INFLUENCE OF CORPORATE GOVERNANCE ON PERFORMANCE OF ORGANIZATIONS A CASE OF ALLIANCE CAPITAL PARTNERS LIMITED, NAIROBI, KENYA.

BY

GACIRI ROBERT MWANGI

A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF ARTS IN PROJECT PLANNING AND MANAGEMENT

UNIVERSITY OF NAIROBI

2015

DECLARATION

This research project report is my original work and has never been presented for the award of any degree in any other University.

Signature________________________ Date_______________________

Gaciri Robert Mwangi

L50/63922/2013

This research project report is submitted for examination with my approval as the university supervisor.

Signature___________________________ Date_____________________

Mr. Joseph O. Awino
Lecturer
Department of Extra-Mutual of Studies
University of Nairobi

DEDICATION

I dedicate this research project to my family especially Grandmother Mrs.Peris Wairimu Mbugua, Mother Leah Wairimu Gaciri for their love, continued support, endless patience and constant prayers.

ACKNOWLEDEGEMENT

I am deeply indebted to my research supervisor, Mr. Joseph O. Awino for guiding me through this work. His counsel and constructive criticism immensely contributed to the successful completion of this project. Your support is magnificent and without it, I wouldn’t have achieved this vital academic step.

I also take this opportunity to thank the University of Nairobi for providing me with the space to acquire knowledge in the respective field of project planning and management. I thank all lecturers for their intellectual input and the librarians at Jomo Kenyatta Memorial Library who assisted me in getting literature for the development of this work especially Mr.George Onyara Asuru, Abby Noreh and Regina K.Mutonga.

I specifically thank my family and friends for the financial and moral support they offered during this whole exercise. I would also like to thank all the respondents in the study area who sacrificed to provide the necessary information in the accomplishment of this work especially Mr. James Kaniaru the C.E.O of Alliance Capital Partners representing the board and Susan Wanjahi for the management team whose contribution made Chapter 4 and 5 to be possible.

Lastly, I would like to express my sincere gratitude to my friends especially Justice Isaac Lenaola,Dr.Jackson Ndirangu,Dr.Levi Nganga Mbugua, Andrew Mukite Musangi and Paul Wachira Mwai for their contribution towards offering the resources to complete this study and Joseph Mwangi Njihia for proof reading my research work and to all my colleagues in the Masters class who served as a source of encouragement in the times of hardships.

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LIST OF ABBREVIATIONS AND ACRONYMS

ACP	Alliance Capital Partners Limited
C.E.O	Chief Executive Officer
C.M.A	Capital Market Authority
CCGK	Centre for Corporate Governance in Kenya
IMF	International Monetary Fund
NSE	Nairobi Securities Exchange
ROA	Return on Asset
SPSS	Statistical Package for Social Sciences
SOX	Sarbanes Oxley Act
ROE	Return on Equity
U.S.A	United States of America
OECD	Organization for Economic Cooperation and Development

ABSTRACT

The main objective of the study was to look into the Influence of Corporate Governance on Performance of Organizations. A Case of Alliance Capital Partners Limited, Nairobi-Kenya. Corporate governance in this case is the independent variable while the performance of the organization is the dependent variable. The specific objectives of the study were: to assess how board characteristics influence performance of organizations; to examine how ownership identity influences performance of organizations; to investigate how managerial discretion influence performance organizations and to evaluate how strategic decision making process influence performance of organizations. The primary focus for the 21st Century is Corporate Governance. Almost all economies have introduced corporate governance codes or enacted new company laws as in the United States of America following the Enron debacles. Corporate governance is about the way power is exercised over corporate entities. It covers the activities of the board and its relationship with the shareholders or members and those managing the enterprise, as well as with the external auditors, regulators and other legitimate stakeholders. This study would be great to the unlisted private companies in emerging markets who will use the recommendations of this study to improve performance and make their organizations more viable and profitable. The research project report explored the influence of corporate governance on performance of organizations enterprises in Africa and more so in Kenya. The theoretical framework addressed the corporate governance agency theory while the conceptual framework covered the main features (aspects, dimension, factors, and variables) of the study and their presumed relationship. Census was adopted in gathering the information from respondents. The design was preferred since the target population of 14 respondents which was small and manageable. Also the design gave all the respondents equal chances of responding to the questionnaires irrespective of their gender and status they held in the organization. The study employed open-ended and closed-ended questionnaires which were administered to the respondents and a structured interview schedule was preferred to collect specific information. Once the research was conducted a descriptive analysis was carried out for the primary data with the help of the statistical Package for Social Sciences (SPSS). The highest level of ethical consideration was employed in carrying out this study. Data was checked for errors, coded and classified accordingly. Descriptive statistics of means and percentages was used in analyzing the data. The findings were presented in the frequency tables. From the study the summaries and recommendation were made for future use in basic and applied research and for policy formulation on corporate governance and performance for Alliance Capital Partners Limited and Kenya at large.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The primary focus for the 21st Century is Corporate Governance. According to Gomez (2005), the past two decades have however, witnessed significant transformations in corporate governance structures, leading to increased scholarly interest in the role of board of directors in driving corporate performance. The now well-publicized corporate failures are the cases of Enron Corporation, Adelphia, Health South, Tyco, Global Crossing, Cendant and WorldCom, among others, have repeatedly been put forward as typical scandals that justify corporate governance reform and the need for new mechanisms to counter the perceived abuse of power by top management. Monks (2007) argues that the numerous cases of corporate failures are an indictment of the effectiveness of the existing corporate governance structures. Initially, these financial scandals appeared primarily to be an American phenomenon, arising from overheated U.S. stock markets, excessive greed, and a winner-take-all mindset of the American society.

Over the past twenty years or so, however, it has become clear that the vice of managerial fraud, accounting irregularities and other governance abuses is a global phenomenon, afflicting many non-U.S. companies including Parmalat, Vivendi, Hollinger, Ahold, Royal Dutch Shell, Seibu, China Aviation, among other high profile cases. Related to these disclosures of alleged gross corporate malfeasance, there was also a more widespread erosion of standards throughout the global markets, with questionable and unethical practices being accepted. The net effect has been to undermine the faith of shareholders and investors have in the integrity of the world's capital markets. Researchers in corporate governance have reported that there is still lack of concurrence on the ideal corporate governance structure that could safeguard shareholders' assets while promoting wealth creation ventures (Huse,2007).Consequently, and in response to these corporate scandals countries and agencies around the world began to introduce a series of legislations and guidelines otherwise known as the codes of best practices.

These guidelines are a set of norms that regulates the behavior and structure of the corporate board in exercising their monitoring and supervisory roles (Morth, 2004). Some of the existing codes across the globe include amongst others; UK Cadbury Code, (1992); South Africa King Report (1994), OECD Principles of Corporate Governance (1999); Russian CG Code, (2002); Nigeria SEC Codes (2009) and US Sarbanes-Oxley Act (2002). All corporate entities have to be governed. Corporate governance is different from management. Executive management is responsible for running the enterprise, but the governing body ensures that it is running in the right direction and being run well. Directors are responsible for setting the organization's direction, formulating strategy and policymaking, supervising management and being accountable Trinker (2011)

1.2 Statement of the problem

A problem statement is a specific statement that clearly conveys the purpose of the research study Mugenda and Mugenda (2003).The strategic importance of adherence to corporate governance in improving performance of organizations especially in developing countries cannot be underestimated. Adopting and advancement of corporate governance principles creates opportunities for new and innovative approaches to how organizations enhance their performance. However despite the many initiatives and programs initiated by government and related agencies, the actual performance of organizations in the developing countries is far below the expectations. For years the study has laid more emphasis on the listed company in the Nairobi Securities Exchange and less of the unlisted which fall among the private sector. Unlisted companies present some unique corporate governance challenges, which are beginning to be explored. Yet many of the basic governance concepts applicable to listed companies are also relevant.

There has been a lot of corporate governance study done on listed companies but not much done on the unlisted.The number of unlisted, private companies far exceeds 63 listed companies at the Nairobi Securities Exchange NSE (2006).Unlisted companies include firms owned by individuals and families, subsidiary and associated companies owned by holding companies and joint ventures. Many unlisted companies are small medium size enterprises although some are large and complex. Together these companies make essential contribution to economic growth, employment and creation of wealth around the world. Kenya has experienced turbulent times with regard to its corporate governance practices in the last two-and-a-half decades, resulting in generally low corporate profits across the economy Anyang'-Nyong'o, (2000). Coincidentially, this picture is fairly well replicated globally in the same period.

1.3 Purpose of the Study

The purpose of this study assessed the influence of corporate governance on performance of organizations, a case of Alliance Capital Partners Limited, Nairobi-Kenya.

1.4 Objectives of the Study

. The study was specifically guided by the following objectives:

1. To assess how board characteristics influence performance of Alliance Capital Partners Limited.
2. To evaluate how ownership identity influence performance of Alliance Capital Partners Limited.
3. To investigate how managerial discretion influence performance Alliance Capital Partners Limited
4. To evaluate how strategic decision making process influence performance of Alliance Capital Partners Limited

1.5 Research Questions

The study was specifically guided by the following research questions:

1. How does a board characteristic influence performance of Alliance Capital Partners Limited?
2. How does ownership identity influence performance of Alliance Capital Partners Limited?
3. How does managerial discretion influence performance of Alliance Capital Partners Limited?
4. How does strategic decision making influence performance of Alliance Capital Partners Limited?

1.6 Significance of the study

It is hoped that the findings of this study will be of great importance to the unlisted private companies in emerging markets which will use and develop the recommendations of this study to improve performance and make the organizations more viable and profitable. There has also been lack of corporate governance studies in the Africa in general and particularly in Kenya. There has been an extensive study done for the listed public unlike the unlisted private companies. Therefore, this study explored the challenges encountered by such enterprises in developing countries. The government will also be able to realize the corporate governance problems the unlisted companies face in Kenya. The Centre for Corporate governance in Kenya can also use the information of the study to adopt some ideals. Scholars in the Institutions of higher learning can develop the knowledge gaps of the findings to form the basis for future research projects.

1.7 Delimitations of the study

The study is delimited to Board of Directors, Top Management and Shareholders of the Alliance Capital Partners Limited a private company in Nairobi, Kenya. The study covered a target population of 14 respondents selected in a census sampling procedure.

1.8 Limitation of the Study

A limitation is an aspect of research that may influence the results negatively but over which the researcher has no control Mugenda and Mugenda (2003).The major limitation of this study was that the corporate culture is known to be apply due diligence in their deliberations. The researcher therefore overcame this by writing a formal letter that explained the purpose of the study was purely academic and the information given was treated confidentially. Another limitation was the time constrains in travelling to look for the busy members of the board of directors and high cost of carrying out the research. The researcher overcame this by personal time and resources management.

1.9 Basic Assumptions of the Study

The study was carried on the basis of several assumptions; the respondents cooperated and provided timely and honest answers to the research questions. The other assumption was that, data collection instruments were valid and reliable and measured the intended outcomes. The other assumption was that the respondents who are top executives will be available to participate in the research.

1.10 Definition of Significant terms as used in the study

Corporate Governance: Refers to the broad range of policy and practices that stockholder, executive managers and board of directors use to manage the operations of corporate organizations towards fulfilling their responsibilities to the investors and other stakeholders in the society.

Performance of Organizations: Refers to the corporation’s business results over a period of one accounting or financial year. This expected outcome in terms of profit, income, investment and number of activities. The results can be determined based on predetermined accounting based measures.

Board Characteristics: Refers to the board dynamism including its size, structure of committees and its unique way of handling its affairs including meetings.

Board Composition: Refers to the number of directors and the type, as determined by the usual insider-outsider classification. Insiders are the current members of top management teams, and employees of the company or its subsidiaries.

Managerial Discretion: Refers to latitude of action, concerns the impact that senior executives have on their firm performance

Strategic Decision Making Process: Refers to a set of decisions that guide the organization according to the environment, affect the internal structure and processes and consequently, its performance.

1.11 Organization of the Study

This research project report consists of five chapters. In chapter one is the introduction which includes the background of the study; statement of the problem; purpose of the study; objectives of the study; research questions; hypotheses; significance of the study; delimitations and limitation of the research; basic assumptions of the study; definitions of significant terms as used in the study.

Chapter two is the literature review. In this chapter the literature review dealt with the concept of corporate governance; influence of board characteristics on performance of organizations; influence of board composition on performance of organizations; and looked in details into board size and firm´s performance, gender diversity in the board and its influence on firm´s performance, the average age of directors and firm´s performance; influence of managerial discretion on performance of organizations; influence of strategic decision making process on performance of organizations; theoretical framework for corporate governance’s agency theory conceptual framework which is a hypothesized model that was used to identify concept under this study illustrating the relationship between the dependent and independent variables; knowledge gap and summary of literature review.

Chapter three: This is a research methodology section. Here several vital areas are highlighted in details. For instance the research design description explanation to be used is explained; target population; sample size; sampling procedure; methods of data collection; the validity of the research instruments; reliability to give consistency; methods of data analysis; operational definitions of variables; ethical issues are considered in the study and finally the summary of the chapter is given.

Chapter four: The section of the study looks at the analysis; presentation; interpretation and discussion of data collection using the research instruments as seen in chapter three. The findings were analyzed based on the specific objectives of the study. Both inferential and descriptive methods of analysis were used to answer the objectives.

Chapter five: This section of the research study looks at the summary of findings; conclusions and recommendations. Each objective is summarized and recommendations given based on the results. Areas that require further study in the field of corporate governance and contribution to the body of knowledge is also included.

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This section examined the literature related to the overview or concept of corporate; the influence ownership identity, board characteristics, managerial discretion and strategic decision making process on performance of organizations; theoretical framework; conceptual framework; empirical study of corporate governance; knowledge gaps and then the summary of the study.

2.2 The Concept of Corporate Governance

The concept of corporate governance has been developed from the agency theory, which takes into consideration the investor, shareholder, manager, and administrator. Cadbury (1992) defines corporate governance as “the system by which companies are directed and controlled”. Also, OECD (2004) states “corporate governance involves a set of relationship between a company’s management, its board, its shareholders and other stakeholders. Corporate governance also 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 previous definitions of corporate governance indicate that the focus on the responsibilities and duties of firm’s board of directors in order to lead the firm to achieve its objectives. It concerns also the relationship between the firm and its shareholders and stakeholders. Darwish (2000) points out that the concept of corporate is developed based on the agency theory, and it concerns all those who are directly or indirectly related to the firms’ affairs and the problems may occur between them. Meanwhile, many factors have led corporate governance to attract the researchers’ attention, such as the rampant corporate frauds and failures of some biggest firms and the financial crisis (Parker, 2005).Furthermore, corporate governance takes into account the shareholders and stakeholders. Some authors point out that the corporate governance mechanism should be considered on shareholders’ interest in the market (Mathiesen, 2002).

According to OECD (2004) corporate governance is a method by which companies are managed and monitored. Generally, corporate governance has important implications for the economy growth as it reduces the risk that might be taken by investors, investment capitals, and companies’ performance (Spanos, 2005). Nowadays, corporate governance is considered as a complex issue as it contains laws, politics, regulations, professional associations, public institutions, and ethics code. Notwithstanding, many details of the corporate governance structure of the developing countries' markets are still missing. For the developing countries, the corporate governance system is difficult to develop due to the ambiguous relationship between state and financial sectors. In addition, many aspects might affect the development of corporate governance such as weak legal and judicial systems, absent or underdeveloped institutions, corrupt political systems, and scarce human resource capabilities (Chowdary, 2003).

There is no single globally accepted set of corporate governance principles to be applied by all countries. Notwithstanding, OECD issued general principles for good corporate governance in order to be adopted by countries all over the world. The OECD principles focus on the listed companies as well as companies with a large numbers of shareholders. The complexity of governance system leads the researchers to concentrate on the economic impacts of certain governance approaches. Cadbury (1992) claims that: "The country's economy depends on the drive and efficiency of companies. The effectiveness in which the boards discharge their responsibilities determines their competitive position. They must be free to drive their companies forward, but exercise that freedom within a framework of effective accountability" The corporate governance guidelines were formulated in a general manner and hence, leaving various countries to apply them according to their discretion and what the situation calls for. The general believed that there is no such intention to introduce a more universal model of corporate governance that is suitable for all countries, but long-term trend is to come up with standards fulfilling global necessities (Gregory, 2000).

The global development of corporate governance codes arrived in 1990s. The first was the UK's Cadbury Report (1992) in the United Kingdom after the committee chaired by Sir Adrian Cadbury on the financial aspect of corporate governance. In the USA,companies must follow the Company Law of the state in which are incorporated, and comply with USA generally accepted accounting principles(GAAP).Companies must also meet the demands of the Securities and Exchange Commission(SEC), and the rule of any stock exchange on which their shares are listed. This was reinforced by the 2002 post Enron Sarbanes-Oxley Act. This was probably the most influential piece of company legislation in the world to date, its requirements included:- Certification of internal auditing; Increased financial disclosure; Applied criminal and civil penalties on directors for non-compliance; Applies to all United States and non-United States companies listed in the USA; All public traded companies were now required to submit an annual report about their internal accounting controls to the US Securities and Exchange Commission.

The Cadbury Report became significant in influencing thinking around the world. Other countries followed with their own reports on corporate governance. These included the Vienot Report (1995) from France, the King Report(1995) from South Africa written by a committee chaired by Senior Counsel Mervyns King, the Toronto Stock Exchange Recommendations on Canadian Board Practices(1995),the Netherlands Report(1997),and Report on corporate governance from the Hong Kong Society of Accountants(1996).As with the Cadbury Committee report(1992),these reports were particularly concerned about the potential for abuse of corporate power. Similarly, they called for greater conformance and compliance at board level, recommending the use of the use of audit committees as a bridge between board and external auditor, the wider use of independent outside, on-executive directors and the separation of the role of chairman of the board from that of the Chief Executive. More checks and balances to avoid executive domination of decision and to protect the right of shareholders particularly minority shareholders was the theme. An Australian Committee on Corporate Governance(1993),chaired by Professor Fred Hilmer of the Australian Graduate School of Management advanced a view that added a new dimension to the conformance and compliance emphasis of the Cadbury and other reports on performance, the report argued “The board’s key role is to ensure that corporate management is continuously and effectively striving for above average performance, taking into account of risk “It adds, almost as an afterthought, “this is not to deny the boards additional role with respect to shareholder protection”

In 1998, the organization for Economic Co-operation and Development (OCED) proposed the development of global guidelines. The report usefully emphasized the contrast between the strong external investment and firm corporate governance practices in America and Britain and those in Japan, France and German, which had less demanding governance requirements in those countries, other constituents, such as employees, receive more deference’s, the regulatory structure are less obstructive, directors are seldom truly independent and investors seem prepared to take a longer term view. Some dismissed this report but others saw merit in establishing some core principles of good corporate governance. Then the Commonwealth countries also produced a code of principles of good recommendations on good corporate governance practice at the level of company emphasized the differences between companies and concluded that each board needed to develop structures, processes and practices to fit its needs.

As for an African Perspective Godfrey (2002) posits that in addition to the South African King Report, there has been a rapid growth in the development of African thinking on corporate governance. New thinking is to attack on the supply side of corruption (company bribes) by complementary anti-corruption measures by the state. The recent initiative of the African Union (AU) to develop an AU Convention on Combating Corruption addresses the importance of declaring public officials‟ assets, and also breaks ground by targeting unfair and unethical practices in the private sector. Corporate governance is now established as an important component of the international financial architecture, but barely half a decade ago it was little known beyond specialists in a few countries such as the US, the UK, Australia, Canada and South Africa. The critical areas to be addressed by corporate governance can be easily described as, efficient, responsible, transparent and honest governance of economic entities, whether they are private or state owned, large, medium or small. The principles set out by the Commonwealth Association for Corporate Governance (CACG) are a well-recognized benchmark within the Commonwealth; but similar codes and principles, for example the Cadbury and King Reports, are available in other jurisdictions. Corporate governance is a concept that is still at its evolution stage.

The CACG guidelines were agreed by the Commonwealth Business Council (CBC) in 1999 and presented to Commonwealth Heads of Government at their 1999 Summit, which endorsed them. The guidelines have been designed with particular focus on the emerging and transitional economies, making up a large part of the Commonwealth, but also meet the needs of international investors and multilateral international agencies. The CACG guidelines also explore some of the complex issues relating to public and state enterprises, business ethics and corruption, and the role of international professions operating in emerging and transitional economies. Further definitions by other scholars go on to state that corporate governance is both the promise to repay a fair return on capital invested and the commitment to operate a firm efficiently given investment‟ from the perspective of the investor" (Metrick and Ishii, 2002).From a private sector perspective two general comments are important at the outset. First, corporate governance should not be seen in isolation from the wider concept of corporate citizenship. Any successful modern company has to take responsibility, in co-operation with government, in developing sustainable business and commercial activities that serve communities. Shareholder value and profits are not sustainable in isolation from this broader business strategy, which demands quality services, the good will of communities, and a belief in the ethical standards of companies. Exceptions to these standards of behavior serve to underline the penalties which companies pay when they forfeit public trust.

For the motive for Establishing Public Enterprises It is observed that various motives are behind the establishment of public enterprises in the Sub – Saharan African countries (SSA). For instance, in Uganda, the Ugandan Development Corporation created in 1963 a subsidiary known as African Business Promotion Ltd, the objective of which was to “establish and promote our own people in the trade and commerce field generally so that Ugandans may play a reasonable part and hold a reasonable share of the country’s commerce” (Kamung’a, 2000). Similarly in Kenya, for desire of sufficient indigenous private entrepreneurship after independence, the government had to use state owned parastatals to fill the existing entrepreneurship gap. Thus, public enterprises served as a means to promote the establishment of private African enterprises (Wamalwa, 2003).

In Kenya, like other developing countries, has adopted a corporate governance code that is drafted from a combination of codes from developed countries with little thought being given to the underlying conditions of the market in which this code is to be enforced. A significant amount of training of company directors on the importance of good corporate governance is underway.(www.ccg.org.ke). While Kenya's effort in training company directors is commendable, it remains questionable whether Kenya can achieve good corporate governance with the current state of its law and a code that is designed without sufficient consideration of its market conditions.Recent financial scandals have shown that Kenya is unable to cope with the self-regulation of its corporations through corporate governance codes. Companies have often been used as instruments of fraud, bringing the Kenyan economy to its knees. An example is the Goldenberg scandal which cost Kenya approximately $4 billion, roughly 10 per cent of its gross domestic product (GDP).(Warutere,2005) These large-scale scandals are not a new phenomenon in Kenya. The 1980s were marked by the collapse of more than 33 banks.(Baroko,Hancock and Izan,2006).

Many companies and parastatals such as Kenya Corporative Creameries (KCC), National Housing Corp and the Kenya National Assurance Co among others have followed suit in the last decade.(Eshiwani,2006) Owing to the inefficiency of the legal system, among other factors such as corruption and political interference, investigations into the insolvency of these companies have not borne much fruit. While the perpetrators of the fraud continue to enjoy the benefits of committing fraud at the expense of the majority of the Kenyan population, Kenya continues to base its corporate governance training on codes drafted for markets with different corporate cultures and strong legal systems which are better able to handle corporate fraud.

It is within this context that the effectiveness of corporate governance in public listed companies in Kenya will be considered. This will be done by reviewing the law affecting corporate governance in Kenya. Kenya forms a good case study for discussing the relationship between law and corporate governance, as on the face of it Kenya appears to have all the elements that are necessary to achieve good corporate governance. Kenya's market regulation matches that in developed countries as it has legislation that governs the market, a regulatory agency in the form of the Capital Market Authority which oversees the stock exchange and, like most developing countries, it has adopted a corporate governance code in the form of the Sample Code of Best Practice of Corporate Governance in Kenya 2002, which was developed by the Centre for Corporate Governance,(www.ccg.or.ke) an affiliate of the Commonwealth Association for Corporate Governance (CACG).

Kenya's corporate governance code is enforced by the Capital Markets Authority through the CMA Guidelines, which are the result of a combination of ideas from corporate governance codes from different jurisdictions. This is particularly evident in Chapter 1.3 of the CMA Guidelines which states that: “These guidelines have been developed taking into account the work which has been undertaken extensively by several jurisdictions through many task forces and committees including but not limited to the United Kingdom, Malaysia, South Africa, Organization for Economic Cooperation and Development.(www.ccg.or.ke) and the Commonwealth Association for Corporate Governance”.

A deeper examination, however, reveals a country which is struggling in its efforts to adopt good corporate governance owing to the absence of a strong legal system. The statutory law governing corporate governance in public listed companies in Kenya is embodied in the Companies Act 1962 c.486 (the Companies Act). Kenya, a former British colony, adopted the Companies Act almost in entirety from England's Companies Act 1948 upon attainment of independence in 1963. The Companies Act deals with directors' duties and shareholder protection among other matters pertaining to corporate governance in Kenya. Other regulations that govern Kenya's corporate governance are the Capital Markets Authority Act 2002, the Nairobi Stock Exchange (NSE) Regulations and the Penal Code c.63.(Judiciary Acts3(1);C8)

2.3.1 Influence of Board Characteristics on Performance of Organizations

The characteristics of board influences positively firm performance, because it reduces agency problems (Jung, 2011). Board Sizes is said to affect organizations performance. Prior literature argues that board size is an important aspect of effective corporate governance and is related to firm performance (Haniffa and Hudaib, 2006). A larger board is more likely to have a greater range of expertise to monitor the actions of management effectively (Karamanou and Vafeas, 2005) and also in securing critical resources. We, therefore, argue that a well-constituted board of directors is more likely to act in the best interests of shareholders, and, therefore, would constrain managers to engage in activities that result in listing suspension.A determinant of the Size and Composition of US Corporate Boards 749 provides an alternative, no causal explanation for an observed correlation (negative or otherwise) between firm profits and board size. Raheja (2005) models the trade-off between the higher agency costs of greater insider representation on boards and the higher coordination/information costs of greater outsider representation. Raheja's model predicts that smaller boards are not more useful unconditionally; they are likely to be more useful in highly competitive industries. Boone (2007) track firms for 10 years after their corresponding IPOs and find that board sizes increase with firm size and diversity. Gibson (2003) examines the link between management turnover and firm performance in eight emerging markets and concludes that there is a significant negative relationship between management turnover and companies performance. Eriksson (2005) also provided evidence on management turnover in the Czech and Slovak Republics. He found a significant and negative relationship between management turnover and companies' performance levels. Frydman, Hessel and Rapaczynski (2000) claim that management turnover among Czech, Hungarian and Polish companies affected with the company revenue growth. According to Raheja (2005) the Saudi Arabia board of directors has two important functions which are advising and monitoring. The Saudi Corporate Governance Codes state the following functions for the board of directors: Approving the strategic plans and main objectives of the company and supervising their implementation. Lay down rules for internal control systems and supervising them. Outlining a written policy that regulate the relationship with stakeholders with a view to protecting their respective rights, and Drafting a Corporate Governance Code for their company, that does not conflict the Saudi Codes (Capital Market Authority, 2009).

Linck, Netter, and Yang (2008) find that board size decreases with a firm's growth opportunities and stock return volatility and increases with firm size. Coles, Daniel, and Lalitha (2008) report similar findings regarding the determinants of board size and also find a significant relation between market-to-book ratio and board size. Their results lead them to the conclusion that "certain classes of firms are actually likely to benefit from larger boards." Consistent with the previously mentioned literature, we take the perspective that there are trade-offs associated with different board sizes and that the trade-offs are likely to vary across firms and industries. The major advantage of large boards is the greater collective information that the board possesses about factors affecting the value of firms such as product markets, technology, regulation, mergers and acquisitions, and so forth. In South Africa, the JSE Listing Requirements (2005) specifies that the minimum number of directors for listed firms should be four, while the King Report (2002) only recommends that the board should be of a size that allows for a diversity of expertise and experience to be effective monitors. A Deutsch Bank (2002) survey of 73 major South African firms revealed that board size ranges from five to 30 directors, with a mean directorship of 12 members.

Several scholars have asserted that small boards operate more effectively than large boards because of the high coordination costs and free-rider problems associated with large boards. When boards get beyond seven or eight people, they are less likely to function effectively." In a recent theoretical paper, Harris and Raviv (2008) model the trade-off between the benefits of greater expertise that additional outside directors bring versus the costs of an aggravated free-rider problem to arrive at an optimal number of outside directors on the board.

The age of the Board of Directors matters when it comes to performance, to a certain degree, as well. Younger members are probably willing to bear more risk and to undertake major structural changes to improve firm´s future prospects. We suppose that independent directors prefer overly conservative business strategies in order to protect shareholders, but this goes at the cost of lower firm´s performance. According to Jensen (1993), companies with oversized Boards tend to become less effective. The age structure of the supervisory board in Ukraine differs from a company to a company. The average age of members of the supervisory board in Ukraine is 48, professional skills diversification. Clearly, a high number of decision-makers in any committee may reduce their effort and give rise to some degree of free-riding. There has been a younger board representation in both the private and public companies in Kenyan corporate sector in the recent past which has resulted in enhancing performance. The major investment firms; Centum and Trans-Century Limited listed in the Nairobi Securities Exchange have youthful board representation and are headed by COEs who are below 40 years. Kenya Commercial Bank, National Bank of Kenya ,NIC Bank, Barclays Bank Limited and Commercial Bank of Africa Limited are organizations that are currently been headed by relatively youthful CEOs according by a survey carried recently by Price Water House Coopers a leading international consultancy firm. Wiersema and Bantel (1992) focus on the demographic characteristics of the Board and their influence on firm´s strategic decisions. The age of Board members represents one of the demographic variables chosen for that study. This result shows that younger Boards are more tolerant to bear more risk and are more likely to accept major changes in the process of decision-making in comparison to older directors.

Board diversity and effectiveness are closely linked. Research highlights the role of gender diversity for firm´s performance (Campbell and Minguez-Vera, 2007.)Adams and Ferreira (2009) also report the positive effect of female directors on firm´s outcomes, but this is only so for the regressions not controlling for firm´s heterogeneity. Once the firm´s heterogeneity is controlled for, the effect becomes insignificant. Interestingly, the Boards with greater gender diversity are found to exhibit lower degree of non-attendance at the Board meetings. Motivated by the fact that women have been holding an increasing number of Board seats in U.S companies, (Dobbin,2011) analyze whether the presence of female directors in the Board affects the company's profit and stock performance. However (Jung ,2011) results indicate that companies with more women in the Board of Directors do not experience any increase or decrease in profits. On the other hand, the change in the number of female Board members appears to be significant for institutional investors. Institutional investors are found to be more likely to sell their stocks in response to appointments of new female directors. But while using data drawn from 127 large US companies, Erhardt (2003), reported a positive association between women and minorities on board with improved firm performance. The one third majority rule as enacted in the Kenyan constitution has enabled women by law a more representation in both private and public sector organization thus breaking the preverbal glass syndrome where women never got beyond certain levels in leadership.

2.3.2 Influence of Ownership Identity on Performance of Organizations

Ownership refers to residual claimants of firms. The fewer owners a firm has, the more concentrated the percentage of shares.Shelfer and Vishny (2004) find large shareholders to increase firm performance. Hayes (2005) explore the interactions between the percentage of shares held by the directors and firm performance. A positive relationship is found between the fractions of shares held by CEOs and firm´s performance. Ownership concentration is the share of the largest owner. Organizations that have a concentrated ownership need to apply good corporate governance on their company to minimize the possibility of conflict of interest between company control and outside investors Surya (2006).Because of a concentrated ownership in some family or business group there is a strong control to majority shareholders so a difference in treatment between shareholders emerge. According to Daniri (2006), management is demanded to gain a balance of interest between shareholder and stakeholder or even between stakeholders. Ownership is important as a contextual variable as well as a governance mechanism. Both ownership types as well as ownership dispersion need to be under-stood. Some aspects include for instance, the proportion of shares owned by one individual, the proportion owned by insiders (especially the top management team), the proportion of shares owned by family (or not), and whether certain external stakeholders, such as venture capitalists or private equity firms, own a portion of the firm. As pointed out by Mustakallio (2002), family firms possess many features that make their governance particularly challenging. Gugler (2003) examined the relationship between dividends and the ownership and control structure of Austrian firms. Using a panel of firms over the 1991/1999 period, he found that state controlled firms engage in dividend smoothing, while family-controlled firms do not. Firms' ownership structure is the most researched indicator of corporate governance (Ramaswamy 2002). Literature on ownership involves two different issues relating to the concentration or dispersion in the equity ownership or the presence of block equity holders and shares held by the board, CEO, and top management. The presence of block equity holders is considered to have a positive impact on corporate performance and is explained by the "cost of capital" and "effective monitoring" hypotheses. Ramaswamy (2002) in a study of Indian corporate sector show that diverse ownership groups adopt different postures in monitoring and/or influencing organizational diversification. Major shareholders in most of the Indian firms are the foreign investments, foreign institutional shareholders, business houses, and Indians.

In Ghana, the Companies Code 1963, which governs companies listed on the stock exchange is based on United Kingdom legislation and supported by the Securities Industries Law1963 as amended by the Securities Industry (Amendment) Act 2000 (Act 590). Institutional investors on the Ghanaian financial market are somewhat passive and focused on short-term profits, rather than corporate governance issues and awareness of corporate governance is in incipient stages. Ownership concentration is on the high side, primarily institutional, with foreign and state ownership but rarely family ownership. In terms of shareholder rights, these are generally well- observed, but enforcement, especially on material facts disclosure, monitoring for content, related party transactions and ownership disclosures, is lacking (World Bank, 2005). Also, the companies' code, which provides the main regulatory framework for companies, does not provide for the balance between executives and non-executive board members.

The Kenyan Companies Act of 1962 which governs corporate governance is enacted along the lines of English Companies Act of 1948. The Kenyan Companies Act, in regulating businesses, is supported by the Capital Markets Authority Act 2002, the Nairobi Stock Exchange and the Penal code. In terms of business ownership, this is mostly institutional, concentrated and in foreign hands. The institutional owners are, however, quite inactive. A deeper examination, according to Musikali (2008), reveals a country which is struggling in its efforts to adopt good corporate governance owing to the absence of a strong legal system. Minority shareholders rights are lacking in some respects, according to the report on corporate governance in Africa by Nganga (2003).

2.3.3 Influence of Managerial Discretion on Performance of Organizations

Managerial discretion is an abstract concept and there are many factors that determine how high (or low) the level of discretion is. Determinants of discretion can be found in the environment, in the organization itself and on an individual level regarding the manager himself/herself and his/her personal attributes (Hambrick & Finkelstein 1987).Recently Hutzschenreuter and Kleindienst (2013) stated that the degree of managerial discretion is significantly influenced by individual, relational, and situational features, these features are built on the ideas of Hambrick and Finkelstein's work.Managerial discretion is therefore defined as; the space, or level of freedom, a manager has in his or her decision making process when taking actions; some have more extensive space (freedom) to make decisions and act, while others have less. A study that has been building on recent work that finds CEOs may have a greater impact on firm performance in some countries than others (Crossland and Hambrick, 2007). Every executive makes different decisions when faced with the same situation. Accordingly, to understand firm behavior, we must understand the variation in executives' choices, which has motivated extensive management and organizational behavior literature on managerial discretion (Cannella 2009). The discussion of managerial discretion is part of a long-standing debate regarding whether management can influence organizational destinies.

Executives of some organizations have more discretion than those of other organizations, and their discretion can vary over time. Because managerial discretion varies, strategic choice matters more when discretion is high, whereas environmental selection matters more when discretion is low. Hambrick and Finkelstein (1987) classify the factors that determine managerial discretion into three main categories: environmental, organizational, and managerial characteristics. Managers' influence over corporate performance differs considerably across industries. Wasserman and Colleagues (2001) find that the percentage of variation in the return on assets explained by CEO characteristics varies from 4.6% for paper mills to 41% in hotels, and Hambrick and Finkelstein (1987) assert that some environments simply allow more discretion than others, especially when there is a wide range of options, because then the means-ends linkages are not well understood; and there are no direct constraints. Means ends linkages are poorly understood in high growth industries, which are characterized by decision making in the entrepreneurial mode and vast numbers of choices in terms of products, target customers, and funding sources. Nor is there any consolidation in the optimal strategies for success, because they remain unknown. In contrast, organizations such as hospitals, public universities, and banks are subject to quasi-legal constraints that limit their discretion. For example, public universities and hospitals depend on governments for much of their budget, and regulated banks are limited in the products they may offer, the reserves they must hold, and their minimum interest rate. Thus, managers are more limited in choosing their customers and determining rates.

Several organizational characteristics influence discretion, which are categorized as inertial forces, resource availability, and governance. Inertial forces include size, age, culture, and capital intensity. It is difficult for managers to change large, mature organizations with a very strong culture; they tend to have entrenched modes of operation and often rely on the status quo. Organizations that are capital intensive lack discretion because deviations require large extra investments. An organization's resources also influence the availability of managerial discretion. Even if the organization as an entity has considerable discretion, internal political conditions determine whether executives ultimately influence its course. Corporate governance arrangements determine the discretion of the CEO compared with other board members and stakeholders. For example, CEOs have more status and therefore discretion when they are also chairpersons of the board or founded the organization. The status of a CEO thus provides a source of formal CEO power.

Managerial characteristics such as a CEO's aspiration level and commitment also provide a source of informal CEO power. Those CEOs with more aspiration and commitment tend to engage in broader search behavior and consider more courses of action. The idea that managerial discretion differs among countries might also help to explain some of the many differences we observe in the status and behavior of executives in different parts of the world. For example, mangers in some countries like the USA and United Kingdom receive higher levels of total compensation, and a higher proportion of incentive-based compensation, than those in other countries such as Japan and South Korea (Tosi and Greckhamer, 2004).

A recent study by Crossland and Hambrick, (2007) attempted to consider how managerial discretion might differ across countries. It was found out that those mangers in the USA had a larger impact on firm performance than did a sample of differences in managerial discretion across such countries as German and Japan arguing that these differences in CEO effects were due to differences in cultural values, firm ownership profiles, and governance across the three countries. Some organizations give their executives more of a free hand than do others; for instance, organizational slack, the absence of an entrenched culture, or a passive board would all confer managerial discretion (Boyd and Salamin, 2001).

Also affecting the degree of discretion accorded to executives is a society's norms regarding uncertainty. Some societies have a relatively high tolerance for quantum actions, means-ends ambiguity, and unpredictability (Hofstede, 2001). In contrast, in societies characterized by low uncertainty tolerance, executives will have less discretion. Executives will be expected to take strategic actions that are consistent with the past, that do not stray far from the central tendencies of the firm's industry or sector, that are relatively incremental, and that hedge against risk. Even in the face of environmental turbulence or poor performance, executives in societies with low tolerance for uncertainty will be restricted in their ability to embark in new directions.

A third fundamental informal institution concerns the relative status of leaders in a society. In societies where leadership is highly privileged and individual leaders are accorded great respect, discretion should be greater (House and Javidan, 2004). Although power distance, as typically identified in cultural values research (Hofstede, 2001), refers to acceptance of inequality in general, and is thus broader than simply the power of executive leaders, this cultural value is still suggestive of the status of leadership.In societies where power distance is greater, stakeholders will be more likely to allow far reaching executive actions, more likely to acquiesce in the face of executive actions, and less likely to question decision-makers or the basis upon which actions are taken. In societies where leaders are less lofty, radical strategic actions are far more likely to come under scrutiny. When leaders are seen as mere facilitators or figureheads, and less as empowered decision-makers, they will experience greater normative constraint on their actions.

Moving beyond specific values, an emerging stream of research has begun to explore the construct of cultural tightness-looseness, an encompassing descriptor of the extent to which social norms constrains individuals in different societies (Gelfand, Nishii, and Raver, 2006). Defined as “the strength of social norms and the degree of sanctioning within societies” (Gelfand 2006), cultural tightness reflects the extent to which norms are widely shared within a society and the extent to which transgressions will lead to repercussions. Societies characterized by tight cultures, or strong norm enforcement, will provide clear expectations for how executives should act in particular situations. Norm transgression will be recognized and stringently sanctioned in such environments, leading to greater constraints on corporate leaders. In contrast, societies with loose cultures, or weak norm enforcement, will allow executives broader latitudes of action. In these societies, standards of behavior will be more ambiguous and hence less restrictive. Moreover, norm transgressions will be less obvious and therefore less likely to meet with repercussions, leading to more latitude of action. Managerial discretion reflects the manger's influence on business decisions in the company. Results suggest that managerial discretion is not necessarily detrimental to firm performance, as traditional agency theory suggests. Ongore (2008) Rather, managerial discretion may have a positive impact on firm performance if managers’ objectives are better aligned with firm performance than those of controlling parties. The relationship between managerial discretion and firm performance is a much studied topic in agency theory. Most existing studies of the relationship between managerial discretion and firm performance focus mainly on managers' incentive problems. Some studies support the negative performance implications of managerial discretion (Brush 2000).

2.3.4 Influence of Strategic Decision Making Process on Performance of Organizations

The corporate governance debate has largely centered on the powers of the Board of Directors vis-à-vis the discretion of top management in decision making processes. Consequently, studies on corporate governance (Donaldson, 2005) have not comprehensively identified and dealt with the complexities that are inherent in corporate governance processes. Over the last decades, a new research on how executives influence strategic decisions and organizational outcomes has received a great attention in the area of strategic management and organizational studies. Strategic process includes strategic analysis, strategic choice and strategic implementation (Andersen, 2000). Strategic analysis is concerned with the strategic position of the organization in terms of internal and external environment in which it operates and the expectations and influences of stakeholders. Strategic choice deals with identifying and understanding stakeholders‟ expectations, strategic vision and mission, portfolio management and financial capabilities. In this case strategic implementation refers to the translation of strategy into organizational action through organizational structure and design, resource planning and the management of strategic change (Andersen, 2000). In the strategic management research, executives play a dominant role in formulating corporate strategy and in determining the direction of the firm (Westphal and Fredrickson, 2001). In the existing literature two themes have been emerged, first, the role of top management (Lewin) and second, the process of making strategic decisions (Datta, 2006)). Most of the studies have been grounded in the upper echelons‟ perspective proposed by Hambrick and Mason (1984) and attempted to examine how the managerial characteristics including cognitive skills, experience, and knowledge, personality traits affect several content strategic decisions among them diversification, resource management, innovation and change (Finkelstein,2006).

Strategy as a concept has its roots in business policy as well as in organizational theory (Pfeffer,1983). Strategy is regarded as a set of decisions that guide the organization according to the environment, affect the internal structure and processes and consequently, its performance. Strategy is the outcome of formal planning; an analytical process. Strategic process includes strategic analysis, strategic choice and strategic implementation (Andersen, 2000). Strategic analysis is concerned with the strategic position of the organization in terms of internal and external environment in which it operates and the expectations and influences of stakeholders. Strategic choice deals with identifying and understanding stakeholders‟ expectations, strategic vision and mission, portfolio management and financial capabilities. Finally, strategic implementation refers to the translation of strategy into organizational action through organizational structure and design, resource planning and the management of strategic change (Andersen, 2000). Strategic decision-making has received increased attention among scholars and business practitioners (Ireland and Miller, 2004). Strategic decision-making has been distinguished into two broad categories: content research and process research. Content research deals with issues of strategy content such as portfolio management, diversification, mergers and the alignment of firm strategies with environmental characteristics (Elbanna, 2007). Previous work on strategic decision-making processes so far, put emphasis on rationality and comprehensiveness of strategic decisions (Elbanna, 2007), the current study will shed light on two under researched strategic decision-making processes of financial reporting and hierarchical decentralization.

Whereas, a study conducted by Hitt and Tyler (1991) showed that the CEO‟s demographic characteristics to have an impact on the strategic decision-making processes. The undertaking study aims to examine the effect of demographic characteristics on the strategic decision-making on financial reporting and hierarchical decentralization. The aforementioned characteristics have rarely been empirically examined before in strategic decision-making literature. Strategic decision-making has received increased attention among scholars and business practitioners (Ireland and Miller, 2004). Strategic decision-making has been distinguished into two broad categories: content research and process research. Content research deals with issues of strategy content such as portfolio management, diversification, mergers and the alignment of firm strategies with environmental characteristics (Elbanna, 2006). However, process research deals with the process by which a strategic decision is made and implemented and the factors, which affect it (Elbanna, 2006). Although most of the studies deal with content issues, equivalent attention has to be placed on process research. Hitt and Tyler (1991) argued that a combination of different dimensions on the strategic decision-making process will contribute to a better understanding of the factors that influence the strategic decision-making process. Previous work on strategic decision-making processes so far, put emphasis on rationality and comprehensiveness of strategic decisionsm (Elbanna and Child, 2007; Papadakis and Barwise, 2002), the current study will shed light on two under researched strategic decision-making processes of financial reporting and hierarchical decentralization.

Organizational demography is conceptualized as the distribution of organizational members along any demographic traits or any set of demographic traits (Pfeffer, 1983). who argued that “demography is an important, causal variable that affects a number of intervening variables and processes and, through them, a number of organizational outcomes.” Upper echelon theory suggests that the demographic characteristics of managers bring a cognitive base and values to the decision-making process that restricts their field of vision. The demographic characteristics that will be examined in this study with respect to their effect of strategic decision-making are; educational level, specialty and functional background of the Alliance Capital partners Executive executives.

Educational level is viewed as an indicator of executives‟ knowledge, cognitive orientation and skill base Hambrick). Educated CEOs are likely to demand detailed information and extensive financial reporting (Bantel, 1993). Finally, in a study conducted by Goll, (2005), they found a significant and positive relationship between educational level and rational decision-making. Hitt,(1991) argued that certain types of educational specialty influence the strategic decision-making process and strategic change. Executives with formal education training in sciences and engineering related specialty have a better understanding of technology advancements and therefore, encourage cooperative opportunities. Heilmeier (1993) suggested that technically trained executives are aware of relevant technologies and are able to predict, comprehend and anticipate long-term change. In contrast, executives with only a formal management education are more likely to pursue short-term performance goals and long-term asset building compared to executives with other educational backgrounds (Hambrick,1984).

Functional Background represents an important aspect of an individual’s experience base and as a result a key indicator of the type of skills and cognition that the executive brings to his/her job (Datta, 2006). Functional backgrounds indicate the way and how strategic decisions are made (Hitt,2011). Smith ,(1987) observed significant relationships between new CEOs functional background and firm‟s diversification strategies. Hambrick and Mason (1984) have distinguished functional background into two broad categories the “output” functions and the “throughput” functions. The “output” functions include functional areas relating to marketing, sales, merchandising as well as product research and development and entrepreneurship, which emphasize on growth, search for new opportunities and are responsible for monitoring and adjusting products. On the other hand, “throughput functions” include areas of productions/operations, engineering finance and accounting, which aim to the increase the efficiency in the transformation process. This classification provides a linkage between functional background and organizational decision-making. The organization’s strategy partly determines the types of functional background that are essential for the firm’s success (Hitt,2011)

2.4 Theoretical framework for corporate governance

Agency Theory

The theoretical foundation of corporate governance lies in the Agency theory, it can be argued that its discussion logically stems from Max Weber’s Bureaucratic theory, as this essentially created the basis for what constitute today’s pillars of corporate governance. Agency theory is the dominant framework of corporate governance. Within the frame of agency theory, it is assumed that boards control the opportunistic behaviors of the managers; therefore, these groups represent the primary internal control system that fit the interests of shareholders and managers. According to Fama and Jensen boards form “the apex of internal decision control system” of the organizations; since they are the main control mechanism for the organizations, and are authorized for the control of organizational decisions. Agency theory is appropriate for the control and supervision roles of board. Specifically, its principles (as cited in Etzioni, 1964, pp.53-54) include, among others, a continuous organization of official functions bound by formal rules; separation of ownership from management of the organization; and, freedom of the resources of the organization from outside influences, and a complete absence of the possibility of appropriation of official positions (and, therefore resources) by the incumbent. Clearly, some of the key corporate governance variables have been insinuated from these principles. The origins of the agency theory can be traced back to Adam Smith (1776) and his discussion of the problem of the separation of ownership and control. He suggested that managers of other people’s money cannot be expected to “watch over it with the same anxious vigilance” one would expect from owners and that “negligence and profusion, therefore, must always prevail, more or less, in the management of the affairs of such a company” (Smith, 1776).The agency theory is based on the principle-agent framework. Jensen and Meckling(1976) who viewed organization as a set of explicit and implicit contracts with associated rights.Seperation between ownership and control of corporations characterizes the existence of agency relationships between the board who represents the shareholders and the management who represents the board and other stakeholders.Agyris(1964) argues that agency theory looks at an employee or people as an economic being which suppresses an individual own aspiration. In context of corporations and issues of corporate control, agency theory views corporate governance mechanisms especially the board of directors as being an essential monitoring devise to try to ensure that problems that may be brought about by the principle agent relationships are minimized Malin (2007).The theory finally suggests that boards should consist of outside and independent directors and also that the position of chairman and CEO should be separated .When the separation of those two roles is violated mainly when the chairman is under the influence of the CEO,the agency cost become great and the firm will suffer the financial and control the market. Balta(2008).

It has been pointed out that separation of control from ownership implies that professional managers manage a firm on behalf of the firm's owners (Kiel & Nicholson, 2003). Conflicts arise when a firm's owners perceive the professional managers not to be managing the firm in the best interests of the owners. Proponents of the agency theory opine that a firm's top management becomes more powerful when the firm's stock is widely held and the board of directors is composed of people who know little of the firm. The theory suggests that a firm's top management should have a significant ownership of the firm in order to secure a positive relationship between corporate governance and the amount of stock owned by the top management (Mallin, 2004).

The agency theory also advocates for the setting up of rules and incentives to align the behavior of managers to the desires of owners (Hawley1996). However, it is almost impossible to write a set of rules for every scenario encountered by employees. Consequently, the Australian Stock Exchange Corporate Governance Council (2003) associates good corporate governance with people of integrity. This implies that the actions of directors, acting as agents of shareholders, must be checked to ensure that they are in the best interests of the shareholders. According to the agency theory, corporate governance mechanisms are needed to mitigate the agency theory problems. Thus, the agency theory provides a basis of corporate governance through the use of internal and external mechanisms (Roberts 2005).

The Board is therefore, put in place to safeguard the interests of principals from agents who are bent on extracting private benefits from the organization (McDonald, 2010).Board is the "heart" of corporate governance where the outcome or performance of a firm is often determined (Donaldson, 2003). In the face of separation of ownership and control, board is the only intermediate arm of the firm that interfaces and administers the relationship between the shareholders and the managers (Stiles and Taylor, 2001). It is final corporate authority body when comes to decision-making, the role of board is therefore diverse taking into account the fact that it also bridge gaps that exists between these two extreme continuums.

Board composition denotes the fraction of non executive directors on the board as compared to their executive counterparts. This is the proportion of the inside directors who participate directly in the day to day management of the firm to outside directors who provide checks and balances in ensuring that the shareholders interests are protected(Klien 2002).From the empirical point,a board is said to be independent if made up of more non-executive directors that share on material connection such as family ties, financial relationships,employment,professional services, and interlocked directorship amongst others with the management(Shivdasni and Zenner,2002)Bhagat and Black(2000) conducted a financial performance study on 934 largest US firms covering 10 years period and questioned the empirical validity of the need for board indepenedence.They reported that while firm suffering from decline financial performance ,increase proportion of outside directors on the board, no clear evidence that such addition were compensated by improved performance..However, contrary to the above findings,Jackling and Johl(2009),examined a sample drawn from 180 top Indian firms and reported that greater outside directors representation on corporate board is positively associated with improved firm performance.

The board size represents the total head counts of directors seated on the corporate board. Size of the board is recognized as one of the unique features of board dynamics with considerable but strategic impact on the board independence as well as the overall quality of corporate governance (Jensen 1993).

A small board size was favored to promote critical, genuine and intellectual deliberation and involvement among members which presumably might led to effective corporate decisions making ,monitoring and improving performance(Dalton and Dalton,2005).The prominent among the studies is that of Yermack(1996) who investigated a sample 425 US industrial firms covering eight year period (1984 to 1991) and found recurring negative relationship between board size and firm performance.CEO Duality is defined in respect of one person heading both the management and the board (Weir and Laing,2000).According to the agency theorists,CEO Duality creates imbalance in corporate power distribution as concentration of management and control resides with one person which tend to jeopardized board effectiveness.

2.5 Conceptual Framework

According to Tromp (2005) a conceptual framework is a broad set of ideas and principles taken from relevant inquiry and used to structure subsequent presentation. In agreement with Robinson (2002) defined conceptual framework as visual or written product, one that, “explains either graphically or in narrative form, the main things to be studied, factors, aspects, dimensions, variables and the presumed relationship among them. It helps to select and decide which relationships are important and therefore which data is to be collected and analyzed. The conceptual framework of corporate governance structure looks into the independent variables on one side and company performance as the dependent variable on the other side. The market Influence acts as the intervening variable. This framework can help us better appreciate the phenomenon of corporate governance influencing performance.

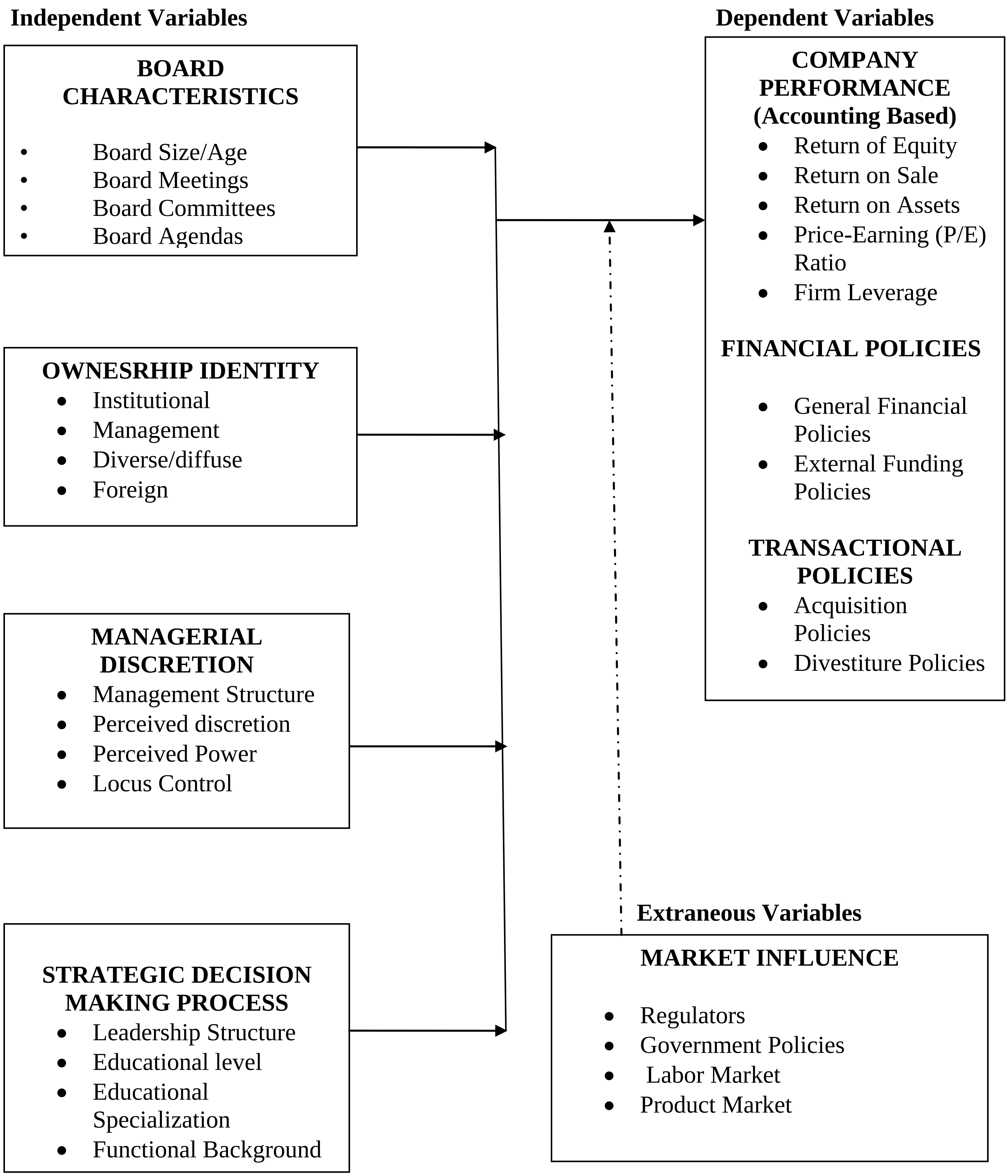

Figure 2.1 Conceptual Framework

2.10 Literature Gaps

Corporate governance failure has accounted for the financial crises experienced by a wide array of firms across the world especially in the last decade. In response to corporate failures government regulators have developed corporate governance frameworks to address the issue over the last decade. Some examples include the Sarbanes-Oxley Act of 2002 in the USA; the Companies' Act of 2006 and similar policy guidelines issued by the Financial Reporting Council and the Financial Services Authorities in the UK; the UN's Bank of International Settlement's Basel Committee guidelines on Corporate Governance; the OECD Principles of Corporate Governance of 1999 and 2004; and, the Securities and Exchange Commission Code of Best Practices for Public Companies of 2003, the Code of Corporate Governance for Banks and Code of Corporate Governance for Licensed Pension Operators in Nigeria (Nwadioke, 2009). The outcomes on general terms, although several attempts at establishing a link between corporate governance and firm performance confirm causality, the literature indicates relationships that range between a strong and very weak association (Abor & Adjasi, 2007). In specific terms, the results of Anderson, Mansi and Reeb (2004) showed a strong association between internal audit committee and firm performance, whereas Kajola (2008) found no significant relationship between both variables. This lack of consensus presents scope for deeper research on the impact of this corporate governance variable. Regarding board size, there is a convergence of agreement of its association with firm performance. However, conflicting results emerge on whether it is a large, rather than a small board, that is more effective.Kyereboah-Coleman (2007) found that larger boards enhanced shareholders' wealth more positively than smaller ones.

2.12 Summary of Literature Review

The summary of the literature include overview of concept of corporate governance, influence of board characteristics on performance of organizations, influence of ownership identity on performance of organization, influence of managerial discretion on performance of organizations, influence of strategic decision making process on performance of organizations, theoretical framework for corporate governance, conceptual framework and summary of the literature review.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This section described the methods and techniques that were used to address the research problem. It described the research design, target population, sampling procedures, research instruments, validity and reliability, procedures for data collection, data analysis, ethical consideration and operationalization of variables.

3.2 Research Design

A research design is a concept structure within which research is conducted and constitutes a blue print for the collection, measure and analysis of data Kothari(2004).According to Orodo(2007) research design is a scheme outline or plan that is used to generate answers to research problems. The type of research design is a correlation design that will be helpful in identifying the relationship of one variable on another and seeing the frequency of co occurrence in the two groups.

3.3 Target Population

A target population generally describes the total number of units which the researcher has in mind and to which he/she intends to generalize the findings of the study (Oso & Onen,2008).According to Mugenda & Mugenda, (1999) Population refers to the larger group of individuals ,objects or items from which samples are taken for measurement. It is an entire group of persons or elements that have at least one thing in common Tromp (2006).Census will be adopted in gathering the information from respondents. The design is preferred since the target population is small and manageable. Also the design gave all the respondents equal chances of responding to the questionnaire irrespective of their gender and status they hold in the organization. The target population for study was the Board of Directors, CEO and top management of Alliance Capital Partners Limited in Nairobi Kenya. The Target Population is illustrated in table 3.1

Table 3.1: Target Population and Sample Size of Alliance Capital Partners Limited

Stratum	Sample Size	Sample Percentage	Total Population
Board Chairman	1	7.142	1
Board Members	7	50	7
Company Secretary	1	7.142	1
Chief Executive Officer	1	7.142	1
Head of Investment	1	7.142	1
Head of Development	1.	7.142	1
Chief Accountant	1	7.142	1
Human Resources Manger	1	7.142	1
Total	**14**	**100**	**14**

3.4 Sample Size and Sampling Procedure

According to Kothari(2007),sampling is defined as the selection of some part of an aggregate or totality on the basis of which a judgement or inference is made. Generally sample depends on factors such as the number of variables in the study, type of research design, the method of data analysis and the size of accessible population.Mugenda and Mugenda (2003) suggests that, for co-relational studies,30 cases or more are required ,for descriptive studies between 10% and 30% of accessible population is enough and for experimental design at least 30 cases are required. In this study 100% of the sample size formed the sample size.

A sample size is a smaller part of the population which is carefully selected to represent all the main traits of the accessible population Mugenda and Mugenda(2003).According to Oso and Onen(2008) a sample size is a description of the minimum number of cases that must be studied in order to obtain accurate information of the minimum number of cases that must be studied in order to obtain accurate information on the population from a part of the population. According to Gay in Mugenda and Mugenda(2003) suggests that, for co-relational studies,30 cases or more are required ,for descriptive studies between 10% and 30% of accessible population is enough and for experimental design at least 30 cases are required. In the case of a census study, 100% of the total population will form the sample size.

3.5 Research Instruments

The researcher employed self-administered questionnaires and interview schedules which were personally completed by the respondents (Mugenda and Mugenda 2003).This involved administering questionnaires with open ended questions and a few closed questions with definite, concreate and predetermined questions for the respondents to answer on their own. These questions were presented with uniformity and exactness in the working and order to all respondents. A number of questions were printed or typed in a definite order on a form or set of forms and before the questionnaires were administered to the respondents the researcher gave a brief explanation of the purpose of the study. Further, the researcher assured the respondents that their responses were to be kept confidential and would not be used against them. This was to ensure willingness to respond and give accurate responses. The researcher clarified questions where necessary to ensure that respondents clearly understood the questions. This was in accordance with Best and Khan (1992) findings that, questionnaires are good instruments to use when collecting data because they enable the researcher to explain the purpose of the study and give meaning of items that may not be clear. Interviews on the other hand are person to person verbal communication in which one person (or group of persons) asks the other questions intended to elicit information opinion (Oso & Onen, 2008).

3.5.1 Piloting of the instruments

The reason behind piloting the study was to ensure that the research instruments were viable. As Orodho(2005) points out, piloting refers to the pre-testing of research instruments of a selected sample which is identical to the actual sample to be used in the study. Piloting in this case refers to the pre-testing of a particular research instrument such as questionnaire or interview schedule. According to Mugenda and Mugenda(2003) ,a pre-test sample should be between 1 to 10 % of the sample size. In this study, there was no pre-testing of the research instrument because the research design was a census.

3.5.2 Instruments of validity

As Mugenda and Mugenda(2003) put it, validity is the accuracy and accuracy and meaningfulness of inferences, which are based on the research results. This study however did not rely on validity instrument as it was a census design but validity was enhanced by developing the questionnaire and interview schedule items based on the research questions for them to accurately answer the questions, seeking for expert judgment from the supervisor and colleagues who reviewed the instruments which were used in the study. Validity also reflects on the items which are structured in simple English language which the respondents found easy to understand.

3.5.3 Instruments of Reliability

Reliability is a measure of the degree to which a research instrument yields consistent results after repeated trials Mugenda and Mugenda (2003).According to Orodho (2005) reliability estimates are used to evaluate the stability of measures administered at different time to the same individuals. Reliability was realized through administering of the same instruments twice to the same group of subjects to obtain the coefficient of stability. The scores were correlated from both testing period.

3.6 Data Collection Procedure

The researcher visited the offices of Alliance Capital partners Limited in Nairobi and booked for an appointment with the management to administer the questionnaires. After getting the physical addresses and contacts of the board members the researcher made arrangements to administer the instruments himself. He gave the respondents instructions and assured them of confidentiality after which then he gave them ample time to fill the questionnaires.

3.7 Data Analysis Techniques

The analysis is used to draw conclusions concerning the relationship and diffences found by the research results. The study intended to collect and analyze both qualitative and quantitative data. Quantitative data was analyzed using descriptive statistics such as percentages and frequencies. Analysis of data started with the checking of the raw data gathered for its accuracy, usefulness and completeness. A computer programme known as Statistical Package for Social Sciences (SPSS) was used in analyzing the data. The SPSS was employed because it is time –saving and accurate in carrying out effective data computation. The SPSS was thus used to code the questionnaire responses, tabulate the data in the form of frequencies and percentages.

3.8 Ethical Considerations

Booth (2008) reveals that when a researcher creates a community shared understanding and interest he or she sets a standards for his or her work higher than he/she could set for himself or herself alone. The researcher aimed to set standards of confidentiality especially on the information got from the questionnaires. The researcher stove to ensure that the respondents of confidentiality, security of data, freedom of thought, protection of identity, intellectual honesty,dignity,maintenance of independence and freedom of bias.

3.9 Operationalization of Variables

This section presents the dependant and independent variables, the associated indicators and how they are measured. Operationally defined to make it measurable and is done by looking at the behavioral dimensions, indicators and properties denoted by the concept to make it measurable and observable. The data collection instruments were outlined and the scales of measurement represented. The techniques that were used for the analysis of data were also laid down. The measure makes it possible to construct a meaningful data collection instrument. The variables are seen as operational as they fall in the range of intervals and ratio scales (Mugenda and Mugenda,2003).The study was guided by the following conceptual variables: research objectives, types of variables, indicators, measure of scale, data collection and data analysis methods which are put in a diagram to show how they interact with variables.

Table 3.2 below shows the operationalization of the independent, dependant, moderating and intervening variables that was used in the study.

TABLE 3.2: Operationalization Tables of variables

OBJECTIVE	VARIABLE(S)	INDICATOR(S)	MEASURE OF SCALE	DATA COLLECTION METHOD	DATA ANALYSIS
To assess how board characteristics influence performance of Alliance Capital Partners Limited.	**Independent** (Demographic Characteristics) • Age • Gender Diversity • Educational Background • Professional Specialization **Dependent** • Performance	• Years in age • Composition in Gender Parity • Qualifications Experience	Interval Ordinal Nominal	Self-Administered Questionnaires Interview Schedules	Quantitative Descriptive Analysis
To evaluate how ownership identity influence performance of Alliance Capital Partners Limited.	**Independent** • Ownership Concentration • Ownership Identity **Dependent** • Performance	• Percentage of total shares owned by shareholders • The actual number of identified shareholders	Interval Ordinal Nominal	Self-Administered Questionnaires Interview Schedules	Quantitative Descriptive Analysis
To investigate how managerial discretion influence performance Alliance Capital	**Independent** • Managerial Structure • Managerial Discretion • Power and Locus	• Managerial Performance reports • Human	Interval Ordinal Nominal	Self-Administered Questionnaires	Quantitative Descriptive Analysis

Partners Limited.	Control **Dependent** • Performance	Resources Manuals • Score cards • Company Prospectus		Interview Schedules	
To assess how strategic decision making process influence performance of Alliance Capital Partners Limited.	**Independent** • Leadership Structure • Gender Diversity • Education Level • Educational Specialization • Functional background **Dependent** Performance	• Leadership composition reports • Monitoring and Evaluation Reports • Human Resources Reports		Self-Administered Questionnaires Interview Schedules	Quantitative Descriptive Analysis
Market Influence	**Intervening** Product Market Labor Market Financial Markets Industrial Structures:- •Substitute products •Strength of suppliers •Strength of buyers •Threats of new entrants •Price policy •Relationship with financiers **Dependent** • Performance	• Regulators Reports • Economic Survey Reports • Financial and Accounting Reports • Government Policy Reports	Interval Ordinal Nominal	Self-Administered Questionnaires Documents (Secondary Data):- •Financial Statements •Market Surveys •Economic Indicator Reports	Descriptive Analysis

Company Performance	**Dependent** • Accounting Based Performance • Value Based Performance • Transactional and Financial Policies	• Financial and Accounting Reports • Company Prospectus	Ratio	Documents (Secondary Data):- •Financial Statements •Directors Reports •Market Surveys •Economic Indicators Reports	Ratios to compute Financial Statements Regression Analysis

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION, INTERPRETATION AND DISCUSSION

4.1 Introduction

The results of the data analysis on the Influence Corporate Governance on Performance of Organizations. A case of Alliance Capital Partners Limited Nairobi, Kenya is presented in this chapter. Both qualitative and quantitative analysis was performed. The findings are presented in descriptive; correlational statistics and a quick impression summary. The chapter is presented in sub headings which include:-

4.2 Response rate

The study was able to get a total of 14 questionnaires and 1 interview schedule were administered and a total of 14 were returned for analysis. This constituted a return rate of 100 % which is a reliable score. This return rate was obtained because the researcher and research assistant delivered and collected the questionnaires in person. This is an acceptable coverage in a census research because it is more than 50% of the expected coverage (Amin, 2005). The researcher was confident that with such a percentage, the findings are realistic and views from the respondents are representative enough of the target population. The return rate was thus calculated as:

Return Rate=Number of questionnaires returned*100/sample

R = 14*100/14 = 100%

It is important for the researcher to understand the response so as to know how the questions were answered.

Table 4.1: Respondents Rate

Stratum	Sample size	Return rate	%
Board Chairman	1	1	6.7
Board Members	7	7	46.7
Company Secretary	1	1	6.7
Chief Executive Officer	1	1	6.7
Head of Investment	1	1	6.7
Head of Development	1.	1	6.7
Chief Accountant	1	1	6.7
Human Resources Manger	1	1	6.7
Total	**14**	**14**	**100**

4.3 Demographic characteristics of respondents

Data collected on demographic characteristics included, age, and gender, level of education and training/experience of respondents. The purpose of the information was to enable the researcher describe the features or characteristics of the target population and capture every aspect of the factors influencing corporate governance.

4.3.1 Age of respondents

The data for the study was collected from 14 members of ACP. An item was included in the questionnaire which sought information on their age. It is important to understand the age of respondents so as to know which age groups involved more the organizations management.

Table 4.2 Age of respondents

Age (years)	Respondents	%
Below 30	1	7.1
30-39	5	35.7
40- 49	8	57.1
Total	**14**	**100**

This indicates that majority of the younger population is not involved in management and decision. Most of the mangers are older with 57.1 % being in the age bracket of 40-49 years with the younger 30-39 years being 35.7 %. A significant and rising proportion of mangers across the world are now below over 40 years old.

4.3.2 Gender of respondents

The data on gender was sought from 14 managers and directors of ACP. Important as the researcher wanted to know the gender that is most involved in managing the organization food security. This is discussed in table 4.3.2.

Table 4.3 Gender Distribution of Respondents

Gender	Frequency	%
Female	6	57.1
Male	8	42.9
Total	**14**	**100**

6 (57.1 %) of the respondents are female while 8 (42.9 %) of the respondents are male. There are more male than female involved in the corporate governance activities activities. This

shows that there is gender disparity; inequality and inequity in managing ACP to enhance performance. The greater role in policy formulation at board level and management of organizations is left to men who are the major decision makers. There is a rising proportions of women. These women are breaking the glass ceiling due to a growing number of educated women, high urban migration, the changing legal frame work on gender inclusion and changing culture

. 4.3.3 Respondents' number of working years at ACP

The data from 14 respondents on the number of years of working/managing was important as the researcher wanted to know the management experience of the respondents involved in performance at ACP. This is discussed in table 4.5.

Table 4.4 Respondents' number of working years at Alliance Capital Partners Limited

Experience (years)	Frequency	Percentage
Less than 2	2	14.3
3 to 4	6	42.9
4 to 5	4	28.6
Over 6	2	14.3
Total	**14**	**100**

The study revealed that 2 (14.3 %) of the respondents have experience in management for less than 2 yrs while 6 (42.9 %) of the respondents have worked or done management for 3-4 yrs. 4 (28.6 %) have worked or done management for 4-5 yrs and 2 (14.3 %) of the respondents have management experience for over 6 yrs. This means that many mangers have more experience in management for the 6 years since operation of ACP which makes them understand the intricate challenges practices involved in managing the investment portfolio.

4.3.4 Respondents' level of education

The study sought to find out the level of education of the 14 respondents involved in management. The responses obtained were recorded in the table 4.9 below:

Table: 4.5 Respondents' level of education

Education of level	Respondents	%
Bachelors	6	42.9
Masters	8	57.1
Total	14	100%

It can be learned that a total of 6 (42.9 %) of the respondents have achieved bachelors education and 8(57.1%) have masters education. None has a PhD. This indicates that 8(57.1%) have not attained specialization in their field to critically understand management which is critical for understanding modern investment techniques. However in management professional qualifications are considered as an option as compared to acquisition of higher academic qualifications.

4.4 Background information

The background information considered issues such as data on ownership identity, board characteristics and firm performance which was taken from the annual reports as well as from director's profiles. Data regarding firm performance was taken from financial statements like balance sheets, income statement and cash flow statements provided in the annual reports. The information was to enable the researcher describe the features or characteristics of the target population and capture every aspect of the factors influencing organizations performance in relationship to corporate governance considered useful for later elaborate discussion of the findings.

4.4.1 Data on ACP financial performance 2005 to 2012

The study sought to examine the financial performance of Alliance Capital Partners Limited. This was necessary to establish the different ratios to measuring performance. The ratios include: Return on Equity, Return on Sales and Firm Leverage which are in percentage form.

Table 4.6: Data on Alliance Capital Partners Limited performance 2005 to 2012

Year	Return on Equity	Return on Sales	Firm Leverage
2006	11.8%	3.4%	0.15%
2007	3%	6.3%	0.46%
2008	4.3%	1.2%	0.12%
2009	1.4%	1.3%	0.18%
2010	1.6%	1.9%	0.24%
2011	1.3%	2.3%	0.11%
2012	2.7%	3.0%	0.22%

The firm age of alliance capital Partners Limited is 7 years which represents the number of years since incorporation. The Return on Equity (R.O E) has decreased from 11.8% in 2006 to 2.7% in 2012 which can be attributed to the investment of shareholders funds

R.O.E is a measure of a ratio percentage of Net income and Equity. It measures a firm's efficiency at generating profits from every unit of shareholders' equity. ROE shows how well a company uses investment funds to generate earnings growth. Return on sales (ROS) is net profit as a percentage of sales revenue. ROS is an indicator of profitability. It is also referred to as operating margin. The ROS was highest in 2007 at 6.3% and was lowest in 2008 at 1.2%.it register a 3.0% in 2012. The amount of debt used to finance a firm's assets. A firm with significantly more debt than equity is considered to be highly leveraged.ACP had the highest rate of leverage in 2007 at 0.46% and lowest in 2011 at 0.11%.

The section below presents the study findings in accordance to the study objectives. The findings have been presented in tables and interpretation of the findings done in this section. The findings answered the following research questions:-

4.5 Influence of board characteristics on performance of Alliance Capital Partners Limited.

To achieve the first objective of the study, researcher was to examine the influence of board characteristics on performance of Alliance Capital Partners Limited. Respondents were asked to state their involvement in board matters and whether they are represented in the shareholdings. Their responses are shown in the table below:

4.5.1 Does board characteristic influence performance of Alliance Capital Partners Limited?

The study sought to know from 14 respondents whether board characteristics influence performance of Alliance Capital Partner. The information was sought from members to know their age and gender characteristics. From the findings, table 4.7 shows:-

Table 4.7 Board characteristic influence on performance of Alliance capital partners Limited

Board of directors	Frequency	%
Male	6	66.7
Female	3	33.3
Total	**9**	**100**

6 (66.7%) of the respondent directors were male while 3(33.3%) were female. Research shows that there is positive effect of female directors on organizations ´s outcomes and performance.

4.6 Influence of ownership identity on performance of Alliance Capital Partners Limited.

To achieve the second objective of the study, researcher was to evaluate the influence of ownership identity on performance of Alliance Capital Partners Limited. Respondents were asked to state the ownership identity in the board of directors and shareholding among the various groups. Their responses are shown in the table below:

4.6.1 The ownership identity of Alliance Capital Partners Limited

An item was included on the questionnaire which sought information on the nature of the shareholding 14 members responded.

Table 4.8 Size of the board and management of Alliance Capital Partners Limited

Firm ownership	Frequency	%
Individual	7	50
Management	1	7.1
Institutional	6	42.8
Others	0	0
Total	**14**	**100**

According to the findings as indicated in the table above shows that 7 (50 %) of the ownership is individual and 1 (7.1%) of management. The Institutional shareholders are 6(42.8 %) while there are no other shareholders including the foreigners.

4.7 Influence of managerial discretion on performance of Alliance Capital Partners Limited.

The third objective of the study was to investigate how managerial discretion influence performance of Alliance Capital Partners Limited. Respondents were asked to state how often the CEO makes decisions without referring to the board. Their responses are shown in the tables below:

4.7.1: How often does the CEO refer to the board in decision making?

The study sought to know how often the CEO makes decisions without referring to the board

Table 4.9: How often does the CEO refer to Board for decision making?

Likerts scale	Frequency	%
Strongly disagree	3	21.4
Disagree	3	21.4
Agree	4	28.6
Strongly agree	4	28.6
Total	**14**	**100**

This table reveals that 4 (28.6 %) of the respondents strongly agreed and 4 (128.6 %) of the respondents agreed that the CEO does often consult the board in decision making. On the other hand, 3 (21.4 %) of the respondents were disagreed and 3 (21.4 %) of the respondents strongly disagreed. The perception that the CEO is a board member might have influenced the strong response of agreement since his discretion is highly influenced by the board environment characteristics during board meetings. However the operational characteristics should have influenced those respondents who disagreed.

4.8 Influence of strategic decision making process on performance of Alliance Capital Partners Limited.

The fourth objective of the study was to evaluate how strategic decision making process influence performance of Alliance Capital Partners Limited. The respondents were asked how they understood the activity of the board in setting strategic plans for the organization to effectively enhance governance.

4.8.1: How does the board strategic plan influence performance?

The researcher sought to find out from 14 respondents the influence of the board in strategic planning for the organization.

Table 4.10: Activity of board in strategic planning of Alliance Capital Partners Limited

Likerts scale	Frequency	%
Strongly disagree	3	21.4
Disagree	3	21.4
Agree	4	28.6
Strongly agree	4	28.6
Total	**14**	**100**

The findings are presented in the above table reveals that 4 (28.6 %) of the respondents strongly agreed and 4 (128.6 %) of the respondents agreed that the influence of the boards strategic plans in decision making does influence performance . On the other hand, 3 (21.4 %) of the respondents were disagreed and 3 (21.4 %) of the respondents strongly disagreed. The role of the board is to formulate strategic decisions for the organization.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents summary of the findings, conclusions and recommendations made to the study, suggestions for further research and the study's contributions to the existing body of knowledge on the factors influencing corporate governance and performance of organizations-a case of Alliance Capital Partners Limited, Kenya. The chapter is organized in sub themes based on the four objectives which were advanced and investigated: To examine how board composition influence performance, to assess how board characteristics influence performance, to investigate how managerial discretion influence performance and to evaluate how strategic decision making process influence performance of Alliance Capital Partners Limited. Research questions were derived from the objectives of the study. The significance of the study was well outlined. The scope of the study was well stated. The study was confined to directors, top management and other mangers of alliance Capital partners Limited. The sample size was 14 individuals composed of 9 directors and 5 managers. The assumptions of the study were well outlined. The researcher assumed that there was an issue on corporate governance affecting Alliance Capital Partners Limited, there were factors influencing performance and that the respondents would be honest in giving their views.

The Chapter two dealt with introduction; literature review on overview of concept of corporate governance; influence of board composition on performance of organizations; influence of ownership identity on performance of organizations; and looks in details into board size and firm´s performance, gender diversity in the board and its influence on firm´s performance, the average age of directors and firm´s performance; influence of managerial discretion on performance of organizations; influence of strategic decision making process on performance of organizations; theoretical framework for corporate governance's agency theory; conceptual framework and summary of literature review.

Chapter three of the study presented the methodology used in this study. The study was conducted using census survey research design. Census survey research design was the most appropriate because the population was small and it was a case study of one company. The targeted population for this study was 14 members of the company who compromised of directors and management Two types of questionnaires were developed and administered to find out their opinions and views on the factors influencing corporate governance at Alliance Capital Partners Limited. One type was for all the directors and mangers while the interview schedule was administered to the company secretary.

After processing and receiving a research permit from the National Council of Science and Technology, the researcher then proceeded to administer the instrument to all the respondents. The research findings were entered, coded and processed by the researcher and then analyzed using statistical package for social studies and the data presented in frequency tables and percentages.

This chapter presents a summary of based on the findings in chapter four which gives a summary findings, conclusions, policy recommendations and suggestions for further research. The recommendations are based on the objectives of the study.

5.2 Summary of findings

The research was based on the topic: Influencing Corporate Governance at Alliance Capital Partners Limited

One the first question: How does a board characteristic influence performance of Alliance Capital Partners Limited? The study indicates (66.7%) of the respondent directors were male while (33.3%) were female. Research shows that there is positive effect of female directors on organizations ´s outcomes and performance. This shows that the organization adheres to gender parity where the one third gender requirement as per the threshold rule as per the constitution has been met. The educational background of the ACP members did not significantly influence the performance of the organization. The Return on Equity had decreased from 11.8% in 2006 to 2,7% in 2012 within the study and in this aspect it shows that besides an added advantage associated with educational levels of the board and management there were other internal organizational factors influencing the performance trend reported in this study.

One the second research question: How does ownership identity influence performance of Alliance Capital Partners Limited? The findings indicates that of the ownership is 50% individual and (7.1%) of management ownership . The Institutional shareholders are (42.8 %) while there are no other shareholders including the foreigners. This concludes that the organization is locally owned and majority of the shareholders are in the individuals the reason been that this could include the founding members.

On the third research question: How does managerial discretion influence performance of Alliance Capital Partners Limited? From the findings, (28.6 %) of the respondents strongly agreed and (28.6 %) of the respondents agreed that the CEO does often consult the board in decision making. On the other hand, (21.4 %) of the respondents were disagreed and 3 (21.4 %) of the respondents strongly disagreed. The perception that the CEO is a board member might have influenced the strong response of agreement since his discretion is highly influenced by the board environment characteristics during board meetings. However the operational characteristics should have influenced those respondents who disagreed.

On the fourth research question: How does strategic decision making influence performance of Alliance Capital Partners Limited? The study indicates (28.6 %) of the respondents strongly agreed and (28.6 %) of the respondents agreed that the influence of the boards strategic plans in decision making does influence performance. On the other hand, (21.4 %) of the respondents were disagreed and (21.4 %) of the respondents strongly disagreed. The role of the board is to formulate strategic decisions for the organization

5.3 Conclusions

Based on the study findings the following conclusions were made:-

Alliance Capital Partners Limited adheres to the principles of gender parity in its board characteristics with the ratio of male to female been 3:1 Therefore the organization has a well structured board of directors with clear admission procedures therefore the board was independent and reliable and with clear rules and policies on the admission and removal of directors.

The ownership structure is a mix of both individual, institutional and management shareholding. There is no external or government ownership meaning the company is a private owned company. The individual ownership takes half the shareholding. To help promote accountability, ACP separated the roles of Chairman of the board and CEO.

The findings also indicate that the CEO has a great discretion towards management of the organization. This ensured that the CEO who was in charge of the day to day running of the organization and was held accountable to the board. This ensured checks and balances to avoid misuse of the organization’s resources and promote a sound investment company.

However the findings conclude that the board does have a strategic influence on the decisions made to run the organization. The management of ACP played a key role in promoting corporate governance. They did this by cascading information and resolutions of the board down the organization and aiding in the implementation stage. The mangers were kept implementing agents of the resolutions passed at the board level. The board members of ACP were well informed of their strategic role and they were involved in the running of the organization. They provided direction through resolutions passed at the board meetings. To ensure they were available to deal with matters of the organization, the directors were readily available to hold meetings on all matters concerning the organization from time to time as need arose.

5.4 Policy Recommendations

From the above presentation of summary and conclusion the study makes the following policy recommendations on the influence of corporate governance on performance of organizations. A case of Alliance Capital Partners Limited Nairobi Kenya.

First corporate governance plays an important role in deciding the investment opportunity available to the company. Through corporate governance practices, the board delegates its investment authority to the CEO who then works closely with other senior managers of the organization to ensure they invest wisely to maximize shareholders wealth. It is important that ACP observes the laid down rules and regulations especially by regulator the Capital Market Authority to avoid any confrontations. Like in any industry, investment is made of rules and regulations which need to be followed.

The study also recommends that ACP establishes an efficient organization structure that would promote quality and reliable decision making process especially on investment. This is because the stability of an investment firm is important in promoting economic growth. Through wise and calculated investment decisions ACP will create more wealth for the company and shareholders. This will spur economic growth for the economy.

The study also recommends that ACP ensures adherence to the best corporate governance practices. This is because with good corporate governance practices, the company will avoid unnecessary disagreements with other stakeholders hence reduce legal cases which can spoil the good reputation of ACP leading to massive losses of resources. Through good corporate governance practices, ACP will be able to grow and boost shareholders loyalty hence increased profitability in the future.

5.5 Contributions to the body of Knowledge

Table 5.1 Contributions to the body of Knowledge

Objective	Contribution
1. To assess how board characteristics influence performance of Alliance Capital Partners Limited.	The characteristics of good corporate governance are essential for the overall health of a country and its business. The practice of good of governance assists in the development of the country's economy and serves to attract new investment. The spiral effects will include among others investor confidence;-economic growth; empowering people; developing skills; creating infrastructure; fostering entrepreneurship; and creating jobs
2. To evaluate how ownership identity board influence performance of Alliance Capital Partners Limited.	Improving director compensation and increasing proportion of directors compensation in the form of stock and stoke option to enhance participation and ownership. Diversify the ownership pool by including more groups including representation from the stakeholders and development of human capital through the inclusion of broader board of the management team thereby empowering more employees to take responsibility for governance, risk and compliance related matters.
3. To investigate how managerial discretion influence performance Alliance Capital Partners Limited	As the global businesses become more competitive , directors will need to deploy extraordinary measures to keep themselves informed of the increasing rules for business survival these being found within the evolving laws, regulations and codes for good corporate governance practices. Directors and mangers may well be cautioned to know that the market and their personal action go hand in hand. A system of setting goals and evaluating the performance of individual directors, board committees and the board as a whole should be put in place. They must adhere to the law and their fiduciary duties, including the behavior expected of them.
4. To evaluate how strategic decision making process influence	Development of risk management which can be defined as the business process that responds to every conceivable type of risk in any organization and business continuity management which focuses on those aspects that may disrupt or impact heavily on a company's

performance of Alliance Capital Partners Limited	strategy, operations, key products and services. Sound risk management and internal control frameworks, tailored to the specific circumstances of the company, should be part of the daily operational activities of a company and should not be viewed independently of normal business activities.

5.6 Suggestions for further research

1. A study can be carried out to establish appropriate frameworks conducive to good corporate governance and encourage the establishment of an integrated and coherent legislative and policy framework to guide both the listed and unlisted private companies

2. A study can be done to investigate how basic standards of corporate social responsibility as part of corporate governance legislation and regulation, in order to encourage firms to grow in a socially and environmentally responsible way.

3. A study can be done to establish and increase awareness of the importance of good corporate governance among corporate stakeholders, in particular owners of very small and small enterprises.

4. A study can be done to find out how to broadening the understanding within the financial and investment sectors about the benefits of good corporate governance standards among target clients (large or small, public or private) in order to minimize the risk of investing and to maximize potential returns.

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APPENDICES

Appendix I: Alliance Capital Partners Limited Performance Report since Incorporation in 2006 to 2012

Year	Total Revenue	Net Profit	Expenses	Total Assets	Shareholders' Fund	Total Debt Capital
2006	3.1m	1.4m	1.7m	10.6m	0.9m	1.6m
2007	1.5m	(5.9m)	7.4m	9.4m	3.1m	4.3m
2008	15.3m	4.9m	10.4m	17.1m	12.8m	2.0m
2009	16.7m	(3.1m)	16.8m	20.9m	5.0m	3.8m
2010	20.3m	3.8m	16.5m	37.8m	24.2m	9.03m
2011	15.2m	2.7m	10.5m	34.4m	26.9m	3.7m
2012	35.5m	12.3m	19.8m	105.0m	39.5m	22.7 m

Appendix II. Letter of Transmittal

ROBERT MWANGI GACIRI

UNIVERSITY OF NAIROBI

DEPT OF EXTRA MURAL

STUDIES

P.O BOX 2461-00400

KISII

Dear Sir/Madam,

RE: <u>Influence of Corporate Governance on Performance of Organizations Study Case of Alliance Capital, Nairobi- Kenya</u>

I am a Masters of Arts degree in Project planning and Management candidate in the Department of Extra Mural, School of Continuous Studies Education, University of Nairobi. As part of the requirement for the award of the degree I am expected to undertake a research study on an identified contemporary topic. This study is purely for academic purpose and NOT for any other purpose. Your views as director, manager and as a partner of the company are crucial to the success of this study. Please complete to the best of your ability, the questionnaires enclosed herein following the instructions given after each item, and return your completed questionnaire to the researcher. Your cooperation will be highly appreciated and any information given shall be treated as strictly private and confidential.

In case the study will be of interest to your organisation.It can be availed once the study is completed. Your participation in this survey is highly appreciated.

Yours Faithfully,

ROBERT MWANGI GACIRI

Appendix III: Questionnaire and Interview Schedule

Kindly respond to the following questions to the best of your ability. This is an academic research towards fulfilling the requirement of the award of Master of Arts degree in Project Planning and Management of the University of Nairobi. The aim of this research is to examine the Influence of Corporate Governance on Performance of Organizations. A Case of Alliance Capital Partners Limited, Nairobi Kenya. This information will be confidential and shall be used for the purpose of this study.

SECTION A: PERSONAL INFORMATION

1) What position do you hold in the company?
   a) Director ( )
   b) Manger ( )
   c) Company Secretary ( )
   d) Others ( )
   (Please specify)……………………………………………

2) What is the nature of your shareholding?
   a) Individual ( )
   b) Institutional ( )
   c) Management ( )
   d) Others ( )
   (Please specify)……………………………………………

3) Please indicate your age in years
   a) Below 30 ( )
   b) 30 – 39 ( )
   c) 40 – 49 ( )
   d) Above 50 ( )

4) Please indicate your gender
   Male ( ) Female ( )

5) Which board committee do you belong to?
   a) Audit, risk management and governance ( )
   b) Finance and investment ( )

c) Nominantion,compensation and remuneration ( )

d) Others ( )

(Please specify)……………………………………………

6) Please indicate your educational level

a) High School graduate ( )

b) Bachelor's degree ( )

c) Masters ( )

d) PhD (Doctorate) ( )

7) How long have you been associated with Alliance Capital Partners Limited?

Less than 1 year ( )

1-2 years ( )

3-4 years ( )

Above 6 years ( )

SECTION B: ORGANIZATIONS INFORMATION

Using a ranking scale of **1-5** where:-

1. Not at all ( )
2. Somewhat ( )
3. Well ( )
4. Moderately well ( )

8) How well has the organization established its mission and vision?

(1) (2) (3) (4) (5)

9) How active is the board in setting strategic plan of the organization?

(1) (2) (3) (4) (5)

10) How clearly separate are governance and management responsibilities?

(1) (2) (3) (4) (5)

11) How effectively are committees used in enhancing governance?

(1) (2) (3) (4) (5)

12) How strategic is the board in its deliberation and functioning?

(1) (2) (3) (4) (5)

13) How well does the organization ensure effective development of its human resources?

(1) (2) (3) (4) (5)

14) How well are the owners of the organization engaged in receiving and reviewing the Audit Reports?

(1) (2) (3) (4) (5)

15) How effective does the board communicates with the shareholders in general?

(1) (2) (3) (4) (5)

16) How strong is the organizations' reputation?

(1) (2) (3) (4) (5)

17) How often do managers make decisions without reference to the CEO and Board?

(1) (2) (3) (4) (5)

18) How confident are the managers in making decisions?

(1) (2) (3) (4) (5)

19) How clearly are results related to manger's personal initiative?

(1) (2) (3) (4) (5)

20) How effective is the governance of this organization?

(1) (2) (3) (4) (5)

21) How well is the power/authority divided among shareholders, board members and management?

(1) (2) (3) (4) (5)

22) How well does the CEO selection process result in the most qualified person?

(1) (2) (3) (4) (5)

23) How would you access your company's relationship with its financiers(i.e. banks,finacial institutions, creditors e.t.c)

(1) (2) (3) (4) (5)

24) Does this organization have a special program for employees and managers to acquire shares?

(1) (2) (3) (4) (5)

25) Within the last twelve months which of the following agenda item has/have occupied the company's strategic plan.

AGENDA	RANKING
Major Capital Investment	
Corporate Strategic Plan	
Asset and Financial Viability	
Risk Management	
Shareholders Relations	
Directors' Appointment	
Succession Planning of Top Management Team	

Appendix 1I1.Interview Schedule

Kindly respond to the following questions to the best of your ability. This is an academic research towards fulfilling the requirement of the award of Master of Arts degree in Project Planning and Management of the University of Nairobi. The aim of this research is to examine the Influence of Corporate Governance on Performance of Organizations. A Case of Alliance Capital Partners Limited, Nairobi Kenya. This information will be confidential and shall be used for the purpose of this study.

PART OF COMPANY SECRETARY

1) How are the board members appointed?
   a) Nomination ( )
   b) Committee ( )
   c) Shareholders ( )
   d) Annual General meeting ( )
   e) Other ( )
   (Please Specify)…………………………………………………….
2) Are Board members given letter of appointment clearly spelling out what their role is including the terms and conditions of engagement?

   Yes ( ) No ( )
3) What is the period of service of the directors?

Three Years		Five Years		Others(Please specify	
Four Years		Six Years		Until they opt out	

4) Upon expiry of their first term are directors eligible for appointment?

   Yes ( ) No ( )
5) If yes (above), for how many more terms?

   One ( )
   Two ( )
   Three ( )
   Indefinite ( )

6) Does the Board observe gender parity in appointment of Board members?

Yes ( ) No ( )

7) Please indicate the ratio of male to female board members……………………………

8) Please indicate how often the board meetings have been held in each of the years.

Year	Annual	Quarterly	Every Six Month	Monthly	Fortnight	Weekly
2006						
2007						
2008						
2009						
2010						
2011						
2012						

9) Please ,indicate the average duration in hours per board meeting

(Tick only one choice)

A	Full Day		c	Two Hours		e	30 minutes	
B	Half Day		d	One Hour		f	Less than 30 minutes	

10) Indicate by tick( ) your opinion or regard in the statements below:-

Using the scale:-Strong Agree (SA); Agree (A); Undecided (U); Disagree (D), Strong Disagree (SD)

	STATEMENT	SA	A	U	D	SD
1	Board members receive the annual calendar of events					
2	Board members are briefed monthly by management on issues of strategic importance and company performance					
3	Our company has a corporate governance structure					

11) How often does the management provide information to the board?

A	Monthly		c	Every Six Months		e	Others(Please specify)	
B	Quarterly		d	Annually				

12) From the following list please indicate the number of board members in each category of specialization.

SPECIALIZATION	NUMBER OF BOARD MEMEBERS
Finance	
Human Resources	
Public Affairs	
Legal	
Information Technology	
Accounting	
Others(please specify)	

THANK YOU FOR PARTICIPATING IN THIS STUDY

Please return this completed questionnaires in the self addressed

APPENDIX IV

THIS IS TO CERTIFY THAT:
MR. ROBERT MWANGI GACIRI
of UNIVERSITY OF NAIROBI, 0-20100 NAKURU,has been permitted to conduct research in *Nairobi County*

on the topic: *INFLUENCE OF CORPORATE GOVERNANCE ON PERFORMANCE OF ORGANIZATIONS.A CASE OF ALLIANCE CAPITAL PARTNERS LIMITED,NAIROBI.KENYA*

for the period ending:
29th December,2014

Permit No : NACOSTI/P/14/4541/4182
Date Of Issue : 2nd December,2014
Fee Recieved :Ksh 1,000

....
Applicant's Signature

....
Secretary
National Commission for Science, Technology & Innovation

CONDITIONS

1. **You must report to the County Commissioner and the County Education Officer of the area before embarking on your research. Failure to do that may lead to the cancellation of your permit**
2. **Government Officers will not be interviewed without prior appointment.**
3. **No questionnaire will be used unless it has been approved.**
4. **Excavation, filming and collection of biological specimens are subject to further permission from the relevant Government Ministries.**
5. **You are required to submit at least two(2) hard copies and one(1) soft copy of your final report.**
6. **The Government of Kenya reserves the right to modify the conditions of this permit including its cancellation without notice**

REPUBLIC OF KENYA

NACOSTI

National Commission for Science, Technology and Innovation

RESEARCH CLEARANCE PERMIT

Serial No. A 3821

CONDITIONS: see back page

Appendix V

NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY AND INNOVATION

Telephone: +254-20-2213471, 2241349, 310571, 2219420
Fax: +254-20-318245, 318249
Email: secretary@nacosti.go.ke
Website: www.nacosti.go.ke
When replying please quote

9th Floor, Utalii House
Uhuru Highway
P.O. Box 30623-00100
NAIROBI-KENYA

Ref: No.

Date:

2nd December, 2014

NACOSTI/P/14/4541/4182

Robert Mwangi Gaciri
University of Nairobi
P.O. Box 30197-00100
NAIROBI.

RE: RESEARCH AUTHORIZATION

Following your application for authority to carry out research on ***"Influence of corporate governance on performance of organizations. A case of Alliance Capital Partners Limited, Nairobi, Kenya,"*** I am pleased to inform you that you have been authorized to undertake research in **Nairobi County** for a period ending **29th December, 2014.**

You are advised to report to **the Chief Executive Officer, Alliance Capital Partners Limited, the County Commissioner and the County Director of Education, Nairobi County** before embarking on the research project.

On completion of the research, you are expected to submit **two hard copies and one soft copy in pdf** of the research report/thesis to our office.

DR. S. K. LANGAT, OGW
FOR: SECRETARY/CEO

Copy to:

The Chief Executive Officer
Alliance Capital Partners Limited

The County Commissioner
Nairobi County.

+