EFFECT OF OWNERSHIP STRUCTURE AND CORPORATE GOVERNANCE ON PERFORMANCE OF LARGE SUPERMARKETS IN NAIROBI COUNTY

BY

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DECLARATION

I, the undersigned, declare that this research project is my original work and has not been submitted for a degree in this or any other university.

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SUPERVISOR'S APPROVAL

This research project has been submitted for examination with my approval as the university supervisor.

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ABBREVIATIONS AND ACRONYMS

CBD	Central Business District
KAM	Kenya Association of Manufacturers
NCC	Nairobi City County
ROA	Return on Assets
ROE	Return on Equity
ROI	Return on Investment
SCM	Supply Chain Management
SPSS	Statistical Package for Social Sciences
UON	University of Nairobi

ABSTRACT

Firms with good corporate governance provide transparent disclosures and are friendly to stakeholders, including investors, customers, employees and the society. Despite divergence of findings in previous studies on corporate governance, ownership structure, and organizational performance, there is apparent consensus among scholars that ownership structure is a key determinant of organizational performance, with corporate governance differences confounding this relationship. The study attempted to answer the research question: What is the effect of ownership structure and corporate governance on firm performance of large supermarkets in Nairobi County? The study used descriptive survey design and was guided by both agency and stewardship theories. The study used linear regression to determine the influence of corporate governance and ownership structure on organizational performance in the supermarkets in Nairobi County. The study determined none of the corporate governance dimensions, except the internal governance statistically influenced organizational performance. Ownership structure, was also found to be statistically insignificant with respect to its influence on organizational performance. The study, however, proposes further research on the moderating and mediating influences on the relationship among the study variables since this was not part of the study scope.

Key Words: Corporate Governance; Organizational Performance

CHAPTER ONE

INTRODUCTION

1.1 Background

Ownership structure plays a big role in the maximization of shareholders' wealth, and corporate governance is important in the increase of market value of a firm (Okiro, 2014). Sound corporate governance framework helps assure stakeholders that there interests will be take care off; even though it is still considered as a feeble link in Africa's economic development and organizational performance. Firms with good corporate governance provide transparent disclosures and are friendly to stakeholders, including investors, customers, employees and the society (Cadbury, 1992). Despite divergence of findings in previous studies on these concepts, there is apparent consensus among scholars that ownership structure is a key determinant of organizational performance, with corporate governance differences confounding this relationship.

The study sought to use postulations of agency and stewardship theories to investigate the relationship between ownership structure, corporate governance and organizational performance. Whereas the former prdicts that where ownership and control of an organization are the same, there is bound to be no agency problem hence maximization of organization performance (Alimehmeti & Paletta, 2012), the latter argues that there ought to be no concerns about separation of ownership and control since the agents (controlling firms on behalf of ownership) will often make strategic choices that are the best interest of the principles, thereby maximizing organizational performance (Ali & Gondal, 2013).

The study is motivated by the increasing cases of poor performance among key supermarkets in Kenya, with a few reporting sharp performance deviations culminating to collapse. Tentative arguments have associated the same to corporate governance challenges in these organizations, partly attributable to their ownership structure. Even though there have been attempts to draw empirical evidence in this regard, no study has focused on the association between the two concepts in the supermarket context in Kenya. Furthermore, similar studies in foreign contexts have yielded mixed findings thereby presenting conceptual gaps, hence continued research opportunities.

The dynamics that have taken place in the retail industry in Kenya since the 1990s are unprecedented. Once characterized by a small family-owned shops and stores that provided a limited assortment of have developed into giant supermarkets, with some of them becoming multinationals only to close their outlets outside Kenya amidst performance crises. According to Jeong et al. (2000) an organization that has more than one hundred full-time employees is considered large. Therefore, According to a list from the Nairobi County Government (2017), there are one hundred and eleven large supermarkets in Nairobi County.

1.1.1 Ownership Structure

Ownership structure has been defined by Mikael (2009) as the relationship between the owner(s) and the firm itself. Recent cases of distress, poor financial performance and conflicts in top rated supermarkets in Kenya have raised serious doubts in many pundits' analysis and view on the future sustainability of the gloried achievements of the giants in the retail industry.

Seeing even cases of supermarket firms quoted in the Nairobi Stock Exchange (NSE) struggling financially has cast a dark shadow on the future of these firms with many questions being raised as to the reasons and causes for the decline in performance of these firms. Among the key questions that have been raised by many observers is the relationship between ownership structure and corporate governance to the performance of firms generally. Previous studies have mainly looked at this subject at firm level with little or no studies ever done on these issues relative to the supermarkets locally. Ogega (2012) concluded and revealed that that ownership structure positively affects the financial performance of commercial banks in Kenya.

The study further revealed that there was strong positive relationship between ownership structure and financial performance of commercial banks in Kenya. This study concludes that ownership structure positively affects the financial performance of commercial banks in Kenya. Mikael (2009) focused extensively on profitability of supermarkets by looking at the effects of scale of operation, local market conditions, and conduct on their economic performance.

1.1.2 Corporate Governance

Through corporate governance system, concerns get directed and controlled (Cadbury, 1992). The concept of corporate governance therefore entails the network of relationships, rules as well as procedures put in place to check the agency problem. This concept is, for instance, still considered feeble among Asian firms, not because the link does not exist but because most of the studies that have been done focusing on the association between ownership and firm value have overlooked the instruments that mediate the relationship.

Nonetheless, owners with different capacities portray distinct behavioural traits and preferences for practices of corporate governance that impact the performance of firms. According to Craig (2005) corporate governance is multidimensional since it assumes various forms on the global context, based on the owners' relative power, influence of managers, as well as the relative power of the providers of capital. The concept relates to the laws, procedures, policies, and customs affecting the manner in which concerns are administered, directed, or controlled.

Among the major objects of corporate governance is to foster systems for transparency as well as accountability among those involved in decision making within the concerns (Okiro, 2014). Some of the indicators of corporate governance according to Mikael (2009) include: process governance; functional governance; as well as internal governance. Process governance refers to the governance activities that relate to value chain activities; functional governance relates to those rules and procedures that relate to the various departmental operations; and internal governance relates to those that relate to the credibility of the internal control system (Okiro, 2014; Craig, 2005).

1.1.3 Firm Performance

Existing literature on the concept of organizational performance have consistently related the former to value of the said concern. According to Black et al. (2006) for instance, value of the organization is impacted by corporate governance since the latter results to decreased levels of expropriation of the expected cash flow by insiders, what should have otherwise been distributed to the investors as well as other interested stakeholders. A suitable indicator of performance ought to be important to the concerned organization, relevant and measurable (Okiro, 2014).

Both accounting as well as market related measures of financial performance have widely been used in past empirical investigations. Non-financial measures include those that relate to the customer satisfaction, learning and growth, and business processes. The financial measures can be classified as accounting-based or market-based measures (Black et al., 2006).

Some of the most commonly used measures of customer satisfaction is the customer satisfaction rating, while that of learning and growth is employee satisfaction. Other measures of performance in this regard are: Average term for paying the suppliers (TS); welfare of the employees; inventory levels; and compliance to tax returns. The current study is therefore driven by the highlighted measures of firm performance.

1.1.4 Large Supermarkets in Nairobi County

Retailing in developing countries such as Kenya is gradually inching its way towards becoming the next booming sector. The changes that have taken place in the retail industry since the 1990s are unprecedented. Once characterized by a small family-owned shops and stores that provided a limited assortment of goods, the retail landscape in Sub-Saharan Africa has experienced monumental change owing to the development of big retails.

The gradual but significant influx of big international retail chains has changed the landscape, modernized the industry, and tightened competition to the dismay and disadvantage of local supermarkets (Phambuka-Nsimbi et al., 2015). Although the general picture is that entrants into the market bolster foreign direct investment and consequently boost the economy, key players in the local retail market are currently facing a myriad of challenges with their survival at stake.

The arrival of self-service stores changed the manner in which people shop all around the world, but various market changes have set in challenging the survival of key players.

Shifts, both economical and shopping behaviour of consumers, in the retail market, are forcing Kenya's biggest supermarkets to entirely rethink their business models or face closure (Kariuki, 2011). In recent economic reports, Uchumi, one of the biggest supermarkets in Kenya is known to have succumbed to economic challenges while Naivas and Tusky's are reported to facing challenges paying their suppliers (Achuka, 2017).

1.2 Research Problem

The association between ownership structure, corporate governance, and performance of concerns has attracted great empirical debate in strategic management, as well as in other relevant fields. The debate has been documented in business economics since the seminal work of Adam Smith published in 1776 entitled "the Wealth of Nations". Agency problem automatically arises due to the disaggregation of ownership and control of concerns. The central issue of concern is that poor governance structures may arise from structures of ownership with family-based businesses suffering greatly owing to methods of running a business that does not spur productivity (Volberda et al., 2006).

The ownership and governance of firms all over the world has been shown to be a major factor in the performance of firms (Bhagat & Bolton, 2013). The retail sector has been under great scrutiny and criticism over governance structures, especially for small retailing firms that are family owned. In Nairobi County, the large supermarkets including Uchumi and Nakumatt have faced significant performance challenges, with interim arguments attributing such problems to their ownership structure, and corporate governance practices. Accordingly, Nakumatt has for instance, announced plans to close some of its branches in response to financial challenges (Ngugi, 2017), with similar cases reported in the entire East African region (Masinde, 2016). Various studies have been conducted both internationally and locally. Jensen (2001) studied the effect of Board size on the performance of manufacturing firms in Singapore. Even though the study determined that small Boards tend to have greater impact on organizational performance, it focused mainly on the manufacturing sector hence such findings may not be applicable to the retail industry. Bhagat and Bolton (2008) conducted study on the association between the duality of CEO and performance of concerns managed by those CEOs in South Africa. The study identified a significant correlation between CEO-Chair separation and performance. However, the study did not specify the economic sector on which the investigation was based.

The study also used a sample of less than thirty data points, with the analytical model being non-parametric. Others such as Smith et al. (2006) did a study on the effect of gender representation in boards and organizational performance in the United Kingdom. Even though the study established that inclusivity of a board through incorporation of female members appeared to boost corporate images of the concerned corporations thereby impacting performance positively, it focused only on one dimension of corporate governance leaving out most of them unstudied. The study also used exclusively secondary data, thereby being susceptible to the multiplier effect of errors as a result of analysis.

In Kenya, Ogoro and Simiyu (2014) studied the association between audit committee and organizational performance in the public sector. It was determined that audit committees were required to have a number of characteristics for effective operation in their roles of vetting the integrity of financial statements to enhance performance. However, the study focused exclusively on the public sector, thereby leaving out the private sector despite the corporate governance and performance challenges facing them.

Others such as Okiro (2014), Aduda and Musyoka (2011), as well as Ongore and K'Obonyo (2011) studied the effect of corporate governance on financial performance of various sectors in Kenya. However, all the studies focused only on the financial performance, thereby leaving the non-financial dimensions unstudied despite their importance in the sustainable growth and development of those firms. It is evident from the foregoing studies that each of them have focused on one dimension of corporate governance at a time, with financial performance receiving more research attention than the non-financial ones.

It is evident that although attempts have been made to empirically establish the association between various dimensions of corporate governance and performance of organizations, conceptual gaps such as narrow focus of variable dimensions, contextual gaps including exclusive focus on foreign as well as public sector contexts, and methodological gaps such as use of non-parametric analytical models still exist. It is for this reason that the study attempted to answer the research question: What is the effect of ownership structure and corporate governance on firm performance of large supermarkets in Nairobi County?

1.3 Research Objective

The objective of the study was to investigate the relationship among ownership structure, corporate governance and performance in large supermarkets in Nairobi County.

1.4 Value of the Study

The study would provide useful data for the development of policies that would be geared towards increasing the economic sustenance of the country through bolstering retail chains. The competition authority of Kenya would equally apply the data from the research in decision making since it would assist in developing well-informed policies and rubrics to assist both local and international players in the retail sector to compete fairly.

Managers in supermarkets would gain invaluable insight that would guide them in making necessary changes in their firms to enable the processes of governance to reap the right results. In specific, the study would draw important lessons for success and best practices from global chains that are seemingly performing well in the local retail market to benefit struggling retail giants in the local market.

The findings would contribute to the literature on the winning strategies for retail giants in the supermarket chain in developing countries. For investors, the information would be beneficial in determining the viability of putting their stake to local supermarkets in the region. Researchers and academicians would also use the information to further their research areas.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This section entails a review of the literature on organizational structure, corporate governance, and firm performance. It comprises both theoretical as well as empirical literature review on the key study variables. The literature is both theoretical and empirical.

The theoretical literature include a review of the postulations of agency and stewardship theories. Agency theory is appears to be more pessimistic in perspective while stewardship theory is more optimistic in terms of their predictions on the relationship between management and the ownership of the firm.

Empirical literature has been reviewed along the paired relationships among the key study variables, namely: ownership structure, corporate governance, and performance of concerns. Some of the major researchers on this subject include: Russell (2017), Atkinson and Stiglitz (1980), and Dulewicz & Herbert (2004), among others.

2.2 Theoretical Foundation

This part reviews various theories in light of the association between ownership structure, governance of corporations, and the effects of the two on corporate as well as economic performance. It first recapitulates and builds on the agency theory and then proceeds to the stewardship theory. The underlying factors that promote efficient corporate governance are examined and some strengths, as well as weaknesses of family-owned versus public and franchised firms, are compared in terms of governance structures and performance.

The theories discussed below build up to the empirical literature on ownership, governance, and performance. Jensen and Meckling (1976) postulate that ownership structure matters not only in regard to the number of shares that insiders own but also with regards to the concentration of the holdings of the external shareholders. Contrary to the postulations of agency theory that emphasizes that agents are economically rational beings and would maximize personal benefits given an opportunity, theory of stewardship emphasizes the psycho-social dynamics in explaining the behavior of managers and the motives for decision making.

2.2.1 Agency Theory

Ownership structure matters not only in regard to the number of shares that insiders own but also with regards to the concentration of the holdings of the external shareholders (Jensen & Meckling, 1976). Arguably, big shareholders monitor the management in a much better manner than smaller shareholders owing to the fact that they internalize bigger parts of the costs of monitoring and have a significant amount of voting rights that can influence the decisions of the corporation (Alimehmeti & Paletta, 2012).

Additionally, a range of other methods of harmonization of interests of the owners with those of managers has been presented to assist in reducing the cost of the agency. This view has been considered by researchers in assessing the impact of the structure of ownership on various mechanisms of accounting. This is rarely a new perspective as other scholars have already looked at it. There are also other views other than the agency theory that assists in understanding the corporate governance issue.

Several authors, including Fangwong and Desai et al (2015) have suggested that high stakes in shares in a firm might lead to the acquisition of private benefits by managers that do not benefit other shareholders. Agency theory predicts that firms that have multiple ownership tend to have a difference between ownership and control, thereby presenting agency problem. According to this theoretical prediction, there is need to establish sound corporate governance systems to resolve such agency problems. Further, from this prediction, ownership structure of a firm will tend to influence performance of a firm, with corporate governance systems intervening the relationship. Agency theory, however, overly emphasizes economic rationality of agents and seems to be pessimistic in perspective.

2.2.2 Stewardship Theory

Contrary to the postulations of agency theory that emphasizes that agents are economically rational beings and would maximize personal benefits given an opportunity, theory of stewardship emphasizes the psycho-social dynamics in explaining the behavior of managers and the motives for decision making. This perspective considers managers as role holders as opposed to mere agents.

In this regard, role holders are motivated by the desire to comply with the set standards, seek intrinsic motivation at work, and will strive to perform well on the job. This proposition has considerably been supported by Ali and Gondal (2013) who posit that stewards by nature are responsible employees who seek to subordinate self to corporate interests. Under this theoretical orientation, harmony of interest between ownership and control is presumed hence no need for agency costs.

Put differently, stewardship theory is underpinned by psychosocial while agency theory is underpinned by economic explanations for strategic choices of managers. Others such as Daily (2003) posit that driven by the need for reputational preservation, managers and executive directors tend to focus on the corporate as opposed to self-interests. The prediction of stewardship theory therefore, is that both corporate governance and ownership structure impact performance of concerns.

Stewardship theory predicts favorable intentions and actions of agents in the management of firms. Therefore, it postulates that there may be no need for elaborate corporate governance systems since there is bound to be no agency problem as such. Stewardship theory however does not take into consideration the possible influences of economic mischief among managers, with previous empirical evidences coming to a conclusion that agency problem is indeed a reality.

2.3 Empirical Studies and Knowledge Gaps

Academic interest on the association among ownership structure, corporate governance, and performance of concerns has developed over the last four decades. For instance, Jensen and Meckling (1976) concluded that disaggregation of control and ownership typical of the modern day concern, has a great potential for conflict of interest. A study by Kiruru (2013) determined that ownership by the state was considered less efficient given the insufficient monitoring framework. However, neither of the studies employed correlational techniques since both were exploratory in nature. A determination of the association between the two variables was therefore not possible.

Similarly Najib et al. (2011) concluded that state-owned concerns had a general lack of entrepreneurial motivation with dominant political as opposed to commercial focus, a phenomenon that adversely impacted performance of those concerns. Consistent with the postulations of agency theory therefore, the study determined that dominant government stake-holding negatively impacted performance of organizations. Other studies have however come to a conclusion that the two variables are positively correlated.

In France for example, Mrad et al. (2012) assessed the conflation between residual state ownership, organizational performance and value addition over the post-privatization time horizon. The study concluded that value added in the post-privatization time scope had plummeted. However, because the study was done in the Asian context, the findings of both studies may not be applied to the Kenyan setting due to its (Kenyan) unique ownership practices.

A study by Zeitun (2009) focused on the association between ownership structure and performance of concerns. The study utilized a panel estimation incorporating 167 concerns of Jordanian origin covering the period 1989-2006. The research concluded that there was a negative and significant association between ownership structure and accounting performance of the organizations surveyed. However, the study used a categorical scale (either government or private owned) in the study, the sub-structures of private shareholding were not investigated, thereby rendering the analytical model incapable of bringing out the association effect of mixed ownership structure on performance.

A study by Uche (2004) and Akinsulire (2006) came to a conclusion that corporate governance structure is the basis for specifying rights and responsibilities to the various organizational stakeholders. They include the shareholders, the board, management, clientele, and staff. According to the study, a system of corporate governance avails the standards for decision making with respect to the management of affairs of the organization. The study determined that by so doing, corporate governance avails a framework for objective setting, strategic choice, strategy implementation, and monitoring. However, the study focused mainly on financial performance, with no attention on the non-financial measures.

Separate studies by Rwegisira (2000) as well as Mulili and Wong (2011) established that corporate governance provides a direction for strategic action, administration, and operation. According to both studies, corporate governance is the platform through which strategic objectives are pursued since it is the bond that holds the various stakeholders together, including management and the board. The study further established that through a system of corporate governance, it was possible to deal with the potential for agency complications. However, the study used limited number of corporate governance dimensions, hence casting doubt as to the validity of the findings. Others such as Ogoro and Simiyu (2014) concluded that in public sector, audit committees which are a key element of corporate governance, are required to have a number of characteristics for effective operation in their roles of assuring financial reporting credibility.

The study used dimensions such as independence of executive directors, represented by incorporation of non-executive directors in the board, directors' term of service, audit committee's size and financial expertise, and number of committee meetings per a unit time as proxies for measuring the effectiveness of boards in Kenya. A study by Beyanga (2011) determined that effective audit system could, specifically, lower overhead costs, and generally ensure financial probity of the concerned institutions. However, both studies, although done in Kenya, did not focus specifically on the large supermarkets despite their unique corporate governance and performance challenges. The association between ownership structure, corporate governance, as well as performance of concerns have been studied for long.

A study by Atkinson and Stiglitz (1980) established that, traditionally, government ownership of firms, including supermarkets, had a significantly positive impact on general performance while curing market failure. According to the study, under significant social costs of monopoly, state ownership is deemed to be the main mechanism for the restoration of citizen's purchasing power. However, they also determined that organizations that outsource their directors are prone to debt as non-executive directors are instrumental in the enhancement of the concern's capability to appeal to external stakeholders. The study, however, did not specify the sampling criteria despite its potential impact on the findings. Others such as Dulewicz and Herbert (2004) also determined that all company boards have in their jurisdiction the power to handle or govern all actions that the company proposes as they have access to the shareholders and managers.

Others such as Mahenthiran and Kasipillai, (2012) found that companies with a large board of directors have constantly been tied to increased performance as this body exerts constant pressure on the managers who increase their efforts and ensure company progress. However, neither of the studies addressed the challenges facing the large supermarket chains such as the ones experienced in Kenya. Finally, Mizrahi (2009) concluded that the management of particular a country can be influenced by external block shareholders who usually have in the possession incentives that they can utilize to protect their investments. These investors usually subject the management into intense scrutiny in order to ensure that their wealth is secured and that the company heads do not engage in activities or make decisions that would be detrimental to both them and the company.

The study also established that when they increase their shareholding, the extent by which they monitor the management also increases, thereby improving firm performance. This conclusion was also arrived at by Okiro (2014), Aduda and Musyoka (2011), as well as Ongore and K'Obonyo (2011), all from Kenya. None the less, all these studies used only the financial measures of performance, at the expense of the non-financial indicators which are equally important for corporate growth.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This section is a presentation on the proposed methodology for the current study. Methodology is basically a set of methods and operations that was used to carry out research; the fundamental assumptions underpinning a given study relative to the scientific method (Mugenda, 2003).

The study used case study research design, described by Kothari (2004) as a detailed and in-depth examination of a unit of study; and it involves depth as opposed to the breadth of a study. Cooper et al. (2003) also assert that a case study emphasizes more on detailed contextual scrutiny of less events or conditions and there conflations.

As detailed below, the study has adopted a case study design hence there is neither a study population nor sample. Senior managers of the large supermarkets in Nairobi, Kenya, and board members were interviewed since they are the strategic level of management. In this regard, primary data were collected using an interview schedule and analyzed by content analysis method.

3.2 Research Design

The study will use a descriptive, cross-sectional survey design because of it is appropriate to carry out quantitative data analysis economically but still meet the study purpose. Descriptive survey design facilitates an understanding into the underlying attributes of the study subject, including distribution and variation.

The cross-sectional component of the design facilitates collection of data at one instant. This has advantage of time since it will enhance completion of the study, and hence the academic process as stipulated by the university policy. Cooper & Schindler (2006) describe a descriptive study as that which involves a phenomena description or of characteristics associated with a subject population.

This design has been selected because it is consistent with the study objectives, nature of data to be collected, scope of the research, and the type of analyses to be undertaken. This will partly contribute to practicality canon of any research process. Others that have used the research design before include Okiro (2014) and Awino (2007).

3.3 Population of the study

The target population of this study were supermarkets based in the Nairobi City County classified as large supermarkets. The number of employees was used as a measure of size, with supermarkets having at least one hundred full-time employees considered large. The following list was extracted from the Nairobi City County, IC & E-Government Sector. The list comprises of all the registered supermarkets together with their branches in the various locations within Nairobi City County will comprise the sample frame.

According to NCC (2017) there were one hundred and eleven large supermarkets in Nairobi County, and all of whom comprise the study population for the proposed study. The large or hyper supermarket as classified by the Nairobi City County; and supermarkets listed as businesses in Nairobi by the Nairobi, Kenya will hence be drawn from the sample frame. Therefore, branches of supermarkets that are otherwise not large supermarkets were excluded from the study. This population has been chosen because the contextual research problem is domiciled within it.

3.4 Sampling Design

Kothari (2004) explains sampling as the selection of some part of an aggregate or totality on the basis of which judgment or inference regarding the aggregate or totality is made. From the listing of supermarkets in Nairobi City County, two units were sampled, namely: the head office and oldest branch in Nairobi County. The former was deliberately sampled because it hosts the top management team of the organization, while the latter was purposely included in the sample due to its longest institutional memory. Further, this study has considered large or hyper supermarket as outlined in the inclusion and exclusion criteria. As such, the thirty five large supermarkets were included in the study.

This is because they meet the set threshold to meet the objectives of the study. According to Mugenda and Mugenda (1999), the minimum threshold for regression analysis is thirty. This sampling design has been selected because it will meet the study objective of determining the effect of ownership structure and corporate governance on firm performance of large supermarkets in Nairobi County. The sampling design will also enhance economic completion of the study while remaining true to the canons of scientific enquiry.

3.5 Data Collection

Primary data with quantitative and descriptive attributes were used in the proposed study. A structured research questionnaire, captured in Appendix II, has been developed to collect data on each of the three study variables. Descriptive statements in a rating scale were presented to respondents, on which they were expected to rate the level to which they perceive specific sentiments as descriptive of the circumstances in their firms.

The questionnaire will have 5-point rating scale within the continuum “strongly disagree” (1) to “strongly agree” (5) was used to elicit responses on most of the items on the questionnaire. The questionnaire was divided into five parts: part A will collect data on the characteristics of the large supermarket; while parts B, C, and D will collect data on ownership structure, corporate governance and firm performance respectively.

The questionnaires administration was via drop and pick technique and will target Chief Executive Officers of large supermarkets in Nairobi, Kenya. Questions drawing responses on each measure were used together reduce common bias. Technically, the researcher will work together with a few research assistants to help in the questionnaire administration and processing. Secondary data will also be obtained where applicable from the books of accounts, especially for the firm performance variable.

3.6 Data Analysis

Completed questionnaires were edited accordingly, coded and entered into SPSS version 23, in readiness for actual analysis. Data analyses comprised numeric measures and were done using descriptive statistics. It helped to depict the data distribution, including measures of central tendency and dispersion.

Multiple regression model was used to measures association between the variables as stated in the objective of the study. The study analytical model was guided by the regression model below:

$Y = \alpha+\beta 1X1+\beta 2X2+ \beta 3X3+\beta 4X4+\mu i$

Where,

Y= Composite score for Organizational Performance

X1= Composite score for Process Governance

X2= Composite score for Functional Governance

X3= Composite score for Internal Governance

X4= Composite score for Ownership Structure

β = Beta coefficient of variable *i* the measure of the change in Y associated with a t change in X.

While μí –refers to the expected error that is assumed to be associated with the variables

The coefficient of determination (R-Square) obtained gave the explanatory power of the model while the correlation coefficient (Beta factor) for each of the four independent measures gave the nature and extent of relationship with the dependent variable. The results of significance were interpreted at 5% level of significance by examination of the p-values. $P \leq 0.05$, and $P > 0.05$ were therefore interpreted for statistical significance, and insignificance respectively.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introductions

The interpretation and presentation of the study results have been discussed in this section. It presents the response rate, demographic information of the respondents, governance practices, ownership structure, organizational performance and the study results in accordance with the objectives of the research. Descriptive as well as inferential statistics form the basis for discussion of the study findings.

4.2 Response Rate

A total of 40 respondents constituted the sample size, from which 30 successfully executed the questionnaires, making a response rate of 75 percent. This response rate sufficed for the researcher to draw reasonable conclusions from the study in accordance with the Mugenda et al. (1999) suggestions. The response rate was as shown in Table 4.1 below.

Table 4.1 Response Rate

Category	Frequency	Percentage
Returned	30	75
Unreturned	10	25
Total	**40**	**100**

Source: *Research Finding*

4.3 Demographic Information

The respondents were asked to indicate the following demographic data: the type of supermarket; the period of time it's been in operation; number of branches; number of employees and the product mix.

4.3.1 Type of Supermarket

The respondents gave information about the type of supermarket as shown in Table 4.2 below.

Table 4.2 Supermarket Type

Category	Frequency	Percentage
Local Family Owned	26	86
Local Listed	2	7
International	2	7
Total	**30**	**100**

Source: *Research Finding*

From Figure 4.1 above, majority of the respondents were local family and privately owned supermarkets, representing 86% of the respondents; followed by the local listed supermarkets; representing 7% and international supermarkets representing 7%.

4.3.2 Years of operations

The respondents gave information about their year of operation in the industry as shown in Table 4.3 below.

Table 4.3 Length of Operation

Length of Operation	Frequency	Percentage
Below 10 Years	2	7%
10-15 Years	2	8%
16-20 Years	17	55%
21 Years and Above	9	30%
Aggregate	**30**	**100**

Source: *Research Finding*

From Table 4.3 above, majority of 55% of the respondents had been in the retail industry for a period of between 16 to 20 years cumulatively. 30% of the respondents had been in the industry for over 30 years. Only 7% of the respondents had been in the industry for a period of between 0 to 7 years while 8% had been in the industry for a period between 10 and 15 years. This means that majority of the respondents had sufficient knowledge of the industry, hence would offer useful data on the research question.

4.3.3 Branch Network

The respondents gave information about the number of branches they had as shown in Table 4.4 below.

Table 4.4 Branch Network

Number of Branches	Frequency	Percentage
Below 5	2	7%
5-9	2	8%
10-14	6	20%
15 and Above	20	65%
Aggregate	**30**	**100**

Source: *Research Finding*

From Table 4.4 above, majority of the respondents had more than 16 branches.20% of the respondents had between 11 to 15 branches. 8% of the respondents had between 5 and 10 branches while only 7% had below 5 branches. This would offer useful data on the research question.

4.3.4 Product Mix

The respondents gave information about their product mix as shown in Table 4.5 below.

Table 4.5 Product Mix

Length of Operation	Frequency	Percentage
General	30	100%
International	0	0%
Aggregate	**30**	**100**

Source: *Research Finding*

Figure 4.5 above demonstrates that the respondents had a generalized product mix, representing 100%.

4.4 Descriptive Analysis of Corporate Governance, Ownership Structure, and Organizational Performance

The study sought to determine the influence governance practices of the retail stores based on the governance process, functional governance and internal governance. It also seek to underscore the influence of ownership structure and organizational performance. The data was collected using a structured questionnaire, with a 5 point likert scale.

The central tendency of the responses was measured using the mean, while dispersion was measured using the standard deviation. The mean measured the extent to which the responses were centered about one point on the scale, while standard deviation measured the degree to which the responses were dispersed from the mean. The statistics are as shown in the Tables below. From Tables 4.6 to 4.8 above, three dimensions of corporate governance were examined, with statements on each dimension reflecting the indicators of the dimension in an organization. Process of governance, functional governance, and internal governance were examined. Under the process of governance, most respondents concurred that their company focuses on improving operations relative to best performers in the industry as shown by the highest mean of 3.933.

Table 4.6 Process Governance

Process Governance	**Mean**	**Standard Deviation**
Our company focuses on improving operations relative to best performers in the industry	3.933	0.145
Our company focuses on improving specific critical processes relative to best performers	3.132	0.382
Our company produces process maps to facilitate comparison and analysis	3.146	0.233
Our company focuses on achieving improvements in key processes to obtain quick benefits	3.337	0.221
Aggregate	**3.387**	**0.245**

Source: *Research Finding*

The lowest score under the process of governance dimension was on the use of company produces maps to facilitate comparison and analysis, at 3.146. Nevertheless, the company focus on improving operations relative to best performers in the industry handling customer queries had the least standard deviation of 0.145. This means that it attracted the most stable responses, compared to company focus on improving specific critical processes relative to best performers which had the highest standard deviation, at 0.382.

Table 4.7 Functional Governance

Functional Governance	**Mean**	**Standard Deviation**
Our company compares with partners drawn from different business sectors to find ways of improving similar functions or work processes.	3.984	0.225
Comparing the business functions with others leads to incremental innovation	3.376	0.281
Comparing the business functions with others often leads to dramatic improvements	3.537	0.332
Aggregate	**3.632**	**0.279**

Source: *Research Finding*

Under functional governance, majority of the respondents tended to agree that the company compares with partners drawn from different business sectors to find ways of improving. This response had the highest mean, at 3.984 compared to the response on comparing the business functions with others leads to incremental innovation, with the mean of 3.376. The responses on the company comparing with partners drawn from different business sectors to find ways of improving had the least dispersion from the mean, and hence the most stable, with a standard deviation of 0.225.

Table 4.8 Internal Governance

Internal Governance	**Mean**	**Standard Deviation**
Our company compares its operations from within the organization	3.288	0.394
Internal comparisons enable our company access to sensitive data and information easily	3.537	0.332
Less time and resources are needed for internal operations comparisons	3.626	0.261
Internal operations comparison exemplify good practice	3.750	0.312
Aggregate	**3.494**	**0.316**

Source: *Research Finding*

Under the internal governance, majority of the respondents tended to agree that their internal operations comparison exemplify good practice. This indicator of internal governance dimension had a mean score of 3.750. The Internal operations comparison enables management to spread expertise quickly throughout the organization attracted the least favorable response, with a mean of 3,271. The Internal operations comparison enables management to spread expertise quickly throughout the organization, however, had the most stable responses, with the least standard deviation of 0.281.

Functional governance attracted the most favorable responses, with an aggregate mean of 3.632, and standard deviation of 0.729; followed by internal governance for with a mean of 3.494 and standard deviation of 0.316; and process governance had a mean of 3.387 and standard deviation of 0.245.

Table 4.9 Ownership Structure

Ownership Structure	**Mean**	**Standard Deviation**
Monetary Savings	4.278	0.294
Time Savings	4.527	0.232
Increased Accuracy	4.616	0.161
Enhanced Negotiation & Purchasing power	4.740	0.112
Aggregate	**4.484**	**0.216**

Source: *Research Finding*

From Table 4.9 above, ownership structure responses had a mean score of 4.484, and standard deviation of 0.216. This means that, on average, the respondents agreed to most of the statements on ownership structure. The highest score under this variable was on the enhanced negotiation and purchasing power implications of ownership structure; while the most consistent responses were on increased accuracy, with the smallest standard deviation of 0.161.

Table 4.10 Organizational Performance

Organizational Performance	Mean	Standard Deviation
Employees in the supermarket are treated well	3.478	0.299
The supermarket files tax returns appropriately	4.727	0.237
The customer service of the supermarket is at the desired level	4.816	0.167
There is usually immediate restocking of goods	4.940	0.118
Aggregate	**4.884**	**0.218**

Source: *Research Finding*

4.5 Regression Analysis of Corporate Governance, Ownership Structure, and Organizational Performance

The study sought to determine the relationship among corporate governance, ownership structure, and organizational performance. Data was collected using structure questionnaire; composite scores for each of the variables were then used to compute the R, R^2, adjusted R^2, and the beta factors. Test for significance of the beta factors was done at 5% level of significance. The results were as shown below.

4.5.1 Process Governance and Organizational Performance

The findings in Table 4.11 below show that the value of adjusted R squared was 0.736. This implies that 73.6% organizational performance variation was could be attributed to the changes in process governance, at 95% degree of confidence. This shows that 73.6% changes in organizational performance could be attributed to changes in process governance. It is also evident from the findings above that there was a strong positive correlation between the variables as shown by 0.889.

Table 4.11: Model Summary I

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.889	.790	.736	.22462

Source: *Research Findings*

From the analysis of variance statistics in Table 4.12, the regression model had a fit with the data ($F=3.814$, $P < 0.05$). This is an indication that process governance had a significant influence on organizational performance, at 5% level of significance, since the p-value was 0.1%, which was below 5%.

Table 4.12: Analysis of Variance I

Model		**Sum of Squares**	**Df**	**Mean Square**	**F**	**Sig.**
1	Regression	1.293	1	.431	3.814	.001[b]
	Residual	37.968	29	.113		
	Total	39.261	30			

Source: *Research Findings*

As shown in table 4.13 beta coefficient was significant ($\beta = 0.481$, $t = 2.110$, $P < 0.05$). This implies that for every unit change in process governance there was 48.1% increase in performance.

Table 4.13: Coefficients I

Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**T**	**Sig.**
		B	**Std. Error**	**Beta**		
1	(Constant)	1.508	1.131		1.333	.001
	Process governance	.481	.228	0.203	2.110	.002

Source: *Research Findings*

The below regression equation was established.

$$\mathbf{Y = 1.508 + 0.481X_1}$$

The regression equation above shows that at constant rate of process governance, performance of an entity would be 1.508. However, a unit change in process governance would increase performance by 48.1%. At 5% level of significance, process governance had statistical significance on performance of an entity. The significance level was 0.1%, which was less than 5% threshold.

4.5.2 Functional Governance and Organizational Performance

The variation in the output variable as a result of changes in input variable is explained by the adjusted R-Squared. Table 4.14 above demonstrates that 60.4% variation in organizational performance was explained by changes in functional governance. The correlation between functional governance was 0.788. This implies that a unit change in functional governance would cause 78.8% change organizational performance.

Table 4.6: Model Summary II

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.788[a]	.621	.604	.06210

Source: *Research Findings*

Table 4.14 shows that the data had a significance level of 0.1%. This implies that the data was suitable for drawing a conclusion on the attributes of the population since the p-value was below 5%. This demonstrates the overall significance of the model. It, therefore, indicates that functional governance significantly influenced organizational performance.

Table 4.14: Analysis of Variance II

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Residual	2.844	1	0.711	4.903	.001 b
	Regression	10.875	29	0.145		
	Total	13.719	30			

Source: *Research Findings*

Accordingly, if there were no changes in functional governance, the organizational performance score would be at 1.445. However, a unit change in functional governance led to increase in organizational performance by a factor of 0.421. At 5% level of significance in functional governance was found to significantly influence organizational performance. The significance level for the beta factor was 0.2% which was below the 5% threshold. The following equation was established from the above Table 4.7.

$$\mathbf{Y = 1.445 + 0.421\ X_2}$$

Table 4.15: Coefficients II

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	Constant	1.445	0.453		3.190	.002
	Functional governance	0.421	0.145	.297	2.903	.003

Source: *Research Findings*

4.5.3 Internal Governance and Organizational Performance

Table 4.16 shows that the value of adjusted R squared was 0.724. This shows that there was a change of 72.4% on organizational performance as a result of variations in the internal governance dimension. This detemination was done at 95% degree of confidence. In this regard, 72.4% changes in organizational performance were explained by changes in internal governance. The value of R was 0.881, implying a strong positive correlation between the variables in the study.

Table 4.16: Model Summary III

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.881[a]	.776	.724	.01121

Source: *Research Findings*

From Table 4.17 below, the model was found to be robust, with the F value being 4.726, which was less than 2.0196. The p-value was 0.1%, hence less than 5%. This shows that the internal governance was statistically significant at 5% level of significance.

Table 4.18: Analysis of Variance III

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Residual	2.844	1	0.745	4.726	.001[b]
	Regression	10.875	29	0.167		
	Total	13.719	30			

Source: *Research Findings*

The regression equation below was determined from the above Table 4.9.

$$\mathbf{Y = 1.213 + 0.532\ X_3}$$

Table 4.19: Coefficients III

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	Constant	1.213	0.453		3.190	.002
	Internal governance	0.532	0.197	.014	2.701	.005

Source: *Research Findings*

In this regard, if there were no changes in internal governance, organizational performance would be at 1.213. However, a unit change in internal governance led to increase in organizational performance by 53.2%. Internal governance was found to significantly influence organizational performance, at 5% level of significance. The significance level for the beta factor was 0.5% which was below the 5% threshold.

4.5.4 Ownership Structure and Organizational Performance

Table 4.20 demonstrates that R squared was 0.452, meaning that 45.2% performance variation was accounted by the changes in ownership structure, at 95% degree of confidence. This demonstrates that 45.2% changes in organizational performance could be attributed to changes in ownership structure. It is also evident from the findings above that the correlation between organization structure and performance was 0.701.

Table 4.20: Model Summary IV

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.701	.491	.452	.21432

Source: *Research Findings*

From the analysis of variance statistics in Table 4.21, the analytical model had a fit with the data (F=3.814, $P < 0.05$). This is an indication that ownership structure had a significant influence on performance of an entity, at 5% level of significance, since the p-value was 0.1%, which was below 5%.

Table 4.21: Analysis of Variance IV

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1.489	1	.431	3.814	.001[b]
	Residual	37.968	28	.113		
	Total	39.457	29			

Source: *Research Findings*

As shown in table 4.22 beta coefficient was significant (β = 1.848, t = 2.110, P<0.05). This implies that for every unit change in ownership structure there was 61.0% increase in performance.

Table 4.22: Coefficients IV

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.848	1.131		1.333	.001
	Ownership Structure	.610	.228	0.203	2.110	.002

Source: *Research Findings*

The below regression equation was established.

$$\mathbf{Y = 1.848 + 0.61X_4}$$

It was revealed from the above equation that if there were no changes in ownership structure, organizational performance score would be 1.848. However, a unit change in process governance would lead to increase in organizational performance by a factor of 0.61. At 5% level of significance in ownership structure was found to significantly influence organizational performance. The significance level was 0.1%, which was less than 5% threshold.

4.8.5 Process Governance, Functional Governance, Internal Governance, Ownership Structure and Organizational Performance

Table 4.23: Model Summary V

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.808	.653	. 633	.69440

Source: *Research Findings*

The above Table reveals that the adjusted R squared was 0.633. This demonstrates that there was a change of 63.3% in competitive advantage as a result of the changes in process governance, functional governance, and internal governance at 95% confidence interval. This was a demonstration that 63.3% changes in competitive advantage could be explained by variations in process governance, functional governance, and internal governance uses. The findings in Table 4.10 indicate that there was a strong positive correlation between the variables.

Table 4.24: ANOVA V

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	0.813	3	0.271	3.045	.021[b]
	Residual	2.759	200	0.089		
	Total	3.572	203			

Source: *Research Findings*

From the analysis of variance statistics in Table 4.24 above, the data had significance of 2.1%, an indication that the data was suitable for conclusion drawl on the parameters of the study population. The F critical at 5% level of significance was 2.0196. Since the F calculated (3.045) was above the F critical, the overall model was found to be significant. This is an indication that process governance, functional governance, and internal governance uses significantly influenced organizational performance.

Table 4.25: Coefficients IV

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	Constant	1.298	.453		2.865	.006
	Process governance	.237	.160	.198	2.479	.012
	Functional governance	.231	.126	.245	3.834	.001
	Internal governance	.239	.145	.008	2.065	.023
	Ownership Structure	0610	.160	.198	2.479	.012

$p<0.05$, dependent variable; organizational performance

Source: *Research Findings*

The below regression equation was established from Table 4.25 above.

$$Y = 1.298 + 0.237 X_1 + 0.231 X_2 + 0.239 X_3 + 0.61 X_4$$

In this respect, if change in process governance, functional governance, and internal governance uses were each zero, organizational performance score would be 1.298. However, a unit change in process governance would lead to increase in organizational performance by a factor of 0.237, unit change in functional governance would lead to increase in organizational performance by a factor of 0.231, a unit change in internal governance led to increase in organizational performance by 0.239, and a unit change in ownership structure led a 0.61 change in organizational performance. Process governance, functional governance, internal governance, and ownership structure were each found to significantly influence organizational performance at 5% statistical significance.

4.6 Discussion of Findings

The objective of the research was to establish the influence of corporate governance on performance of supermarkets in Nairobi County. The findings were then compared with both theoretical and empirical literature.

4.6.1 Relationship with Theory

The research was guided by the Agency, and Stewardship theories. According to Agency theory, ownership structure matters not only in regard to the number of shares that insiders own but also with regards to the concentration of the holdings of the external shareholders (Jensen & Meckling, 1976).

Arguably, big shareholders monitor the management in a much better manner than smaller shareholders owing to the fact that they internalize bigger parts of the costs of monitoring and have a significant amount of voting rights that can influence the decisions of the corporation (Alimehmeti & Paletta, 2012).

Additionally, a range of other methods of harmonization of interests of the owners with those of managers has been presented to assist in reducing the cost of the agency. This view has been considered by researchers in assessing the impact of the structure of ownership on various mechanisms of accounting. This is rarely a new perspective as other scholars have already looked at it. There are also other views other than the agency theory that assists in understanding the corporate governance issue.

Several authors, including Fangwong and Desai et al (2015) have suggested that high stakes in shares in a firm might lead to the acquisition of private benefits by managers that do not benefit other shareholders. The current study has adduced empirical evidence in support of the postulations of the agency theory since, the analytical model demonstrated that there was strong association between internal process governance, and performance.

Agency theory predicts that firms that have multiple ownership tend to have a difference between ownership and control, thereby presenting agency problem. According to this theoretical prediction, there is need to establish sound corporate governance systems to resolve such agency problems. Further, from this prediction, ownership structure of a firm will tend to influence performance of a firm, with corporate governance systems intervening the relationship.

The study has also adduced empirical evidence against the postulations of agency theory with respect to the ownership structure. The study determined that ownership structure was not statistically significant influencer of corporate performance. Contrary to the postulations of agency theory that emphasizes that agents are economically rational beings and would maximize personal benefits given an opportunity, theory of stewardship emphasizes the psycho-social dynamics in explaining the behavior of managers and the motives for decision making. This perspective considers managers as role holders as opposed to mere agents. In this regard, role holders are motivated by the desire to comply with the set standards, seek intrinsic motivation at work, and will strive to perform well on the job.

This proposition has considerably been supported by Ali and Gondal (2013) who posit that stewards by nature are responsible employees who seek to subordinate self to corporate interests. Under this theoretical orientation, harmony of interest between ownership and control is presumed hence no need for agency costs. Put differently, stewardship theory is underpinned by psychosocial while agency theory is underpinned by economic explanations for strategic choices of managers.

Others such as Daily (2003) posit that driven by the need for reputational preservation, managers and executive directors tend to focus on the corporate as opposed to self-interests. The prediction of stewardship theory therefore, is that both corporate governance and ownership structure impact performance of concerns. Stewardship theory predicts favorable intentions and actions of agents in the management of firms. Therefore, it postulates that there may be no need for elaborate corporate governance systems since there is bound to be no agency problem as such. Stewardship theory however does not take into consideration the possible influences of economic mischief among managers, with previous empirical evidences coming to a conclusion that agency problem is indeed a reality. The current study has revealed that internal process governance indeed significantly influenced corporate performance, hence the need for internal corporate governance instruments. This is because the postulations of stewardship theory are in conflict with those of agency theory, which the study supported empirically.

4.6.2 Relationship with Empirical Literature

A study by Kiruru (2013) determined that ownership by the state was considered less efficient given the insufficient monitoring framework. The current study has come up with similar finding since ownership structure, was found to be statistically insignificant. A study by Zeitun (2009) focused on the association between ownership structure and performance of concerns. The study utilized a panel estimation incorporating 167 concerns of Jordanian origin covering the period 1989-2006. The current study has adduced empirical evidence contrary to those of Zeitun (2009) since ownership structure was found to be insignificant influencer of performance, at 5% level of significance.

A study by Uche (2004) and Akinsulire (2006) came to a conclusion that corporate governance structure is the basis for specifying rights and responsibilities to the various organizational stakeholders. The study determined that by so doing, corporate governance avails a framework for objective setting, strategic choice, strategy implementation, and monitoring. However, the study focused mainly on financial performance, with no attention on the non-financial measures. The study has, however, come up with mixed results since functional governance was found to be insignificant, while internal governance was found to be significant.

Separate studies by Rwegisira (2000) as well as Mulili and Wong (2011) established that corporate governance provides a direction for strategic action, administration, and operation. According to both studies, corporate governance is the platform through which strategic objectives are pursued since it is the bond that holds the various stakeholders together, including management and the board. The study further established that through a system of corporate governance, it was possible to deal with the potential for agency complications. However, the study used limited number of corporate governance dimensions, hence casting doubt as to the validity of the findings. The current study, therefore, has adduced empirical evidence in support of the findings by both Rwegisira (2000) as well as Mulili and Wong (2011). A study by Beyanga (2011) determined that effective audit system could, specifically, lower overhead costs, and generally ensure financial probity of the concerned institutions.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

In this chapter, summary of the study results, conclusions as well as recommendations have been presented in accordance with the objectives of the research. The summary, conclusion and recommendations have been made in accordance with the objectives, methodological approach, findings, and limitations of the current study.

5.2 Summary of Findings

Under functional governance, majority of the respondents tended to agree that the company compares with partners drawn from different business sectors to find ways of improving. This response had the highest mean, at 3.984 compared to the response on comparing the business functions with others leads to incremental innovation, with the mean of 3.376. The responses on the company comparing with partners drawn from different business sectors to find ways of improving had the least dispersion from the mean, and hence the most stable, with a standard deviation of 0.225.

Under the internal governance, majority of the respondents tended to agree that their internal operations comparison exemplify good practice. This indicator of internal governance dimension had a mean score of 3.750. The Internal operations comparison enables management to spread expertise quickly throughout the organization attracted the least favorable response, with a mean of 3,271.

The Internal operations comparison enables management to spread expertise quickly throughout the organization, however, had the most stable responses, with the least standard deviation of 0.281 Functional governance attracted the most favorable responses, with an aggregate mean of 3.632, and standard deviation of 0.729; followed by internal governance for with a mean of 3.494 and standard deviation of 0.316; and process governance had a mean of 3.387 and standard deviation of 0.245.

The study used linear regression to determine the influence of corporate governance and ownership structure on organizational performance in the supermarkets in Nairobi County. The study determined none of the corporate governance dimensions, except the internal governance statistically influenced organizational performance. Ownership structure, was also found to be statistically insignificant with respect to its influence on organizational performance.

5.3 Conclusion

The study has determined corporate governance generally significantly influenced organizational performance. However, the study has come up with mixed findings with respect to each of the significance of the corporate governance dimensions. Accordingly, only the internal governance was found to be statistically significant at 95% confidence interval. The findings also have mixed relationship with both theoretical and prior empirical literature since it supports the postulations of agency theory, but conflict with those of stewardship theory. The study has also mixed implications on previous empirical studies since it supports a few, and conflicts with a few others.

5.4 Recommendations

The study recommends that the academics in the field of strategic management should consider using the empirical evidence adduced to further their research interests. Theorists should also consider the findings of this study to find further empirical foundation in light of the linkages between corporate governance, ownership structure, and organizational performance. By so doing, further studies in other contexts, including public, private, manufacturing, and service will emanate.

The study further recommends the findings for the development of policies that would be geared towards increasing the sustainability of the retail industry in Kenya. The Ministry of Trade and Cooperative Development in Kenya should apply the study results in decision making since it would assist in developing well-informed policies geared towards the achievement of the Vision 2030, the Big Four agenda, and the sustainable development goals in Kenya.

Finally, the study recommends that the top management team of the individual supermarkets in the survey should use the findings for guidance in making necessary changes in their various administrative units to enable them enhance their performance. Specifically, because the study findings have drawn important lessons for success and best practices for the retail industry sustainability against the backdrop of serious corporate governance challenges affecting some of the supermarkets in Kenya, and hence poor performance among them.

5.5 Limitations

Several limitations were encountered in the course of this study. Some respondents were uncooperative in filling the questionnaires; this limitation was mitigated by invoking a conversation with the respondent's first to make them at ease. This strategy was used also to reduce the risk of the respondents giving socially-correct responses.

Some respondents also took longer than expected time to fully complete the questionnaire; the researcher however ensured questionnaire submission was done early enough to allow significant time for completion. Early preparation of questionnaires and pre-testing of the same also helped the researcher time for analysis and presentation.

5.6 Areas for Further Research

The study sought to determine the the influence of corporate governance and ownership structure on performance of the supermarkets in Nairobi County. The study recommends that an in-depth study should be done on challenges facing the supermarkets in Kenya, with respect to corporate governance. The study also recommends that the influence of moderating and intervening factors should be examined, since that was not within the scope of the current study, and more so because the study has adduced mixed results, probably due to the influence of control variables that were not modelled in the study.

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APPENDICES

Appendix I: Research Questionnaire

SECTION A: DEMOGRAPHIC INFORMATION

Name of the supermarket _____________

Type of supermarket

- ☐ Local family/privately owned
- ☐ Local listed
- ☐ International

Years in the operation of the supermarket

- ☐ Below 10 years
- ☐ 10-15
- ☐ 16-20
- ☐ 21 and above

What is the number of branches the supermarket has? if any

- ☐ Below 5
- ☐ 5-10
- ☐ 11-15
- ☐ Above 16

A number of employees in the supermarket.

- ☐ Below 100
- ☐ 101-150
- ☐ 151-200
- ☐ 201 and above

What is the product mix in the supermarket? General or specialized? Locally manufactured or mix including international products?

- ☐ General
- ☐ Specialized
- ☐ Locally manufactured
- ☐ International products

SECTION B: GOVERNANCE PRACTICES

1) To what extent does your organization apply the following governance practices? Use a scale of 1-5 where **1=Not at all 2=Little extent 3=Moderate extent 4 =Great extent 5=Very great extent**

	1	2	3	4	5
Process governance					
Our company focuses on improving operations relative to best performers in the industry					
Our company focuses on improving specific critical processes relative to best performers					
Our company produces process maps to facilitate comparison and analysis					
Our company focuses on achieving improvements in key processes to obtain quick benefits					
Functional Governance					
Our company compares with partners drawn from different business sectors to find ways of improving similar functions or					
Comparing the business functions with others leads to incremental innovation					
Comparing the business functions with others often leads to dramatic improvements					
Internal Governance					
Our company compares its operations from within the organization (e.g. business units in different countries).					
Internal comparisons enable our company access to sensitive data and information easily					
Less time and resources are needed for internal operations comparisons					
Internal operations comparison exemplify good practice					
Internal operations comparison enables management to spread expertise quickly throughout the organization					

SECTION C: OWNERSHIP STRUCTURE

Please indicate the extent to which automated procurement systems relate to the performance effects in your supermarket whereby 1. Not at all 2. Little extent 3. Moderate extent 4. Great extent 5. Very great extent

Effects of Automated Procurement Systems	1	2	3	4	5
Monetary Savings					
Time Savings					
Increased Accuracy					
Enhanced Negotiation& Purchasing power					
Increased compliance					
Gain a Competitive Advantage					

ORGANIZATIONAL PERFORMANCE

The following questions reflect on the performance of the supermarket. Respond to the questions based on the Likert scale provided **1 – strongly disagree, 2 – disagree, 3 – neutral, 4 –agree, 5 – strongly agree**

	1	2	3	4	5
Employees in the supermarket are treated well					
The supermarket files tax returns appropriately					
The customer service of the supermarket is at the desired level					
There is usually immediate restocking of goods					
The general performance of the supermarket is positive.					

Appendix II: List of Large Supermarkets in Nairobi County

S/NO	BUSINESS NAME	PHYSICAL ADDRESS
1	CHANDARANA SUPERMARKETS	MUTHAIGA ROAD
2	CHANDARANA SUPERMARKETS LTD	MASARI ROAD
3	CHANDARANA SUPERMARKET LTD	WAIYAKI WAY
4	CHANDARANA SUPERMARKET LTD	NGARA
5	CHANDARANA SUPERMARKET LTD	MASARI RD
6	CHANDARANA SUPERMARKET LTD	KILIMANI PLAZA
7	CHANDARANA SUPERMARKET LTD	LIMURU RD-TWO RIVERS MALL
8	CHANDARANA SUPERMARKETS LTD	ROSSLYN RIVIERA SHOPPING MALL - LIMURU RD
9	CHANDARANA SUPERMARKETS LTD	ARGWINGS KODHEK
10	CHANDARANA SUPREMARKET LTD	GICHURU RD
11	CHOPPIES ENTERPRISES KENYA LIMITED	JUNCTION MFANGANO & HAKATI RD
12	CHOPPIES ENTERPRISES KENYA LIMITED	TOM MBOYA ST
13	CHOPPIES ENTERPRISES KENYA LIMITED	NORTH AIRPORT RD
14	CLEANSHELF SUPERMARKET LTD	STATION RD OFF KAMITI RD
15	CLEANSHELF SUPERMARKETS LIMITED	OFF KITENGELA RD
16	CREAMMART HOLDINGS LIMITED	BAHATI
17	DONG FANG DEVELOPMENT CO. LTD	BIASHARA ST
18	DOU XIANGJU KENYA LIMITED	NGONG ROAD
19	GAME DISCOUNT WORLD (KENYA) LTD	GARDEN CITY MALL THIKA RD
20	HOME DEPO SUPERMARKET & WHOLESALERS	ZIMMERMAN/ KAMITI ROAD
21	HOMECARE ENTERPRISES LIMITED	SOUTH B SHOPPING CENTER
22	HOMECARE ENTERPRISES LTD	ALONG NEW DONHHOLM RD
23	JACK AND JILL SUPERMARKET	RACE COURSE ROAD
24	JACMIL SUPERMARKET	OUTERING RD
25	KARRYMART LTD	MOI AVENUE
26	LULU CENTRE LTD	HIGH RIDGE
27	MADINA HYPERMATT	GEN WARUINGE ST
28	MAJID AL-FUTTAIM HYPERMARKETS LIMITED	THE HUB MALL KAREN DAGORETTI
29	MAJID AL-FUTTAIM HYPERMARKETS LIMITED	TRM
30	MUHINDI MWEUSI SUPERMARKET	MUKURU KWA NJENGA
31	MUHINDI MWEUSI SUPERMARKET LIMITED	PIPELINE
32	NAFUUMATT SUPERMARKET LIMITED	NEW PUMWANI RD
33	NAIVAS LTD	SPINE RD
34	NAIVAS LIMITED	MOUNTAIN MALL
35	NAIVAS LIMITED	RABAI ROAD
36	NAIVAS LIMITED	OLD NAIVASHA RD
37	NAIVAS LIMITED	CIATA MALL CITY-KIAMBU RD
38	NAIVAS LTD	RUARAKA - OUTERING RD
39	NAIVAS LTD	RONALD NGALA STREET

40	NAIVAS LTD	WESTLANDS
41	NAIVAS LTD	UTAWALA
42	NAIVAS LTD	KAYOLE/KOMAROCK RD
43	NAIVAS LTD	OUTERING RD
44	NAIVAS LTD	KASARANI MWIKI RD
45	NAIVAS LTD	NGONG ROAD
46	NAKUMAT HOLDING LIMITED T/A LANGATA	LANGATA MAGADI RD JUNCTION
47	NAKUMATT HOLDINGS LIMITED T/A HAILE SELASSIE AVE	HAILE SELASSIE AVE
48	NAKUMATT HOLDING LIMITED T/A KAREN	KAREN
49	NAKUMATT HOLDING LTD T/A LAVINGTON	JAMES GICHURU RD
50	NAKUMATT HOLDING LTD T/A SOUTH C	KAPITI RD
51	NAKUMATT HOLDING LTD-KITISURU	KITISURU ROAD
52	NAKUMATT HOLDINGS LIMITED -MEGA	UHURU HIGHWAY
53	NAKUMATT HOLDINGS LIMITED T/A GALLERIA	LANGATA/MAGADI RD
54	NAKUMATT HOLDINGS LIMITED T/A JUNCTION	THE JUNCTION-NGONG RD
55	NAKUMATT HOLDINGS LIMITED T/A VILLAGE	LIMURU ROAD
56	NAKUMATT HOLDINGS LIMITED T/A WESTGATE	MWANZI RD PARKLANDS
57	NAKUMATT HOLDINGS LIMITED-DOWNTOWN	KENYATTA/KIMATHI
58	NAKUMATT HOLDINGS LIMITED-EMBAKASI	OLD AIRPORT ROAD
59	NAKUMATT HOLDINGS LIMITED-HIGHRIDGE	PARKLANDS AVENUE
60	NAKUMATT HOLDINGS LIMITED-SHUJAA	SPINE RD
61	NAKUMATT HOLDINGS LIMITED-THIKA ROAD	THIKA ROAD
62	NAKUMATT HOLDINGS LTD NEXTGEN	MOMBASA RD
63	NAKUMATT HOLDINGS LTD T/A GARDEN CITY	THIKA RD
64	NAKUMATT HOLDINGS LTD T/A PRESTIGE	NGONG RD
65	NAKUMATT HOLDINGS LTD-LUNGA LUNGA	LUNGA LUNGA RD
66	NAKUMATT HOLDINGS T/A CITY HALL	WABERA
67	NAKUMATT HOLDINGS T/A MOI AVENUE	MOI AVE
68	NAKUMATT HOLDINGS TRADING AS LIFESTYLE	MONROVIA /MOKTAR DADAR ST
69	NAKUMATT LIMITED -UKAY	MWANZI ROAD
70	NGANGA ENTERPRISES	KASARANI
71	POWERSTAR LIMITED	KAMITI RD
72	POWERSTAR SUPERMARKET	KASARANI MWIKI RD
73	QUICK MART LTD	KANGUNDO RD
74	QUICK MART LTD	KIKUYU RD- WAITHAKA
75	SCHOOL OUTFITTERS	MUINDU BINGU ST
76	SOC STORES LTD	SPINE RD
77	SOUK BAZAAR LIMITED	MOMBASA RD
78	TEXLINE COLLECTION	TOM MBOYA
79	TUMAINI SELF SERVICE LTD	OUTERING RD
80	TUMAINI SUPERMARKET	UTAWALA EMBAKASI
81	TUSKER MATRESSES LTD	TOM MBOYA

82	TUSKER MATTRESSES	MUINDI MBINGU STREET
83	TUSKER MATTRESSES LIMITED	ACCRA/TOM MBOYA
84	TUSKER MATTRESSES LIMITED	RONALD NGALA STREET
85	TUSKER MATTRESSES LIMITED	LUSAKA RD
86	TUSKER MATTRESSES LTD	SHEIKH KARUME RD
87	TUSKER MATTRESSES LTD	RONALD NGALA STREET
89	TUSKER MATTRESSES LTD	TOM MBOYA
90	TUSKER MATTRESSES LTD	GWASI/ LANDHIES RD
91	TUSKER MATTRESSES LTD	MFANGANO/HAKATI RD
92	TUSKER MATTRESSES LTD	MUMIAS RD- BURU BURU
93	TUSKER MATTRESSES LTD	MOI AVENUE
94	TUSKER MATTRESSES LTD	RONALD NGALA/ MFANGANO ST
97	TUSKER MATTRESSES LTD	LUSAKA RD
98	TUSKER MATTRESSES LTD	LANGATA RD
99	TUSKER MATTRESSES LTD	EMBAKASI ROAD
100	TUSKER MATTRESSES LTD	DONHOLM RD
101	TUSKER MATTRESSES LTD	KANGARU RD
102	TUSKER MATTRESSES LTD	MONDLANE STREET
103	TUSKER MATTRESSES LTD	MSA RD
104	UCHUMI SUPERMARKET LIMITED-AGA KHAN	AGA KHAN WALK-CITY SQUARE
105	UCHUMI SUPERMARKET LIMITED-LANGATA RD	LANGATA RD
106	UCHUMI SUPERMARKET LIMITED-MOMBASA RD	MOMBASA RD
107	UCHUMI SUPERMARKET LIMITED-NGONG RD	NGONG RD
108	UCHUMI SUPERMARKET LIMITED-PARKLANDS RD	PARKLANDS RD
109	UKWALA SUPERMARKET LIMITED (HAILE SELASSIE AVE)	HAILE SELASSIE AVE
110	UKWALA SUPERMARKET LTD	HAILE SELASSIE AVE
111	YISHENG KENYA LIMITED	ARGWINGS KODHECK

Source: NCC (2017)