EFFECT OF MANAGERIAL CONTROL ON FINANCIAL PERFORMANCE OF STRATEGIC MANAGEMENT AND INCOME GENERATING UNITS OF STUDENT WELFARE AUTHORITY AT THE UNIVERSITY OF NAIROBI

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DECLARATION

I declare that this research project is my original work and to the best of my knowledge has not been presented for a degree award to any other institution.

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This research project has been submitted for examination with my approval as the University Supervisor

Signatureé é é é é é é é é é é é é ... Dateé é é é é é é é é é é é é ...

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DEDICATION

This project is dedicated to my husband Philip, and my loving children Ann and Mark.

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ABBREVIATIONS AND ACRONYMS

EFQM- Environmental Focus Quality Management

ICS ï Internal Control Systems

IGUs - Income Generating Units

MAC - Management Accounting Control

MCS- Managerial Control System

NGOs - Non-Governmental Organizations (NGOs)

NSSF - National Social Security Fund

SMEs ï Small and Medium Enterprises

SMUs - Strategic Management Units

SWA ï Student Welfare Authority

UNES - University Of Nairobi Enterprise Services

UON - University of Nairobi

USAB- University Studentsô Accommodation Board

ABSTRACT

It is well established that managerial controls are applied in organizations globally. The purpose of the study was to examine the effect of managerial controls on financial performance of Strategic Management and Income Generating Units of Student Welfare Authority at the University of Nairobi. Basically, managerial control is meant to create a companyøs ability to operate efficiently, profitably, survive, grow and react to the environmental opportunities and threats. However, the extent to which managerial control affects financial performance of public entities like institutions of higher learning remains significantly uninvestigated. Thus, specifically, the study examined the managerial controls employed by Strategic Management and Income Generating Units of Student Welfare Authority at the University of Nairobi; evaluated the level of financial performance at SMUs and IGUs of SWA at UON; and investigated the relationship between managerial controls and financial performance of Strategic Management and Income Generating Units of SWA at the University of Nairobi. The agency theory, stakeholderøs theory and institution theory anchored the study. The study adopted descriptive survey research design from the 11 SMUs and 3 IGUs of SWA at UON were targeted. Census procedure was used to select the entire 11 SMUs and 3 IGUs of SWA at UON for a period of 5 years. Quantitative data was analyzed using descriptive analysis in form of percentages, frequencies and means. Both correlation and Regression analysis were used to test for the relationship between the managerial control and financial performance. The study proved to be significant to the managers of the SMUs and IGUs at SWA where managers play a vital role in financial sustainability of the units and to help them improve financial performance. The study recommends that SMUs and IGUs managers at SWA should sustain and promote use of various managerial controls in place; establishment of more IGUs to support loss making SMUs; and lobby the government to review pricing of accommodation and catering services to students. The limitations of the study included time period, possibility of subjectivity bias and five year recall period of various measures of managerial control could contribute to some bias. Finally this research recommends further investigation on what support the units need in order to accomplish organizational objectives and also investigate the opinion of employees under the managersô authority to establish their opinion on managerial controls of SMUs and IGUs.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

It is well established that managerial controls are applied in organizations globally. Simons (1995b) seminal paper, argues that managerial controls includes the formal, information-based routines and procedures managers employ to maintain or change patterns in organizational activities. Merchant and van der Stede (2007) explains that managerial activities help managers to develop and implement organizational strategies. Anthony and Govindarajan, (2007); Merchant and van der Stede, (2007) describes activities of planning, budgeting, resource allocations, performance measurement, evaluation, and reward system managers use to make sure that whatever the subordinates do confirms to the achievement of organizational core objectives and strategies.

Paramount part played by managerial controls in institutions has changed with time. It started as an official response and check system which is embedded in institutional acquired knowledge with time and transformation. Scholarly aspects describes, managerial controls and its systems have always been pointed as a vital tool for the management of organizations. Nevertheless use of managerial controls in institutions is restrained and is mostly bound to the use of conventional methods like use of budgets (Otley, 2003). The accounting tools of managerial controls are commonly used in third world countries.

The development of SMUs and IGUs in SWA at the University of Nairobi is a strategic element that is meant to improve the overall accommodation and catering performance of the University of Nairobi. These performance indicators, surplus from the SMUs and IGUs, are meant to be progressed by effective managerial control as such; the consideration of managerial control and its linkage to financial performance of the SMUs and IGUs of SWA at UON is important (UON Website 2017).

1.1.1 Managerial Controls

The control function includes counterchecking and sealing loopholes for the management activities from the beginning to the end. The main activities in supervision comprise the setting of yardsticks and equating the outcome in relation to the standards, once the deviations are established corrective measures are taken and the whole management process is revised to improve the results to match the standards (Anthony et al., 2010).

Managerial control objectives are to align supervision activities to the set standards (Sitorus et al., 2007). Managerial control entails influencing effective and efficient work from others in an organization to achieve the set objectives. For more productive and successful results, managerial control is necessary for companies (Anthony et al., 2010).

Managerial control may be specific or general, where the manager determines how a job will be done by a subordinate or determines organizational policies and actions respectively. It may also be mutual or unilateral, where individuals in a group influence other activities or one individual controlling and others controlled respectively. Power is linked to an individual, and therefore the more one is controlled, the lesser he or she is allowed to do his or her work (Otley, 2013).

1.1.2 Financial Performance

Elly (2012) described performance as the capacity to do business in an efficient, profitable, be able to withstand opportunities and threats in the business environment. In conformity with this, performance is evaluated by how a venture is deploying its underlying assets to achieve its set goals (Sollenberg and Anderson (1995). Performance is an evaluation of contribution attained by a solitary, group, society or undertaking (EFQM, 1999). Financial measures of organizational accomplishment include; return on sales, Return on Assets (ROA), Return on Investment (ROI), Return on Equity (ROE), Return on Capital Employed (ROCE) and sales growth.

Sustained profitability can simply be seen as a continuous financial prosperity which is realized when revenues or income outdo expenses in any business activity. By minimizing the extent of asymmetry and embezzlement through a strong internal financial control can significantly improve a firmês net income (Wainaina, 2014). It is necessary for every management to review aspects of its company and ensure managerial controls are in place to improve profitability (Kamau, 2014). For every business to prosper, there have to be risk. Therefore, activities to avoid or mitigate this risk, there have to be a strong managerial control in place. In this study, sales growth will be used to measure performance.

1.1.3 Managerial Controls and Financial Performance

Various researches have been conducted and it has emerged that inappropriate use of managerial controls give birth to bad conduct amid personnel, thus inappropriately transforming institutional and financial wellbeing (Fonseka et al. 2005). The obvious type of bad conduct includes alteration of original data either to surpass accomplishment or offensive results which may be the case if original data is reported. Budgetary control is one of the examples used to fuel such malpractices, because the slacks are not included hence poor financial performance (Otley, 2003). Reward systems used to motivate employees to perform better sometimes contribute to unhealthy behavior.

Therefore, it is important to establish how Otley (2003) subscribes to boost financial performance and profitability. Beyond these exemptions, Simons (2015) maintained that managerial controls are vital in aiding top managers devise strategies, and the operational activities to kick start those strategies. In return the results achieved will be used to measure financial performance levels. Thus, managerial controls are important task for the managers to accomplish their objectives.

First, managerial controls help supervisors make informed choices by positioning their aims with the aims of the institution they work for and follow up on performance and then devise ways to rectify situations soonest possible. Second, managerial controls enable managers to provide strategic direction by devising a new idea to resource allocation and utilization (Arachchilage and Smith, 2013). Finally, managerial controls can be used to inspire managers by for example, agreeing on their objects and how to achieve them with the available resources, which will be used to evaluate each manager at the end of the agreed period.

Van der Stede (2010) has established that most organizations link managersô performance as to how well they have achieved budgetary objectives and thus reward them materially with bonuses. Besides material rewards managers are perceived as good performers if they have achieved the set goals, thus inner satisfaction which is also psychological. This makes them feel that they belong to a different level all together (Merchant and Manzoni, 2009).

However, according to Libby and Lindsay (2010) managerial controls may negatively influence the performance of managers and make them have unethical behaviors that may not be well off for the organization. Libby and Lindsay (2010); Merchant (2010) asserts that this includes, but not be constrained to, the creation of budgetary lax and data alterations.

By examining the control of a dominant factor for the establishing organizations ability to boost financial accomplishment, Billy et al. (2008) and Shon (2009) established that there was remarkable impact between management control and financial performance. Marcela (2006) and Anthony et al. (2000) also support this relationship in their outcomes of their studies.

1.1.4 Strategic Management Units (SMUs) and Income Generating Units (IGUS)

The SMUs were derived from the Student Welfare Authority (SWA) which its existence can be traced back from 1989 with the collapse of University Students Accommodation Board (USAB) following students unrest formed in 1983. The SMUs supports the academic objectives of the University of Nairobi by being a hospitality wing of University of Nairobi. This facilitates students to pursue their academic objectives satisfactorily. For efficient running and quick customer service, SWA decentralized its operations into 11 Strategic Management Units referred to as SMUs. The SMUs are Mamlaka, Womenôs Hall, Upper State House, Lower State House, Kenyatta Medical School Hostel, Kikuyu, Upper Kabete, Lower Kabete, Parklands, Kenya Science and Chiromo (UON website, 2017).

The SMUs have managers who exert managerial control over the entire operations of accommodation, food points and other catering services. These services generate income which are in their life are managed in a manner that seeks to improve the financial performance of the organization. With robust managerial control, it is assumed that the financial performance of the university will inevitably improve. The SMUs offer a robust cadre of operations for the university and a clear study on the effect of managerial control on the financial performance of the SMUs at University of Nairobi is necessary (UON website, 2017). On the other hand, Income Generating Units (IGUs) comprise of units that are a means for boosting or increasing income there are three IGUs namely, Varsity cafe, Student centre cafe and Comcare/Dental cafe within SWA at the University of Nairobi which are meant to offer financial boost to the SMUs.

1.2 Research Problem

As it has been argued earlier, the important role managerial controls play in organizations has evolved. This means that based on the new trends witnessed in both the public and private entities, there is need to be more strategic in the use of managerial control that is aimed at creating policies, procedures and mechanisms that would manage the entire scope of an entityôs operations (Arachchilage and Smith, 2013). Of course, managerial control is meant to create a companyôs capacity to conduct business efficiently, profitably, and withstand environmental opportunities and threats. Most importantly, managerial control plays an important role in improving financial management of any business (Wamaitha, 2016). However, the extent to which managerial control affects financial performance of public entities like institutions of higher learning remains significantly uninvestigated. This necessitates the present study considering the Strategic Management and Income Generating Units of Student Welfare Authority at the University of Nairobi are important entities that offer a foundation for the growth and innovativeness of the university.

The SMUs and IGUs of SWA at UON and where a complete, capable and dependable hospitality system is managed is a necessary organ for the university. However, there have been numerous challenges particularly on accommodation. Wamaitha (2016) noted that the University of Nairobi has more students than can be accommodated by the university system. Further, the catering segment has also been off course for a while considering that due to poor accommodation, only few students accommodated within the school system get access to food. This implies that financially, the SMUs are performing below target (UON status report, 2016). Consequently, there is need to look at the managerial control practices and how they influence the financial performance of the SMUs and IGUs.

A lot have been done in relation to managerial controls research (Acquaah, 2013; Chenhall, 2003; Henri and Journeault, 2010; Lee and Yang, 2011; Tsamenyi, Sahadev, and Qiao, 2011). These researches have added to academic work of managerial controls approach together with managerial practice on Management Accounting Control (MAC). Despite much being done in these fields, there is still demand for more to be done (Acquaah, 2013; Chenhall, 2003). Attestation of these investigation gaps have been downplayed in two independent international conferences on Management Accounting Control (MAC) and managerial controls (Management Control Association, 2004, 2010). Specifically, at the 8th International Management Control Research Conference (Management Control Association (MCA), 2010) at the University of Greenwich, London, recommendations were made for further academic investigation targeting theoretical and factual structures for changes in institutional and management control systems, managerial and performance. This study thus wishes to look at the impact of managerial control on the financial performance of the SMUs and IGUs of SWA at UON.

Locally, Omari and Bonuke (2012) made a strong assertion that there has not been any scholarly work of solving the problem of theoretical and functional meaning of managerial control in the existing research. Therefore academic inquiries have not satisfactorily solved this problem. Tsamenyi et al. (2011) examined the relationship between three key variables in management controls which include: strategy adopted by the firm, type of management control and performance of the firm, but the three variables does not relate to this current study. Therefore the study by Tsamenyi et al.ô was not designed to investigate the relationship between the three variables in public entities like University of Nairobi and at the effect of managerial control on the financial wellbeing of the SMUs and IGUs of SWA at UON as the present study will. Thus, the study will ask the following question; how do managerial controls affect financial performance of Strategic Management Units and Income Generating Units of SWA at the University of Nairobi?

1.3 Research Objectives

To investigate the effect of managerial controls on financial performance of Strategic Management and Income Generating Units of Student Welfare Authority at the University of Nairobi.

Specifically, it will seek to

i. Examine the managerial controls employed by SMUs and IGUs of SWA at the University of Nairobi
ii. Evaluate the level of financial performance at SMUs and IGUs of SWA at the University of Nairobi
iii. Examine the relationship between managerial controls and financial performance of SMUs and IGUs of SWA at the University of Nairobi.

1.4 Value of the Study

This research was vital to the management of University of Nairobi in formulating policies and procedures that led to high financial performance and prevent risks within organization hence maximize profit. The study formed a basis of awareness to the extent of managerial controls, which are there and to apply the proposed suggestions to add in to the already implemented. Practically this helped SMU and IGU managers of SWA to comprehend how managerial controls are performed, implemented and areas of revenue loss.

The researcher also added some literature to the already existing knowledge in academic world on managerial control systems whereby other scholars may refer. This was useful in situations where scholars would seek findings to add to their literature review. The study finally helped the government ensure managerial reporting that encompass proper internal and external reporting, bookkeeping and processes that support flow of timely relevant and dependable feedback internally and externally.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter looks into researches conducted by various researchers, as well as explained terminologies with regards to the effect of managerial control on the financial performance of the SMUs and IGUs of SWA at the University of Nairobi. The chapter discuses theoretical review in section 2, determinants of financial performance in section 3, empirical studies in section 4, conceptual framework in section 5, and finally summary of literature review in section 6.

2.2 Theoretical Review

Theories discussed below have been developed on internal check and financial performance. They are comprised of the agency theory in subsection 1, stakeholderôs theory in subsection 2, and institution theory in subsection 3.

2.2.1 Agency Theory

The agency theory proposes that a firmôs main objective is to maximize or increase the shareholders wealth. The theory states that the organization consists of Principals who are the owners of the economic resources and the Agents who are the managers of the principalôs resources. The agents do not always share in the Principals objectives and may at times act to further their own interests at the shareholderös expense. This is further heightened by the separation of ownership and decision-making authority; the latter which is vested in the Agents. The pursuit of self-interests at the expense or in place of the shareholders is the agency problem (Adams, 1994).

To resolve the problem, the shareholders implement initiatives such as managerial controls whose implementation safeguards the companyös assets, confirm the accounting records and ensure that managers act in the shareholderös interests. The shareholders also attempt to align the managerös interest to theirs by having internal audits and external audits. The internal audit acts as a feedback mechanism to remedy any weakness before they have any adverse effect on the firmös financial performance (Freeman, 2004).

2.2.2 Stakeholders Theory

Stakeholder theory states that an organization exists to create value to its stakeholders. Anybody who is concerned by the attainment of the firms aims or goals is referred to as a stakeholder. The definition was formulated from the base that a modern corporation is affected by a vast set of interest groups classified as either primary stakeholders or secondary stakeholders (Freeman, 2004).

Shareholders, employees, customers, government, suppliers and managers are referred to as the primary stakeholders. Secondary stake holders include the media and the general public. Corporate governance is the manner by which companies are governed, controlled and directed. Its main aim is to link social, economic, individual and communal goals. It takes care of the interests of the individuals, corporations and society at large. Theories of corporate governance are classified as either Shareholder oriented governance theories or Stakeholder oriented governance theories (Hoffman, 2002). Stakeholder theory, as developed by Freeman, represents a major alternative, which emphasizes on the manager's task is to safeguard the various rights of all stakeholders.

2.2.3 Institutional Theory

Maggio and Powell (1991) describe this theory as a process of merging organizational structures and activities for the smooth running of the organization. Fogarty et al. (1997), argues that the design and function of an organization to suit social desires in as yet as its activities are clear to the general public. Hence, procedures internal to the organization, takes second place as there are complex and difficult to identify. Fogarty et al. (1997) developed this, asserting that there is a difference between contributions of institutional theory intuitiveness to the real achievement of an organization and what its framework desires to achieve.

Sometimes structures maintained for outsiders do not greatly add to outcome of organizations but internal processes are not clear to outsiders. Fogarty (1996) examines that if right structures are observed for outsiders, surveillance by outsiders can be mitigated. Easy access to organizations technical connection helps show prosperity in external issues at the same time granting flexibility in functional proceedings. Thus for departments to operate efficiently the institutions should shoulder the high cost of adopting various technologies in management operations as well as ensure staff are trained.

2.3 Determinants of Financial Performance

Financial performance is measured within the auspices of certain salient determinants. The main ones are the elements of managerial control, the control environment and communication. Theses aspects form the elements to be discussed in the succeeding subsections.

2.3.1 Managerial Control

There are a number of methods and measures involved in managerial control that are used by the management to enhance efficient running of an organization. Kumar and Sharma (2005) explained that for organizations to achieve its objectives managerial controls aid management in operations of various activities. Managerial control is set out to guarantee that the organizationös common aims are being accomplished. Therefore, clear aims are prior requirements for an effective managerial control process.

Processes are integrated in managerial controls which are influenced by an organizations management and staff. This integration addresses risk and gives assurance that the journey to achieve entityös mission is accomplished. The general aims being achieved include; 1.laying organized, moral, cost-effective, capable and competent operations 2.accomplishing responsible duties, 3.adhering with rules of governance and 4.protecting depletion of resources, exploitation and loss. Managerial control consists of five interrelated components namely; 1.Control environment, 2.Risk assessment, 3.Control activities, 4.Information, communication and monitoring (Kumar and Sharma 2005).

2.3.2 Control Environment

Control environment is the bottom line of the overall managerial control structure. This underlines the regulation and systems, together with the environment conducive for the entire managerial control. It has long term effect on how actions and goals are settled, and control operations are formulated. Control environment is influenced by the history and the culture of organization and has a deep influence on the way organization operations are structured. It thus conveys an encouraging approach toward managerial control and conscientious management (Kumar and Sharma 2005).

2.3.3 Risk assessment

The systematic approach to identification, analysis of related risks towards the achievement of organizational goals is referred to as risk assessment. It is important for management to identify the risk pertinent to the organization and try to contain them to established standards or levels. Management has duty to develop managerial controls that enhances proper financial reporting, adherence to laws and regulations, and finally efficiency and effectiveness (Kumar and Sharma 2005).

2.3.4 Financial Performance

Financial performance is the extent to which financial goals have been achieved. It is the expression of the outcomes of a firm's policies and activities in monetary or financial terms. It relays how well an organization utilizes its underlying resources in its main mode of business to bring about income. Financial performance measures organizations entire financial wellbeing over a given duration. Benchmarking of related firms across the line of business or industries or sectors in collectively is linked to financial performance (Munene, 2009). Financial performance is measured in terms of line items like operating revenue or income, cash flow as well as total unit sales

2.4 Empirical Studies

Kakucha (2009) analyzed the level of success of managerial control on performance of small businesses operating in Nairobi. The study was quantitative in nature which covered the period between September 2007 and June 2009 using a sample of 30 small businesses as listed in the National Social Security Fund (NSSF) Register of Kenya. The study results showed that there were gaps or weaknesses in the structure of managerial controls, and the level of weaknesses differing from one firm or enterprise to another. The other gaps were that the population of study had limited knowledge of what comprised an adequate structure of managerial control. The study established existence of adverse relationship between the age of an enterprise and the efficiency of its systems of managerial control. Also a negative correlation between the resources held by an enterprise and its managerial control systems showed weaknesses in the system. His recommendations were that there was need to educate operators of small business through conferences and workshops.

Michina (2011) examined the impact of managerial control on operational efficiency of non-governmental organizations (NGOs) in Nairobi using a sample of fifty (50) NGOs. Both open and closed ended questions in a questionnaire comprised of data collection tools. The study established that managerial controls in the NGOs based in Nairobi were influenced largely by the organization structure such where the top management decides on how to allocate the resources received from donors and well-wishers are to be allocated and distributed to the beneficiaries. The findings showed that much higher operational efficiency was achieved in well-known NGOs, which lead to effective managerial controls. The study showed that managerial control affects operational efficiency.

A research on managerial control function at the Kenya Polytechnic University College, Wainaina (2011) found that; as an alternative of its absentia on setting of processes, management need to consider managerial control approaches that would be vital for implementation of its decisions and to control the activities for which they would be accountable. Thus the use of adequate Managerial Control Systems (MCS) is considered vital in managing organizations assets. The design of managerial control must review procedures for proper resource allocation and utilization, and accomplishment of organizational objectives. He found out that Managerial Control Systems helps alleviate and detect fraud and shield the organization's assets, both tangible and intangible. In order to achieve this, proper authorization, controls and documentation must be put in place.

Ndungu (2013) carried out a study on the effect of managerial controls on revenue generation of the University of Nairobi Enterprise and Services (UNES) Limited. The results showed business entities should employ managerial control supported by strong information systems that bring forth functional, financial and binding information reports that enhance running and controlling the business. She also added that internal auditors should find out and rate managerial control systems and the speed with which execution of various functions are carried out. The study also found that UNES revises its ICS when necessary. UNES contributes to backing up the systems by counterchecking all documents originality, correct them alongside confirming that the related members of staff have assented to the documents precedent to processing to avoid misuse of funds. Prompt preparation of financial reports and accurate reporting on revenue or income collections are done. There was existence of loopholes through which revenue is lost.

Nyakundi and Nyamita (2014) carried out a study on the effect of managerial control systems on financial accomplishment of Small and Medium range trade Enterprises (SMEs) in Kisumu City, Kenya. Data was gathered using a combination of structured questionnaires and interviews. Results showed a link connecting the extent of awareness of a businessperson and the businessô financial accomplishments. The study revealed that lack of internal audit department in majority of SMEs and the few that had, the departments did not have the necessary equipments with semi educated members of staff besides dwindling financial capability, which led to variable check functions without routine examination reports.

Abu-Musa (2004) assessed the presence of adequate managerial oversights in the Egyptian money dealing areas. Managerial controls were evidenced in the results to be strongly engaged. Revealed in the study were that both the computer and internal audit departments closely monitored technical security controls; conduct and management of safety controls respectively. The research gives vital factual outcomes concerning deficiencies of executed safety checks, and gives recommendations to heighten and advance the protection checks in the money dealing sector.

Chunlan (2009) examined the relationship between managerial control and enterprise value. 75 listed companies in Shanghai and Shenzhen Stock Exchange were selected as sample. The researcher established that total asset turnover and return on equity have significant effect to raise the level of managerial control; while managerial control has significant effect to promote enterprise value. These results indicate that in order to improve managerial control, the enterprise should be concerned about financial aspects of a company. The model proves positive correlation between managerial control and enterprise value.

Wittayapoom (2011) examined how managerial control efficiency brings about dependable monetary declaration of Thai-listed firms. The researcher also attempted to establish the connection among 3 preliminary explanatoryϕs namely: 1.uncertainty management adequacy, 2.aspect of conformity, likelihood of intercommunication, and 3.contstantly keeping track of managerial control efficiency. 124 questionnaires distributed and received via mail survey filled by Chief Audit Executives of Thai-listed firms and the analyzed using Ordinary Least Square regression statistics found out that managerial control effectiveness positively affects dependability of financial disclosure.

Ewa and Udoyang (2012) examined the effect of managerial governance on financial institutions capacity to identify fraudulent activities and behavior among employees, and how to unmask in Nigeria. From the results of figures garnered from 13 Nigerian financial institutions using a Four Point Likert Scale inquiry or questionnaire and evaluated using percentages and ratios, the study found that Managerial control composition impacts employeeõs perspective facing scam or fraud. Thus being a forceful managerial tool for prevention of staff fraud as opposed to the one that opens the structure to fraudulence and gives chance for employees to perpetrate graft. Additionally, nearly all Nigerian money lending institutions neglect the behavior of their officers and a great number of officers believe that adequate and competent managerial control system could discover staff fraud plans in the money lending institutions. The research suggests that banks in Nigeria needed to elevate their managerial control systems as well as giving privilege to the conduct of their employees as this could be warning signal to graft detection.

Khanna and Kaveri (2008) conducted a study on how risk-based internal audit are implemented in Indian Banks. Well-ordered questionnaire were sent to 43 banks via mail to governmental and independent categories. 25 banks, all in government categories and six in independent categories responded to the questionnaires. Recommendations of the research found out that money lending institutions made significant improvement in embracing uncertainty positioned check.

2.5 Conceptual Framework

The theoretical frame presents a diagrammatic illustration of the link between the explainer element (managerial control) and the explained element (Financial performance). It is assumed that in the event that managerial control is done effectively, financial performance is bound to improve and the reverse is also true.

Evidence from various researches conducted discloses that improper use of managerial control taking into special consideration risk and the control environment can convey malfunctional behavior amid officers, thereby adversely affecting both institutional and financial performance (Fonseka et al. 2005). These cases mostly include alteration of original figures either to better accomplishment or to smooth results caused by declaring the original figures. Budgetary control system propels such conduct while appearing externally realistic, has the capacity to cause malfunctional behavior and poor financial performance (Otley, 2003). In addition reward systems used to motivate employee work hard brings about these tendencies.

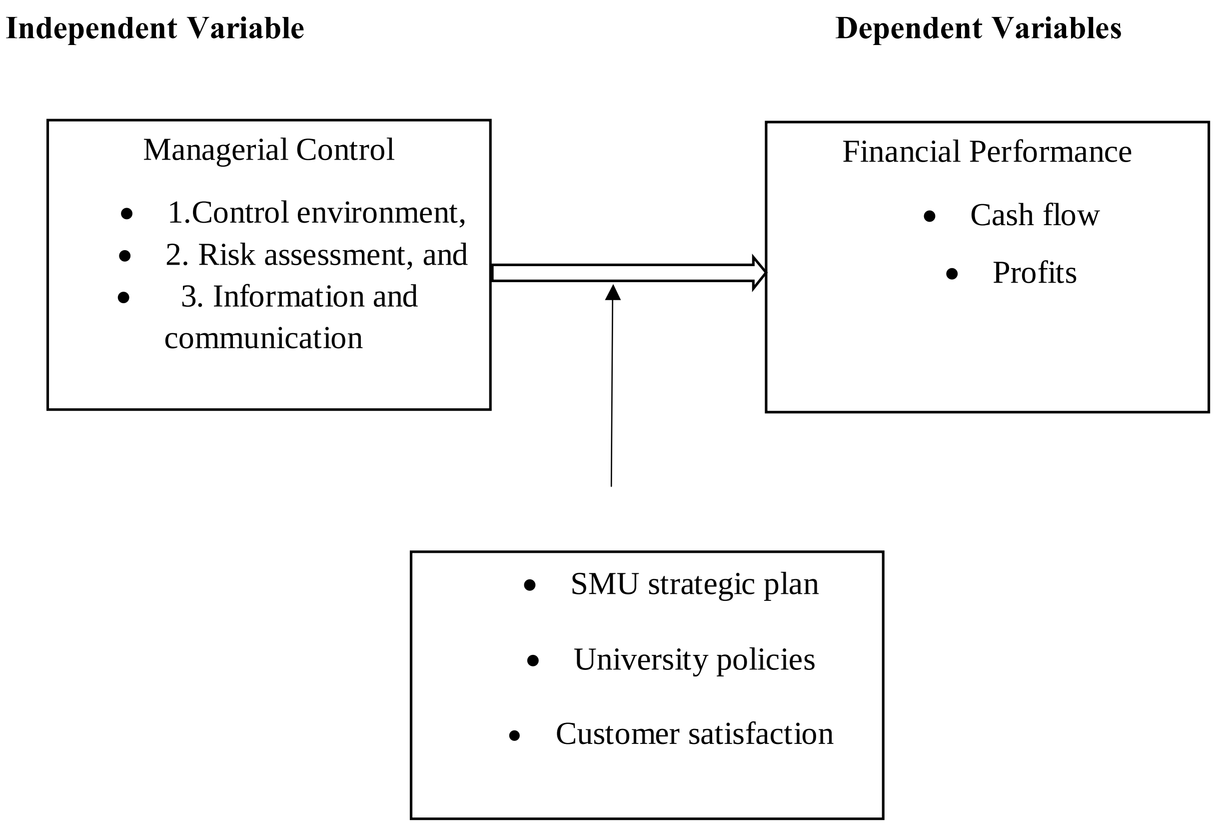

Figure 1: Conceptual Framework of the Study

2.6 Summary of Literature Review

The body of theoretical literature puts more wait on the effects of managerial control system on achievement of mass production firms. The chapter concentrates on the urge for firms to design sound managerial control system that boosts returns and ensure shareholders get returns on their investments. The studies revealed that MCs is a vital measure of achievement. Studies also showed that proper MCs are critical in adding value for shareholders.

Table 1: Research Gaps

Author	Title	Major findings	What is missing
Chunlan (2009)	relationship between managerial control and enterprise value	total asset turnover and return on equity have significant effect to raise the level of managerial control	The interplay between managerial and financial performance
Abu-Musa (2004)	Do managerial controls exist, adequate and implemented in the (Egyptian banking sector)	Nearly all Egyptian banks have embraced managerial controls.	The influence of the indicators of managerial control on financial performance in the Kenyan higher education set up.
Ndungu (2013)	effect of managerial controls on revenue generation of the University of Nairobi	Organizations should embrace managerial control and information systems that gives forth operational, financial and adhered information	How such an adoption of managerial control affect profits and capitation in the university of Nairobi.

	Enterprise and Services (UNES)Limited	reports	
Michina (2011)	impact of managerial control on operational efficiency of non-governmental organizations	Effective managerial control has a positive influence on operational efficiency	How managerial control works in local universities like UON and how such controls affect overall financial performance

A greater number of the studies enumerated in this chapter fail to specifically iron out the effect of managerial control on Strategic Management Units and Income Generating Units like that of the University of Nairobi in Kenya. Insufficiency of information in the scope of research stands, precisely in third world countries like Kenya. With a few researches carried out in the developing nations have attracted critics in the principle, extent, title; approach used therefore the research voids in information available. Literature review discuses some theories related to the elements (explainer and explained) and the theoretical frame of the components connecting their link up.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter examined the approach that was used in carrying out the study from; .research design, target population and .sampling. It also laid down the data collection methods approaches and instruments and the data analysis.

3.2 Research Design

The study adopted descriptive survey research design which Kothari (2004), described as a structured enquiry of a number of objective of subsections or sections of examination within organizations. Morris and Wood (1991) recognized the significance of descriptive design primarily aiming to obtain expansive knowledge of the subject of investigation and actions imposed. The design as purported by Morris and Wood (1991), has the capability of answering questions of why? what? and how? something is happening. Further, Kothari (2004) argues that descriptive survey allows quantitative and qualitative facts or data and consequent examination. Quantitative examination was done by use of questionnaires and financial figures extracted to get numerical data that described the phenomena of managerial controls and how it affected financial performance.

3.3 Population

An inquiry target population is mainly the entire accumulation of persons or items that is the principal focal point of a systematic inquiry. For this study, the 11 SMUs and 3 IGUs within SWA were targeted for a period of five years (UON records, 2016).

3.4 Census Procedure

A sample is simply a subgroup of the total population Kothari (2004). However, in this case, since the population is small and manageable, census procedure was used to select the entire 11SMUs and 3 IGUs within SWA.

3.5 Data Collection

Panel data model was used as form of data collection, which consisted of both cross-sectional and time series data. Data collection instruments were questionnaires and document checklist. Questionnaires were the primary sources of data given to the SMU and IGU management staff while document checklist was secondary source of data. Document checklist included the income and expenditure reports, student population and strategic plans performance contracts outcomes.

The study used quantitative and qualitative type of data. Quantitative data is an assessment articulated in numeric forms. Qualitative data are measures of 'types' in a bid to ascertain the quality of something.

The study used questionnaires and document checklist as facts accumulation instruments. Five point Likert scale questionnaire was used collect information from the managers. A questionnaire is a research instrument that collects facts over a large population, Kombo

(2006). The questionnaire is mainly preferred research instruments for its wide range of information from a large population, distinct background; the recommendations remain secret or private, and since the presentation is in paper format there is no chance for bias.

Document checklist was used to scrutinize financial documents of the SMUs and IGUs over a period of five years. The documents included income and expenditure reports together with other non-financial documents like performance contracts outcomes to help measure financial performance.

3.6 Reliability and Validity of the Instruments

Reliability is the level to which the measuring instrument provides consistent results (Kothari, 2004). The Cronbachôs coefficient alpha model was used to establish reliability of research instruments. With great number of elements in the instrument, the greater the possibility of obtaining a consistent estimate of the reliability of the data (Kothari, 2004). The formula used was the standard alpha coefficient formula.

$$\alpha = \frac{N \cdot \bar{c}}{\bar{v} + (N-1) \cdot \bar{c}}$$

Where N is equal to the number of items, c-bar is the average inter-item covariance among the items and v-bar equals the average variance.

The extent to which an instrument measures its intended purpose is referred to as validity (Kothari, 2004). In the current study content validity is of great value. In support of this it helps identify the sample population content of items to which inferences are to be made. Joppe (2000) asserts that the extent to which all aspects of a given group is represented by a measure is referred to as content validity. To establish content Validity of the instruments, two experts on the topic from UON, one, the study supervisor and the other a lecturer in the field of finance, evaluated the content of the instruments and guided the researcher on the content validity. Their feedback was used to review the instruments

3.7 Data Analysis

Descriptive analysis in form of percentages, frequencies and means were used to analyze quantitative data. Presentation of data analyzed descriptively was done inform of tables, because it gave visual and a systematic or orderly record of analysis which can be easily understood. STATA statistical software will aid in data analysis. Both correlation and regression analysis were used to test for the relationship between the independent variables and the dependent variable.

3.7.1 Inferential Statistics

Regression Model

$$Y_{it} = \beta_0 + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \beta_4 X_{4it} + \varepsilon_{it}$$

Where Y_{it} measures the financial performance of unit i at year t. X_{jit} represent the independent variables which are management control, bed capacity of the units, performance contract outcomes of the units and the nature of unit, whether an income generating or strategic management unit.

Table 2: Operationalization of Variables

Objectives	Measures	Data Collection	Measuring Scale	Level of Analysis
Managerial Control	Control environment Risk assessment Feedback on news quality	Questionnaires Document analysis	• Nominal • Ordinal • Ratio	• Count • Percentage • Mean • Standard Deviation • Correlation • Regression
Financial performance	Profits cash flow	Questionnaires Document analysis	• Nominal • Ratio	• Count • Percentage • Mean • Standard Deviation • Correlation • Regression
Bed capacity	Number of beds	Secondary source	•	
Unit Nature	Whether income generating or strategic management unit	observation	• Nominal • Ordinal • Ratio	

As for the test of Significance, the study will be tested at 95% confidence level or 0.05.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction

This chapter presents the results for the survey conducted on the effect of managerial control on financial performance, for the 11 SMUs and 3 IGUS within SWA at University of Nairobi for a period of five years. The key issues consist of response rate, data validity, descriptive statistics, correlation analysis, regression analysis and hypothesis testing and finally interpretation of findings.

4.2 Response Rate

A total of 70 questionnaires were issued to SMU and IGUs managers. The questionnaires were designed to collect information regarding management practices for every year from year 2012 to 2016. Where there were changes in the SMU or IGU manager changes the current manager would refer the researcher to the former for the completion of questionnaires. The worse circumstances experienced were where the former manager had died the researcher was left with no one to complete the questionnaire. 65 out of 70 questionnaires were responded to with a percentage of 93%.

Secondary data on financial performance of the units was obtained from the books of accounts for the same period of 2012 to 2016. Data on intervening variables, such as the size, nature, performance contracts outcomes, and number of students for the SMUS and

IGUs was also obtained. This provided a rich panel data which was adequate for testing the hypothesis of this study.

4.3 Data Validity

$$\alpha = \frac{N \cdot \bar{c}}{\bar{v} + (N-1) \cdot \bar{c}}$$

In order to establish the reliability of the questionnare the Cronbachôs coefficient alpha was calculated and found to be 0.7812 rounded off to 0.8. The result indicated that these are a high chance of obtaining consistent estimates using the data obtained by this instrument since an alpha (Ŭ) figure of 0.7 and above is considered acceptable.

Additionally, a test for autocorrelation in the residuals of the variables was conducted after the estimation using the Durbin Watson test. In this study the Durbin Watson test produced a statistic of 1.487356 which indicates a possible positive autocorrelation. The autocorrelation was corrected by transforming the measures of financial profitability and room capacity from absolute values to logarithmic values.

Finally, the extent of collinearity between the independent variables was tested using the Variance Inflation Factors (VIF) method. The results are presented in table 3.

Table 3: Results of Testing of Multicollinearity

Variable	VIF	1/VIF
Management Control	1.07	0.930447
Operating size	5.24	0.19084
Bed Capacity	1.23	0.812026
Performance Contract Outcomes	1.08	0.921941
Mean VIF	2.16	

From the results the independent variable measuring the operating sizes of units was found to be collinear and was removed from the model in order to remedy the problem.

4.4 Descriptive Statistics

Table 4 provides the descriptive statistics of the key variables used in the estimation which included managerial control, surplus/deficit, bed capacity and performance contract outcomes of the SMUs and IGUs.

Table 4: Descriptive Statistics

Variable		**Mean**	**Std. Dev.**	**Min**	**Max**	**Observations**
Financial Performance	Overall	1709671	6982103	-1.01E+07	3.41E+07	N = 70
	Between		6687285	-3169383	2.32E+07	n = 14
	Within		2573408	-7859331	1.26E+07	T = 5
Management Control	Overall	28.99482	1.330427	24.8	31.40711	N = 70
	Between		1.025358	27.18289	31.23905	n = 14
	Within		0.882964	25.56839	30.47595	T = 5
Bed Capacity	Overall	1144.091	542.5128	272	1881	N = 55
	Between		563.7958	272	1881	n = 11
	Within		0	1144.091	1144.091	T = 5
Performance Contract Outcomes	Overall	3.480723	1.185313	2.0495	6.8915	N = 70
	Between		1.105835	2.54038	6.33298	n = 14
	Within		0.502977	2.302383	4.827843	T = 5

Source: Author calculations

The mean of financial performance as measured by the units surplus/deficit is Kenya shilling 1,709,671, while the between standard deviation stood at Kenya shilling 6,687,285 and finally the within the group standard deviation is Kenya shilling 2,573,408. This shows that in some years and some units like IGUs consistently made surplus while other SMUs consistently made deficits except for USHR SMU which does not provide catering services. The variance of this surplus/deficit indicates the randomness of the various factors affecting the financial performance of the units.

The mean of managerial control as measured by the Likert Scale (weighted average of the Likert Scale rankings) shows that variability of ranking on the measures of managerial control across years and units is 29 out of a maximum rank of 50. This indicates robust rankings of the importance of various measures of management controls.

4.4.1 Descriptive Statistics of Questionnaire Responses

Summary statistics of specific questions used in the questionnaire are presented in table 5. Only questions that were used to collect primary data are included. Since data was collected for the fourteen units for a period of five years, the total sample size was seventy. Therefore the sample size is reported in time and space location as well as the overall output.

The results indicate that most of the units were those of strategic management in nature (considering the mean of 1.214, which is greater than 1). The standard deviation is small at 0.4, for both the dimensions of the panel. In terms of the departments in the units, majority of the units operated both catering and accommodation services, as opposed to those operating either catering only or accommodation only. The standard deviation was likewise small at 0.6, indicating a limited dispersion from the mean. The responses of the other questions in are explained in section 4.4 above.

Table 5: Descriptive Statistics of Questionnaire Responses

Question	Observations		Mean		Standard Deviation	
Is your entity an IGU or SMU?	N	70	Overall	1.214	Overall	0 413
	n	14	Between		Between	0.426
	t	5	Within		Within	0
How many departments are there in your entity?	N	70	Overall	1.357	Overall	0 615
	n	14	Between		Between	0.633
	t	5	Within		Within	0
Financial Performance	N	70	Overall	1709671	Overall	6982103
	n	14	Between		Between	6687285
	t	5	Within		Within	2573408
Aggregate of responses on Control factors	N	70	Overall	19.786	Overall	0.892
	n	14	Between		Between	0.530
	t	5	Within		Within	0.730
Aggregate of responses on Risk Assessment l factors	N	70	Overall	4.55	Overall	0.496
	n	14	Between		Between	0.459
	t	5	Within		Within	0.217
Aggregate of responses on Communication factors	N	70	Overall	4.651	Overall	0.507
	n	14	Between		Between	0.452
	t	5	Within		Within	0.254

4.5 Correlation Analysis

Correlation measures the connection or relationship between two variables which is inferred by -1, 0 or +1, meaning -1 there is a negative relationship, 0 no relationship at all, and finally +1 meaning there is a positive relationship between the variables of interest.

Table 6.below represents the correlation analysis of the key continuous variables in this study. The continuous variables include financial performance measured by surplus/deficit, managerial control measured by the Likert scale weighted averages, bed capacity and financially performance contract outcomes.

Table 6: Correlation Analysis

	Financial performance	**Management Control**	**Bed Capacity**	**Performance Contract Outcomes**
Financial Performance	1			
Management Control	0.53 (0.000)	1		
Bed Capacity	0.5005 (0.000)	-0.0621 (0.5421)	1	
Performance Contract Outcomes	0.168 (0.000)	0.1281 (0.012)	-0.4792 (0.2582)	

Source: Author calculations

Financial performance figure in the table above showed a figure of 0.53 which means there is a strong positive relationship between financial performance and managerial control and is also significant at 1%. Financial performance also showed a figure of 0.5005 against bed capacity which signified a strong positive relationship between them and also is significant at 1%, therefore if bed capacity is increased the surplus will automatically increase. Financial performance and performance contracts outcomes a figure of 0.168 which means there is a weak positive relationship between them and is also significant at 1%.finally management control shows a figure of 0.1281 against performance contract outcomes showing a weak relationship between them and its significant at less than 5%

4.6 Regression Analysis and Hypothesis Testing

This study estimated the relationship between financial performance of a unit and the managerial controls while numbers of students inform of bed capacity, nature of unit (SMU or IGU), size of unit, performance contract outcomes formed part of the intervening variables for a period of five years. This relationship is expressed in the equation

$$Y_{it} = \beta_0 + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \beta_4 X_{4it} + \varepsilon_{it}$$

Where Y_{it} measures the financial performance of unit i at year t. X_{jit} represent the independent variables which are management control, bed capacity of the units, performance contract outcomes of the units and the nature of unit, whether an income generating or strategic management unit.

The hypothesis of the study is that managerial control has a direct and positive effect on the financial performance of the units (SMUs and IGUs).

A panel data analysis was conducted to yield model coefficients as well as to test the hypothesis of this study. A Hausman test of the panel data showed that a Random Effect Model (REM) analysis was suitable for this study. This is due to the results of Hausman test with a p-value of 0.7707 which does not reject the null hypothesis that time fixed effects would be appropriate for this estimation.

Accordingly, a random effect regression analysis was undertaken and the results are presented in table 7 below.

Table 7: Results of the Regression Analysis

Variable	**Coefficient**
Financial Performance	Dependent variable
Management control	1.157**
	(0.179)
Bed Capacity	0.262***
	(0.0061)
Performance Contract Outcomes	0.2054**
	(0.0796)
Unit nature	1.005***
	(0.00801)
N	55
Number of Groups	11
Overall R-squared	0.4372
Prob > chi2	0.000

Source Author calculations

Standard errors are shown in brackets.

* Significance at the 10% level.

** Significance at the 5% level.

*** Significance at the 1% level.

Overall R-squared is 0.4372 meaning that 44 per cent of the variation in the financial performance is explained by the variations in the managerial control, bed capacity, performance contract outcomes, and unit nature.

The model is significant as shown depicted by the model p-value of 0.000, which is significant at 1 per cent.

The coefficients of the regression show that there is a relationship between the measure of financial performance of the units and the explanatory variables. Specifically, a one percentage change in the aggregate of various management control practices leads to a

1.15 percentage change in the financial performance of the unit. This effect is significant at 5 per cent. The control variables which include, bed capacity, performance contract outcomes and nature of the unit also have significant and the expected relationship with the measure of unitös financial performance. For instance bed capacity has a coefficient of 0.262 which means that a unit change in bed capacity will lead to an a 0.262 unit change in financial performance and was significant at 5%; similarly performance contract outcome has a coefficient of 0.2054 thus a unit change in performance contract outcomes leads to a 0.2054 change in financial performance and was significant at 5%; and finally unit nature coefficient is 1.005 which means a unit change in unit nature leads to a 1.005 change in financial performance and was significant at 1% . Units with more bed capacity were more profitable compared to those with fewer. Additionally, units which were ranked highly in terms of the standard government performance measurements were found to be more profitable. Finally, income generating units performed better compared to strategic management units.

4.7 Interpretation of Findings

The theories tested in this study are Agency, Stakeholders and Institutional theories which says for example Agency theory supports the maximization of shareholders of which in this study the principal is the university management and the agent is the SMU/IGU manager, where the manager pursues the interest of the management but also the management has also to align the managersö/agents interest to its own so as to avoid agency problem as depicted in our questionnaire where its stated there is honest and fair dealing with all stakeholders for the benefit of the organizationò. The finding in this study are also supported by studies by Billy et al (2008) which asserts that there is a remarkable impact between management control and financial performance.

Stakeholderôs theory in this study is depicted by the fact that the organization exists on behalf of all the stakeholders which include both internal and external ones. This is also supported by the question in our questionnaire on managerial practices for example there is honest and fair dealing with all stakeholders for the benefit of the organization? The findings of this study are supported by studies conducted by Wainaina (2011) supporting that the presence of managerial controls will improve financial performance. Therefore this shows that all stakeholdersô interests are taken into considerations as supported by the hypothesis.

Institution theory on the other hand depicts that organizations does not only exists for its own stakeholders but also for other interest groups like the media and if the public purports it to be doing well itôs going to gain confidence in the public domain. Thus it has to keep up with up-to-date technology for easy access from the public. The findings of this study are supported by Tsamenyi et al (2011) studies that examined the relation of the firm performance and other two variables namely: strategy adopted by the firm, type of management control. Thus the hypothesis supports this theory in that managerial control affects financial performance of units positively.

Managerial control was significant in this study as shown by the model results which influences the financial performance of the Strategic Management and Income Generating units of Student Welfare Authority at the University of Nairobi this therefore is an indication that they are well implemented as supported by studies of Kurmar and

Sharma (2005) which asserts that if proper controls are maintained the performance would automatically improve.

On the other hand number of students, nature of the unit, and size of the unit and performance contract outcomes are not significant in the study but they contributed to the study model. This is seen by the statistical results which showed a positive relationships in the correlation thus despite the fact that they were not the object of research they greatly contributed to the improvement of financial performance.

Finally model answered the question of the study which was to inquire the effect of managerial control on financial performance of Strategic Management and Income Generating Units of Student Welfare Authority at the University of Nairobi.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter summarizes the summary of findings, conclusions, recommendations, limitations of study, and suggestions for further research. It was based on study findings in chapter four. The study established that there was direct contribution to policy formulation and to the existing knowledge. Finally further research areas, policy and practice recommendations have been made.

5.2 Summary of Findings

The objective of this study was to establish the effect of managerial control on financial performance of SMUs and IGUs at the University of Nairobi, SWA. The study was guided by three research objectives namely; to examine the managerial controls employed by SMUs and IGUs of SWA at the University of Nairobi, evaluate the level of financial performance at SMUs and IGUs of SWA at the University of Nairobi and lastly to examine the relationship between managerial control and financial performance at the University of Nairobi. The study had a total population of 70 data collection units which was determined by a total of 14 units (SMUs and IGUs at UON) for a period of five years each. Panel data was used by the fact that all the variables of the study were collected for the 14 units for a period of five years, where the variable i^{th} observation formed cross-sectional data and the t^{th} formed the time series data. The response rate was 65 at 93%

was used for the study. Questionnaires formed part of primary data collection while document extracts like the income and expenditure reports, performance contract outcomes and student population was used as form of secondary data.

Correlation analysis of the data showed that financial performance and managerial control had a strong positive of 0.53, bed capacity and financial performance also showed a positive strong positive relationship of 0.5005 and performance contract outcomes and financial performance showed a weak positive relationship at 0.168. The other relationships experienced included management control and performance contract outcomes at 0.1281 was a weak positive relationship.

It was tested using a regression analysis of panel data. The results indicate that managerial control had positive effect on surplus/deficits (profitability) of the SMUs and IGUs. This was supported by a coefficient of 1.157 which means that a one percentage change in managerial control practices would cause a 1.157 percentage change in financial performance and was significant at 5 percent. The intervening control variables in the model comprised of bed capacity, performance contract outcomes and unit nature which had a coefficient of 0.262, 0.2054, and 1.005 which meant that one percentage change in either of them would cause 0.262, 0.2054, and 1.005 percentage changes in financial performance respectively. Similarly they were significant at 1%, 5% and 1% respectively.

Secondly, managerial control used by the management at SMUs and IGUs ranged from controls, risk and communication which were measured by a five point Likert scale and their weighted average rankings were used. This showed that ranking was of great use in measures of management control.

Finally, the IGUs had a superior performance compared to the SMUs as was shown by their surplus and by the fact that they offered their catering services at the market rates compared to their counterparts which offered at government subsidized prices.

5.3 Conclusions

The study has established the common controls used by the managers of the SMUs and IGUs within SWA University of Nairobi included controls, risk assessment and communication factors among others. It has also established that managerial controls positively influence financial performance if they are well implemented.

The popular ones are easier to implement although they do not contribute to financial performance of the units. The SMUs are not financially sustainable compared to IGUs as have been shown by the statistical tests done due to their pricing of accommodation and catering services which are controlled by the , while the IGUs have shown to be consistently profitable compared to SMUs since the pricing of their catering services were at the market price.

Bed capacity also showed to have a positive influence on financial performance of SMUs as per the correlation results which gave an indication that those with large capacity had a positive relationship in terms of financial performance.

Performance contract outcomes also as depicted by the statistical tests showed that those units with a high performance contract outcome had a positive correlation with financial performance thus the rating were a vital variable of the study.

The strong, significant and direct relationship between the unitsô financial performance and managerial control as depicted by the statistical tests implies that managers play a very paramount role ensuring financial sustainability of the units which they charged to. It also shows how managers understand the problem on the ground and how to remedy them.

5.4 Recommendations

The study recommends the University management should continue reviewing policies in place to help SMUs and IGUs offer quality accommodation and catering services conducive to students enable them achieve their academic goals as well as the overall organizational objectives. SMUs and IGUs managers should sustain and promote the use of various managerial controls in place. This will help improve the financial performance of the units.

To the existing theory the study recommends that more be done on managerial controls aspects so as to give more insights to enhance up-to-date governance of organizations to consistently yield positive results. This would be useful where scholars would seek findings to add to their literature thus enriching the area with knowledge.

The study also recommends that in practice the university should invest in more IGUs in order to support the loss-making SMUs, which still remain strategic for the welfare of students in the university. Additionally, it is recommended that the university should lobby the government to review the pricing of university accommodation and catering services to the students. Finally, the managers of SMUs and IGUs should strengthen the respective managerial control since controls have a direct and positive effect of unit financial performance.

5.5 Limitations of the Study

The study was to establish the effect of managerial control on financial performance, and it was conducted SMUs and IGUs at University of Nairobi; however it should be conducted on other public universities to establish whether the same relationship exists or otherwise Time periods of study was not sufficient for proper study because it was conducted during the month of September and October 2017 only.

Also, there is possibility of subjectivity and bias in the self-reported responses and by the fact that it was on one university there is need to have more included like Kenyatta University, Jomo Kenyatta University of Agriculture and Technology, Moi University, Egerton University among to have a wide variety of similar fields. This would be more conclusive and supported by various factors cited by other responses from other reporters.

Finally, the five-year recall period of various measures of managerial control like controls, risk assessment, communication factors; could contribute to some bias; therefore if more years were included on the same or more variables there could be more concise results to form generalization on units of similar nature. Therefore time factor is essential for proper results to form a general opinion on managerial controls.

5.6 Suggestion for Further Research

Firstly there should be a further investigation on what support the units at the university need in order to accomplish organizational objectives. Especially for the SMUs which were underperforming need more studies on this area so as to make them continue supporting the academic goals of the University of Nairobi.

Secondly, a study should investigate the opinion of employees under the managersô authority to establish their opinion on managerial control of SMUs and IGUS. This would have a more extensive area on the field to add to the already done and to help The Strategic Management and Income Generating Units of Studentôs Welfare Authority to perform better.

Finally a similar study should be conducted on other public universities in Kenya which include Kenyatta University, Jomo Kenyatta University of Technology, and Egerton University among others which are a little older in establishment similar to University of Nairobi; to investigate how managerial controls influence financial performance of similar units if they exist.

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APPENDICES

APPENDIX I: QUESTIONNAIRE

Q/No:é é é é é .

This questionnaire is organized intentionally to support the researcher in collecting data relating to establishing the effect of managerial control on financial performance SMUs and IGUs from the University of Nairobi. As one of the chief respondents/informants, you are therefore invited to read and complete it. Any information offered with respect to this request shall be handled with stringent confidentiality and will only be used for the intent above-mentioned.

Kindly indicate your consent prior to completion.

☐ I agree ☐ I disagree

PART A : Demographic Data

1. Is your entity an IGU or SMU?

   SMU [ ] IGU [ ]
2. What is the name of your SMU or IGU?

   ----
3. How many departments are there in your entity?
   a. Catering department. [ ]
   b. Halls department. [ ]
   c. Catering and halls department. [ ]

PART B: Financial Performance

Financial year	Income and expenditure KSHS		SMU											IGU		
			MA M	W H	US HR	LS HR	KM SH	U K	LK	K K	PK	KS C	CH R	VA R	S C	COM/ DEN
2012/2013	Income	Halls														
		catering														
	Expenditure															
	Deficit/surplus															
2013/2014	Income	Halls														
		catering														
	Expenditure															
	Deficit/surplus															
2014/2015	Income	Halls														
		catering														
	Expenditure															
	Deficit/surplus															
2015/2016	Income	Halls														
		catering														
	Expenditure															
	Deficit/surplus															
2016/2017	Income	Halls														
		catering														
	Expenditure															
	Deficit/surplus															

ABBREVIATIONS;

MAM- mamlaka

USHR ï upper state house road

LSHR ï lower state house road

KMSH -Kenyatta medical school hostel

UK- upper kabete

LK - lower kabete

KK- kikuyu

PK- parklands

KSC ï Kenya science campus

CHR- chiromo

VAR ï varsity café

SC ï student centre café

COM/DEN- comcare/dental café

WH- womenôs halls

PART C- Managerial Control

1. To what extent do you consider the following statements? (Kindly tick the relevant box for each). SA-Strongly Agree (5), A-Agree (4), U-Undecided (3), D-Disagree (2), SD-Strongly Disagree (1)

	SA	A	U	D	SD
Control Environment					
There are formalized policies and procedures for all major operations of the entity					
Policies and procedures for authorizations established at an adequately high level					
Specific lines of authority and responsibility been established to ensure compliance with the policies and procedures					
Organizational structure does adequately reflect chain of command					
Responsibilities are delegated and follow up action is made to get feedback on results of performance of all tasks delegated					
There is honest and fair dealings with all stakeholders for the benefit of the organization					
Management is committed to the operation of the system					
Management provides feedback to the officers about the operation of the system					
Risk Assessment					
Management has defined appropriate objectives for the organization					
Management identifies risks that affect achievement of the objectives					
Management has a criterion for ascertainment of which fraud-related risks to the organization are most critical					
Management has put in place mechanisms for mitigation of critical risks that may result from fraud					
Communication					
Management ensures that reliable and relevant information is communicated at all levels of the firm					
All employees understand and are up to date on performance, development, risks and the function of managerial control					

Communication helps to evaluate how well guidelines and policies of the organization are working and being implemented.					
The reporting system on organizational structures spells out all the responsibilities of each section/unit in the organization.					

2. Other comments

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é é
é é
é é
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