

**RELATIONSHIP BETWEEN CORPORATE GOVERNANCE AND RISK
MANAGEMENT PRACTICES IN GOVERNMENT OWNED INSTITUTIONS OF
KENYA**

BY

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DECLARATION

This research project is my original work and has not been presented for any academic award in any other institution.

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I dedicate this research to my dear family especially my wife Patriciah Nyandia and my daughter Peninah Nyamathwe who have been very supportive, patient and understanding during the entire MBA course and especially the long hours that I sometime had to put while conducting this study.

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ABBREVIATIONS AND ACRONYMS

BCCI	Bank of Credit and Commerce International
OECD	Organization of Economic Corporation and Development
ISO	International Organization for Standardization
CIPFA	Chartered Institute for Public Finance and Accounting
SCAC	State Corporation Advisory committee
CMA	Capital Market Authority
SOX	Sarbane – Oxley
COSO	Committee of Sponsoring Organization of the Treadway Commission
ERM	Enterprise Risk Management
SCA	State Corporation Act
COCG	Center for Corporate Governance Kenya
NSE	National Stock Exchange
IIA STANDARDS	Institute Internal Auditors Standard
MWONGZO	Code of Governance of State Corporation (Kenya)
CRO	Chief Risk Officers
KCGI	Kenya Corporate Governance Index
CGI	Corporate Governance Index
UON	University of Nairobi

ABSTRACT

The world today is much closer than any other time in the history of mankind. This has been due to advances made in technology especially in the areas like transport, communication, financial transaction among other sectors. The concept of global economy is now more of a reality than a mirage. The study sought to establish the relationship between corporate governance and risk management in the context of government owned entities (parastatals). This study adopted the descriptive/diagnostic research design where the researcher was required to define clearly what he wants to measure and must find adequate methods for measuring it along with clear cut definition of the population he wants to study. On this study, due to the heterogeneous nature of the universe (i.e. Kenyan parastatals), constraints of time and availability of finance a random sample of 40 corporation (i.e. 30% of the universe), was considered. In this study the research was based on collection of primary data using a descriptive research method to establish the relationship that exist between the variables. A linear-multiple regression problem was formed that linked the dependent variable to independent variables. The study concludes that there is in place a formal and transparent process for board appointments based on merit and that the board meets at least quarterly, there is in place a formal induction program for new board members. The study concludes that the board ensures that a policy on the management of conflict of interests is in place and adhered to. The study concludes that the board ensures an effective and efficient system of internal control is in place in the organization. The study concludes that the board has established an independent audit committee which is responsible for overseeing the internal audit function and the external auditor. The study recommends that in order to guarantee success in the implementation of strategic plan, corporate must to have strong top leadership. Board members should be qualified for their positions, have a clear understanding of their role in corporate governance and corporates management should identify the underlying issue that's cause the financial difficulties, track the expenses and build a budget that works for the organization, it is also important to set clear priorities first.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The world today is much closer than any other time in the history of mankind. This has been due to advances made in technology especially in the areas like transport, communication, financial transaction among other sectors. The concept of global economy is now more of a reality than a mirage. During the period of the cold war for about four or so decades ago, the western and the eastern nations experienced a lot of competition of both the nations and the enterprises whose governance reflected the ideologies of the mother countries. By late 1980's and early 21st centuries after the end of the cold war, both the western and the eastern alliances scrambled to embrace the scientific and democratic modes of governance. The institutions, organizations and corporations' governance dynamics therefore started to change very fast from internal environments, industry wise and even internationally.

Many stakeholders and participants demanded for participative and democratic governance style. In the late 1980's and early 1990s into the 21st century, the investors were more conscious about the governance in the organizations in which they invested their resources (Kesho, Colley and Colleges). They had started realizing that good governance leads to better performance and reduces the risks of the organization getting in troubled (Prof. B.M. Sababu). The globalization of economies and the growth of financial and investment markets in the 1990s, presented an opportunity for institution investors to deploy their massive funds internationally, hence the demand for high standards of governance in the companies in which they invested. It's important to note that investor confidence can only be enhanced through good corporate practice where there is accountability and transparency.

However, the kind of dynamism in the markets during the said period also came with fierce challenges, where due to lack of clear governance guidelines and principles, brought about the collapsing of high profile corporations such as Enron, Par Mallart, WorldCom, the Bank of Credit and Commerce International (BCCI), among others. Serious scandals of fraudulent dealings, corruption and mismanagement were brought to the fore with enormous losses to the shareholders and other stakeholders. These failures and risks piled more pressure on the need to re-examine the governance practices in corporation. Kenya also had its share of financial scams as demonstrated by the collapse of organizations like Lonrho, Trust Bank, Euro Bank, Kenya Finance Trust, Uchumi Supermarket Ltd, etc.,

The volatility of the world economy has significantly increased the risks faced by the companies today. Stiles (1993) asserts that in such a non-compromising environment we can no longer afford to overlook corporate fraud, mismanagement, unjustified executive pay awards, among other irregularities. This has made the requirement for a code of organizational governance a must not only for multinationals but also for national private and public corporations. Various studies, researches and developments have been carried out all over the world including Sarbanes –Oxley’s Act of 2002.

The King III report, SA, 2009, OECD guidelines of 1999, ISO standards, Enron’s Case, Cadbury, 1992, etc., on the international scene and even nationally here in Kenya we have CIPFA, SCAC guidelines, Mwongozo, CMA guidelines, etc., all pointing to the dire need for unified guidelines or codes of governance and risk management. Different scholars have also come up with studies which advance different theories in a bid to understand and explain the concept of corporate governance and risk management. Such theories include the agency theory, stewardship theory, stakeholder theory, resource dependency theory, political theory, transaction cost theory, etc.

This study therefore seeks to not only add to the existing knowledge of corporate governance and risk management practices but also to establish the relationship between the two variables, corporate governance and risk management practices especially in the context of government owned entities.

1.1.1 Corporate Governance

The term corporate governance has two components: Corporate, which alludes to enterprises or huge companies; and Administration which alludes to the act, truth, or way of overseeing. Without a doubt, the term was characterized by Cadbury committee of UK in 1991 as ‘the framework by which companies are coordinated and controlled “.

Subsequently, organizational administration which is commonly alluded to as corporate administration is the way in which the control of the organization is worked out in coordinating the organization add up to assets with the objective of keeping up and expanding the owners’ riches in line with the organization ‘s environment, mission and vision.

The organization of Economic Co-operation and development (OECD) 1991 depicted corporate administration as a set of relationship between a company’s board, its shareholders, and other partners. It gives the structure through which the goals of the company are set and the implies of accomplishing those destinations and checking execution. Lanno (1999), have moreover characterized corporate administration as the organization of the relationship between the proprietors and the directors in the control of the organization. He went encourage and expressed that a great corporate administration framework will be able to handle the struggle of intrigued between supervisors and proprietors of a organization and resolve them.

The studies have shown that although public listed companies are the ones which have been in the spotlight of the corporate governance initiatives, it is universally accepted that corporate governance is not the exclusive preserve of the private sector alone. The public sector has its share of failures in state owned corporations (parastatals) across the world. After the world wide collapsing of major corporations, many countries and organizations set out to study the reasons for failure of those corporations. One such organization is the OECD which stated that corporate governance provides the structure through which the objectives of the company are set and the means of attaining those objectives and monitoring performance are determined.

The organization too created and issued the six-point standards in 1999 which have since gotten to be universal seal stamp for corporate administration shaping the premise for a number of change activities both by government and private segment. The standards cover six key ranges of corporate administration guaranteeing the premise for an compelling corporate administration system i.e. the rights of shareholders, the evenhanded treatment of shareholders, the part of partners, revelation and straightforwardness, the obligation of the board.

1.1.2 Risk Management Practices

Risk management has developed more or less autonomously in a number of zones counting: security, protections, keeping money, Venture, pharmaceutical, counterfeit insights, science, open arrangement investigation, inside controls, etc. In the 1960's, risk management was mainly the preserve of insurance buying to cover the natural hazards like fire, disaster, accidents, etc. In the 1970s, large companies realized that insurance can still cover more hazards including credit associated losses. In the 1980s the companies still realized that even market related hazards could also be covered and 1990s to date, though the insurance is still widely used, most large organizations have reduced their reliance on

more conventional arrangements as managers discovered that insurance did not cover or meet all organization needs.

Most companies have resulted into using mostly the internal activities to control the impact of risk and uncertainty on the organization. Technical and financial side of risk management have gradually been integrated in the organization operations as more and more organization have continually adopted the risk management practices. It is now an emerging realization that an effectively planned, organized and controlled approach to the risk management process is one of the cornerstone of sound corporate governance practice which aims to anticipate and manage risks that may negatively impact on the achievement of organization objectives. A good risk management awareness and practice at all management levels is a key success factor in ensuring that the organization is able to meet its objectives

Risk, as defined in ISO 31000, is the effect of uncertainty on objectives (whether positive or negative). According to Omondi (2015) risk is the probable harm, misfortune or any hazard to the firm that might not be favorable to the normal functioning of the firm and might be reduced by a preemptive action. According to B. Karimi, 2004. Risk is an intrinsic part of doing business in banking and financial institution. For any organization whose main goals include growth and return on their objectives, then it has to deal with numerous uncertainties both favorable and unfavorable to the functioning of the organization and could emanate from internal and external environment.

Unfavorable uncertainties are the risks that require preemptive action to curtail or reduce their effect on the organization while favorable uncertainties are the opportunities that require to be taken up during strategic plan development. The whole process of

identification, deciding on the possible actions and taking appropriate action on the uncertainties or risks led to the emergence of the risk management function.

characterized as the recognizable proof, appraisal, and prioritization of chance taken after by a facilitated and conservative application of assets to play, down screen, and control the likelihood of sad occasion or to maximize the realization of openings (COSO 2004). It is in this manner a prepare of recognizing vulnerabilities and dangers to the organization and the assets it employments in accomplishing the commerce destinations. It too includes choosing what counter measures (shields and controls) in case any to take in diminishing dangers impacts to a satisfactory level (ie, remaining chance), based on the esteem of the organization assets. A successful chance administration starts with a clear understanding of the organization craving for hazard and the recognized chance introduction. The techniques for overseeing dangers can at that point be created and duties clarified depending on the sort of chance and it's critical to the trade. The board and administration would at that point choose on the suitable counter degree which could include; to avoid, mitigate, transfer, or accept the risks.

Various organization both financial and non-financial have come up with various categorization of the main risk which include credit risks, liquidity risks, operational risks, market risks, strategic risks, etc. However, the current studies have realized that the tradition approach of looking at risk management is highly disaggregated and in most cases uncoordinated. Andre' and Robert, 2003, in their study has referred to it as 'Silo based'' approach to corporate risk management and had observed that organizations have been shifting focus from this silo based approach and adopting a more integrated and holistic approach to managing risks, hence the emergence of enterprise wide risk management approach (ERM). 'COSO' 2004 has defined ERM approach as the "process effected by an entity's board of directors, management and other personnel, applied in strategy setting and

across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives.” (COSO, 2004). It is a structured, consistent and continuous process across the whole organization for identifying, assessing, deciding on responses to and reporting on opportunities and threats that effect the achievement of its objectives

According to Andre’ and Robert 2003, Enterprise risk management has currently attracted the attention of risk management professionals worldwide and despite the heightened interest in ERM, there is very little empirical research that have been conducted in this area. This study however would not lay so much emphasis on the distinction between risk management and ERM but would focus on the general risk management practices in state corporations.

1.1.3 Corporate Governance and Risk Management Practices

The aim of the current study is to bring out the relationship between the two concepts of risk management and corporate governance. Organizations are usually established with an aim of achieving certain goals and objectives, carry out certain mission or for pursuit of certain vision. The drivers to the direction taken by the organization are usually formulated in strategic plan or framework and its implementation matrix. It is usually good corporate governance practice that the leadership of the organization which include the Board and management ensure that the strategic direction of the organization is well formulated and have set appropriate goals and objectives for the organization.

However, for an organization to achieve the goals and objectives that it has set in the strategic plan, the leadership has to contend with numerous obstacles, hazards, hindrances and shortcomings on the way. These are the risks that that the leadership and risk managers

must always come up with ways of how to identify, assess, classify and treat during the process of formulation and implementation of the strategic plan. Hence risk governance or management becomes the key issue in any good corporate governance. The corporate leadership or management would be required to pursue the corporate goals and objectives in accordance with good corporate governance practices but within the boundaries of its risk appetite and risk tolerance. Risk appetite is the amount of risk that an organization is willing to seek or accept in the pursuit of its goals and objectives whereas risk tolerance in contrast are the boundaries of risk taking outside of which the organization is not prepared to venture in the pursuit of its goals and objectives.

1.1.4 The State Corporations in Kenya

A state corporation commonly alluded to as a Parastatal in Kenya is characterized beneath segment 2 of the SCA (1986) of the Laws of Kenya as a body that is; characterized that way by the statute, a body corporate set up by an Act of Parliament, a bank, monetary institution or other company whose offers or lion's share of whose offers are possessed by the government or by another state organization or a backup of a state enterprise. These state enterprises were basically set up for giving administrations that were not given by the private division. They were also meant to meet other explicit social and political objectives of the government such as in education, health, etc, and/or even to redistribute income and development to marginalized areas. At the moment, there are close to 120 state corporations and organizations which cut across the whole spectrum of political, social, economic, technological, environmental and legal aspects of the government.

The worldwide collapsing of corporations did not spare the Kenyan market both in the private sector and public sector. A significant number of private and State Corporation were affected with the worst happening in 1993 when 13 banks, including the Pan African bank and its subsidiaries collapsed due to undercapitalization, unsecured loans, on-

performing loans and political connections. In 2003, Euro Bank collapsed and a total of seven state owned corporation went under with a total loss of Kshs. 1.81 billion. (COCG seminar- April, 2014)

1.2 Research Problem

Studies have shown that most of the major corporation failure cited above were as a result of risk management failure at those corporation, mainly financial risks, operational risks, accounting fraud, environmental catastrophe, etc. just to name but a few. In most cases, it was found that the boards did not fully appreciate the risks that the companies were taking and/or there were major deficiencies in risk management systems.

According to the OECD, 2004, risk management principles and guidelines, the principle number VI.D states that “the board should fulfil certain key functions, including reviewing and guiding corporate policy as well as ensuring that appropriate systems for risk management are in place and comply with the law and relevant standards”. It further added that “boards have an essential responsibility of setting the risk policy by specifying the types and degree of risks that a company is willing to accept in pursuit of its goals.

The above principle is further complemented by a note in principle no. VI.D.7, which state that “in the integrity of the essential reporting and monitoring systems, the board will be required to set and enforce clear lines of responsibility and accountability throughout the organization”. The note further elaborates, that the board will also need to ensure that there is an appropriate oversight by senior management.

Corporate governance on the other hand is essentially “the combination of processes and structures implemented by the board to inform, direct, manage and monitor the activities of the organization towards the achievement of its objectives” (IIA Standards)

The achievement of corporate objectives is therefore one the key activities of the boards and the management of organizations. However, the external and internal environments are riddled with numerous uncertainties, obstacles and hindrances such that without careful analysis and strategizing about these risks beforehand, many organizations have found themselves failing to achieve their objectives. Organization which have handled their risks properly on the hand have managed to overcome most these uncertainties and have consequently achieved their objectives.

Several studies have been focusing on the corporate governance and its effect on the performance of the organization and very little focus on the significance of risk governance. It is against this background that this paper will examine the extent to which the principles of corporate governance are applied in the Kenyan situation and how the principles of risk management have been integrated in corporate governance of the state-owned corporations.

1.3 Objectives

The objective of this study is to find out the relationship between Corporate Governance and Risk Management in the context of Government Owned Entities (Parastatals)

1.4 Value of the Study

This study will be of much value to the following sets of key interested stake holders, who happen to relate closely with the research topic and in the general areas of corporate governance and risk management.

From the Code of Governance of State Corporation (Mwongozo, Kenya), the Board of Directors are responsible for strategic planning and review, risk assessment and management, Governance and compliance, etc., hence this study will be of much benefit to Board members as they will be able to see the link between the corporate governance and

Risk management. Corporate governance lays down the system for making long-term believe between the companies and outside suppliers of capital. It moves forward key considering at the best by inducting autonomous chiefs who bring a riches of encounter and a have of modern thoughts. Corporate competitiveness depends on the capacity of sheets to apply centered insights to create imaginative thoughts, obtain and apply the information and know how to thrust and coordinated their enterprise into the competitive worldwide advertise (CCG Kenya, 2006).

The organization managements are charged with the implementation function of the board's decisions. Hence, the managements are responsible for implementing the strategic plans, risk management policy and corporate governance policies. This study will therefore be of great value to the persons in the management of various corporations.

New investors continuously fill energized to contribute in corporate offers and capital as it were when there is solid corporate administration in drive. Without it, speculators will not come forward to chance their cash in such companies and moreover the private restricted companies will not come forward to list their offers on national stock exchanges (NSEs).

The study will serve to further the knowledge on corporate governance and risk management and the link therewith. It will open new frontiers for future research or studies that will go a long way to enrich the corporate leadership with knowledge and skills. The study will also greatly contribute to the existing literature on corporate governance and enterprise risk management. This study will also be of great value to the regulators of the both the state corporation and public corporations. The Capital Market Authority (CMA) and State Corporation Advisory committee (SCAC) will hopefully integrate the outcome of the study into their literature and knowledge bank as they articulate their regulation mandate on state and public corporations.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The world has become very competitive and with the advent of globalization, companies had to turn to good corporate governance practices in their organization for survival. Corporate governance as defined by K. Kearsy and M Write 1993, refers to the structures, processes, cultures, and systems that engender the successful operation of the organization. This chapter is a review of literature on theories in corporate governance beginning with agency theory, then stewardship theory, stakeholder theory, resource dependency theory, political theory, etc.

2.2 Theoretical Literature Review

This section will give a theoretical perspective to this study regarding the corporate governance and risk management. The emergence of new theoretical perspectives and new models of corporate governance helped in guiding researchers toward productive avenues of study. Shleiffer and Vishny, 1997 in their research observed that the subject of corporate governance is of enormous practical importance to the success any corporations. Daily, Dalton and Canella, Jr 2003, also stated that corporate governance researchers have an opportunity to directly influence corporate governance practices through the careful integration of theory and empirical studies.

2.2.1 Agency Theory

Adam smith in 1838 remarked that “the directors of companies (Parastatals) however being managers rather of other people’s money than of their own, it can’t well be expected that they should watch over it with the same anxious vigilance as if it was their own”.

Agency theory clarifies how best to organize connections in which one party (foremost) decides the work which another party (operator) embraces. The specialist performs work that is in the principal's intrigued Or maybe than the agent's interface. The office hypothesis was progressed by the work of Jensen and Mecking (1976), which too distinguished the relationship between two parties; the Foremost (the Company) which delegates the work to another party, the operator (Board of Chiefs). They characterized organization relationship as a contract beneath which one or more people (principals) lock in another individual (operator) to perform a few benefits on their sake, which moreover included assigning a few decision-making specialist to the specialist.

Berle and Means articulated the agency cost problem in their book on the modern corporation and property where they explain that as the company grows, it becomes increasingly difficult for the original owners to maintain their original shareholding and hence the shareholding become dispersed among a large number of small shareholders with time. The consequence of this is that with diminishing shareholding their management influence also diminishes and their power is usurped by the managers who ran the day today affairs of the company.

In most cases, Berle and means observed that this may results into a conflict of interest between the principal (shareholders) and the agent (managers). An effective corporate governance therefore should provide shareholders with an assurance that managers will strive to achieve outcomes that are in the shareholders' interests (Shleiffer & vishny 1997). Internal mechanisms that could be put in place to that effect will include an efficiently structured board, compensations contracts that encourage a shareholder orientation and a concentrated ownership holding that lead to active monitoring of executives (Daily, Dalton & Cannella, 2003).

2.2.2 Stewardship Theory

This theory came from the works of Donaldson and Davis (1991) and display a distinctive demonstrate of administration which expressed that directors are great stewards of the organizations and constantly work to achieve tall levels of corporate benefit and shareholders return. Directors are in this manner persuaded by the accomplishment and obligation needs. Administration ought to hence be self-directing and free from impulses and mastery of non-executive executives. Stewardship hypothesis in this manner sees a solid relationship between supervisors and the victory of the firm and hence the stewards secure and maximize shareholders riches through the firm execution. Great corporate administration will give for clear partition of parts between the shareholders, board of chiefs, and the administration.

2.2.3 Stakeholder Theory

Those theory looks at consequences of focusing on the shareholders only and the emphasis on the maintenance of the shareholders' value as a too narrow view of corporate governance. It brings out the need to also consider the wider constituents of all stakeholders who in one way or another relate with the company, these includes employees, providers of credit, suppliers, customers, Government, local governments, etc. These implies that such bunches will too have more or less vested intrigued in attempting to guarantee that assets of the company are utilized to the greatest for the advantage of the more extensive society. Concurring to Maher and Anderson (1999) this hypothesis holds that organizations ought to be socially mindful teach, overseen in the open in the open intrigued. Subsequently, corporate execution is judged by a more extensive constituent interested in business, showcase share, and development in exchanging relationship with providers and clients and money related execution. MacDonald and Puxty 1979 moreover attested that companies are no longer the disobedient of the shareholders alone but exist inside society

and subsequently has a duty to that society. This has been picked up well by the OECD rule number four of corporate administration.

2.2.4 Resource Dependency Theory

This theory proposes that there is require for natural linkage between the firm and the exterior assets. The executive ought to serve to put through the firm with external factors by co-opting the assets require to outlive (Pfeiffer and Slancik 1978). The organization require assets and this leads to the improvement of the trade relationship or organize administration between organizations. Due to the uneven dispersion of assets, the comes about is the interdependency in organization relationship. Furthermore, the chiefs moreover serve to interface outside assets with the firm in arrange to take care of the vulnerabilities since overseeing successfully with instabilities is pivotal for the presence of the company (Hillman, Cannella & Paetzols, 2000).

2.2.5 Political Theory

This theory brings the approach of creating voting back from the shareholders, Or maybe than acquiring voting control. That is having a political impact in corporate administration may coordinate corporate administration inside the organization. The hypothesis watches that open intrigued is much well saved in case the government take an interest in the corporate choice making. The political show of corporate administration can have colossal impact on administration improvements.

2.2.6 Transaction Cost Economics

This theory was clarified by the works of Williamson (1975 and 1984) where the hypothesis sees the firm as administration structure. Where the firm develops in measure, as may be caused by the crave to accomplish the economies of scale among other components. It does

so through the expanding require for more capital which needs to be raised from the capital markets and in this way the conclusion result is extending the shareholders base.

2.3 Determinants of Risk Management Practices

These are factors both internal and external to the organization that influence the implementation of the risk management programs, which are meant to create value to the organization ones implemented. For the reason of this study, which is to unmistakably separate the relationship between corporate administration and chance administration hones, there will be require to control all the other variables that could impact usage of chance administration programs (Liebenberg & Hoyt, 2003). Such other factors including, the size of the firm, financial constraints, growth, diversification, etc. forms part of discussion of this section.

2.3.1 Corporate Governance

Corporate governance concerns the arrangements and policies that direct how a firm, its strategies, systems and missions, screens and reports its implementation, and deals with internal risks (Javed & Iqbal, 2007). It is the manner in which the power of the organization is exercised in directing the organization total resources with the objective of maintaining and increasing the owners' wealth in line with the organization's environment, mission and vision. The level of corporate governance determines the level of owner's wealth and organization value or growth. Would good corporate governance demand good risk management practices? This is the question the research would endeavor to answer.

2.3.2 Size of the firm

Large company estimate is by and large related with an expanding scope and complexity of dangers which increment the probability of a venture hazard administration framework (ERM) being executed. Moreover, agreeing to Beasley, Chune and Hemanson (2005) and

Goshen and Rasid (2012) expansive companies moreover tend to have more assets with which to execute hazard administration framework. A positive relationship of the company measure with the degree of the chance administration framework had also been appeared (see, e.g. Colquitt, Hoyt, and Lee 1999).

It is also notable that large companies have greater negotiation power and thus lower average financing costs. This variable can also be used to access different methods of risk diversification is e.g. having qualified, personnel, software, consulting fees, etc. Most studies have shown that it is the larger companies which tend diversify their risks portfolio.

2.3.3 Financial Constraints

Firms with high financial constraints may use hedging to reduce the burden of that constraints. A hedge is an investment to reduce the risk of adverse price movements in an asset or supply. It consists of taking an offsetting position in form of a future contracts where the company resources are secured. Hence financial constraints would force the company to think ahead about the possible risks, make appropriate assessment based of the cost benefit analysis before settling on the best option to apply in the treatment of the risks, that is whether to avoid taking the risk, to mitigate against the risk, to transfer it an insurance, hedge, outsource, etc., or accept to live with it. It is always prudent for an organization undergoing through financial constraints to incline for options that yield maximum benefits at minimal costs.

2.3.4 Growth (Profitability)

Liebenberg and Hoyt (2003) watched the firms with more prominent development openings confront a an expanding degree of instability with regard to future cash streams and are more likely to actualize a chance administration framework. They assist watched a hazard administration framework would not as it were offer assistance diminish dangers but too

account for potential openings such that the development potential can be realized in an ideal way by implies of a chance administration framework.

2.3.5 Diversification

Companies that work in distinctive portions or divisions are by and large more broadly broadened, hence possibly making a difference to diminish working and budgetary dangers (Pagach and war 2011). Be that as it may, a higher expansion inside the company is too reliable with higher hazard complexity, in this way coming about in an presumption of a positive connection between a hazard administration framework and the firm's level of broadening.

2.4 Empirical Literature Review

This section explores the various studies and researches that have been conducted in the areas of corporate governance and risk management, both internationally and locally. There are various bodies, government task forces, regulatory entities and individual scholars who have studied organization governance and developed various principles and guidelines of corporate governance and risk management. The following is an attempt to summarize the main conclusion of some selected studies.

2.4.1 International Evidence

One of the bodies which has been in the fore front in giving guidance and research studies in this area is the organization for Economic Corporation and Development(OECD) (in 1999 and revised in 2004). In the course of their study, they have developed six principles which include, ensuring the premise for an successful corporate administration system, essential rights of shareholders and key partner work, impartial treatment of shareholders, part of partners in corporate administration, divulgence and straightforwardness, board obligations. On their sixth peer review, Blashke , Blume, Christiansen and Nozaki, 2012,

based their studies on the OECD principals of corporate governance practices in twenty seven nations. They came up with a comprehensive report in 2014, which covered corporate governance frame work and practices relating to corporate chance administration in private segment and state claimed ventures. One of their major finding was that while risk-taking is a essential driving constrain in commerce and business enterprise, the fetched of chance administration disappointments is still frequently thought little of, both remotely and inside, counting the taken a toll in terms of administration time required to amend the circumstance. Corporate administration ought to in this manner guarantee that dangers are caught on, overseen and suitably communicated.

The Sarbane oxley Act of 2002, resulted from a government committee which was tasked to review the corporate governance practices, following a series of huge multinational and national corporations collapsing over the weight of mega scandals and corruption involving the top management of those organization. The Act commonly referred to as SOX Act 2002, was outlined to upgrade the unwavering quality of the budgetary detailing framework and to make strides on the review quality. Through the foundation of PCAOB as an oversight body, SOX reinforced the corporate administration by moving duty of the outside reviewers absent from the corporate administration to autonomous review committees. The guideline components of the SOX Act included, the foundation of an free oversight body of open company reviews, fortified review committee and corporate administration, upgraded straightforwardness, official responsibility and speculator security, and upgraded inspector freedom.

Dr. H.R.D. Abadi, 2012 in his research “Analyzing the impact of corporate governance and organization learning on strategic planning effectiveness (An empirical practice among some industrial companies in Iran)” observed that corporate governance can be conceptualized as a set of forms , traditions ,approaches laws, and teach influencing the

way a organization is coordinated , managed or controlled and its reason is to impact straightforwardly or by implication the behavior of an organization towards its shareholders. He went assist and said that corporate administration is a component built up to permit diverse parties to contribute capital, skill and labor for the common advantage of the financial specialist or the shareholder to take an interest in the benefit of the endeavor without taking duty for organization operations. Corporate administration has a positive impact on productivity of open of open and private organization and their financial development and improvement. Administration runs the organization without being actually dependable for giving the reserves. So the agents of the shareholders, who are the chiefs have both the specialist and the obligation to set up fundamental corporate arrangements and to guarantee they are taken after. The board of chiefs has subsequently and commitment to favor all choices that might influence the long run execution of the organization. The term corporate administration alludes to the relationship among these bunches, the board of chiefs, administration and the shareholders, who decide the course and execution of the enterprise, consequently it can be considered a genuine calculate in key arranging and its adequacy as well.

Ai & Brokett 2008. In their research study observed that there are multiple types of financial risks. They include hazard risks, strategic risks, operational risks, Hazards risks included physical risks like fire, theft, liability claims, and business interruptions among others. Operation risks included weak or insufficient internal procedures and structure or from external incidences, it also includes inside and outside misrepresentation, harm to physical resource, business disturbances, execution conveyance and business process disappointments. Strategic risks referred to the firms overall strategies, reputation risks, competition risks and regulatory risk.

Liebenberg and Hoyt, 2003 in their research on “the determinants of Enterprise Risk Management: Evidence from the appointment of chief risk officers” had set out to investigate the contrast between a test of firms that had reported the arrangement of Chief Hazard Officers (CROs) against a closely coordinated control test. The arrangement of CROs are for the most part characteristic of the execution of ERM programs. In their think about, they observed that that the convention chance administration approach was characterized by a exceedingly disaggregated strategy of overseeing firm dangers. Beneath this approach different categories of dangers are overseen in partitioned units inside the firm. An undertaking wide chance administration approach was prescribed which would treat the partitioned units as portion of the firms by and large chance portfolio that is overseen comprehensively. Their think about concluded that the exceedingly utilized firms are more slanted to delegate CROs as they determine more noteworthy esteem from the CROs capacity to decrease the costs related with hazard moving issue and to communicate the firms hazard profile to external stakeholders.

2.4.2 Local Evidence

Austin Andrew Omondi Ouko, 2010 did a study on “Corporate governance of Parastatals: A critique in the context of the new constitution” where he set out to observe the legal and regulatory background underneath which parastatals run, the probable cause of their poor performance, possible solution to this problem and the impact the new constitution will have on their governance framework

In his conclusion, he observed that the general underlying problem of corporate governance facing the parastatals in the developed world are well documented and to some extent the emerging economies such as China, India and Eastern Europe. However, neither the current literature nor empirical studies on corporate governance have paid much attention to corporate governance of parastatals in Kenya. In particular there has not been any attempt

to critically examine reasons for their poor and depressing performance in light of the corporate governance frame work under which they operate while bench marking them against international Corporate governance standards of best practice.

Beatrice Karimi Nyaga, 2014 focused on “the effect of enterprise risk management on financial performance of pension fund management firms in Kenya” where she set out to determine the level of execution of undertaking hazard administration by annuity stores administration firms in Kenya and to survey the impact of endeavor chance administration on the firm’s money related execution. The ponder was carried out on almost 11 firms tested from the bigger populace of 19 annuity support administration firms. In her conclusion, she declares that undertaking hazard administration hones accounted for nearly all the fluctuations in monetary execution of those firms. Thus, undertaking hazard administration hones impact the monetary execution of annuity reserves administration firms in Kenya to a exceptionally expansive degree.

Lishenga and Mbaka (UON) focused on “The link between compliance with corporate governance disclosure code and firm performance for Kenyan firms” where they researched on construction of corporate governance index (CGI) for companies listed at the NSE based on guidelines issued by the Capital Market Authority and to establish the link between Corporate Governance Index of listed companies. They argued that the recent empirical studies in developed markets investigating the link between compliance and performance of companies has documented weak or non-existent relationship. On the issue of constructing a broad Kenya corporate governance index(KCGI) for Kenyan public firms, they found a positive relationship between governance practices and firm performance. There was economically significant correlation between CGI and the firm market value

The Government of Kenya has a long-term blue print commonly referred to as Vision 2030. Good corporate governance therefore becomes very crucial in transforming State Enterprise into engines of financial advancement and social welfare in the nation. Thus, in line with the worldwide best hones which have illustrated solid linkage between great corporate administration and undertaking development and productivity. The Kenyan Government through the Presidential taskforce was hoping that institutionalization of good corporate governance practices will spur the growth, development and economic transformation of the country. Hence, the development of the code of governance for State Corporation (mainly referred to as Mwongozo guidelines (Kenya) which was organized through the eight critical areas in the Kenyan context, ie, board of directors, straightforwardness and divulgence, responsibility, chance Administration and Inside Control, moral authority and corporate citizenship, shareholders right and commitment, partner relationship, supportability and execution Administration.

The Capital Market Act (Cap 485A) in a journal take note number 3362 (2002), gave the Capital Advertise Specialist (in this alluded to as Specialist) the control to create and issue rules on corporate administration to be practiced by all Open Recorded Companies in Kenya. This was done in reaction to the developing significance of great corporate administration issues both in the developing and creating economies and for advancing development in the residential and territorial capital markets. It was too in acknowledgment of the part of great corporate administration in corporate execution, capital arrangement and maximization of shareholders esteem as well as security of investor's rights. For reason of these rules corporate administration has been characterized as the handle and structure utilized to coordinate and oversee trade issues of the company towards upgrading success and corporate bookkeeping with the extreme objective of realizing shareholders long term esteem while taking into account the intrigued of the stakeholders.

The rules recognize that great corporate administration hones must be natured and empowered to advance as a matter of best hones but certain viewpoints of working in a body corporate must of need require least guidelines of great corporate administration, in this respect the Specialist anticipated chiefs of each open recorded company to attempt or commit themselves to receive great corporate administration hones as portion of their proceeding posting commitment. The Specialist created standards touching on five regions which incorporate, executives, part of Chairman and the Chief Executive Officer, shareholders, responsibility and review, and other common things.

2.5 Conceptual Framework

Every Organization is established with the aim of achieving certain mission, goals and objectives which are usually well articulated in the organization strategic plan document. Strategic plan therefore involves indicating the organizations missions, vision, and destinations, creating arrangements and plans, frequently in terms of ventures and programs which are outlined to accomplish these goals, and at that point apportioning assets to actualize the arrangements and plans, ventures and programs. It is the objective of each vital arrange director to create fabulous comes about with least exertion. The thought of accomplishing key arrange adequacy is all around the set of vital activities that are arranged and sanctioned by a firm for purposes of maximizing financial returns from the environment.

Corporate governance can be conceptualized as a set of forms, traditions, approaches, laws and teach influencing the way a organization is coordinated, managed or controlled, and its reason is to impact straightforwardly or in a roundabout way the behavior of the organization towards its partners (Dyson and Lowry, 2006). More particularly Corporate Administration is a set of obligations and hones utilized by an organization administration

to supply vital course, in this manner guaranteeing that objectives are achievable, dangers are appropriately tended to and organization assets legitimately utilized. Agreeing to OECD, Corporate administration includes a set of relationship between an organization administration, board, shareholders and other partners. Corporate Governance moreover gives the structures through which the destinations of the organization are set, and the implies of accomplishing those goals and observing execution are decided. Great corporate administration ought to give legitimate motivating forces for the board and the administration to seek after goals that are in the intrigued of the organization and its shareholders and ought to encourage successful observing (OECD 2004. Standards of Corporate Administration).

The high-profile collapse of a few sweeping organization in a couple of a long time back both generally and broadly is exceedingly credited to their organization systems which failed to dodge corruption and to palatably actualize their danger organization procedures. Corporate organization has a positive affect on efficiency of both the open and private organizations and their monetary improvement and enhancement. Subsequently, it can be considered a veritable calculate in imperative orchestrate and its reasonability (Starvation, 2010). It's a handle which is at the exchange of the organization organization through which the key mission, vision, targets and objectives are fulfilled. It is additionally a component set up to allow assorted parties to contribute capital, authority and labor for their common advantage and that of the monetary pros or accomplice.

Strategic management has regularly been criticized on the grounds that it is based upon hypothetical standards and not on the substances of administration (Berry, 2007). In practice, the effectiveness of the strategic plan which entails achievement of the strategic goals would require good corporate governance. However, attainment of goals and objectives in practice is highly uncertain as these are long term goals. The element of

uncertainty connotes the unforeseen events which usually come in the way of organization performance and render the achievement of the goals and objectives impracticable. These events are referred to as risks, hindrances or obstacles which the organization need to management well in advance so that it can be able to attain the set goals and objective.

Risk management therefore become another critical factor in the leadership of the organization which plays a crucial role in the strategic plan effectiveness. Whereas there is quite a lot that has been researched on the relationship between corporate governance and the performance of the organization, there is very little research that has been conducted on the relationship between corporate governance and risk management. This paper therefore tries to fill the major gap which has not been explored adequately in the area of corporate governance and organization management.

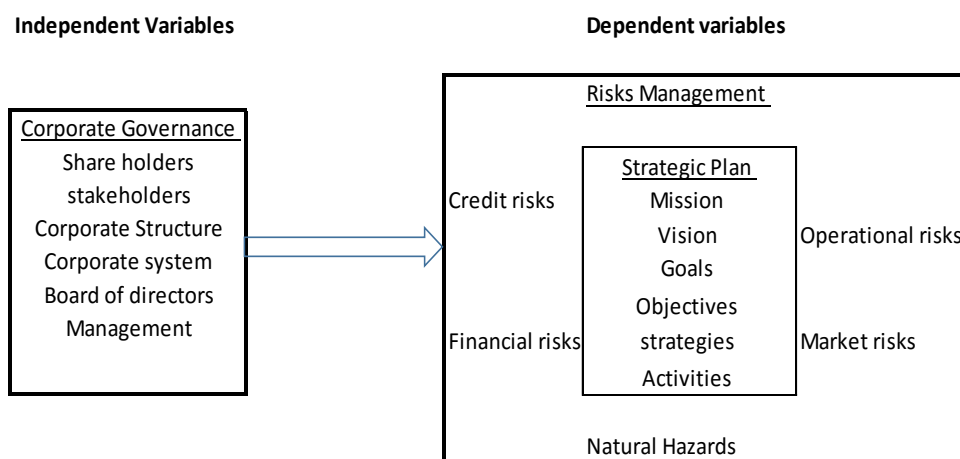


Figure 2.1: Conceptual Framework

2.6 Summary of Literature Review

The above studies have demonstrated the importance of the corporate governance practices in the running of the public companies and government own entities. Various countries have gone ahead and developed stringent regulation and guidelines for the implementation

of the of the corporate governance practices. However, there are still major scandals and high profile collapsing of major corporations both in the public and government owned entities. What perhaps is missing on the corporate governance implementation is the focus on risk management aspect of corporate governance. In many instances of the collapsed corporations, it was found that the boards and management had either not paid much attention to the risks, were not aware of the potential risk or completely ignore the risks management systems.

The above study has therefore indicated that there exist a governance gap that needs to be filled and hence the reason for the study. The study will focus on the risk management practices in the government owned entities and how it relates to the corporate governance practices

There are challenges that may be anticipated in the course of doing the study such as the government owned entities hardly publish any comprehensive information about their existing risk management system and plans, hence the empirical literature is faced with a lot challenge of gathering information about whether or not a risk management system has been adopted or not.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter deals with the methods that was used in the collection of data, information and observation. It also looks at the technics used for investigation, the analysis of the said data and presentation of the information obtained in the process. Research method is simply the general strategies or plans of work to be followed in collection of data (Kasomo 2015). Such methods include descriptive, historical, experimental, etc.

3.2 The Research Design

A research design is the course of action of conditions for collection and investigation of information in a way that points to combine pertinence to the investigate reason with economy in strategy. It is the conceptual outline work inside which the investigate is done. It constitutes the outline for the collection, estimation, and examination of information (Kothari 2004). This ponder received the Descriptive/Diagnostic inquire about plan where the analyst was required to characterize clearly what he needs to degree and must discover satisfactory strategies for measuring it along with clear cut definition of the populace he needs to ponder. This investigate strategy was found suitable and has a number of steps which incorporate; defining the objective of the ponder, planning the strategy of information collection, selecting the test, collecting the information, handling and analyzing the information, announcing the discoveries.

The information obtained was then be useful in establishing the relationship that exist between the identified variables, that is the relationship between corporate governance and the risk management in state owned entities.

3.3 Population

Population or the Universe is well-defined as a distinct set of elements or objects that have similar traits or characteristics and are the subjects of study. Conferring to Bryman and Bell (2003) population is the sum of the various items of study with certain points of reference. A population can also be said to be any group of institutions, people or objects that have at least one characteristic in common.

A sample population on the other hand is a selection of only a few items of the Universe (total population of about 120 state corporation) which ought to be as agent of the add up to populace as conceivable in arrange to create a smaller than expected cross area (Kothari 2004). A sample is simply a subset of the whole population which is a under research study and whose characteristics was generalized to the whole the population.

According to Kothari, as a general rule, the sample obligation is of optimal size that is neither unreasonably large nor should be too small. On this study, due to the heterogeneous nature of the universe (i.e. Kenyan parastatals), constraints of time and availability of finance a random sample of 40 corporation (i.e. 30% of the universe), was considered. The respondents were chosen from the senior management of these entities as these are people with in –depth knowledge of the entities.

3.4 Data Collection

This is the process that customarily starts after the investigate issue has been characterized and the investigate outlined has been created. The analyst points to gather primarily two sorts of information, the essential or auxiliary information. The essential information alludes to the collection of a to begin with time, once more information which happens to be unique in character. The auxiliary information on the hand is the information that has as

of now been collected by somebody else and have as of now been passed through measurable handle.

There are generally two approaches of data collection depending on the type of data the researcher wants namely the quantitative and qualitative research method. Quantitative method is normally used when a large body of data is required to perform statistical analysis that can be generalized to the target population. Qualitative method on the other hand is used when the data obtained is not expressed in numerical terms. Other classifications include descriptive methods, experimental methods, etc. In each of the methods identified, there are specific tools for data collection. The various tools include observation, personal interview, questionnaires, schedules, etc. depending on the nature of the research.

In this study the investigation was grounded on gathering of primary data using a descriptive research method to define the relationship that exist among the variables. The specific method chosen was the correlation study as this was able to bring out the relationship, the magnitude and the direction of the relationship between the variables identified in the study.

3.5 Data Analysis

After the data have been collected, it is at that point assumed to be prepared and analyzed in agreement with the laid down inquire about arrange or plan. The information has to be altered, coded, classified, organized, analyzed, compute certain measures, build up designs of relationship that exist among information bunches, etc. A short time later the information was subjected to measurable tests of noteworthiness to decide the legitimacy and in the long run drawing conclusion as to whether the investigate questions have been replied or not.

In this study the research question was trying to establish the relationship between variables. Hence the analytical tools that was employed include measures of relationship which are mainly the correlation and regression technique. According to Kothari, 2012, a multivariate technique will be appropriate where there is a single dependent (criterion) variable and a multiple of independent (explanatory) variables. The dependent variable was represented letter Y and the independent variables will be represented by letters Xi where $i = 1, 2, \dots, n$. etc. The objective of the analysis is to determine the kind of relationship and ability to predict the level of dependency of the dependent variable (risk management practices) to the independent variables, which include corporate governance, size of the organization, financial imperatives, growth, diversification, etc.

From the above definition of the variables, a linear-multiple regression problem was formed that linked the dependent variable to independent variables as follows;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 \dots \beta_n X_n + e$$

Where,

Y = Risk Management practices

X₁ = Corporate governance practices

X₂ = Size of the Organization by considering the asset base

X₃ = Financial Constraint

X₄ = Growth of the Organization

X_n = X₅ = Diversification

e = Error term

Bo = the constant term

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$, are measures of sensitivity of the dependent variable (Y) to unit change in independent variables X₁, X₂, X₃, X₄, X₅ X_n

CHAPTER FOUR

DATA ANALYSIS, INTERPRETATIONS AND PRESENTATION

4.1 Introduction

This chapter talks about the interpretation and presentation of the findings gotten from the field. The chapter presents the foundation data of the respondents, discoveries of the investigation based on the targets of the think about. Descriptive and inferential measurements have been utilized to examine the findings of the study.

4.1.1 Response Rate

The study focused on a test estimate of 40 respondents from which 36 filled in and returned the surveys making a reaction rate of 90%.

Table 4.1: Response Rate

	Questionnaires Administered	Questionnaires filled & Returned	Percentage
Respondents	40	36	90

This reaction rate was satisfactory to make conclusions for the think about as it acted as a agent. Agreeing to Mugenda and Mugenda (2003) a reaction rate of 50% is satisfactory for investigation and announcing; a rate of 60% is great and a reaction rate of 70% and over is great. Based on the statement, the reaction rate was great.

4.2 Background Information

The study started by investigating the respondent's background information. Specifically, this includes Number of years which the company operated in Kenya, respondent's position in the organization, nature of products/services that the organization provided respondent's education levels and period which the organisation has been in operation.

4.2.1 Nature of products/services that the organization provides

The evaluation sought to establish the nature of products/services that the organization provides. It was revealed that the organisations engaged in the provision of financial services, ICT services for exporters and importers, publishing and printing of literature materials. This is an indication that there was diversification of service provision from the targeted firms.

4.2.2 Period Which the Corporation Has Been in Operation

The investigation wanted to establish the period which the corporation operated in Kenyan market; results are presented in Table 4.3

Table 4.2: Period Which the Corporation Has Been in Operation

Period	Frequency	Percentage
10 to 20 years	3	8.3
21 to 30 years	5	13.9
31 to 40 years	9	25.0
41 to 50 years	12	33.3
51 Years and above	7	19.4
Total	36	100

From the discoveries, most of the respondents (33.3%) shown that the organization has been in operation for a period of 41 to 50 a long time, 25.0% of the respondents shown that the organization has been in operation for a period 31 to 40 a long time 19.4 % of the respondents demonstrated that the organization has been in operation for a period 51 or more, 13.9 % of the respondents demonstrated that the organization has been in operation for a period 21 to 30 a long time, 8.3% of the respondents shown that the organization has been in operation for a period 10 to 20 a long time. This suggests that most of the corporates worked in Kenyan showcase for a impressive period of time which suggests that they were in a position to grant valid data being looked for.

4.3 Corporate Governance Practices

This section investigated the extent to which the organisation had adopted and implemented the corporate governance practices; specifically, this section investigates on, board characteristic, ethical leadership, compliance with laws. transparency and disclosure and regulations, sustainability and performance.

4.3.1 Board of Directors

The investigation sought to evaluate the extent of agreement with the following statements assessing on board characteristics.

Table 4.3: Statements assessing on board characteristics

	Mean	Std deviation
There is in put a formal and straightforward prepare for Board arrangements based on merit.	3.99	0.35
The enrollment of the Board is not less than 5 and not more than 9.	4.15	0.25
The Board is composed of Official and Non-Executive members.	4.05	0.11
Board arrangements take into thought competencies, differences and blend of skills.	3.86	0.24
The Chairperson of the Board is a Non-Executive Director.		
The Board has built up and designated Committees with particular terms of reference, taking into thought essential aptitudes and composition	4.26	0.02
The Board meets at slightest quarterly.	4.16	0.14
There is in put a formal acceptance program for unused Board members.	3.99	0.75
There is in put a Board constitution that clearly characterizes the part and obligations of the Board and Management	3.98	0.69
The Board works out free judgment in releasing its duties.		
The Board designates the Chief Official Officer and individuals of the official management	3.89	0.47
There is in put a formal and straightforward prepare for Board arrangements based on merit.	4.19	0.24
The enrollment of the Board is not less than 5 and not more than 9.	4.32	0.75

From the findings, majority of the respondents agreed to a great extent that the board appoints the chief executive officer and members of the executive management (mean = 4.32 std deviation =0.75), the chairperson of the board is a non-executive director, (mean

= 4.26 std deviation =0.02), the board exercises independent judgment in discharging its duties (mean = 4.19 std deviation =0.24), the board has established and appointed committees with specific terms of reference, taking into consideration requisite skills and composition(mean = 4.16 std deviation =0.14),the membership of the board is not less than 5 and not more than 9, (Mean = 4.15 std deviation =0.25) and that the board is composed of executive and non-executive members(mean = 4.05 std deviation =0.11). The findings concur with the research findings by Beatrice Karimi Nyaga, (2014) the level of corporate governance determines the level of owner's wealth and organization value or growth.

The study further revealed that there is in place a formal and transparent process for board appointments based on merit and that the board meets at least quarterly, (mean = 3.99, std deviation =0.75), there is in place a formal induction program for new board members, (mean = 3.98std deviation = 0.69), there is in place a board charter that clearly defines the role and responsibilities of the board and management (mean = 3.89 std deviation =0.47), board appointments consider competencies, diversity and skills (mean = 3.86 std deviation =0.24).The findings are in support of the research findings by Dyson and Lowry, (2006) that board size is an important component of corporate governance among quoted companies

4.3.2 Ethical Leadership

The investigation sought to evaluate agreement with the following statements on assessing ethical leadership.

Table 4.4: Statements Assessing on Ethical Leadership

Ethical Leadership	Mean	Std deviation
The Board creates and advances an moral culture based on center values	4.25	0.12
The Board guarantees that there is a Code of Conduct and Morals that advances moral behavior in the organization which is subscribed to by all individuals of the organization	3.85	0.36
The Board guarantees that a arrangement on the administration of strife of interface is in put and followed to.	4.36	0.41
The Board guarantees that there is a shriek blowing arrangement in the organization which ensures the shriek blower.	3.77	0.36

From the investigation, larger part of the respondents concurred to a awesome degree that the board guarantees that a arrangement on the administration of strife of interface is in put and followed to. (mean = 4.36 std deviation = 0.41), the board creates and advances an moral culture based on center values (mean = 4.25 std deviation =0.12), the board guarantees that there is a code of conduct and morals that advances moral behavior in the organization which is subscribed to by all individuals of the organization (mean = 3.85 std deviation =0.36), the board guarantees that there is a shriek blowing arrangement in the organization which ensures the shriek blower, (mean =3.77 std deviation =0.36). The investigation concurs with the inquire about discoveries by Starvation, (2010) who found a solid positive relationship between moral authority and organization improvement.

4.3.3 Transparency and Disclosure

The study sought to determine the extent to which respondents agreed with the following statements assessing on transparency and disclosure. Results are analysed in Table 4.5.

Table 4.5: Statements Assessing on Transparency and Disclosure

Transparency and Disclosure	Mean	Std deviation
A statement of policy on corporate governance and the extent of compliance thereof is included in the annual report.	3.87	0.25
The size and arrangement of the Board and its Committees are revealed in the annual report.	3.97	0.14
Key stakeholder bunches and the nature of their engagement with the organization are unveiled in the yearly report.	4.00	0.85
The compensation of executives and the compensations and compensation of Official Executives are uncovered in the money related statements.	4.18	0.75
The Board has unveiled the arrangement of the organization on strife of intrigued.	4.05	0.47
The Board has uncovered to the partners the approach of the organization on Whistle Blowing.	3.88	0.68
The Board has uncovered in the yearly report, the approach on chance administration and the key dangers to which the organization is uncovered.	3.90	0.44
Known patterns that are sensibly likely to have a fabric impact on the monetary condition and comes about of operations in the future are uncovered in the yearly report. The Board has unveiled the arrangement of the organization on procurement.	4.38	0.69
Key stakeholder bunches and the nature of their engagement with the organization are unveiled in the yearly report.	4.44	0.74

From the findings, larger part of the respondents concurred to a incredible degree that known patterns that are sensibly likely to have a fabric impact on the monetary condition and comes about of operations in the future are unveiled in the yearly report (mean = 4.38 std deviation = 0.69), the board has uncovered the arrangement of the organization on procurement(mean = 4.44 std deviation = 0.74),the compensation of chiefs and the compensations and compensation of official chiefs are unveiled in the money related

explanations, (mean = 4.18 std deviation = 0.75) the board has uncovered the approach of the organization on struggle of intrigued (mean = 4.05 std deviation = 0.47) and that key partner bunches and the nature of their engagement with the organization are uncovered in the yearly report. (mean = 4.00 std deviation = 0.85). The discoveries concur with the inquire about discoveries by Berry, (2007) When monetary articulations are not straightforward, financial specialists can never be beyond any doubt approximately a company's genuine crucial.

The study uncovered that the estimate and composition of the board and its committees are uncovered in the yearly report (cruel = 3.97 std deviation = 0.14), the board has uncovered in the yearly report, the approach on hazard administration and the key dangers to which the organization is uncovered (cruel = 3.90 std deviation = 0.44), the board has unveiled to the partners the approach of the organization on shriek blowing (cruel = 3.88 std deviation = 0.68) and that there exists a articulation of arrangement on corporate administration and the degree of compliance thereof is included in the yearly report (cruel = 3.87 std deviation = 0.25). The discoveries are in bolster of the investigate discoveries by Stiles (1993) Great corporate administration requires compelling and clearly nitty gritty forms for guaranteeing responsibility, straightforwardness, archived approaches and methods and sound decision-making.

4.3.4 Compliance with laws and regulation

The investigation determined agreement with the following statements assessing on compliance with laws and regulation.

Table 4.6: Statements assessing on compliance with laws and regulation

Compliance with laws and regulation	Mean	Std deviation
The Board ensures that the laws, rules and regulations applicable to the organization have been identified, documented and observed.	4.19	0.37
The Board guarantees that codes and benchmarks appropriate to the organization have been recognized, reported and are observed.	3.67	0.56
There exists inner methods and observing frameworks that guarantee activity is taken to execute Board resolutions.	3.88	0.44
A legitimate compliance review is carried out every year to set up the level of compliance with pertinent laws and controls and its suggestions implemented.	4.25	0.74

From the findings, majority of the respondents agreed to a great extent that a legitimate compliance review is carried out every year to set up the level of compliance with pertinent laws and controls and its suggestions implemented, (mean = 4.25 std deviation = 0.74), the board ensures that the laws, rules and regulations applicable to the organization have been identified, documented and observed (mean = 4.19, std deviation = 0.37), there exists inner methods and observing frameworks that guarantee activity is taken to execute Board resolutions. (mean = 3.88 std deviation = 0.44) and the Board guarantees that codes and benchmarks appropriate to the organization have been recognized, reported and are observed. (mean = 3.67 std deviation = 0.56). The discoveries agree with the inquire about discoveries by Omondi (2015) administrative compliance depicts the objective that organizations try to accomplish in their endeavors to guarantee that they are mindful of and take steps to comply with significant laws, polices, and regulations.

4.3.5 Sustainability and Performance Management

The investigation focused on agreement with the following statements assessing on Sustainability and performance management. Results are analysed in Table 4.7.

Table 4.7: Statements assessing on Sustainability and performance management

Sustainability and performance management	Mean	Std deviation
The Board has developed a policy on the sustainability of the organization including business continuity and ensured its implementation.	4.26	0.85
The Board spends a greater part of its time focusing on the future sustainability of the organization.	3.75	0.75
The Board equalizations financial, social and natural concerns in the execution of the organization.	4.32	0.45
The Board centers on long-term ability development.	3.97	0.85
The Board guarantees nonstop advancement of its forms, items and services.	4.05	0.49
The Board has created a approach on execution administration and guaranteed its implementation.	3.77	0.44
The Board has put in put a execution administration framework and markers that are connected to the methodology of the organization	4.18	0.51
The Board has built up an ICT arrangement which is adjusted to the goals of the organization.	3.95	0.82
The Board has set up an ICT work in the organization.	4.10	0.47

Majority were in agreement to a great extent that the board has created a approach on the supportability of the organization counting trade progression and guaranteed its execution (mean = 4.26 std deviation = 0.85), the board equalizations financial, social and natural concerns in the execution of the organization (mean = 4.32 std deviation = 0.45), the board has put in put a execution administration framework and pointers that are connected to the methodology of the organization (mean = 4.18 std deviation = 0.51), the board has set up an ICT work in the organization (mean = 4.10 std deviation = 0.47) and that the board guarantees nonstop development of its forms, items and administrations (mean = 4.05 std deviation = 0.49). The discoveries concurs with the investigate discoveries by Karimi, (2004).

The study advance uncovered that the board has set up an ICT approach which is adjusted to the destinations of the organization (cruel = 3.95 std deviation = 0.82) the board centers on long-term ability advancement (cruel = 3.97 std deviation = 0.85), the board has created a arrangement on execution administration and guaranteed its execution (cruel =3.77 std

deviation =0.44) and that the board spends a more noteworthy portion of its time centering on the future maintainability of the organization (cruel = 3.75 std deviation = 0.75). The discoveries are in bolster of the investigate discoveries by (Andre' &Robert, 2003)..

4.4 Risk Management Practices

The investigation focused on the extent the organisation had undertaken risk management practices.

Table 4.8: Extent to which the organisation had undertaken risk management practices

	Mean	Std deviation
The Board has set out its obligation for hazard administration in the Board Charter.	4.00	0.25
The Board has named a Committee to be capable for chance administration in the organization.	4.15	0.74
The Board surveys the execution of the hazard administration system on a quarterly basis.	3.95	0.85
The Board has set up a chance administration work in the organization.	3.74	0.36
The Board gets from the inside review work a composed appraisal of the viability of the framework of hazard administration on a quarterly basis.	4.18	0.28
The Board has set out its obligation for inside control in the Board Charter.	3.72	0.41
The Board guarantees an successful and effective framework of inner control is in put in the organization.	4.06	0.85
The Board gets from the inside review work a composed evaluation of the adequacy of the framework of inside control on a quarterly basis.	3.98	0.96
The Board gets from the outside evaluator an evaluation of the viability of the framework of inner control after the outside review handle is completed.	4.11	0.97
The Board has built up an free Review Committee which is capable for managing the inside review work and the outside inspector.	3.91	0.51
The larger part of Review Committee individuals are non-executive.	4.28	0.78

At slightest one part of the Review Committee has significant monetary and bookkeeping experience.	3.87	0.74
The Board has built up an inside review function.	4.14	0.36
The Board guarantees that there is an compelling chance based inside review system.	3.80	0.47

From the discoveries, lion's share of the respondents concurred to a awesome degree that larger part of review committee individuals are non-executive (mean = 4.28 std deviation = 0.78),the board gets from the inner review work a composed appraisal of the viability of the framework of hazard administration (mean = 4.18 std deviation = 0.28),the board has designated a committee to be capable for chance administration in the organization (mean = 4.15 std deviation = 0.74), the board has built up an inner review work (mean = 4.14 std deviation = 0.36), and that the board gets from the outside inspector an evaluation of the viability of the framework of inner control after the outside review handle is completed (mean = 4.11 std deviation = 0.97). The discoveries concurs with the inquire about discoveries by Beasley,Chune and Hemanson (2005) higher broadening inside the company is too steady with higher hazard complexity.

The study too uncovered that the board guarantees an successful and proficient framework of inside control is in put in the organization. (mean = 4.06 std deviation = 0.85), the board has set out its obligation for hazard administration in the board constitution (mean = 4.00 std deviation = 0.25), the board surveys the usage of the hazard administration system on a quarterly premise (mean = 3.95 std deviation = 0.85), the board gets from the inner review work a composed appraisal of the adequacy of the framework of inner control on a quarterly premise (mean =3.98 std deviation = 0.96). The discoveries are in bolster of the investigate discoveries by Liebenberg and Hoyt (2003) corporate administration ought to guarantee that dangers are caught on, overseen and suitably communicated.

The study uncovered that the board has set up an autonomous review committee which is capable for directing the inside review work and the outside evaluator (mean = 3.91 std deviation = 0.51) at slightest one part of the review committee has pertinent budgetary and bookkeeping encounter (mean = 3.87 std deviation = 0.74) the board guarantees that there is an successful chance based inner review framework (mean = 3.80 std deviation = 0.47)the board has set up a hazard administration work in the organization (mean = 3.74 std deviation = 0.36)the board has set out its obligation for inner control in the board constitution, (mean = 3.72 std deviation = 0.41). The discoveries are in bolster of the investigate discoveries by Pagach and war (2011) Vague or obsolete arrangements and methods ruin the execution of inside review at the review division.

4.5 Strategic Planning

This section investigated on the extent to which the organization focused on the following issues when developing a strategic plan. Results are presented in Table 4.9.

Table 4.9: Statements Assessing on Strategic Planning Process

	Mean	Std deviation
Clarity of vision	4.14	0.35
Clarity of mission	4.06	0.25
Adequacy of internal analysis	3.99	0.74
Adequacy of external analysis	4.18	0.38
Effectiveness of strategic goals	3.69	0.44
Measurability of strategic objectives	4.15	0.27
Clarity of strategic issues	3.91	0.45
Appropriateness of strategies	3.80	0.37
Effectiveness of implementation framework	4.36	0.66
Effectiveness of strategy monitoring framework	4.22	0.41

It was dually confirmed to a great extent that management ensured effectiveness of implementation framework (mean = 4.36 std deviation = 0.66), effectiveness of strategy monitoring framework (mean = 4.22 std deviation = 0.41), adequacy of external analysis (mean = 4.18 std deviation = 0.38),measurability of strategic objectives (mean = 4.15 std

deviation = 0.27), clarity of vision during strategy formulation, (mean = 4.14 std deviation = 0.35) and clarity of mission (mean = 4.06 std deviation = 0.25). The study further revealed that adequacy of internal analysis (mean = 3.99 std deviation = 0.74) clarity of strategic issues (mean = 3.91 std deviation = 0.45) appropriateness of strategies (mean = 3.80 std deviation = 0.37) effectiveness of strategic goals (mean = 3.69 std deviation = .44).

4.6 Organisational Growth

The study primarily focused on the organization used the following factors in strategy implementation, Results are presented in Table 4.11

Table 4.10: Statements Assessing on Strategic Planning and Organisational Growth

	Mean	Std deviation
Organization structure get well realigned with strategic plan	4.32	0.29
Adequate resources are provided for strategy implementation	3.88	0.35
Staff are equipped with right personal and corporate values	4.41	0.28
There is adequate staffing for strategy implementation	3.95	0.15
Our organizations systems are appropriate for successful strategy implementation	4.08	0.74
There is good change management in our organization	3.98	0.44
Role conflict is promptly and adequately managed in our organization	4.48	0.74
There is effective leadership for strategy implementation in our organization	3.75	0.33

It was deduced to a great extent that role conflict is promptly and adequately managed in our organization (mean = 4.48 std deviation = 0.74), staff are equipped with right personal and corporate values (mean = 4.41 std deviation = 0.28), organization structure get well realigned with strategic plan (mean = 4.32 std deviation = 0.29) and that the organizations systems are appropriate for successful strategy implementation (Mean = 4.08 std deviation = 0.74). The findings are in support of the research findings by Liebenberg and Hoyt, (2003) Jensen and Meckling (1976) suggested that clear Organizational structure has a positive

effect on performance because it alleviates the conflict of interest between owners and managers.

The study further revealed that there is good change management in the organization (mean = 3.98 std deviation = 0.44) there is adequate staffing for strategy implementation (mean = 3.95 std deviation = 0.15) adequate resources are provided for strategy implementation (mean = 3.88 std deviation = 0.35) and that there is effective leadership for strategy implementation in our organization (mean = 3.75 std deviation = 0.33). The findings concurs with the research findings by Omondi Ouko, (2010) who found out that strong positive correlation between pr resource allocation and success in strategic plan implementation.

4.6.1 Number of Board Members

Respondents were requested to indicate the number of board members who sit at the board of the organization.

Table 4.11: Number of Board Members

	Frequency	Percentage
Six board members	2	5.6
Seven board members	3	8.3
Eight board members	5	13.9
Nine board members	9	25.0
Ten board members	6	16.7
Eleven	7	19.4
Twelve and above	4	11.1
Total	36	100

Results obtained show 25.0% of the respondents indicated that the organisation had nine board members, 19.4 % of the respondents indicated that the organisation had eleven board members 16.7% of the respondents indicated that the organisation had ten board members 11.1% of the respondents indicated that the organisation had twelve board members or more 8.3% of the respondents indicated that the organisation had seven board members,

while 5.6% of the respondents indicated that the organisation had six board members. This implies that most of the corporations involved in this study had nine board members

4.7 Firm size

4.7.1 Number of Employees Working with the Organisation

The investigation focused the amount of work force working with organization during the financial year 2017/2018.

Table 4.12: Number of Employees Working with the Organisation

	Frequency	Percentage
Bellow 100 employees	2	5.6
101-200 employees	7	19.4
201-300 employees	8	22.2
301-400 employees	10	27.8
401-500 employees	6	16.7
Above 500 employees	3	8.3
Total	36	100

Results obtained show that 27.8% of the firms had employed 301-400 employees, 22.2% of the firms had employed 201-300 employees, 19.4% of the firms had employed 101-200 employees, 16.7% of the firms had employed 401-500 employees, 8.3% of the firms had employed above 500 employees, 5.6% of the firms had employed less than 100 employees. This implies that most of the corporates had employed between 301-400 employees.

4.7.2 Annual turnover

Respondents were requested to indicate the organisational annual turnover. Results are presented in Table

Table 4.13: Annual turnover

	Frequency	Percentage
Below 500 M	2	5.6
5001 to 1000m	3	8.3
1001 to 1500m	5	13.9
1501 to 2000m	11	30.6
2001 to 2500m	9	25.0

Above 2500m	6	16.7
Total	36	100

It was noted from above investigation that 30.6% of the respondents indicated 1501 to 2000 M, 25.0% of the respondents indicated 2001 to 2500M, 16.7% of the respondents indicate Above 2500 M, 13.9% of the respondents indicated 1001 to 1500M, 8.3% of the respondents indicated 5001 to 1000M While 5.6 % of the respondents indicated below 500M This implies that most of the organisation registered an annual turnover of 1501 to 2000m

4.7.3 Balance sheet

Respondents were requested to indicate the 2016/2017 organisational asset base as reflected in the Balance sheet.

Table 4.14: Organisational Asset base

	Frequency	Percentage
2001 to 3000M	3	8.3
3001 to 4000M	5	13.9
4001to 5000M	12	33.3
above 5000M	16	44.4
Total	36	100

From the research findings, 44% of the respondents indicated above 5000M, 33.3% of the respondents indicated 4001to 5000M, 13.9% indicated 3001 to 4000M While 8.3% indicated 2001 to 3000M, % of the respondents indicated. This implies that most of the organisations has an asset base exceeding 5000M

4.7.4 Age of the Firm

The focus was on the age category of employees in the organization.

Table 4.15: Age of the firm

	Frequency	Percentage
11 to 20 Years	2	5.6
21 to 30 Years	3	8.3
31-40 Years	6	16.7
41-50 Years	15	41.7
Above 50 Years	10	27.8
Total	36	100

Results obtained show that 41.7 % of the corporates were 41to 50 years old, 27.8% of the corporates were more 50 years old, 16.7% of the corporates were 3 to 40 years old, 8.3% of the corporates were 21 to 30 years old, 5.6% of the corporates were 11 to 20 years old this implies that most of the corporates were 41to50 years old

4.8 Diversification

4.8.1 Number of products/services produced or sold

Respondents were requested to indicate the Number of products/services produced or sold during by the organization between 2012/2013 financial years.

Table 4.16: Number of products/services produced or sold

	Frequency	Percentage
Two products	2	5.6
Three products	3	8.3
Four products	9	25.0
Five products	12	33.3
Six to 10 products	6	16.7
More than 10 products	4	11.1
Total	36	100

Results obtained show that (33.3%) organization produced five products, 25.0% indicated that the organisation produced or sold four products, 16.7% indicated that the organisation

produced or sold six to 10 products, 11.1% indicated that the organisation produced or sold more than 10 products. 8.3% indicated that the organisation produced or sold three products while 5.6% indicated that the organisation produced or sold two products. This implies that most of the organisations involved in this study produced or sold five products

4.8.2 Organisational Ownership

The research sought to determine the organisational ownership.

Table 4.17: Organisational ownership

	Frequency	Percentage
100% government owned	14	38.9
At least 50% government owned	9	25.0
Government and Public owned	8	22.2
Government and foreign owned	3	8.3
Government, public and foreign owned	2	5.6
Total	36	100

From the analysis, the study noted that most (38.9%) of the organisations were 100% government owned, 25.0 % of the respondents indicated that the organisation were at least 50% government owned, 22.2% of the respondents indicated that they were the organisation government and public owned, 8.3% of the respondents indicated that the organisation were government and foreign owned while 5.6% of the respondents indicated that the organisation was government, public and foreign owned. This implies that most of the organisations involved in this study were 100% government owned.

4.8.3 Number of Branches Operated by the Organisation

The study sought to determine other branches that the organisation operated under the same umbrella.

Table 4.18: Number of other branches manned by the organisation

	Frequency	Percentage
One	2	5.6
two	4	11.1
Three	6	16.7
Four	11	30.6
Five and above	13	36.1
Total	36	100

From the research findings 36.1% of the respondents indicated five and above 30.6% of the respondents indicated four branches 16.7% of the respondents indicated three branches, 11.1% of the respondents indicated two branches, 5.6% indicated one branches. This implies that most of the organisations operated more than Four branches under the same umbrella.

4.9 Financial constrains

4.9.1 Percentage allocated on debt servicing

The study sought to determine the percentage of organisational gross turnover budget that is likely to be allocated on debt servicing.

Table 4.19: Percentage Allocated on Debt Servicing

	Frequency	Percentage
Less than 1 percent	3	8.3
1 to 5 percent	4	11.1
6 to 10 percent	7	19.4
11 to 20 percent	11	30.6
21to 30 percent	6	16.7
More than 30 percent	5	13.9
Total	36	100

It was clear that 30.6% indicated between 11 to 20 percent 19.4% indicated between 6 to 10 percent, 16.7% indicated between 21to 30 percent, 13.9% of the respondents indicated between More than 30 percent, 11.1% indicated between1 to 5 percent, while 8.3% indicated Less than 1 percent. This implies that 11 to 20 percent organisational gross turnover budget was likely to be allocated on debt servicing.

4.9.2 Impact of financial constraints on financial stability of the organisation

The research sought to determine the extent to which financial constraints imposed by treasury and parent ministry requirements affect financial stability of the organisation.

Table 4.20: Impact of financial constraints on financial stability of the organisation

	Frequency	Percentage
Moderate extent	4	11.1
Large extent	9	25.0
Very large extent	23	63.9
Total	36	100

It was clear that (63.9%) noted to a very large extent, 25.0% noted to a large extent while 11.1% noted to a moderate extent. This infers that financial constrained imposed by treasury and parent ministry requirements affect financial stability of the organisation to a large extent

4.10 Regression analysis

Table 4.21: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.819 ^a	.671	.653	.37290

The study utilized coefficient of determination to assess the demonstrate fit. The adjusted R2, moreover called the coefficient of different judgments, is the percent of the fluctuation in the subordinate clarified extraordinarily or mutually by the free factors. The model had an normal adjusted coefficient of assurance (R2) of 0.653 and which suggested that 65.3% of the varieties in risk management in government claimed substances in Kenya are clarified by the independent factors understudy.

ANOVA

Table 4.22: Summary of One-Way ANOVA results

		ANOVA ^a				
Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	5.63	5	1.126	4.109	.003 ^b
1	Residual	8.22	30	0.274		
	Total	13.85	35			

The ANOVAs results deduced the probability value of 0.003 an indication further that regression model was significant in predicting the relationship between risk management process in government owned entities and the predictor variables (corporate governance practices, size of the organization ,financial constraint, growth of the organization and diversification) as it was less than $\alpha=0.05$.

Table 4.23: Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
	2.622	0.923		2.841	.007	
1	Corporate governance practices	0.439	0.208	0.049	2.111	.001
	Size of the Organization	0.632	0.078	0.068	8.103	.003
	Financial Constraint	-0.515	0.194	- 0.194	2.655	.005
	Growth of the Organization	0.575	0.117	0.162	4.915	.005
	Diversification	0.592	0.110	0.156	5.382	.006

($Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \varepsilon$) becomes:

$$Y = - 2.622 + 0.439 X_1 + 0.632X_2 + (-0.515X_3) + 0. 0.575X_4 + 0.592X_5$$

From the regression its clear, a positive change in corporate governance practices while putting the other factors constant would enhance risk management process in government owned entities advantage by a factor 0.439 a unit change in size of the organization while holding the other factors constant would enhance risk management process in government owned entities by a factor of 0.632 , increased change in financial constraint holding the other factors constant would decrease the risk management process in government owned entities by a factor of -0.515. A unit change in growth of the organization holding the other factors constant would enhance risk management process in government owned entities by a factor of 0.575 and that increased diversification holding the other factors constant would enhance risk management process in government owned entities by a factor of 0.592.

4.11 Discussion of the Findings

The study revealed that the board appoints the chief executive officer and members of the executive management, the chairperson of the board is a non-executive director, the board

exercises independent judgment in discharging its duties, the board has established and appointed committees with specific terms of reference, taking into consideration requisite skills and composition, the membership of the board is not less than 5 and not more than 9, and that the board is composed of executive and non-executive members. The findings concur with the research findings by Beatrice Karimi Nyaga, (2014) the level of corporate governance determines the level of owner's wealth and organization value or growth.

The study further revealed that there is in place a formal and transparent process for board appointments based on merit and that the board meets at least quarterly, there is in place a formal induction program for new board members, There is in place a board charter that clearly defines the role and responsibilities of the board and management, board appointments take into consideration competencies, diversity and mix of skills. The findings are in support of the research findings by Dyson and Lowry, (2006) that board size is an important component of corporate governance among quoted companies

The study revealed that the board ensures that a policy on the management of conflict of interests is in place and adhered to, the board develops and promotes an ethical culture based on core values, the board ensures that there is a code of conduct and ethics that promotes ethical behavior in the organization which is subscribed to by all members of the organization the board ensures that there is a whistle blowing policy in the organization which protects the whistle blower. The findings concurs with the research findings by Hunger, (2010) who found a strong positive correlation between ethical leadership and organization development.

The study revealed that known trends that are reasonably likely to have a material effect on the financial condition and results of operations in the future are disclosed in the annual report, the board has disclosed the policy of the organization on procurement, the

remuneration of directors and the salaries and remuneration of executive directors are disclosed in the financial statements, the board has disclosed the policy of the organization on conflict of interest and that key stakeholder groups and the nature of their engagement with the organization are disclosed in the annual report. The findings concurs with the research findings by Berry, (2007) When financial statements are not transparent, investors can never be sure about a company's real fundamentals and true risk.

The study further revealed that the size and composition of the board and its committees are disclosed in the annual report, the board has disclosed in the annual report, the policy on risk management and the key risks to which the organization is exposed, the board has disclosed to the stakeholders the policy of the organization on whistle blowing and that there exists a statement of policy on corporate governance and the extent of compliance thereof is included in the annual report. The findings are in support of the research findings by Stiles (1993) Good corporate governance requires effective and clearly detailed processes for ensuring accountability, transparency, documented policies and procedures and sound decision-making.

Results obtained show that legal compliance audit is carried out annually to establish the level of compliance with applicable laws and regulations and its recommendations implemented, the board ensures that the laws, rules and regulations applicable to the organization have been identified, documented and observed, there exists internal procedures and monitoring systems that ensure action is taken to implement board resolutions and that the board ensures that codes and standards applicable to the organization have been identified, documented and are observed. The findings concurs with the research findings by Omondi (2015) regulatory compliance describes the goal that organizations aspire to achieve in their efforts to ensure that they are aware of and take steps to comply with relevant laws, polices, and regulations.

On sustainability the study noted that the board has developed a policy on the sustainability of the organization including business continuity and ensured its implementation, the board balances economic, social and environmental concerns in the performance of the organization), the board has put in place a performance management system and indicators that are linked to the strategy of the organization the board has established an ICT function in the organization and that the board ensures continuous innovation of its processes, products and services.

The study further revealed that the board has established an ICT policy which is aligned to the objectives of the organization, the board focuses on long-term talent development the board has developed a policy on performance management and ensured its implementation and that the board spends a greater part of its time focusing on the future sustainability of the organization.

The study revealed that majority of audit committee members are non-executive, the board receives from the internal audit function a written assessment of the effectiveness of the system of risk management, the board has appointed a committee to be responsible for risk management in the organization, the board has established an internal audit function and that the board receives from the external auditor an assessment of the effectiveness of the system of internal control after the external audit process is completed. The findings concurs with the research findings by Beasley,Chune and Hemanson (2005) higher diversification within the company is also consistent with higher risk complexity, thus resulting in an assumption of a positive relation between a risk management system and the firm's level of diversification

The study also revealed that the board ensures an effective and efficient system of internal control is in place in the organization. The board has set out its responsibility for risk management in the board charter. The board reviews the implementation of the risk management framework on a quarterly basis. The board receives from the internal audit function a written assessment of the effectiveness of the system of internal control on a quarterly basis (mean =3.98 std deviation = 0.96). The findings are in support of the research findings by Liebenberg and Hoyt (2003) corporate governance should ensure that risks are understood, managed and appropriately communicated

The study further revealed that the board has established an independent audit committee which is responsible for overseeing the internal audit function and the external auditor, at least one member of the audit committee has relevant financial and accounting experience the board ensures that there is an effective risk based internal audit system, the board has established a risk management function, in the board has set out its responsibility for internal control in the board charter. The findings are in support of the research findings by Pagach and war (2011) Unclear or outdated policies and procedures hinder the performance of internal audit at the audit department.

The study revealed that management ensured effectiveness of implementation framework effectiveness of strategy monitoring framework, adequacy of external analysis, measurability of strategic objectives, clarity of vision during strategy formulation and clarity of mission. The findings concurs with the research findings by Okumus (2013) that effectiveness of strategy implementation is affected by the quality of people involved in the process

The study further revealed that adequacy of internal analysis, clarity of strategic issues, appropriateness of strategies, effectiveness of strategic goals. The findings are in support of the research findings by Larson (2010) that Strategy implementation processes frequently results in problems if the assignments of responsibilities are unclear.

The established that that role conflict is promptly and adequately managed in our organization, staff are equipped with right personal and corporate values, organization structure get well realigned with strategic plan and that the organizations systems are appropriate for successful strategy implementation. The findings are in support of the research findings by Liebenberg and Hoyt, (2003) Jensen and Meckling (1976) suggested that clear Organizational structure has a positive effect on performance because it alleviates the conflict of interest between owners and managers.

The study further revealed that there is good change management in the organization, there is adequate staffing for strategy implementation, and adequate resources are provided for strategy implementation and that there is effective leadership for strategy implementation in our organization. The findings concur with the research findings by Omondi Ouko, (2010) who found out that strong positive correlation between pr resource allocation and success in strategic plan implementation. The study further revealed that most of the corporations involved in this study had nine board members, most of the corporates had employed between 301-400 employees, that most of the organisation registered an annual turnover of 1501 to 2000m, most of the organisations has an asset base exceeding 5000M and most of the corporates the corporates were 4 1to50 years old

On number of products/services produced or sold during by the organization between 2012/2013 financial years Results obtained show that most of the organisations involved in this study produced or sold five products, most of the organisations involved in this study

were 100% government owned considerable number of the organisations operated more than four branches under the same umbrella. The study revealed that 11 to 20 percent organisational gross turnover budget was likely to be allocated on debt servicing, that financial constrained imposed by treasury and parent ministry requirements affect financial stability of the organisation to a large extent.

CHAPTER FIVE

SUMMARY OF FINDINGS CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

From the above investigation and data obtained, it was followed by discussions, conclusion and recommendations. The core aim of the focus was on the relationship between corporate governance and risk management in the context of government owned entities (Parastatals).

5.2 Summary of the Research Findings

5.2.1 Corporate Governance

It was revealed the board appoints the chief executive officer and members of the executive management, the chairperson of the board is a non-executive director, the board exercises independent judgment in discharging its duties, the board has established and appointed committees with specific terms of reference, taking into consideration requisite skills and composition. Further the board the board develops and promotes an ethical culture based on core values, the board ensures that there is a code of conduct and ethics that promotes ethical behavior in the organization which is subscribed to by all members of the organization. Finally, increased corporate governance practices while holding the other factors constant would enhance risk management process in government owned entities advantage by a factor 0.439.

5.2.2 Strategic Planning

The study revealed that management ensured effectiveness of implementation framework effectiveness of strategy monitoring framework, adequacy of external analysis, measurability of strategic objectives, clarity of vision during strategy formulation and clarity of mission. The effectiveness of strategy implementation is affected by the quality of people involved in the process. The study further revealed that adequacy of internal

analysis, clarity of strategic issues, appropriateness of strategies, effectiveness of strategic goals..

5.2.3 Organisational Growth

The established that that role conflict is promptly and adequately managed in our organization, staff are equipped with right personal and corporate values, organization structure get well realigned with strategic plan and that the organizations systems are appropriate for successful strategy implementation. The study further revealed that there is good change management in the organization, there is adequate staffing for strategy implementation, and adequate resources are provided for strategy implementation and that there is effective leadership for strategy implementation in our organization. Finally, a unit change in growth of the organization putting into consideration there were no other variables would enhance risk management process in government owned entities by a factor of 0.575.

5.2.4 Firm size

The study further revealed that most of the corporations involved in this study had nine board members, most of the corporates had employed between 301-400 employees, that most of the organisation registered an annual turnover of 1501 to 2000m, most of the organisations has an asset base exceeding 5000M and most of the corporates the corporates were 4 1to50 years old. the study also noted that Large corporations can take risky and more expensive projects that small ones could not take because of better risk management strategies and diversification opportunities. A change in the size of organization putting into consideration there were no other variables would enhance risk management process in government owned entities by a factor of 0.632. Therefore, in our findings we suggest that corporations will have to exercise a dual objective of managerial firm size expansion and efficient risk management strategies to increase their performance.

5.2.5 Diversification

On number of products/services produced or sold during by the organization between 2012/2013 financial years Results obtained show that most of the organisations involved in this study produced or sold five products, most of the organisations involved in this study were 100% government owned considerable number of the organisations operated more than four branches under the same umbrella. Increased diversification holding the other factors constant would enhance risk management process in government owned entities by a factor of 0.592.

5.2.6 Financial constrains

The study revealed that 11 to 20 percent organisational gross turnover budget was likely to be allocated on debt servicing, that financial constrained imposed by treasury and parent ministry requirements affect financial stability of the organisation to a large extent. It was revealed that most of the respondents (63.9%) indicated to a very large extent that financial constrained imposed by treasury and parent ministry requirements affect financial stability of the organisation to a large extent. Increased financial constraint holding the other factors constant would decrease the risk management process in government owned entities by a factor of -0.515.

5.3 Conclusion

It's clear that there is in place a transparent process for board appointments based on merit and that the board meets at least quarterly, there is in place a formal induction program for new board members, there is in place a board charter that clearly defines the role and responsibilities of the board and management, board appointments consider competencies, diversity and mix of skills.

The study concludes that there is no conflict of interests and the board develops and promotes an ethical culture based on core values, the board ensures that there is a good code of conduct and ethics that promotes ethical behavior in the organization which is subscribed to by all members of the organization.

The study concludes that the size of the board and its committees are disclosed in the annual report, the board has disclosed in the annual report, the policy on risk management and the risky areas of the organization, the board has disclosed to the stakeholders the policy of the organization on whistle blowing and that there exists a statement of policy on corporate governance and the extent of compliance thereof is included in the annual report.

The study concludes that the board guarantees an successful and effective framework of inner control is in put in the organization. The board has set out its obligation for risk management in the board constitution. The board audits the usage of the risk management system on a quarterly premise. The board gets from the inner review work a composed appraisal of the viability of the framework of inner control on a quarterly premise.

The study concludes that the board has built up an independent audit committee which is mindful for managing the inside review work and the outside reviewer, at slightest one part of the review committee has significant money related and bookkeeping involvement the board guarantees that there is an compelling chance based inner review framework, the board has built up a hazard administration work, in the board has set out its obligation for inside control in the board constitution.

The study concludes that management ensured effectiveness of implementation framework effectiveness of strategy monitoring framework, adequacy of external analysis, measurability of strategic objectives, clarity of vision during strategy formulation and clarity of mission. The study further revealed that adequacy of internal analysis, clarity of

strategic issues, appropriateness of strategies, effectiveness of strategic goals. There was good change management in the organization, there is adequate staffing for strategy implementation, and adequate resources are provided for strategy implementation and that there is effective leadership for strategy implementation in our organization.

5.4 Limitations

The study aimed at determining relationship between corporate governance and risk management practices in government owned institutions of Kenya. The target population was limited to 40 government owned institutions of Kenya. The study was partial in terms of coverage as it will only target the government owned institutions.

There were a number of limitation in the study; the respondents to be approached didn't give full information fearing that the information sought would be used against them. The study assured them of confidentiality and that the information would not be shared to anyone. Some respondents may even turn down the request to fill questionnaires.

The study took care of the issue by carrying a presentation letter from the University and guaranteeing them that the data they gave would be treated with secrecy and would be utilized simply for scholastic purposes. The study moreover experienced issues in inspiring data from the respondents as the data required is subject to regions of sentiments, feelings, states of mind and perceptions, which cannot be precisely evaluated and/or confirmed equitably.

5.5 Recommendations

5.5.1 Policy Recommendations

Based on the research findings, the study recommends that corporates should formulate clear strategic plan that provides vision and mission, identifies the institutes external

opportunities and threats, determines internal strengths and weaknesses, and establishes long-term objectives to follow.

In order to guarantee success in the implementation of strategic plan, corporate must to have strong top leadership. This will help to steer the implementation of proposes by providing the required enthusiasm even to the lower management levels.

Board members should be qualified for their positions, have a clear understanding of their role in corporate governance and be able to exercise sound judgment about the affairs of the Parastatals and that Board should have an adequate number of independent members.

The board of directors should approve and oversee the smooth implementation of strategic objectives and corporate values that are communicated through the organization. Corporates should embrace product diversification strategies, this will help to lower risk and provide an effective path to fast growth however before committing resources to product diversification, and Corporates should carry out research to ensure that you understand the needs of the market.

The study recommends that corporates management should identify the underlying issue that's cause the financial difficulties, track the expenses and build a budget that works for the organization, it is also important to set clear priorities first.

5.5.2 Suggestions for Further Study

This study sought to determine relationship between corporate governance and risk management practices in government owned institutions of Kenya. A study can be done on the factors affecting corporate governance in government owned institutions of Kenya. A study can also be done on the relationship between corporate governance and risk management practices in other institutions and compare results from those of government owned institutions of Kenya.

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APPENDICES

Appendix I : Questionnaire

Section A : Background Information

1. Name of your organization:
2. Please explain the nature of products/services that your organization provides in the space given below: Books

3. Please show your highest level of formal education by ticking [√] appropriate category below.

Certificate	Diploma	First Degree	Masters	PhD	Others (Specify) _____

4. Please indicate the period for which your corporation has existed by ticking [√] an appropriate category below:

Below 10 Yrs.	10-20 Yrs.	21-30 Yrs.	31-40 Yrs.	41-50 Yrs	51 Years and above

Section B: Corporate Governance Practices

5. Please rate to what extent your organizations meet or exceeds the following best practices by writing an appropriate rating number in the space provided. Kindly be guided by the five-point rating scale given below in which.

1= No Extent	2= Small Extent	3= Moderate Extent	4= Large Extent	5= Avery Large
Example 1				3
Example 2				5
BOARD OF DIRECTORS				
i.	There is in put a formal and straightforward prepare for Board arrangements based on merit.			
ii.	The enrollment of the Board is not less than 5 and not more than 9.			

ii.	The Board is composed of Official and Non-Executive members.	
v.	Board arrangements take into thought competencies, differences and blend of skills.	
v.	The Chairperson of the Board is a Non-Executive Director. The Board has built up and designated Committees with particular terms of reference, taking into thought essential aptitudes and composition	
vi.	The Board meets at slightest quarterly.	
ii.	There is in put a formal acceptance program for unused Board members.	
ii.	There is in put a Board constitution that clearly characterizes the part and obligations of the Board and Management	
x.	The Board works out free judgment in releasing its duties. The Board designates the Chief Official Officer and individuals of the official management	
x.	There is in put a formal and straightforward prepare for Board arrangements based on merit.	
xi.	The enrollment of the Board is not less than 5 and not more than 9.	
	ETHICAL LEADERSHIP	
i.	The Board creates and advances an moral culture based on center values	
ii.	The Board guarantees that there is a Code of Conduct and Morals that advances moral behavior in the organization which is subscribed to by all individuals of the organization	
iii.	The Board guarantees that a arrangement on the administration of strife of interface is in put and followed to.	
iv.	The Board guarantees that there is a shriek blowing arrangement in the organization which ensures the shriek blower.	
	TRANSPARENCY AND DISCLOSURE	
i.	A statement of policy on corporate governance and the extent of compliance thereof is included in the annual report.	
ii.	The size and arrangement of the Board and its Committees are revealed in the annual report.	
iii.	Key stakeholder bunches and the nature of their engagement with the organization are unveiled in the yearly report.	
iv.	The compensation of executives and the compensations and compensation of Official Executives are uncovered in the money related statements.	
v.	The Board has unveiled the arrangement of the organization on strife of intrigued.	
vi.	The Board has uncovered to the partners the approach of the organization on Whistle Blowing.	
vii.	The Board has uncovered in the yearly report, the approach on chance administration and the key dangers to which the organization is uncovered.	
viii.	Known patterns that are sensibly likely to have a fabric impact on the monetary condition and comes about of operations in the future are uncovered in the yearly report. The Board has unveiled the arrangement of the organization on procurement.	

ix.	Key stakeholder bunches and the nature of their engagement with the organization are unveiled in the yearly report.	
x.	A statement of policy on corporate governance and the extent of compliance thereof is included in the annual report.	
	COMPLIANCE WITH LAWS AND REGULATION	
	The Board ensures that the laws, rules and regulations applicable to the organization have been identified, documented and observed.	
	The Board guarantees that codes and benchmarks appropriate to the organization have been recognized, reported and are observed.	
	There exists inner methods and observing frameworks that guarantee activity is taken to execute Board resolutions.	
	A legitimate compliance review is carried out every year to set up the level of compliance with pertinent laws and controls and its suggestions implemented.	
	SUSTAINABILTY AND PERFORMANMCE MANAGEMENT	
	The Board has developed a policy on the sustainability of the organization including business continuity and ensured its implementation.	
	The Board spends a greater part of its time focusing on the future sustainability of the organization.	
	The Board equalizations financial, social and natural concerns in the execution of the organization.	
	The Board centers on long-term ability development.	
	The Board guarantees nonstop advancement of its forms, items and services.	
	The Board has created a approach on execution administration and guaranteed its implementation.	
	The Board has put in put a execution administration framework and markers that are connected to the methodology of the organization	
	The Board has built up an ICT arrangement which is adjusted to the goals of the organization.	
	The Board has set up an ICT work in the organization.	

Section C: Risk Management Practices

6. Please indicate how well your organization has performed in the listed areas by ticking [√] an appropriate extent in the space provided. Please use the five-point rating scale given below in which:

1=No Extent	2=Small Extent	3= Moderate Extent	4= Large Extent	5= Avery Large			
S. No			1	2	3	4	5
	The Board has set out its obligation for hazard administration in the Board Charter.						
	The Board has named a Committee to be capable for chance administration in the organization.						

	The Board surveys the execution of the hazard administration system on a quarterly basis.					
	The Board has set up a chance administration work in the organization.					
	The Board gets from the inside review work a composed appraisal of the viability of the framework of hazard administration on a quarterly basis.					
	The Board has set out its obligation for inside control in the Board Charter.					
	The Board guarantees an successful and effective framework of inner control is in put in the organization.					
	The Board gets from the inside review work a composed evaluation of the adequacy of the framework of inside control on a quarterly basis.					
	The Board gets from the outside evaluator an evaluation of the viability of the framework of inner control after the outside review handle is completed.					
	The Board has built up an free Review Committee which is capable for managing the inside review work and the outside inspector.					
	The larger part of Review Committee individuals are non-executive.					
	At slightest one part of the Review Committee has significant monetary and bookkeeping experience.					
	The Board has built up an inside review function.					
	The Board guarantees that there is an compelling chance based inside review system.					

Section D: Strategic Planning

7. Please indicate the extent to which your organization focusses on the following issues when developing a strategic plan by writing an appropriate rating number in the space provided. Kindly be guided by the five point rating scale given below in which:

1= No Extent	2= Small Extent	3= Moderate Extent	4= Large Extent	5= Avery Large
Example 1				3
Example 2				5

a	Clarity of vision	
b	Clarity of mission	
c	Adequacy of internal analysis	
d	Adequacy of external analysis	
e	Effectiveness of strategic goals	
f	Measurability of strategic objectives	
g	Clarity of strategic issues	
h	Appropriateness of strategies	
i	Effectiveness of implementation framework	
j	Effectiveness of strategy monitoring framework	

Section E: Organisation Growth

8. Please rate the extent to which your organization use the under listed factors in strategy implementation by writing an appropriate rating number in the space provided. Kindly be guided by the five-point rating scale given below in which:

1= No Extent	2= Small Extent	3= Moderate Extent	4= Large Extent	5= Avery Large
	Example 1			3
	Example 2			5
a	Organization structure get well realigned with strategic plan			
b	Adequate resources are provided for strategy implementation			
c	Staff are equipped with right personal and corporate values			
d	There is adequate staffing for strategy implementation			
e	Our organizations systems are appropriate for successful strategy implementation			
f	There is good change management in our organization			
g	Role conflict is promptly and adequately managed in our organization			
h	There is effective leadership for strategy implementation in our organization			

Section E: Firm Size

9. Please indicate the 2017/2018 work force (employees number) category under which your organization fall by ticking [√] appropriate category below.

Bellow 100	101-200	201-300	301-400	401-500	Above 500

10. Please indicate 2016/2017 annual by ticking [√] appropriate category below.

100% government owned	At least 50% government owned	Government and Public owned	Government and foreign owned	Government, public and foreign owned

11. Please indicate the age category in years to which your organization fall by ticking [√] appropriate category below.

1-10 Years	11-20 Years	21-30 Years	31-40 Years	41-50 Years	Above 50 Years

12. Please indicate the number of different products/services your organization produced or sold during 2012/2013 financial year by ticking [√] appropriate category below.

Only 1	2	3	5	6-10	Above 10

13. Please indicate the number of board members who sit at the board of your organization by ticking [√] appropriate category below.

5 and Below	6	7	8	9	10	11	12	Above 12

14. Please indicate the nature of ownership of your organization by ticking [√] appropriate category below.

100% government owned	At least 50% government owned	Government and Public owned	Government and foreign owned	Government, public and foreign owned

THANK YOU FOR TAKING TIME TO RESPOND