significance of each individual predictor or independent variable and hypothesis. The p-value for each t-test will be used to make conclusions on whether to reject or accept the null hypotheses. The benchmark for this study for accepting or rejecting the null hypothesis will be at a level of significance of 5 percent. If the p-value is less than five percent, the null hypothesis will be rejected and the alternate hypothesis will be accepted. Also, if the p-value is greater than 5 percent the null hypothesis is failed to be rejected. Two sets of hypotheses will be formulated for each variable, one stating the null hypothesis while the other one state alternative hypothesis.

(i) (ii) Ho: $\beta = 0$

While

Ha: $\beta \neq 0$

If β = 1 2 3 4……values, you reject the null hypothesis (i) Calculation of ANOVA statistics and p-values. (ii) Compare the P-value against 0.05 and if p-value less than 0.05, then Reject or fail to reject the null hypothesis. The stated hypotheses are essential to illustrate methodology of accepting or rejecting the null hypothesis. By concluding on hypothesis, the study demonstrates the relationships between variables or lack of it.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the key findings of the study that sought to establish the relationship between corporate governance and performance of private security firms in Kenya. The findings with regard to the response rate and study sample characteristics are presented first. The chapter then provides a detailed analysis of descriptive and inferential statistics showing how each hypothesis was tested. The study linked the findings with reviewed literature to enable interpret the data, draw implications and make recommendations.

4.2 Response Rate

A total of 384 questionnaires were issued out to respondents in the private security firms. As shown in Table 4.1 completed questionnaires that were received were 321 which represented 83.59% response rate. The response rate is considered adequate given the recommendations by Portney (2020), a response rate of 60% is considered appropriate in research. Saunders, Lewis and Thornhill (2018) suggest a 30-40% response, Sekaran (2013) document 30%, Bett and Memba (2019) advice on response rates exceeding 50% and Manyala and Wario (2020) recommend 50%. Based on these assertions, this implies that the response rate for this study was adequate. In the same context, Coleman and Wu (2020) study on corporate governance mechanisms and corporate performance of firms in Nigeria and Ghana asserted that a response rate of above 65% is adequate for satisfactory research findings. Based on the above, the response rate of 83.59% was found to be adequate and good for analysis and generalization of the results.

Table 4.1: Response Rate

Questionnaires	Frequency	Percent	Cumulative Percent
Returned	321	83.59	83.59
Unreturned	63	16.41	100.00
Total	**384**	**100**	

4.3 Results of Pilot Study

4.3.1 Reliability Analysis

This section presents the factor analysis results for corporate governance, competitive environment and performance of private security firms constructs. Factor analysis is a technique that is used for data reduction. It attempts to identify the underlying variables that explain a given pattern of correlations within a set of observed variables. This study uses factor analysis to reduce data so as to identify a small number of factors that explain most of the variance that is observed in a much larger number of manifest variables or constructs.

The Cronbach Alpha was calculated to test for reliability and was conducted using SPSS. The Cronbach's Alpha coefficient was used to measure the internal consistency of measurement scales. This is a scale measurement tool, which is commonly used in social sciences to establish the internal consistency of items or factors within and among variables of the study. Clibbens, Walters and Baird (2020) argues that an alpha coefficient of 0.7 or above is an acceptable measure. The Cronbach Alpha for the main variables in the conceptual framework was reliable registering a score of 0.827 to 0.901 as shown in Table 4.2 to 4.7. This indicates that the data collected using the above-mentioned instruments was reliable for analysis.

Shareholder assembly and competitive environment showed the highest levels of reliability at 0.901 and 0.898 respectively. Board characteristics showed reliability of

0.891 while CEO-board collaboration, ethical leadership showed the level of 0.827 and 0.886 respectively which was above the 0.7 measure that is recommended as evidence that the measurement items have a high measure of internal consistency for underlying constructs (Creswell & Poth, 2017).

i). Factor and Reliability Analysis for Construct Shareholder Assembly

The shareholder assembly construct was reviewed for reliability and factor analysis as indicated in Table 4.2, it was posited as a one-dimensional construct measured by the six items; Company hold its annual general meeting as the company articles (SA1), Shareholders participate in annual general meeting (SA2), Shareholders receive meeting agendas on time (SA3), Shareholders' approval financial during annual general meetings (SA4), Shareholders' approval the appointment external auditors (Sa5) and shareholder appoint board of directors as per the company articles (SA6).

Shareholder Assembly had a Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy of 0.887, which was above the threshold of 0.6 (Nkansah, 2011). Barlett's test of sphericity was significant (chi-square= 1298.876, $p<0.05$), showing that there were sufficient relationships among the variables to investigate. Exploratory factor analysis using Principal Component Analysis (PCA) with promax rotation revealed that the factor loadings of all the items were above the acceptable threshold of 0.5 (Osborne, Costello & Kellow, 2020). Item total correlations of SA1, SA2, SA3, SA4, SA5 and SA6 were 0.921, 0.905, 0.889, 0.911, 0.918 and 0.891 respectively, which was above the 0.3 threshold. SA1, SA2, SA3, SA4, SA5 and SA6 were therefore maintained for measurement model estimation as they achieved the required thresholds for reliability and validity. Additionally, the items of measure SA1, SA2, SA3, SA4, SA5 and SA6 had factor loadings of 0.923, 0.859, 0.887, 0.931, 0.852 and 0.899 respectively, which accounted for 78.89% of the variability in shareholder assembly. A Cronbach's coefficient alpha of 0.901 for shareholder assembly indicated that the measuring scale was reliable.

Table 4.2: Factor Analysis and Reliability for the Construct Shareholder Assembly

	Reliability			Factor Analysis				
First-order constructs	**Cronbach's alpha**	**Item**	**Item total correlation**	**KMO**	**Bartlett's (p-value)**	**PCA component loading**	**variance extracted**	**Items deleted**
Shareholder Assembly	.901	SA1	.921	.887	1298.876(.000)	.923	78.98%	None
		SA2	.905			.859		
		SA3	.889			.887		
		SA4	.911			.931		
		SA5	.918			.852		
		SA6	.891			.899		

ii). Factor and Reliability Analysis for the Construct Board Characteristics

The board characteristics construct was reviewed for reliability and factor analysis as indicated in Table 4.3, it was posited as a one-dimensional construct measured by the five items; Board of directors are independent in decision making (BC1), Number of the board members is adequate to address company needs (BC2), Composition of the board represents diversity (BC3), Board members have the required competence to lead the company (BC4), Non-Executive and Executive directors are proportionally balanced (BC5).

Board characteristics had a Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy of 0.811, which was above the threshold of 0.6 (Nkansaih, 2011). Barlett's test of sphericity was significant (chi-square= 1186.768, $p<0.05$), showing that there were sufficient relationships among the variables to investigate. Exploratory factor analysis using Principal Component Analysis (PCA) with promax rotation revealed that the factor loadings of all the items were above the acceptable threshold of 0.5 (Osborne, Costello & Kellow, 2014). Item total correlations of BC1, BC2, BC3, BC4 and BC5 were 0.932, 0.873, 0.817, 0.823 and 0.789 respectively, which was above the 0.3 threshold. BC1, BC2, BC3, BC4 and BC5 were therefore maintained for measurement model estimation as they achieved the required thresholds for reliability and validity. Additionally, the items of measure BC1, BC2, BC3, BC4 and BC5 had factor loadings of 0.913, 0.854, 0.789, 0.798 and 0.771 respectively, which accounted for 77.89% of the variability in board characteristics. A Cronbach's coefficient alpha of 0.891 for board characteristics indicated that the measuring scale was reliable.

Table 4.3: Factor and Reliability Analysis for the Construct Board Characteristics

	Reliability				Factor Analysis			
First-order constructs	**Cronbach's alpha**	**Item**	**Item total correlation**	**KMO**	**Bartlett's (p-value)**	**PCA component loading**	**variance extracted**	**Items deleted**
Board Characteristics	.891	BC1	.932	.811	1186.768 (.000)	.913	77.89%	None
		BC2	.873			.854		
		BC3	.817			.789		
		BC4	.823			.798		
		BC5	.789			.771		

iii). Factor and Reliability Analysis for the Construct CEO-Board Collaboration

The CEO-board collaboration construct was reviewed for reliability and factor analysis as indicated in Table 4.4, it was posited as a one-dimensional construct measured by the five items; The CEO-Board collaboration enhances board and management relationship (CB1), CEO-Board collaboration brings conflict of roles and responsibilities (CB2), CEO-Board collaboration enhances the oversight role of the board (CB3), CEO-Board collaboration enables the CEO do regular consultation (CB4), There is fair political competition devoid of influence from the other level of government CEO-Board collaboration improves communication between the directors and managers (CB5).

CEO-board collaboration had a Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy of 0.827, which was above the threshold of 0.6 (Nkansaih, 2011). Barlett's test of sphericity was significant (chi-square= 1526.872, $p<0.05$), showing that there were sufficient relationships among the variables to investigate. Exploratory factor analysis using Principal Component Analysis (PCA) with promax rotation revealed that the factor loadings of all the items were above the acceptable threshold of 0.5 (Osborne, Costello & Kellow, 2014). Item total correlations of CB1, CB2, CB3, CB4 and CB5 were 0.789, 0.769, 0.826, 0.911 and 0.897 respectively, which was above the 0.3 threshold. CB1, CB2, CB3, CB4 and CB5 were therefore maintained for measurement model estimation as they achieved the required thresholds for reliability and validity. Additionally, the items of measure CB1, CB2, CB3, CB4 and CB5 had factor loadings of 0.768, 0.741 0.793, 0.862 and 0.883 respectively, which accounted for 80.11% of the variability in CEO-board collaboration. A Cronbach's coefficient alpha of 0.827 for CEO-board collaboration indicated that the measuring scale was reliable.

Table 4.4: Factor and Reliability Analysis for the Construct CEO-Board Collaboration

		Reliability			Factor Analysis			
First-order constructs	**Cronbach's alpha**	**Item**	**Item total correlation**	**KMO**	**Bartlett's (p-value)**	**PCA component loading**	**variance extracted**	**Items deleted**
CEO-board collaboration	.827	CB1	.789	.791	1526.872 (.000)	.768	80.11%	None
		CB2	.769			.741		
		CB3	.826			.793		
		CB4	.911			.862		
		CB5	.897			.883		

iv). Factor and Reliability Analysis for the Construct Ethical Leadership

The ethical leadership construct was reviewed for reliability and factor analysis as indicated in Table 4.5 and it was posited as a one-dimensional construct measured by the six items; The board of directors complies with the regulatory requirements (EL1), The firm ethical considerations focus on the societal success (EL2), The board of directors promotes ethical culture within the firm (EL3), The CEO implement business ethical practices (EL4), The board of directors considers the moral outcome of management decisions (EL5) and The board of directors and CEO encourages role modelling for junior employees (EL6).

Ethical leadership had a Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy of 0.926, which was above the threshold of 0.6 (Nkansaih, 2011). Barlett's test of sphericity was significant (chi-square= 1698.908, $p<0.05$), showing that there were sufficient relationships among the variables to investigate. Exploratory factor analysis using Principal Component Analysis (PCA) with promax rotation revealed that the factor loadings of all the items were above the acceptable threshold of 0.5 (Osborne, Costello & Kellow, 2020). Item total correlations of EL1, EL2, EL3, EL4, EL5 and EL6 were 0.902, 0.969, 0.917, 0.902, 0.928 and 0.939 respectively, which was above the 0.3 threshold. EL1, EL2, EL3, EL4, EL5 and EL6 were therefore maintained for measurement model estimation as they achieved the required thresholds for reliability and validity. Additionally, the items of measure EL1, EL2, EL3, EL4, EL5 and EL6 had factor loadings of 0.962, 0.918, 0.908, 0.917, 0.899 and 0.925 respectively, which accounted for 92.17% of the variability in ethical leadership. A Cronbach's coefficient alpha of 0.886 for ethical leadership indicated that the measuring scale was reliable.

Table 4.5: Factor and Reliability Analysis for the Construct Ethical Leadership

	Reliability			Factor Analysis				
First-order constructs	**Cronbach's alpha**	**Item**	**Item total correlation**	**KMO**	**Bartlett's (p-value)**	**PCA component loading**	**variance extracted**	**Items deleted**
Ethical Leadership	.886	EL1	.902	.926	1698.908 (.000)	.962	92.17%	None
		EL2	.969			.918		
		EL3	.917			.908		
		EL4	.902			.917		
		EL5	.928			.899		
		EL6	.939			.925		

v). Factor and Reliability Analysis for the Construct Competitive Environment

The competitive environment construct was reviewed for reliability and factor analysis as indicated in Table 4.6 and it was posited as a one-dimensional construct measured by the five items; The firm has made strategic alliances with other stakeholders (CP1), The firm's risk management strategy is responsive to dynamic business environment (CP2), The firm responds to diversified customers 'needs effectively (CP3), The firm has leveraged on technology to remain competitive (CP4), The firm promotes innovation and creativity to venture into new markets (CP5).

Competitive Environment had a Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy of 0.887, which was above the threshold of 0.6 (Nkansaih, 2011). Barlett's test of sphericity was significant (chi-square= 1781.892, $p<0.05$), showing that there were sufficient relationships among the variables to investigate. Exploratory factor analysis using Principal Component Analysis (PCA) with promax rotation revealed that the factor loadings of all the items were above the acceptable threshold of 0.5 (Osborne, Costello & Kellow, 2014). Item total correlations of CP1, CP2, CP3, CP4 and CP5 were 0.901, 0.926, 0.819, 0.829 and 0.902 respectively, which was above the 0.3 threshold. CP1, CP2, CP3, CP4 and CP5 were therefore maintained for measurement model estimation as they achieved the required thresholds for reliability and validity. Additionally, the items of measure CP1, CP2, CP3, CP4 and

CP5 had factor loadings of 0.917, 0.829, 0.802, 0.899 and 0.798 respectively, which accounted for 81.22% of the variability in competitive environment. A Cronbach's coefficient alpha of 0.898 for Competitive Environment indicated that the measuring scale was reliable.

Table 4.6: Factor and Reliability Analysis for the Construct Competitive Environment

		Reliability		Factor Analysis				
First-order constructs	**Cronbach's alpha**	**Item**	**Item total correlation**	**KMO**	**Bartlett's (p-value)**	**PCA component loading**	**variance extracted**	**Items deleted**
Competitive Environment	.898	CP1	.901	.887	1781.892 (.000)	.917	81.22%	None
		CP2	.926			.829		
		CP3	.819			.802		
		CP4	.829			.899		
		CP5	.902			798		

4.3.2. Validity Test

The validity test was conducted to establish the face and content validity of the data collection tool. The study established face validity by garnering comments from people with experience and expertise in this field. First, the researcher distributed the draft questionnaire to 15 PhD postgraduate students studying Leadership and Governance at JKUAT, and asked them to provide any comments about the questionnaire and whether they understood the questions. Their feedback was related to the wording of some of the statements, the structure, and the layout of the questionnaire. All their comments were considered and various changes were made. Second, the draft questionnaire was sent to the 2 supervisors for the researcher. Their feedback helped with the refinement of the items in terms of using more objective methods for measuring items and better wording. After these changes were made, the final version of the draft questionnaire was ready, before being pre-tested as recommended by the experts.

Content Validity explains how well the dimensions and elements of the concept have been delineated (Sekaran & Bougie, 2011). The content validity was established by means of a pretest where the initial draft questionnaire was subjected to an evaluation by a group of 5 university experts who provided their comments on the relevance of each item on the data collection instrument prior to the pilot test. The results of their responses were analyzed to establish the percentage representation using the content validity index (CVI) formula (Amin, 2005) was used;

CVI= K/N

Where;

K = Total No. of Items (Valid)

N = Total No. of Items in the Questionnaire

Table 4.7 presents the results of the content validity from the pre-test. The results from the pre-test indicated that the average content validity index was 0.934 and the average congruency percentage was 93.40% implying that the content validity was acceptable. Waltz, Strickland, and Lenz (2015) advise that an average congruency percentage of 90 percent or higher would be considered acceptable (Polit & Beck, 2016). A similar approach for determining the content validity has been adopted by Kisingu, Namusonge and Mwirigi (2017) in their research.

Table 4.7: Results of Content Validity from the Pre-Test

Rater	Total No. of Items	Total No. of Items Declared Valid	Content Validity Index	Congruency Percentage	Remark
Rater 1	61	57	.934	93.40%	Valid
Rater 2	61	58	.951	95.10%	Valid
Rater 3	61	59	.967	96.70%	Valid
Rater 4	61	54	.885	88.50%	Valid
Rater 5	61	57	.934	93.40%	Valid
Average	61	57	.934	93.40%	Valid

4.4 Background Information

This section analyzes the demographic characteristics of the respondents. This section presents the descriptions of the respondents in terms of their gender, level of education, number of years in current employment and age of the respondents.

4.4.1 Gender of the Respondents

The respondents were asked to indicate their gender. Results in Table 4.8 reveal that majority (76.95%) of the respondents were male while 23.05% were female. This implies that most of the top leadership employees in the private security firms are male. However, this indicates that the private security firms in Kenya had fair gender balance and views of the respondents in the study were not biased to one gender. The implication of the gender of respondents in a study investigating the relationship between corporate governance and the performance of security firms can have several implications. Considering the gender of respondents in studies examining the relationship between corporate governance and the performance of security firms provides valuable insights into gender diversity, leadership dynamics, governance effectiveness, and policy implications within the security industry and corporate governance landscape. By understanding the perspectives and experiences of both male and female respondents, researchers and practitioners can develop more nuanced strategies for enhancing governance practices and driving firm performance.

Table 4.8: Gender of the Respondents

Gender	Frequency	Percent	Cumulative Percent
Male	247	76.95	76.95
Female	74	23.05	100.0
Total	321	100.0	

4.4.2. Respondents' Experience

The respondents were asked to indicate the length of the period they had worked in the private security firms in Kenya. Table 4.9 illustrates that 54.02% of the respondents had worked for a period of between 1 to 5 years, 31.46% indicated between 6 to 10 years, 14.52% posited over 10 years. This indicates that over 85% of the respondents had worked in the private security firms for more than five years. The findings imply that the respondents had worked long enough in the private security firms and hence had knowledge about the corporate governance and performance of the private security firms in Kenya. This is in agreement with the findings by Albert and Tullis (2013) who asserts that respondents with a high working experience assist in providing reliable data since they have technical experience on the problem being studied. The respondents' experience in a study examining the relationship between corporate governance and the performance of security firms can have several implications. Overall, the experience of respondents in corporate governance roles and the security industry enriches the study of the relationship between corporate governance and the performance of security firms. Their insights, perspectives, and expertise contribute to a comprehensive understanding of governance practices, firm performance drivers, and implications for policy and practice within the security sector.

Table 4.9: Respondents Work Experience

Tenure	Frequency	Percent	Cumulative Percent
1-5 years	174	54.02	54.02
6 to 10 years	101	31.46	85.48
+ 10 years	46	14.52	100.00
Total	**321**	**100.0**	

4.4.3 Respondents' Level of Education

The respondents were asked to indicate their level of education. Results in Table 4.10 reveal that majority (71.03%) of the respondents had attained education up to the university level, 17.44% of the respondents had attained education up to college level while only 10.90% of the respondents have attained education up to postgraduate level. According to the findings, it suggests that the level of education of leaders was significant in being placed in leadership positions in the private security firms in Kenya.The level of education of respondents in a study examining the relationship between corporate governance and the performance of security firms can have several implications. The level of education of respondents in a study on corporate governance and performance of security firms influences their understanding of governance principles, critical thinking abilities, contribution to policy and practice, communication skills, influence on board dynamics, and representation of diverse perspectives. By considering the educational backgrounds of respondents, researchers can enrich the study with insights from individuals with varied knowledge, expertise, and experiences relevant to the governance-performance relationship within the security industry.

Table 4.10: Respondents Level of Education

	Frequency	Percent	Cumulative Percent
Diploma	56	17.44	17.44
Bachelors	228	71.03	88.47
Masters	35	10.90	99.37
PhD	2	0.67	100
Total	**321**	**100.0**	

4.5. Descriptive Analysis Results

All the variables (shareholder assembly, board characteristics, CEO-board collaboration, ethical leadership and performance of private security firms) were measured using five-point scale. Descriptive statistics were obtained through running the statements of each objective using descriptive custom table. The mean and the standard deviations were obtained through running the descriptive statistics.

4.5.1. Descriptive Statistics for the Construct Shareholder Assembly

Respondents were requested to indicate their level of agreement with various statements on aspects of shareholder assembly. It was posited as a one-dimensional construct measured by the six items; Company holds its annual general meeting as per the company articles (SA1), Shareholders participate in annual general meeting (SA2), Shareholders receive meeting agendas on time (SA3), Shareholders' approval financial during annual general meetings (SA4), Shareholders' approval the appointment of external auditors (SA5) and shareholder appoint board of directors as per the company articles (SA6).

From the findings in Table 4.11, majority of the respondents agreed that the company hold its annual general meeting as the company articles (M=4.406, SD=0.267), Shareholders participated in annual general meeting (M= 4.285, SD=0.532), Shareholders received meeting agenda on time (M=4.087, SD=0.902), Shareholders' approval financial during annual general meetings (M=4.154, SD=0.218), Shareholders' approval the appointment external auditors (M=4.087, SD=0.008). Also, the respondents agreed that shareholder appoint board of directors as per the company articles (M=4.012, SD=0.318). In summary, conducting a descriptive analysis of means and standard deviations in a study examining the relationship between shareholder assembly and the performance of security firms provides valuable insights into central tendencies, and variability, outliers and analytical considerations. By examining these descriptive statistics, the study gains a comprehensive understanding of the data distribution, identify patterns or trends, and make informed decisions about subsequent analyses and interpretations of results.

Thus, the study findings enhance the understanding shareholder influence: Descriptive analysis of means and standard deviations has helped to understand the level of shareholder involvement in decision-making processes within security firms. Higher mean scores on measures of shareholder engagement may indicate greater shareholder influence on corporate governance practices, strategic decisions, and performance outcomes. Lower mean scores may suggest limited shareholder involvement or passive ownership. Therefore, the study findings imply that a majority of the respondents were in agreement that shareholder assembly aspects were being considered in the private security firms. The study results are in agreement with the findings by Wato (2018) that shareholder assembly enhance performance of private security firms. It has been argued that in addressing any complex problem of corporate governance would require amongst others the revival of shareholders' involvement in the company's decision-making (Mohammad et al., 2019). It is simply because, in discharging their duties, directors are held accountable for their decisions by the shareholders through their legal right to appoint and remove the directors. According to the Olemelu (2018), shareholders' engagement and participation that contribute to good corporate governance can enhance communication and enable exercising of voting entitlement of the shareholders.

Table 4.11: Descriptive Statistics for the Construct Shareholder Assembly

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std. Deviation
SA1	0.0	10.3	2.2	66.3	21.2	4.406	.267
SA2	0.0	16.8	4.8	58.2	20.1	4.285	.532
SA3	1.1	7.0	19.0	49.5	23.4	4.087	.902
SA4	11.0	20.9	19.0	36.3	12.8	4.154	.218
SA5	4.4	12.5	20.9	38.5	23.8	4.087	.008
SA6	0.0	2.2	18.0	45.6	34.5	4.012	.318

Qualitative Analysis

A qualitative analysis of shareholder assemblies and their impact on the performance of security firms in Kenya would involve examining the interactions, discussions, and decisions made during these assemblies to understand their implications for firm performance. The data was gathered from shareholder assembly meetings, including meeting minutes, transcripts, and reports. The study also conducted interviews with key stakeholders, including shareholders, board members, executives, and regulatory authorities, to gather insights into the discussions and decisions made during the assemblies. Thereafter, Content Analysis was carried out to identify key themes and topics discussed during the shareholder assemblies, such as financial performance, strategic direction, governance issues, risk management, and shareholder concerns. This was analyzed by focusing on the tone and sentiment of discussions to assess shareholder sentiment and perceptions of firm performance. The researcher also examined the level of shareholder engagement and participation in discussions and decision-making processes.

Overall, the study established that shareholder assembly plays a critical role in shaping the governance structure, strategic direction, and operational practices of private security firms in Kenya. By actively participating in shareholder assemblies and exercising their rights, shareholders can influence firm performance, promote transparency, and safeguard the interests of all stakeholders involved. Shareholder assemblies serve as forums for governance oversight, where shareholders can hold the management and board of directors accountable for their actions. By scrutinizing financial reports, strategic plans, and executive decisions, shareholders ensure that the firm's leadership is acting in the best interest of the company and its stakeholders.

The study established governance dynamics within the security firms, including the composition and effectiveness of the board of directors, the role of shareholders in governance processes, and the alignment of interests between shareholders and management. The study also established existence of shareholder activism and dissent on governance decisions and firm performance. Shareholder assemblies provide a platform for discussing and approving the strategic direction of the security firm. Shareholders may have input on major decisions such as mergers and acquisitions, capital expenditures, and entry into new markets. The alignment of strategic objectives between shareholders and management is crucial for driving long-term performance and value creation.

Shareholder assemblies may also determine the firm's dividend policy, including the distribution of profits to shareholders. A prudent dividend policy that balances the need for reinvestment in the business with the desire for shareholder returns can positively impact firm performance and shareholder value. The shareholder assemblies play a critical role in enhancing dividend policy in private security firms in Kenya by providing a democratic forum for decision-making, aligning dividend distributions with shareholder interests, evaluating growth opportunities, promoting transparency and communication, overseeing corporate governance practices, and accommodating diverse shareholder preferences. The assembly's decisions regarding dividend policy shape the firm's capital allocation strategy and impact shareholder returns and investor confidence in the security firm.

Shareholder assemblies also serve as a platform for addressing stakeholder concerns and building positive relationships with customers, employees, suppliers, and the wider community. A private security firm that maintains strong stakeholder relations is better positioned to enhance its reputation, attract talent, and secure business opportunities, which can contribute to long-term performance. Shareholder assemblies play a crucial role in enhancing stakeholder relations in private security firms in Kenya by promoting transparency, encouraging engagement, aligning interests, resolving issues, facilitating communication, soliciting feedback, and promoting corporate social responsibility. By actively involving stakeholders in decision-making processes, security firms can build stronger relationships, foster trust, and create value for all stakeholders involved.

Shareholder assemblies may address risk management issues facing the security firm, including cybersecurity threats, regulatory compliance, and operational risks. By discussing risk factors and mitigation strategies, shareholders contribute to the firm's resilience and ability to navigate challenges, thereby safeguarding its performance and reputation. Shareholder assemblies enhance risk management in private security firms by facilitating risk identification and assessment, discussing risk mitigation strategies, aligning risk appetite, evaluating risk oversight mechanisms, incentivizing sound risk management, engaging with stakeholders, and promoting disclosure and transparency. By actively participating in risk governance processes, shareholders contribute to the firm's resilience, sustainability, and long-term value creation.

Moreover, the respondents indicated that enhance executive compensation. The shareholders often have a say in approving executive compensation packages through votes at shareholder assemblies. Ensuring that executive compensation is tied to performance metrics aligns the interests of executives with those of shareholders and incentivizes management to pursue actions that enhance firm performance. The shareholder assemblies promote alignment with shareholder interests, advocating for performance-based incentives, promoting transparency and disclosure, conducting say-on-pay votes, ensuring linkage to performance, and overseeing corporate governance practices. By actively participating in executive compensation decisions, shareholders contribute to the firm's accountability, transparency, and long-term value creation

4.5.2. Descriptive Statistics for the Construct Board Characteristics

Respondents were requested to indicate their level of agreement with various statements on aspects of board characteristics. It was posited as a one-dimensional construct measured by the five items; Board of directors are independent in decision making (BC1), Number of the board members is adequate to address company needs (BC2), Composition of the board represents diversity (BC3), Board members have the required competence to lead the company (BC4), Non-Executive and Executive directors are proportionally balanced (BC5). The results are as shown in Table 4.12. According to the findings, the respondents agreed that board of directors were independent in decision making (M=4.498, SD=0.321). The respondents agreed that the number of the board members was adequate to address company needs (M=4.355, SD=0.387). The respondents agreed that the composition of the board represented diversity (M=4.213, SD=0.486). The respondents also agreed that the board members had the required competence to lead the company (M=4.465, SD=0.172). In addition, the respondents agreed that the non-executive and executive directors were proportionally balanced (M=4.278, SD=0.903). .

In a study examining the relationship between board characteristics and the performance of security firms in Kenya, conducting descriptive analysis using means and standard deviations. Based on the means and standard deviations, it enables comparisons of board characteristics and their impact on firm performance. Comparing mean scores between firms with different board structures provides insights into the relationship between board characteristics and firm performance. Higher mean scores on variables associated with effective governance may be correlated with better firm performance, while lower mean scores may be associated with performance challenges. Therefore, based on the study results, board characteristics play a pivotal role in shaping the governance practices and performance outcomes of security firms in Kenya. By understanding the implications of board characteristics, firms can strengthen their governance structures, improve decision-making processes, and enhance their ability to adapt to dynamic market conditions, ultimately driving long-term value creation and sustainability. The study findings are in agreement with the findings by Mishra (2018) that board of directors' independence, board size and composition affect firm performance. Board independence is found related to firm performance. Number of independent board of directors is found to be sending positive signal to the market creating firm value. Findings also suggest that the governance-performance relationship is also dependent upon the board composition in the private security firms in Kenya

Table 4.12: Descriptive Statistics for the Construct Board Characteristics

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std. Dev
BC1	0.9	2.1	12.8	21.3	59.9	4.498	.321
BC2	7.4	0.8	11.8	22.1	57.9	4.355	.387
BC3	2.0	3.8	5.3	24.5	64.4	4.213	.486
BC4	5.4	4.5	9.1	18.2	62.8	4.465	.172
BC5	5.8	2.1	8.9	17.4	65.8	4.278	.903

Qualitative Analysis

A qualitative analysis of board characteristics and their impact on the performance of private security firms in Kenya involves examining various aspects of the board's composition, structure, processes, and dynamics. The qualitative data was gathered from interviews, focus groups, and document analysis. Interview key stakeholders such as board members, executives, shareholders, regulators, and industry experts to gain insights into board characteristics and their perceived impact on private security performance. The researcher obtained relevant documents such as board meeting minutes, corporate governance reports, board charters, and regulatory filings to understand the formal structure and functioning of the board. Based on the board composition, the researcher analyzed the demographic characteristics of board members, including their backgrounds, expertise, qualifications, diversity, and independence. Assessed whether the board comprises individuals with relevant industry knowledge, experience, and skills necessary for effective governance.

The researcher also explored the level of diversity on the board in terms of gender, age, ethnicity, professional background, and international experience. Investigated how diversity contributed to board effectiveness and decision-making. In relation to board Structure, the researcher examined the size and composition of the board, including the balance between executive and non-executive directors, the presence of independent directors, and the role of the board. Assessed whether the board structure facilitates independent oversight, strategic guidance, and accountability. The researcher also investigated the existence of board committees (e.g., audit, remuneration, nomination) and their composition, mandate, and effectiveness in fulfilling their responsibilities. The researcher also evaluated how board committees contribute to governance and performance.

The role of board characteristics in influencing the performance of private security firms in Kenya cannot be overstated. Boards with diverse composition, strong leadership, relevant expertise, effective committees, and collaborative dynamics are better positioned to provide strategic guidance, oversight, and governance that contribute to enhanced firm performance and sustainable growth. The study findings established that composition of the board, including the diversity of expertise, backgrounds, and perspectives among board members, plays a crucial role. A diverse board can bring a wide range of skills and experiences to the table, leading to better decision-making and strategic oversight. y.

The lack of independent directors in most of the private security firms on the board was essential for ensuring unbiased oversight and accountability. Independent directors were not affiliated with the management or major shareholders of the company, allowing them to provide impartial judgment and challenge management decisions when necessary. This lack of independence could not mitigate conflicts of interest and enhances the board's ability to act in the best interests of the company and its stakeholders. Board committees, such as audit, risk, and compensation committees, play a vital role in enhancing governance and oversight. The audit committee ensures the integrity of financial reporting, while the risk committee assesses and manages key risks facing the firm. Well-functioning board committees contribute to improved decision-making and performance.

4.5.3. Descriptive Statistics for the Construct CEO-Board Collaboration

Respondents were requested to indicate their level of agreement with various statements on aspects of CEO-board collaboration. It was posited as a one-dimensional construct measured by the five items: The CEO-Board collaboration enhances board and management relationship (CB1), CEO-Board collaboration brings conflict of roles and responsibilities (CB2), CEO-Board collaboration enhances the oversight role of the board (CB3), CEO-Board collaboration enables the CEO do regular consultation with board (CB4), CEO-Board collaboration improves communication between the directors and managers (CB5).

The results are as shown in Table 4.13. According to the findings, the respondents agreed that the CEO-Board collaboration enhanced board and management relationship (M=4.254, SD=0.376). The respondents also agreed that CEO-Board collaboration reduced conflict of roles and responsibilities (M=3.876, SD=0.419). The respondents agreed that CEO-Board collaboration enhanced the oversight role of the board (M=4.216, SD=0.018). The respondents also agreed that CEO-Board collaboration enabled the CEO do regular consultation with board (M=3.989, SD=0.218). Also, the respondents agreed that CEO-Board collaboration improved communication between the directors and managers (M=3.991, SD=0.183). The implications of conducting a descriptive analysis using the mean and standard deviation on CEO-board collaboration and the performance of security firms in Kenya.conducting a descriptive analysis using the mean and standard deviation on CEO-board collaboration and performance of security firms in Kenya provides valuable insights into collaboration levels, variability, performance linkages, best practices, benchmarking opportunities, and governance reforms. By examining these descriptive statistics, the study gained a deeper understanding of governance dynamics and identify strategies for improving collaboration and performance within security firms.

The implications of CEO-board collaboration on the performance of security firms in Kenya are significant and can have both positive and negative effects on firm outcomes. The CEO-board collaboration has significant implications for the performance of security firms in Kenya. When done effectively, it can lead to strategic alignment, enhanced decision-making, improved communication, governance effectiveness, leadership stability, and effective risk management. However, it is essential to strike the right balance between collaboration and oversight to avoid conflicts of interest and ensure accountability within the organization. The study results are in agreement with findings by Westphal (2019) that although the independent Board Model suggests that such loyalty can diminish board-monitoring activity, the collaboration model agrees that perceived friendship ties may increase CEOs advice seeking behaviours by enhancing his or her trust in the boards supports while also increasing the board's perceived social obligation to provide assistance.

Table 4.13: Descriptive Statistics for the Construct CEO-Board Collaboration

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std. Dev
CB1	3.0	2.1	8.7	15.9	70.3	4.254	.376
CB2	8.0	5.1	18.3	12.3	56.3	3.876	.419
CB3	0.0	2.0	23.4	11.8	62.8	4.216	.018
CB4	4.0	6.0	14.2	15.4	60.4	3.989	.218
CB5	5.9	12.0	5.7	23.9	58.9	3.991	.183

Qualitative Analysis

A qualitative analysis of CEO-Board Collaboration on the performance of security firms in Kenya involved examining various aspects of their relationship, communication, decision-making processes, and leadership dynamics. The researcher conducted in-depth interviews with CEOs and board of security firms to understand their perspectives on collaboration, leadership styles, and the impact on firm performance. The researcher organized focus groups with other board members, executives, and key stakeholders to gather diverse viewpoints on the effectiveness of CEO-Board Collaboration. The researcher also used document analysis method especially when analyzing board meeting minutes, governance reports, strategic plans, and other relevant documents to identify patterns of collaboration, decision-making processes, and outcomes. The researcher reviewed corporate governance guidelines, codes of conduct, and board charters to understand the formal expectations and responsibilities of the CEO and the board. The researcher also used thematic coding techniques to identify recurring themes and patterns in the qualitative data collected from interviews, focus groups, and document analysis. The study focused on the themes related to communication styles, strategic alignment, decision-making processes, conflict resolution, and the perceived impact of CEO-Board Collaboration on firm performance.

Based on the study findings, it was established that collaboration between the CEO and the board strengthens governance oversight within the organization. They work together to ensure that the firm's operations are conducted in accordance with established policies, procedures, and regulatory requirements. This oversight helps safeguard the firm's assets, protect shareholder interests, and maintain public trust, enhancing its reputation and performance in the market. It was also confirmed that CEO-board collaboration enhances conflict management in private security firms in Kenya by fostering open communication channels, identifying conflicts early, providing objective mediation and facilitation, aligning resolution efforts with organizational goals, utilizing formal conflict resolution mechanisms, promoting constructive conflict resolution strategies, and continuously monitoring and evaluating conflict management processes. By working together collaboratively, they create a supportive and inclusive work environment where conflicts are managed constructively, contributing to organizational resilience, cohesion, and performance.

CEO-board collaboration enhances consultation in private security firms in Kenya by promoting strategic alignment, enhancing oversight, improving decision-making, engaging stakeholders, and fostering agility and adaptability. By working together effectively, these leadership roles can drive sustainable growth and long-term success for the organization in a dynamic and competitive market environment. The study established that in a rapidly evolving business environment, collaboration between the CEO and board enables private security firms to remain agile and adaptable. By fostering a culture of innovation and continuous improvement, they can respond promptly to changes in customer preferences, technological advancements, and regulatory requirements. This agility allows the organization to stay ahead of the competition and seize new opportunities for growth and expansion in Kenya's private security sector. Effective collaboration between the CEO and board enables private security firms to engage with stakeholders more effectively. This includes clients, employees, government agencies, and local communities. By involving key stakeholders in decision-making processes and seeking their input and feedback, the organization can build trust, enhance transparency, and strengthen relationships, which are essential for long-term success in the Kenyan market.

4.5.4. Descriptive Statistics for the Construct Ethical Leadership

Respondents were requested to indicate their level of agreement with various statements on aspects of ethical leadership. It was posited as a one-dimensional construct measured by the six items. The board of directors complies with the regulatory requirements (EL1), The firm ethical considerations focus on the societal success (EL2), The board of directors promotes ethical culture within the firm (EL3), The CEO implement business ethical practices (EL4), The board of directors considers the moral outcome of management decisions (EL5) and the board of directors and CEO encourages role modelling for junior employees (EL6). The results are as shown in Table 4.14. According to the findings, the respondents agreed that the board of directors complies with the regulatory requirements (M=3.874, SD=0.902). The respondents also agreed that the firm ethical considerations focus on the societal success (M=3.728, SD=0.682). The respondents agreed that board of directors promotes ethical culture within the firm (M=3.862, SD=0.319). The respondents also agreed that the CEO implement business ethical practices (M=4.355, SD=1.244). In addition, the respondents disagreed that the board of directors considers the moral outcome of management decisions (M=3.678, SD=0.217). Further, the respondents agreed with the statement that the board of directors and CEO encourages role modelling for junior employees (M=3.723, SD=0.429). The study also established that the respondents agreed that the board of directors and CEO encourages role modelling for junior employees (M=3.765, SD=0.169). The study findings imply that ethical leadership is practiced in the private security firms to enhance their performance.

Descriptive analysis allows for the assessment of mean scores related to ethical leadership practices within security firms. Higher mean scores indicate stronger ethical leadership, characterized by integrity, transparency, accountability, and ethical decision-making. Lower mean scores suggest potential ethical lapses or deficiencies in leadership behavior that may impact firm performance. Standard deviations reveal the variability or consistency of perceptions regarding ethical leadership within the sample of security firms. Higher standard deviations indicate greater variability in perceptions of ethical leadership effectiveness, while lower standard deviations suggest more uniformity. Variability in ethical leadership perceptions may reflect differences in organizational cultures, leadership styles, or ethical climates among security firms.

Therefore, conducting a descriptive analysis using the mean and standard deviation on ethical leadership and performance of security firms in Kenya provides valuable insights into ethical leadership levels, variability, performance linkages, best practices, benchmarking opportunities, and leadership development needs. By examining these descriptive statistics, the study gained understanding of the role of ethical leadership in shaping organizational performance and identify strategies for fostering ethical leadership and enhancing firm performance within security firms. The study findings indicate that ethical leadership is associated with higher levels of employee morale, job satisfaction, and organizational commitment within security firms. Studies by Walumbwa and Schaubroeck (2009) and Mayer et al. (2009) demonstrated that ethical leaders create a supportive work environment characterized by trust, fairness, and transparency, leading to greater employee engagement and loyalty.

Ethical leadership contributes to greater customer satisfaction and loyalty in security firms. Research by Wang et al. (2018) found that firms with ethical leaders tend to prioritize customer needs, deliver high-quality services, and maintain strong relationships with clients, resulting in increased customer retention and positive word-of-mouth recommendations. Ethical leadership helps mitigate organizational risks and legal exposure in security firms. Research by Weaver et al. (2017) and Treviño et al. (2003) demonstrated that ethical leaders establish strong compliance mechanisms, promote ethical decision-making processes, and foster a culture of integrity and accountability, reducing the likelihood of unethical conduct and regulatory violations. Ethical leadership fosters innovation and adaptability within security firms. Studies by Zhu et al. (2019) and Mayer et al. (2012) showed that ethical leaders encourage creativity, initiative, and learning among employees, leading to the development of innovative solutions, adaptation to changing market conditions, and sustained competitive advantage.

Table 4.14: Descriptive Statistics for the Construct Ethical Leadership

	Strongly Disagree	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**	**Mean**	**Std. Dev**
EL1	5.0	5.0	7.0	28.1	54.9	3.874	.902
EL2	7.0	8.1	9.8	56.8	17.3	3.728	.682
EL3	3.3	7.0	1.0	43.9	51.8	3.862	.319
EL4	5.8	36.3	7.6	54.8	32.8	3.678	.217
EL5	16.8	9.3	4.3	68.8	5.4	3.723	.429
EL6	4.9	9.4	3.8	23.5	33.8	3.765	.169

Qualitative Analysis

A qualitative analysis of the influence of ethical leadership on the performance of security firms in Kenya would involve gathering data through methods such as interviews, focus groups, and observation to explore the perceptions, experiences, and practices related to ethical leadership within these organizations. Ethical leadership influences the performance of security firms in Kenya by fostering trust and credibility, enhancing employee morale and commitment, facilitating compliance and risk management, improving client relationships and satisfaction, and fostering innovation and adaptability. By embodying ethical values and principles in their leadership practices, security firm leaders can create a sustainable competitive advantage and drive long-term success for their organizations in the Kenyan market. Ethical leadership enhances regulatory compliance in private security firms in Kenya by setting the tone at the top, promoting ethical decision-making, modeling ethical behavior, providing training and education, implementing monitoring and oversight mechanisms, and engaging with regulatory authorities. By prioritizing compliance and ethical conduct, ethical leaders contribute to the long-term success, sustainability, and reputation of their organizations in the Kenyan market.

The study established that ethical leadership enhances moral outcomes in private security firms in Kenya by establishing ethical norms, modeling ethical behavior, promoting employee engagement and trust, encouraging ethical decision-making, addressing ethical concerns and misconduct, and supporting ethical training and development. By holding employees accountable for unethical behavior and enforcing consequences for misconduct, ethical leaders demonstrate their commitment to upholding moral standards and maintaining the integrity of the organization. By prioritizing ethics and morality in their leadership practices, ethical leaders contribute to the cultivation of a principled and responsible organizational culture that benefits both employees and stakeholders. The leaders lead by example, demonstrating ethical behavior in their own actions and decisions. They act as role models for employees, showcasing behaviors such as honesty, transparency, and accountability. When employees observe their leaders consistently upholding ethical standards, they are more likely to emulate these behaviors, leading to improved moral outcomes within the private security firms in Kenya.

4.5.5. Descriptive Statistics for the Construct Competitive Environment

Respondents were requested to indicate their level of agreement with various statements on aspects of competitive environment. It was posited as a one-dimensional construct measured by the five items; The firm has made strategic alliances with other stakeholders (CP1), The firm’s risk management strategy is responsive to dynamic business environment (CP2), The firm responds to diversified customers ‘needs effectively (CP3), The firm has leveraged on technology to remain competitive (CP4), The firm promotes innovation and creativity to venture into new markets (CP5).

The results are as shown in Table 4.15. According to the findings, the respondents agreed that the firm has made strategic alliances with other stakeholders (M=4.324, SD=0.593). The respondents also agreed that the firm’s risk management strategy is responsive to dynamic business environment (M=3.987, SD=0.627). The respondents agreed the firm responds to diversified customers ‘needs effectively (M=4.098, SD=0.436). The respondents also agreed that there the firm has leveraged on technology to remain competitive (M=4.278, SD=0.928). In addition, the respondents agreed that the firm promotes innovation and creativity to venture into new markets. (M=4.012, SD=0.003). From the obtained results, it became evident that the causal factors of technological capability and interorganizational collaboration have an effect on the competitive advantage of private security firms and competitive advantage had a direct effect on the performance of firms. Furthermore, it was apparent that technological capability and interorganizational collaboration and risk management had a direct effect on the performance of private security firms.

The implications of a competitive environment on the performance of security firms in Kenya are multifaceted and can significantly influence various aspects of their operations, strategies, and outcomes. Operating in a competitive environment presents both challenges and opportunities for security firms in Kenya. While competition may intensify pricing pressures, customer demands, and regulatory requirements, it also stimulates innovation, drives operational efficiency, and fosters strategic collaboration. Security firms must navigate these challenges effectively by differentiating themselves, prioritizing customer satisfaction, investing in innovation, optimizing operations, attracting top talent, ensuring compliance, and forging strategic partnerships to thrive and succeed in the competitive marketplace.

While specific literature on the performance of security firms in Kenya in relation to the competitive environment may be limited, studies on the broader security industry and competitive dynamics in emerging markets can provide valuable insights. The study findings are in tandem with the study results by Olsen et al. (2017) and Engle et al. (2017) highlights that regulatory compliance is essential for maintaining trust, credibility, and legal standing in competitive markets. Non-compliance with regulations can lead to penalties, reputational damage, and loss of business opportunities, affecting firm performance. A study by Bos and De Bruecker (2018) highlight the relationship between market structure and firm performance. In competitive markets with multiple players, security firms must differentiate themselves through unique service offerings, efficient operations, and customer-centric approaches to achieve superior performance. In competitive markets, customer satisfaction and loyalty are critical drivers of firm performance. Research by Anderson and Mittal (2020) and Reichheld (2019) underscores the importance of delivering superior customer experiences to retain customers and sustain business growth. Security firms must prioritize customer satisfaction, responsiveness, and reliability to build long-term relationships and achieve sustainable.

Table 4.15: Descriptive Statistics for the Construct Competitive Environment

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std. Dev
CP1	3.2	0.0	53.6	43.2	43.6	4.324	.593
CP2	9.6	10.0	9.0	58.6	12.8	3.987	.627
CP3	4.5	4.6	8.7	23.6	58.8	4.098	.436
CP4	12.8	15.8	16.6	20.9	54.8	4.278	.928
CP5	7.6	4.6	5.6	23.6	58.6	4.012	.003

Qualitative Analysis

A qualitative analysis of the influence of the competitive environment on the performance of security firms in Kenya involved gathering data through methods such as interviews, focus groups, and document analysis. The competitive environment significantly influences the performance of security firms in Kenya, impacting various aspects such as pricing, innovation, client acquisition, regulatory compliance, talent management, technology adoption, strategic partnerships, and adaptation to market trends. Firms that effectively navigate the competitive landscape and differentiate themselves from competitors are more likely to achieve sustained success and performance in the industry. The study established that intense competition in the security industry creates pressures for firms to seek ways to differentiate themselves and gain a competitive advantage. Strategic alliances offer opportunities for firms to combine resources, expertise, and capabilities to better position themselves in the market. By partnering with complementary firms, they can offer a wider range of services, access new markets, or enhance their service delivery capabilities.

It was established that in a competitive market environment, private security firms face resource constraints, such as limited financial resources, personnel, or technology. Strategic alliances enable firms to share resources and leverage each other's strengths to overcome these constraints. For example, one firm may have strong financial backing, while another has advanced technological capabilities. By forming an alliance, they can pool their resources to pursue joint ventures, invest in technology upgrades, or expand their service offerings

Moreover, the study findings indicated that in a highly competitive market with numerous players offering similar services, private security firms may face challenges in gaining a competitive advantage solely through their core service offerings. Diversification allows firms to expand into new markets or offer additional services beyond traditional security solutions, thus reducing their reliance on a single line of business and enhancing their competitiveness. Diversification enables private security firms to generate additional revenue streams and tap into new market opportunities. By offering a broader range of services, such as electronic security systems, risk assessment and consulting, event security, or cybersecurity solutions, firms can attract new clients and enter new industry sectors, geographic regions, or customer segments.

In a competitive market environment, firms are under pressure to optimize their operations and improve efficiency to remain profitable. Technological advancements enable private security firms to automate routine tasks, streamline processes, and enhance productivity. For example, the use of mobile applications, scheduling software, and real-time monitoring systems can help firms manage personnel more efficiently and respond quickly to security incidents. Intense competition encourages private security firms to differentiate themselves by adopting innovative technologies that enhance their service offerings. Firms that invest in cutting-edge technologies such as advanced surveillance systems, biometric access control, drones, and artificial intelligence (AI) for threat detection can gain a competitive edge by offering more effective and sophisticated security solutions to clients.

4.5.6 Descriptive Statistics for the Firm Performance

Respondents were requested to indicate their level of agreement with various statements on aspects of performance of security firms in Kenya. It was posited as a one-dimensional construct measured by the nine items; The volume of sales has increased in the last five years (FP1), The number of employees has increased in the last five years (FP2), The firm responds to diversified customers ‘needs effectively (FP3), Market share has increased in the last five years (FP4), Profitability has increased in the last three years (FP5). There are reduced customer complaints in the last five years (FP6), the business has diversified its products in the last five years (FP7), Customer loyalty has increased in the last five years (CP8), Assets have increased in the last five years (FP9).

The results are as shown in Table 4.16. According to the findings, the respondents agreed that the volume of sales has increased in the last five years (M=4.098, SD=0.436). The respondents also agreed that the firm responds to diversified customers ‘needs effectively (M=4.278, SD=0.928). The respondents agreed the firm responds to diversified customers ‘needs effectively (M=4.324, SD=0.593). The respondents also agreed that Market share has increased in the last five years (M=4.278, SD=0.928). In addition, the respondents agreed that the Profitability has increased in the last three years (M=4.324, SD=0.593). The respondents also agreed that the firm responds to diversified customers ‘needs effectively (M=3.987, SD=0.627). The respondents agreed the firm responds to diversified customers ‘needs effectively (M=4.098, SD=0.436). The respondents also agreed that Customer loyalty has increased in the last five years (M=4.278, SD=0.928). In addition, the respondents agreed that Assets have increased in the last five years (M=4.324, SD=0.593). The study results are in tandem with the findings by Tek (2022) that the implementation of good corporate governance leads to the improvement of the financial performance of companies measured by the return on equity. There is need to improve those corporate governance features which have positive impact on firm performance such as CEO Duality and board independence. Overall, while security firms in Kenya face challenges such as regulatory compliance, competition, and economic uncertainties, there are also opportunities for growth and innovation in the market. Firms that adapt to market dynamics, invest in technology and training, and prioritize customer satisfaction are better positioned to thrive and succeed in the Kenyan security industry. The demand for security services in Kenya remains relatively high due to ongoing security concerns, including crime rates, terrorism threats, and the need to safeguard assets and individuals. This sustained demand provides opportunities for security firms to maintain a stable client base and generate revenue. The security industry in Kenya is characterized by intense competition among numerous firms operating in the market. This competition can lead to price pressures and the need for firms to differentiate themselves through service quality, innovation, and industry specialization. Firms that effectively differentiate themselves and provide value-added services are more likely to thrive in the competitive landscape.

Table 4.16: Descriptive Statistics for the Construct Firm Performance

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std. Dev
FP1	4.5	4.6	8.7	23.6	58.8	4.098	.436
FP2	12.8	15.8	16.6	20.9	54.8	4.278	.928
FP3	3.2	0.0	53.6	43.2	43.6	4.324	.593
FP4	12.8	15.8	16.6	20.9	54.8	4.278	.928
FP5	3.2	0.0	53.6	43.2	43.6	4.324	.593
FP6	9.6	10.0	9.0	58.6	12.8	3.987	.627
FP7	4.5	4.6	8.7	23.6	58.8	4.098	.436
FP8	12.8	15.8	16.6	20.9	54.8	4.278	.928
FP9	3.2	0.0	53.6	43.2	43.6	4.324	.593

When using secondary data sources to establish the performance of private security firms, it was essential to critically evaluate the reliability, relevance, and credibility of the information obtained. Additionally, the researcher considered triangulating data from multiple sources to gain a more comprehensive understanding of profitability trends within the private security sector in Kenya. The study adopted financial metrics such as revenue growth and expenses to estimate the financial health and profitability of security firms. Key financial indicators included revenue per client, cost per contract, and profit margins on services rendered. This provided insights into the efficiency and effectiveness of the firm's operations in generating profits. Based on the available data from the financial statements, the total revenue generated by the private security firm during the accounting period (2020/2021) reduced averagely by 7%. The revenue typically included income from providing security services, such as guard services, alarm monitoring, surveillance, and other security-related activities. In terms of the operating expenses incurred by the private security firm during the accounting period (2020/2021), increased averagely by more than 18% . Operating expenses included salaries and wages, rent, utilities, insurance, marketing expenses, administrative costs, depreciation, and other overhead expenses.

In regard to customer satisfaction, obtaining specific secondary data on customer satisfaction as a measure of performance of private security firms in Kenya required accessing industry reports produced by market research firms. These reports often provide insights into market trends, competitive dynamics, and customer preferences. The study also used government publications such as government agencies in Kenya, such as the Ministry of Interior and Coordination of National Government, publish reports or surveys related to security services and customer satisfaction. These publications contained data collected through government-led initiatives or partnerships with private sector stakeholders. Customer satisfaction is a critical measure of performance for private security firms in Kenya, as it directly reflects the firm's ability to meet and exceed client expectations. Based on the available data, more than 70% of the satisfied customers were more likely to continue using the services of a private security firm and renew their contracts. The high levels of customer satisfaction contributed to client retention and loyalty, reducing customer churn and ensuring a stable revenue stream for the firm over the long term. In the same vein, more tan 75% of the satisfied customers were more inclined to recommend the services of a private security firm to others, leading to positive word-of-mouth referrals and enhanced reputation in the market. Besides, the satisfied customers were more likely to extend their contracts or upgrade to higher-value service packages, providing additional revenue opportunities for the firm. By maintaining high levels of customer satisfaction, private security firms could maximize contract renewal rates and capitalize on upselling opportunities.

To estimate the total market size of the private security industry in Kenya, this was carried out by aggregating the revenue figures of all private security firms operating within the market. The factors that were considered included growth rates, demand drivers, and economic conditions to make an accurate estimation. To calculate individual market share for each private security firm, divided its revenue by the total market size to calculate its individual market share. The formula for calculating market share was as follows: Market Share = (Revenue of Firm / Total Market Size) x 100%. To sum up the individual market shares of all firms in the sample, then divided the total number of firms to calculate the average market share. This represents the average portion of the market captured by each firm in the sample, that is Average Market Share = (Sum of Individual Market Shares) / (Total Number of Firms).

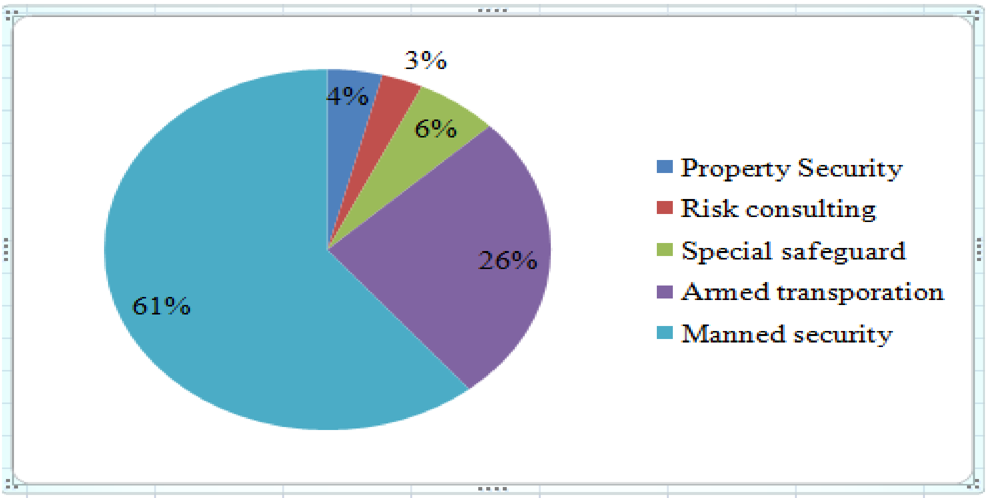

Figure 4.1: Private Security Firms' Market Structure

The study established that on average, a private security firm covered less than 5% of the existing market share. However, market share figures varied significantly across different segments of the private security industry, such as manned guarding, electronic security systems, or cybersecurity services. Therefore, it's essential to consider the specific context and characteristics of the market when interpreting average market share figures for any specific private security firm. It was also established that the transnational firms hold most of the market share and the most influential groups are the "Big Eight" – Group 4 Securicor (G4S), K.K. Security, Wells Fargo, Bob Morgan (B.M.) Security, SGA Security Group, Ultimate Security, Pinkerton's Kenya, and Radar Security. The "Big Eight" compete in a wide range of customer sectors across mining, oil and gas, retail, energy, agriculture, and financial services.

4.6. Diagnostic Tests

Diagnostic tests confirm whether the data is fit for the desired inferential analysis ahead of the study. The study used the classic linear regression model due to its ability to show relationships between the independent and the dependent variables (Gogtay & Thatte, 2017). Classic linear regression model has important underlying assumptions that must be tested before it can be utilized as a model of data analysis and hence the researcher embarked on the exercise. The key assumptions affecting the study are discussed herein.

4.6.1. Sampling Adequacy Tests

To examine whether the data collected was adequate and appropriate for descriptive and inferential statistical tests such as the factor analysis, regression analysis and other statistical tests, two main tests are performed namely; Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy and Barlett's Test of Sphericity especially for a large sample of more than 200 and less than 1000 respectively. Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO) is a measure of sampling adequacy that tests whether the partial correlations among variables are small. The values of KMO range from 0 to 1 with 0.5 being the accepted threshold. KMO values equal to or greater than 0.5 indicate that factor analysis will be useful for the variables under consideration while KMO values less than 0.5 indicate that factor analysis will be inappropriate (Vinod, 2018). The current study had a sample of 384 and for a data set to be regarded as adequate and appropriate for statistical analysis; Barlett's Test of Sphericity was conducted. Bartlett's test of sphericity tests whether the correlation matrix is an identity matrix. The Bartlett's Test of Sphericity is a statistical test used in factor analysis to determine whether the correlation matrix of variables is significantly different from the identity matrix, indicating whether the variables are suitable for factor analysis. It assesses the adequacy of the sample for factor analysis by testing the null hypothesis that the variables are uncorrelated in the population. The null hypothesis of this test is that the correlation matrix is an identity. Thus, a significance Chi square of the Bartlett's test indicate that the correlation matrix is not identity and factor analysis is recommendable. The results of the Bartlett's Test are summarized in Table 4.17. The Bartlett's Test of Sphericity Taking a 5% level of Significance, α= 0.05. The p-value (Sig.) of .000 < 0.05, therefore the Factor Analysis is valid as p < α, the study therefore rejected the null hypothesis H_0 and accepted the alternate hypothesis (H_1) that there may be statistically significant interrelationship between variables.

Table 4.17: Bartlett's Test

		Barlett's Test of Sphericity	
Shareholder Assembly	Bartlett's Test of Sphericity	Approx. Chi-Square	1298.876
		Df	321
		Sig.	.000
Board Characteristics	Bartlett's Test of Sphericity	Approx. Chi-Square	1186.760
		Df	321
		Sig.	.000
CEO-board collaboration	Bartlett's Test of Sphericity	Approx. Chi-Square	1526.872
		Df	321
		Sig.	.000
Ethical Leadership	Bartlett's Test of Sphericity	Approx. Chi-Square	1698.908
		Df	321
		Sig.	.000
Competitive Environment	Bartlett's Test of Sphericity	Approx. Chi-Square	1781.892
		Df	321
		Sig.	.000

4.6.2. Test for Linearity

Linearity Assumption of linear estimation is that the dependent variable has a linear relationship with the independent variables. Computation of ANOVA statistics was used to test for the linearity assumption. The study hypothesizes that: H_0: the dependent variable has no linear relationship with the independent variables. The study results as shown in Table 4.18 indicate that the F-statistic (4,316=326.297, p-value <0.05). The ANOVA results indicate the model is significant and therefore we reject the null hypothesis and conclude that the dependent variable has a linear relationship with the independent variables.

Table 4.18: Test for Linearity ANOVA Statistics

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	1350.869	4	337.717	326.297	.000
Residual	327.229	316	1.035		
Total	1678.098	320			

4.6.2. Multicollinearity Test

This study also tested for multicollinearity by use of the Variance Inflation Factor (VIF) and tolerance statistics. According to Wooldridge (2011) multicollinearity happens when VIF is larger than 10 and tolerance is less than 0.1. This means that multicollinearity occurs when a greater degree of relationship exists between independent variables hence altering the outcomes of the study models. Where multicollinearity exists, it can be corrected by removing a highly correlated variable(s). Results in Table 4.19 shows that all the variables had a variance inflation factors (VIF) of less than 10: Shareholder Assembly (2.924), Board Characteristics (2.421), CEO-board collaboration (1.880), Ethical Leadership (1.387) and Competitive Environment (2.193). This implies that there was no severe collinearity with the variables thus all the variables were maintained in the regression model.

Table 4.19: Test for Multicollinearity

Model	Collinearity Statistics	
	Tolerance	VIF
Shareholder Assembly	.342	2.924
Board Characteristics	.413	2.421
CEO-board collaboration	.532	1.880
Ethical leadership	.721	1.387
Competitive Environment	.456	2.193

4.6.3. Autocorrelation Test

The study used the Durbin-Watson test to test whether the residuals from the multiple linear regression models are independent. Durbin–Watson statistic is a test statistic used to detect the presence of autocorrelation (a relationship between values separated from each other by a given time lag) in the residuals (prediction errors) from a regression analysis. The null hypothesis (H_0) of the Durbin-Watson test is that the residuals from a multiple linear regression model are independent. The Durbin-Watson (d) was 2.109. The acceptable Durbin Watson range is between 1.5 and 2.5 (Field, 2009). A rule of thumb is that test statistic values in the range of 1.5 and 2.5 are relatively normal. Field (2009) suggests that values under 1 or more than 3 are a definite cause of concern. In this data analysis, Durbin Watson value is 2.109, which is between the acceptable ranges, it shows that there were no autocorrelation problems. This reaffirms that the data was fit for correlation analysis.

Table 4.20: Durbin Watson Test for Autocorrelation

R	R-Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
.771	.594	.579	.87655	2.109

4.6.4. Normality Test

Normality tests are done to determine whether the sample data has been drawn from a normally distributed population. Normality assessment can be done by using a graphical or numerical procedure. The numerical procedures include inferential statistics such as Kolmogorov-Smirnov and Shapiro-Wilk. The Kolmogorov-Smirnov test is considered appropriate for samples larger than 2000 while Shapiro-Wilk test is deemed appropriate for samples ranging from 50 to 2000. In this study, the response rate was 321 and therefore, the normality test was done using the Shapiro-Wilk test which also has power to detect departure from normality due to either skewness or kurtosis or both. If statistic ranges from zero (0) to one (1) and p-values higher than 0.05 indicate the data is normal (Hanusz & Tarasinska, 2014). Shapiro-Wilk test assesses whether data is normally distributed using hypothesis: H_0: Sample follows a normal distribution.

The criterion is to reject the null hypothesis if the p-value of the Shapiro-Wilk statistic is less than 0.05. The results in Table 4.21 shows the distribution of data on Shareholder Assembly (p-value 0.834>0.05), Board characteristics (p-value 0.921>0.05), CEO-board collaboration (p-value 0.095>0.05), Ethical leadership (p-value 0.092>0.05), Competitive environment (p-value 0.850>0.05) and firm performance (p-value 0.61>0.05). Therefore, according to Shapiro-Wilk test fail to reject the null hypothesis and conclude that the sample data was normally distributed.

Table 4.21: Normality Tests

Variable	Kolmogorov-Smirnov			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Shareholder Assembly	0.152	321	0.078	0.944	321	0.834
Board Characteristics	0.209	321	0.092	0.918	321	0.921
CEO-board collaboration	0.154	321	0.323	0.956	321	0.095
Ethical leadership	0.214	321	0.233	0.892	321	0.092
Competitive Environment	0.166	321	0.992	0.942	321	0.850
Firm performance	0.164	321	0.731	0.913	321	0.610

4.7 Inferential Analysis Results

This section of the study presents the inferential statistics done to show the relationship between independent and dependent variables. After highlighting the independent variables through descriptive statistical analysis, the study sought to establish the relationship between shareholder assembly, board characteristics, CEO-board collaboration, ethical leadership and performance of private security firms in Kenya. This necessitated the determination of the bivariate nature of both the independent and dependent variables. To assess the strength and direction of the relationship among the variables, correlation analysis was used. Linear regression analysis was further utilized to determine the nature of relationship. Inferential statistics were applied to test the hypothesis and reject or fail to reject the H_o or Null hypothesis. At 5% level of significance, the Null was rejected if p-value was < 0.05.

4.7.1 Correlation Results

The researcher used the correlation technique to analyse the degree of relationship between two variables with the Pearson correlation coefficient (r), which yields a statistic that ranges from -1 to 1. Mugenda and Mugenda (2012) posit that correlation coefficient tells the magnitude of the relationship between two variables. If the correlation coefficient is positive (+), it means that there is a positive relationship between the two variables. A negative relationship (-) means that as one variable decreases, then the other variable increases and this is termed as an inverse relationship. A zero value of r indicates that there is no association between the two variables.

a) Correlation Results for Shareholder Assembly and Performance of Private Security Firms

The study sought to establish the relationship between shareholder assembly and performance of private security firms in Kenya. A Pearson Correlation was performed and the result of the Pearson correlation test as presented in Table 4.22 show a correlation ($r(321) = 0.467$; $p<0.05$) between shareholder assembly and performance of private security firms in Kenya. This implies that the shareholder assembly is positively correlated to the performance of private security firms in Kenya. In addition, the correlation between these two variables was significant, that is p<0.5 implying a linear relationship between shareholder assembly and performance of private security firms in Kenya. This shows that shareholder assembly positively and significantly influenced performance of private security firms in Kenya. The study findings are in consistent with the findings by Barros *et al* (2021) that shareholder assembly enhance performance of the firms. The study results indicated that shareholder assembly does indeed influence firms' profitability following activism campaigns. The shareholders use their ownership rights, whether through a vote on shareholder proposals or by means of direct dialogue with the firm about a specific issue, to pressure the firm to change its corporate behaviour. Apart from the goal of improving the firm's performance, shareholder assembly also improving the firms' social responsibility and increasing its impact on the circumvent society.

However, the study findings are in contradiction with the findings by Wendy (2020) found that shareholder assembly profitability decreases in the short-term, however the effect of shareholder assembly is unclear over the following years. The study established that shareholder assembly encourage activism and campaigns which mainly focus on demanding a change in strategical direction or on obtaining board control augments the decrease in profitability, and that seeking board representation in the only demand type that effectively enhances the profitability of the target firms. From a managerial perspective, the study results suggested that shareholder assembly encouragement of activist movements may not improve profitability levels for both the firm and shareholders in the short- and medium-term, although the long-term impacts are still reasonably unexplored.

b) Correlation Results for Board Characteristics and Performance of Private Security Firms

The study sought to establish the relationship between board characteristics and performance of private security firms in Kenya. A Pearson Correlation was performed and the result of the Pearson correlation test as presented in Table 4.22

show a correlation ($r(321) = 0.654$; $p<0.001$) between board characteristics and performance of private security firms in Kenya. This implies that the board characteristics are positively correlated to the performance of private security firms in Kenya. In addition, the correlation between these two variables was significant, that is $p<0.5$ implying a linear relationship between board characteristics and performance of private security firms in Kenya. This shows that board characteristics positively and significantly influenced performance of private security firms in Kenya. The study results are in line with the findings by Murksh (2021) that there is a significant relationship between the board independence and firm performance. The representation of independent directors on the board should show a positive relation to the private security firm's performance. If there were no association or negative relationship with the firm's performance, the performance of such independent directors on the board will be jeopardized. The study findings are in tandem with the findings by Wang and Wallison (2016) argued that having board diversity, size and independence on the board was not only for better performance but also for better governance. They would represent shareholders to monitor the activities of management and executive directors in raising company's performance.

c). Correlation Results for CEO-board Collaboration and Performance of Private Security Firms

The study sought to establish the relationship between CEO-board collaboration and performance of private security firms in Kenya. A Pearson Correlation was performed and the result of the Pearson correlation test as presented in Table 4.22 show a correlation ($r(321) = 0.606$; $p<0.05$) between CEO-board collaboration and performance of private security firms in Kenya. This implies that the CEO-board collaboration is positively correlated to the performance of private security firms in Kenya. In addition, the correlation between these two variables was significant, that is $p<0.5$ implying a linear relationship between CEO-board collaboration and performance of private security firms in Kenya. This shows that CEO-board collaboration positively and significantly influenced performance of private security firms in Kenya. The study findings are in agreement with the findings by Basco and Voordeckers (2015) investigated the added value of boards of directors and CEO through the lenses of both demographic and behavioural approaches. The study results indicated that there is a positive relationship between CEO-board collaboration and firm performance. CEO-board relationships influence board involvement in firm governance is predicated on the assumption that effective boards influence corporate strategy and performance primarily by monitoring management on behalf of shareholders. For instance, Walsh and Seward (2020) described the board as an internal control mechanism, and Kosnik (2018) emphasized the role of CEO-board collaboration in disciplining managerial decision making. Moreover, governance researchers have stressed that effective CEO-board collaboration by actively evaluating managerial performance (Boyd, 2020; Onditi, 2019).

d) Correlation Results for Ethical Leadership and Performance of Private Security Firms

The study sought to establish the relationship between ethical leadership and performance of private security firms in Kenya. A Pearson Correlation was performed and the result of the Pearson correlation test as presented in Table 4.22 show a correlation ($r\ (321) = 0.533$; $p<0.05$) between ethical leadership and performance of security firms in Kenya. This implies that the ethical leadership is positively correlated to the performance of security firms in Kenya. In addition, the correlation between these two variables was significant, that is $p<0.5$ implying a linear relationship between ethical leadership and performance of private security firms in Kenya. This shows that ethical leadership positively and significantly influenced performance of private security firms in Kenya. The study findings are in tandem with the findings by Manduku (2018) established that ethical leadership influence the financial performance of firms. Organizations with ethical leadership are expected to report better performance. The top management ethical leaders enhance ethical behaviour of first-line managers, which in turn trickles down to lower-level employees, the result of which is positive influence on financial performance.

Table 4.22: Correlation Matrix for Independent and Dependent Variables

		SA	BC	CBC	EL	FP
Shareholder Assembly	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	321				
Board Characteristic	Pearson Correlation	.353**	1			
	Sig.(2-tailed)	.000				
	N	321	321			
CEO-Board Collaboration	Pearson Correlation	.489**	.328**	1		
	Sig.(2-tailed)	.000	.007			
	N	321	321	321		
Ethical Leadership	Pearson Correlation	.301**	.298**	.323**	1	
	Sig.(2-tailed)	.005	.012	.004		
	N	321	321	321	321	
Firm Performance	Pearson Correlation	.467**	.654**	.606**	.533**	1
	Sig.(2-tailed)	.000	.000	.000	.000	
	N	321	321	321	321	321

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

FP = Firm performance; SA = Shareholder Assembly; BC = Board Characteristics; CBC = CEO-Board Collaboration; EL=Ethical Leadership; FP= Performance of private security firms.

4.7.2 Regression Results of Independent Variables and Dependent Variable

The study used multiple regression analysis to determine the linear statistical relationship between the independent, moderating and dependent variables of the study. The five hypotheses of the study were tested using linear regression models. F- test was used to test the validity of the model, while (r^2) was meant to measure the model 's goodness of fit. The regression coefficient was used to describe the results of regression analysis and outline the nature and intensity of the relationships between the variables under study.

a). Regression Analysis for the Relationship between Shareholder Assembly and Performance of Security Firms in Kenya

Testing Hypothesis One

The study hypothesized that, H_{01}: There is no significant relationship between shareholder assembly and performance of private security firms in Kenya.

Regression model summary results in Table 4.23(a) indicate the goodness of fit for the regression between shareholder assembly and performance of security firms was satisfactory in the linear regression model. An R squared (coefficient of determination) of 0.218 indicates that 21.80% of the variations in performance of security firms in Kenya are explained by the practice of shareholder assembly in corporate governance. However, the model failed to explain at least 78.20% of the variation in performance of security firms. This means that there are other factors associated with performance of security firms which were not explained by the model. The correlation coefficient(R) of 0.467 indicates shareholder assembly has a positive correlation with performance of security firms. The standard error of 0.29643 shows the deviation from the line of best fit results is shown in Table 4.23 (a).

The ANOVA results in Table 4.23(b) shows that ($F(1,319) = 88.945$, $p < 0.05$). This shows that the overall model is significant. The findings imply that shareholder assembly was statistically significant in explaining performance of private security firms in Kenya. Therefore, at $p < 0.05$ level of significance, null hypothesis is rejected and the alternative hypothesis (H_{a1}) which states that “There is a significant relationship between shareholder assembly and performance of private security firms in Kenya” is accepted implying that shareholder assembly has a significant influence on performance of private security firms in Kenya

Further, the results of the study in Table 4.23 (c) revealed that there was positive relationship between shareholder assembly and performance of security firms in Kenya. ($\beta_1 = 0.589$, $t = 7.751$, p-value < 0.001). To test the relationship, the Regression Model fitted was $\mathbf{Y = \beta_0 + \beta_1 X_1 + \varepsilon}$**.** Therefore, the null hypothesis (H_{01}): shareholder assembly has no significant influence on the performance of security firms in Kenya or (H_{01}: $\beta_1 = 0$) is therefore rejected (β_1=0.589, t= 7.751, p-value < 0.001) and conclude that shareholder assembly (X_1) significantly influences performance of security firms in Kenya (Y).

The Model equation is **$Y= 6.987+ 0.589X_1$**

Where, Y is Firm Performance, X_1, is Shareholder Assembly.

The beta coefficient for shareholder assembly was significant (β_1=0.589, t= 7.751, p-value < 0.001). It implies that, One (1) unit increase in the practice of shareholder assembly in corporate governance leads to an increase of 0.589 in firm performance index. This is displayed by Table 4.23(c)

Table 4.23: Relationship between Shareholder Assembly and Performance of Security Firms in Kenya

a). Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
.467	.218	.203	.29643

b).ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	365.825	1	365.825	88.945	.000
	Residual	1312.273	319	4.113		
	Total	1678.098	320			

c). Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	6.987	1.987		3.516	.000
	Shareholder Assembly	.589	.076	.467	7.751	.000

Discussion of the findings on the Relationship between Shareholder Assembly and Performance of Security Firms in Kenya

The Pearson‘s Correlation Coefficient for shareholder assembly and performance of security firms (β_1=0.589, t= 7.751, p-value < 0.001), was significant at 0.05 level of significance. The Regression Analysis results showed that shareholder assembly had a moderate influence on performance of security firms in Kenya. For every unit increase in the extent of shareholder assembly in corporate governance, there was a corresponding increase in performance of security firms index by 0.589. The practice of shareholder assembly in corporate governance positively influences performance of private security firms in Kenya. The study findings are in tandem with the findings by Iliev, Lins, Miller and Roth (2015) there is significant relationship between shareholder assembly and firm performance. The findings suggest that shareholders vote as though they are exercising governance, and that the votes they cast have a governance-related outcome. The shareholder voting is an important channel through which corporate governance is exercised in firms

Samat (2015) observed that wishes of the shareholders are reflected in the exercise of their voting rights and their voting right is designed to encourage directors' accountability. As such, Proctor and Miles (2017) described the shareholders' meeting as a vehicle to monitor the directors' conduct. According to Go forth 2018), decisions in respect of executive compensation, initiating takeovers and opposing them are among many areas of company's management that have been subjected to substantial abuses to the detriment of the shareholders' interests. The potential abuses can actually be avoided by the shareholders through an open debate and the exercise of voting rights in the shareholders' meeting. Although the power to manage the private security firms stays in the boardroom, decisions with respect to fundamental issues including election of directors still remain with the shareholders. In cases where the shareholders are not satisfied with the performance or actions taken by the directors, the shareholders can easily remove them by a vote of simple majority (ordinary resolution). It may be considered as a powerful and extreme action by the shareholders and may create a 'check and balance' mechanism within the firms to improve private security firms' performance in Kenya. Therefore, understanding how shareholder assemblies impact the performance of security firms can lead to improvements in corporate governance practices within these firms. By recognizing the importance of shareholder input and engagement, firms may implement measures to ensure effective communication, transparency, and accountability to shareholders, which can contribute to better decision-making and overall performance.

b). Regression Analysis for the Relationship between Board Characteristics and Performance of Security Firms in Kenya

Testing Hypothesis Two

The study hypothesized that, H_{02}: There is no significant relationship between board characteristics and performance of private security firms in Kenya.

Regression model summary results in Table 4.24(a) indicate the goodness of fit for the regression between board characteristics and performance of security firms was satisfactory in the linear regression model. An R squared (coefficient of determination) of 0.428 indicates that 42.80% of the variations in performance of security firms in Kenya are explained by the practice of board characteristics in corporate governance. However, the model failed to explain at least 57.20% of the variation in performance of security firms. This means that there are other factors associated with performance of security firms which were not explained by the model. The correlation coefficient(R) of 0.467 indicates board characteristics have a positive correlation with performance of security firms. The standard error of 0.76432 shows the deviation from the line of best fit results is shown in Table 4.24 (a).

The ANOVA results in Table 4.24(b) shows that (F (1,319) = 238.692, $p < 0.05$). This shows that the overall model is significant. The findings imply that board characteristics were statistically significant in explaining performance of private security firms in Kenya. Therefore, at $p < 0.05$ level of significance, null hypothesis is rejected and the alternative hypothesis (H_{a2}) which states that “There is a significant relationship between board characteristics and performance of private security firms in Kenya" is accepted implying that board characteristics have a significant influence on performance of private security firms in Kenya

Further, the results of the study as presented in Table 4.24(c) revealed that there was positive relationship between board characteristics and performance of security firms in Kenya. (β_1=0.766, t= 17.409, p-value < 0.001). To test the relationship, the Regression Model fitted was **$Y= \beta_0 + \beta_1 X_2 + \varepsilon$. Therefore, the** null hypothesis (H_{02}): board characteristics has no significant influence on the performance of private security firms in Kenya or (H_{02}: $\beta_1 = 0$) is therefore rejected (β_1=0.766, t= 17.409, p-value < 0.001) and conclude that board characteristics (X_2) significantly influences performance of security firms in Kenya (Y).

The Model equation is **$Y= 12.832+ 0.766X_2$**

Where, Y is Firm Performance, X_2, is board characteristics.

The beta coefficient for shareholder assembly was significant (β_1=0.766, t= 17.409, p-value < 0.001). It implies that, one (1) unit increase in the practice of board characteristics in corporate governance leads to an increase of 0.766 in firm performance index. This is displayed by Table 4.24(c)

Table 4.24: Relationship between Board Characteristics and Performance of Security Firms in Kenya

(a) Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
.654	.428	.417	.76432

(b) ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	718.223	1	718.223	238.692	.000
	Residual	959.875	319	3.009		
	Total	1678.098	320			

(c) Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	12.832	3.765		3.408	.000
	Board Characteristics	.766	.044	.654	17.409	.000

Discussion of the Findings on the Relationship between Board Characteristics and Performance of Security Firms in Kenya

The Pearson‘s Correlation Coefficient for board characteristics and performance of security firms (β_1=0.766, t= 17.409, p-value < 0.001), was significant at 0.05 level of significance. The Regression Analysis results showed that board characteristics had a strong influence on performance of private security firms in Kenya. For every unit increase in the extent of board characteristics in corporate governance, there was a corresponding increase in performance of security firms index by 0.766. The practice of board characteristics in corporate governance positively influences performance of security firms in Kenya. From the agency problem perspective, large boards are not recommended while small boards are preferred to improve performance (Lipton& Lorsch, 2018; Yermark, 2016). In these terms, Kim and Nofsinger (2017) argue that small boards are better than large ones as they avoid the free-rider problem that might appear among board members, meaning each board member may feel inclined to exert more effort than s/he would have otherwise. The contrary view to the agency and resource-based perspective is that larger boards are associated with diversity in skills, business contacts and experience (Haniffa & Haudaib, 2016). Regarding the board of director’s size performance relationship, one of the main reliable empirical associations is that board size is associated negatively with the performance of the firm (Hermalin & Weisback, 2013).

Further, the Code of Corporate Governance and regulators recommend the composition of board members especially in the private security firms should be balanced and consist of independent directors. However, mere compliance with the recommendations is not enough if the independent directors fail to exercise their functions effectively. The major contribution of the board is formulating private security firms strategy and exercise proper oversight function throughout firms operations (Fuzi, Halim a & Julizarema, 2018). Independent directors could contribute their independent views and actively participate in board discussion. They will represent shareholders on the company's board. As independence person, they must ensure their presence and performance free from any influence of insiders or management (Were, 2018). The private security firms may appoint independent directors to monitor the performance of executive directors and top managements. Board governance of private security firms also should depart from a traditional insider/outsider distinction, common to the agency perspective, and embrace more finely tuned thinking that recognizes that board composition reflects the match between the external dependencies an organization faces and the resource acquisition potential of its board members.

Therefore, a study examining the relationship between board characteristics and the performance of security firms in Kenya can yield valuable insights into the governance structures and practices within these firms and their impact on financial and operational outcomes. In summary, a study examining the relationship between board characteristics and the performance of security firms in Kenya can provide valuable insights into governance practices, decision-making processes, and their impact on firm outcomes. By understanding these relationships, security firms, regulators, and policymakers can work towards fostering effective governance structures that drive sustainable performance and value creation.

c) Regression Analysis for the Relationship between CEO-Board Collaboration and Performance of Security Firms in Kenya

Testing Hypothesis Three

The study hypothesized that, H_{03}: There is no significant relationship between CEO-board collaboration and performance of private security firms in Kenya.

Regression model summary results in Table 4.25(a) indicate the goodness of fit for the regression between CEO-board collaboration and performance of security firms was satisfactory in the linear regression model. An R squared (coefficient of determination) of 0.367 indicates that 36.70% of the variations in performance of security firms in Kenya are explained by the practice of CEO-board collaboration in corporate governance. However, the model failed to explain at least 63.30% of the variation in performance of security firms. This means that there are other factors associated with performance of security firms which were not explained by the model. The correlation coefficient(R) of 0.606 indicates CEO-board collaboration has a positive correlation with performance of security firms. The standard error of 0.39183 shows the deviation from the line of best fit results is shown in Table 4.25 (a).

The ANOVA results in Table 4.25(b) shows that (F (1,319) = 184.999, p <0.05). This shows that the overall model is significant. The findings imply that CEO-board collaboration was statistically significant in explaining performance of private security firms in Kenya. Therefore, at p <0.05 level of significance, null hypothesis is rejected and the alternative hypothesis (H_{a3}) which states that "There is a significant relationship between CEO-board collaboration and performance of private security firms in Kenya" is accepted implying that CEO-board collaboration has a significant influence on performance of private security firms in Kenya

Further, the study results of as presented in Table 4.25 (c) revealed that there was positive relationship between CEO-board collaboration and performance of security firms in Kenya. (β_1=741, t= 10.436, p-value < 0.001). To test the relationship, the Regression Model fitted was $\mathbf{Y= \beta_0 + \beta_1 X_3+ \varepsilon}$. Therefore, the null hypothesis (H_{03}): CEO-board collaboration has no significant influence on the performance of security firms in Kenya or (H_{03}: $\beta_1 = 0$) is therefore rejected (β_1=741, t= 10.436, p-value < 0.001) and conclude that CEO-board collaboration (X_3) significantly influences performance of security firms in Kenya (Y).

The Model equation is $\mathbf{Y= 16.543+ 0.741X_3}$

Where, Y is Firm Performance, X_3, is CEO-board collaboration.

The beta coefficient for CEO-board collaboration was significant (β_1=741, t= 10.436, p-value < 0.001). It implies that, one (1) unit increase in the practice of CEO-board collaboration in corporate governance leads to an increase of 0.741 in firm performance index. This is displayed by Table 4.25(c)

Table 4.25: Relationship between CEO-board collaboration and Performance of Security Firms in Kenya

a) Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
.606	.367	.359	.39183

b) ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	615.862	1	615.862	184.999	.000
	Residual	1062.236	319	3.329		
	Total	1678.098	320			

c) Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	16.543	3.221		5.136	.000
	CEO-board collaboration	.741	.071	.606	10.436	.000

Discussion of the Findings on the Relationship between CEO-Board Collaboration and Performance of Security Firms in Kenya

The Pearson‘s Correlation Coefficient for CEO-board collaboration and performance of security firms (β_1=741, t= 10.436, p-value < 0.001), was significant at 0.05 level of significance. The Regression Analysis results showed that CEO-board collaboration had a moderate influence on performance of security firms in Kenya. For every unit increase in the extent of CEO-board collaboration in corporate governance, there was a corresponding increase in performance of private security firm's index by 0.741. The practice of CEO-board collaboration in corporate governance positively influences performance of private security firms in Kenya. The study results negate the findings by Chandren, Qaderi and Ghaleb (2021) also show that CEO-board collaboration reduces the firm performance. The board monitoring, or agency mechanisms in the firm is weakened when a firm has adopted CEO-board collaboration practice. On the other hand, the study findings are consistent with the findings by Islam (2018) that there should be mutual respect between CEO and board and both have to be honest and transparent to each other. Both CEO-board should be able to communicate at ease with each other regarding any trivial matters concerning the company. The relationship between Board and CEO should be complementary rather than competing. The role of the Board and the CEO should be based on mutual trust, they should work as a team to enhance firm performance.

Westphal (2019) indicated that although the independent CEO- board collaboration suggests that such loyalty can diminish board-monitoring activity, the collaboration model agrees that perceived friendship ties may increase CEOs advice seeking behavior by enhancing his or her trust in the boards supports while also increasing the board's perceived social obligation to provide assistance.Much of the empirical literature examining how CEO-board relationships influence board involvement in firm governance is predicated on the assumption that effective boards influence corporate strategy and performance primarily by monitoring management on behalf of shareholders. For instance, Walsh and Seward (2020) described the board as an internal control mechanism, and Kosnik (2018) emphasized the role of CEO-board collaboration in disciplining managerial decision making. Moreover, governance researchers have stressed that effective CEO-board collaboration by actively evaluating managerial performance (Boyd, 2020; Onditi, 2019).

Moreover, findings reveal the extent to which collaboration between the CEO and board influences firm performance. Positive correlations may suggest that effective collaboration leads to better decision-making, strategic alignment, and overall performance. Conversely, if collaboration is lacking or dysfunctional, it may hinder the firm's ability to adapt, innovate, and execute strategies effectively. A study investigating the relationship between CEO-board collaboration and the performance of security firms in Kenya provide valuable insights into governance dynamics, leadership effectiveness, and their impact on firm outcomes. By understanding these relationships, security firms, regulators, and policymakers can work towards fostering collaborative leadership practices that drive sustainable performance and value creation.

d). Regression Analysis for the Relationship between Ethical leadership and Performance of Security Firms in Kenya

Testing Hypothesis Four

The study hypothesized that, H_{04}: There is no significant relationship between ethical leadership and performance of private security firms in Kenya.

Regression model summary results in Table 4.26(a) indicate the goodness of fit for the regression between ethical leadership and performance of security firms was satisfactory in the linear regression model. An R squared (coefficient of determination) of 0.284 indicates that 28.40% of the variations in performance of security firms in Kenya are explained by the practice of ethical leadership in corporate governance. However, the model failed to explain at least 71.60% of the variation in performance of security firms. This means that there are other factors associated with performance of security firms which were not explained by the model. The correlation coefficient(R) of 0.533 indicates ethical leadership has a positive correlation with performance of security firms. The standard error of

0.56328 shows the deviation from the line of best fit results is shown in Table 4.26 (a).

The ANOVA results in Table 4.26(b) shows that ($F (1,319) = 126.547$, $p <0.05$). This shows that the overall model is significant. The findings imply that ethical leadership was statistically significant in explaining performance of private security firms in Kenya. Therefore, at $p <0.05$ level of significance, null hypothesis is rejected and the alternative hypothesis (H_{a4}) which states that "There is a significant relationship between ethical leadership and performance of private security firms in Kenya" is accepted implying that ethical leadership has a significant influence on performance of private security firms in Kenya

Further, the study results as presented in Table 4.26(c) revealed that there was positive relationship between ethical leadership and performance of security firms in Kenya. ($\beta_1=0.601$, $t= 8.232$, p-value < 0.001). To test the relationship, the Regression Model fitted was $\mathbf{Y= \beta_0 + \beta_1 X_4+ \varepsilon}$. Therefore, the null hypothesis (H_{04}): Ethical leadership has no significant influence on the performance of security firms in Kenya or (H_{04}: $\beta_1 = 0$) is therefore rejected ($\beta_1=0.601$, $t= 8.232$, p-value < 0.001) and conclude that ethical leadership (X_4) significantly influences performance of security firms in Kenya (Y). The Model equation is $\mathbf{Y= 13.876+ 0.601X_4}$ **Where**, Y is Firm Performance, X_4, is Ethical leadership. The beta coefficient for ethical leadership was significant ($\beta_1=0.601$, $t= 8.232$, p-value < 0.001). It implies that, one (1) unit increase in the practice of ethical leadership in corporate governance leads to an increase of 0.601 in firm performance index. This is displayed by Table 4.26(c).

Table 4.26: Relationship between Ethical Leadership and Performance of Security Firms in Kenya

A) Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
.533	.284	.279	.56328

b) ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	476.577	1	476.577	126.547	.000
	Residual	1201.521	319	3.766		
	Total	1678.098	320			

c) Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	13.876	4.323		3.209	.000
	Ethical Leadership	.601	.073	.533	8.232	.000

Discussion of the findings on the Relationship between Ethical Leadership and Performance of Security Firms in Kenya

The Pearson‘s Correlation Coefficient for ethical leadership and performance of security firms (β_1=0.601, t= 8.232, p-value < 0.001), was significant at 0.05 level of significance. The Regression Analysis results showed that ethical leadership had a strong influence on performance of private security firms in Kenya. For every unit increase in the extent of ethical leadership in corporate governance, there was a corresponding increase in performance of security firms' index by 0.601. The practice of ethical leadership in corporate governance positively influences performance of private security firms in Kenya. The research findings also support, both Walumbwa and Schaubroek (2009) and Piccolo et al. (2010) established a positive correlation between ethical leadership and financial performance. Similarly, Weng and Feng (2019) also discovered that the preconceptions of ethical leadership had almost direct relationship with the increased financial performance due to their impacts on the employees ‘behaviour. Findings revealed ethical leadership fosters a positive ethical climate and organizational culture within security firms. Positive correlations could indicate that ethical leaders set clear ethical standards, promote integrity, and cultivate a culture of trust, transparency, and accountability. Such a culture can enhance employee morale, commitment, and engagement, leading to improved performance and productivity.

A positive relationship exists between ethical leadership with good decision making among top administrators and productivity experienced among the lower ranking employees in an organization (Fehr *et al.,* 2015). Ethical leadership may also influence innovation and adaptability within security firms. Findings may reveal whether ethical leaders foster a culture of innovation, creativity, and continuous improvement by encouraging open communication, diverse perspectives, and ethical experimentation. Ethical firms are more likely to embrace change, adapt to market dynamics, and capitalize on emerging opportunities, leading to sustainable growth and competitive advantage.

According to Manduku (2018) positive correlations may suggest that ethical firms outperform their peers in terms of profitability, shareholder value, and long-term sustainability. Ethical conduct can enhance investor confidence, reduce financial risks, and attract socially responsible investors, contributing to improved financial performance over time. Therefore, a study examining the relationship between ethical leadership and the performance of security firms in Kenya can provide valuable insights into the importance of ethical behavior in organizational effectiveness and outcomes. By understanding these relationships, security firms, regulators, and policymakers can work towards fostering ethical leadership practices that drive sustainable performance and value creation while upholding integrity and ethical standards within the industry.

e) Regression Model for the Joint Relationship between Corporate Governance and Performance of Security Firms in Kenya

The study used multiple regression analysis to establish the joint influence of the study independent variables, Shareholder Assembly (X_1), Board characteristics (X_2) CEO-board collaboration (X_3) and Ethical leadership (X_4) aggregated together as corporate governance practices and regressed on the dependent variable, firm performance (Y) of private security firms in Kenya.

Testing Hypothesis Five

The study hypothesized that $H_{05:}$ The joint corporate governance practices have no significant relationship on the performance of private security firms in Kenya.

To test the hypothesis, the following models were fitted:

Model 1: $Y = \beta 0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$.

A multiple regression analysis was conducted to investigate the joint causal relationship between the independent and dependent variables. The regression results in Table 4.27(a) indicate that the goodness of fit for the regression of independent variables and performance of private security firms in Kenya is satisfactory. The correlation coefficient (R) of 0.897 shows that there is a positive joint correlation between corporate governance practices (shareholder assembly, board characteristics, CEO-board collaboration and ethical leadership) with the performance of private security firms in Kenya. An R squared (coefficient of determination) of 0.805 indicates that 80.50% of the variations in performance of private security firms in Kenya are jointly accounted for by the variations in shareholder assembly, board characteristics, CEO-board collaboration and ethical leadership. From this, it can thus be asserted that the variables adopted in the study jointly explained a greater proportion of the variation in performance of private security firms in Kenya and that the unexplained variation is small

The ANOVA results in Table 4.27(b) shows that ($F(4,316) = 326.297$, $p < 0.05$). This shows that the overall model is significant. The findings imply that corporate governance practices (shareholder assembly, board characteristics, CEO-board collaboration and ethical leadership) were statistically significant in explaining performance of private security firms in Kenya. Therefore, at $p < 0.05$ level of significance, null hypothesis is rejected and the alternative hypothesis (H_{a4}) which states that "There is a significant joint relationship between corporate governance practices and performance of private security firms in Kenya" is accepted implying that corporate governance practices (shareholder assembly, board characteristics, CEO-board collaboration and ethical leadership) have a significant influence on performance of private security firms in Kenya

Further, the study ran the procedure of obtaining the regression coefficients, and the results were as shown in Table 4.27(c). The coefficients or beta weights for each variable allows the researcher to compare the relative importance of each independent variable. In this study, the unstandardized coefficients and standardized coefficients are given for the multiple regression equations. However, discussions are based on the unstandardized coefficients. The Multiple regression model equation would be ($\mathbf{Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon}$) becomes:

$Y = 15.897 + 0.732X_1 + 0.991X_2 + 0.871X_3 + 0.798X_4$; this indicates that Performance of Security firms = 15.897 + 0.732 (Shareholder Assembly) + 0.991 (Board Characteristics) + 0.871(CEO-Board Collaboration) + 0.798 (Ethical Leadership).

According to the regression equation established, taking all factors into account (Shareholder Assembly, Board Characteristics, CEO-Board Collaboration, Ethical Leadership) constant at zero, performance of security firms in Kenya was 8.765. Further, the study findings as presented in Table 4.27(c) show that shareholder assembly (X_1) had coefficients of the estimate which was significant based on (β_1=0.732, t= 3.642, p-value < 0.001). Thus, we conclude that there is a significant relationship between shareholder assembly and performance of security firms in Kenya. The study results are in contradiction with Theo and Olemelo (2018) found that there is no substantial evidence that firms benefit from shareholder assembly in terms of performance, or of their market. Although performance can be influenced by the institutional context or type of shareholder, nevertheless, it is likely that some positive changes will result from such shareholder resolutions, or in the aftermath of them. For example, Smith (2016) tested whether target firms experienced changes in governance structure, shareholder wealth, and operating performance, during the periods before and after being targeted by activist shareholders. According to the author's findings, the targets did not perform significantly differently from their respective peers in their respective industries.

In addition, the findings indicate that board characteristics had coefficients of estimate which was significant basing on (β_2=0.991, t= 5.795, p-value < 0.001). Thus, we conclude that there is a significant relationship between board characteristics(X_2) and performance of security firms in Kenya. The study results are in line with the findings by Murksh (2021) that there is a significant relationship between the board independence and firm performance. The representation of independent directors on the board should show a positive relation to the private security firm's performance. If there were no association or negative relationship with the firm's performance, the performance of such independent directors on the board will be jeopardized. The study findings are in tandem with the findings by Wang and Wallison (2016) argued that having board diversity, size and independence on the board was not only for better performance but also for better governance. They would represent shareholders to monitor the activities of management and executive directors in raising company's performance.

Further, the findings indicate that CEO-Board Collaboration had coefficients of the estimate which was significant basing on (β_3=0.871, t= 4.608, p-value < 0.001). Thus, we conclude that there is a significant relationship between CEO-Board Collaboration and performance of security firms in Kenya. The similar findings were established by Schalka and Sarfati (2014) the CEO and board relationship is key for firm performance. The study provided evidences that the increase in the formal governance structure trough outside directors in the board and CEO collaboration might actually lead to improved performance. Similar sentiments were observed by Wu (2018) that board–CEO relationships, in terms of power balance and social ties; contribute to the performance of new product introduction. It proposed a contingency view to highlight the context-dependent nature of such governance arrangements. The study finding suggests that there should be mutual respect between CEO and board and both have to be honest and transparent to each other. Both board and CEO should be able to communicate at ease with each other regarding any trivial matters concerning the company. The relationship between Board and CEO should be complementary rather than competing. The role of the Board and the CEO should be based on mutual trust; they should work as a team.

The findings indicate that ethical leadership had a coefficient of the estimate which was significant basing on (β_2=0.991, t= 5.795, p-value < 0.001). Thus we conclude that there is a significant relationship between ethical leadership and performance of security firms in Kenya. Nohria et al. (2003) (as cited in Gavrea, Ilieş & Stegerean, 2021) assert that others have suggested that the ethical leadership is a key element of corporate governance that ensures the connection between the success factors of an organization. Similar sentiments were observed by Wang and Feng (2017) ethical leadership enhances both leader humane orientation and leader responsibility and sustainability orientation have positive influences on both firm financial and social performance, while leader moderation orientation only has positive influence on firm financial performance. In addition, leader justice orientation positively moderates the relationship between leader humane orientation and leader responsibility and sustainability orientation and financial performance as well as the relationship between leader moderation orientation and social performance

Table 4.27: Regression Model for the Joint Relationship between Corporate Governance and Performance of Security Firms in Kenya

a) Model Summary (Joint Effect)

R	R Square	Adjusted R Square	Std. Error of the Estimate
.897	.805	.797	.20492

b) ANOVA Statistics (Joint Effect)

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1350.869	4	337.717	326.297	.000
	Residual	327.229	316	1.035		
	Total	1678.098	320			

c) Coefficient Results (Joint Effect)

	Unstandardized Coefficients		Standardized Coefficients	T	P-value.
	B	Std. Error	Beta		
(Constant)	15.897	4.658		3.412	.000
Shareholder Assembly	.732	.201	.729	3.642	.000
Board Characteristics	.991	.171	.982	5.795	.000
CEO-Board Coll.	.871	.189	.853	4.608	.000
Ethical Leadership	.798	.197	.765	4.050	.000

Discussion of the Joint Relationship between Corporate Governance and Performance of Private Security Firms

The fundamental objective of the study was to determine the relationship between corporate governance practice aggregating (shareholder assembly, board characteristics, CEO-Board Collaboration, Ethical Leadership) and performance of security firms. It was widely believed that if a firm has emphasized a wide of array of corporate governance, it will be able to impact positively on its bottom line and obtain positive outcomes in terms of both financial and non-financial performance. Corporate governance aims at facilitating effective monitoring and efficient control of business. Its essence lies in fairness and transparency in operations and enhanced disclosures for protecting interest of different stakeholders (Arora & Bodhanwala, 2018). Corporate governance structures are expected to help the firm perform better through quality decision making (Shivani et al., 2017).

Similar sentiments were observed by Oriku and Namusonge (2018) that corporate governance identifies the role of directors and auditors towards shareholders and other stakeholders. Corporate governance is significant for shareholders as it increases confidence in the company for better return on investment. For other stakeholders like employees, customers, suppliers, community and environment, corporate governance assures that company behave in a responsible manner towards society and environment (Kolk & Pinkse, 2020). Thus, corporate governance is not only about board accountability but also include aspects of social and environment responsibility to improve firm performance.

Besides, the joint relationship between corporate governance factors (shareholder assembly, board characteristics, CEO-board collaboration, and ethical leadership) and the performance of private security firms in Kenya is a complex and multifaceted aspect that can significantly influence the overall success and sustainability of these firms. Shareholder assembly, as a mechanism for shareholder engagement and oversight, plays a crucial role in shaping corporate governance practices within private security firms. A well-functioning shareholder assembly ensures accountability, transparency, and alignment with shareholder interests, which can positively influence firm performance. Effective shareholder assemblies may contribute to strategic decision-making, prudent risk management, and long-term value creation for the firm.

Moreover, board characteristics, including size, composition, independence, and diversity, can significantly impact firm performance by shaping governance dynamics and decision-making processes. Boards with diverse expertise, independent directors, and appropriate size are better equipped to provide effective oversight, strategic guidance, and accountability, leading to improved performance outcomes. Moreover, board characteristics such as CEO-board separation and tenure can influence board effectiveness and its ability to fulfill its governance responsibilities, ultimately affecting firm performance.

Additionally, effective collaboration between the CEO and board collaboration is essential for aligning strategic objectives, promoting ethical conduct, and fostering a culture of accountability within private security firms. Positive collaboration can lead to better decision-making, clearer communication, and enhanced strategic alignment, which are critical factors for firm performance. Conversely, dysfunctional collaboration or CEO dominance may lead to governance challenges, conflicts of interest, and sub-optimal performance outcomes. Lastly, ethical leadership sets the tone for organizational culture, governance practices, and stakeholder relationships within private security firms. Leaders who demonstrate integrity, fairness, and accountability inspire trust, foster ethical behavior, and enhance organizational effectiveness, ultimately contributing to improved performance outcomes. Ethical leadership influences corporate governance practices, such as transparency, compliance, and risk management, which are vital for sustaining long-term performance and reputation.

f). Joint Moderation Influence of Competitive Environment on the Relationship between Corporate Governance and Performance of Security Firms in Kenya

Under this section regression analysis was run in order to validate whether competitive environment influenced the relationship between corporate governance and performance of security firms. The study hypothesized that;

H_{06}: Competitive environment has no significant moderating influence on the relationship between corporate governance and performance of security firms in Kenya

Model 1j: $Y = \beta 0 + \beta iXi + \beta zZ + \varepsilon$, (i=1, 2, 3, 4, 5)

Model 2j: $Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 Z + \beta_6 X_1 Z + \beta_7 X_2 Z + \beta_8 X_3 Z + \beta_9 X_4 Z + \varepsilon$

Where Y Performance of Security Firms, X_1 is Shareholder Assembly (X_1), Board characteristics (X_2) CEO-board collaboration (X_3) and Ethical leadership (X_4), Z is Competitive environment and *BZ i* is the coefficient of X*Z the interaction term between Competitive environment and each of the independent variables for *i* =1,2,3,4.

Model 1 represents the regression model with the independent variables (X_1 is Shareholder Assembly (X_1), Board characteristics (X_2) CEO-board collaboration (X_3) and Ethical leadership (X_4)) and the moderator (Competitive environment) as a predictor. With $R^2 = 0.914$, the results indicate that the percentage of variation accounted for by the model increased from 80.50% to 91.40% (see Table 4.28b).

This means that when the moderator (competitive environment) was introduced as a predictor in the joint model, the model gained 0.90% of its predictive power.

Further, to measure the validity of the model, Table 4.28(b) indicate F-statistics model 1 ($F (5,315) = 362.878$, $p < 0.001$) show that there is a significant relationship between shareholder assembly, board characteristics, CEO-board characteristics, ethical leadership, competitive environment and performance of security firms in Kenya and at least one slope (β coefficient) is not zero. Also, when competitive environment was added into the analysis, the resulting model (Model 1) was statistically significant (p-value < 0.001) suggesting that competitive environment is a significant predictor of performance of private security firms in Kenya. Finally, when the product terms were introduced into the analysis (Model 2), the F-statistics ($F (9,311) = 367.289$, $p < 0.001$), the model was statistically significant suggesting that independent variables {(X_1 is Shareholder Assembly (X_1), Board characteristics (X_2) CEO-board collaboration (X_3) and Ethical leadership (X_4)}, competitive environment and moderated variables are significant predictors of performance of security firms in Kenya.

Further, Model 2 represents the regression model with the independent variable, the moderating variable and the interaction term. The results in Table 4.28(a) indicates that the inclusion of the interaction term resulted into an increase of R^2 by 6.2% [($F (9,311) = 367.289$, $p < 0.001$)]. The model was also significant ($p < 0.001$) showing the presence of moderating effect. Using the results in Table 4.28, The null hypothesis (H_{05}): Competitive environment has no significant moderating influence on the relationship between corporate governance and performance of security firms in Kenya or (H_{054}: $\beta_1 = 0$) is therefore rejected [($F (9,311) = 367.289$, $p < 0.001$)] and conclude that competitive environment has a significant moderating influence on the relationship between corporate governance and performance of security firms in Kenya.

Finally, Table 4.28(c) for model 1 showed the Beta coefficient for competitive environment as a predictor was significant ($\beta = 0.516$, $t = 5.015$, $p < 0.05$), meaning that for one-unit increase in competitive environment index, performance of security firms increases by about 0.516 units. The model equation is: $Y = 0.366 + 0.405X_1 + 0.395X_2 + 0.378 X_3 + 0.421 X_4 + 0.516Z$. Besides, the study found that competitive environment does significantly moderate the relationship between corporate governance and performance of security firms ($p<0.001$). The optimal model based on the study results in Table 4.28(c) is the equation model for Model 2 using the unstandardized coefficients applies;$Y= 0.328 + 0.264X_2 + 0.256 X_2 + 0.253X_3 + 0.278X_4 + 0.314Z + 0.215X_1*Z + 0.322X_2*Z + 0.243X_3*Z + 0.253X_4*Z$;Where Y is performance of security firms, X_1 is Shareholder Assembly, X_2 is Board characteristics, X_3 is CEO-board collaboration, X_4 is Ethical leadership and Z is Competitive environment. The results revealed that competitive environment has a significant moderating influence on the relationship between corporate governance and performance of security firms in Kenya. The competitive environment in which security firms operate can act as a moderator, influencing the strength and direction of the relationship between corporate governance practices and firm performance. In a highly competitive market, firms may face intense pressure to innovate, differentiate, and adapt to changing customer demands and market conditions. The competitive landscape can shape the effectiveness of governance mechanisms by affecting the degree to which firms prioritize strategic decision-making, risk management, and stakeholder engagement. This is presented in Table 4.28;

Table 4.28: Joint Moderation Influence of Competitive Environment on the Relationship between Corporate Governance and Performance of Security Firms in Kenya

a) Model Summary Joint Moderated

					Change Statistics				
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**	**R Square Change**	**F Change**	**df1**	**df2**	**Sig. F Change**
1	.923	.852	.831	.78432	.852	362.878	5	315	.000
2	.956	.914	.898	.37273	.062	367.284	9	311	.000

b). ANOVA for Joint Moderated Model

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1429.739	5	285.948	362.878	.000
	Residual	248.359	315	0.788		
	Total	1678.098	320			
2	Regression	1533.782	9	170.420	367.284	.000
	Residual	144.316	311	.464		
	Total	1678.098	320			

c). Regression Coefficients for Joint Moderated Model

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.366	.149		2.456	.034
	Shareholder Assembly	405	.151	.389	2.680	.013
	Board Characteristics	.395	.184	.326	2.148	.022
	CEO-Board Collaboration	.378	.187	.292	2.024	.032
	Ethical Leadership	.421	.139	.391	3.032	.011
	Competitive Environment	.516	.103	.455	5.015	.006
2	(Constant)	.328	.150		2.175	.025
	Shareholder Assembly	.264	.121	.256	2.189	.021
	Board Characteristics	.256	.122	.235	2.099	.032
	CEO-Board Collaboration	.253	.126	.243	2.013	.041
	Ethical Leadership	.278	.124	.246	2.243	.022
	Competitive Environment	.314	.109	.284	2.878	.014
	Shareholder * Competitive Environment	.215	.066	.223	3.234	.033
	Board xtics* Competitive Environment	.322	.058	.287	5.543	.010
	CEO-Board* Competitive Environment	.243	.077	.030	3.145	.023
	Ethical Lead* Competitive Environment	.253	.060	.250	4.234	.014

Discussion on the Joint Overall Moderated Model

The study sought to establish the moderating influence of competitive environment on the relationship between corporate governance operationalized as practices of shareholder assembly, board characteristics, CEO-board collaboration, ethical leadership and performance of security firms in Kenya. The analysis revealed that the competitive environment moderated relationship between corporate governance practices and firm performance. It was also established that the moderated corporate governance was significant predictor of performance of security firms in Kenya. The findings support those of Emeka (2015); Sosiawani, Ramli, Mustafa and Yusoff, (2015) who found that irrespective of competitive environment, corporate governance practices have critical contributions to make to firm performance. Yusuf and Saffu (2019) found that competitive environment did not moderate corporate governance performance and that corporate governance affected performance equally in both large and small private security firms in our study. Elbanna (2019), also concurs that in the UAE, both large and small firms use competitive environment corporate governance tools and it can be said that, competitive environment is not a discriminant between adopters and neglectors of corporate governance dimensions among firms.

French, Kelly and Harrison (2014), found results on link between corporate governance and performance of small service firms inconclusive but found evidence of a general weak link between corporate governance and performance. The findings of the meta-analysis suggest that corporate governance does in fact have a positive effect on corporate performance, although corporate governance literature existing to date has proclaimed it to be (McIlquham-Schmidt, 2018). Beamish, (2020); Allison & Kaye, (2015); Akinyele and Fasogbon, (2017) affirm that, there is conclusive evidence to demonstrates the usefulness and, in fact, the necessity of having a formal, proactive corporate governance practices in an organization, whether it be large or small in a competitive business environment.

Further, the study also further support to Chavunduka, Chimunhu and Sifile (2015) who established that there was a positive relationship between competitive intensity intensity variables and organizational performance. There is link between corporate governance, competitive environment and performance (Taiwo *et al.*, 2017). The study lends credence to widely held views on the positive moderating influence of competitive environment on the relationship between corporate governance and firm performance. The competitive environment can moderate the relationship between corporate governance and firm performance in several ways. For example, in a highly competitive market, firms with strong governance structures may be better positioned to respond to competitive threats, exploit market opportunities, and sustain long-term performance. Conversely, in less competitive markets, the impact of governance practices on performance may be less pronounced, as firms may rely more on market power or other competitive advantages.

The joint moderation influence of the competitive environment on the relationship between corporate governance and performance highlights the importance of aligning governance practices with market dynamics and strategic objectives. Security firms in Kenya must prioritize effective governance mechanisms to navigate competitive pressures, capitalize on opportunities, and achieve sustainable performance outcomes in a dynamic and evolving market environment. The competitive environment in Kenya's security sector can significantly influence how corporate governance practices impact firm performance. In a highly competitive market, firms face intense rivalry, pricing pressures, and the need for constant innovation to gain market share. The competitive landscape acts as a moderator, shaping the effectiveness of governance practices in navigating market challenges and opportunities.

Competitive pressures require security firms to make strategic decisions swiftly and adaptively. Governance mechanisms such as board oversight and CEO-board collaboration play a crucial role in guiding strategic decision-making and facilitating organizational agility. In a competitive environment, firms with effective governance structures are better positioned to identify market opportunities, respond to threats, and capitalize on competitive advantages, ultimately leading to improved performance.

In a highly competitive environment, the effectiveness of shareholder assembly may become more critical. Shareholders can exert pressure on the firm to adopt governance practices that enhance performance and competitiveness. A competitive market may incentivize firms to prioritize shareholder interests, leading to better governance practices and ultimately improved performance. In addition, the competitive environment can influence the composition and functioning of the board. In a highly competitive market, firms may seek directors with specific industry expertise, strategic vision, and a proactive approach to governance. Boards with diverse skills and experience are better equipped to navigate competitive challenges, provide strategic guidance, and enhance firm performance. Moreover, collaboration between the CEO and board becomes crucial in a competitive environment where rapid decision-making and strategic agility are essential. Effective collaboration ensures alignment of interests, clarity of direction, and efficient execution of strategies, leading to improved performance outcomes. In a competitive market, firms with strong CEO-board collaboration can capitalize on opportunities and mitigate risks more effectively.

Besides, ethical leadership becomes particularly important in a competitive market where firms may face pressures to compromise on ethical standards to gain a competitive edge. Ethical leaders set the tone for the organization, promote a culture of integrity and transparency, and ensure that governance practices align with ethical principles. In a competitive environment, firms with ethical leadership are more likely to build trust, enhance reputation, and achieve sustainable performance. In summary, the joint moderation influence of the competitive environment on the relationship between corporate governance and performance of security firms in Kenya underscores the importance of aligning governance practices with market dynamics and strategic imperatives. Firms that prioritize effective governance mechanisms tailored to the competitive landscape are better positioned to navigate challenges, capitalize on opportunities, and achieve sustainable performance in a dynamic market environment.

Optimal Model

The optimal model based on the study results in Table 4.28 and presented in Figure 4.2; is the equation model for Model 2 using the unstandardized coefficients applies;$Y= 0.328 + 0.264X_2+ 0.256\ X_2+ 0.253X_3 + 0.278X_4+ 0.314Z + 0.215X_1*Z + 0.322X_2*Z + 0.243X_3*Z + 0.253X_4*Z$;

Where Y is performance of security firms,

X_1 is Shareholder Assembly,

X_2 is Board characteristics,

X_3 is CEO-board collaboration,

X_4 is Ethical leadership and

Z is Competitive environment.

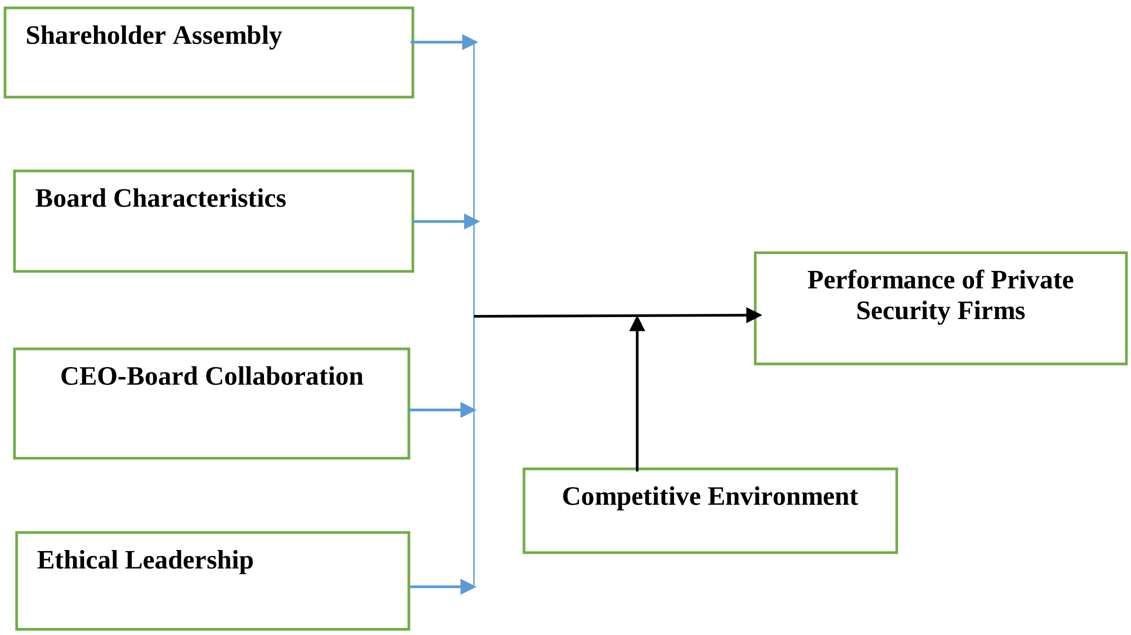

Figure 4.2: Optimal Model

4.8 Summary of Hypotheses Testing

The study examined the rejection of hypotheses that suggest there is no significant relationship between shareholder assembly, board characteristics, CEO-board collaboration, and ethical leadership on the performance of security firms in Kenya. Through empirical analysis, the findings reject these null hypotheses, indicating that there is indeed a significant relationship between these aspects of corporate governance and the performance of security firms in Kenya.

Specifically, shareholder assembly, characterized by active participation in decision-making processes and oversight functions, positively influences firm performance. Effective board characteristics, such as independence, diversity, and competence, contribute to strategic oversight, decision-making, and risk management, ultimately enhancing performance outcomes. Collaboration between the CEO and board fosters effective governance practices, communication, and strategic alignment within the organization, further bolstering performance. Additionally, ethical leadership, characterized by integrity, fairness, and a focus on societal success, sets the tone for ethical conduct throughout the organization, fostering trust, reputation, and long-term sustainability.

Overall, the rejection of these null hypotheses underscores the importance of robust corporate governance practices in driving performance and competitiveness within the security sector in Kenya. By prioritizing shareholder engagement, strong board leadership, collaborative decision-making, and ethical conduct, security firms can enhance their ability to achieve sustainable growth and profitability in the dynamic business environment of Kenya. The summary of hypotheses is presented in Table 4.29;

Table 4.29: Summary of Hypotheses Testing

Hypotheses	P-Value	Empirical Results
$H0_1$: Share-holder assembly does not significantly influence performance of private security firms in Kenya.	< 0.05	Positive and significant (Reject H_{01})
$H0_2$: Board characteristics does not significantly influence performance of private security firms in Kenya.	< 0.05	Positive and significant (Reject H_{02})
$H0_3$: CEO-Board collaboration does not significantly influence performance of private security firms in Kenya.	< 0.05	Positive and significant (Reject H_{03})
$H0_4$: Ethical leadership does not significantly influence performance of private security firms in Kenya.	< 0.05	Positive and significant (Reject $H_{04)}$
$H0_5$: Competitive environment does not significantly moderate the relationship between the corporate governance and performance of private security firms in Kenya.	< 0.05	Positive and significant (Reject H_{05})

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter gives the summary of the research findings that were obtained from the study that was anchored to specific objectives, conclusions that were made, the recommendations that were drawn, and finally, the suggested areas for further research. The study had a general objective and five specific objectives.

5.2 Summary of the Findings

The general objective of the study is to examine relationship between corporate governance and performance of private security firms in Kenya. The specific objectives of the study will be as follows: To determine the relationship between shareholder assembly and performance of private security firms in Kenya; To assess the relationship between board characteristics and performance of private security firms in Kenya; To establish the relationship between of CEO-Board collaboration on and performance of private security firms in Kenya; To examine the relationship between ethical leadership and performance of private security firms in Kenya; To assess the moderating influence of competitive environment on the relationship between the corporate governance and performance of private security firms in Kenya. The summary of the findings are based on the stated objectives as follows;

5.2.1 Shareholder Assembly and Performance of Private Security Firms

The findings from the descriptive analysis reveal that the majority of respondents agreed on several aspects related to shareholder assembly in security firms. For instance, holding annual general meetings as per company articles received high agreement. Shareholder participation in annual general meetings was also positively acknowledged. Shareholders received meeting agendas on time, although slightly lower in agreement. Shareholders' approval of financial matters during annual general meetings was generally agreed upon. Similarly, approval of the appointment of external auditors received positive agreement. Shareholders' role in appointing the board of directors as per company articles was also acknowledged. In summary, conducting a descriptive analysis of means and standard deviations provides valuable insights into the central tendencies and variability of responses regarding shareholder assembly in security firms. These statistics help identify patterns or trends, assess outliers, and guide subsequent analyses and interpretations of results. Overall, the findings suggest a positive perception of shareholder assembly practices within security firms, highlighting the importance of effective governance mechanisms in enhancing organizational performance.

5.2.2 Board Characteristics and Performance of Private Security Firms

The findings indicate a positive consensus among respondents regarding various aspects related to the board of directors in security firms. In terms of independent decision making, the respondents widely agreed that the board of directors exhibited independence in decision-making processes. In regard to adequacy of board size, there was agreement that the number of board members was sufficient to address the needs of the company effectively. As per the representation of diversity, respondents acknowledged that the composition of the board reflected diversity, suggesting inclusivity across different backgrounds and perspectives. Besides, competence of board members, the majority of respondents agreed that board members possessed the necessary competence and skills to effectively lead the company. The balance of non-executive and executive directors, there was agreement that there was a proportional balance between non-executive and executive directors on the board. Overall, these findings indicate a positive perception of the board of directors' effectiveness and composition within security firms. The acknowledgment of independence, adequacy, diversity, competence, and balance among board members underscores the importance of robust governance practices in driving organizational success and performance.

5.2.3 CEO-Board Collaboration and Performance of Private Security Firms

The findings revealed a positive consensus among respondents regarding the collaboration between the CEO and Board in security firms. On enhancing board and management relationship, the respondents agreed that CEO-Board collaboration positively influenced the relationship between the board and management, indicating effective communication and alignment of goals. In terms of reducing conflict of roles and responsibilities, while slightly lower in agreement, respondents acknowledged that collaboration between the CEO and Board helped mitigate conflicts related to roles and responsibilities within the organization. In the same vein, on enhancing oversight role of the board, there was agreement that CEO-Board collaboration enhanced the board's oversight function, ensuring effective governance and strategic direction. Based on facilitating regular consultation, respondents agreed that collaboration between the CEO and Board enabled regular consultation between the two key leadership roles, fostering transparency and decision-making. In terms of improving communication, finally, respondents also agreed that CEO-Board collaboration improved communication between directors and managers, facilitating information flow and coordination .Overall, these findings highlight the importance of collaborative relationships between the CEO and Board in promoting effective governance, communication, and oversight within security firms. Such collaboration contributes to organizational cohesion, strategic alignment, and ultimately, improved performance outcomes.

5.2.4 Ethical Leadership and Performance of Private Security Firms

The findings indicate a mixed perception among respondents regarding various aspects related to regulatory compliance and ethical practices within security firms. In terms of compliance with regulatory requirements, respondents generally agreed that the board of directors complies with regulatory requirements, albeit with some variability in responses. The ethical focus on societal success, there was agreement that the firm's ethical considerations prioritize societal success, reflecting a broader social responsibility perspective. In regard to promotion of ethical culture, the respondents agreed that the board of directors promotes an ethical culture within the firm, indicating efforts to foster integrity and ethical behavior among employees. Based on the implementation of business ethical practices, there was strong agreement that the CEO implements business ethical practices, suggesting a commitment to ethical conduct at the leadership level. In consideration of moral outcomes, contrary to other aspects, respondents disagreed that the board of directors considers the moral outcome of management decisions, indicating a potential area for improvement in ethical decision-making processes. Based on encouragement of role modeling, respondents agreed that both the board of directors and CEO encourage role modeling for junior employees, highlighting the importance of leadership behavior in shaping organizational culture. Similarly, respondents agreed that the board of directors and CEO consistently encourage role modeling for junior employees, emphasizing the importance of ethical leadership at all levels of the organization. Overall, while there are positive perceptions regarding regulatory compliance, ethical practices, and leadership behavior within security firms, there are also areas identified for further enhancement, particularly in considering moral outcomes of decisions and reinforcing role modeling for ethical behavior among employees. These findings underscore the importance of fostering an ethical culture and leadership commitment to drive organizational success and societal impact.

5.2.5 Corporate Governance and Performance of Private Security Firms

The findings indicate that these elements of corporate governance are interrelated and collectively influence the performance of private security firms. Shareholder assembly, through its involvement in decision-making processes and oversight functions, contributes to transparency, accountability, and alignment of interests between shareholders and management. Effective board characteristics, such as independence, diversity, and competence, facilitate strategic oversight, decision-making, and risk management, which are essential for organizational performance. Collaboration between the CEO and board plays a crucial role in enhancing governance effectiveness, fostering communication, and ensuring strategic alignment within the organization. Ethical leadership, characterized by integrity, fairness, and a focus on societal success, sets the tone for ethical conduct throughout the organization, contributing to trust, reputation, and long-term sustainability. Overall, the joint relationship between these dimensions of corporate governance underscores their interconnectedness and collective impact on the performance of private security firms in Kenya. By strengthening governance practices across these dimensions, security firms can enhance their ability to navigate challenges, capitalize on opportunities, and achieve sustainable growth and profitability in the dynamic business environment.

5.2.6 Competitive Environment, Corporate Governance and Performance of Private Security Firms

The study investigates how the competitive environment moderates the relationship between various aspects of corporate governance (including shareholder assembly, board characteristics, CEO-board collaboration, and ethical leadership) and the performance of private security firms in Kenya. The findings suggest that the competitive landscape significantly influences the effectiveness of corporate governance practices in driving firm performance. In highly competitive environments, governance mechanisms play a critical role in enhancing the competitiveness and sustainability of security firms. Factors such as shareholder assembly, when coupled with strong board characteristics, CEO-board collaboration, and ethical leadership, become even more essential for firms to thrive amidst competition.

Effective corporate governance practices enable security firms to adapt to market dynamics, make strategic decisions, and manage risks effectively. In competitive environments, governance practices that promote transparency, accountability, and ethical conduct can provide a competitive advantage by fostering stakeholder trust, attracting investment, and enhancing reputation. However, the study also highlights the challenges posed by intense competition, such as increased pressure on governance structures and decision-making processes. In such contexts, security firms may need to adapt their governance practices to remain agile, innovative, and responsive to market demands. Overall, the moderating influence of the competitive environment underscores the importance of integrating effective corporate governance practices with strategic responses to external market forces. By leveraging governance mechanisms to navigate competitive pressures, security firms can enhance their performance and achieve sustainable growth in the dynamic business landscape of Kenya's private security sector.

5.3 Conclusion

The hypothesis asserting a positive and significant relationship between shareholder assembly and the performance of security firms in Kenya has been validated through empirical analysis. This relationship suggests that active participation of shareholders in assembly meetings correlates with improved performance outcomes for security firms. Shareholder assembly serves as a crucial governance mechanism, facilitating transparency, accountability, and alignment of interests between shareholders and management. Enhanced shareholder involvement enables more effective oversight of managerial actions, leading to better corporate governance practices and ultimately contributing to superior firm performance. This finding underscores the importance of shareholder engagement in driving value creation and sustainability within the security sector in Kenya.

The rejection of the null hypothesis signifies that there exists a positive and significant relationship between board characteristics and the performance of private security firms in Kenya. This rejection indicates that the composition, structure, and effectiveness of the board play a crucial role in influencing firm performance within the security sector. Boards with diverse expertise, independent directors, and strong leadership contribute to better decision-making, strategic oversight, and risk management, which ultimately leads to improved financial outcomes and stakeholder value creation. The findings underscore the importance of effective board governance in driving organizational success and competitiveness within the private security firms in Kenya.

The rejection of the null hypothesis indicates that there is indeed a positive and significant relationship between CEO-board collaboration and the performance of security firms in Kenya. This rejection suggests that when the CEO and board collaborate effectively, it leads to improved organizational outcomes within the security sector. Effective collaboration between these key leadership figures fosters better decision-making, strategic alignment, and governance effectiveness. It enhances communication, transparency, and trust within the organization, ultimately contributing to enhanced performance, stakeholder satisfaction, and long-term sustainability. The findings underscore the importance of strong collaboration between the CEO and board in driving organizational success and competitiveness within the private security firms in Kenya.

The rejection of null hypothesis confirms a positive and significant relationship between ethical leadership and the performance of security firms in Kenya. Ethical leadership, characterized by honesty, integrity, and fairness, plays a crucial role in shaping organizational culture, employee behavior, and overall performance outcomes. Security firms led by ethical leaders demonstrate higher levels of trust, transparency, and accountability, fostering a positive work environment conducive to employee engagement and commitment. This ethical climate contributes to improved decision-making, risk management, and stakeholder relationships, ultimately enhancing the firm's financial performance and long-term sustainability. The findings underscore the importance of ethical leadership in driving organizational success and competitive advantage within the private security firms in Kenya.

The rejection of the null hypothesis indicates that there is indeed a significant moderating influence of the competitive environment on the relationship between corporate governance factors (including shareholder assembly, board characteristics, CEO-board collaboration, and ethical leadership) and the performance of security firms in Kenya. This rejection suggests that the competitive landscape in which security firms operate plays a pivotal role in shaping the impact of corporate governance practices on organizational performance. In highly competitive environments, effective governance mechanisms become even more crucial for firms to thrive and maintain a competitive edge. Factors such as shareholder engagement, board effectiveness, collaboration between key leadership roles, and ethical leadership are essential for navigating competitive pressures and driving sustainable performance outcomes. The findings highlight the importance of adapting corporate governance practices to the specific challenges and dynamics of the competitive environment in order to maximize their effectiveness in enhancing firm performance within the security industry in Kenya.

5.4 Recommendations

Based on the study on the influence of shareholder assembly on the performance of security firms in Kenya, the study recommends that there is need to encourage active shareholder participation in assembly meetings by providing accessible channels for communication, such as online platforms or shareholder forums. There is need to promote transparency in shareholder assembly proceedings by providing clear and comprehensive information on company performance. It is important to seek input from shareholders Implement compensation structures that reward executives for achieving strategic objectives and shareholder-approved goals. The management of the private security firms need to provide education and training programs for shareholders to enhance their understanding of corporate governance principles, financial analysis, and shareholder rights. The shareholders need to be empowered to make informed decisions and actively participate in assembly meetings. Regularly review and evaluate shareholder assembly processes and practices to identify areas for improvement. Solicit feedback from shareholders on their experiences and satisfaction levels with assembly meetings, and incorporate suggestions for enhancing effectiveness and efficiency. Lastly, develop a formal shareholder engagement policy, clearly define roles, responsibilities, and procedures for engaging with shareholders and soliciting their input on key matters affecting the company.

Based on the study on the influence of board characteristics on the performance of security firms in Kenya, here are some recommendations; there is need to encourage security firms to prioritize diversity in board composition, including gender, ethnicity, age, and professional background. There is need to ensure that a significant portion of the board consists of independent directors who are not affiliated with the company or its major stakeholders. Independent directors provide impartial oversight and help mitigate conflicts of interest, enhancing governance effectiveness. There is need to evaluate the optimal size and structure of the board based on the complexity and scale of the security firm's operations. Considerations should include balancing the need for diversity and expertise with the efficiency of decision-making and board dynamics.

Based on the study on the influence of CEO-board collaboration on the performance of security firms in Kenya; the study recommends that there is need to define clear roles and responsibilities for the CEO and board. There is need to foster open and regular communication channels between the CEO and board. This facilitates the exchange of information, alignment on strategic goals, and swift decision-making. It is important to collaborate on developing a shared vision and long-term strategy for the company. Cultivate an environment of mutual respect and trust between the CEO and board. Trust is crucial for effective collaboration, enabling both parties to rely on each other's expertise and judgment. There is need to establish mechanisms for resolving conflicts or disagreements between the CEO and board in a constructive manner. Open dialogue and mediation can help address conflicts before they escalate and impact organizational performance.

Based on the study on the influence of ethical leadership on the performance of security firms in Kenya; the private security firms leaders should embody the values and behaviors they expect from their employees. It is important to define and communicate clear ethical standards and expectations within the organization. It is important to provide ongoing ethics training and education to employees at all levels of the organization. It is important to foster an environment where employees feel empowered to make ethical decisions. It is necessary to practice transparency in all business dealings and hold individuals accountable for their actions. Ethical leaders should ensure that there are consequences for unethical behavior and that everyone is held to the same standards of conduct. Invest in the development of ethical leadership skills among managers and supervisors. Leadership training programs should emphasize the importance of ethical decision-making, building trust, and fostering a culture of integrity. This demonstrates a commitment to ethical leadership and can enhance the reputation and credibility of the organization.

Based on the study on the moderating influence of competitive environment on the relationship between performance of security firms in Kenya. The study recommends that there is need to ensure that corporate governance practices are aligned with the competitive strategy of the security firm. There is need to implement flexible governance structures that can respond to changes in the competitive environment.

This includes regular reviews and updates to governance policies and practices to remain effective and relevant. Establish performance metrics and benchmarks that take into account the competitive environment. Engage with stakeholders, including shareholders, customers, employees, and regulators, to understand their expectations and concerns regarding corporate governance and performance. Explore strategic partnerships and alliances with complementary firms or industry players to strengthen the firm's competitive position. Collaborative arrangements can provide access to resources, expertise, and market opportunities that enhance governance effectiveness and performance. Lastly, there is need to continuously monitor and evaluate the impact of the competitive environment on governance practices and performance outcomes. Regular assessments enable the firm to adapt its governance strategies and practices in response to changing market conditions and competitive pressures.

Theoretical Implications

In studying the role of corporate governance factors (shareholder assembly, board characteristics, CEO-board collaboration, and ethical leadership) on the performance of private security firms in Kenya, each of the theoretical perspectives - stewardship theory, cognitive moral development theory, agency theory, and firm theory - contributes valuable insights. Stewardship theory emphasizes the role of executives and directors as stewards of the organization's resources and interests. In the context of private security firms in Kenya, stewardship theory suggests that governance mechanisms should promote the alignment of managerial interests with those of shareholders and stakeholders. Thus, stewardship theory contributes by emphasizing the importance of governance practices that foster a sense of stewardship among executives and directors. This can lead to enhanced commitment to the organization's long-term success, responsible decision-making, and improved performance outcomes.

Cognitive moral development theory posits that individuals progress through stages of moral reasoning, influencing their ethical decision-making. Within private security firms in Kenya, this theory suggests that governance mechanisms play a crucial role in shaping executives' and directors' ethical reasoning and behavior. Cognitive moral development theory contributes by highlighting the significance of governance practices in promoting ethical leadership and decision-making processes. By fostering higher stages of moral development among leaders, governance mechanisms can contribute to ethical conduct and organizational performance improvement.

Agency theory examines the relationship between principals (shareholders) and agents (managers), emphasizing potential conflicts of interest and the need for mechanisms to align incentives and mitigate agency costs. In the context of private security firms in Kenya, agency theory underscores the importance of governance mechanisms in aligning managerial actions with shareholder interests. Agency theory contributes by providing insights into how governance mechanisms such as shareholder assembly, board characteristics, and CEO-board collaboration can mitigate agency conflicts and ensure accountability and performance alignment. This theory helps to understand the dynamics of principal-agent relationships within private security firms.

Firm theory focuses on how organizations allocate resources and make decisions to maximize performance and sustainability. In the context of private security firms in Kenya, firm theory suggests that governance mechanisms influence organizational behavior and outcomes. Firm theory contributes by highlighting the impact of governance mechanisms on resource allocation, strategic decision-making, and value creation within private security firms. By understanding the role of governance in shaping organizational behavior and performance, researchers can identify strategies to enhance performance and competitiveness in the industry. By integrating insights from these theoretical perspectives, researchers can develop a comprehensive understanding of how corporate governance factors influence the performance of private security firms in Kenya. This understanding can inform policy recommendations, managerial practices, and future research directions aimed at improving governance effectiveness and organizational performance in the sector.

Contribution to the Existing Body of Knowledge

The existing body of knowledge on the role of corporate governance factors (shareholder assembly, board characteristics, CEO-board collaboration, and ethical leadership) on the performance of security firms in Kenya has made significant contributions in several key areas. First, theoretical understanding is enhanced since the research has contributed to advancing theoretical frameworks and models that elucidate the relationships between corporate governance mechanisms and firm performance within the specific context of security firms in Kenya. These theories provide a foundation for understanding how governance structures, processes, and practices influence organizational outcomes. Second, the empirical evidence, studies have generated empirical evidence on the impact of various corporate governance factors on the performance of security firms in Kenya. Through quantitative analyses, case studies, and qualitative research methods, researchers have identified correlations, causal relationships, and moderating effects between governance mechanisms and performance indicators.Third, the best practices identification in corporate governance that are associated with improved performance outcomes in security firms. These best practices encompass aspects such as board composition, leadership dynamics, stakeholder engagement, and ethical standards, providing practical guidance for firms seeking to enhance their governance effectiveness.

Third, in terms of policy implications, the findings from research studies have informed policy development and regulatory reforms aimed at strengthening corporate governance practices within the security sector in Kenya. Policymakers have relied on empirical evidence and expert recommendations to design and implement governance frameworks that promote transparency, accountability, and sustainability. Fourth, in terms of industry guidance, the study has provided valuable insights and guidance for practitioners, executives, and directors within security firms in Kenya. By disseminating research findings through publications, conferences, and professional development programs, researchers have helped raise awareness of governance issues and encouraged adoption of governance best practices within the industry.

Fifth, in terms of performance measurement and evaluation, the study has contributed to the development of performance measurement frameworks and evaluation methodologies tailored to the context of security firms in Kenya. By identifying relevant performance indicators and measurement tools, researchers have facilitated the assessment of governance effectiveness and its impact on organizational performance outcomes. Overall, the existing body of knowledge on the role of corporate governance in security firms in Kenya has enriched scholarly understanding, informed policy and practice, and contributed to the advancement of governance standards and performance outcomes within the industry. Continued research and collaboration are essential for building upon these contributions and addressing emerging challenges and opportunities in corporate governance and performance management within the security sector.

Recommendations for Policy

Policy recommendations regarding the role of corporate governance factors (shareholder assembly, board characteristics, CEO-board collaboration, and ethical leadership) on the performance of security firms in Kenya should focus on enhancing transparency, accountability, and effectiveness within these organizations. There is need to strengthen regulatory oversight of corporate governance practices within security firms in Kenya. Implement clear guidelines and standards for shareholder assembly procedures, board composition, CEO-board collaboration, and ethical leadership requirements, and enforce compliance through regular audits and inspections. In addition, there is need to develop guidelines for board composition that emphasize diversity, independence, and expertise. Encourage security firms to have boards with a balanced mix of directors from diverse backgrounds, including gender, ethnicity, and professional experience, to ensure effective oversight and decision-making.

Moreover, there is need to establish guidelines for fostering effective collaboration between CEOs and boards. Encourage regular communication, mutual respect, and alignment of goals and strategies between these leadership roles to enhance governance effectiveness and organizational performance. There is need to promote ethical leadership within security firms through the adoption of clear ethical standards, codes of conduct, and integrity policies. Encourage leaders to demonstrate honesty, integrity, and accountability in their decision-making processes and actions, setting a positive example for employees and stakeholders. There is need to strengthen regulatory frameworks governing corporate governance practices in the security sector. This may involve updating existing regulations or introducing new ones to ensure alignment with international best practices and standards, and to address emerging governance challenges and risks. Thus, provide regulatory authorities with the necessary resources, tools, and capacity to enforce compliance with corporate governance regulations effectively. This may include training enforcement officers, investing in technology for monitoring and surveillance, and establishing mechanisms for whistleblowers to report governance violations. By implementing these policy recommendations, policymakers can help improve governance practices within security firms in Kenya, ultimately leading to enhanced organizational performance, trust, and sustainability.

5.5 Suggestions of Areas for Further Research

The findings of the study, as summarized in the previous section have several implications for theory, methodology and practice. Overall, the findings of the study provide substantial support for the conceptual framework. Specifically, the results demonstrate that corporate governance can act as a powerful tool that can directly lead to improved private security firm performance viewed as a solution to the private security industry facing a myriad of challenges in regard to the adoption of the appropriate and relevant corporate governance practices. The study also found out that corporate governance practices explained 76.90% of the performance of security firms in Kenya. The study, therefore, suggests further studies on the other factors (23.10%) influencing performance of private security firms in Kenya. The additional model could be explained through the insertion of other moderators like firm size, firm level characteristics such as firm types, ownership types, managerial characteristics, firm age and cultural diversity and regulatory framework to the hypothesized relationship.

In addition, the study used perceived measures and also composite firm performance measures. It will thus be, of interest to future researchers to consider disaggregating financial and non-financial measures of firm performance and analyze firm performance based on actual financial and non-financial measures. Further, there is need to conduct a longitudinal study to examine how changes in corporate governance practices over time impact the performance of private security firms in Kenya. This could involve tracking governance reforms, changes in board composition, and performance metrics over several years to assess the long-term effects on firm performance.

Comparative analysis need to be compared on the corporate governance practices and performance of private security firms in Kenya with those in other countries or regions. This comparative analysis could provide insights into the effectiveness of different governance models and regulatory frameworks in driving firm performance within the security industry. To supplement quantitative analyses with qualitative studies to gain deeper insights into the mechanisms through which corporate governance influences firm performance in the Kenyan security sector. Interviews, focus groups, and case studies with industry stakeholders could provide rich contextual understanding and identify best practices for governance implementation.

Moreover, there is need to investigate the impact of board diversity on the performance of private security firms in Kenya. Explore how factors such as gender, ethnicity, age, and professional background of board members influence governance effectiveness and firm performance outcomes. Besides, to examine the role of CSR initiatives in enhancing the performance of private security firms in Kenya. Investigate how governance structures facilitate the integration of CSR principles into business strategies and the impact of CSR activities on stakeholder perceptions, brand reputation, and financial performance. In addition, there is need to assess the influence of the regulatory environment on corporate governance practices and firm performance in the Kenyan security sector. Analyze how changes in regulations, enforcement mechanisms, and compliance requirements affect governance standards and their implications for business operations and performance.

The future studies need to explore the relationship between stakeholder engagement practices and firm performance in private security firms. Investigate how governance mechanisms facilitate stakeholder communication, participation, and satisfaction, and the impact of effective stakeholder engagement on organizational resilience and competitiveness. Investigate the role of technology adoption and digital transformation initiatives in shaping corporate governance practices and performance outcomes in the Kenyan security industry. Explore how governance structures support the integration of technology solutions, data analytics, and cybersecurity measures to enhance operational efficiency and service delivery.

There is need to examine the effectiveness of risk management practices in private security firms and their impact on firm performance. Investigate how governance mechanisms facilitate risk identification, assessment, and mitigation strategies, and the relationship between robust risk management frameworks and financial resilience in volatile operating environments. Explore the perceptions and experiences of employees regarding corporate governance practices and their influence on organizational culture, job satisfaction, and performance outcomes. Conduct surveys or focus groups to gather employee feedback on governance effectiveness, leadership transparency, and ethical conduct within private security firms. By exploring these areas for further research, scholars can deepen their understanding of the complex relationship between corporate governance and the performance of private security firms in Kenya, contributing valuable insights to both academia and industry practice.

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APPENDICES

Appendix1: Letter Requesting Participation of Respondents

Dear Participant,

<u>Re: Research Questionnaire Response</u>

I am a PhD student in Leadership and Governance at the Jomo Kenyatta University of Agriculture and Technology. One of the requirements to the award of the degree would be to write a dissertation in my area of study.

I have chosen corporate governance issues for my study. The gap from the reviewed literature led me to research on the ***"Corporate governance and Performance of Private Security Firms in Kenya".***

I would highly appreciate your assistance in giving me your sincere feedback on the questionnaire attached to this letter which will be used confidentially for this research only and will not be diverged for any other use. Please note that it would be optional to identify yourself and thus can remain anonymous.

Yours sincerely,

Silvanus Sewe

<u>Researcher</u>

Appendix II: Survey Questionnaire

Part One: Demographic Information.

In this section, data seeks background information about the respondents and the security firm. Kindly give the information in the space provided indicating by a tick [√] where applicable.

a) State your gender Male [ ] Female [ ]

b) How long have you worked in this security sector?

Less than 1 year [ ] 1 to 5 years [ ] 6 to 10 years [ ] Over 10 years [ ]

c) For how long have you worked at the current position?

Less than 3 years [ ] Between 4-6 years [ ] Between 7-9 years [ ] Above 10 years [ ]

d) What is the highest level of academic qualifications you have attained so far?

Certificate [ ] Diploma [ ] Bachelors [ ] Masters [ ] Ph.D. [ ]

Any other, please specify ……………………………………………….

Part Two: Corporate Governance

Section A: Shareholder Assembly

Please indicate to what extent you agree or disagree with the following statements on shareholder assembly in your private security firm by putting a tick against the options provided as follows: 1=Strongly disagree (**SD**) 2=Disagree (**D**) 3=Neural (**N**) 4=Agree (**A**) 5= Strongly Agree (**SA**)

Statements	**SA**	**A**	**N**	**D**	**SD**
Company hold its annual general meeting as per the company articles					
Shareholders participate in annual general meeting					
Shareholders receive meeting agendas on time					
Shareholders' approval financial during annual general meetings					
Shareholders' approval the appointment of external auditors					
Shareholders' appoint board of directors as per the company articles					

In your opinion how does shareholder assembly bring benefits or losses to your firm? (*if applicable*)

Comment on participation in annual general meetings

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Comment on approval of financial statements

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Comment on appointment of board of directors

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Section B: Board Characteristics

Please indicate to what extent you agree or disagree with the following statements on board characteristics in your security firm by putting a tick against the options provided as follows: 1=Strongly disagree (**SD**) 2=Disagree (**D**) 3=Neural (**N**) 4=Agree (**A**) 5= Strongly Agree (**SA**)

Statements	**SA**	**A**	**N**	**D**	**SD**
Board of directors are independent in decision making					
Number of the board members is adequate to address company needs					
Composition of the board represents diversity					
Board members have the required competence to lead the company					
Non-Executive and Executive directors are proportionally balanced					

In your opinion how does board characteristics bring benefits or losses to your firm?? (*Please Indicate if applicable*)

Comment on your Board of Director Independence

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Give opinion on your Board Size

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Comment on your Board diversity

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Section C: CEO-Board Collaboration

Please indicate to what extent you agree or disagree with the following statements on CEO-Board Collaboration putting a tick against the options provided as follows: 1=Strongly disagree (**SD**) 2=Disagree (**D**) 3=Neural (**N**) 4=Agree (**A**) 5= Strongly Agree (**SA**)

Statements	**SA**	**A**	**N**	**D**	**SD**
CEO-Board collaboration enhances board and management relationship					
CEO-Board collaboration brings conflict of roles and responsibilities					
CEO-Board collaboration enhances the oversight role of the board.					
CEO-Board collaboration enables the CEO do regular consultation with board					
CEO-Board collaboration improves communication between the directors and managers.					

In your opinion how does CEO-Board collaboration bring benefits or losses to your firm?? (*if applicable*)

Comment on mode of communication

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Comment on conflict management

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Comment on the consultation and oversight

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Section D: Ethical Leadership

Please indicate to what extent you agree or disagree with the following statements on ethical leadership in your security firm by putting a tick against the options provided as follows: 1=Strongly disagree (**SD**) 2=Disagree (**D**) 3=Neural (**N**) 4=Agree (**A**) 5= Strongly Agree (**SA**)

Statement	**SA**	**A**	**N**	**D**	**SD**
The board of directors complies with the regulatory requirements					
The firm ethical considerations focus on the societal success					
The board of directors promotes ethical culture within the firm					
The CEO implement business ethical practices					
The board of directors considers the moral outcome of management decisions					
The board of directors and CEO encourages role modeling for junior employees					

In your opinion how does ethical leadership bring benefits or losses to your firm?? (*Please Indicate if applicable*)

Comment on regulatory compliance

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Comment on Moral outcomes

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Comment on role modelling

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Section F: Competitive Environment

Please indicate to what extent you agree or disagree with the following statements on competitive environment in your firm by putting a tick against the options provided as follows: 1= Strongly disagree (**SD**) 2=Disagree (**D**) 3=Neural (**N**) 4=Agree (**A**) 5= Strongly Agree (**SA**)

Statement	**SA**	**A**	**N**	**D**	**SD**
The firm has made strategic alliances with other stakeholders					
The firm's risk management strategy is responsive to dynamic business environment					
The firm responds to diversified customers' needs effectively					
The firm has leveraged on technology to remain competitive					
The firm promotes innovation and creativity to venture into new markets					

In your opinion how does competitive environment bring benefits or losses to your firm?? (*if applicable*)

Comment on strategic alliances

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Comment on diversification

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Comment on Technological trends

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Section G: Performance of the Private Security Firm

The performance of private security firms can be measured over a period of time while looking into increase in number of branches, increase of sales, increase of profits and market share. Please indicate your agreement or otherwise with the following statements using the following Likert scale.Use a scale of: 1= Strongly disagree (**SD**) 2=Disagree (**D**) 3=Neural (**N**) 4=Agree (**A**) 5= Strongly Agree (**SA**)

Description	**SA**	**A**	**N**	**D**	**SD**
The number of employees has increased in the last five years					
The business has opened branches in the last five years					
Market share has increased in the last five years					
Profitability has increased in the last three years					
There are reduced customer complaints in the last five years					
The business has diversified its products in the last five years					
Customer loyalty has increased in the last five years					
Assets have increased in the last five years.					

THANK YOU for taking your time to complete this questionnaire. We may come back to you in case of any clarification.

Appendix III: Private Security Firms (KSIA Membership List)

S/No	Company
1	Apache Group Limited
2	Ismax Security Limited
3	AKKAD System Limited
4	Collindale Security Limited
5	Bob Morgan Services Limited
6	Ultimate Security Limited
7	G4S Security Services Limited
8	Instarect Limited
9	Kenya Kazi (KK) Security
10	Magnum Allied Systems Limited
11	Pinkerton's Limited
12	Riley Services Limited
13	Securex Agencies Kenya Limited
14	Security Group of Companies Limited
15	Watchdog Alert Limited
16	Total Security Surveillance Limited
17	Radar Security Limited
18	Fidelity Security Services Limited
19	Corporate Security Limited
20	Cobra Security Limited
21	Crest Security Services Limited
22	Brinks Security Services Limited
23	Cybertrace Limited
24	Texas Alarm Limited
25	Northwood Services Limited
26	Nine One One Group Limited
27	Absolute Security Limited
28	Infama Limited
29	Bedrock Security Services Limited
30	Saladin Kenya Limited
31	Envag Associates Limited
32	Twenty-Four Secure Security Company
33	PG Security Limited
34	FSI World Wide Limited
35	Tandu Security Limited
36	On the Mark Security Limited
37	Homeland Security
38	Davkos Security Services Ltd
39	Stallion Security Limited
40	Magic Security Limited

Appendix IV: Private Security Firms (PSIA Membership List)

S/No	Company	S/No	Company
1	AnchorSecurity Services Ltd.	38	Bonarys security Services
2	BabsSecurity Services Ltd	39	MarcoSecurity Ltd.
3	Basein Security Services Ltd	40	MasterpieceSecurity Services Ltd.
4	BedRock Holdings Ltd	41	Metropol security services ltd
5	Boeramain Security Ltd.	42	Mocam Security Ltd.
6	Papaton Security Services Limited	43	NewnhamSecurity Ltd.
7	CasaSecurity Ltd.	44	Pachaz Kenya ltd
8	Catch security links ltd	45	Pada Private Investigators Ltd.
9	Saladin Kenya ltd	46	Lavington Security Guards Ltd
10	Kruggers security services ltd	47	Pelt security services Ltd
11	KongSecurity Ltd	48	Perimeter protection ltd.
12	DeltaGuards Ltd	49	Pride kings' services ltd
13	Kisii Security Guards	50	Private Security TrainingAcademy Ltd.
14	EagleWatch Company Ltd	51	Best Africa Security Experts Ltd (BASE)
15	EkosowanSecurity Express Services Ltd.	52	ProtectiveCustody Ltd
16	Flashcom Security Ltd	53	RaceGuards Security Ltd
17	Glosec Services Ltd.	54	Vickers Security Services Ltd
18	Gratom Babz ServicesLtd	55	Rapid security ltd.
19	Wecan Security Risk Management Solutions Ltd	56	RobinsonSecurity Guards Ltd
20	Gyto Security Ltd.	57	Samo Security Services
21	Hatari Security Services Ltd	58	Saos Security Ltd.
22	Ideal Security Services Ltd	59	Vazguards protection services ltd
23	Intercity Secure Home Ltd.	60	Securitas(K) Ltd.
24	Intersecurity Services Ltd	61	Senaca E.A Security Ltd.
25	Ivory security services ltd.	62	SnipperSecurity Ltd.
26	JeffHamilton Services	63	Solvit Security Solutions
27	KenwatchSecurity Services Ltd.	64	VIigilmax Security Services Ltd
28	Bridge Security Services Ltd	65	StraightSecurity Ltd
29	Sarman security services	66	Gallant Security Services Ltd
30	Kleen homes security services ltd	67	TickSecurity Services Ltd.
31	Two FourSeven Guards Ltd.	68	Tofada Security Services Ltd..
32	Gillys Security &Investigations Services Ltd	69	Top Flight Security Ltd
33	Beemark holdings ltd	70	Kenya School of Security Management Ltd
34	Gateamour Security Services Ltd	71	Benro Security
35	Frontiers Security Consultants Ltd	72	Lakers Pride (LP) Security Services ltd
36	Idar Groups Security Services Ltd		
37	Kemirwa Global Security Services Ltd		

Appendix V: Best Practices of Corporate Governance Recommended by UN

A. Ownership Structure and Exercise of Control Rights
1. Ownership structure 2. Process for holding annual meetings 3. Changes in shareholdings 4. Control structure 5. Control and corresponding equity stake 6. Availability and accessibility of meeting agenda 7. Control rights 8. Rules and procedures governing the acquisition of corporate control 9. Anti-takeover measures
B. Financial Transparency and Information Disclosure
10. Financial and operating results 11. Critical accounting estimates 12. Nature, type and elements of related-party transactions 13. Company objectives 14. Impact of alternative accounting decisions 15. The decision making process for approving transactions with related parties 16. Rules and procedure governing extraordinary transactions 17. Board's responsibilities regarding financial communications
C. Auditing
18. Process for interaction with internal auditors 19. Process for interaction with external auditors 20. Process for appointment of external auditors 21.Process for appointment of internal auditors/scope of work and responsibilities

22. Board confidence in external auditors 23. Internal control systems 24. Duration of current auditors 25. Rotation of audit partners 26. Auditors’ involvement in non-audit work and the fees paid to the auditors
D. Corporate Responsibility and Compliance
27.Policy and performance in connection with social and environmental responsibility 28.Impact of social and environmental responsibility policies on the firm’s sustainability 29. A code of ethics for the board and waivers to the ethics code 30. A code of ethics for all company employees 31. Policy on “whistle blower” protection for all employees 32. Mechanisms protecting the rights of other stakeholders in business 33.The role of employees in corporate governance

Appendix VI: NACOSTI Research License

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