CORPORATE GOVERNANCE AND COMPETITIVE ADVANTAGE OF COMPANIES LISTED IN THE NAIROBI SECURITIES EXCHANGE, KENYA

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DECLARATION

I declare that this research project is my original work and has not been submitted for an award of a degree in any other University for examination/academic purposes.

SIGNATURE: …………………………… DATE: …………………………………

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This research project has been submitted for examination with our approval as the University Supervisors.

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DEDICATION

To all those who challenged and encouraged me to complete my studies.

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I appreciate all the lecturers that have given me invaluable knowledge during this journey and to Prof. Zack Awino for his timely and proficient guidance in the course of this project.

Special gratitude to those who took their time to attend to my questionnaire.

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ABBREVIATIONS AND ACRONYMS

CMA: Capital Markets Authority

NSE: Nairobi Securities Exchange

RBV: Resource Based View

ABSTRACT

Competitive advantage is based on the concept that firms look for strategies that will help it to offer quality product and services better than its competitors in the market. Poor corporate governance has led to failure and stagnations of many companies that were performing well. The study's objective was to establish the effect of corporate governance practices on the competitive advantage of NSE listed companies. It is believed non listed firms will gain valuable insights on the effective competitive advantage strategies that can be employed in order to improve their performance. The study reviewed theories of corporate governance and competitive advantage. To establish a link with related previous studies an empirical literature review study was conducted. Four independent variables of corporate governance practices that affect competitive advantage i.e. audit committee, board diversity, board independence and frequency of board meetings were investigated. The study used cross sectional survey design. A cross sectional study was deemed appropriate since the study intended to collect detailed information through descriptions and is useful for identifying variables. The study population comprised of all the 66 companies listed at the NSE. All of the companies participated hence the study was a census. The study used primary data which was collected using semi structured questionnaire. The field data gathered was analysed using the statistical package for social sciences (SPSS version 20). Mean scores, standard deviations, percentages and frequency distribution were used to summarize the responses and show the magnitude of similarities and differences. The relationships amongst the study variables were analysed in a simple regression analysis. The study concluded that corporate governance practices affect competitive advantage to a large extent. Further, the study concludes that core competencies to a large extent influences competitive advantage. The study also concludes that audit committee positively affects competitive advantage, board diversity positively affects competitive advantage, board independence negatively affects competitive advantage and board meeting frequency negatively affects competitive advantage. The study recommends that policy makers should design appropriate policies that regulate the overall Kenyan economy. The study recommends that the management of companies listed at NSE should devote in implementing corporate governance practices. The study recommends that the management of companies in Kenya should invest more on their core competencies.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Pearce and Robinson (2007) explain that strategic management is a continuous practice that involves matching the organization with its varying environment in the most beneficial way possible. Porter (1998) argues that through strategic management, companies can effectively cope with environmental uncertainties and attain competitive advantage. According to Porter (1985), a firm attains competitive advantage when it is able to gain and sustain profits over its competitors. This is the profit achieved exceeds the average for its industry. Metrick and Ishii (2002), observe that one of the strategic management tools that a company can use to attain competitive advantage and expected performance is corporate governance. Most business goal is to achieve a sustained competitive advantage and sustained growth in profits. This in turn leads to the firm getting an advantage over its competitors and a capacity to generate superior worth for itself and its owners. Once the competitive advantage becomes quiet sustainable, the harder it becomes for rivals to counteract the advantage.

The resource based view advanced by Penrose (1959) proposes competitive advantage of a firm solely rests on resources within it; these are valuable and hard to imitate. The organizations are composed of principal agent relationships wherein the agency theory developed by Berle and Means (1932) view corporate governance mechanisms as monitoring devices for minimizing agency conflicts.

According to stewardship theory of Davis et al. (1997), the key motive directing managers' initiatives on tasks is their desire to perform excellently with aim of being so recognitionised by their peers and bosses. The stakeholder theory of Freeman (1984) indicates that directors acknowledge the wider corporate obligations for shareholder value maximization which they attain within prescribed ethical guidelines.

Having started a telecommunication company, Masaba Services, it was my ambition position it strategically as a preferred company in East and Central Africa. To do this, it would mean understanding and building core competences that would lead to our competitive advantages making us stand out of the competitive market. As the company grew, it became paramount to develop governance mechanisms. By studying how companies listed at the NSE practise governance and the how they attain competitive advantages through the corporate governance, I would be able to set my company to serve its customers better, retain its performing employees and create a value to the stakeholders in the long run.

The study seeks to establish the impact of practices of corporate governance on the competitive advantage of the NSE listed companies. It is of significance to listed companies' management as they potentially identify a number of basic corporate governance practices and competitive advantage strategies from the study's findings, that will be necessary to enhancing their performance especially in protecting their owners' interests and providing expected value to their stakeholders and the general public.

Globally, the concept of corporate governance has taken centre stage due to the worldwide privatization, deregulation and the integration of capital markets, the growth of private savings, increased pension fund reform and lastly corporate failures for companies. In conformity with the global trends, corporate governance and competitive advantages of NSE listed firm has been an important topic of policy reform and discussion.

Its primary concern is that companies establish appropriate environments; legal, economic and institutional that would facilitate growth of the business enterprises while being conscious of the wellbeing of all stakeholders. Efficient and effective corporate governance structures in a company will create a competitive advantage niche over its competitors, attract investors, and promote use of limited resources while enhancing accountability. With good corporate governance, the companies will be placed in an advantageous position to create and establish competitive advantage over its rivals by inventing new and improved methods of competing within the industry.

Companies in Kenya are listed at the NSE. According to Wachira (2012), the companies play a key catalytic role of facilitating the growth of all other sectors of the economy. These players are able to raise and acquire their capital in the Nairobi Stock Exchange (NSE). Raising capital in NSE allows for competition amongst listed companies to improve the bourse performance and attract attention and activities to push the share prices. However, there has been increased competition for the investors' funds from other companies outside the NSE.

1.1.1 Corporate Governance

As per the Capital Markets Authority (CMA) act of 2002, corporate governance refers to structures and processes used by a firm to control and direct its business affairs. The aim of corporate governance is to increase wealth and accountability of the company with the aim of achieving long term value for all stakeholders. Metrick and Ishii (2002) perceive corporate governance as a pledge towards repaying a reasonable return on investment. According to ICPSK (2014), corporate governance as the code of behaviour that defines the interaction between the board of directors of an organization, stakeholders, and management.

Corporate Governance means a number of things. Arya, Tandon, Vashisht (2003) see corporate governance as the codes of practice by which an organization's administration is held responsible to those who invested their capital for the efficient use of assets. It shows a firm is governed by its mission, values and philosophy. Corporate Governance, according to Jenifer (2002) is a set of interconnected rules that govern the behaviour of firms, its administration and its shareholders. It refers to common principles of control set up by an amalgamation of the legal system.

Corporate governance has attracted attention because of its alleged positive impact on performance of organizations and society in general. According to a research paper in Kenya by Wanyama and Olweny (2013), lack of good corporate governance has caused failure and stagnations of numerous good performing companies including WorldCom, Anderson, Merrill Lynch, Enron, Uchumi Super Market, CMC Motors and Euro Bank.

The government, industry regulators, professional bodies and other players have developed rules, codes and guidelines on corporate governance. These rules specify the rights and obligations of various stakeholders on the business enterprises and are aimed at ensuring fair, transparent and accountable business environment and therefore improve corporate performance.

Mason and O'Mahony (2015) through seminal essays on globalization and corporate citizenship explain that the conventional definitions of corporate governance focused only on lawful relationship among the leaders and owners. Current definitions have broadened the governance borders to include various stakeholders' role in determining firm's behaviour. Shleifer and Vishny (1997), posits that "corporate-governance mechanisms gives surety to investors in corporations that they will receive satisfactory returns on their investments as highlighted." Hence, to enable businesses to grow and gain advantage of profitable investment opportunities, they have to finance their ongoing operations by use of their own generated cash flows and accumulated financial resources.

1.1.2 Competitive Advantage

Competitive advantage is when a firm through its various strategies, develops an edge over the other firms in the industry. This edge is in a positive way that enables it to attract and keep its customers by delivering superior value to them. Capon (2008) observes a firm requires its wealth, activities that are aligned with its systems in a way that will either lower costs on the whole or add most value for least cost for it to gain, maintain or improve its competitive advantage. Porter (1998) concludes that competitive advantage grows essentially as an outcome of value generated for its clients by the firm, in excess of the expenditure incurred to generate it to which value being the amount customers are prepared to forfeit for a given product or service.

Competitive advantage is as a result of a firm whose prices are less than that being offered by the rival firms for products that are of equal value or providing distinctive benefits for the same price. According to Porter (1985) Comparative and differential competitive advantages exist. Comparative advantage, also referred to as cost advantage, refers to the company's capacity to generate product more cheaply than its rivals, hence enabling the organisation to charge lower prices than its rivals hence selling more and are able make a better margin on sales.

When a company achieves a level where its product or service is unique and different from that of its competitors and customers perceive them as a better option, hence achieving a differential advantage. The above competitive advantages, can be achieved when a firm uses its core competencies, which are found in its resources and capabilities to facilitate organisational efficiency, innovation, and also excellent customer receptiveness.

According to Khemani (1997), competitiveness is "equated with productivity as it relates to parameters that firms, industries, regions and governments implement so as to nurture, maintain and improve firm productivity on a sustainable basis. Firm competitiveness depends on the continuous upgrading of capital and resources. Competitiveness relates to deliberately induced technological change and innovation in the organizations. It involves changing of the organizational structure and behaviour of firms, industry and government." It refers to creating and strengthening inter-industry and intra-industry linkages as well as international linkages for firm success.

Competitive advantage is achieved when an organization creates characteristic or combination of attributes that allows it to surpass its competitors. These are also supported by the principal factors which are firm's character and relations, creativity and innovation. Due to the changing environment of business, this competitive advantage can be unsustainable, with many rivals wanting to replicate what the firm is doing and hence achieve some success. Of importance to note is a sustainable competitive advantage is possible as long as others are not able to replicate it.

1.1.3 Companies Listed at the NSE

The Nairobi Securities Exchange (formally Nairobi Stock Exchange) was started in 1954 as platform to trade in securities. Currently, The Nairobi Securities Exchange (NSE) various associated instruments like debt, derivatives, trading, clearing and settlement of equities amongst others. The most current developments at NSE include demutualization, self-listing and acquisition of its own premises in Westlands, the Exchange House, where its offices and trading floor are located (www.nse.co.ke, 2016).

The NSE is licensed and regulated by the CMA. It oversees member firms and provides a trading platform for listed securities. The role of Capital Markets Authority, is to license and regulate the capital markets in Kenya. In addition it also approves listings of securities traded at the Nairobi Securities Exchange and the various public offers.

The Central Depository and Settlement Corporation (CDSC), offers various services like clearing of securities, ensure that all securities traded at Nairobi stock exchange are well settled. CDSC is also in charge of the stock brokers and investment banks, who are members of the NSE at the same time, their custodians. NSE is an associate of the African Stock Exchanges Association and has a memorandum of understanding with the Stock Exchange of Dar es Salaam and the Securities Exchange of Uganda as the cross listing of various equities.

Based on the type of products and services they provide, the listed companies at the NSE are subdivided into eleven major segments; Insurance, Banking, Agricultural, Commercial and Services, Construction and Allied, Investment, Manufacturing and Allied, Telecommunication and Technology, Energy and Petroleum Growth Enterprise Market Segment, Agricultural, Automobiles and Accessories, Commercial and Services, Finance and Investment and Manufacturing and Allied segments (www.nse.co.ke, 2016).

1.2 Research Problem

Competitive advantage is very important in organizations aiming to create policies that will enable them develop premium product to retail at high prices in the market. As emphasised by Porter (1998) in his New York press for competitive strategy techniques for analysing industries, national strategies focuses on productivity. Concept of having a competitive advantage over your rivals is based on the firm seeking and developing strategies that will enable them to offer products and services of that are of better quality in the market. It also influences maximizing economies of scale of commodities and services that gain supreme prices in the market.

Reforms at the NSE were initiated and regulated by many laws and guidelines including the Companies Act, the CMA Act, the CDSC Act, CMA regulations and NSE listing rules. Further, listed companies are required to adopt other industry specific rules depending on their respective industries that they operate in. Some investors have actually argued that companies in Kenya are over regulated resulting to higher cost of doing business as compared to other African countries. Despite all these regulations, major questions still remain; has governance requirements actually improved the performance of listed companies in Kenya? Some think not and argue that despite being certified by regulators as acting within confines of corporate governance, performance of some listed companies is continually declining while others continue to witness corporate failures.

These may be indicators of boards and management that are either incapable of improving financial well-being of their organizations within the confines of corporate governance guidelines or may be a pointer to a major weakness in corporate governance regulatory system for the listed companies.

In 2002, CMA noting the importance of governance practices issued draft guidelines outlining significant changes to them among the listed companies. Barako, Hancock and Izan (2006) studied the key practices of separation of the functions of the CEO and board chair, set up of an audit committee, independence of non-executive directors in their publication of relationship between corporate governance attributes; the Kenyan experience.

Mangunyi (2011) conducted a case study on the Ownership Structure and Corporate Governance and Its Effects on Performance a Case of Selected companies in Kenya. He explained that organizations are not necessarily the managers and this may create agency issues which include managers acting for their own selfish interest at the expense of other stakeholders. Despite tight regulatory framework, Corporate Governance has continued to deteriorate despite the tight regulatory framework, with various firms have being characterized by scandals. While a lot of research on corporate governance and financial performance relationships has been done, however, there is no universal consensus among scholars on whether good governance practices improve corporate performance.

For instance, although increased board independence enhances shareholders' value, no clear correlation has been established between board composition and the overall firm results. Hermalin & Weisbach, 2003 studied on board of directors as an endogenously determined institution; a Survey of Economic Literature. The study indicated that most organizations are governed by board of directors. This study indicates that board of directors play a key role in organisation management through their facilitation of solving various agency problems. Najjar (2012) studied the impact of Corporate Governance on the insurance Firm's performance in Bahrain. His study aims in distinguishing between corporate governance that is carried out well and that which is carried out poorly and its impact in attracting a positive investment flow. Robinah (2013) studied "corporate governance and performance of public universities in Uganda." He established the board size negatively affects financial performance of the firm, while policy and decision making are positively impacted upon by the various roles of the board. They all concluded that with good corporate governance, superior performance can be achieved

A number of researches have been carried out on various industries in Kenya on corporate governance and performance. Nyamongo and Temesgen (2013),in their "study of the effect of governance on performance of commercial banks in Kenya and Ochieng (2011) in their study of the relationship between corporate governance practices and performance of commercial banks in Kenya, establish that the presence of independent board of directors tends to enhance the performance of the organizations while large board size impacts performance negatively; In his assessment, on challenges being faced by insurance companies in their development of competitive advantage in Kenya, Kiragu 2014, found that governance bylaws is the most significant for unit of change in performance. Effects on monetary performance of listed insurance firms in Kenya as a result of corporate governance was studied by Wanyama and Olweny (2013)."

There have also been studies which have focused on achieving sustainable competitive advantage. Kibet and Chepkuto (2010) found that product differentiation helped companies create and sustain competitive advantage. There is need for companies to adopt strategies whose implementation will lead to them outperforming their competitors and hence surviving and succeeding in competition.

Whereas there are several studies on corporate governance and competitive advantage in Kenya, there is lack sufficient knowledge base on the subject matter in Kenya as compared to the developed economies. In addition, none of the local studies have examined the effectiveness of corporate governance as a strategic competitive advantage instrument for improving performance of companies that are listed Kenya. This research is therefore designed to fill this knowledge gap by addressing the following research question: how does corporate governance and competitive advantage influence the performance of listed companies in Kenya?

1.3 Research Objective

The study sought to establish the effect of corporate governance practices on the competitive advantage of the companies listed at the NSE.

1.4 Value of the Study

The significance of this study is to listed firm's management Securities Exchange by potentially identifying a number of basic corporate governance practices and competitive advantage strategies from the study's findings, that are necessary to enhancing their performance especially in protecting their owners interests and providing expected value to their stakeholders and the general public. The findings of the study benefit other non-listed firms by providing valuable insights on the effective competitive advantage strategies if they are implemented can improve their business processes and productivity.

The study findings are significant to management theory and practice as it enables the management of the various organizations to know the influence of various strategies and practices on the overall firm's performance. The study findings expose the effect of corporate governance methodologies and competitive positioning on performance and as a result, the companies are more endowed with knowledge on how to remain relevant in a competitive business environment.

The policy makers are expected to acquire an understanding of the various listed companies' market dynamics and the influence of competitive strategies and therefore this study can offer them guidance in developing suitable policies that regulate the overall economy. It is hoped that the academicians will find this findings valuable, especially those who may discover important research areas that have not been worked on, that may arouse interest in further research of corporate governance and competitive advantage of listed NSE companies.

In conclusion, this study will create a framework that can be adopted by the NSE listed companies in designing a panacea for corporate governance challenges that hinder companies from being competitively viable. Through the study, shareholders of the companies will be able to realise the value of their investments as they will be able to command higher valuation through their competitive advantage niche. The study contributes further to the body of knowledge by detailing and documenting corporate governance and competitive advantage of Nairobi Securities Exchange listed companies. It will also form a basis of further research by among other entities academicians and researchers with recommendations being made on possible areas of future studies.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This structure of the chapter is based on the research objectives relating to the keywords in context of corporate governance and its effects to competitive advantage of the firm. Available relevant literature that focuses on the theoretical framework and the relationships amongst the concepts of corporate governance, competitive advantages and financial performance is reviewed. This chapter extensively reviews studies conducted both in Kenya and rest of the world.

The section has been structured into four areas. The study's theoretical framework, corporate governance instruments, and also reviews empirical studies on the subject which largely focuses on agency, stewardship, stakeholders' and resource dependency theories are covered in the first area. Second area covers study of corporate governance and competitive advantage in organisations. The third and fourth sections explain the strategies to be used and gaps that need further research.

Several studies have been conducted on corporate governance and competitive advantage across the world. The results of this are envisaged to provide the firms with an ability to identify best strategies that if applied can assist with knowledge on continuous improvement that will enable the firm to remain relevant. The study gives the relations of corporate governance variables with the various aspects of competitive advantage.

2.2 Theoretical Foundation

There are several theories in corporate governance and competitive advantage, the oldest being the agency theory from where other theories evolved including political theory and ethics, transaction cost theory, stewardship theory, and resource dependency theory and correlated theories. This study only focuses on agency, stewardship, stakeholders' and resource dependency theories as they are more relevant to corporate governance and Competitive advantage as a mechanism to improve corporate performance.

2.2.1 Resource Based View

Resource based theory which is commonly also known as resource based view (RBV) stems from Penrose (1959)'s works. He argues that a firm's valuable and costly/hard to copy resource attributes and capabilities, form the fundamental sources and drivers to its competitive advantage and superior performance. Penrose assumed that all firms have strategic resources and these resources are differently spread across firms though these differences stabilise with time.

According to Barney (1991), the firm's strategy and performance, which is available to all firms, is determined by its pool of resources and abilities. In essence, no company can claim competitive advantage above others if every organisation within that business environment has access to the same group of resources and abilities, hence creating the same value.

Based on the above, Barney (1991) pointed out that sustained competitive advantage results from use of strategic assets; that can be moulded by the firm leading to its efficiency and effectiveness in its processes. This is not, as usually assumed, on easy to imitate economies of scale, natural resources, or technology but rather on the precious, extraordinary, and un-imitable resources that are inherent in the organization.

2.2.2 Agency Theory

According to Berle and Means (1932), the distinction amongst management (agents) and ownership (principals) in modern firms has led to a fundamental agency problem. Jensen and Meckling (1976) explain that management self serve their interests of building empires rather than serving the interests of shareholders of profit maximization. Whatever decision an agent makes is bound to affect his welfare and also the principal's welfare, thus leading to an agency problem because the agents every possible action cannot be perfectly contracted. Brennan (1995b). The persuasion of the gent to make decisions favourable to both the company and the principal's interest becomes important.

The aim of corporate governance is to try minimize agency costs by monitoring agency behaviours through use of disclosures mechanisms, monitoring and evaluation of firm's processes, supervision and remedial systems that can align the objectives of the management and owners. While principal pays for the initial costs, Fama and Jensen (1983) argue that they will eventually be passed on to an agent whose compensation will be inclusive all these costs.

In essence, board of directors, being part of Corporate governance mechanisms, is viewed as significant monitoring devices to help minimize the problems resulting from the principal-agent relationships (Letting', 2011). The boards should be made of independent and external directors. The chairman's position and role should be clearly differentiated from the CEO's (Daily and Dalton, 1994).

2.2.3 Stewardship Theory

This theory views managers as being the firm's stewards whose goal is to get the most out of the long term stewardship of the firms, in alignment with the principals' objectives. According to Davis et al. (1997), the manager's decisions are made in the organisation's best interest, putting collectivist options above self-servicing options. Managers are dedicated to the company and concerned in achieving high performance. They have a desire to perform their work exceptionally well and thereby get recognised by both peers and bosses.

Stewardship as a concept is more than just following requirements of corporate governance and looking for short term gains exclusively for shareholders. It instead bring to the fore its definition and also aims at provoking a discussion on stewardship and its landscape. The landscape is made of various players acting and interacting with each, these interactions have various effect and repercussions for creation of sustainable wealth across communities and organizations. Based on existing theories and factoring in practical business considerations, Stewardship can be described as an all encompassing and holistic approach, based on engagement of different stakeholders and focused purpose of what is expected.

Stewardship leaders can take a number of action that is characterized by the blend of three seminal attributes namely; leading with impact, driving social good and safeguarding the future. According to this theory, an organization requires a structure that concentrates power and authority in a single person by having the roles of CEO combined with those of the Chairman to ensure complete, unambiguous and unchallenged authority. Theory also proposes that majority of the directors should be insiders (executives) due to their extensive knowledge of the business environment and this will enable them to make informed decisions than outsiders (non-executives directors).

2.2.4 Stakeholder Theory

According to Freeman (1984), a company should be managed taking into consideration the interests and relationships of all its stakeholders. This theory considers a wider constituent rather than focusing on shareholders. Proponents of this theory have therefore advocated for ethics in business to discourage practices aimed at shareholder value maximization at the expense of other stakeholders. Such practices could include unfair trade competition, company downsizing and other negative impacts on employees, environment and local communities.

Based on its descriptive accuracy, normative validity and instrumental power, proponents of this theory have used this to advance it and also justify it in the management literature. While the interrelation between the above aspects of the theory is important, they are at the same time unique on their own with dissimilar evidence and argument types, hence impacting differently.

On the basis of the above for goings a conclusion is draw that the above aspects of the stakeholder assumptions are equally supportive and fundamental, based on presumptions the theory, it's increasingly becoming a requirement for boards to create corporate codes of ethics, social and environmental reporting. All these are aimed at ensuring that directors acknowledge the wider corporate obligations beyond maximising shareholder value or that such objective is attained within certain ethical constraints.

2.3 Corporate Governance and Competitive Advantage in Organizations

Corporate governance study, as shown by Zahra and Pearce (1989), recognises fundamental role that boards of directors play in reducing agency problems, and also the influence on its strategic choices that board structure and characteristics has. It also has a key role in service and tactical decision making process. A view suggested by resource dependence and strategic change perspectives through a meta-analysis by Daily, Johnson and Dalton (1999) various structural factors play an important role on successful monitoring of service and other roles in the firm. These factors include; the board's ratio of independent directors, roles of the Chairman/CEO, are they jointly held or separated and many more (Zahra & Pearce, 1989). Finally, the independence of the board can be used by an organisation to signify that it's ready to improve its legality as proposed by institutional theorists (Peng, 2004).

Competition is among environmental issues that impacts a business. Increased competition leads to reduced profitability hence threatening the attractiveness of an industry (Porter, 1990). Firms respond to this by being proactive in their strategy formulation, its implementation with overall intend of gaining a competitive advantage. This leads to increased competition among firms selling products or services that are similar to the same customers.

Barney (1991) indicates that when a company implements well-crafted strategies that enable it to increase its value and benefits while its competing company is unable to do so, it creates competitive advantage. A company needs to achieve and sustain a continuous competitive advantage for it to remain relevant. This is the long-lasting gain of carrying out some distinctive value generating plan that is cannot be duplicated by any existing or prospective competitor, Hoffman (2000).

Bramhe (2011) notes that competitive advantage is that unique attribute or factor which allows one firm to make superior customer value by serving the clients better than others. According to Ozer (2000), building a competitive advantage involves looking at what the customer wants to ensure customer satisfaction, cost reduction to facilitate better pricing, employee satisfaction to ensure improved delivery of goods and services and finally, profitability for organizations.

According to Alsheikh and Bojei (2012), one of the ways of developing unique competitive position is through product/service differentiation. This differentiation enables the customer to clearly picture the unique offering of the company in his eyes and mind. What this implies is that of utmost importance to the firm is its organisational design, and formulation of its competitive strategy. These are key gaining competitive advantage and consequently advance organisation’s performance.

Barney (2002) indicates that when a firm's actions within its industry or market create economic value, this leads to competitive advantage. This is more so when few rival firms are engaging in related activities. Barney further argues that "when a firm is able to generate a higher value from its resources than what was expected," it gains superior performance. According to Kurtz and Clow (2009), the following four requirements are important for the sustainability of the advantage a firm has: the concept must be valued by customers as to result to additional sales, it must be non-substitutable, the firm must have the resources and capability of delivering competitive advantages to customers and finally it must not be easily copied by customers.

Competitive advantage if well developed, leads to creation of both superior value and profits for its clients and for itself respectively. "Cost advantages also known as positional advantages; refers to leadership position the firm holds in the industry. This can either be in terms of cost or product differentiation." (Porter, 1985). Through proper utilisation of its current wealth and capabilities, a firm creates a competitive advantage that eventually leads to value creation that is superior.

According to Day (1984) and Porter (1987), Superior performance, which is a result of an organisational strategy, leads to competitive advantage. This in essence makes competitive advantage as an objective of strategy. Porter (1985) proposes "generic" business strategies a firm can adopt in order to gain competitive advantage. These strategies, which are four in number, relate to the extent to which business seeks to differentiate itself, the scope of business activities; broad versus narrow.

2.4 Strategies for Competitive Advantage

Barney (1991) explain that sustainable competitive advantage is about creating an edge or advantage over competitors and being able to endure that status of consistently doing better than the competitors. Thus, the company's strategies must be focussed to the needs of the consumers and also to the strategies of competitors. In this way, strategic decisions are most often comprehended as the search for effective positioning in relation to competitors so as to achieve competitive advantage.

According to Kotler and Armstrong (2002), the first step in achieving competitive advantage is competitor analysis, and the second step is coming up with competitive strategies based on the competitor analysis. Competitor analysis involves identifying key competitors; evaluating the competitor's goals, strategies, strengths and weaknesses, together with the reaction pattern; the analysis also involves selecting which competitors to attack as well as the competitors to avoid.

Competitive strategies are those strategies a firm adopts to enable it position itself strongly in the industry and hence against its competitors and hence gain the best achievable strategic advantage. Pearce and Robinson (2005) explain that while evaluating their competitors (current and potential), executives take into account several considerations that are very significant. The first consideration is "The scope of the market definition by the other rival firms". Depending on the similarity in the definition of the market scope, these is likelihood that these firm will be rivals. The second variable is on the similarity of the benefits the customer's gain from the goods and services being offered by the other firms.

If the benefits derived from the products/services are similar, then it means the level of substitutability between them will generally be higher (therefore increasing competition). The third variable is “the commitment exhibited by the other firms in the industry. This consideration is the most consequential because it gives an insight on long term intentions and goals of the firm.

Russell-Jones (2003) observes that to develop strategies and be able to gain competitive advantage over its competitors, an organization must first analyse and understand its environment. The environment internal to the organization refers to its strengths and weaknesses; and how to overcome the weaknesses while at the same time capitalizing on its strengths; while the External environment refers to understanding the various forces at place that determine who “wins” (who becomes better than the competitors) and ways of achieving that.

Pearce and Robinson (2005) explain that internal analysis is basically a realistic analysis of the firm’s resources. This will entail special analysis of the organization’s strengths or resource advantage relative to the competitors; and weaknesses or limitations/deficiencies in one or more resources relative to the competitors. Majority of the managers and writers are now adopting new point of view on gauging the success of firm on how it uses its internal resources.

External analysis according to Pearce and Robinson (2005) involves analysing the various external factors influencing the organisation's selection of course, and eventually its organization formation and processes used by the firm. The external factors making up the external environment are further divided into of three categories - remote environment factors, those in the environment within which the industry is in, and lastly those factors within the environment the firm is operating in. The Remote environments, whose factors are; legal and ecological, economic, technological, social-cultural, and political, are beyond any single firm's operating situation.

The operating situation, also called the Competitive environment has factors providing current challenges being faced by the firm; it's the immediate competitive situation. The firm faces this in its attempt to get the needed resources or as it tries to promote its goods and services so as to make a profit. These factors include competitors, creditors and suppliers, customers and accessible labour market which are in the control of the firm.

2.5 Empirical Studies and Research Gaps

While relating corporate governance and performance, studies find mixed results. Jensen and Meckling (1976) opine that "good governance lead to efficient operations as per their "journal of financial economics namely Theory of the firm: Managerial behaviour, agency costs and ownership structure." Eisenberg et al. (1998) found negative correlation between board size and profitability.

Still some studies like Park and Shin (2003) on board composition and earning management in Canada, Millstein and MacAvoy (2003) on “reviews of board composition, leadership structure and financial performance” and Gompers et al. (2003) on corporate governance and equity prices, quarterly journal of economics found that corporate governance does not influence the performance of a firm. Day (1984) on Strategic market planning, Porter (1987) on Harvard business review from competitive advantage to corporate strategy, Reed and DeFillippi (1990) and Porter (1985) view competitive advantage as the goal of strategy. Firms will automatically gain competitive advantage if they have superior performance.”

With the conflicting findings on corporate governance effect on organisational performance and lack of direct link of corporate governance to competitive advantage, the study reviews the possibility of relating corporate governance to competitive advantage and to financial performance. Carney (2005) on his study of family controlled firms and how corporate governance impacts them and the development of competitive advantage postulated that previous research findings show, though not able to identify the basis of the advantage on which firms that are controlled by families have an advantage over public firms.

Attempts to recognize the competitive advantage were drawn upon the resource-based view of the firm and corporate governance is alluded to as one of the factors that influence firm competitive advantage. The study concludes that corporate governance instils control mechanisms that enhance firm competitive advantage. Jackson and Aguilera (2003), on their study of “the cross-national diversity of corporate governance; Academy of management Review,” developed a theoretical model to explain the variations in corporate governance amongst firms and advanced capitalist economies.

They examined corporate governance in the context of its main stakeholders who are: capital, labour, and management. Key scope of each stakeholder was identified and comparison amongst them made. They also identified the social relations and institutional arrangements that shape who controls corporations, what interests corporations serve, and the allocation of rights and responsibilities among corporate stakeholders.

Mbogholi (2009) in her study of "Strategies for Competitive advantage in the credit card business; A survey of member banks of the Kenya Credit and debit card Association (KCDCA)" investigated the ways banks in Kenya are using to achieve competitive advantage in the credit card business, and establishing the effectiveness of the strategies. The study found that the banks have strategies that are useful in customer retention and also attracting potential customers but they have to deal with obstacles like competition, credit card fraud and high joining and running costs. The study recommends that much customer education should be done as more research is conducted on technological advancements, improvements and innovations so as to fight and avoid credit card fraud and identity theft.

Interest rates and income level to get a credit card are also recommended to be revised/lowered so as attract a larger clientele and the government should come up with legislation that will introduce harsh punishment to identity theft offenders. The study did not explore the contributions of bank corporate governance practices towards attainment of these competitive advantages.

Wanjiru (2010) studied the strategic alliances adopted by Safaricom Ltd, and competitive advantage gained it gained. Applying content analysis, the study finds that Safaricom preferred having equity alliances and not to joint venture alliances. No contractual alliances were observed in Safaricom engagements. As a result of having strategic alliance with various partners, Safaricom gained competitive advantage. It formed an alliance with Vodafone PLC, whose key outcome of was the innovation of M-PESA. Safaricom gained 79.6% data market share through its alliance with One Communication Limited. An alliance with Jamii Telecom Limited (JTL) who provided fibre system, enabled Safaricom make considerable savings in both capital and operational expenditures.

The conclusion of the study was that Safaricom had gained a sustainable competitive advantage as a consequence of having strategic alliances. This enabled it increase its market share and to some extent become a market leader. The study was specific to Safaricom Limited, which is listed at the Nairobi Securities Exchange but it did not incorporate influence of corporate governance practices in the creation of competitive advantage.

Asewe (2010) conducted an evaluation of "the response of Kenyan commercial banks to the adoption of ICT strategy in enhancing competitive advantage." In this study, they used several variables like nature and extent of adoption of ICT technologies; level of impact on banks operations based on scale of utilization and the adoption of ICT devices. Based on the study, it was discovered that competition in the banking industry was mainly driven by ICT. 100% of all the banks understudy had ICT departments showing the important role it plays. These were properly staffed and supported with up to date technology devices like Visa Card, M-Pesa and Electronic Data Interchange (EDI), and Email for communication and customer satisfaction, increase operational efficiency, and hence cut costs.

The findings show that Banks have adopted the use of ICT strategy as a way of increasing and advancing the switching costs to its clients (Porter, 2008). The adoption and use of ICT in banks has enhanced faster services, improved and better customer services and experience through prompt and fair customer attention, facilitated accurate records, ensures convenient business hour,

Waithaka (2012) underscore that few organisations are able to sustain their edge for long in it terms of competition due to the turbulent and unpredictable competitive business environment being experienced today. The study investigates the strategies used by the University of Nairobi in order to get maintain their edge in the education sector. Study findings infer that the University has a strategic plan which was reviewed after every five years and had developed and was continuously implementing distinctive strategies that ensured the University met the strategic issues as formulated in that strategic plan. For effective implementation of these strategies, the University utilized distinctive capabilities that it had built over time.

These capabilities included offering quality education and research, having an ideal strategic location in the capital city, hiring and retention of competent human resources, development of unique and diverse programmes among others. The study established that no single strategy could ensure achievement of sustainable competitive advantage in a turbulent and challenging environment. It was also evident from the study that strategies adopted were unique for each situation and between different organizations and hence it was necessary to keep realigning the organizational strategies with environmental conditions. The study however did not incorporate the effects of corporate governance practices on attaining competitive advantage at the University.

Wandimi (2013) studied the strategic responses adopted by EABL in response to threats of new entrants and the strategic responses adopted by EABL in response to threats of substitute products. The study established that East African Breweries Limited has competitive strategies to counter to the threat of fresh entrants in the beer industry. The strategies include effective corporate governance structure, its production capacity was increased, optimized its supply chain, ensuring environmental safety, improved its strategies on managing human resources, financial risk management and segmental financial reporting. EABL has responded to the threats of substitute products by adopting strategies aimed at ensuring that the company's products remain the best sold in East Africa and beyond. The strategies to enhance competitive advantage of EABL products include product innovation, consumer promotion, ensuring that the bar atmosphere was upgraded, use of brand labels to promoting of cultural festivities, enhanced support for various research oriented programmes aimed at increasing development and product diversification, advertisements on various media platforms, sponsorship of television and online entertainment programmes among others.

Ambuko (2013) sought to establish the activities that constitute the value chain of UAP South Sudan (UAP SS) and to establish the value chain activities that are associated with the firm's competitive advantage. Conclusively, it can be said that sources of competitive advantage are inherent in a firm's value chain. For a typical insurance firm, the choice to be a differentiator or cost leader is predominantly determined by policy choices on product profile; distribution channels; investments in human capital development, marketing communication and brand building; and levels of integration. Whichever competitive strategy a firm is pursuing, it must seek to effectively communicate the same to all immediate stakeholders for unity of purpose in execution. The study was a pointer to effect of value chain on competitive advantage. It however failed to review the influence of corporate governance on the firm's value chain.

Ndungu (2015) underscore that "corporate challenges such as fraud, declining performance and collapse have impelled the opinion that the practice of good governance is the ultimate solution to firms. Increasingly, organizations are now focusing on corporate governance as just not mere meeting statutory obligations, but as an imperative business strategic tool to improve their performance, attain sustainable growth and long-term competitive advantage. The study observed that most of the NSE listed companies were implementing corporate governance guidelines issued by the Capital Markets Authority. In addition, most of the companies had incorporated corporate governance practices into their corporate strategies resulting to improved performance. The study therefore found that corporate governance was an effective strategic tool to improve performance of listed companies in Kenya."

2.6 Conceptual Framework

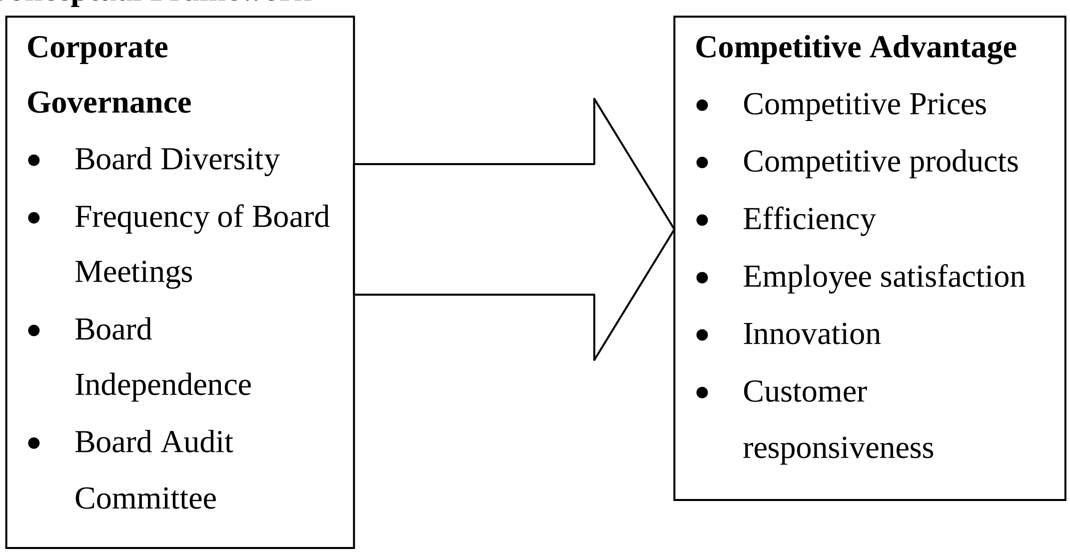


Figure 2.1: Conceptual Framework

As indicated in the Conceptual Framework above, Firm corporate governance practices including board diversity, frequency of board meetings, board independence and board audit have a direct influence to the firm competitive advantages which are achieved through competitive prices, products, efficiency, innovative products, employee satisfaction and customer experience.

The current world business environment is quite competitive, through use of descriptive statistics, and multiple regression analysis, the study was able to examine the various corporate governance practices and hence their effect on the listed companies. It is concluded that NSE listed companies comply well with the recommendations of corporate governance practices.

In conclusion, this study has expanded the measure of corporate governance on competitive advantage of NSE listed companies by including parameters such as Board diversity, frequency of board meetings, board independence and board audit in relation to competitive advantage aspects such as efficiency, employee satisfaction, innovation, customer responsiveness, competitive prices and competitive products. These attributes of competitive advantages affect the company performances in the long run. While many studies are not conclusive on impact of corporate governance on a firms performance, this study concludes that’s corporate governance mechanisms enhance a company’s competitive advantage locally and globally.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The study methodology used is discussed in this chapter. The areas reviewed are research design, population of the study, procedures for collection of data and its analysis. The findings of the research will be organized, summarized and presented by use of pie-charts, tables and to enable comparison and clarity charts will be used.

The information will be gained by asking questions relating to respondent's perceptions and attitudes. These will in return provide a clear setting of the main areas the firms work on so as to remain a notch higher compared to other competitors with improved business processes and productivity. The respondents chosen will be restricted to senior managers, company secretaries and chief executives who have access to governance information.

The research is aimed at seeking the corporate governance practices, embodiment of the competitive advantages of NSE listed companies, core competencies towards an organization and core competency characteristics of an organization towards corporate governance. The study will also reveal if there are additional guidelines adopted by the firms beyond the bare minimum advised by CMA.

3.2 Research Design

According to Bruce Archer (1997), research is a methodical investigation whose objective is to communicable knowledge. Thus, a research is a structured investigation regarding a particular illustration. As explained by Bryman and Bell (2003), a cross sectional research design is concerned with determining the relationship the between variables and also frequency with which something occurs. It also involves data to be collected on numerous cases and not just one, at a particular point time.

A survey is appropriate for the researcher as it enables him to collect data from selected respondents by getting their views, behaviours, beliefs and attitudes, or answers so as to understand better the on the represented population or the group characteristics. A cross sectional study approach was deemed suitable for this because the study's intention was to gather comprehensive information using descriptions and is of use in identifying variables. The foregoing study used a cross sectional survey design.

Sekaran and Bougie (2010) observed that a cross sectional survey enables researcher gain information describing a phenomena. This Information is gained by asking questions relating to phenomena's perceptions and attitudes. An advantage of the approach is noted by Cooper and Schindler (2003) that in the approach, the subject is observed in its natural environment allowing respondents to answer at their convenience.

3.3 Population of the Study

Population, according to Sekaran and Bougie (2010), refers to the entire group of individuals or firms to be investigated by the researcher. It is defined in terms of the topic the researcher is interested in, elements being available, time frame, and geographical boundaries.

According to Hackley (2003), researchers must develop probable criteria for use in sample selection to ensure that the data is collected in a methodical manner and must be in line with the research objectives. The population target for this study was the entire 66 firms of the Nairobi Securities Exchange (as at 2016) categorised in seven segments. All of the companies participated hence the study was a census.

The population study aimed at seeking the corporate governance practices, embodiment of the competitive advantages, core competencies towards an organization and core competency characteristics of an organization towards corporate governance. From the study, formation of alliances by an organization helped companies to effectively deal with competition in the industry on a moderate basis, while at a very large extent, unique corporate culture enabled company develop competitive edge over its rivals.

3.4 Data Collection

Malhotra and Birks (2006) considered primary data, which was used in this study, as that information the researcher collects to enable him resolve that identified research problem. While secondary data was collected for other purposes but deemed important by the researcher. Collection of the primary data was by use of semi structured self-administered questionnaire. These questionnaires give the respondent the flexibility of responding to them at their own time, hence not viewing it as a burden as per Monsen and Van Horn, (2008) on successful approaches to research.

The target respondents are shareholders, directors, chief executives, company secretaries, managers and any persons who hold positions that allow them access to governance and strategy decisions in the companies. These are directly involved in governance decisions and reviews as well as relate to the competitive advantages of the firms within the market.

The questionnaire had open and closed-ended questions, which are more structured were used in rating of various attributes hence facilitating tangible recommendations. Additional information was captured by use of open ended questions.

3.5 Data Analysis

The questionnaires were then edited to confirm that they were accurate, consistent and filled completely. Any discrepancy that was noted in the data was eliminated before final analysis was performed. Data was analysed using statistical package for social sciences (SPSS version 20) and descriptive statistics to measure central tendency and variance. These were used to summarize the responses and show the magnitude of similarities and differences. Results were then presented in tables and charts.

The relationships amongst the study variables were analysed in a simple regression analysis model as:

$$Y = \beta_0+\beta_1X_1+\beta_2X_2+\beta_3X_3+\beta_4X_4+\varepsilon$$

Where:

Y: Competitive Advantage

X_1: Audit Committee

X_2: Board Diversity

X_3: Board Independence

X_4: Frequency of Board meetings

In conclusion, the study generated both qualitative and quantitative data. Quantitative data was analysed using descriptive statistics while qualitative data was computed using content analysis. Content analysis involves analysing the collected information collected systematically to enable useful conclusions and recommendations. Some of the descriptive statistics techniques used include measures of central tendency, measures of variability and frequency tables.

CHAPTER FOUR

DATA ANALYSIS AND DISCUSSION

4.1 Introduction

The chapter discusses the interpretation and presentation of the findings obtained from the field of study. Descriptive and inferential statistics have been used to discuss the findings of the study. Analysis and presentation of the study findings are by use of frequency tables, and pie charts.

There also exists a section on the linear multiple regression and correlation which presents tests on the relationship between corporate governance and the capital structure. The last section is on the interpretation and discussion of the findings which indicates there is an impact of corporate governance in excellence as a dimension of competitive advantage.

The chapter has a section on the descriptive statistics (mean, standard deviation, maximum, minimum and skewness) of the companies listed at NSE from the year 2010 to 2016. The data was obtained through the senior managers who are capable of influencing major company decisions that enhance competitive advantages in the company.

4.2 Data Presentation

Data collected has been presented in pie charts, frequency tables showing figures and percentages. Secondly, the mean of each item in the questionnaire and its standard deviation has been presented in tables.

4.2.1 Analysis of the Response Rate

The sample was 66 respondents from various organizations, but 45 questionnaires out of 66 given out were returned. As presented in table 4.1 below, this represented 68.18% of the sample hence the analysis was done using 45 questionnaires received from the respondents.

Table 4.1 Analysis of the Response Rate

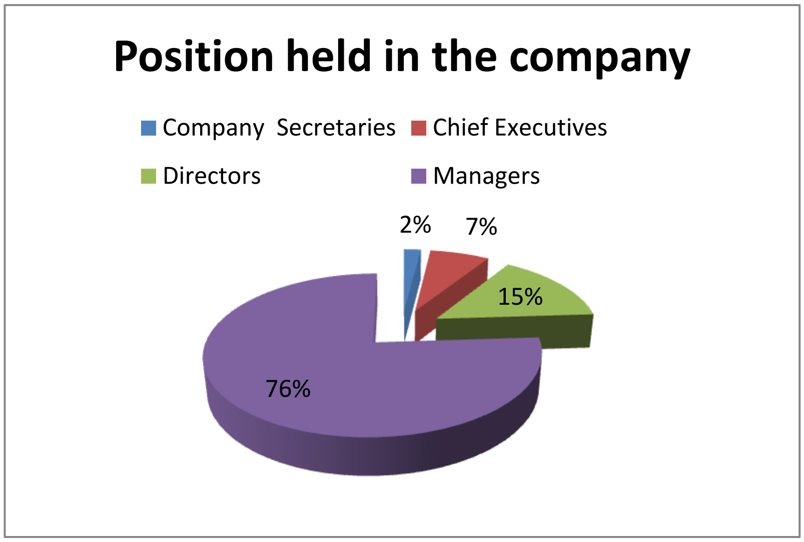
	Frequency	**Percentage**
Questionnaires sent	66	100
Questionnaires returned	45	68.18

Source: Primary data, 2016

4.2.2 Respondents Demographic Information

The researcher asked the respondents the position they hold in the organization, 2% of the respondents were company secretaries, 7% were chief executives, 15% were directors and 76% were managers. The managers who responded were of senior positions and capable of influencing major company decisions that enhance competitive advantages in the company. A key responsibility of these personnel is to ensure corporate governance is well implemented

This is shown in Figure 4.1 below.



Source: Research Findings, 2016

Figure 4.1 Respondents Demographic Information

4.2.3 Company Classification

The NSE has classified companies in different sectors. The sectors are energy and petroleum, agricultural, insurance, banking, insurance, commercial and services, construction and allied, investment, automobile and accessories, telecommunication and technology, manufacturing and allied, and real estate investment fund. All the sectors responded apart from real estate investment fund which was represented by only one company, Stanlib Fahari. This is as shown in Table 4.2

Table 4.2: Company Sector classification

Sector	Percentage
Manufacturing and Allied	13
Telecommunication and technology	2
Real Estate Investment Trust	0
Automobiles and Accessories	4
Agricultural	9
Banking	20
Commercial and Services	15
Construction and Allied	11
Energy and Petroleum	11
Insurance	11
Investment	4

Source: Research Findings, 2016

From the findings, the banking sector had the most respondents. This is largely due to the NSE having many firms that are in the banking sector. This sector is regulated by the Central bank of Kenya and CMA guidelines.

4.2.4 Organization's Corporate Governance Practices

The study sought to understand the respondents' views on different aspects of corporate governance in their respective companies. 67% of the respondents indicated that their companies have adopted the CMA corporate governance guidelines, while 33% of the organizations have moderately adopted the CMA corporate governance and guidelines. 80% of the respondents indicated that their organizations have customized their in-house corporate governance, 16% have moderately customized own internal corporate while 4% have not.

On the aspect of the company integrating the corporate governance practice into its strategy, 69% have integrated to a large and very large extent, while 29% have integrated them to moderate extent and 2% to no extent. 80% indicated that the role played by the audit committee was key especially for the accounting information process oversight and control, while 20% or the respondents felt that the committee plays a moderate role.

The distribution of their views was diverse with majority viewing that incorporation of corporate governance into corporate strategies played a significant role in the strategic direction of the company. Similarly, there were diverse opinions if the companies have board diversity and board independence. There was no feedback on the only firm on the NSE in the Real Estate Investment Trust.

4.3 Corporate Governance

Corporate governance is important to firms as it is the structures and processes that are used to control and direct a firm's business affairs. Corporate governance seeks to increase wealth and company accountability with long term aim of adding value for the stakeholders.

It covers issues that involves financial stakeholders who are the shareholders; Boards of directors who play a role in ensuring that all checks and balances are enforced; accounting controls under the control environment, ensure both audits, internal and external are carried out and that issues are done in a transparent manner. Good corporate governance leads to better company performance and improved sustainable economic development which is a result of the improved governance structures, processes and reasonable decision making supported by good data and analysis.

McDaniel and Gates (2005) describe a frequency table as one showing summary of the number of respondents who will have selected a given answer to a survey question. Greenfield (2002) states that "frequency tables can be used for measurements on a continuous range by recording the number of results within a number of non-overlapping randomly selected class-intervals. It is a descriptive tool intended to provide more details about the demographic details of the target groups, as well as the basic results of each question in the questionnaires."

Table 4.3: Feedback on Corporate Governance Practices

	1. Not at all 2.Less Extent 3. Moderate Extent 4. Large Extent 5. Very Large Extent						
No	**Corporate Governance Practices**	1	2	3	4	5	Total
1	CMA corporate Governance practices have been adopted by the company	0	1	14	25	5	45
2	The company has developed and customized its own internal corporate governance guidelines	2	0	7	19	17	45
3	The company has integrated the corporate governance practice into its strategy	0	1	13	16	15	45
4	A crucial role in the control and the oversight of the accounting information process is played by the audit committee	0	0	9	18	18	45
5	Audit committee is independent, active and meets at least 3 times a year	0	0	9	18	18	45
6	The company Secretary is qualified as the requirements of the CPS Act	1	0	8	19	17	45
7	The company Secretary is not a board member but attends all board meetings and provides guidance to the board on their duties and responsibilities and on matters of governance	0	0	8	23	14	45
8	One third of the company's Board of directors are both autonomous and non-executive directors	0	2	11	20	12	45
9	The structure of the board comprises a number of directors which fairly reflects the Company's shareholding structure	0	1	11	14	19	45
10	The minority shareholders have been provided a mechanism for inclusion on the company board	0	1	9	18	17	45

Source: Research Findings, 2016

Table 4.3 shows that the respondents see that their companies corporate governance is more influenced by make-up of the board, independent and role of audit committee, in regards to control and oversight of accounting information processes while adoption of CMA corporate governance, and a third of directors who are members of the board being independent and non-executive, were seen as less determinants of corporate governance practices.

Table 4.4: Corporate Governance Practice

	Corporate Governance Practices	1	2	3	4	5	Total
1	CMA corporate Governance practices have been adopted by the company	0%	2%	31%	56%	11%	100
2	The company has developed and customized its own internal guidelines on corporate governance.	4%	0%	16%	42%	38%	100
3	The company has integrated the corporate governance practice into its strategy	0%	2%	29%	36%	33%	100
4	The audit committee plays a central and crucial role in the control and the oversight of the accounting information process	0%	0%	20%	40%	40%	100
5	Audit committee is independent, active and meets at least 3 times a year	0%	0%	20%	40%	40%	100
6	The company Secretary is qualified as the requirements of the CPS Act	2%	0%	18%	42%	38%	100
7	The company Secretary is not a board member but attends all board meetings and provides guidance to the board on their duties and responsibilities and on matters of governance	0%	0%	18%	51%	31%	100
8	A third of the company's directors who are members of the board are both autonomous and non- executive directors	0%	4%	24%	44%	27%	100
9	The structure of the board comprises a number of directors which fairly reflects the Company's shareholding structure	0%	2%	24%	31%	42%	100
10	The composition of the board provides a mechanism for representation of the minority shareholders	0%	2%	20%	40%	38%	100

Source: Research Findings, 2016

4.4 Corporate Governance Practices Applied in Organizations

The study wanted to ascertain the degree to which statements relating corporate governance practices applied in their organizations. The findings presented in Table 4.4 above showed that to a large extent audit committee plays a key role in the control and oversight of the accounting information process (Mean=4.44), firms owning their own guidelines on governance (Mean=4.44), the company has integrated the corporate governance practice into its strategy (Mean=4.43), the company secretary is qualified as the requirements of the CPS Act (4.42).

It also shows that audit committee is independent, active and meets at least 3 times a year (Mean=4.11), the structure of the board comprises a number of directors which fairly reflects the company's shareholding structure(Mean= 4.11), the company has adopted the CMA Corporate governance guidelines(Mean =4.11), a third of the firm’s directors are independent and non-executive (Mean =3.89) and the company secretary is not a board member but attends all board meetings and provides guidance to the board on their duties and responsibilities on matters of governance (Mean=3.78). The variation as evidenced by the low standard deviation implied that the corporate governance practices to a large extent applied to all the organizations researched on.

Table 4.5: Corporate Governance Practices Mean

Corporate Governance Practices	N	Mean	Standard Deviation
The audit committee plays a central and crucial role in the control and oversight of the accounting information process	45	4.4444	0.69137
The company owns a customized internal corporate governance guidelines	45	4.4444	0.83929
The company has integrated the corporate governance practice into its strategy	45	4.3333	0.82416
The company secretary is qualified as the requirements of the CPS Act	45	4.2222	0.79305
Audit committee is independent, active and meets at least 3 times a year	45	4.2222	0.41964
The minority shareholders representation has been provided for in the board composition.	45	4.1111	0.74395
The structure of the board makeup comprises a number of directors which fairly reflects the company's shareholding structure	45	4.1111	0.8831
CMA Corporate governance guidelines have been adopted by the company	45	4.1111	0.57188
One third of the company’s board of directors are independent and non-executive directors	45	3.8889	1.00314
The company secretary is not a board member but attends all board meetings and provides guidance to the board on their duties and responsibilities on matters of governance	45	3.7778	0.41964

Source: Research Findings, 2016

Table 4.6: Competitive Advantages

1. Not at all 2.Less Extent 3. Moderate Extent 4. Large Extent 5. Very Large Extent							
No	**Competitive Advantages**	1	2	3	4	5	Total
1	Formation of alliances by your organization helped the company to effectively deal with competition in the industry	1	5	17	13	9	45
2	New products or services are developed through strategic alliances	0	2	9	16	18	45
3	New products/services have enabled the company gain a sustainable competitive advantage	0	2	9	17	17	45
4	Company gains competitive advantage through pricing	0	2	9	27	7	45
5	Company gains competitive advantage through efficiency	0	2	10	17	16	45
6	Company gains competitive advantage through customer responsiveness	0	1	9	21	14	45
7	Company gains competitive advantage through innovation	1	9	22	13	0	45
8	Company gains competitive advantage through employee satisfaction	0	2	7	25	11	45
9	Company has a competitive advantage over its rivals due to its service flexibility	2	0	13	19	11	45
10	Company gains competitive advantage over its rivals due to its unique corporate culture	0	0	11	16	18	45
11	Company gains competitive advantage through its cost leadership strategy	0	0	5	28	12	45
12	The company has achieved a competitive advantage through its differentiation	0	0	12	15	18	45
13	Complexity of technology helps our company achieve sustainable edge	0	0	5	28	12	45
14	Company has educated staff in areas of product knowledge and customer service	1	0	12	21	11	45
15	Company’s product and services diversity is a source of competitive advantage	0	0	3	23	19	45

Source: Research Findings, 2016

The Table 4.6 shows that the respondents see that their companies competitive advantage is more influenced by product and services diversity, complexity of technology, cost leadership, employee satisfaction and customer responsiveness while innovation, service flexibility, educated staff in area of product knowledge were seen as less determinants of the competitive advantages.

Table 4.7: Competitive Advantage Mean

Competitive advantage	N	Mean	Std. Deviation
Company has educated its staff in areas of product knowledge and customer service	45	4.5556	.50157
New products or services have enabled the company gain a sustainable competitive advantage	45	4.5556	.50157
Company gains competitive advantage through efficiency	45	4.4444	.50157
Company gains competitive advantage through innovation	45	4.3333	.67293
Company's product and service diversity is a source of competitive advantage	45	4.3333	.82416
Company gains competitive advantage through customer responsiveness	45	4.2222	.63444
New products or services are developed through strategic alliances	45	4.2222	1.23879
Company gains competitive advantage through its cost leadership strategy	45	4.2222	.79305
Company gains competitive advantage through employee satisfaction	42	4.0000	.87519
Complexity of technology helps our company achieve sustainable edge	45	4.0000	.67293
Company gains competitive advantage through its differentiation strategy	45	4.0000	.82416
Company gains competitive advantage over its rivals due to its unique corporate culture	45	4.0000	.95166
Company gains competitive advantage through pricing	45	4.0000	.67293
Formation of alliances by your organization helped the company to effectively deal with competition in the industry	45	3.8889	1.20794
Company gains competitive advantage over its rivals due to its service flexibility	45	3.8750	.60582
Valid N (listwise)	45		

Source: Research Findings, 2016

The study sought to establish from respondents the extent to which statements on competitive advantages applied in their organizations. As presented in Table 4.7 above to a very large extent the company that has put in effort to educate its workforce in areas of product information and how to carry out customer service and new products or services have enabled companies listed at NSE gain a sustainable competitive advantage by a mean of 4.56 each as indicated. Further, to a large extent the companies gain competitive advantage through efficiency (Mean =4.44), innovation (Mean= 4.43), product and service diversity (Mean=4.43), customer responsiveness (Mean =4.22), developing new products or services through strategic alliances (Mean=4.22),cost leadership strategy (4.22), employee satisfaction(Mean=4.00), complexity of technology(Mean=4.00), differentiation strategy (Mean=4.00),unique corporate culture (Mean=4.00), pricing (Mean=4.00), formation of alliances (Mean =3.89) and service flexibility (Mean =3.88). These findings were sustained by low standard deviation which was an indication that competitive advantages practices cut across all the organizations researched on.

4.5 Core Competencies

A Company's core competencies and its main products determine its competitiveness. Hamel and Prahalad (1990), in their article on core competences stated that the integration of a firm's operation towards achieving its quality target demands or meeting customer's special needs leads to gaining competitive advantage. Companies need to systematically identify and develop their core competencies for sustainable competitive advantage and also to lead to positive 6 strategic level of the firm.

It is throughout-performing their competitors by the way they perform the important value chain activities, will a company develop a lasting competitive advantage. We have a range of factors contributing to the performance and achievement of companies in terms of sales volume, costs reductions mechanisms, and more others. Amongst the factors contributing to success of companies in terms of performance is by having a service delivery level that is way above its competitors hence leading to increased sales volume, mechanisms of reducing costs, both human and capital, resources and infrastructure among others.

Some companies are doing better and even heavily expanding while others are either stuck or are not well performing. The success in some is a sign that some internal processes are being managed properly in these companies than it is in others. The internal processes are their core competencies. These help companies distinguish their service or product from those of their rivals. It also helps to reduce product development and marketing costs which in the end contributes to achieve a competitive advantage.

Table 4.8: Core Competencies

	1. Not at all 2.Less Extent 3. Moderate Extent 4. Large Extent 5. Very Large Extent						
No.	How are core competences important to your company?	1	2	3	4	5	Total
1	Enables the company to focus on its operations	0	1	5	24	15	45
2	Enables the company to be more efficient, product focus	0	1	12	16	16	45
3	Enables the company to increase its customer service	0	2	6	19	18	45
4	It results to the company doing the right things	0	1	7	21	16	45
5	It aids the company in implementing its marketing strategy	0	0	4	22	19	45

Source: Research Findings, 2016

To a large extent majority of respondents stated that core competences are important to their companies by enabling the company implement the strategy, focus on its operations and increase the customer service

Table 4.9: Core Competencies Mean

Core Competencies	N	Mean	Std. Deviation
Core competences enable the company to focus on its operations	45	4.6667	.47583
Core competences enable the company to be more efficient, product focus	45	4.5556	.69137
Core competences aid the company in implementing its marketing strategy	45	4.5556	.50157
Core competences result in the company doing the right things	45	4.3333	.67293
Core competences enable the company to increase its customer service	45	4.2222	1.04008

Source: Research Findings, 2016

The study sought to ascertain from respondents how statements from Table 4.9 above on core competencies were important to their company. Based on the findings, respondents strongly agreed that core competences enabled their companies to focus on its operations (Mean = 4.67), to be more efficient, product focus (Mean= 4.56) and to aid them in implementing its marketing strategy (Mean=4.56). Also, the respondents agreed that core competences resulted in their companies doing the right things (Mean=4.33) and enabled their companies to increase its customer service (Mean =4.22).

Table 4.10: Core Competency Characteristics

	1. Not at all 2. Less Extent 3. Moderate Extent 4. Large Extent 5. Very Large Extent						
No	**Core competences of your company**	**1**	**2**	**3**	**4**	**5**	**Total**
1	They are characterized by being unique and collective	1	2	11	23	8	45
2	Their contribution to the success of the potential business is strategically flexible are strategically flexible	0	0	15	19	11	45
3	The company’s core competence are difficult for competitors to imitate	1	4	9	16	16	45
4	The company’s core competence enables it to have access to prospective wide variety of markets	1	1	7	22	14	45
5	The company’s core competence makes a considerable contribution to the professed customer benefits from the end product	1	1	8	23	12	45
6	The company’s core competence are flexible enough to straddle a variety of business functions	0	0	9	23	13	45
7	It involve how to coordinate diverse production skills and integrate multiple streams of technologies	1	1	11	17	15	45
8	The company’s core competence has close relationships with customers and suppliers	0	0	5	19	21	45

Source: Research Findings, 2016

Table 4.11: Core competences mean

Core competences	N	Mean	Std. Deviation
The company's core competences have close relationships with suppliers and customers	45	4.3333	.67293
The company's core competences make a significant contribution to the perceived customer benefits of the end product	45	3.6667	.95166
The company's core competences are difficult for competitors to imitate	45	3.6667	1.06399
The company's core competences are strategically flexible contributing towards the success of potential business	45	3.5556	.69137
The company's core competences are collective and unique in their characteristics	45	3.5556	1.35517
The company's core competences involve how to coordinate diverse production skills and integrate multiple streams of technologies	45	3.2222	.79305
The company's core competences are flexible enough to straddle a variety of business functions	45	3.2222	1.04008
Valid N (listwise)	45		

Source: Research Findings, 2016

Further, the study sought to establish from the respondents to what extent they agreed with the statements presented in Table 4.11 above regarding their company's core competencies. From the findings the respondents agreed that the company's core competences have close relationships with suppliers and customers (Mean=4.33), make a significant contribution to the perceived customer benefits of the end product (Mean=3.67), are difficult for competitors to imitate (Mean=3.67), are strategically flexible contributing towards the success of potential business (Mean=3.56) and are collective and unique in their characteristics.

The study noted that the respondents never agreed nor disagreed (moderate) that the company's core competences involve how to coordinate diverse production skills and integrate multiple streams of technologies (Mean=3.22) and are flexible enough to straddle a variety of business functions (Mean=3.22).The findings were sustained by a low standard deviation which was an indication that respondents from the organizations researched on held similar views.

4.6 Regression Analysis

The relationships amongst the study variables were analysed in a simple regression analysis model as:

$$Y = \beta_0+\beta_1X_1+\beta_2X_2+\beta_3X_3+\beta_4X_4+\varepsilon$$

Where:

Y: Competitive Advantage

X_1: Audit Committee

X_2: Board Diversity

X_3: Board Independence

X_4: Frequency of Board meetings

Table 4.12: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.911[a]	.830	.811	.22859

Source: Research Findings, 2016

As indicated in Table 4.12, the results establish that the independent variables included in the model as shown by the adjusted R^2 accounted for 81.1% of competitive advantage. This therefore implies that 18.9% of competitive advantage was accounted for by other factors that were excluded from the model. The correlation coefficient of 0.911 indicated that there exist a very close association between the dependent and independent variables.

4.6.1 ANOVA

ANOVA was computed to establish the significance of the regression model in predicting the relationship between independent variables and dependent variables. ANOVA results are illustrated in the Table 4.13 below

Table 4.13: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	9.411	4	2.353	45.027	.000[b]
	Residual	1.933	37	.052		
	Total	11.345	41			

Source: Primary Data, 2016

Results in Table 4.13 shows a significance level of 0.00 thus indicating that there is no probability of the linear regression model presenting false information and thus data collected was perfect for conclusion making on the population's parameters. The F which was calculated at a significance level of 5%, was 45.027 which is greater that the critical value (Value=9.411). The study thus revealed that the model was significant and useful in predicting competitive advantage. This implied that independent variables used in the model (Board Diversity, frequency of Board meetings, board independence and audit committee) could be used to predict competitive advantage.

4.6.2 Coefficients

Table 4.14: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.534	.448		5.657	.000
	Audit committee	.826	.203	.699	4.072	.000
	Board diversity	.621	.059	.958	10.489	.000
	Board independence	-.923	.336	-.621	-2.744	.009
	Board meeting frequency	-.130	.111	-.132	-1.177	.247

Source: Primary Data, 2016

The coefficient of regression in table above was used in coming up with the model below:

$Y = 2.534+0.826 X_1+0.621 X_2-0.923 X_3-0.130X_4$

The results presented in Table 4.14 above showed that when other factors are constant competitive advantage was 2.534. From the findings, a unit increase in audit committee leads to 0.826 increase in competitive advantage. A unit increase in board diversity leads to 0.621 increase in competitive advantage. The study noted that a unit increase in board independence will lead to a -0.923 decrease in competitive advantage while a unit increase in board meeting frequency will lead to a -0.130 decrease in competitive advantage. Further, the findings revealed that audit committee board diversity and board independence had a P-value of less than 0.05 thus were significant. This implied that they were positively correlated with competitive advantage. According to the model, board meeting frequency negatively correlated with competitive advantage as shown by P=0.247.

The study established that statements on corporate governance applied to the organization to a large extent. Also, the statements on competitive advantage applied to the companies from a very large extent to a large extent. The results indicated that there is an impact of the dimensions of corporate governance in achieving competitive advantage, as Table (4.11) and in the order of entry of corporate governance dimensions in the prediction of competitive advantage where the order was (accountability, justice shows, social responsibility, autonomy) correspondingly. It can be said that this study's results are in concurrence those of study (Abdali, 2012) which showed that respondents agreed that core competencies were important in their organization.

The results of the study indicated there is effect of the dimensions of corporate governance in differentiation as a dimension of competitive advantage as shown in Table (4.10) and hence the results are in line with the results of a study (Abu Baker, 2012). Respondents agreed with the statements on their company's core competency characteristics.

Jensen and Meckling (1976) suggested that concentration of the ownership of the firm positively impacted on performance because it prevents the conflict of interest involving owners and managers. Further it was established that the ownership concentration of the firm is an endogenous outcome of the competitive selection in which various cost advantages and disadvantages are balanced to arrive at an equilibrium organization of the firm, concentrated ownership provides better monitoring incentives, and lead to superior performance. They opined that good governance lead to efficient operations.

The results of the study indicated there is an impact of the dimensions of corporate governance in excellence as a dimension of competitive advantage. The results of Competitive advantage statements concur with Ozer (2000) who established that building a competitive advantage involves looking at what the customer wants to ensure customer satisfaction, cost reduction to facilitate better pricing, employee satisfaction to ensure improved delivery of goods and services and finally, profitability for organizations.

The statements on core competencies were in line with Hoffman (2000) who suggested a company needs to achieve and sustain a continuous competitive advantage for it to remain relevant. This is the long-lasting gain of carrying out some distinctive value generating plan that is cannot be duplicated by any existing or prospective competitor.

The study revealed that the regression model was very significant and useful in predicting competitive advantage ($f = 45.027$; $p > 0.05$).Further, the study established that the variations in independent variables accounted for 83% variations in competitive advantage. Audit Committee positively influences competitive advantage ($\beta=0.826$, $p>0.05$). Board diversity positively influences competitive advantage ($\beta=0.621$, $p>0.05$). Also, the study noted that board independence negatively influences competitive advantage ($\beta= -0.923$, $p<0.05$) and board meeting frequency ($\beta= -0.130$, $p<0.05$) negatively influences competitive advantage. The findings indicated that the relationships were not statistically significant. These findings are consistent with Carney (2005) who concluded that corporate governance instils control mechanisms that enhance firm competitive advantage.

Good governance, as globally believed, generates investor goodwill and assurance. Claessens (2002) states that, firms benefit through favorable treatment of all stakeholders like having greater access to much needed financing, lower capital cost, and better financial performance all as a result of having a good corporate framework. Thus weak corporate governance leads to poor firm performance and are contribute to macroeconomic crises which eat into a firm's competitive advantage.

2% of the respondents said the company Secretary was not at all qualified as the requirements of the CPS Act and 4% stated the company did not at all have internal guidelines on Corporate Governance. Similarly, 2%-4% responded that to less extent corporate governance was not being practiced. This limited few could be significant to explain recent corporate governance problems affecting listed companies in Kenya.

Excellent corporate governance is key for investor confidence and market liquidity (Donaldson, 2003). Igor Todorovic (2013) states as evidenced from numerous researches done, a company gains economic benefit as a result of good corporate governance, leading to increased profitability and competitiveness. He further says it also plays a role in the prevention of corporate scandals, and fraud, hence minimizing potential civil and criminal liability of companies. This enhances the company's image and status making it more attractive to various stakeholders like investors, customers and suppliers.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the study, conclusion, recommendations, limitations of the study and suggestions for further research of the main findings on effect of corporate governance on competitive advantage of NSE listed companies and the CMA guidelines.

The objective of this study was to establish the effects of corporate governance practices on the competitive advantage of the companies listed at the NSE. It recommends the management of companies to implement the corporate governance practices for ease of achieving high performance by minimal supervision.

The chapter highlights findings of corporate governance and recommended standards of corporate governance while also explaining its purpose and objective. This is achieved by various discussions of the principal drivers for an increased demand for good corporate governance. There is increased empirical evidence showing that competitiveness and long term value creation is a result of good corporate governance.

5.2 Summary

The study found that corporate governance practices apply to companies listed at the NSE to a large extent. The aspects of corporate governance practices that applied to the respondents companies included; audit committee controls and oversights the accounting information process, customized internal corporate governance guidelines, integration of corporate governance practice into strategy, qualified secretary as the requirements of the CPS Act, independent audit committee, structure of the board comprised a number of directors which fairly reflects the company's shareholding structure, companies have adopted the CMA Corporate governance guidelines, which guides that independent directors should make up one third of its board, and non-executive directors and the company secretary is not a board member but attends all board meetings and provides guidance to the board on their duties and responsibilities on matters of governance.

The findings of this study are in agreement with those of Arya, Tandon, Vashisht (2003) who found that using good corporate governance practices as standards of comparison between companies facilitates the benchmarking process, as support for learning and assimilating the methods and practices through which the successful companies, considered as standard, achieved excellence, having for result equalizing or exceeding their performance. The study found that to a very large extent companies listed at the NSE gain competitive advantage by continuous staff education in customer service, thorough product knowledge and creating new products or services.

The study also, revealed that companies listed in the NSE to a large extent gain competitive advantage through efficiency, innovation, product and service diversity, customer responsiveness, developing new products and services through strategic alliances, cost leadership strategy, employee satisfaction, complexity of technology, differentiation strategy, pricing, formation of alliances, service flexibility. The findings concur with those of Ozer (2000) who established that building a competitive advantage involves looking at what the customer wants to ensure customer satisfaction, cost reduction to facilitate better pricing, employee satisfaction to ensure improved delivery of goods and services and finally, profitability for organizations.

The study found that the respondents strongly agreed that core competencies enable the companies listed in the NSE to focus on its operations, to be more efficient, product focus and aid the companies in implementing its marketing strategy. Also, the respondents agreed that Core competencies result in the companies doing the right things and enables them to increase its customer service. Further, the study revealed that the respondents agreed that the companies' core competencies have close relationships with suppliers and customers; they contribute largely to the perceived end product benefits to the customer, are not easily imitated by competitors, and are unique in their characteristics.

The findings are consistent with the findings of Hoffman (2000) who suggested that for any company to remain relevant they need to achieve a level of having continual competitive advantage. This benefit is as a result of the firm implementing some unique value creating strategy that cannot be duplicated or implemented by any current or potential competitor.

The study revealed a presence of a strong connection between competitive advantage and corporate variables that were studied (Audit committee, board diversity, board independence, and board meeting frequency). A correlation coefficient of 0.911 and a determination coefficient of 0.830 were established. It was also established that the independent variables accounted for 81.1% of competitive advantage while 18.9 % of factors affecting competitive advantage were unexplained by the study. From the F-Statistics, the study found that the independent variables were significant. No statistically important relationship connecting competitive advantage and independent variables was found.

5.3 Conclusion

The study shows that many listed company to a very large extend have developed customised internal corporate governance systems in addition to the CMA guidelines. Core competences to a large extend enable companies focus on their operations, become more efficient and increase customer services. Competitive advantages of the listed firms are largely through trained staff, customer services, new products, efficiency and innovations.

To a lower extend flexibility of services and strategic alliances influenced the competitive advantages. The firm's capital structure is also affected by its size which directly affects its competitive advantage largely. It was further established that increase in the size of a firm (expansion of a company through investment and acquisition of assets) has appositive influence on its competitive advantage. A company's profitability also affects its competitive advantage to a very and large extent

The study further showed that various aspects of corporate governance have different impact on company competitive advantage. An increase in the board size significantly raises the company's competitive advantage level. Thus the corporate board size positively affects the competitive advantages of the listed companies to a large extent. The study further shows that audit committee positively affects competitive advantage to a very large extent.

On the other hand, the competitive advantage of the company is negatively affected to a small extent by the meetings held by the board in a year. No improvement was noted when there were increased meetings in a year. The study notes that board independence has a lesser negative effect on the competitive advantage of a company.

The study concludes that corporate governance practices affect competitive advantage to a large degree. From the findings, the study found that core competencies from a very large extent to a large extent were important for companies listed in the NSE to gain competitive advantage. It found that core competencies aid the company in implementing its marketing strategy as well as enabling it increase its customer service. To a large extend, it found out that core competencies enable the company to focus on its operations thus efficient corporate governance leading to competitive advantage over its competitors.

5.4 Recommendations

In line with the findings as discussed in the above chapters of this study, it is evident that the practice of good governance immensely improves the competitive advantage of companies and enhance their capacity to accomplish their strategic goals. This in return improves the corporate image and thereby attracting capital at lower cost, retaining quality employees, clients and suppliers. The results of the study are envisaged to provide the firms with an ability to identify best strategies that if applied can assist in creating a competitive advantage. Therefore, the study recommends that policy makers should design appropriate policies that regulate the overall Kenyan economy.

The recommendation of this study is that the management of companies listed at NSE must devote in implementing corporate governance practices as the study revealed that corporate governance practices affect competitive advantage to a large extent. The management of companies in Kenya are also recommended to invest more on their core competencies as the study established that competencies to a large extent influences competitive advantage.

The study further recommends a continuous monitoring and evaluation of the performance of the boards governing companies in Kenya. An evaluation procedure aimed at monitoring the contributions of the board and its results, and also the contribution of individual directors should be set up. This should also monitor their collaboration with the executive board and annually evaluate them against the objectives of the company and the key performance indicators set a system which is used to reward the company and the individual performance fairly

5.5 Limitations of the Study

The main limitation of the study was accessibility to data. The respondents of the study were managers and company secretaries, getting to them to answer the questionnaires proved difficulty since they are busy individuals in the organizations. Also, matters concerning company's corporate governance are considered confidential thus the respondents were reluctant to give the required information due to fear of victimization.

Limited resources and time could not allow the study to be conducted as deeply as possible in terms of other predictor variables that have effects on competitive advantage other than corporate governance indicators. The scope of the study did not include non-listed companies. The study was limited to four corporate governance variables as having effects on competitive advantage in NSE listed firms. The interpretations of the results as concerns to competitive advantage were thus restricted to the four variables.

Finally, the presence of scandals among the listed companies shows disconnect between having corporate guidelines in a company and a commitment to implementing and following of the guidelines. Most respondents were reluctant to offer accurate data due to the image of the company or fear negative consequences. Thus it was a challenge to verify the authenticity of the data since it was based on respondents view. Most companies have internal policies that forbid revealing information to third parties and thus it needed a lot of time and verifications and confidentiality agreements in order to get the information.

5.6 Suggestions for Further Studies

The study focused only on the companies listed at the NSE. There are more companies not listed in the NSE compared to the number that are listed. Further studies should be carried out to examine the effects on corporate governance on competitive advantage on companies not listed at the NSE to see if they produce similar results.

The study has not been able to comprehensively explore all the variables that influence competitive advantage. The study looked at only audit committee, board diversity, board independence and frequency of board meeting as the variables on governance. Therefore, further research should be carried out on other variables to come up with comprehensive conclusion and reasoning in regard to corporate governance, competitive strategies and overall firm performance.

There needs to be a study to evaluate the commitment of companies to corporate governance in Kenya. This is largely to understand why they fail or have problems and yet all ascribe to the corporate governance guidelines. This will address the authenticity of the respondents and explain why companies that are listed end up in corporate scandals or get delisted and suspended.

5.7 Implication of the Study on Policy, Theory and Practice

The study shows the importance of corporate governance practices to competitive advantage of a company. Thus, non-listed companies have valuable insights on the effective competitive advantage strategies that can be adopted in order to improve their performance. Results of the study indicate a correlation and impact of implementation of principles of corporate governance on competitive advantage of companies and their overall effects to the company performance.

Companies with advanced level of operation of corporate governance principles and enhanced practice are more profitable and have improved performance. Therefore, companies wanting to survive in global market need to maintain their core competences, which will in turn lead to better performance and profitability, making them attractive to investors, and customers. To achieve this, the company may adopt corporate governance such as diverse board members, increase frequency of board meetings, and have an independent board and board audit

Seeing corporate governance as a mere good and of no importance to the firm, and costly, is a major barrier for the carrying out of principles of corporate governance. From this study, management of organizations can see how the overall performance of company's can be influenced by various practices of corporate governance. These findings study expose the effect of corporate governance mechanisms on competitive positioning on performance and as a result, the companies are more endowed with knowledge on how to remain relevant in a competitive business environment. The results provide the firms with a clear insight of the ability to identify priorities in corporate governance that create or shape competitive advantages."

The policy makers are expected to obtain knowledge of the various listed companies' industry dynamics and the influence of competitive strategies and therefore they can obtain guidance from this study in designing appropriate policies that regulate the overall economy. Since increasing the frequency of board meeting negatively influences competitive advantages of firms, policy makers should thus design optimal frequency of board meetings. Similarly, policy makers should examine what level of board diversity is productive to the firms to avoid it being counterproductive.

The study also provides the prerequisite information to other researchers and scholars who may want to carry out further research in this area. With this primary data, secondary data can be researched and more conclusive analysis done. Researchers across outside Kenya can use these funding and compare with their studies on their local stock exchange listed companies to get broader knowledge of the regional outlook.

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APPENDICES

Appendix One: Research Questionnaire

Section A: Demographic Information

(i) Name of Organization (Optional)

…………………………………………………………………………………

(ii) What position do you hold in your organization?

Shareholder [ ] Director [ ] Chief Executive [ ]

Company Secretary [ ] Manager [ ]

Kindly specify…………………………………………………………........................

Section B: Corporate Governance

(i) Indicate the extent to which the following Corporate Governance Practices apply in your organization using the following scale:-

1. Not at all 2. Less Extent 3. Moderate Extent 4. Large Extent 5.Very Large Extent

No.	**Corporate Governance Practices**	**1**	**2**	**3**	**4**	**5**
1.	The Company has adopted the CMA Corporate Governance guidelines					
2.	The Company has its own customized internal Corporate Governance guidelines					
3.	The Company has integrated the Corporate Governance Practices into its corporate strategy					
4.	The audit committee plays a crucial role in the control and the oversight of the accounting information process					
5.	Audit committee is independent, active and meets at least three times in a year.					
6.	The Company Secretary is qualified as the requirements of the CPS Act.					

7.	The Company Secretary is not a board member but attends all board meetings and provides guidance to the board on their duties and responsibilities and on matters of governance.					
8.	The Company has one third of its Board of directors as independent and non-executive directors					
9.	The structure of the board comprises a number of directors which fairly reflects the Company's shareholding structure.					
10.	The composition of the board provides a mechanism for representation of the minority shareholders.					

(ii) Does the organization have a corporate governance policy and a code of ethics? ....

(iii) Does your institution have skilled workforce to complement the corporate governance strategy? ....

Section C: Competitive Advantage

(i) Please list what you consider as your organization's core competencies.

(a)..

(b)..

(c)..

(d)..

(ii) Indicate the extent to which the following Competitive advantages apply in your organization: 1. Not at all 2. Less Extent 3. Moderate Extent 4. Large Extent 5.Very Large Extent

No.	**Competitive Advantages**	**1**	**2**	**3**	**4**	**5**
1.	Formation of alliances by your organization helped the company to effectively deal with competition in the industry					
2.	New products or services are developed through strategic alliances					
3.	New products/services have enabled the company gain a sustainable competitive advantage					
4.	Company gains competitive advantage through pricing					
5.	Company gains competitive advantage through efficiency					
6.	Company gains competitive advantage through customer responsiveness					
7.	Company gains competitive advantage through innovation					
8.	Company gains competitive advantage through employee satisfaction					
9.	Company has a competitive advantage over its rivals due to its service flexibility					
10.	Company has a competitive advantage over its rivals due to its unique corporate culture					
11.	Company has achieved a competitive advantage through its cost leadership strategy					
12.	company has achieved a competitive advantage through its differentiation strategy					
13.	Complexity of technology helps our company achieve sustainable edge					
14.	Company has educated staff in areas of product knowledge and customer service					
15.	Company's product and service diversity is a source of competitive advantage					

(iii) How are core competences important to your company? Use 1- Strongly Disagree, 2- Disagree, 3- Moderate, 4- Agree and 5-strongly agree.

No.		**1**	**2**	**3**	**4**	**5**
1.	Enables the company to focus on its operations					
2.	Enables the company to be more efficient, product focus					
3.	Enables the company to increase its customer service					
4.	It results to the company doing the right things					
5.	It aids the company in implementing its marketing strategy					

(iv) To what extent do you agree with the following regarding your company's core competence? Use 1- Strongly Disagree, 2- Disagree, 3- Moderate, 4- Agree and 5- strongly agree.

No.		**1**	**2**	**3**	**4**	**5**
1.	They are collective and unique in their characteristics					
2.	They are strategically flexible contributing toward the success of potential business					
3.	The company's core competence are difficult for competitors to imitate					
4.	The company's core competence provides potential access to a wide variety of markets					
5.	The company's core competence makes a significant contribution to the perceived customer benefits of the end product					
6.	The company's core competence are flexible enough to straddle a variety of business functions					
7.	It involve how to coordinate diverse production skills and integrate multiple streams of technologies					
8.	The company's core competence has close relationships with customers and suppliers					

THANK YOU FOR COMPLETING THIS QUESTIONNAIRE

Appendix Two: Companies Listed at the NSE

AGRICULTURAL

1. Eaagads Ltd
2. Kapchorua Tea Co. Ltd
3. Kakuzi
4. Limuru Tea Co. Ltd
5. Rea Vipingo Plantations Ltd
6. Sasini Ltd Ord
7. Williamson Tea Kenya Ltd

AUTOMOBILES AND ACCESSORIES

8. Car and General (K) Ltd
9. Sameer Africa Ltd
10. Marshalls (E.A.) Ltd

BANKING

11. Barclays Bank Ltd
12. CFC Stanbic Holdings Ltd
13. I&M Holdings Ltd
14. Diamond Trust Bank Kenya Ltd
15. HF Group Ltd
16. KCB Group Ltd
17. National Bank of Kenya Ltd
18. NIC Bank Ltd
19. Standard Chartered Bank Ltd
20. Equity Group Holdings
21. The Co-operative Bank of Kenya Ltd

COMMERCIAL AND SERVICES

22. Express Ltd
23. Kenya Airways Ltd
24. Nation Media Group
25. Standard Group Ltd
26. TPS Eastern Africa (Serena) Ltd
27. Scangroup Ltd
28. Uchumi Supermarket Ltd
29. Hutchings Biemer Ltd
30. Longhorn Publishers
31. Atlas Development and Support Services
32. Deacons (East Africa) Plc
33. Nairobi Business Ventures Ltd

CONSTRUCTION AND ALLIED

34. Athi River Mining
35. Bamburi Cement Ltd
36. Crown Berger Ltd
37. E.A.Cables Ltd
38. E.A.Portland Cement Ltd

ENERGY AND PETROLEUM

39. KenolKobil Ltd
40. Total Kenya Ltd
41. KenGen Ltd
42. Kenya Power & Lighting Co Ltd
43. Umeme Ltd

INSURANCE

44. Jubilee Holdings Ltd
45. Pan Africa Insurance Holdings Ltd
46. Kenya Re-Insurance Corporation Ltd
47. Liberty Kenya Holdings Ltd
48. Britam Holdings Ltd
49. CIC Insurance Group Ltd

INVESTMENT

50. Centum Investment Co Ltd
51. Trans-Century Ltd
52. Home Afrika Ltd
53. Kurwitu Ventures

INVESTMENT SERVICES

54. Nairobi Securities Exchange Ltd

MANUFACTURING AND ALLIED

55. B.O.C Kenya Ltd
56. British American Tobacco Kenya Ltd
57. Carbacid Investments Ltd
58. East African Breweries Ltd
59. Mumias Sugar Co. Ltd
60. Unga Group Ltd
61. Eveready East Africa Ltd
62. Kenya Orchards Ltd
63. A Baumann CO Ltd
64. Flame Tree Group Holdings Ltd

TELECOMMUNICATION AND TECHNOLOGY

65. Safaricom Ltd

REAL ESTATE INVESTMENT TRUST

66. Stanlib Fahari I-REIT

Source: NSE website (2016)