CORPORATE GOVERNANCE, AGENCY CONFLICTS, STRATEGIC CHOICES AND PERFORMANCE OF FINANCIAL INSTITUTIONS IN KENYA

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2018

DECLARATION

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DEDICATION

This thesis is dedicated to my late father Mr. J. Kamau. Dad, you witnessed the beginning of this journey but left while I was half way through. Thank you for inculcating in me the seed of knowledge at an early age. Your continued believe in me pushed me thus far. *Rest in peace Daddy!*

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ABBREVIATIONS AND ACRONYMS

BoD:	Board of Directors
BSC:	Balanced Scorecard
CBK:	Central Bank of Kenya
CEO:	Chief Executive Officer
CG:	Corporate Governance
CMA:	Capital Market Authority
FIs:	Financial Institutions
GDP:	Gross Domestic Product
ICT:	Information Communication Technology
IOE:	Industrial Organization Economics
IRA:	Insurance Regulatory Authority
KBA:	Kenya Bankers Association
MFIs:	Micro Finance Institutions
NSE:	Nairobi Securities Exchange
ODI:	Overseas Development Institute
OECD:	Organization for Economic Cooperation and Development
R & D:	Research and Development
SACCOs:	Savings and Credit Cooperative Societies
SASRA:	SACCO Societies Regulatory Authority
S-C-P:	Structure- Conduct-Performance
SMEs:	Small and Medium Enterprises
SBSC:	Sustainable Balanced Scorecard
SPSS:	Statistical Package for Social Sciences
TMT:	Top Management Team
USA:	United States of America

ABSTRACT

The business environment has evolved overtime, especially, over the last few decades registering innumerable developments. These developments include how organizations are directed and controlled, the ownership and financing structure, aligning firms to the environment, stakeholder engagement and gaining competitive edge. Drawing from agency theory one of the firm's key concern is the separation of ownership and control. This leads to the emergence of corporate governance revolving around the three key organizational stakeholders: shareholders, directors and management. Thus, adoption of good governance is argued to be crucial in stimulating enhanced organizational performance and value. Accordingly, the field of strategic management, more so, the area of corporate governance and its influence on performance has attracted immense research by both the academia and practitioners. These studies have reported divergent results on how the two variables interact, majority recording a positive relationship while others observed nonlinear and non-directional linkage. This implies that the interaction between corporate governance and firm performance is affected by other factors such as the operating environment, stakeholders' conflicts, organizational culture, strategies adopted among others. It is upon this premise that the study sought to establish the influence of agency conflicts and strategic choices to the relationship between corporate governance and organizational performance. To achieve this, four strategic objectives and corresponding hypotheses were formulated and tested in Kenya's financial institutions. Through a cross sectional survey, data were obtained from 108 financial institutions using a semi structured questionnaire. Further, data was analyzed using descriptive and inferential statistics. Results indicate that corporate governance significantly enhances organizational performance. Strategic choices were also found to partially mediate corporate governance and firm performance. Overall, the joint influence of corporate governance, agency conflicts and strategic choices on performance of financial institutions in Kenya was found to be statistically significant. However, the independent moderating effect of agency conflicts on corporate governance and firm performance was not statistically significant. Thus, the study concludes that when agency conflicts are mitigated and firms adopt good governance practices that align strategies to the overall firm objectives, optimal performance is achieved. The study contributes to literature by demonstrating that firms can maximize value by adopting good corporate governance. Further, the study suggests that board of directors enhances organizational performance by embracing key strategies that are in line with the mission, vision and operating environment. In addition, board skills were found to be the most important attributes of board members that enhances performance. Limitations of the study entailed the snap shot cross sectional survey, which does not allow observation of variables' interaction over a long period of time. Further studies are suggested on interrogating the variables interaction in other contexts like manufacturing, mining and agricultural sectors. Moreover, alternative research methods like longitudinal and use of both primary and secondary data are recommended.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The emergence of corporate scandals, stronger demand for accountability, transparency and performance has placed corporate governance at the center of strategic management debate (Van der Walt, et al., 2006). According to Organization for Economic Cooperation and Development (OECD) (2004), corporate governance provides a structure through which objectives of a company are set and means of attaining those objectives and their implication to performance are put in place. Thus, the influence of corporate governance to the performance of organizations cannot be overemphasized. Numerous researchers in strategic management concur that corporate governance is paramount to organizations' performance (Shleifer & Vishny, 1997; Brown & Caylor, 2004; Grove, Patelli, Victoravich & Xu, 2011).

The growth and widespread adoption of corporate governance has been precipitated by agency conflicts that emanate from divergent interests of corporate stakeholders. As corporations grew in leaps and bounds, it was inevitable to separate ownership and control. In tandem with this growth was the rise in corporate stakeholders, where each group had a set of needs requiring to be satisfied. These needs were often opposing, thereby infuriating agency conflicts in organizations. Intrinsically, various corporate governance mechanisms have been adopted by corporations to mitigate agency conflicts (Jensen, 1993; He & Sommer, 2010). These conflicts in turn have given rise to the need to specialize decision management (initiation and implementation) and decision control (ratification and

monitoring) (Fama & Jensen, 1983). This is achieved through making corporate strategic choices that lays a foundation for optimal utilization of firms' resources (Daily, Dalton & Cannella, 2003). According to Filatotchev, Isachenkova and Mickiewicz (2006) firms' strategic decisions are shaped by a variety of contextual influences arising from past events, present circumstances, and perspectives of the future.

Yet, the debate on the influence of various corporate governance mechanisms and practices on organizations' performance is inconclusive. Board of directors have been identified as a key pillar in corporate governance, whose structure and practices are crucial in mitigating agency conflicts and making strategic decisions (Kiel & Nicholson, 2003). However, their involvement in making corporate strategic decisions remains unsettled (Letting, Aosa & Machuki, 2012; Pandya, 2011; Schiehll et al., 2014). Although corporate governance was viewed as a mechanism for mitigating agency conflicts, there is no consensus whether corporate governance actually mitigates these conflicts (Jensen & Meckling, 1976; He & Mahoney, 2006). Despite the importance of these variables to organizational survival, studies have not explored their joint interaction thus the impetus for this study.

The study was mainly premised on agency theory (Jensen & Meckling, 1976; Eisenhardt, 1989) and two complementary theories: stakeholders' theory (Donaldson & Preston, 1995; Freeman, 1984), and industrial organization economics (IOE) theory (Bain, 1956; Porter, 1981). Agency theory postulates that separation of ownership and control, as is characteristic of modern corporations leads to divergent interests between various organizational stakeholders, hence agency conflicts (Jensen & Meckling, 1976). Financial management was argued to be a significant cause of conflicts mainly between shareholders,

managers and debtors. Stakeholders' theory recognizes firms to operate within different interest groups, hence imperative to consider them while making corporate strategic decisions (Lawal, 2012). The industrial organization economics (IOE) theory follows industry structure - conduct - performance (S-C-P) paradigm (Bain, 1956; Porter, 1981). It postulates that firms' performance critically depend on characteristics of the industry environment they compete in, and an effective strategy formulation (Porter, 1981).

Kenya, is one of the fastest growing economies in the African continent. Located on the Eastern part of Africa, the country boasts of a relatively larger economy among its peers (Kenya National Bureau of Statistics [KNBS], 2016). The main sectors supporting the economy includes agriculture, manufacturing, financial services, mining, real estate, transport and communication, energy and water, trade and tourism (CBK, 2015). The financial sector is one of the key economic driver and a vital pillar to the achievement of Kenya's vision 2030 blueprint (Overseas Development Institute [ODI], 2014). The Kenya financial sector consists of the various financial institutions: banks, insurance companies, deposit taking SACCOs and micro finance institutions. These institutions operate under a highly competitive environment and strict regulatory framework, aimed at promoting the country's financial stability and economic growth (Central Bank of Kenya [CBK], 2015). In the recent past, the sector has embraced enhanced transparency and good governance (CBK, 2015).

1.1.1 Corporate Governance

Corporate governance is defined as the process and structure for directing and managing firms towards business prosperity and corporate accountability with the ultimate objective of shareholder value maximization, whilst considering interests of other stakeholders (Capital Markets Authority [CMA], 2015). It is also viewed as a means by which suppliers of finance control managers to ensure their capital is not expropriated and that they earn a return on investment (Shleifer & Vishny, 1997). According to Daily et al. (2003) governance refers to the allocation of firms' resources and resolution of conflicts among various stakeholders. Further, corporate governance is viewed as the system by which companies are managed, objectives are set and achieved, risk is monitored and assessed, and performance is optimized (Hamilton, 2003). Some of the key highlights of these definitions is the need to enhance organizational values, importance of shareholders and other stakeholders, giving oversight and direction to the organization. However, issues of interests in organizations are numerous thus there is no single universal definition for corporate governance.

Good corporate governance is accomplished through established structures and practices. Structures identify distribution of rights and responsibilities among various corporate stakeholders (Aguilera & Jackson, 2003). They include the governing laws, board of directors, ownership and control structure, managerial compensation and debt structure (OECD, 2004; Dewji & Miller, 2013). Corporate governance practices involve board operations such as appointment, functioning, compensation and conflicts management (CMA, 2015). OECD (2004) recognizes best corporate governance practices to include

formalizing governance policies, codes and guidelines, functioning of board of directors and relations with management, strengthening of shareholder rights, improving the control environment, transparency, disclosure and sustainability.

Governance structures and practices are largely sanctioned by boards of directors making them the most important pillar in corporate governance (CMA, 2015; Van der Walt, et al., 2006). Further, corporate law grants directors the formal authority to ratify management initiatives, evaluate their performance, determine corporations' purpose and ethics, and decide on the strategic direction. They also allocate rewards and penalties to management in line with shareholders' interests and to reduce agency conflicts (Fama & Jensen, 1983; Hoskisson et al., 2000). Global best practices demonstrate a strong linkage between good governance and enterprise growth and profitability (World Economic Forum [WEF], 2016). Poor governance has adversely affected corporations' existence as demonstrated by world's giants like Enron and WorldCom. The two organizations became bankrupt in 2001 and 2002 respectively due to conflicts, wrong strategic decisions by the board and management, and fraudulent accounting systems (Li, 2010; Kuhn & Sutton, 2006). These scandals necessitated enactment of Sarbanes-Oxley Act of 2002 in congress to enhance accuracy and reliability of corporate disclosures for investors' protection (Kuhn & Sutton, 2006). Culmination of the above underscores the importance of good governance in organizations. Largely, scholars and practitioners concur that strong governance is paramount for organizations existence and survival.

1.1.2 Agency Conflicts

Agency conflicts exist when there are divergent goals between various organizational stakeholders in an agency relationship, where each pursues their own interests (Eisenhard, 1989) and when it is difficult or expensive for the principal to verify agents' actions (Jensen & Meckling, 1976; Schachter, 2014). It is built on managerial notion that separation of ownership and control, as is characteristic of modern corporations, potentially leads to self-interested actions by managers (Shleifer & Vishny, 1997). While shareholders share common objectives such as wealth maximization, managers by their firm-specific knowledge are assumed to be potentially opportunistic actors, who take advantage of dispersed shareholders to extract firm's value for their own benefit (Eisenhardt, 1989; Mizruchi, 1983).

Various agency conflicts exist between different stakeholders in organizations. Conflicts between shareholder and senior managers is viewed as the primary agency conflict. It occurs between dispersed shareholders and professional managers (Gogineni, Linn & Yadav, 2010). Conflicts between majority and minority shareholders happen when majority shareholders take firms control and as such exploit minority shareholders in closely-held corporations (Nagar, Petroni & Wolfenson, 2011). Other forms of conflicts exist between shareholders and directors, directors and managers, shareholders and debt holders, and between shareholders and external contracting parties. The Kenya financial institutions also experience unique interindustry conflicts. The regulatory framework consists independent regulators for each sub sector leading to gaps, overlaps, inconsistencies and differences in operations (Retirement Benefits Authority [RBA], 2008). There is an appeal from players to conglomerate all regulators into one body that mirrors the sector.

The foregoing discussion on agency conflicts in organizations points to the need to identify key conflict areas and devise mechanisms of mitigating or eliminating them altogether. It emerges that even when corporations have all the necessary ingredients for success, prevalence of conflicts may inhibit the envisioned value. Whereas corporate governance is anticipated to be a key determinant of organizational performance, the study sought to establish, whether the presence of agency conflicts obstructs this linkage. Another key component that mitigates these conflicts is through corporate strategic decisions that puts all stakeholders' interests into consideration (Mizruchi, 1983).

1.1.3 Strategic Choices

Strategic choices are the optimal objectives that a firm adopts to pursue for value maximization. It is also viewed as the espousal of intended courses of actions by an organization, in consideration of available resources, required commitment, persistence, irreversibility and presence of uncertainty (Harvard Business School [HBS], 2013). Objectives are recognized as strategic when they represent matters of importance to an organization particularly, those bearing upon its ability to prosper in a competitive environment or where there is need to maintain credibility (Child, 1997). Strategic choices are also regarded as the goals and plans that an organization sets to adapt and to align with the internal and external environment. It can also be viewed as the outcome of the intent and analysis of options available in reflection of the feasibility, prudence, consensus and acceptability (Gellerman & Potter, 1996).

Protagonists of strategic choices highlight them as mechanisms through which organizations enhance value through high performance, align to the environment and respond to customer needs. Scholars have long recognized that firms' survival and success depends on both environmental forces and strategic choices (Child, 1972; Judge et al., 2015). The alternatives made depend on a variety of contextual influences arising from past events, present circumstances, and perspectives of the future (March, 1991). Thus, strategic choices enhance clarity of generic strategy and organization's strategic intent thereby leading to high performance (Parnell, 2013). Supporting generic strategies are specific primary or secondary tactics that are either internal or external related.

Strategic choices are made at three main levels in organizations. These are at corporate, business and functional levels (Bhasin, 2017). However, other organizations have adopted four levels of strategy formulation, by incorporating one higher level (master) above corporate, business and functional levels. Still, a third group argues that there should only be two levels of strategic choices: corporate or master level and functional level (Beard & Dess, 1981). The corporate level is often viewed as the organization's mission, which entails knowledge sharing, coordination and control. At this level strategies are conceptual and value oriented, concerned mostly with fulfilment of shareholders and investors' expectations (Casadesus-Masanell & Ricart, 2010; Bhasin, 2017). Business level strategies attempts to transform high level strategies into execution plans such as financial policies, market and product segmentation (Beard & Dess, 1981; Bhasin, 2017). Strategies at functional level are mainly tactical operational activities. At this level, processes and strategic actions are put in place for organizations to achieve strategies of the first two levels (Boyne & Walker, 2004).

The debate on how many levels of strategic choices are ideal for organizations still ranges on. Whereas most organizations have adopted the three- levels of strategic choices, others have insisted on four and two levels respectively (Bhasin, 2017; Casadesus -Masanell & Ricart, 2010; Boyne & Walker, 2004). An important observation is that all the proponents agree on the need to have corporate level and functional level strategic choices. Consequently, diverse views have been fronted on what strategies should be covered at each level. According to CBK (2016), some of the corporate level strategies adopted by Kenya's financial services sector include diversification, mergers and acquisition, financial innovation and inclusion adoption of technology and re-engineered business models.

1.1.4 Organizational Performance

Performance is defined as the execution and accomplishment of goals against preset standards of satisfaction in accuracy, completeness, cost, and speed (Aluko, 2003). March and Sutton (1997) defines it as setting the purposes of an organization and evaluating its comparative successes and failures in fulfilling those purposes. It is also defined as doing today what will lead to measured value outcomes tomorrow (Lebas & Euske, 2002). Organizational performance is also viewed as the success, competitiveness, action, effort and progress by firms aimed to achieve established goals. Further, an organization is regarded as successful when it accomplishes its goals (effectiveness) using minimum resources (efficiency) (Lusthaus & Adrien, 1998). Effectiveness has been defined as doing the right thing, while efficiency is doing things right. Thus, the relationship between inputs utilized and outputs achieved is efficiency, while effectiveness indicates the extent to which organizations are achieving planned goals and targets (Fine & Snyder, 1999).

Organizational performance has become one of the thorniest issue, attracting interest from both practitioners and scholars. Strategic management scholars argue that the success of an organization depends on its ability to accomplish objectives against opposition of competition (Learned, Christensen, Andrews & Guth, 1969). It is argued to be a dependent variable and a multidimensional construct influenced by multiple factors (March & Sutton, 1997; Chakravarthy, 1986). It is observed that corporate governance leads to high performance through monitoring top management to enhance honesty, visibility, transparency and setting of clear objectives (Gelter, 2009; Amaoko & Goh, 2015).

Organizational performance measurement is an integral part of ensuring organizations continued success. It is defined as a metric used to quantify the efficiency and effectiveness of an action (Neely, Gregory & Platts, 1995). There is need for such measures to relate directly to the organization's mission and objectives, reflect the company's external competitive environment, customer requirements and internal objectives (Kaplan & Norton, 2007). The balanced scorecard (BSC), one of the most prominent measures of organizational performance was developed as a framework that added non-financial aspects to the traditional financial metrics (Kaplan & Norton, 1996). This was further advanced by incorporating environmental and social facets into the management system making it sustainable balanced scorecard (SBSC) (Figge, Hahn, Schaltegger & Wagner, 2002). SBSC is mainly based on causal relation between economic, environmental and social performance of organizations. It views firms from six perspectives namely: financial, customer focus, internal business process, learning and growth, environmental consciousness and social aspects (Figge et al., 2002; Kaplan & Norton, 1996, 2007). SBSC has been applauded for achievement of strategic system, success, clarity of objectives and a balanced perspective (Malina & Selto, 2001).

It therefore emerges that various frameworks of recognizing performance have been developed. However, scholars and practitioners still refer to the traditional financial indicators of performance despite their weaknesses. Drawing from stakeholders' theory, that underpinned this study, sustainable balanced score card (SBSC) is used to measure performance in Kenya's financial institutions. This entails examining all the six SBSC perspectives of financial, customer focus, learning and growth, internal business processes, environmental consciousness and social aspects, and combining them into a composite index. Further, the study points to the need for constant review of organizational performances as a means of ensuring continuous success and growth. A key focus is Kenya's financial institutions whose performance is a key ingredient to the growth of other sectors of economy.

1.1.5 The Financial Institutions in Kenya

Kenya's financial institutions consists of the banking industry, micro finance institutions (MFIs), insurance companies and deposit taking SACCOs (CBK, 2015). These institutions offer a myriad of financial products and services mainly savings, credit and loans, investment opportunities and mitigation of risks. In addition, the institutions offer an infrastructure for payments, trading, settlement and custodial services (CBK, 2015). Kenya's financial institutions are very vibrant and are important due to the financial intermediation role they play to the economy. Accordingly, they affect the development, growth and performance of other economic sectors. Besides, these institutions are a key contributor to Kenya's GDP, directly and indirectly. The sector contributed about 7 percent directly to Kenya's GDP in the year 2016 (KNBS, 2016). Further, the WEF (2016) recognizes the role of financial institutions as key in determining global competitiveness for countries development through allocation of resources to the most productive ventures.

The banking industry accounts for the largest proportion, comprising 43 banks, 13 microfinance institutions and 8 representative offices of foreign banks as at 31st December 2016 (CBK, 2016). These institutions are highly regulated to ensure that besides customer protection, economic and financial stability of the country is maintained. Consequently, they undergo rigorous and extensive supervision by the various oversight bodies (RBA, 2008). Further, their supervisory framework dictates adoption of strong governance structures and practices (CBK, 2016). Besides, CMA (2015) stipulates the code of corporate governance to be adopted by all public companies in Kenya. Moreover, these institutions have developed codes of conduct for adoption of strong governance at industry and firm levels. A key subject entrenched in the codes of corporate governance is institutional oversight structure and elimination of stakeholder conflicts (CMA, 2015).

The Kenya financial institutions act as the backbone to the country's economy by providing operational financial infrastructure. Studies have been done on these institutions, most concurring that they highly embrace corporate governance practices that results in high performance (Hermes & Meesters, 2015; Torois, Cherop, Kibet & Kipngetich, 2014; Nyamongo & Temesgen, 2013; Manini & Abdillahi, 2015; Mori & Mersland, 2014). Torois et al. (2014) found ethical decision making by bank managers to have a significantly positive effect on corporate financial performance. Similarly, Mori and Mersland (2014) found stakeholders to have an important influence on microfinance institutions' outcome.

Further, large board sizes were reported to impact performance negatively while board independence and firm sizes were observed to enhance performance (Nyamongo & Temesgen, 2013; Manini & Abdillahi, 2015). Moreover, duality and capital structure were

found to have no impact on bank's performance (Nyamongo & Temesgen, 2013). Hermes and Meesters (2015) found the impact of financial reforms to depend on regulation and supervision adopted.

In the last decade, Kenya's financial institutions registered remarkable performance and growth, regionally and internationally. This is attributable to innovative business models and well-developed financial infrastructure adopted (CBK, 2015). However, myriad of issues have emerged about Kenya's financial institutions inconsistent to their impressive performances. First, some financial institutions have been put under statutory management and receivership. A case in point is Chase Bank, Imperial Bank, Dubai Bank, and Blue Shield Insurance Company among others. Secondly, laws have been enacted to regulate their operations such as pricing on savings and loans and anti- money laundering, which are aimed at more tightened government controls (CMA, 2015). Thirdly, the independent sub sector regulators create silos and conflicts both amongst the regulators and practitioners (RBA, 2008). These conflicts have given rise to adoption of varying strategies by each sub sector for survival. Embracing good corporate governance has been found to be key, both as regulators' requirement, and for firms to gain competitive advantage.

1.2 Research Problem

Organizations exist to create value for stakeholders through high performance to posterity. Drawing from agency theory, corporate governance has been highlighted as a key contributor to superior firm performances. This has created great impetus to researchers in strategic management to study the influence that corporate governance has on firm performance (Shleifer & Vishny, 1997; Letting', 2011; Aguilera & Jackson, 2003; Dewji

& Miller, 2013; Brown and Caylor, 2004). Further studies have recorded mixed results on how the two variables relate, with some observing a positive influence, negative or no affiliation at all. Majority concur that corporate governance is a key factor to firm performance (Shleifer & Vishny, 1997; OECD, 2004; Letting', 2011; CMA, 2015). The inconsistent results can be attributed to contextual and methodological differences. However, even within the same contexts and similar research methods, the statistical significance of the influence of corporate governance to firm performances still varies. This indicates that other factors affect how these two variables interact and thus the influence may be indirect.

Agency conflicts has been identified as key in affecting how corporate governance influences organizational performance. Existence of divergent interests by corporate stakeholders negates gains made when corporations adopt good governance (Donaldson & Preston, 1995). Thus, firms' competitiveness depends on how good governance mechanisms and practices align all stakeholders' goals to common objectives. Further, good governance achieves high performance through aligning corporations to the competitive environment. This is accomplished through making strategic choices that sets clear objectives, enhances honesty, visibility, accountability and monitoring of top management, all aimed at achieving organizations vision (Gelter, 2009; CMA, 2015. This ensures that firms optimally utilize internal capabilities to align with the environment for superior performances. Thus, agency conflicts and strategic choices have been identified as key in determining how corporate governance affects organizational performance. It is therefore critical to interrogate these variables' interaction further.

Kenya's financial institutions are key to economic development and sustainability. They play financial intermediation role to other sectors, thereby influencing their performance (CBK, 2015). These institutions are highly regulated, and are required to adhere to the sector's stipulated codes of corporate governance. In addition, they have developed industry and firm specific codes that guide the adoption of good governance mechanisms and practices. Further, they operate under very competitive environment, marked with variety of players. To succeed financial institutions, embrace strategic innovation that entails making all-encompassing strategic choices and technology driven business models. In addition, there is heightened need to align stakeholders' interests towards common goals and objectives. In the last decade, the sector recorded high performances coupled with unprecedented growth and expansion.

Despite the high performance, the sector faces unique challenges such as players being put under statutory management, receivership and even liquidation. In 2016, the sector joined a list of the few sectors in Kenya under government's price control. Further, the enactment of anti-money laundering laws increases the sector's level of government control (RBA, 2008; CMA, 2015). Moreover, each industry within the sector is regulated by an independent body such that, the banks and MFIs are regulated by the Central Bank, insurance companies by IRA while deposit taking SACCOs are overseen by SASRA. This leads to conflicting roles, gaps and overlapping functions by the independent regulators for each sub sector. According to CBK (2016), poor governance and existence of conflicts greatly affects the institutions' performance and survival.

Generally, scholars seem to concur that adoption of good governance leads to enhanced organizational performance. However, divergent empirical findings have been recorded on the effects of various corporate governance components to firms' performance. These components include board diversity, size and independence, ownership structure, capital structure, board committees, incentive and compensation structure (Letting, Aosa & Machuki, 2012; Zahra & Pearce, 1989; Sharif & Rashid, 2014). Further, while scholars and practitioners largely acknowledge the importance of adequate board control in effectively executing strategic decisions, their roles recorded inconsistent perspectives (Jensen & Zajac, 2004). While Fama and Jensen (1983) posit their involvement is only at decision control level, Klossek, Meyer and Nippa (2015) contends that boards' roles include minimizing decisions biases among stakeholders.

From a conceptual standpoint, the debate around board's strategic involvement and their role in conflict resolution has been fuelled by consensus and conflicting perspectives (Muth & Donaldson, 1998; Mulili & Wong, 2011). A conflicting stance conceptualizes managers as self-interested agents that should be closely monitored (Jensen & Meckling, 1976; Eisenhardt, 1989). Contradicting this, a consensus perspective view organizations as social entities with a broader purpose of maximizing value for all stakeholders despite their divergent interests (Donaldson & Preston, 1995; Mulili & Wong, 2011). The inconsistencies are partly attributable to various methodologies adopted by researchers, such as content analysis, observations and surveys (Pugliese, et al., 2009; Mori & Mersland, 2014; Judge et al., 2015). Lawal (2012) interrogating board dynamics and corporate performance reviewed literature using survey method on secondary data without empirically testing the variables. Further, longitudinal content analysis was used to test

strategy in emerging economies (Hoskisson et al., 2000). They however missed to empirically test the variable's interaction. Pugliese, et al. (2009) also used content analysis to examine board of directors' contribution to strategy using only secondary data.

Whereas studies point to a strong relationship between corporate governance and organization performance, the effect of agency conflicts, particularly in Kenya is inadequately explored. Further, limited literature exists elaborating how corporate governance influences firm performances. Studies have shown that organization's survival and achievement of key objectives emanates from making critical strategic decisions (Child, 1972; Judge et al., 2015; March, 1991). These choices align organizations' mission and vision, to the operating environmental forces. Yet, the influence of strategic choices to the relationship between corporate governance and firm performance has not been given the much-needed attention. It is therefore, imperative to interrogate further the influence of corporate governance to firm performance and how agency conflicts and strategic choices affects this relationship. Specifically, the study sought to answer the question what is the influence of agency conflicts and strategic choices to the relationship between corporate governance and performance of financial institutions in Kenya?

1.3 Research Objectives

The study sought to interrogate the influence of agency conflicts and strategic choices on the relationship between corporate governance and performance of Kenya's financial institutions. The specific objectives of the study were to: -

i. Establish the influence of corporate governance on performance of financial institutions in Kenya.

ii. Determine how agency conflicts affects the relationship between corporate governance and performance of financial institutions in Kenya.

iii. Determine the influence of strategic choices to the relationship between corporate governance and performance of financial institutions in Kenya.

iv. Assess the joint effect of corporate governance, agency conflicts and strategic choices on performance of financial institutions in Kenya.

1.4 Value of the Study

The study immensely contributes to the postulations of agency theory, stakeholders theory and industrial organization economics (IOE) theory among others. The study findings reaffirm that in organizations there exist various stakeholders whose needs vary. It is paramount for firms to align all these needs towards a common goal for organizations posterity. The study also endorses stakeholders theory, that to maximize firm value, organizations needs to take all stakeholder's interests into account when formulating corporate strategies. The proposed model therefore, contributes to the existing literature on the relationship between corporate governance and organizational performance, and the influence of agency conflicts and strategic choices to this relationship. The study offers a valuable point of reference for scholars in strategic management for future research.

The study acts as a guide to Kenya's financial institutions' policy makers in designing sector strategies that ensures stability and continued profitability. The findings of the study are important to the entire Kenyan economy and more so those whose operations are directly linked to the financial sector. The findings are a preamble snap shot of the results

expected if certain principles are adopted by corporations. The study further provides a new perspective to guide amendment and upgrading of existing laws and regulatory framework.

The study findings provide inter industry and intra sectoral analysis of the variable's interactions. As such, the level of adoption of good governance practices and the extent of conflicts manifestation in each industry and across all financial institutions is presented. These are valuable findings to scholars, policy makers and investors, particularly those involved in multiple industries. To practitioners, this study offers practical solutions that when embraced increases firms' value and enhance stakeholders' wealth. It will aid in formulation of sound strategic decisions that spur organizations forward.

The findings of the study enlighten investors in financial institutions, particularly in Kenya on the importance of carefully selecting board members who understand and represent interests of all stakeholders in organizations. The findings of the study highlight important board characteristics that are linked to firm performances. As such, shareholders are guided when nominating and appointing board members. Moreover, the study becomes an important point of reference for all firm stakeholders especially on conflicts management and resolution by pointing to out its effects on organizations performances.

1.5 Structure of the Thesis

This thesis is structure into six sections. Chapter one provides the introduction to the study and briefly describes the study variables. Research problem, objectives and value of the study are also discussed. Chapter two presents the literature review, theoretical anchorage of the study, and a pairwise assessment of the study variables. Further, a summary of

knowledge gaps, the conceptual framework and hypothesis are presented. In chapter three, the research methods used in the study are highlighted. In this chapter, research philosophy, research design, population, sampling and data collection are discussed. Further, the methods used to test data validity and reliability are highlighted. In addition, data analysis and operationalization of study variables are discussed.

Chapter four presents the descriptive and comparative results of the study. In this chapter, research preliminary results are presented, including respondents' demographics, results on reliability and validity tests and the sectors' descriptive analysis. Further, comparative descriptive analysis of the various categories of financial institutions are presented. In chapter five, diagnostic tests to confirm data suitability for regression analysis were first done and results highlighted. Further, hypotheses tests and findings of the four hypotheses are presented, their outcome in the various pre-set parameters are outlined and interpreted. The chapter also provides discussion on the results by deducing meaning of the findings. Finally, chapter six summarizes the research findings, presents the conclusion, notes implications of the study to theory, to policy makers and to practice. It also discusses some study limitations and offers recommendation for future research.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

In this chapter, theoretical, conceptual and empirical literature is reviewed on corporate governance, agency conflicts, strategic choices and organizational performance. Various theoretical premises anchoring the study variables and subsequent conceptualizations are highlighted. A pairwise review of how the variables relate to each other is undertaken and thereafter, the joint effect of all the variables. Further, a summary of knowledge gaps is tabulated and a conceptual framework for the study described and schematized. Finally, the four main research hypotheses are presented.

2.2 Theoretical Anchorage of the Study

The study was mainly anchored on agency theory (Jensen & Meckling, 1976; Eisenhardt, 1989; Shapiro, 2005), and two complimentary theories namely: stakeholders theory, (Freeman, 1984; Lawal, 2012) and industrial organization economics (IOE) theory (Bain, 1956; Porter, 1981). The rapid growth and expansion of corporations witnessed in the last decade necessitated the separation of ownership and control. This led to the emergence of principal-agent relationships, mostly between owners and professional managers where owners were detached from operational aspects of the organizations. Further, owners appointed directors to oversee managers on their behalf at a strategic level. The agency relationship continued expanding to include other stakeholders like customers, suppliers, debt holders and employees among others. Thus, agency theory attempts to predict the principal's agents' relationships amongst various organizational stakeholders.

Agency theory postulates that in organizations, there exists principal agent relationship mainly between owners and managers (Jensen & Meckling, 1976). When the interests of agents are not aligned to the principals', agency conflicts occur (Eisenhardt, 1989). Further, the theory posits that all stakeholders have interests in organizations that often conflict, and that each stakeholder endeavours to attain their own benefits. Thus, managers are viewed to be opportunistic actors who take advantage of corporations to fulfil their interests at the expense of the principals. Subsequently, corporate governance is viewed as a mechanism through which these conflicts are mitigated.

Contradicting this assumption, stakeholder theory argues that agents (professional managers) are very responsible and strive to serve diverse needs of all organizations' stakeholders. The theory posits that agents act for the common goal of the principals and all other organizational stakeholders. Thus, incorporation of the theory expands the horizons of the relationships that exist between various stakeholders in organizations. The two theories (agency and stakeholders) establish the conceptualization that corporate governance influences performance through mitigating agency conflicts and making strategic choices in consideration of all stakeholders' interests. Further, industrial organization economics (IOE) theory provides the link between strategic choices and firm performance through the structure-conduct-performance (S-C-P) paradigm (Bain, 1956; Porter, 1981).

These three theories are interlinked and complement each other towards exemplifying the overall greater picture of firm performance (Raduan et al., 2009). The assumptions and limitations of one theory are supplemented by other theories. For instance, agency theory

assumes that organizations exist with the sole purpose of maximizing shareholders' wealth. This is complemented by stakeholders' theory that provides an alternative lens. The theory postulates that organizations are social entities, concerned with the welfare of diverse stakeholders (Mulili & Wong, 2011). Further agency theory assumes that stakeholders' interests are constantly conflicting, and each tries to satisfy their own at the expense of other stakeholders (Oviatt, 1988). This is complemented by stakeholders' theory which offer a different perspective that stakeholders interests are not in conflict but actually supplement each other (Donaldson & Preston, 1995).

2.2.1 Agency Theory

Agency theory is premised on the notion that due to the expansive growth in corporations, it is inevitable to separate ownership from control (Jensen and Meckling, 1976; Shapiro, 2005). This in turn creates agency relationship between shareholders (principals) and professional managers (agents) where the agent takes charge operations of corporations (Eisenhardt, 1989). The theory postulates that organizations exist to maximize shareholders' wealth. Further, the theory supposes that agents are self-interested and act on their own benefits at the expense of their principals (Adams, 2002). Thus, conflicts occur when diverse goals between the principals and agents exist. It is also argued that conflicts exist when agents manipulate information on performance so that the principal cannot determine if the agent acted appropriately (Eisenhardt, 1989). Additionally, agency conflicts are aggravated when divergent attitudes towards risks exist between agents and principals (Shapiro, 2005).

It is further argued that without governance control, managers are more likely to deviate from the interests of shareholders causing agency conflicts (Fama & Jensen, 1983). According to Alchian and Demsetz (1972) monitoring performance of individual work effort is always a cost to a firm. This is the moral hazard where principals cannot ascertain if agents put maximum effort (Adams, 2002). Thus, the main concern of agency theory is how to write contracts in which agent's performance is measured and incentivized to act in the principal's interests (Jensen & Meckling, 1976). This can be achieved when governance mechanisms mitigating the conflicts are put in place. The shortcomings of this theory is the assumption that stakeholders' interests are always in conflict and that managers are opportunistic actors who will pursue satisfying their needs at the expense of their principals and other stakeholders. This theory forms the main anchor of the study because the research variables conceptualization revolves around its postulations.

2.2.2 Stakeholders Theory

Contrasting agency theory is stakeholders' theory that posits that corporations are social entities that affect the welfare of many stakeholders (Donaldson & Preston, 1995; Freeman, 1984). It is established on the premise that organizations serve a broader social purpose than just maximizing the wealth of shareholders (Mulili & Wong, 2011). In this conceptualization, stakeholders are viewed as groups or individuals that interact with a firm and affect or are affected by the achievement of the organisation's objectives. There is need for organizations to strive to satisfy all stakeholders needs. Thus, successful organizations are judged by their ability to add value for all stakeholders (Donaldson & Preston, 1995; Freeman, 1984).

The theory recognizes that firms operate within an environment composed of different interest groups with diverse interests, aside of the immediate owners, (Harrison & Wicks, 2013). Thus, there is need to take all their interests into consideration while making corporate strategic decisions (Freeman, 1984; Lawal, 2012). Further, organizations are expected to expand their fiduciary duty to the local communities and the environment in which they operate (Freeman, 1984). Thus, stakeholders' theory provides a vehicle for connecting ethics and strategy. Therefore, firms that diligently seek to serve the interests of a broad group of stakeholders create more value overtime leading to high performance (Freeman, 1984; Harrison & Wicks, 2013).

Stakeholders theory anchors strategic choices and performance in organizations (Freeman, 1984). The theory provides an alternative lens by considering a more complex perspective that extends beyond the economic value that stakeholders seek as well as new ways to measure it. The study views the role of organizational leaders, as that of making optimal strategic choices that maximizes firm value for all stakeholders. Further, organizational performance is recognized using the six facets of sustainable balanced scorecard (SBSC). These are financial, customer focus, learning and growth, internal processes, social aspects and environmental consciousness. These ensure that organizations are recognized as successful when they strive to meet and satisfy needs of diverse stakeholders.

In this study, strategic choices were viewed as channels used by organizations, to align internal processes and resources with environmental forces for better performance. In addition, these choices were expected to reflect organizations needs through the various stakeholders. This theory is a key underpinning of this study. Its suitability lies in anchoring

strategic choice and organizational performance conceptualization. Further the theory complements postulations of agency theory, by providing a wider array of perspectives when examining organizational stakeholders.

2.2.3 Industrial Organization Economics (IOE) Theory

The industrial organization economics (IOE) theory is based on structure-conduct-performance (S-C-P) paradigm (Bain, 1956; Porter, 1981). This theory emphasizes that industry structure determines firm conduct, which in turn determines its performance (Scherer, 1980; Conner, 1991). The conduct is viewed as a firm's choice of key strategies which are vital economic dimensions for performance (Porter 1981). Structure provides stability in economic and technical environment in which firms compete. Industry structure which determines conduct includes variables such as the technology adopted, the degree of product differentiation, the level of integration and barriers to entry (Porter, 1981; Scherer, 1980). In the current study, among key strategies adopted by financial institutions to enhance performance include: strategic alliances like mergers and acquisitions, products differentiation, adoption of information technology which significantly reduces operating costs and embracing innovativeness. The respective industry structure and conduct sets the regulatory framework to be adopted by all organizations. Further, they determine the governance mechanisms to be adhered to.

The S-C-P paradigm posit that the level of competitive intensity is an essential determinant of market attractiveness (Porter, 1981). The structural forces that determine this intensity in a market have a strong impact on firm performance. This paradigm is used as an analytical framework to make relations amongst the variables at firm and industry level.

This emanates from the reasoning that industry performance is considered a potential benefit to consumers and society as a whole. This is determined by the conduct of the firms within the boundaries of the industry, which in turn depends on the structure of the market (Bain, 1956). This theory is very appropriate for the study that links strategic choices to performance, and how other factors affects the two variables. The theory depicts performance as an outcome of other variables as conceptualized in the study.

2.3 Corporate Governance and Organizational Performance

Numerous researchers concur that adoption of corporate governance leads to high organizational performance (Amaoko & Goh, 2015; Castro, Aguilera & Arino, 2013; Letting', 2011; OECD, 2004). This is achieved through enhanced honesty and visibility, heightened monitoring of top management, setting clear objectives and enhanced transparency and accountability (Schiehll, Ahmadjian & Filatotchev, 2014; Amaoko & Goh, 2015; CMA, 2015). However, inconsistent empirical findings have been reported on the relationship between various components of corporate governance and organizational performance (Letting, Aosa & Machuki, 2012; Nippani, Vinjamury & Bathala, 2008; Pandya, 2011; Schiehll et al., 2014).

Nippani et al. (2008) found board composition and bank size to significantly influence performance. Audit committees, anti-takeover defence and executive compensation were found to have no association with firm performance. According to Letting' (2011) board independence significantly influences the level of a firm's financial performance. Pandya (2011) observed a weak relationship between corporate governance structures and financial performance of banks. Further, Schiehll et al. (2014) argues that interplay between firm

and country level governance mechanisms enriches understanding of comparative corporate governance across and within national systems. Letting et al. (2012) found board diversity to have no effect on organizations financial performance. However, diversity in board study specialization was found to influence divided yield positively.

Culmination of the above divergent empirical research findings indicate that the debate on corporate governance and organizational performance is inconclusive. There is no universal consensus on the influence of corporate governance to firm performance. Further, the inconsistent reports suggest that the relationship between the variables may not be linear. This implies that there are other factors that play a role on how these two variables interact. There is therefore need for further studies on the subject to determine and test other conditions necessary for the relationship.

2.4 Corporate Governance, Agency Conflicts and Organizational Performance

Agency problem is an essential element of the contractual view of the firm (Jensen & Meckling, 1976; Fama & Jensen, 1983). Corporate governance mitigates divergent interests between various organizational stakeholders (Hoskisson et al., 2000). To achieve this, smaller boards that are independent, the separation of CEO and board chairmanship and higher non-CEO ownership concentration have all been highlighted as necessary (Jensen, 1993). An important conclusion of this literature is that corporate governance brings the interests of managers and shareholders into congruence (Oviatt, 1988; Hoskisson et al., 2000).

Further, ownership concentration is viewed as an important and effective governance mechanism that deals with agency problems caused by separation of risk taking and decision making functions in a firm (Shleifer & Vishny, 1997). However, despite agency theory's prominence on contemporary corporate governance research, empirical support for the relationship that agency conflicts predict between corporate governance and organizational performance is quite mixed. While Jensen and Meckling (1976) and Fama and Jensen (1983) advocate for corporate governance in mitigating agency conflicts, He and Mahoney (2006) suggest that agency theory has been unable to reconcile the behavioural linkages between governance's role of mitigating agency conflicts and organizational performance, hence the debate goes on.

2.5 Corporate Governance, Strategic Choices and Organizational Performance

Despite mixed findings about the link between corporate governance and firm performance, it is believed that board of directors are legally the highest authority in corporations. As such, they are in a position to exert significant impact on firm's performance (Demb & Neubauer, 1992; Westphal & Bednar, 2005). Accordingly, corporate governance provides the structure and practices through which firm's objectives are set, and the means of attaining those objectives and monitoring performance are determined (EOCD, 2004). Researchers therefore contend that board of directors are legally responsible for formulating and sanctioning the strategic direction of their corporations (Carpenter & Westphal, 2001). Mizruchi (1983) argued that boards participate in strategic choices by preventing managers to act opportunistically at the expense of shareholders (Mizruchi, 1983).

Thus, organizational procedures including governance tools and monitoring processes are designed to minimize decisions biases by influential stakeholders (Klossek et al, 2015). Moreover, boards are argued to influence important elements of strategies such as the scope, entrepreneurship, innovation, strategic change, internationalization and in determining the level of research and development (Hoskisson, et al., 2005; Jensen & Zajac, 2004; Hoskisson, et al., 2002; Kor, 2006). Scholars and practitioners have generally acknowledged the importance of adequate board control and independence in effectively executing their strategic decision making roles (Jensen & Zajac, 2004).

However, the contributions of boards to strategy and the desirability of such practice have remained topics of discussion (Golden & Zajac, 2001). Fama and Jensen (1983) distinguished between decision management (initiating and implementing strategic decisions) and decision control (ratifying and monitoring strategic actions) where the two tasks were ascribed to top management team and board of directors respectively. Inconsistent to this school of thought, it has been argued that boards are ineffective in shaping firms' strategies and as such, should not participate (Hendry and Kiel, 2004). There is therefore lack of consensus whether board should be involved in firm's strategies and when involved, what is the ideal level at which they should be involved in, at formulation, control or both levels of strategic choices.

2.6 Corporate Governance, Agency Conflicts, Strategic Choices and Organizational Performance

Corporate leaders play a critical role in determining the domains of business ventures within which to compete (Bourgeois, 1984; Child, 1972). As directors engage in strategic management processes, each board member's perception and interpretation of strategic

issues facing the organizations subsequently affects the strategic choices made (Hambrick, 2007). As such, various attributes of the board permeate into the firm's core strategic decisions. It is therefore important to consider individual board members' attributes at appointment. Machuki and Aosa (2011) found that an organization's performance is influenced by its strategic behavior in response to the external environment. As such, organizational effectiveness depends, in part, on achieving a match between control strategies and the strategic context of the firm (Hoskisson, 1987).

Managers by virtue of their firm-specific knowledge and managerial expertise, are believed to gain advantage over firm owners who are largely removed from the operational aspects. They are therefore assumed to make decisions that favor them at the expense of shareholders (Mizruchi, 1983). This is complicated further when it is difficult or expensive to verify agents' actions (Jensen & Meckling, 1976). It has been argued that adoption of various good governance mechanisms and practices mitigates these conflicts, particularly between owners and managers (Hoskisson et al., 2000). Fama and Jensen (1983) argue that without governance controls, managers will most likely deviate from the interests of shareholders. However, there is a differing perspective offered by stakeholders' theory which views managers as responsible actors and that the interests of shareholders complement those of managers and other organizational stakeholders.

The discussion on board involvement to strategy making has been fuelled by a combination of contextual factors, alternate theoretical perspectives, and inconclusive empirical results. Holderness (2003) observed boards as responsible for developing a firm's nexus of contracts that helps align the actions and choices of managers with the interests of

shareholders. Moreover, board of directors have been argued to be legally responsible for the strategy of firms. As such, they are argued to be in an excellent position to direct the firm's strategic direction thus influencing their outcomes (Carpenter & Westphal, 2001; Pugliese et al., 2009). A contrary perspective views boards as passive in firms' strategy and subject to CEO's and executives' manipulation (Lipton & Lorsch, 1992).

Furthermore, anecdotal evidence suggests that boards might destroy value when they become involved in strategy, due to their distance from day-to-day firms' operations (Jensen, 1993). In addition, the presence of information asymmetries, and the need for boards to remain independent contributes in making them inert to firms' strategy making (Hendry and Kiel, 2004). Further, it is argued that boards' participation in strategic decisions making would make them co-responsible thus jeopardizing the required distance between board members and managers (Boyd, 1995). It emerges, there is no consensus whether managers are always opportunistic actors, whether corporate governance always mitigates agency conflicts and if the board execute their strategic decisions roles effectively, thus leading to the need for further interrogation.

2.7 Summary of Knowledge Gaps

Numerous scholars and practitioners concur that corporate governance influences organizational performance positively (Letting', 2011; Zhang, et al., 2014; Manini & Abdillahi, 2015; OECD, 2004). However, results from empirical studies are inconclusive in showing either a positive or negative relationship between various corporate governance components and organizational performance (Letting et al., 2012; Zahra & Pearce, 1989; Tarus & Aime, 2014; Dube & Jaiswal, 2015). Further, contradicting and inconclusive empirical findings have been recorded on board-strategy involvement in organizations

(Lipton & Lorsch, 1992; Monks & Minow, 2008). The inconsistencies are fuelled by a combination of contextual factors, alternate theoretical perspectives and diverse methodological approaches. While some studies suggest that boards are becoming more aware of their strategic roles (Hoskisson et al., 2002; Huse, 2005; Carpenter and Westphal, 2001), others argue that boards have been rather passive and subject to CEOs and executives' dominance (Kosnik, 1987; Lorsch & McIver, 1989). It is implied that boards evade participating in strategic decision making to preserve their oversight role on management as required (Pugliese et al., 2009).

Generally, the importance of corporate governance has been recognised world over. However, the formulation and adoption of codes of corporate governance mechanisms that drive competitiveness and productivity differs depending of the contextual environment (WEF, 2014). The Cadbury (1992) report provided a benchmark for corporate governance in many countries (Monks & Minow, 1996). These include board of directors that are well balanced, transparent, with clear roles and good governance structures. It has been found that corporate governance practices used in developed countries may not be applicable in developing economies. This is due to the different political, economic, technological social and cultural environments (Mulili & Wong, 2011).

Table 2.1: Summary of Literature and Knowledge Gaps

Authors	The Study	Methodology	Findings	Knowledge gaps	How the gaps are addressed
			Conceptual Gaps		
Jensen and Zajac, 2004	Corporate elites and corporate strategy: how demographic preferences and structural position shape the scope of the firm	Extensive longitudinal data, using stratified random sampling and regression	Both corporate elites and corporate strategy are jointly important determinants of the scope of the firm.	The study focused specifically on agency context to address the interplay between governance position and demography.	In addition to agency context, the study also reviewed interaction with corporate governance and strategic choices to influence performance.
Parnell, 2013	Uncertainty, generic strategy, strategic clarity, and performance of retail SMEs in Peru, Argentina, and the United States	Used ANOVA tests, factor loadings and coefficient alphas	Businesses with high strategic clarity, the extent to which generic strategy reflects the organization's strategic intent, outperformed those with moderate strategic clarity.	The study focused on strategy and performance only	This is addressed by incorporating corporate governance and agency conflicts in addition to strategic choices and organizational performance.
Van der Walt et al., 2006	Board configuration: are diverse boards' better boards?	Used multiple regression analysis and factorial analysis	The study found limited support for the idea that board configuration, strategic context and corporate decision quality may be linked.	This study narrowly focused on board diversity only- one component of corporate governance	This study evaluates six major components of corporate governance
			Methodology gaps		
Hoskisson, et al., 2000	Strategy in emerging economies	Longitudinal content analysis	Different theoretical perspectives can provide useful insights into enterprise strategies in emerging economies	The study only reviewed existing literature over a period of time with no empirical tests.	This study empirically tested study variables' interaction using primary data.
Lawal, 2012	Board dynamics and corporate performance: Review of literature, and empirical challenges	Comprehensive survey of relevant literatures	Equivocal findings still dominate most of the previous studies on key board dynamics such as size, composition, CEO duality and diversity among others	The study carried out review of existing literature with no empirical support.	This study empirically evaluated the interactions between study variables

Authors	The Study	Methodology	Findings	Knowledge gaps	How to address the gaps
Pugliese, et al., 2009	Boards of directors' contribution to strategy: a literature review and research agenda	Content analysis	Description and analysis of how research on board of directors and strategy has evolved over time, and illustrate how topics, theories, settings, and sources of data interact and influence insights about board–strategy relationships.	The study reviewed previous studies only and did not empirically test the board-strategy relationships.	This study empirically tested corporate governance, strategic choices and performance in Kenya's financial institutions.
Contextual gaps					
Manini & Abdillah, 2015	Corporate governance mechanisms and financial performance of commercial banks in Kenya	Correlational multiple regression method	Audit committee size, board gender diversity and bank capital have no significant effect on bank profitability	The study narrowly focused on financial performance only.	This study used both financial and non-financial performance parameters. In addition to banks, other financial institutions were studied.
Mori & Mersland (2014)	Boards in microfinance institutions: How do stakeholders matter?	Annual observations from secondary data using regression	Stakeholders have important influence on microfinance institutions' outcome.	They narrowly focused on microfinance institutions only.	This study also reviewed banks, insurance companies and deposit taking SACCOS in addition to MFI's.
Shleifer & Vishny, 1997	A Survey of corporate governance	A survey method	Corporate governance deals with agency problem: the separation of management and finance.	Their study focused on developed nations of USA, Germany and Japan, with higher legal protection for investors	This study was based in Kenya, an emerging economy whose investor protection laws are still developing.

Source: Summary of Literature, 2017

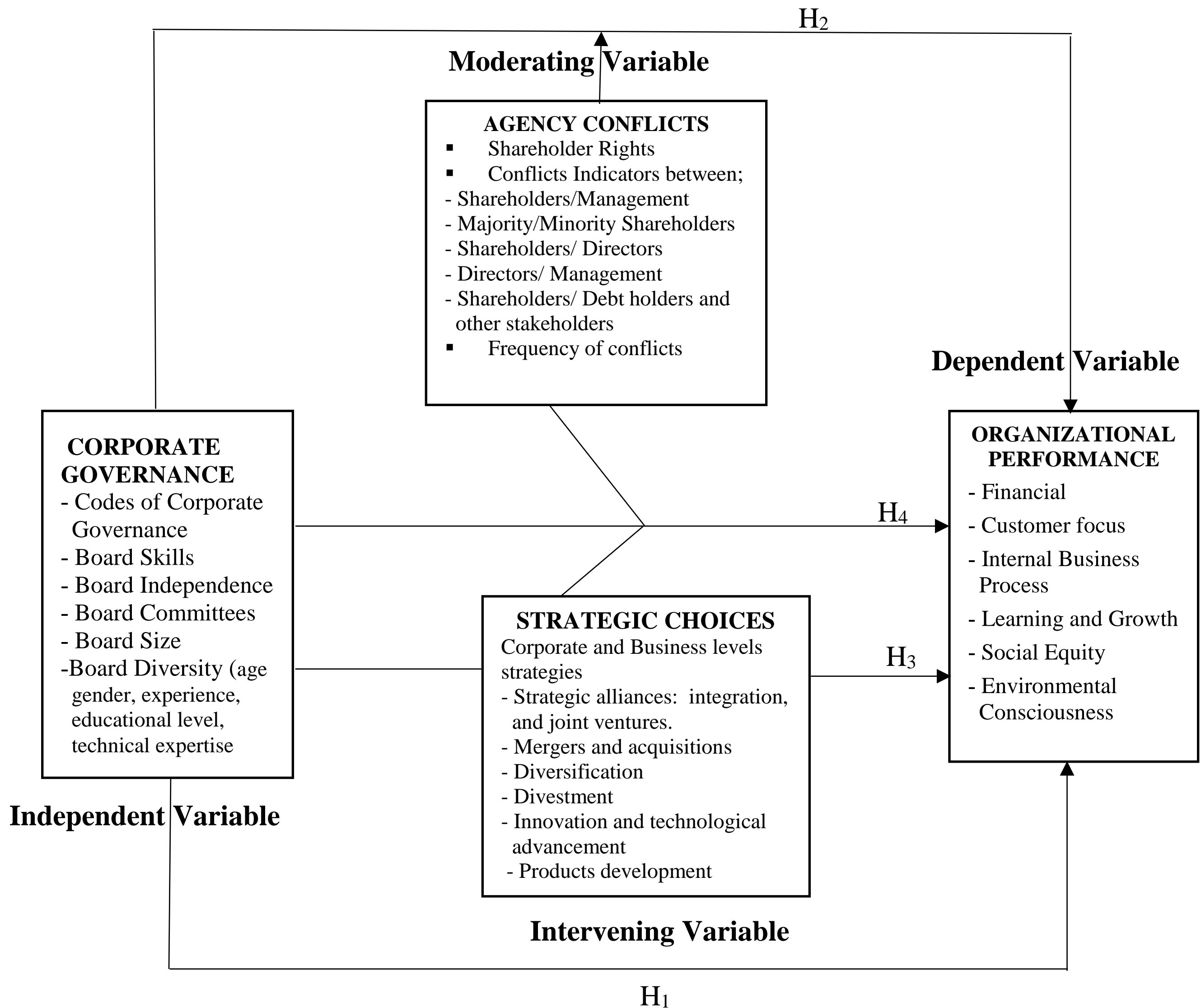
2.8 Conceptual Framework

From the literature review, knowledge gaps have been identified hence the need for developing a conceptual framework for addressing them (Pugliese, et al., 2009; Manini & Abdillah, 2015; Parnell, 2013). The conceptual model is presented by Figure 2.1. The model shows how corporate governance, agency conflicts, strategic choices and organizational performance relate. Corporate governance is identified as the independent variable while organizational performance is the dependent variable (OECD, 2004; Dewji & Miller, 2013, CMA, 2015; March & Sutton, 1997; Chakravarthy, 1986; Kaplan & Norton, 2007). Agency conflicts is recognized as the moderating variable while strategic choices intervening or mediating variable (Jensen & Meckling, 1976; Schachter, 2014; Nagar, et al, 2011; HBS, 2013).

The first perspective involves corporate governance influence on organizational performance. Corporate governance was manifested by six components: codes of corporate governance, board diversity, board independence, board size, various board committees and board skills (Dewji & Miller, 2013). The second perspective involved the moderating effect of agency conflicts as illustrated by manifestation and frequency of conflicting interests between various organizational stakeholders. The main stakeholders being shareholders (majority and minority), managers, directors, debt holders among others. The third perspective entailed the intervening effect of strategic choices on corporate governance and organizational performance. The key strategic choices included strategic alliances, mergers and acquisitions, joint ventures, diversification, divestments, innovation, technology adoption and product development. Finally, organizational performance was

presented by the SBSC dimensions of financial, customer focus, internal business processes, learning and growth, social equity and environmental consciousness.

Figure 2.1: Conceptual Model



2.9 Conceptual Hypotheses

The study sought to determine the influence of corporate governance on organizational performance, and the effects of agency conflicts and strategic choices to this relationship, both independently and jointly. To achieve this, four hypotheses were formulated and tested.

H_1: Corporate governance significantly influences organizational performance.

H_2: Agency conflicts significantly moderates the relationship between corporate governance and organizational performance.

H_3: Strategic choices significantly intervenes the relationship between corporate governance and organizational performance.

H_4: Corporate governance, agency conflicts and strategic choices jointly significantly influences organizational performance.

2.10 Chapter Summary

In this chapter, literature review of the study was discussed. This entailed the theoretical anchorage of the study, a pairwise review of study variables and eventually the entire conceptualization of the study. Further, a summary of literature and knowledge gaps were outlined. Finally, the conceptual framework and the four hypotheses of the study were presented.

In the next chapter, research methodology used to carry out the study is presented. This includes the research philosophical stance adopted, the research designs, population of the study and sampling technics used. Further, data collection method and equipment used is discussed. In addition, data analysis and the interpretation thereon is outlined. Finally, operationalization of various study variables is highlighted.

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

In this chapter, research methodology used for the study is discussed. First, the research philosophical stance adopted for the study is deliberated. Then research designs used and their suitability for the study are discussed. The research population, sample size, sampling method and a table indicating the spread of financial institutions that took part in the study is outlined. The data collection instrument (questionnaire) is discussed, highlighting how it was constructed and administered to respondents. In addition, tests for validity and reliability of the data using various mechanisms are discoursed. Further, data analysis used in the study, including the preliminary diagnostic tests, regression analysis and interpretation for each variable are explained. Finally, a table depicting operationalization of the study variables is presented.

3.2 Research Philosophy

Research philosophy is a belief about the way data into an enquiry should be gathered, analyzed and used. In social sciences, the key concepts of philosophy include ontology, epistemology, methodology, methods and paradigm (Scotland, 2012). Ontology assumes that reality is subjective and understood based upon individual's perceptions and experiences (Guba & Lincoln, 1994). Epistemology on the other hand, is concerned with the nature of knowledge and how it can be acquired, either through positivism or interpretivism. Positivism perspective believes that the world is real and exists independent of researchers. It is thus assumed that the resulting knowledge is objective and true (Guba & Lincoln, 1994). Interpretivism contradicts this view and argues that the world is social hence researcher impacts study subjects (Aliyu, Bello, Kasim & Martin, 2014).

Post positivism philosophy takes a more neutral view by avoiding extreme objectivity or subjectivity. It postulates that there is no absolute perspective outside one's historical and cultural situation (Carlo & Gelo, 2012). It differs with positivism by assuming that scientific way of reasoning is not idiosyncratically different from our everyday perceptions. One of the most common forms of post-positivism is critical realism philosophy (Aliyu et al., 2014). Critical realism believes that there is a reality independent of our thinking that science can study. This contradicts subjectivism view that there is no external reality. Further, post-positivist posits that in research, observations are imperfect thus the role of science is to persistently pursue improvements for better results. Thus, the study adopted post positivism philosophical stance to mitigate weaknesses of positivism and interpretivism of extreme objectivity or subjectivity in knowledge nature and acquisition.

3.3 Research Design

Research design is the overall strategy chosen to integrate variables of the study in a coherent and logical way so as to effectively address research problem (Trochim, 2006). This study used both descriptive and explanatory research designs. These were necessary for an in-depth description and comparative analysis of the study variables' interaction across the four categories of financial institutions (Zohrabi, 2013). First the study sought to identify important aspects of the subject across financial institutions. Thus, descriptive design provided a clear snapshot and defined the interactions between study variables in Kenya's financial institutions.

Descriptive design entails providing answers to the what, where, when and how in research. This design attempts to define and describe study subjects by classifying them into various categories and relating the variables' interaction. In this study, financial institutions were categorized into four sub categories, that is, banks, MFIs, insurance companies and deposit taking SACCOs. The how questions addressed issues such as quantity, cost, efficiency, effectiveness, and adequacy. In the study, descriptive design defined and described variable's interactions in all financial institutions and across the various categories. This effectively revealed the similarities and differences in certain interactions across all financial institutions and in the various categories of FIs. Moreover, descriptive design provoked the why questions of explanatory research design.

Explanatory research focused on the why questions. Answering the `why' questions involved developing causal explanations. Causal explanations argue that a phenomenon is affected by a particular factor. Causal relationship is usually inferred or indirectly linked to observables (Cook & Campbell, 1979). Causality can be viewed from two perspectives, that is, deterministically and probabilistically. Deterministic causation is where a variable is said to cause an event if, and only if, the variable invariably produces the occurrence (Cook and Campbell, 1979). This approach seeks to establish causal laws. Most causal thinking in the social sciences is probabilistic rather than deterministic (Suppes, 1970). This involves working at the level that a given factor increases (or decreases) the probability of a particular outcome. Probabilistic explanations are improved by specifying conditions under which a variable is less likely and more likely to affect an outcome.

Explanatory design elucidated the similarities and/or differences in variables interactions within and across various categories of financial institutions. This was important for comparative analysis (Cameron, 2009). The two research designs (descriptive and explanatory) were identified as most suitable because they allowed the researcher to describe and explain the relationship between variables within and across the financial institutions. In addition, they facilitated comparative analysis across all financial institutions within and in the various sub categories (Cameron, 2009). Using these designs, a snapshot, cross-sectional data collection, used in this study was permissible. Further, it was possible to rely on existing differences rather than resultant changes from intervention of the relationship between variables (Hall, 2008).

3.4 Study Population

The population for the study was 271 financial institutions operating in Kenya. These include banks, microfinance institutions (MFIs) licensed by the Central Bank of Kenya, insurance companies and deposit taking SACCOs. As at 31st December 2016, there were 43 banks in Kenya and 13 micro finance institutions (CBK, 2016). However, two banks, Imperial Bank Limited and Chase Bank Limited had been put under receivership by the regulator, Central Bank of Kenya in 2015 and 2016 respectively. A third bank, Charterhouse Bank Limited as at the time of study, had been operating under statutory management for a decade. These three banks were excluded from taking part in the study, thus 40 banks participated. Further, one micro finance institution, had been licensed to operate in Kenya within 2016 hence had operated for less than one year. This MFI was excluded from taking part in the study. The population also comprised 55 insurance

companies as licensed by the Insurance Regulatory Authority (IRA) in 2016. A further 164 deposit taking SACCOs licensed by the Sacco Societies Regulatory Authority (SASRA) as at 31st December 2016 formed part of the population for the study.

Table 3.1: Population Distribution

Category	Population	Percentage
Banks	40	15
MFIs	12	4
Insurance Companies	55	20
Deposit Taking SACCOs	164	61
Total	**271**	**100**

3.5 Sampling

The ideal sample size to take part in the study was determined using Israel's (1992) formula. This formula is appropriate when the population is large and a reasonable sample size can represent the entire population. It is also suitable when the population to be sampled conveys homogeneous characteristics, so that results obtained from the sampled subjects can be inferred to the entire population. From a population of 271 financial institutions, 162 were identified to be suitable for taking part in the study.

$$n = \frac{N}{1+Ne^2} \qquad n = \frac{271}{1+(271 * 0.05^2)} = 162$$

Where:

n = Sample size

N = Population

e =Error term of 0.05 (95 percent confidence level)

Source: Israel (1992)

Further the population was stratified along the four categories: banking, micro finance institutions (MFIs), insurance companies and deposit taking SACCOs. Ideally, proportionate samples could have been drawn from the four financial institutions categories. However, in a bid to address challenges of stratified sampling of unequal sizes, disproportionate sampling was used to ensure that each category was well represented and no one strata dominated the others (Kalton, 1983). In addition, due to high strata population ratio, sampling fraction of each category varied to avoid underrepresentation or overrepresentation of either strata. Thus, in the absence of large populations for the banks and MFIs a census was done for the two categories of 40 and 12 FI's respectively. The remaining sample size of 110 was shared equally between insurance companies and deposit taking SACCO's. Consequently, 55 insurance companies were identified that perfectly fitted the population, hence a census was also done for them. Finally, 55 deposit taking SACCOs were randomly selected from a population of 164 SACCOs. To achieve the random sampling, each SACCO was assigned a number from 1 to 164. Then, using the random number tables, 55 subjects were selected from numbers 1 to 164 without replacements. The 55 Deposit taking SACCOs formed part of the study and questionnaires were issued to them for responses. Thus, the 162-sample size constituted 40 banks, 12 micro finance institutions, 55 insurance companies and the randomly selected 55 deposit taking SACCOs.

This was done to ensure that variables were optimally tested and provided sufficient inclusion of substantively meaningful segments of the population especially when demographic correlates are known to be strongly associated with the criterion measure (Tracy & Carkin, 2014). According to Henry (1990) and Delice (2010) disproportionate stratified sampling technique ensures that sufficient sample sizes are available for analysis

when the population strata have comparatively low prevalence, yet are important for substantive purposes. It was also necessary for sub-population analysis that this study sought to examine, because it ensured each sub-sector of financial institutions was well represented to the possible extent (Banerjee & Chaudhury, 2010; Kothari & Garg, 2014). Use of disproportionate sampling also ensured that deposit taking SACCOs data that constituted over 60 % of the population, did not overwhelm the other categories of financial institutions.

Table 3.2: Analysis of Financial Institutions for the Study

Category	Population	Number Participated in the Study
Banks	40	40
MFIs	12	12
Insurance Companies	55	55
Deposit Taking SACCOs	164	55
Total	**271**	**162**

3.6 Data Collection

The study used primary data, which constituted the facts and figures used for empirical testing. Further, the study used quantitative data for testing variables' interaction. This was suitable because researcher used data that was transformed into statistical results through regression modelling. Quantitative data also enhanced objectivity of the research findings. The data was collected using a self-completion questionnaire (Appendix I). The questionnaire was structured into five sections, namely: organizations background information, corporate governance, agency conflicts, strategic choices and organizational performance. It was constructed based on available literature both from scholars in strategic management and practitioners.

The corporate governance section captured the various structures and practices in organizations. The section also contained questions on the various components of corporate governance to assess their level of adoption in organizations. The agency conflicts questions sought to establish its manifestation and frequency in organizations. Further, strategic choices section identified the various corporate and business level decisions made in the past few years. Finally, organizational performance segment collected financial, customer focus, internal business processes, learning and growth, social equity and environmental consciousness data.

162 questionnaires were administered to top executives of all the sampled financial institutions through mail. These included the CEOs, company secretaries, general managers and senior management of financial institutions. Follow up was done through telephone calls, mails and visits to the financial institutions. Most of the questionnaires filled were hard copies, even where soft copies had been provided through emails. This implied that respondents found it easier to fill in hard copy. Researcher used several research assistants to help in data collection which enhanced the response rate. The questionnaires were further cleaned, coded and fed into the Statistical Package for Social Sciences (SPSS) for analysis.

3.7 Reliability Tests

Reliability tests consistency and stability of a measurement scale over a variety of conditions in which similar results are obtained (Nunnally, 1978; Drost, 2011). Various approaches are used to test reliability of data. They include test-retest, parallel reliability, alternative forms, Inter-rater, split- halves and internal consistency reliability (Trochim,

2006). Further, reliability can be tested statistically using Cronbach's alpha coefficients. Test-retest entails administering the questionnaires to the same group at different periods of time. The data collected is regarded as reliable if results obtained generally correspond.

Parallel reliability involves administering different versions of an assessment to test the same construct. In this case, data is considered reliable if consistent results are obtained. Inter-rater reliability tests how different raters agree in their assessment of constructs, whereas internal consistency tests the degree to which different assessments that probes the same construct produces similar results (Lameck, 2013). Alternative forms reliability entails testing similar constructs using different questions, also at different times. Reliability is achieved if similar answers are obtained. Further, reliability can be tested by split-half approach where one half tests one concept and the second half is combined to test the second construct. Cronbach alpha also measures reliability by calculating Cronbach's alpha coefficients, which indicate the level of reliability.

In the current study, reliability was enhanced in two ways. First, a pilot study on three deposit taking SACCOs was done to establish clarity of the questions and estimate time required to fill each questionnaire. Based on the findings obtained, the questionnaire was adjusted accordingly before administering to the sampled financial institutions. The deposit taking SACCOs used for the pilot study did not take part in the study. Further, the study used Cronbach's alpha coefficients to establish data reliability level.

3.8 Test for Validity

Validity is the meaningfulness of a test to measure what it was intended to measure. The various perspectives of validity include internal, external, construct and discriminant (Drost, 2011). External validity is the ability to generalize data while internal validity is research instrument's capacity to measure what it purported to measure (Zohrabi, 2013). Convergent validity on the other hand is the degree to which scores on one scale correlate on other scales designed to assess the same construct. Discriminant validity assumes the scales do not correlate with scores from scales designed to measure different constructs (Lameck, 2013).

In this study, external validity entailed testing how the results obtained could be generalized to all financial institutions in Kenya. To achieve this, the researcher ensured each sub sector was represented. In addition, validity was tested using Kaiser-Meyer-Olkin (KMO) and Bartlett's test for sphericity to confirm data adequacy (Yong & Pearce, 2013). Further, factor analysis for each variable were done to corroborate data validity. This was achieved by use of Varimax with Kaiser Normalization tool. This was important because factor analysis tends to reduce measurement error by coalescing the number of observations and clustering them into a few factors. Clustering is typically based on their homogeneity and used to compare items between the factors. In the current study, factor analysis was used to confirm construct and face validity. First, face validity was confirmed by observations that in all the questions, there were eigen values above 0.4. Construct validity was confirmed by clustering the questions around few factors. In addition, there was very minimal cross loading of items in multiple factors.

3.9 Operationalization of the Study Variables

The variables of this study were corporate governance, organizational performance, agency conflicts and strategic choices. These were operationalized as independent, dependent, moderating and intervening variables respectively. Different interactions between the study variables were established, pair-wise and jointly. The operational indicators for corporate governance entailed codes of corporate governance, board skills, board independence, board diversity, size and committees. They were measured using nominal scale and a 5-point Likert scale, independently and as a composite. Agency conflicts was measured using a 5-point Likert scale on sixteen question items.

Further, strategic choices sought to examine the adoption of various corporate strategic choices by financial institutions. These included strategic alliances, mergers and acquisitions, joint ventures, divestiture, products differentiation, diversification, adoption of ICT in operations, innovative strategies and products development. They were measured using a 5-point Likert scale. Finally, the SBSC was used to indicate the level of performance in organizations, using a 5-point Likert scale. Key metrics of performance included the financial factors, customer focus, internal business processes, learning and growth, social aspects and environmental consciousness. These are summarised in Table 3.3.

Table 3.3: Operationalization of Study Variables

Variable	Operational Indicators	Measure	Questions	Supporting Literature
Corporate Governance (Independent Variable)	Codes of corporate governance	Likert scale	Section B; Q6	CMA, 2015; Shleifer & Vishny, 1997; Dewji & Miller, 2013 Dube & Jaiswal, 2015; OECD, 2004; Aguilera & Jackson, 2003
	Board diversity- Age, gender, educational background, experience and technical expertise	Nominal	Section B; Q. 7	
	Board independence	Likert scale	Section B; Q 8 & 9	
	Board Size	Nominal	Section B Q. 9	
	Board committees	Nominal	Section B; Q. 10	
	Board Skills	Likert scale	Section B; Q. 11	
Agency Conflicts (Moderating Variable)	- Shareholders rights -Manifestation of conflicts between various organizational stakeholders- Shareholders (majority and minority), management, CEO, directors, debtholders and others. -Domineering characteristics of some stakeholders	5- Points Likert scale	Section C	Jensen & Meckling, 1976; Eisenhardt, 1989; Nagar et al., 2011 Schachter, 2014
Strategic Choices (Intervening Variable)	Corporate and business level strategies such as; - -Mergers and acquisitions -Divestment and liquidation -Diversification -Strategic alliances, integration and joint ventures. -Innovation -Technology adoption -Products development	5-Points Likert scale	Section D	Child, 1972, Miles & Snow, 1978; Boyne & Walker, 2004; Parnell, 2013; Judge et al., 2015
Organizational Performance (Dependent Variable)	-Financial -Customer focus -Internal business processes -Learning and growth. -Social equity -Environmental consciousness	5-Points Likert scale	Section E	Neely et al., 1995; Chakravarthy, 1986; Kaplan & Norton, 2006; Neely et al., 2002

3.10 Data Analysis

The analysis process for data was lengthy and procedural. First, data was cleaned, coded, and input into SPSS in readiness for analysis. The researcher then carried out diagnostic tests to confirm data normality, linearity, autocorrelation and multicollinearity. For normality, the researcher used frequency distribution tables, histograms, Kolmogorov Smirnov and Shapiro Wilk's tests (Osborne & Waters, 2002). Linearity was tested using P-P Plots (probability Plots). Multicollinearity was tested by examining tolerance and variance inflation factor (VIF) whereas autocorrelation was depicted by Durbin Watson values (Montgomery, Peck & Vining, 2001). The four tests are important because they form the basic assumptions to be met before data testing for correlation, regression, t- tests, and analysis of variance. Essentially, diagnostic tests met the threshold signifying suitability for regression analysis (Ghasemi & Zahediasl, 2012).

The researcher used regression modeling to analyze the data. Simple regression was used for establishing the relationship between corporate governance and organizational performance while multiple regression was used to test indirect relationships and the joint effect of all the variables. Hierarchical regression analysis on the other hand was used to assess the moderating effect of agency conflicts on the relationship between corporate governance and organizational performance (Baron & Kenny, 1986). Also, for testing the joint influence of corporate governance, agency conflicts and strategic choices on organizational performance. Step wise regression, both simple and multiple examined the intervening effect of strategic choices on the relationship between corporate governance and organizational performance. It also showed discrete influences of corporate governance and strategic choices on organizational performance (Baron & Kenny, 1986).

To further analyze the intervening effect of strategic choices on corporate governance and organizational performance, path analysis was used. This was necessary for providing estimates of the magnitude and significance of the hypothesized causal connections between the variables (Baron & Kenny, 1986; Stage, Carter & Nora, 2004). This was achieved through conducting a series of regressions and analyzing their influence on the dependent variable. Strategic choices intervening path analysis established indirect effect of corporate governance on organizational performance (Shrout & Bolger, 2002). This also translated results from regression equations used to estimate model parameters into expressions that showed how individual paths and their associated direct, indirect, and total effects varied across levels of strategic choices.

Table 3.4: Data Analysis Models

Objective	Hypotheses	Analytical Model	Output
To establish the relationship between corporate governance and performance of financial institutions in Kenya	**H_1:** Corporate governance significantly influences organizational performance	Simple Regression Analysis $OP_1=\beta_{10}+\beta_{11}CG_{+}\varepsilon$ Where OP_1=Organizational Performance β_{10} = Regression Constant β_{11}= Regression coefficient CG = Corporate Governance ε= Error Term	R^2 shows variation in performance explained corporate governance. Beta coefficients (β) shows unit change in performance p- value shows model significance.
To determine how agency conflicts, affect the relationship between corporate governance and performance of financial institutions in Kenya	**H_2:** Agency conflicts significantly moderates the relationship between corporate governance and organizational performance.	Hierarchical regression $OP_2=\beta_{20}+\beta_{21}$ CG+ β_{22} AC+ B_{23}CG*AC+ε Where: OP_2=Organizational Performance β_{20}=Regression Constant CG=Corporate Governance AC= Agency Conflicts ε = Error Term $B_{=23}$CG*AC=Interaction effect of AC on CG & OP	R^2 shows variation in performance explained corporate governance and agency conflicts. $B_{21, 22}$ shows unit change in performance. p- value shows model significance.
To determine the influence of strategic choices to the relationship between corporate governance and performance of	**H_3:** Strategic choices significantly intervenes the relationship between corporate	Stepwise Regression Step 1: $OP_3= \beta_{30}+ \beta_{31}$ CG+ ε Step 2: SC= $\beta_{40}+ \beta_{41}$ CG+ ε Step 3: $OP_5= \beta_{50}+ \beta_{51}$SC+ ε Step 4: $OP_6= \beta_{60}+ \beta_{61}$CG+ β_{62} SC+ ε Where:	R^2 in each step indicates variation in performance attributable to corporate governance and strategic choices

Objective	Hypotheses	Analytical Model	Output
financial institutions in Kenya	governance and organizational performance	OP=Organizational Performance $\beta_{30,40,50,60}$=Regressions Constant CG=Corporate Governance SC= Strategic Choices ε = Error Term	independently and jointly. The βeta coefficients shows the unit change in performance P- values indicates the models significance.
To assess the joint effect of corporate governance, agency conflicts and strategic choices to the performance of financial institutions in Kenya	**H_4:** Corporate governance, agency conflicts and strategic choices jointly significantly influences organizational performance.	Hierarchical multiple regression $OP_7=\beta_{70} + \beta_{71}\,CG + \beta_{72}\,AC + \beta_{73}\,SC + \varepsilon$ Where OP=Organizational Performance β_{70}=Regression Constant CG=Corporate Governance AC=Agency Conflicts SC= Strategic Choices ε = Error Term	R^2 shows variation in performance explained by corporate governance, agency conflicts and strategic choices. The beta coefficients (β) indicates unit change in performance for each variable. P- values indicates the model significance.

Source: Field study, 2017

3.11 Chapter Summary

In this chapter, research methodology used to accomplish the study have been discussed, which entailed a post - positivism research philosophy and the two research designs, that is descriptive and explanatory cross sectional used. In addition, using Israel's (1992) formula, out of a population of 271 financial institutions, 162 financial institutions were identified as ideal for the study. This entailed a census for banks, MFI's and insurance companied and a random sampling for 55 deposit taking SACCO's. Further, data collection, tests for validity and reliability and the operationalization of study variables are discussed. Finally, the data analysis methods adopted were presented. In the next chapter, preliminary findings of the study are discussed.

CHAPTER FOUR

PRELIMINARY FINDINGS

4.1 Introduction

This chapter presents the preliminary findings of the study. These include the response rate, respondents and organization's demographics. Further, the results on tests for validity and reliability are presented and interpreted. Descriptive statistics and manifestation of the various components regarding the data are deliberated. In addition, the comparative analysis for various descriptive tests are scrutinized within the financial institutions and cross the various categories of financial institutions including banks, MFI's, insurance companies and deposit taking SACCO's.

Preliminary findings entail manifestation of the four study variables. The variables include corporate governance, agency conflicts, strategic choices and organizational performance. Corporate governance was viewed from the six main dimensions. These are codes of corporate governance, board independence, skills, board size, board committees and diversity in age, gender, educational background, technical expertise and experience. Agency conflicts was operationalized by upholding of shareholders' rights in financial institutions. Besides, the frequency of conflicts manifestation and domineering characteristics between various organizational stakeholders were tested.

Strategic choices were manifested by how financial institutions adopted various strategic choices. These included strategic alliances, mergers and acquisitions, joint ventures, diversifications, divestments, differentiations, products development, ICT adoption and innovation. Organizational performance was operationalized using the six SBSC

perspectives. They include financial, customer focus, internal business processes, learning and growth, social aspects and environmental consciousness. Manifestations of these variables within financial institutions are presented in this chapter.

4.2 Response Rate

From a population of 271 financial institutions, 162 firms were sampled to take part in the study. Out of these, 108 financial institutions returned filled in questionnaires with analyzable data. This translated to a 67 percent response rate. Which is considered adequate for analysis. Various studies have been done depicting trends in academic research response rates, most reporting low response rates (Baruch, 1999; Frohlich, 2002). Baruch (1999) conducting a comparative analysis of response rates in academic studies covering about 200,000 respondents, found the average response rate to be 55.6 percent. He however, observed lower response rates of 36.1 percent for studies involving top management and organizational representatives.

Similarly, Frohlich, (2002) found the average managerial response rate to be 32 percent over a period of 12 years. In his study, 233 operational management articles done in 1990s were analyzed. A contrary view was registered by Richardson (2005) who contends that a response rate above 60 percent is desirable and achievable hence satisfactory. This study utilized some of the recommendations by Frohlich, (2002) for enhancing response rate. These included pre- testing and careful formatting of the questionnaire, multiple mailing, appeals and endorsement by third parties. The response rate was achieved through use of multiple channels of communication to respondents including mails, telephone calls and office visits. In addition, introduction letters from the University of Nairobi and the

research permit from the National Commission for Science, Technology and Innovation (NACOSTI) boosted the response rate. The study's response rate analysis is presented in Table 4.1.

Table 4.1: Response Rate Analysis

	Sample Size	Responded	Percent of Response
Banks	40	38	95
Micro Finance institutions-MFI	12	12	100
Insurance	55	25	45
Deposit Taking SACCOs	55	33	60

Source: Field study, 2017

The results in Table 4.1 shows the response rates achieved in each sub sector. Micro finance institutions recorded the highest percentage of response (100 percent). This was attributable to the fact that they were fewer hence personal follow ups through calls and visits to the offices was done. This was closely followed by banks, at 95 percent response rate. Deposit taking SACCO's achieved an above average response rate of 60 percent, while insurance companies recorded lower response rate of 45 percent.

A comparative analysis of responses received from each category of financial institution was also done to establish their percentage in representation. Table 4.2 displays the results.

Table 4.2: Comparative Response Rate per Industry

	Frequency	Percent
Banks	38	35.2
Micro Finance institutions-MFI	12	11.1
Insurance	25	23.1
Deposit Taking SACCOs	33	30.6
Total	108	100.0

Source: Field study, 2017

Results in Table 4.2 reveal that banks had the highest representation at 35 percent, closely followed by deposit taking SACCO's at approximately 31 percent. The MFI's had the lowest representation at 11 percent. This improved consistency of the results across the three categories of financial institutions because the number of respondents from each category fell within the same range. Only MFIs had fewer responses owing to the category's smaller population.

4.3 Organizational and Respondents Demographics

Organizational demographics considered included the age of financial institutions in Kenya and the number of permanent staff. The number of years that the organizations had been in Kenya was an important indicator of understanding and adoption of the Kenyan operating environment in regulatory framework, cultural dimension, social and political climate. To capture the age of financial institutions, respondents were asked to indicate when their institutions were established in Kenya.

Table 4.3: Financial Institutions Age Groups

Organizations Age Group	Frequency	Percent
Below 10 years	11	11
Between 10 and 19 years	10	10
20 to 29 years	21	22
30 to 39 years	17	17
40 to 49	21	22
50 and above	18	18
Total	98	100

Source: Field study, 2017

The results in Table 4.3 indicates that 39 percent (38) of financial institutions were established in Kenya between 20 to 39 years ago, a further 21 percent (22 firms) were incorporated in Kenya between 40 to 49 years ago, while those below 10 years of existence

in Kenya were 11 FI's. Moreover, 18 financial institutions were 50 to 100 years old in Kenya. A further 5 percent (5) were more than a century old in Kenya, the oldest being 172 years.

The study further sought to establish the number of permanent employees within financial institutions. Staffing levels serves as a key indicator of firm size, automation levels and out sourcing of non - core operations by corporations. These firms being in the services sector, higher staff numbers would also signify increased operations. The results are presented in Table 4.4.

Table 4.4: Number of Permanent Employees

	Frequency	Percent
Below 250	63	59
250 - 500	29	27
501 - 750	2	2
751 - 1000	2	2
Above 1000	11	10
Total	**107**	**100**

Source: Field study, 2017

Table 4.4 indicates staffing levels in financial institutions. From the results, 59 percent of financial institutions had below 250 permanent employees. This suggests increased efficiency in operation and amplified uptake of information communication technology (ICT) in operations. A further 27 percent had staff levels of between 250 and 500 members, while only about 10 percent of FIs, mostly banks had above 1,000 permanent staff in their establishments.

On respondents' demographics, the research focused on senior executives of Kenya's financial institutions. They were selected because they are the main custodians of corporate governance, organizational strategy and oversee corporate performance. As such, their demographics were important indicators of the level of understanding of the subject matter. To achieve this, respondents were asked to indicate the length of time they had served their organizations and how long they held their current positions. The results are presented in Tables 4.5 and 4.6.

Table 4.5: Length of Service in the Organization

	Frequency	Percent
Below 2 years	9	9
2 - 4 years	22	21
5 - 7 years	34	32
8 - 10 years	30	28
Above 10 years	11	10
Total	106	100

Source: Field study, 2017

The results in Table 4.5 shows that approximately 32 percent of respondents had served their institutions for between 5 to 7 years. A further 28 percent had served for about 10 years. This implies that respondents for each financial institution were well versed with the institutions they represented. This indicates that the information and data presented were more authentic than if majority of the respondents were new staff. The results further reveal that only 9 percent had served their organizations for less than two years. Moreover, the diversity in years served brought out the required deep understanding of the organizations and the objectivity provided by those that had served for shorter periods.

Table 4.6: Length of Service in the Current Position

	Frequency	Percent
Below 2 years	17	16
2 - 4 years	29	27
5 - 7 years	37	34
8 - 10 years	19	18
Above 10 years	5	5
Total	107	100

Source: Field study, 2017

Further, the study sought to assess the length of time respondents had served in their current capacities. Results are presented in Table 4.6, and revealed that similar to the length of service, majority of respondents (34 percent) had served in their current positions, largely between 5 to 7 years. A further 27 percent had been in their current positions for 2 to 4 years while 18 percent had remained in the current position for over 8 years. Five percent had served in their positions for over 10 year, with only about 16 percent had recently been appointed to their current positions. This indicates growth and promotion within organizations to senior executive levels.

4.4 Test for Reliability

Reliability entails ensuring that research data is all inclusive and accurate. Reliability is also viewed as the stability or consistency with which measures meant to test same construct produce similar results (Nunnally, 1978; Drost, 2011). The current study used Cronbach alpha coefficient to measure reliability. The closer the Cronbach's alpha coefficient is to 1.0, the greater the internal consistency of the items in the scale (George & Mallery, 2003). Table 4.7 shows the analysis of the four variables Cronbach's alpha coefficients.

Table 4.7: Reliability Statistics

Variable	Number of Items	Cronbach's Alpha
Corporate Governance	32	0.901
Agency Conflicts	28	0.849
Strategic Choices	11	0.783
Organizational Performance	20	0.922

Source: Field study, 2017

Cronbach's alpha score for all the variables was between 0.783 and 0.922. The results demonstrated high levels of reliability as shown by Cronbach's alpha coefficients above 0.7 in all the variables. According to Nunnally (1978), Cronbach's alpha score of 0.7 and above is sufficient prove that data was reliable. The results therefore revealed highly reliable data as indicated by Cronbach's alpha coefficients.

4.5 Test for Validity

Validity entails testing credibility of the analytical claim about research data. It increases objectivity and reliability of the data collected. It also entails interpreting observations correctly. In research, it is important to measure internal, external, constructs and statistical validity. In this study, validity was tested using factor analysis which confirmed face, construct, discriminant and convergent validity of the data. To determine data suitability for factor analysis, Kaiser-Meyer-Olkin (KMO) and Bartlett's tests were used.

4.5.1 Kaiser-Meyer-Olkin (KMO) and Bartlett's Tests

To determine validity, each variable was tested using Kaiser-Meyer-Olkin (KMO) and Bartlett's test for adequacy. Bartlett's measure of sphericity tests whether the data have a patterned relationship. This is mainly indicated by the p values, that is, if $p < 0.05$, then a patterned relationship exists, hence the data suitable for factor analysis (Yong & Pearce,

2013). The lower the p value, the better the data for running factor analysis. Kaiser-Meyer-Olkin (KMO) measures the sampling adequacy for exploratory factor analysis (EFA). KMO values ranges between 0 and 1. KMO value of 0 indicates diffusion in the pattern of correlation hence inappropriate for factor analysis. KMO values close to 1 indicates compact patterns of correlation, hence factor analysis yields reliable factors. KMO values above 0.5 are considered acceptable, with values above 0.7 being rated as good and those above 0.8 are rated as great (Field, 2005). Overall, the closer the KMO values to 1 the better in yielding reliable factors (Hutcheson & Sofroniou, 1999; Yong & Pearce, 2013).

Table 4.8: KMO and Bartlett's Test Results

		Corporate Governance	Agency conflicts	Strategic Choices	Organizational performance
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.784	0.755	.784	.862
Bartlett's Test of Sphericity	1294.506	1594.979	429.045	916.158	916.158
	Df	496	378	55	190
	Sig.	.000	.000	.000	.000

Source: Field study, 2017

The findings for each variable are summarized in Table 4.8. Corporate governance, recorded a KMO value of 0.784. and Bartlett's test for sphericity's significance level of 0.000. Similar results were recorded for KMO and Bartlett's test for sphericity on strategic choices, that is 0.784 and 0.000 respectively. Agency conflicts recorded slightly lower KMO adequacy of 0.755 while retaining Bartlett's test for sphericity significance level at 0.000. Finally, Organizational performance recorded the highest results on test for KMO adequacy of 0.862, while the level of significance on Bartlett's test of sphericity was 0.000.

The results indicate that all the variables were adequate and good for both KMO and Bartlett's test for Sphericity. KMO recorded results of between 0.755 to 0.862 while all Bartlett's tests were significant at 0.000. The rule of thumb provides that a KMO value above 0.5 is adequate while a sphericity below 0.05 significance level is acceptable. These two indicate that the data obtained were adequate for running factor analysis test for data validity.

4.5.2 Explained Variance

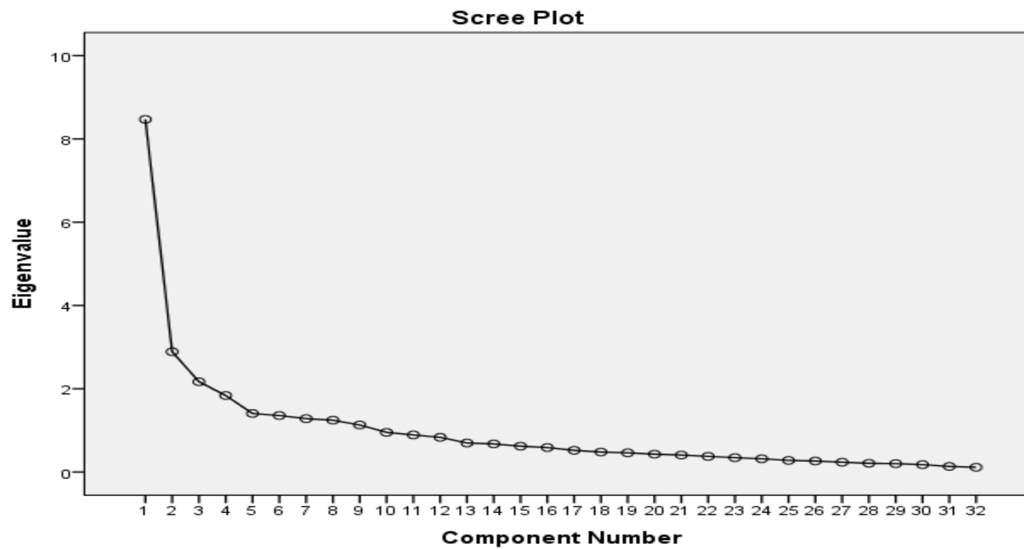
Further, validity tests on the data were done to determine the explained variations and for factor extraction. Corporate governance was explained by the highest number of question items and as such, had the highest number of factors extracted. Out of 32 Likert scale enquiries, 9 factors were extracted. This alludes to the fact that data was reduced and consolidated around the 9 factors extracted. Cumulatively, the nine corporate governance factors offered a 68 percent explanation of the variance in eigenvalues. The first factor had the highest contribution of 26 percent. This was followed by the second factor at 9 percent, while the third and fourth factors obtainable total of 12.5 percent variance on initial eigenvalues. The last 3 factors combined explained the variance by 11.4 percent. Table 4.9 depicts the factors and initial eigenvalues obtained in running corporate governance factor analysis. Cumulatively, the nine factors explained 68 percent variance in corporate governance.

Table 4.9: Corporate Governance Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	8.469	26.465	26.465	8.469	26.465	26.465	4.179	13.060	13.060
2	2.888	9.025	35.490	2.888	9.025	35.490	3.361	10.504	23.565
3	2.168	6.776	42.266	2.168	6.776	42.266	2.597	8.115	31.680
4	1.837	5.741	48.007	1.837	5.741	48.007	2.564	8.012	39.692
5	1.406	4.392	52.400	1.406	4.392	52.400	2.106	6.582	46.273
6	1.358	4.242	56.642	1.358	4.242	56.642	2.030	6.343	52.616
7	1.281	4.004	60.647	1.281	4.004	60.647	2.030	6.342	58.958
8	1.245	3.891	64.538	1.245	3.891	64.538	1.525	4.767	63.725
9	1.129	3.529	68.067	1.129	3.529	68.067	1.389	4.342	68.067
10	.952	2.976	71.043						
11	.892	2.787	73.830						
12	.834	2.605	76.435						
13	.697	2.178	78.613						
14	.675	2.111	80.724						
15	.621	1.942	82.666						
16	.587	1.836	84.502						
17	.522	1.631	86.133						
18	.481	1.503	87.636						
19	.461	1.442	89.078						
20	.429	1.341	90.418						
21	.408	1.276	91.694						
22	.376	1.176	92.870						
23	.345	1.077	93.948						
24	.318	.995	94.943						
25	.280	.874	95.817						
26	.265	.828	96.645						
27	.236	.736	97.381						
28	.211	.658	98.039						
29	.201	.630	98.669						
30	.177	.554	99.223						
31	.135	.422	99.645						
32	.114	.355	100.000						

Extraction Method: Principal Component Analysis

Figure 4.1: Scree Plot for Corporate Governance



The scree plot in Figure 4.1 indicates the flow of explained variance in corporate governance. It is depicted by a smooth curve running from left to right in a reducing balance. In tandem with the eigenvalues percentage variance, the first factor recorded the highest explanation, with the largest gap between the first factor at 26 percent and the second factor at 9 percent. Further, data points decreased at reducing values until point 9, after which the slope almost flattens to the end, at point 32.

Table 4.10 depicts the explained variance for agency conflicts. Data regarding this variable was collected using 28, five-points Likert scale proxies. Respondents were tasked to rate the extent and frequency of manifestation of agency conflict in the various aspects of their organizations. To test validity, factor analysis was run and seven (7) factors extracted. These factors cumulatively provided approximately 71 percent explanation of variation in the variable. This was a very high rate of explanation, indicating that questions asked were relevant in measuring agency conflicts.

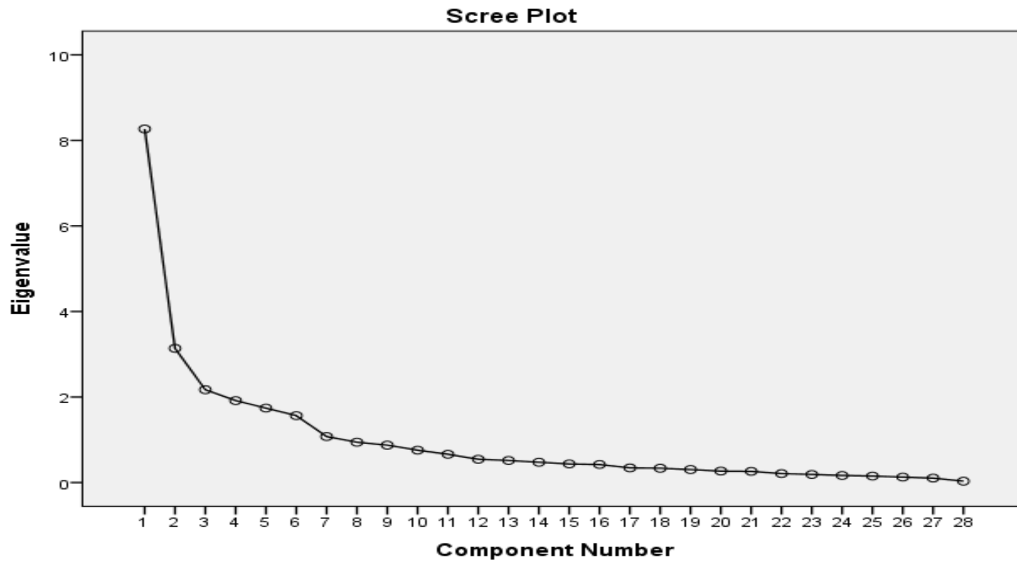
The first factor provided the highest explanation at 29.5 percent. This was followed distantly by the second factor at 11.2 percent, while 7.7 and 6.8 variation in eigenvalues were explained by factors 3 and 4 respectively. The last two factors had the lowest variance of 5.6 percent and 3.8 percent respectively. Table 4.10 summarizes the extracted factors, the total variance explained by initial eigenvalues and their respective percentage of variance explained. The table depicts a flow of factors from those with highest percent of explained variation to those with lowest percentages. This was also depicted by the scree plot in Figure 4.2 for agency conflicts.

Table 4.10: Agency Conflicts Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	8.268	29.527	29.527	8.268	29.527	29.527	4.544	16.230	16.230
2	3.138	11.207	40.734	3.138	11.207	40.734	3.643	13.011	29.241
3	2.171	7.752	48.486	2.171	7.752	48.486	3.569	12.745	41.986
4	1.917	6.847	55.333	1.917	6.847	55.333	2.947	10.524	52.510
5	1.741	6.217	61.550	1.741	6.217	61.550	2.001	7.147	59.657
6	1.564	5.587	67.137	1.564	5.587	67.137	1.956	6.986	66.643
7	1.075	3.841	70.978	1.075	3.841	70.978	1.214	4.335	70.978
8	.943	3.368	74.346						
9	.875	3.124	77.470						
10	.757	2.705	80.175						
11	.662	2.365	82.539						
12	.546	1.948	84.487						
13	.517	1.845	86.333						
14	.475	1.696	88.029						
15	.436	1.557	89.586						
16	.422	1.506	91.092						
17	.343	1.225	92.316						
18	.334	1.195	93.511						
19	.304	1.084	94.595						
20	.269	.961	95.556						
21	.262	.935	96.491						
22	.210	.749	97.240						
23	.190	.680	97.921						
24	.165	.589	98.510						
25	.152	.543	99.053						
26	.128	.457	99.510						
27	.105	.375	99.885						
28	.032	.115	100.000						

Extraction Method: Principal Component Analysis.

Figure 4.2: Scree Plot for Agency Conflict



The scree plot depicts a rapid flow from factor 1 on the extreme left to number seven (7). Thereafter, the flow is almost steady to the end. This demonstrates the highest variation was between points one to seven.

Table 4.11: Strategic Choices Total Variance Explained

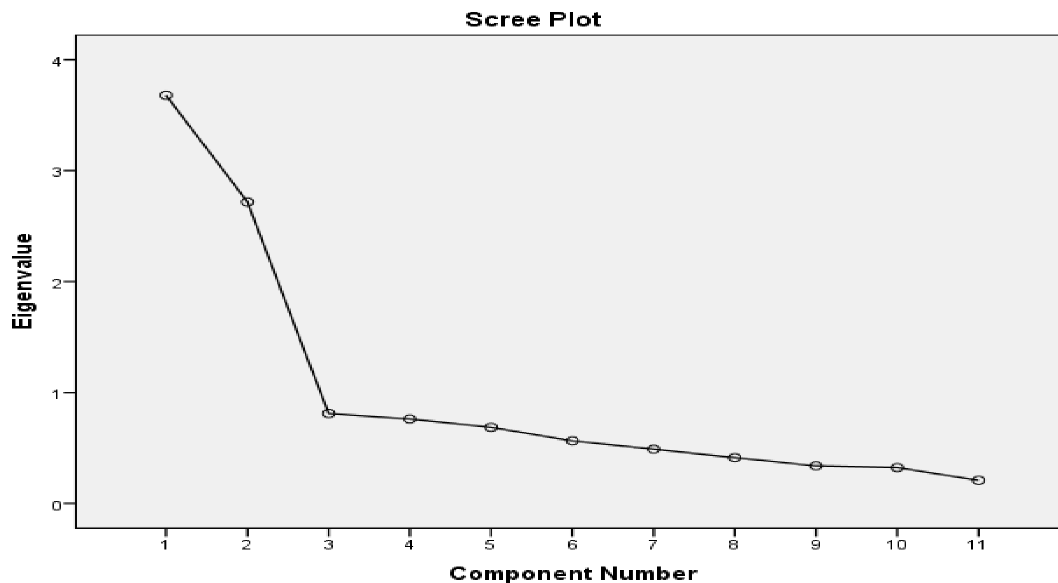
Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.680	33.455	33.455	3.680	33.455	33.455	3.382	30.741	30.741
2	2.718	24.710	58.164	2.718	24.710	58.164	3.017	27.423	58.164
3	.812	7.382	65.546						
4	.762	6.927	72.474						
5	.687	6.241	78.715						
6	.565	5.136	83.851						
7	.491	4.460	88.311						
8	.413	3.757	92.067						
9	.339	3.085	95.153						
10	.324	2.947	98.100						
11	.209	1.900	100.000						

Extraction Method: Principal Component Analysis.

Table 4.11 outlines the factors and their contribution to the percentage of variation explained. Results revealed that strategic choices offered yet the lowest number of factors extracted, that is two (2). This shows a high level of convergence between the questions asked and their ability to cluster into only two factors. Moreover, the two factors cumulatively provided 58.2 percent explanation on variation in eigenvalues. In essence, factor one explained 33.5 percent of the variation while factor two explained the remaining 24.7 percent.

Figure 4.3: Scree Plot for Strategic Choices



This data flow was also highlighted by the scree plot in Figure 4.3. It shows flow of eigenvalues from left to right as components increased. However, the Figure depicts a continuous flow of components within the two factors and a sharp tangent for components outside the two factors. However, in tandem with earlier factors, there was a significant reduction in the percentages of explained variation after factor two.

Data on organizational performance was subjected to factor analysis. The question items on organizational performance entailed respondents indicating how their institutions performed along the various sustainable balanced scorecard perspectives. These included financial, customer focus, social equity, environmental factors, learning and growth and internal business processes. A 5-points Likert scale set of 20 questions was presented and the data obtained analyzed for factors. Four (4) factors were extracted providing approximately 60.9 percent variance explanation. The results are presented in Table 4.12.

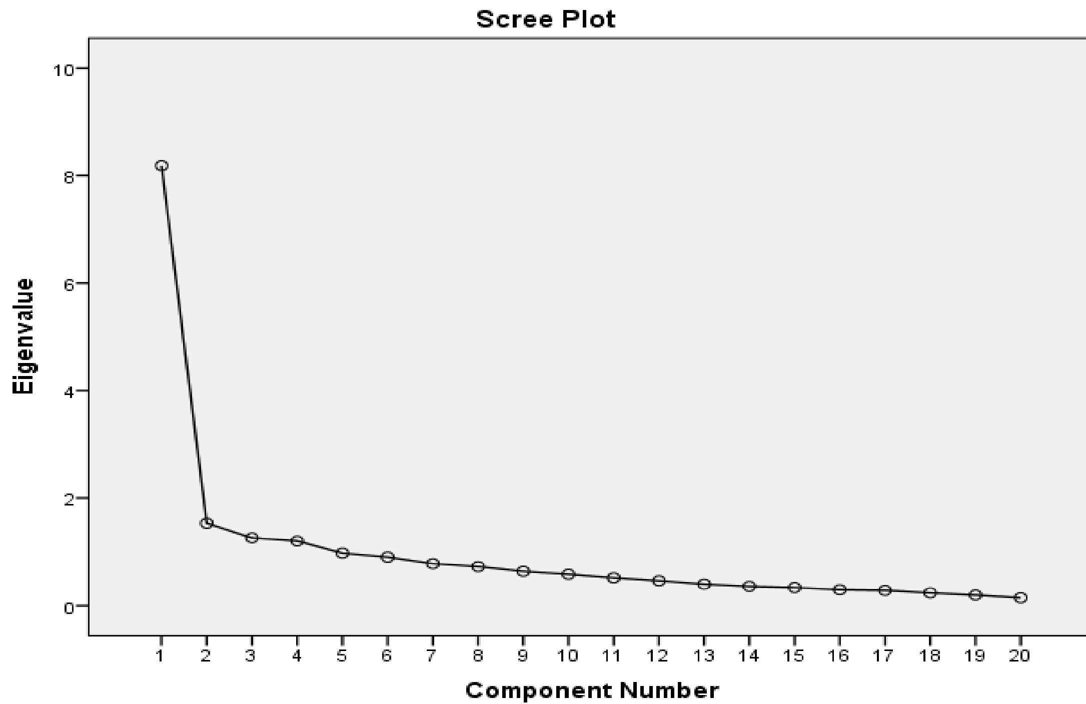
Table 4.12: Organizational Performance Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	8.186	40.928	40.928	8.186	40.928	40.928	4.061	20.303	20.303
2	1.531	7.653	48.581	1.531	7.653	48.581	2.802	14.008	34.310
3	1.259	6.297	54.878	1.259	6.297	54.878	2.792	13.960	48.271
4	1.201	6.006	60.885	1.201	6.006	60.885	2.523	12.614	60.885
5	.975	4.874	65.758						
6	.902	4.512	70.271						
7	.780	3.898	74.169						
8	.724	3.621	77.789						
9	.636	3.182	80.971						
10	.583	2.913	83.884						
11	.517	2.583	86.468						
12	.461	2.304	88.772						
13	.399	1.994	90.766						
14	.358	1.789	92.555						
15	.335	1.673	94.228						
16	.295	1.475	95.703						
17	.282	1.410	97.113						
18	.236	1.178	98.292						
19	.196	.981	99.273						
20	.145	.727	100.000						

Extraction Method: Principal Component Analysis.

Factor one (1) of this variable produced the highest explanation provided by a single factor in this study at 40.9 percent. This was higher than the total percentages of explained variation of the other 3 factors at 7.7, 6.3 and 6.0 percentages respectively. The scree plot on Figure 4.4 depicts this contribution.

Figure 4.4: Scree Plot for Organizational Performance



In the scree plot, the impact of this high percentage of total of explained variation is clearly depicted. This Figure shows a drastic reduction in eigenvalues from component one to component two. This decreases gradually with increased component numbers up to component four. Thereafter, there is a minimal and almost steady decrease in eigenvalues and the number of components decreases through to the end.

4.5.3. Rotated Component Matrix

Table 4.13: Rotated Component Matrix for Corporate Governance

	Component								
	1	2	3	4	5	6	7	8	9
Code of conduct and ethics	.068	.027	.041	.038	.851	.119	-.066	.111	-.159
a policy on appointment of board members	.264	.070	.124	.445	.552	-.138	-.072	.330	-.041
Formal letters are issued to appointed BoD	.057	.511	-.087	.292	.531	-.033	.200	.137	.197
Diversity is entrenched in our policy	.238	.369	.197	-.005	.494	-.107	.048	-.095	.537
Various committees are established	.085	.067	-.045	.141	.237	-.002	.092	.798	-.038
BoD defines our mission, vision and strategy	.134	.547	.165	.221	.077	.359	.341	.088	-.104
We have a policy on conflicts of interest	.183	.276	.334	.562	-.028	-.075	.223	.117	.028
Independence of the BoD is upheld	.327	.371	.464	.207	.175	-.199	.216	-.134	.013
Our organization has a board charter	.216	.411	.238	.327	.279	.231	.121	-.253	-.132
Transparent remuneration policy for BoD	-.048	.713	.086	.174	-.018	.153	-.074	-.142	.030
Comply with laws and regulations	.091	.735	.125	-.081	.160	-.071	.241	.024	-.101
BoD upholds all shareholder's rights	.001	.312	.134	.112	-.026	.276	.642	.021	.208
Stakeholder-inclusive governance approach	.058	.091	.286	.482	.184	.463	.177	-.247	.210
internal and external disputes resolution	.167	.267	.673	.284	-.132	-.012	-.036	-.135	-.034
Financial and non-financial performance	.034	.465	.434	.197	-.263	.270	.003	.395	.053
Appointment of external auditors at AGM	-.031	.655	-.035	.091	.011	.305	.047	.288	.149
Induction of new board members is done	.088	.349	.352	.538	.043	.132	-.013	.029	.037
Non-executive BoD have not been employed in our firm	-.154	-.080	.723	.119	.267	.017	.252	.109	-.007
Merits – based staff hiring	.220	-.011	.093	.087	-.044	.009	.750	.109	-.055
Award of tenders to competitive bidders	.154	-.055	.053	.161	-.156	.033	.036	-.005	.833
BoD makes decisions independently	.294	.093	.707	-.062	.003	.270	.109	-.038	.239
Duality of Board chairperson and the CEO	.262	.309	.022	.074	-.018	.769	.098	.005	-.011
Technical expertise is a key for BoD	.392	.170	.098	.258	.065	.059	.545	-.270	.059
BoD have necessary skills for their roles	.705	.174	.064	.334	-.129	-.124	.092	-.118	.079
BoD have essential experience for the roles	.779	-.031	.058	.087	.025	.220	-.024	.267	.160
BoD have the required independence	.629	.012	.075	-.190	.209	.256	.047	.066	.097
BoD understands current and emerging business issues	.718	.035	-.062	.218	.059	-.128	.280	.135	-.002
BoD have the required competences	.799	.044	.140	-.036	.086	.029	.136	-.063	.048
BoD encourages enhanced performance	.513	.072	-.242	.308	.183	.322	.098	-.124	-.224
BoD evaluates management performance	.630	-.014	.243	.117	.025	.377	.057	-.036	.047
BoD rewards performance	.096	.017	.002	.781	.143	.115	.169	.162	.142

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
Rotation converged in 14 iterations.

In this study, factor analysis was run to determine validity of the data. The analysis achieved data reduction on each variable, corporate governance producing the highest

number of factors, that is, nine (9); while strategic choices had only two (2) factors. Further, the obtained component matrix was rotated using Varimax with Kaiser Normalization. This was to help simplify and make it easier to interpret the factor analysis.

The rotated component matrix for corporate governance is shown in Table 4.13. Factor one was described by board members' skills, experience, independence, understanding of emerging business issues, competences, performance orientation and measurement. These are indications of the boards' overall competencies in executing their roles and responsibilities. Factor two (2) was defined by existence of company's mission, vision and strategy, board charter, policy on remuneration, codes of conduct, appointment of auditors and focus on both financial and non-financial performances. Culmination of these indices indicate existence of codes of corporate governance in the institutions.

Factor three on corporate governance was depicted by four items, existence of policies and procedures, formalized dispute resolution mechanism, appointment of non-executive directors and board independence. These signifies formalization in organizations. Dewji and Miller (2013) contends that it is important to formalize policies, processes, procedures and contracts. Further, factor four had conflict management, all-inclusive stakeholder involvement, induction of board members and performance based rewards and punishments. These suggest all stakeholders' interests. Factor five is crystallized by implementation of codes of conduct and ethics, policy on appointment of new board members and formal letters issued to appointed board members implying the importance of board member's nomination and appointment process. Factor six had board independence in executing their roles and separation of the board chairman's roles from the CEO's. This depicts duality and board independence. Factor seven dealt with recognition, respect and protection of all shareholder rights, recognition of merits in hiring,

technical expertise of the board. This elucidates board skills and functional proficiency. Finally, factor eight was captured by board committees while factor nine captured board diversity and competitive tendering. These two factors advance the objectivity derived from diverse boards.

Table 4.14: Rotated Component Matrix for Agency Conflicts

	Component						
	1	**2**	**3**	**4**	**5**	**6**	**7**
Shareholders rights to; -							
Attend general meetings	.079	**.785**	.120	.051	.035	.207	.158
Vote in AGM	-.003	**.851**	-.032	.167	.021	-.024	.044
Receive annual reports	.229	**.732**	-.053	.074	.036	.225	.110
Receive dividends	.112	**.799**	.050	.172	-.134	-.215	-.099
Receive final dues in case of liquidation	.018	**.567**	-.013	.077	.038	-.258	-.582
Enhanced disclosure for decision making	.326	**.654**	.085	-.236	.043	.209	-.137
Friction between executives and shareholders	**.772**	.104	.030	.238	.128	.002	.200
Tension amongst executives and shareholders	.385	.250	.231	.107	.085	-.143	**.588**
Personality clashes between executives and shareholders	**.736**	.170	.173	.223	.097	.144	.006
Emotional conflicts amidst senior executives and shareholders	.053	.079	.084	.012	.043	**.896**	-.012
TMT and BoD disagree on opinions about work	**.704**	.099	.204	.271	.019	-.147	-.099
Disagreements about ideas between the board and the managers	.271	.014	.128	.085	**.899**	.127	.026
Professional differences in opinions between board and managers	**.782**	.018	.150	.087	-.065	.008	.128
Some stakeholders do not have good intensions during joint stakeholder's meetings	**.714**	.114	.136	-.118	.047	.217	.079
BoD have conflict of interest when performing their functional roles	**.721**	.169	.339	.156	.185	-.005	-.032
Conflicts between majority shareholders and minority shareholders	.207	.272	**.624**	.292	.061	-.076	.375
Conflicts between shareholders and directors	.354	.059	**.488**	.317	.057	.242	.223
Conflicts between executive directors and non-executive directors	.092	.123	**.812**	.136	-.001	-.146	.215
Conflicts between shareholders and the CEO	.229	-.099	**.794**	-.032	.147	.070	.053
There are conflicts between directors and the CEO	.154	.016	**.780**	-.092	.008	.169	-.073
Conflicts between shareholders and debtholders	.140	-.041	**.754**	.283	.030	.083	-.153
The board dominates management	.122	.064	.078	**.741**	-.109	-.019	.268
Majority shareholders influence running of organization	.126	.117	.059	**.594**	.179	.648	.082
Majority shareholders dominate board decisions	.074	.074	.264	**.689**	.212	.205	-.109
Executive directors influence major decisions	.357	.145	.102	**.698**	.117	-.104	-.131
Management dominates the board	-.005	-.020	.050	.108	**.975**	.006	.011
Non-executive directors influence major board decisions	**.459**	.259	.223	.334	.028	.406	-.099
The CEO dominates major organization decisions	.469	.052	-.014	**.542**	.092	.109	.022

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
a. Rotation converged in 6 iterations.

Agency conflicts exist in organizations when the interests of various organizational stakeholders are not aligned. This study sought to assess how these conflicts ultimately influenced organizational performances. Rotated component matrix highlights the various items that supported the seven factors extracted. Factor one described conflict between management, shareholders and other stakeholders. This was depicted by friction and personality clashes between shareholders and management, differing and conflicting opinion, roles and decision making by board. Gogineni, et al., (2010) viewed this as the primary agency conflict that exists in organizations.

Factor two illustrates shareholders' rights in organizations. It is presented by shareholder rights to attend and vote in annual general meetings, access to annual reports and other information, receive dividends and final dues from the organizations. These rights are necessary in ensuring all shareholders are treated equitably and no categories dominate (Nagar et al., 2011). Factor three on the other hand depicts manifestation of conflict amongst various organizational stakeholders. These are portrayed by conflicts between; majority and minority shareholders, directors and shareholders, executive and non-executive directors, shareholders and the CEO, directors and CEO and shareholders and debtholders.

Factor four describes how agency conflicts was displayed in organizations. This entailed the domineering and influencing nature of organization's stakeholders who have undue advantage over others in decision making and running of organizations. Factor five depicts incongruities in organizations shown by existence of disagreements about certain issues and control by some stakeholders. Factor six presents emotional conflicts in organizations between stakeholders and finally, factor seven shows existence of tension in organizations.

Table 4.15: Rotated Component Matrix for Strategic Choices

	Component	
	1	2
We have had a merger with another organization in the recent years	-.141	**.849**
We have acquired another organization to better compete in the market	.059	**.809**
We have outsourced some of our non-core functions	.118	**.690**
We have sold off a non-performing business venture	-.010	**.812**
We have ventured into provision of other financial services to our customers	.441	**.559**
We have introduced new differentiated products and services to reach wider customer needs	**.725**	.232
We have adopted better IT systems in our operations	**.788**	-.182
We have upgraded our IT system to a better version for efficient operations	**.759**	-.052
We have automated some of our operations for customer convenience and to reach wider client base	**.689**	-.115
We have introduced a major innovation in our business	**.674**	.182
We have integrated our system with our major customers for ease of transacting	**.705**	.240

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
a. Rotation converged in 3 iterations.

Strategic choices were collapsed into two factors. Factor one dealt mainly with the internal environment strategies such as products differentiation, adoption and upgrading to a robust IT system, automation, innovation and integration. On the other hand, factor two was mainly external environment strategies for organizations to gain competitive advantage. The strategies included mergers, acquisitions, outsourcing, divestiture and diversification.

Table 4.16: Rotated Component Matrix for Organizational Performance

	Component			
	1	**2**	**3**	4
Our market share has been increasing over the last five years	.303	**.724**	.199	-.115
We have a high level of customer retention	.239	.398	**.608**	.060
Our customers rate our products and services highly	.264	.385	**.583**	-.117
We receive new customers referred by existing customers	.097	.227	**.629**	.150
Customer complaints have been declining	.105	**.552**	.243	.148
Our organization consistently monitors and improves the quality of our products	-.018	**.708**	.255	.278
We have been increasing budget allocation for R&D in the last five years	.454	**.489**	.108	.334
We have developed many innovative products and services that meets our customers' needs	.075	.174	**.698**	.381
We have more superior products and services than our competitors	.256	**.437**	.194	.386
We continuously train our staff on all areas of our operations	.155	.026	.347	**.818**
We have a well laid out succession planning	.354	.136	.120	**.717**
We value and nurture continued innovation by our staff	.352	.360	.123	**.505**
Our organization has strong mentorship program for our staff that is consistently followed	**.509**	.406	-.052	.476
We conduct surveys to determine our employee satisfaction	**.667**	.352	.267	.165
We regularly carryout and participate in CSR activities	**.654**	-.010	.451	.232
We run a community benefits organization that takes care of the most needy in our society	**.784**	.273	.231	.113
We participate in community activities aimed at alleviating suffering of vulnerable groups	**.770**	.175	.198	.160
We have incorporated integrated reporting in our annual performance reports	.411	.049	**.606**	.197
We carryout annual environmental audit to improve and safeguard our nature	**.585**	.326	-.114	.303
We follow laid out policy on waste management and disposal	**.648**	-.044	.291	.226

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
a. Rotation converged in 14 iterations.

Organizational performance was presented by four factors. Factor one depicts social equity for staff, communities and environmental considerations. These are shown by mentorship, surveys on employee satisfaction, CSR activities, community benefits activities, environmental audit and proper waste management. Factor two describes internal business processes which is depicted by increased market share, reduced complaints, high quality products and services and increased R&D. Factor three on customer focus is characterized by customer retention, responsive quality products, growth in customers, innovative products and integrated reporting. Finally, factor four highlights Organizational growth and development. This is presented by training, policy on succession planning and innovation.

Culmination of the above tests confirmed construct validity and face validity. The face validity was confirmed by visual observation that all question items had eigenvalues above 0.4 in at least one of the factors as presented in Table 4.16. In addition, there no instances of items cross loading in multiple factors. Further, factor analysis sought to determine convergent and discriminant validity. Convergent and discriminant validity sought to demonstrate that multiple measures of a construct are related (Campbell & Fiske, 1959; Lehmann, 1988). Both measures provided simple estimates of validity that was compared across the study. Construct validity estimated the extent to which observed pattern of correlations in a convergent-discriminant validity matrix matches the theoretically predicted pattern of correlations (McCrae & Costa, 1987). Thus, the findings of the study confirmed constructs, discriminant, face and convergent validity. The high validity in data meant that the research instrument measured what it intended to measure in terms of variables and their interactions. Moreover, external validity ensured that sample

characteristics obtained accurately represented the population and thus the findings of the sample are inferred to the population. Validity also ensured that the study's analysis and findings obtained are appropriate, meaningful and useful.

4.6 Manifestations of Study Variables

The study had four variable: corporate governance, agency conflicts, strategic choices and organizational performance. These variables were operationalized along different dimensions. As such, these dimensions depicted the manifestation of the variables within the organizations that were studied. This section presents the results of the study along the different ways in which the variables manifested in the firms using several parameters. These parameters included one sample t-tests, the coefficients of variation (CV) as well as mean scores. One sample t-test was carried out at t-test value 3 which is the mid-point on the Likert scale. The t-values and corresponding p-values showed how statistically significant the variables occurred from the mid-point. This demonstrates how respondents varied in their responses in reference to the way variables manifested in their organizations.

Coefficient of variation (CV) is a dimension used to measure the ratio of standard deviation to the mean. It indicates the level of dispersion and distribution of values from the mean. Higher values of coefficient of variation signifies divergence in responses about variables manifestations in financial institutions. On the other hand, lower values of coefficient of variation indicate homogeneity and precision in responses on how variables were manifested in the firms. Mean score indicates the average or the central tendency of the entire data collected. In this study mean score is the average of all responses from financial institutions on variables manifestation.

4.6.1 Manifestation of Corporate Governance

Corporate governance was operationalized along six dimensions to indicate its manifestation in the respondent firms. These are codes of corporate governance, board independence, board skills, size, committees and diversity in age, gender, educational background, experience and technical expertise (Letting', 2011; Aguilera & Jackson, 2003). Codes of corporate governance, board skills and board independence were all measured using a 5-point Likert scale. In this, respondents were asked to indicate the extent to which various statements describing manifestation of the dimensions applied to their firms. Further, board size was shown by the total number of board members in the respondent financial institutions. Board committees were measured by the presence or absence of various board committees (Adams & Mehran, 2011). Finally, diversity was indicated by the extent to which board members were varied in age, educational level, experience, technical expertise and gender. Each parameter was summarized using Blau's index for regression analysis.

To measure codes of corporate governance, a 5-point Likert scale was used to indicate the extent to which firms had adopted the various codes in the seventeen question items. Responses were interpreted as; 1 = Not at all; 2= to a small extent; 3 = Moderate extent; 4 = to a large extent, while 5= to a very large extent. The level of manifestation was then indicated by the mean, one sample t-test, and coefficient of variation. Moreover, the significance level was depicted by the p values. This was interpreted as significant if the p value was equal to or less than 0.05 ($p \leq 0.05$) and considered not significant of p value was above 0.05 ($p > 0.05$). The results are presented in Table 4.17.

Table 4.17: Manifestation of Codes of Corporate Governance

One-Sample Statistics

	N	Mean	t - value	Sig. (2-tailed)	CV
Our board have developed and implemented a code of conduct and ethics	108	4.03	14.909	.000	.18
Our organization has a policy on appointment of new board members	108	4.15	16.548	.000	.17
Formal letters are issued to appointed board members stipulating their rights and responsibilities	107	4.13	14.587	.000	.19
Diversity is entrenched in our policy to ensure diverse board members are appointed	108	3.98	12.268	.000	.21
Various committees are established to cover board functions	107	4.15	17.042	.000	.17
The board defines the company's mission, vision and strategy	108	4.10	15.058	.000	.19
The board has put in place policy to manage conflicts of interest	108	3.99	14.108	.000	.18
Policies and procedures ensures independence of the board is upheld	108	4.06	16.429	.000	.17
We have an approved formal and transparent remuneration policy for board members	108	4.05	15.198	.000	.18
Our code of conduct requires that we comply with all applicable laws, regulations and standards	108	4.31	18.355	.000	.17
Our board requires recognition, respect and protection of all shareholder's rights	107	4.23	17.081	.000	.18
Our board have adopted a stakeholder inclusive approach in its practice of corporate governance	108	4.02	15.189	.000	.17
Our board has a formal process to resolve both internal and external disputes	107	4.03	13.188	.000	.20
Our board considers both financial and the impact of company operations on society and environment	108	3.96	13.851	.000	.18
Our shareholders appoint independent auditors at each annual general meeting	107	4.25	17.793	.000	.17
All newly appointed board members are inducted or our company culture	107	4.07	14.375	.000	.19
Average score		4.10			

Source: Field study, 2017

Results in Table 4.17 displays an overall mean score of 4.10, ranging from 4.31 to 3.96 in all respondent financial institutions. This indicates that code of corporate governance is to a large extent embraced by financial institutions. Adoption of codes of corporate governance in compliance with laws and regulations was top on the list at a mean score of 4.31. This implies that implementation of codes of corporate governance was largely compelled by law. This was closely followed by appointment of external auditors during

AGMs and recognition of all shareholders' rights, suggesting the importance of transparency and fairness within the organizations. Predictably, board's role in defining organizations' mission, vision and strategy was at the midpoint, scoring same as the grand average score of 4.10. This clearly shows that board members continue to play the key role of defining organizations strategic direction into the future.

Inclusion of both financial and non-financial measures of performance in financial institutions scored lowest (3.96) as compared to other question items. This suggests that a combination of both financial and non-financial measure of performance is still gaining popularity but not yet fully embraced, especially within financial institutions. The t- values indicated both the magnitude and the direction of the variation from the mid-point. The significance level specifies the p value of each question. If below or equal to 0.05 ($p \leq 0.05$) the results are significant to predict the relationship between the variables. In the study, all question items measuring variables interactions were significant at $p \leq 0.05$.

Board independence is an important indicator of the extent to which corporate governance is embraced in organizations. It is critical in ensuring that boards perform their functions devoid of the influence from CEO and management. Besides, independent directors can enhance high performance cultures within organizations. One of the measures of board independence is the proportion of executive versus nonexecutive directors. In this study, board independence was measured using a five-point Likert scale. In addition, the proportion of executive and non-executive directors was used to indicate the extent to which boards were independent. Table 4.18 outlines the results obtained.

Table 4.18: Manifestation of Board Independence

	N	Mean	t - value	Sig. (2-tailed)	CV
The board executes their roles and responsibilities independently and objectively	105	3.96	12.99	.000	0.19
Our non-executive directors have been employed by our organization in the last three years	106	3.47	4.32	.000	0.32
The board hires or recommends hiring of candidates based on merits	108	3.89	11.53	.000	0.21
The board awards tenders to the most competitive bidders	108	3.85	8.83	.000	0.26
The board makes decisions independent of management	108	3.94	11.34	.000	0.22
The board chairperson and the CEO play key distinct roles	108	4.13	15.65	.000	0.18
TOTAL		**3.87**			

Source: Field study, 2017

This study reported board independence mean score of between 3.47 to 4.13 interpreted as 4 (adoption by the firms to a large extent). A key element of board independence was duality of the CEO and the board chairman. This scored the highest mean of 4.13. This was followed by board objectivity in executing their roles and board autonomy from managements interference scoring means of 3.96 and 3.94 respectively. Past employee relationships between current board members and the financial institutions scored relatively lower mean of 3.47. This suggest that sometimes FIs appoint former employees to the board. Boards role in awarding tenders also scored lower, suggesting that in most FIs, this role is carried out by management.

The t-values were all above 3, depicting higher board independence in firms above the mid-point. Higher t values show variation in the variables manifestation in financial institution, however, this variation was on the right side and above the average point. Further, the results were statistically significant as shown by p value of 0.000 ($p \leq 0.05$). The coefficient

of variation indicated relative homogeneity by responses from the mean score. The highest variation of 0.32 was on appointment of former employees of the financial institutions to non-executive board members' positions while the lowest was on duality at 0.18.

The third corporate governance dimension tested in the study was board skills. This is presented by nine question items, each detailing how the skills were manifested and results presented in Table 4.19.

Table 4.19: Manifestation of Board Skills

	N	Mean	t - value	Sig. (2-tailed)	CV
Technical expertise is a key consideration when appointing board members	108	3.77	9.79	.000	0.22
The board members have necessary skills for executing their roles	108	3.98	14.36	.000	0.18
The board members have essential experience on our business	108	4.07	13.86	.000	0.20
The board members have the required independence in executing their roles	108	4.03	14.91	.000	0.18
The board members have proper understanding of the current and emerging business issues	107	4.08	12.89	.000	0.21
The board members have the required competences to deal with any issue in our firm	107	4.03	13.38	.000	0.20
The board encourages enhanced performance of the organization	108	4.21	15.80	.000	0.19
The board evaluates senior management performance	108	4.19	14.45	.000	0.20
The board recommends rewards and punishment based on performance	107	4.02	12.97	.000	0.20
Overall Mean		**4.04**			

Source: Field study, 2017

The results indicate a high level of firms' board members' skills with an overall mean score of 4.04, ranging from 3.77 to 4.21. Board's role of enhancing organizational performance scored the highest at 4.21 closely followed by the evaluation of senior managements performances (mean = 4.19). This alludes to the importance shareholders tag to the skills of board members when appointing them. On the lower side were board technical expertise and skills in executing their roles at 3.77 and 3.98 respectively. The results also revealed

strong statistical significance as depicted by t- values above the mid-point of 3 and p value of 0.000 ($p \leq 0.05$). There was also unanimity on how board skills manifested in financial institutions as shown by coefficient of variation range of 0.18 to 0.22.

Board committees was the next dimension of corporate governance to be studied. For efficient operations of boards, committees are formed, each with specific mandate to review in details issues affecting organizations. They are important because when well constituted with necessary skills and competencies, they offer the board expert advice on various technical issues. Some of the key committees recognized by codes of corporate governance include finance, audit and risk, investment, remuneration, nomination and human resources among others. The study tested the presence or absence of these committees in the respondent financial institutions. The results are summarized in Table 4.20.

Table 4.20: Manifestation of Board Committees

Board Committees							
	Reward and Remuneration	Audit and Risk	Finance	Investment	Board Nomination	HR and Admin	Executive
Present	81	99	100	85	72	80	47
Absent	25	7	6	21	34	26	59
Total	106	106	106	106	106	106	106
Non-Response	2	2	2	2	2	2	2
Percentage	76%	93%	94%	80%	68%	75%	44%

Source: Field study, 2017

Table 4.20 shows that finance, audit and risk committees were most prevalent in financial institutions at 94 and 93 percent respectively. The results suggest that financial stability and risk identification and mitigation are ranked highest in importance by financial institutions. These were closely followed by the investment committees whose presence

in financial institutions stood at 80 percent whereas executive committee presence scored below average at 44 percent. This indicates that financial institutions have a low uptake of committees whose members are all drawn from executives. This also demonstrates the importance of diversity in both executive and non-executive directors even at committee's level. Respondents also indicated that other committees such as credit and strategy are gaining popularity and several financial institutions already had them in place.

The fifth corporate governance dimension tested in the study was board size. It has been argued that the number of board members serving in boards determines their effectiveness and efficiency. As such the study sought to determine the number of board members in the respective firms. The results are presented in Table 4.21.

Table 4.21: Manifestation of Board Size

Board Size	> 4	5 to 6	7 to 8	9 to 10	11 to 12	12>
No of Financial Institutions	1	23	24	33	21	5
Percentage	1%	21%	22%	31%	20%	5%

Source: Field study, 2017

Results indicate that 56 percent of firms had more than 8 board members. Majority of the firms had between 9 to 10 board members which represents 31 percent. The remaining 44 percent had 8 and below board members whereby 22 percent had 7 to 8 board members, while a similar percentage was recorded for those with 6 board members and below. The study also found 20 percent of financial institutions to be composed of 11 to 12 board members whereas approximately 5 percent had more than 12 board members. In summary, financial institutions had moderate number of board members that can allow healthy discussions and efficient decision making.

Board diversity was the last dimension of corporate governance that the study sought to test. Board diversity is importance to organizations as it provides an assortment of perspectives requisite for strategic decision making. This study sought to assess board member's diversity, in age, gender, educational level, experience and technical expertise.

Board member's age is viewed as an important aspect for consideration in organizations, as it provides different perspectives towards issues, necessary for decision making. For instance, young board members bring in the youthfulness, current education on issues like ICT, and are more inclined to higher risk ventures. On the flip side, older members are more experienced, more careful in decision making and have a lower risk appetite. A mix of age groups provide the much-needed blend of different perspectives to be considered while executing boards mandates.

Next was board member's educational status. The level of education for board members is important in determining their comprehension of issues affecting organizations, both in the internal and external environment. Thus, the study sought to assess the level of education for board members. These are categorized into five strata with high school being the lowest level whereas PhD was the highest level. Other categories were diploma, bachelor and master degrees. Board members being at the apex of organizations decision making organ require not only the functional knowledge of the business, but also experience being at the top. Thus, the study sought to determine board member's prior experience. This was determined by the number of years they had served at board level.

Technical expertise is the high-level knowledge and understanding of the functional areas of the business. It is desirable that those charged with the responsibility of formulating organizations strategic direction understand their business. Additionally, having a blend of various but relevant functional disciplines provides the much-needed diversity of expertise, for optimal decision making. Thus, the study established the respective technical background of board members of financial institutions to determine the level of diversity. The study also examined the board members gender composition. Studies have linked gender diversity of board members to high performances. To achieve this, respondents were asked to indicate the number of each gender in the boards of financial institutions sampled. The results on board member's diversity in age, educational level, experience, technical expertise and gender are presented in Table 4.22.

Table 4.22: Manifestation of Board Diversity

Age Groups (Years)	<30	30 - 34	35 – 39	40 - 44	45 - 49	50 - 54	55- 59	60- 64	65- 69	≥70
No. Responded	106	106	106	106	106	106	106	106	106	106
Non-response	2	2	2	2	2	2	2	2	2	2
Total board members	1	20	38	78	143	204	196	174	89	48
Percentage	0.1	2.0	3.8	7.9	14.4	20.6	19.8	17.6	9.0	4.8

Education Level	**High school**	**Diploma**	**Bachelor's Degree**	**Master degree**	**PhD**
No. Responded	103	103	103	103	102
Non-response	5	5	5	5	6
Total board members	19	106	413	284	77
Percentage	2.1%	11.8%	45.9%	31.6%	8.6%

Experience (Years)	< 2	2 - 4	5 - 7	8 - 10	11 - 13	>13
No. Responded	103	103	103	103	103	103
Non-response	5	5	5	5	5	5
Total board members	40	157	205	215	177	116
Percentage	4%	17%	23%	24%	19%	13%

Technical Expertise	Finance and accounting	ICT, Engineering	HR & Administration	Sales and marketing	Legal	Teaching	Agriculture	Insurance	Medicine	Others
No. Responded	105	105	105	105	104	104	104	104	102	98
Non-response	3	3	3	3	4	4	4	4	6	10
Total board members	394	103	149	123	92	18	1	11	2	14
Percentage	43.4%	11.4%	16.4%	13.6%	10.1%	2.0%	0.1%	1.2%	0.2%	1.5%

Gender	Male	Female
No. Responded	107	107
Non-response	1	1
Total board members	738	207
Percentage	78%	22%

Source: Field study, 2017

The results reveal that, the average age of board members was between 50 to 59 years, with a total of 400 board members. This was closely followed by those between the ages 60 to 64 years (174 members) and between 45 to 49 years with 143 members. The lowest age group was below 30 years represented by only 1 board member. This depicts more mature seasoned experts in their respective areas of specialization as the driving force in Kenya’s financial institutions’ boards. The board members were well distributed across various age groups portraying more diverse ages of board members.

It was also established that majority of the board members (413) had bachelor’s degree as their highest level of education, representing 46 percent. A further 32 percent (284 members) had a master degree, while 77 members in these boards had attained a doctoral degree. Only 19 members had high school certificate as their highest level of education. This alludes to the fact that educational qualification is a key consideration when appointing board members.

Results further outline the number of years that board members had served in similar positions. The results indicate, that 215 members had served in the board for between 8 to 10 years, representing 24 percent. This was closely followed by those between 5 to 7 years of experience at 23 percent. A total of 116 members had over 13 years' experience as board members, while on the flip side, only 4 percent were below 2 years, represented by 40 members. This suggest that board members are reappointed in their position and the fact that board member's prior experience is a key consideration for appointment in similar positions.

Table 4.22 also indicate that majority of board members in financial institutions were experts in the areas of finance and accounting. This was not a surprise, as finance professionals would be deemed to be best suited for formulation of FI's strategic direction. However, there were other professionals largely in the fields of human resources, sales and marketing and information technology. There was also a legal professional board member in almost all the financial institutions. This clearly depicts that when appointing board members, functional areas are considered and in addition, the aspect of diversity within the boards is embraced. This is consistent with Letting et al. (2012) who found board study specialization important to performance.

Moreover, the results disclose that out of a total 945 board members, 738 (representing 78 percent) were male, while only 22 percent (207) of the board members were female. Further, twenty institutions out of the 108 respondents had male-only board members. This shows that most FI's boards are not well constituted as they lack the diverse perspectives by both genders.

Table 4.23: Manifestation of Board Members Diversity Indicators

Board Members Diversity	No. of Firms	Blau's Index
Board Members Age	107	0.67
Educational Level	103	0.52
Experience	104	0.49
Technical Expertise	104	0.63
Gender	106	0.3
Diversity average across the five parameters		0.522

Source: Field study, 2017

4.6.2 Manifestation of Agency Conflicts

Agency conflicts exist when stakeholders' interests are not aligned and each stakeholder attempts to satisfy their own interests. The study used various mechanisms to establish existence of agency conflicts in financial institutions. These included determining whether all shareholder rights were upheld, manifestation and frequency of conflicts between various stakeholders and conflicts emanating from domineering characteristics of some stakeholders. These were measured using a 5-point Likert scale. On upholding shareholder rights, the results were interpreted as; 1= not at all; 2= to a small extent; 3= to a moderate extent; 4= to a large extent and 5= to a very large extent. The findings are presented in Table 4.24.

Table 4.24: Upholding Shareholder Rights

One-Sample Statistics

	N	Mean	t - value	Sig. (2-tailed)	CV
All shareholders have the right to attend general meetings	108	4.05	15.198	.000	0.18
All shareholders have the right to vote in AGM	108	4.07	12.643	.000	0.22
All shareholders receive a copy of company annual reports	108	4.05	13.563	.000	0.20
All shareholders have a right to receive dividends	108	4.15	14.384	.000	0.20
All shareholders have a right to receive final dues in case of liquidation	108	4.10	14.169	.000	0.20
Appropriate information is shared with all shareholders for informed decision making	108	4.10	15.845	.000	0.18
Overall mean		**4.09**			

Source: Field study, 2017

The results indicate shareholder's equal treatment in financial institutions was practiced to a large extent. The mean score for all the items was 4.09 with shareholder rights to receive dividends scoring the highest at 4.15. This suggests that dividend sharing is done equitably to all shareholders – both majority and minority. Shareholders' right to information and to receive final dues in case of liquidation both tied in the second position, each scoring 4.10. This indicates that shareholders are well versed with necessary information about the institutions at appropriate times for informed decision making. Moreover, there are policies in place to assure shareholders that in case of liquidation, they would get their fair share. This could also suggest that shareholders view organizations from a going concern perspective and thus liquidation and proceeds thereof are not issues of conflicts between them.

Shareholders rights to attend annual general meetings (AGMs) and receive annual reports scored the lowest mean at 4.05 each. This indicates that although shareholders attend AGMs, they do not consider that an important mechanism for mitigating conflicts that would exist between them. Receiving copies of annual reports also scored relatively low perhaps because in this digital era, annual reports are available digitally at organization's websites for public consumption. Overall, the high rating in rights to shareholders imply that financial institutions uphold equal treatment of shareholders.

The t-value above 3 (mid-point) indicate that shareholders' rights are highly upheld in the respondent firms. In addition, together with p value of 0.000, they indicate variables were statistically significant. The coefficient of variation of between 0.18 and 0.22 indicate homogeneity in responses on how the variables manifested in the firms.

Another key aspect of the study was manifestation of agency conflicts amongst various categories of stakeholders in financial institutions. This was measured using a five-points Likert scale to determine how frequently divergences were displayed between stakeholder groups. Results were interpreted using the following anchors; 1 = very frequently; 2 = Occasionally; 3 =Rarely; 4 = Very rarely; 5 = Never. The results obtained are summarized in Table 4.25.

Table 4.25: Manifestation of Conflicts Among Various Stakeholders

One-Sample Statistics					
	N	Mean	**t - value**	**Sig. (2-tailed)**	**CV**
There is friction between senior executives and shareholders	108	3.31	2.888	.005	0.34
There is tension amongst senior executives and shareholders	107	3.35	3.025	.003	0.35
There are personality clashes between senior executives and shareholders	105	3.57	4.913	.000	0.33
There are emotional conflicts amidst senior executives and shareholders	105	3.51	4.822	.000	0.31
Top managers and board member disagree on opinions about work	106	3.34	3.098	.003	0.34
There are disagreements about ideas between the board and the managers	108	3.37	3.450	.001	0.33
There are professional differences in opinions between board and managers	108	3.17	1.412	.161	0.39
Some stakeholders do not have good intensions during joint stakeholder's meetings	108	3.66	5.480	.000	0.34
Board members have conflict of interest when performing their functional roles	108	3.61	5.814	.000	0.30
There are conflicts between majority shareholders and minority shareholders	108	3.72	7.777	.000	0.26
There are conflicts between shareholders and directors	107	3.77	7.672	.000	0.27
There are conflicts between executive directors and non-executive directors	108	3.83	9.289	.000	0.24
There are conflicts between shareholders and the CEO	107	4.01	11.800	.000	0.22
There are conflicts between directors and the CEO	107	3.90	9.034	.000	0.26
There are conflicts between shareholders and debtholders	108	3.75	6.958	.000	0.30
Overall mean		**3.59**			

Source: Field study, 2017

Table 4.25 displays the results that depicts an average mean score of 3.59 across all items measuring this element, interpreted as conflicts were very rarely observed in the financial institutions. This suggests that although there were traces of conflicts existing between various stakeholders, there are mechanisms in place for abating them. Notably, conflicts between shareholders and CEO scored the least frequency (4.01) indicating, there were hardly conflicts between these two key stakeholders. Moreover, conflicts between CEO and directors was second lowest at 3.90. This also depicts a good working relationship between directors and the CEO.

The study observed almost similar, but minimal conflicts between shareholders and directors (mean = 3.77) and between shareholders and debtholders (mean = 3.75) both interpreted as very rarely. This reveals distinction of roles and responsibilities among stakeholders. On the flipside, moderate professional conflicts were observed between directors and professional managers (3.17). This predicts existence of overlapping roles between senior management and the board. Further, conflicts were detected between senior executives and shareholders at a mean of 3.31, interpreted as rarely occurring. This demonstrates existence of divergent interests between shareholders and top management, that very seldom occurred.

The t -values indicate that most of the items were manifested in the firms above the mid-point. This implies low levels of conflicts were observed. In addition, all the question items measuring this component were statistically significant at p values equal to or less than 0.05 ($p \leq 0.05$). However, there was one question item whose t-values and p values were statistically not significant ($t = 1.412$, $p=0.161$). This was measuring conflicts in professional opinion between board and management. This item also had the lowest mean

signifying conflicts were moderately observed. The coefficient of variation for all the question items measuring this element was between 0.22 to 0.39. This implied that respondents slightly differed on how the various question items manifested in their firms.

Further, the study sought to establish conflicts emanating from domineering and controlling characteristics of some stakeholders. Respondents were asked to indicate how often domineering characteristics were observed in their organization. Table 4.26 presents the results.

Table 4.26: Conflicts from Domineering Stakeholders

	N	Mean	**t -value**	**Sig. (2-tailed)**	**CV**
The board dominates management	104	2.86	-1.276	.205	0.40
Majority shareholders influence running of our organization	106	3.04	0.313	.755	0.41
Majority shareholders dominate board decisions	105	3.38	3.536	.001	0.33
Executive directors influence major decisions	107	3.05	0.414	.680	0.38
Management dominates the board	106	3.49	4.924	.000	0.29
Non-executive directors influence major board decisions	108	3.37	3.351	.001	0.34
The CEO dominates major organization decisions	108	3.19	1.529	.129	0.41
Overall Mean		**3.20**			

Source: Field study, 2017

Results in Table 4.26 shows controlling stakeholders had the lowest scores, with a grand mean of 3.20. This demonstrates moderate existence of conflicts, though rarely observed. This also suggests that conflicts among stakeholders does not inherently exist, but is triggered by controlling action of others. Management dominating board scored highest mean (3.49) indicating that in rare occasions management controls the board. This implies that both the board and management understand the board's oversight role. Majority shareholders controlling board decision was second highest averaging at 3.38. This points

to the fact that, although shareholder interests are presented by board members, they do not have direct access and control to board decision making. Following closely at a mean of 3.37 was non-executive directors influence on major board decisions. Non-executive directors are often viewed as more independent and as such are not subject to CEO and chairman's sway. Therefore, they are more objective and issue-based in decision making and hence not expected to be domineering.

However, board domineering management scored lowest at 2.86. This suggests that amongst all stakeholders, board domineering management had the highest effect. This was followed closely by majority shareholders and executive directors influencing the running of organization with mean score of 3.04 and 3.05 respectively. Majority shareholders, are assumed to have representation, sometimes by multiple directors, and hence their interests permeate to board decisions. Moreover, executive directors are at the peak of management hierarchy to implement strategies as formulated and sanctioned by the board. Their role, however, is cross-cutting because on one hand, as board members, they participate in strategy formulation and sanctioning, while at management level, they are at the fore implementing them. Further, the observed dominance may be attributable to the two roles they play.

The t values indicate mixed results on how the items manifested in the firms. In three items, t values were around the mid-point, indicating moderate existence of the domineering characteristics. However, in other items low t values of between 1.53 to -1,28 were observed. These were way below the mid-point implying higher frequency of conflicts between stakeholders. The low t – values also had corresponding high p values of between

0.129 to 0.755 indicating that the components were not statistically significant. Coefficient of Variation reported moderate variation on how the items manifested in the financial institutions, ranging between 0.29 and 0.41.

4.6.3 Manifestation of Strategic Choices

Strategic choices in organizations involve selecting among alternatives available, optimal objectives for posterity. The study sought to determine the adoption of certain strategic alternatives that are common within the financial services sector. The main strategic choices included strategic alliances, mergers, acquisitions, joint ventures, diversification, divestments, differentiation, ICT adoption, innovation and product development. Respondents were asked to indicate the extent to which the strategies applied to their firms using a 5-point Likert scale. Results were interpreted as follows; 1 = not at all; 2= to a small extent; 3= moderate extent; 4= large extent and above 5= to a very large extent. The findings are presented in Table 4.27.

Table 4.27: Manifestation of Strategic Choices

	N	Mean	t - value	Sig. (2-tailed)	CV
We have had a merger with another organization in the recent years	106	2.60	-3.231	.002	0.48
We have acquired another organization to better compete in the market	106	2.82	-1.461	.007	0.45
We have outsourced some of our non-core functions	106	3.42	4.024	.000	0.32
We have sold off a non-performing business venture	104	3.01	0.073	.002	0.45
We have ventured into provision of other financial services to our customers	108	3.67	7.167	.000	0.26
We have introduced new differentiated products and services to reach wider customer needs	108	3.95	12.547	.000	0.20
We have adopted better IT systems in our operations	105	3.96	13.698	.000	0.18
We have upgraded our IT system to a better version for efficient operations	108	3.97	13.853	.000	0.18
We have automated some of our operations for customer convenience and to reach wider client base	108	4.02	13.690	.000	0.19
We have introduced a major innovation in our business	108	3.91	10.970	.000	0.22
We have integrated our system with our major customers for ease of transacting	108	3.93	11.313	.000	0.22
Overall Mean		**3.57**			

Source: Field study, 2017

The analysis in Table 4.27 depicts a grand average score of 3.57, interpreted as most financial institutions adopted aforementioned strategic choices. Automation of operations recorded the highest mean (4.02) indicating that majority of financial institutions operations were automated. This was evidenced by the high number of ATMs for the banks, the internet and mobile based transacting adopted by the sector. The results further reveal strategies around adoption and upgrading to a better ICT system as receiving much attention within financial institutions. Other strategies adopted include products differentiation, systems integration and innovation.

Results further depicts strategies least adopted by financial services to include mergers and acquisitions, averaging at a mean of 2.60 and 2.82 respectively. This could be due to the process involved, both legal and loss of identity for the company that is acquired. Divestiture also received low uptake within the financial institutions scoring a mean of 3.01. This suggests that selling part of a business venture may affect perceived stability of the remaining part and hence adversely influence customers' confidence and performance. Out sourcing of some non-core operations was found to be minimal within the financial services, scoring slightly below average mean of 3.42. This could be due to the sensitivity of the sector's operations and the regulatory framework in place.

The t-values reported variation both in the positive and in the negative side. Positive t-values reflects variation in variable manifestation above the mid-point. On the other hand, negative t -values indicate variation below the mid-point. In addition, t-values between -1.46 and 0.07 had p values not statistically significant (p= 0.147 and p=0.942 respectively). Coefficient of variation ranged between 0.18 to 0.48. This suggests that in some question items, there were homogeneity in responses while in others, firms differed on how the variables manifested.

4.6.4 Manifestation of Organizational Performance

The fourth variable of the study was organizational performance. The study adopted sustainable balanced scorecard (SBSC) metric for measuring performance. The study considered all the six perspectives; financial, customer focus, internal business processes, learning and growth, social equity and environmental consciousness. Respondents indicated the level of their organizations performance on the various parameters using a five-point Likert scale. The findings are displayed in Table 4.28.

Table 4.28: Manifestation of Organizational Performance

	N	Mean	**t - value**	**Sig. (2-tailed)**	**CV**
Our market share has been increasing over the last five years	107	3.77	9.291	.000	0.23
We have a high level of customer retention	106	4.00	14.920	.000	0.17
Our customers rate our products and services highly	105	3.94	14.582	.000	0.17
We receive new customers referred by existing customers	105	3.98	13.464	.000	0.19
Customer complaints have been declining	106	3.75	9.156	.000	0.23
Our organization consistently monitors and improves the quality of our products	108	3.98	12.268	.000	0.21
We have been increasing budget allocation for R&D in the last five years	106	3.67	6.817	.000	0.28
We have developed many innovative products and services that meets our customers' needs	107	4.00	13.312	.000	0.19
We have more superior products and services than our competitors	108	3.94	11.993	.000	0.21
We continuously train our staff on all areas of our operations	107	3.99	12.890	.000	0.20
We have a well laid out succession planning	107	3.88	9.578	.000	0.24
We value and nurture continued innovation by our staff	108	3.99	11.290	.000	0.23
Our organization has strong mentorship programme for our staff that is consistently followed	108	3.77	8.212	.000	0.26
We conduct surveys to determine our employee satisfaction	107	3.57	6.392	.000	0.26
We regularly carryout and participate in CSR activities	107	3.83	9.968	.000	0.23
We run a community benefits organization that takes care of the most needy in our society.	107	3.68	6.655	.000	0.29
We participate in community activities aimed at alleviating suffering of vulnerable groups	107	3.75	8.479	.000	0.24
We have incorporated integrated reporting in our annual performance reports	108	4.02	13.909	.000	0.19
We carryout annual environmental audit to improve and safeguard our nature	108	3.63	6.307	.000	0.29
We follow laid out policy on waste management and disposal	107	3.96	11.619	.000	0.22
Overall Mean		**3.86**			

Source: Field study, 2017

Generally, financial institutions performances were rated as high with a grand mean of 3.86. This depicts an above average achievement of their goals along the various parameters. Integrated performance reporting recorded the highest mean of 4.02. This shows that more and more institutions have embarked on a holistic view of performance. This was closely followed by customer retention (Mean = 4.00), products innovation (Mean = 4.00), staff training (Mean = 3.99) and staff innovation (Mean = 3.99). These demonstrate that customer needs remain a key priority to these institutions, the services and products offered. Further, this being a service industry, staff mentorship and training to offer the much-needed exceptional services was paramount. Other perspectives with high performances include referral customers, products improvement, declining customer complaints and policy on waste management.

On the contrary, survey on employee satisfaction scored lowest. This could point to the fact that these institutions have alternative feedback mechanism that help gauge staff motivation levels, hence needless to carry out a survey. Besides, environmental audits were second lowest indicating low uptake in all institutions. This Suggests that these being service industry with minimal waste disposals, less emphasis is put to carry out the audits. Besides, the National Environmental Management Authority (NEMA) is mandated to safeguard the environment, including environmental audits. As such investing in the same would seem like duplicating efforts.

The t- values indicate both the magnitude and direction of the variation from the mid-point. From the analysis, t values above 3 indicate higher performance in respondent firms. The results also recorded p value of 0.000 (below 0.05, $p \leq 0.05$) implying that the question items were significant in describing the variables. The coefficient of variation (CV) was minimal, with a range of between 0.17 and 0.29. This indicate that in most question items, there was unanimity in responses from financial institutions.

4.7 Comparative Analysis

The study was focused on Kenya's financial institutions, involved mainly in savings, investments, loans, deposit taking, payments and redistribution of risks. They included the banks, micro finance institutions (MFIs), insurance companies and deposit taking SACCOs (CBK, 2015). However, there are slight differences on how each category of these institutions operate, the products offered and regulatory framework. The Central Bank of Kenya regulates banks and MFIs, while Insurance Regulatory Authority (IRA) regulates the insurance industry while deposit taking SACCOs are overseen by Sacco Societies Regulatory Authority (SASRA).

The study therefore sought to examine whether variables interactions were similar across all financial institutions. Further, the study assessed any divergences on how the variables interacted across the various sub categories of financial institutions. To achieve this, descriptive statistics for each sub category were compared across all the institutions and in the various categories. For corporate governance, manifestation of its various dimensions was compared across the four categories of financial institutions. Further, the existence, frequency and controlling characteristics of agency conflicts was compared in the four categories. For strategic choices, adoption of various common strategies was related and finally, the level of performance across the categories were associated. Results are presented in sections. 4.7.1 to 4.7.4.

4.7.1 Comparative Analysis for Corporate Governance

The various components of corporate governance were compared including codes of corporate governance, board independence, and board technical expertise. Results are presented in Tables 4.29 to 4.31.

Table 4.29: Comparative Analysis for Codes of Corporate Governance

Industry		codes of conduct and ethics	policy on appointment of board members	Appointment letters are issued to new board members	Board Diversity policy	Board committees	Mission, vision and strategy	policy on conflicts management	Policy on board independence	Existence of board charter	transparent board remuneration policy	Compliance with laws	Upholding all shareholder's rights	All stakeholder inclusive governance	Formalized disputes resolution	Financial and non-financial performance	Independent auditors' appointment	Inducts new board members	Average Mean Score
Banks	Mean	4.16	4.24	4.11	4.21	4.16	4.16	4.16	4.21	4.19	4.08	4.32	4.24	4.18	4.18	4.05	4.30	3.97	4.17
	N	38	38	37	38	37	38	38	38	37	38	38	38	38	38	38	37	38	
	Std. Deviation	0.547	0.634	0.614	0.664	0.727	0.594	0.679	0.577	0.518	0.673	0.662	0.542	0.609	0.692	0.567	0.571	0.753	
Micro Finance institutions-MFI	Mean	3.75	4.08	4.25	3.67	4.00	4.17	4.25	4.00	3.91	3.83	4.50	4.25	4.00	3.67	4.17	4.08	4.17	4.04
	N	12	12	12	12	12	12	12	12	11	12	12	12	12	12	12	12	12	
	Std. Deviation	1.055	0.793	0.754	0.651	0.603	0.835	0.622	0.953	0.944	0.718	0.798	0.866	0.603	1.073	0.577	0.669	0.718	
Insurance Companies	Mean	4.16	4.28	4.44	4.16	4.24	4.28	3.88	4.04	4.42	3.96	4.36	4.48	4.00	4.08	3.80	4.28	4.33	4.19
	N	25	25	25	25	25	25	25	25	24	25	25	25	25	25	25	25	24	
	Std. Deviation	0.625	0.678	0.651	0.746	0.597	0.737	0.726	0.611	0.717	0.676	0.757	0.653	0.577	0.759	0.817	0.542	0.637	
Deposit Taking SACCOs	Mean	3.88	3.97	3.88	3.70	4.12	3.88	3.79	3.94	3.94	4.15	4.21	4.03	3.85	3.94	3.91	4.24	3.97	3.96
	N	33	33	33	33	33	33	33	33	33	33	33	32	33	32	33	33	33	
	Std. Deviation	0.781	0.810	1.023	1.015	0.781	0.893	0.781	0.704	0.966	0.795	0.820	0.933	0.870	0.840	0.843	1.001	0.883	
Overall Mean		**4.03**	**4.15**	**4.13**	**3.98**	**4.15**	**4.10**	**3.99**	**4.06**	**4.13**	**4.05**	**4.31**	**4.23**	**4.02**	**4.03**	**3.96**	**4.25**	**4.07**	**4.10**
Variation Range		0.41	0.31	0.56	0.54	0.24	0.40	0.46	0.27	0.51	0.32	0.29	0.45	0.34	0.52	0.37	0.21	0.36	0.22

Source: Field study, 2017

Results indicate that there was high adoption of codes of corporate governance across all financial institutions. The overall mean for the indices measuring this component ranged between 3.96 to 4.31 across all financial institutions. Generally, the results were consistent in all the four categories of financial institutions, with variation ranges of less than 0.6. Appointment letters to board members had the highest variation of 0.56, insurance companies recording the highest mean of 4.44 while deposit taking SACCOs scored 3.88. This implied that board appointment process was more formalized within the insurance industry. The MFI's and banks scored moderately at 4.25 and 4.11 respectively. Diversity policy on board member's appointment recorded the second highest variation across financial institutions, ranging from 3.67 in MFI's to 4.21 for banks, with an average mean of 3.98. This suggests that the banks had a greater emphasis on the need for diverse boards, while MFIs had lower regard for it. Thirdly, was disparity in dispute resolution policy with a variance of 0.52 between banks and MFI's at means of 4.18 and 3.67 respectively. This was closely followed by a mean variation of 0.51 on board charter with mean ranges of between 4.19 and 3.91 between banks and MFIs respectively.

Further, minimum variations were observed in auditors' appointments, board committees' establishment, board independence policy and compliance policy, with variations of 0.21, 0.24, 0.27 and 0.29 respectively. External auditors' appointment mainly varied between banks (4.30) and MFI's (4.08). However, disparity on board committees were highest between insurance companies (4.24) and MFI's (4.00) Banks and DTS's scored moderately at 4.16 and 4.12 respectively. Policy on board independence was highest in banks (4.21) and scored lowest in DTS's (3.94), with a mean score of 4.06 across all FI's. This showed banks' deliberate effort to ensure board independence is documented and upheld. Overall,

insurance companies recorded the highest adoption of codes of corporate governance averaging at 4.19 in all the seventeen question items measuring this variable, closely followed up by the banks at a mean of 4.17. DTS's scored the lowest (3.96) while MFI's results averaged at 4.04.

Table 4.30: Comparative Analysis for Board Independence

Industry		The board executes their roles independently	non-executive bod not been employed by our FI for 3 years	Board hires or recommends hiring best candidates based on merits	competitive tendering	Board independence in decision- making	duality	Average Mean Score
Banks	Mean	4.03	3.42	3.95	3.84	4.03	4.21	3.91
	N	36	38	38	38	38	38	
	Std. Deviation	0.774	1.106	0.769	1.027	0.854	0.704	
Micro Finance institutions-MFI	Mean	4.09	3.45	3.83	3.75	3.67	4.08	3.81
	N	11	11	12	12	12	12	
	Std. Deviation	0.701	1.214	0.835	1.215	1.073	0.793	
Insurance	Mean	3.92	3.67	4.08	3.68	4.00	4.12	3.91
	N	25	24	25	25	25	25	
	Std. Deviation	0.862	1.167	0.702	1.108	0.646	0.833	
Deposit Taking SACCOs	Mean	3.88	3.39	3.70	4.03	3.88	4.06	3.82
	N	33	33	33	33	33	33	
	Std. Deviation	0.696	1.116	0.883	0.810	0.927	0.747	
Overall Mean		3.98	3.48	3.89	3.83	3.89	4.12	3.87
Variation Range		0.21	0.27	0.38	0.35	0.36	0.15	0.29

Source: Field study, 2017

Table 4.30 presents comparative results on board independence across banks, MFI's, insurance companies and DTS's. The means obtained indicate greater similarity in independence across all the financial institutions with an average variance of 0.29. Board merit based hiring function attracted the highest variation of 0.38 between insurance

companies (4.08) and DTS's (3.70) This depicts divergent consideration by boards while hiring or recommending staff for hiring between, insurance companies and DTS's. Closer similarities were observed within the banks and MFI's. Board decision's independence also recorded variation across the FI's, mostly between banks (4.03) and MFI's 3.67). This suggests greater dependence on management by MFI boards in making decision, while the banks had the least reliance on TMT. A 0.35 variation was further noted in competitive tender awards largely between DTS's (4.03) and insurance companies (3.68). This suggests that pricing was a key consideration in SACCOs than it is in insurance companies. The banks and MFI's scored slightly below the sector average of 3.83.

Further, financial institutions had minimal variations (0.15) on duality, scoring an average of 4.12, that ranged between 4.21 (banks) and 4.06 (DTS's). This question also recorded the highest mean of the six items. Moreover, board roles independence recorded homogeneous results with only a 0.21 variation observed between MFI's (4.09) and DTS's (3.88). Overall, board independence was observed to a large extent across all financial institutions.

Table 4.31: Comparative Analysis for Board Skills

Industry		Technical expertise in board appointment	board skills for executing their roles	board essential experience	board independence in executing their roles	Exposure and business acumen	Board competences	Board encourages enhanced performance	board evaluates management's performance	board recommends rewards and sanctions based on performance	Average
Banks	Mean	4.18	4.11	4.32	4.18	4.37	4.21	4.26	4.24	4.03	4.21
	N	38	38	38	38	38	38	38	38	38	
	Std. Deviation	0.652	0.689	0.702	0.692	0.883	0.777	0.891	0.883	0.753	
Micro Finance institutions-MFI	Mean	3.67	3.75	3.67	4.00	3.92	4.00	4.00	3.92	4.08	3.89
	N	12	12	12	12	12	12	12	12	12	
	Std. Deviation	0.779	0.866	0.888	0.426	0.793	0.853	0.953	1.084	0.793	
Insurance	Mean	3.76	4.00	4.00	4.04	4.21	4.08	4.36	4.48	4.08	4.11
	N	25	25	25	25	24	24	25	25	25	
	Std. Deviation	0.663	0.646	0.913	0.841	0.779	0.830	0.700	0.653	0.759	
Deposit Taking SACCOs	Mean	3.33	3.91	4.00	3.85	3.73	3.79	4.12	4.03	3.94	3.86
	N	33	33	33	33	33	33	33	33	32	
	Std. Deviation	0.890	0.723	0.750	0.712	0.839	0.740	0.696	0.847	0.948	
Overall Mean		3.74	3.94	4.00	4.02	4.06	4.02	4.19	4.17	4.03	4.02
Variation Range		0.85	0.36	0.33	0.34	0.64	0.42	0.36	0.56	0.15	0.70

Source: Field study, 2017

Skills for board members were considered in determining the extent to which organizations adopted corporate governance. Results in Table 4.31 display a wide variation in board skills adoption by the financial institutions, ranging from 0.85 to 0.15. Consideration of board skills and expertise at appointment attracted the largest variation of 0.85 between 4.18 (banks) and 3.33 (DTS's). This may be attributable to the fact that while the banks nominate the board members, DTS's uses an electoral process of appointing board members. Further, Board members' exposure and business acumen also recorded divergent results, the highest being the banks (4.36) and DTS's recording the lowest at (3.73). These indicates appointment of board members who are experts in the business within the banking industry, while it may not be the case for DTS's. Moreover, evaluation of TMT performance by the board received mixed results, with insurance companies registering the highest (4.48) while MFI's scored lowest (3.92). On the contrary, there was minimal variation on board members' role of sanctioning rewards and punishments on TMT based on performance. Board essential business experiences also recorded relatively narrow variation of 0.33 among the FI's.

4.7.2 Comparative Analysis on Agency Conflicts

Agency conflicts was the second variable to the current study. It was tested by evaluating how shareholder rights were upheld by FI's. Further, manifestation of conflicts and domineering characteristics of some stakeholders were evaluated using a 5-point Likert scale. Results are presented in Tables 4.32 to 4.34

Table 4.32: Comparative Analysis on Shareholder rights

Industry		rights to attend general .	rights to vote in AGM	receive a copy of company .	right to receive dividends	right to receive final dues	Rights to appropriate information	Average Mean Score
Banks	Mean	4.03	4.05	3.92	4.03	3.89	3.95	3.98
	N	38	38	38	38	38	38	
	Std. Deviation	0.636	0.868	0.712	0.716	0.727	0.733	
Micro Finance institutions-MFI	Mean	3.92	4.08	4.08	4.42	4.25	4.25	4.17
	N	12	12	12	12	12	12	
	Std. Deviation	0.900	0.669	0.793	0.669	0.866	0.754	
Insurance	Mean	4.20	4.32	4.20	4.40	4.24	4.36	4.29
	N	25	25	25	25	25	25	
	Std. Deviation	0.577	0.802	0.764	0.707	0.723	0.638	
Deposit Taking SACCOs	Mean	4.00	3.91	4.06	4.00	4.18	4.03	4.03
	N	33	33	33	33	33	33	
	Std. Deviation	0.829	1.011	0.933	1.031	0.917	0.728	
Overall Mean		4.04	4.09	4.07	4.21	4.14	4.15	4.12
Variation Range		0.28	0.41	0.28	0.42	0.36	0.41	0.31

Source: Field study, 2017

Results in Table 4.32 indicate a more homogeneous observation of shareholders' rights across all institutions, the highest variation being 0.42 on shareholder rights to receive dividends. MFI's scored the highest mean (4.42) in equitable dividend payments while DTS's recorded slightly lower score of 4.00. In the same vein, both shareholders right to information and voting reported a variation of 0.41. Shareholder right to information was highest within the insurance industry (4.36) and lowest in the banks (3.95). This suggests more and regular disclosure in the insurance businesses. Further, voting rights received mixed results, with insurance industry scoring an average of 4.32 while DTS's recording 3.91. This implies that within the DTS's, majority shareholders are viewed to have higher voting rights than minority shareholders. On the contrary, more homogeneous results were recorded in shareholders' rights to attend AGM (0.28) and receive a copy of annual reports (0.28). Overall, the results rated insurance companies as best in upholding shareholder rights with an average mean of 4.29, while the banks took the last position with an overall mean of 3.98.

Table 4.33: Comparative Analysis on Agency Conflicts Manifestation

Industry		Friction between TMT and shareholders	Tension amongst TMT and shareholders	Personality clashes between TMT and shareholders	Emotional conflicts between executives and shareholders	TMT and board have varied opinions	Disagreements between board and TMT	Professional differences between board and TMT	Divergent intensions between stakeholders	Conflicts between board and their roles	Conflicts between majority and minority shareholders	Conflicts between shareholders and directors	Conflicts between executive and non-executive directors	Conflicts between shareholders and CEO	Conflicts between directors and CEO	Conflicts between shareholders and debtholders	Average Mean Score
Banks	Mean	3.37	3.51	3.54	3.51	3.46	3.24	3.13	3.87	3.58	3.84	3.54	3.92	3.89	3.84	3.58	3.59
	N	38	37	37	37	37	38	38	38	38	38	37	38	38	38	38	
	Std. Deviation	1.217	1.121	1.325	1.146	1.260	1.173	1.319	1.339	1.106	0.973	1.216	0.882	0.981	1.001	1.244	
Micro Finance institutions-MFI	Mean	4.00	3.50	4.08	4.08	4.00	4.08	4.00	4.00	3.92	4.08	4.33	4.17	4.36	4.00	4.08	4.05
	N	12	12	12	12	12	12	12	12	12	12	12	12	11	12	12	
	Std. Deviation	1.206	1.314	0.996	0.996	0.953	0.669	0.853	1.206	0.996	0.669	0.492	1.193	0.924	1.206	1.240	
Insurance	Mean	3.20	3.48	3.56	3.65	3.16	3.36	3.04	3.64	3.80	3.56	3.92	3.80	3.92	3.68	3.64	3.56
	N	25	25	25	23	25	25	25	25	25	25	25	25	25	25	25	
	Std. Deviation	1.041	1.046	1.003	1.027	0.850	0.860	1.020	1.150	0.817	1.044	0.954	0.817	0.759	1.030	1.036	
Deposit Taking SACCOs	Mean	3.09	3.00	3.42	3.21	3.09	3.27	3.00	3.30	3.39	3.58	3.70	3.64	4.09	4.09	3.91	3.45
	N	33	33	31	33	32	33	33	33	33	33	33	33	33	32	33	
	Std. Deviation	1.011	1.275	1.232	1.053	1.146	1.281	1.299	1.185	1.273	0.969	0.951	0.962	0.843	0.995	0.980	
Overall Mean		3.42	3.37	3.65	3.61	3.43	3.49	3.29	3.70	3.67	3.77	3.87	3.88	4.07	3.90	3.80	3.66
Variation Range		0.91	0.51	0.66	0.87	0.91	0.84	1.00	0.70	0.53	0.52	0.79	0.53	0.47	0.41	0.50	0.59

Source: Field study, 2017

Table 4.33 demonstrates inconsistencies in the manifestation of agency conflicts across financial institutions. Variations in the mean scores of the various items measuring this component ranged between 0.41 and 1.00. As such divergence in professional opinions between the board and management recorded a variation of 1.00. In MFI's the conflict was very rarely observed (mean=4.00) while in DTS's, it was reported, although on rare occasions (mean=3.00). Conflicts between TMT and shareholders also attracted inconsistent responses, largely between MFI's (4.00) and the TDS's (3.09). Similarly, a variation of 0.91 was reported on disagreements between board members and TMT, with MFI's scoring a mean of 4.00 while DTS's settled for 3.09.

This shows that agency conflicts were non-existent or mechanisms had been put in place to mitigate them in MFI's, while they were more prevalent in DTS's. Emotional conflicts between TMT and shareholders had a variation of 0.87, between 4.08 in MFI's and 3.21 in DTS's. Disagreement in business ideas also recorded substantial variation between banks and MFIs, averaging at 3.24 and 4.08 respectively. Conflicts between shareholders and the CEO reported slightly homogeneous results, the highest observed variation was between insurance companies (3.68) and DTS's (4.09). Overall, MFI's were rated the best in mitigating agency conflicts amongst various stakeholders at an average score of 4.05, while DTS's had higher instances of conflicts being observed between stakeholders (mean 3.45). The banks and insurance companies averaged at 3.59 and 3.56 respectively, implying a need for better mechanisms of mitigating the conflicts.

Table 4.34: Comparative Analysis on Agency Conflicts Emanating from Domineering Characteristics of some Stakeholders

Industry		Board dominates management	Majority shareholders' influences operations	Majority shareholders dominate board decisions	Executive directors influence major decisions	Management dominates the board	Non-executive director's influences board decisions	The CEO dominates major decisions	
Banks	Mean	2.84	2.89	3.19	3.00	3.43	3.00	2.84	3.03
	N	37	38	37	37	37	38	38	
	Std. Deviation	0.990	1.230	1.200	1.050	0.930	1.090	1.260	
Micro Finance institutions-MFI	Mean	3.00	3.58	3.33	3.50	3.50	3.58	4.08	3.51
	N	11	12	12	12	12	12	12	
	Std. Deviation	1.340	1.000	1.070	1.240	1.240	1.000	1.080	
Insurance	Mean	3.12	3.08	3.46	3.04	3.60	3.76	3.24	3.33
	N	25	24	24	25	25	25	25	
	Std. Deviation	1.200	1.210	0.880	1.140	0.910	1.090	1.130	
Deposit Taking SACCOs	Mean	2.61	2.97	3.56	2.94	3.47	3.42	3.24	3.17
	N	31	32	32	33	32	33	33	
	Std. Deviation	1.230	1.360	1.160	1.300	1.160	1.230	1.480	
Grand Mean Score		2.89	3.13	3.39	3.12	3.50	3.44	3.35	3.26
Overall Mean Variance		0.39	0.69	0.37	0.56	0.17	0.76	1.24	0.48

Source: Field study, 2017

Table 4.34 presents comparative analysis on agency conflicts emanating from domineering and controlling characteristics of some stakeholders. CEO dominating major decisions recorded the highest variation (1.24), MFI's recording the highest mean (4.08) while banks had the lowest mean (2.84). Non-executive directors influence on major decisions also received divergent results, mostly between banks (3.00) and insurance companies (3.76).

Further, majority shareholders influence in running organizations also reported inconsistent results with a mean difference of 0.69. MFI's reported a mean of 3.58, while banks, were lowest with a mean of 2.89. On the other hand, all financial institutions largely agreed on the level of TMT domineering board members with only a 0.17 variation between insurance companies (3.60) and the banks (3.43). Generally, conflicts emanating from controlling characteristics by some stakeholders were rarely observed across all institutions.

4.7.3 Comparative Analysis on Strategic Choices

The third objective of the study was to determine the influence of strategic choices to the relationship between corporate governance and organizational performance. It was predicted that strategic choices would intervene this relationship. Data on strategic choices from respondents sought to examine the extent to which various objectives had been adopted in financial institutions. Further, a comparative analysis on similarity or differences across the various categories of financial institutions were done and the results are presented in Table 4.35.

Table 4.35: Comparative Analysis for Strategic Choices

Industry		merger with another organization in the recent years	acquired another organization	outsourced some of our non-core functions	sold off a non-performing business venture	provision of other financial services	differentiated products and services	adopted better IT systems	upgraded our IT system to a better version	automated some of our operations for customer convenience	introduced a major innovation	integrated our system with our major customers	Average Mean Score
Banks	Mean	2.92	3.18	3.45	3.17	3.84	4.03	4.19	4.11	4.29	4.08	4.03	3.75
	N	38	38	38	36	38	38	37	38	38	38	38	
	Std. Deviation	1.148	0.955	1.005	1.134	0.754	0.822	0.616	0.689	0.732	0.749	0.788	
Micro Finance institutions-MFI	Mean	2.92	2.83	3.75	3.42	3.83	4.17	4.18	4.17	4.08	4.00	3.92	3.75
	N	12	12	12	12	12	12	11	12	12	12	12	
	Std. Deviation	1.379	1.337	1.288	1.443	1.193	0.835	0.982	0.835	0.996	0.739	0.996	
Insurance	Mean	2.16	2.28	3.28	2.60	3.36	3.92	4.00	4.12	4.00	3.88	3.76	3.40
	N	25	25	25	25	25	25	25	25	25	25	25	
	Std. Deviation	1.405	1.400	1.173	1.581	1.186	0.702	0.577	0.526	0.707	0.726	0.779	
Deposit Taking SACCOs	Mean	2.45	2.81	3.39	3.00	3.64	3.82	3.59	3.64	3.70	3.70	3.94	3.42
	N	31	31	31	31	33	33	32	33	33	33	33	
	Std. Deviation	1.150	1.352	1.054	1.317	0.895	0.808	0.712	0.783	0.684	1.075	0.933	
Overall Mean		2.61	2.78	3.47	3.05	3.67	3.98	3.99	4.01	4.02	3.91	3.91	3.58
Variation Range		0.76	0.35	0.47	0.82	0.48	0.35	0.60	0.53	0.59	0.38	0.27	0.35

Source: Field study, 2017

Table 4.35 outlines the comparative descriptive statistics on strategic choices. The various strategic choices largely adopted by financial services institutions included mergers, acquisitions, strategic alliances, joint ventures, diversification, divestiture, product development, adoption of technology and innovation. On average, 3.58 of these strategic choices had been adopted by financial institutions. However, variations were observed on the level of adoption of some strategic choices in the various categories of financial institutions.

Divestment strategies attracted the highest variation (0.82) in responses from the various categories of FI's. MFI's scored the highest in divestment strategies (mean = 3.42) while insurance companies had the lowest score (mean= 2.60). Further, results indicate a mean of 2.92 on decisions to merge had been made within the banking industry which was similar to MFI's (2.92), while such decisions were lowest within the insurance industry (mean= 2.16). Adoption of IT and automation of operations also reported variations (0.60 and 0.59) between means recorded in the banks (4.19) and (4.29) respectively to those reported by TDS's (3.59) and (3.70) respectively. On the flip side, closely related results were observed in processes integration across all FI's with a variation of 0.27 between banks (mean =4.03) and insurance companies (mean= 3.76). In the same vein, both acquisitions and products differentiation strategies received relatively homogeneous results with a variation of 0.35.

4.7.4 Comparative Analysis for Organizational Performance

Financial institutions performance on the various parameters was examined to determine how they performed, independently and as a sector. Results are presented in Table 4.36.

Table 4.36: Comparative Analysis for Organizational Performance

Industry		Our market share has been increasing	high level customer retention	High quality products and Services	Referral customers	Customer complaints have been declining	monitoring and improving the quality of products	Increased R&D activities in the last five years	innovative products and services	superior products and services	continuous training of our staff	We have a well laid out succession planning	value and nurture continued innovation	strong mentorship program for staff	conduct surveys on employee satisfaction	We regularly carryout CSR activities	We run community benefit organization	community activities	integrated reporting	environmental audits	policy on waste management and disposal	
Banks	Mean	4.13	4.24	4.16	4.16	4.05	4.08	3.94	4.18	4.03	4.05	3.92	4.03	3.74	3.92	4.14	4.00	3.97	4.32	3.76	4.18	4.26
	N	38	38	38	38	38	38	36	38	38	38	37	38	38	38	37	38.00	38	38	38	38	
	Std. Deviation	.844	.590	.638	.754	.733	.850	.826	.692	.822	.769	.983	.972	1.057	.850	.713	1.07	.753	.739	.971	.834	
Micro Finance institutions -MFI	Mean	3.64	4.18	4.00	4.00	3.36	3.75	3.92	4.17	4.17	3.83	4.08	4.17	4.08	3.75	3.58	3.73	3.50	3.92	3.50	4.09	4.07
	N	11	11	12	11	11	12	12	12	12	12	12	12	12	12	12	11	12	12	12	11	
	Std. Deviation	.674	.603	.739	1.000	1.286	.965	1.084	.835	.937	.937	.793	.835	.793	.754	1.165	1.27	1.087	.669	1.168	.701	
Insurance	Mean	3.52	3.67	3.88	3.96	3.52	3.96	3.28	3.88	3.80	4.00	3.88	4.04	3.72	3.44	3.52	3.40	3.60	3.80	3.52	3.72	3.90
	N	25	24	25	24	25	25	25	25	25	24	25	25	25	25	25	25	25	25	25	25	
	Std. Deviation	.918	.702	.600	.624	.823	.790	1.061	.666	.816	.722	.781	.790	.843	.961	.714	0.91	.957	.707	.918	.891	
Deposit Taking SACCOs	Mean	3.58	3.91	3.70	3.78	3.72	3.97	3.58	3.81	3.88	3.97	3.76	3.85	3.73	3.19	3.82	3.52	3.69	3.88	3.61	3.85	3.94
	N	33	33	30	32	32	33	33	32	33	33	33	33	33	32	33	33	32	33	33	33	
	Std. Deviation	.751	.723	.651	.706	.729	.810	1.062	.896	.781	.847	1.091	.972	1.039	.896	.917	1.03	.965	.781	1.171	.870	
Overall Mean		3.72	4.00	3.93	3.97	3.66	3.94	3.68	4.01	3.97	3.96	3.91	4.02	3.57	3.76	3.66	3.66	3.69	3.98	3.60	3.96	4.04
Variations Range		0.61	0.57	0.46	0.38	0.69	0.33	0.66	0.37	0.23	0.22	0.33	0.32	0.36	0.73	0.62	0.60	0.47	0.52	0.26	0.46	0.36

Comparative analysis for organizational performance are presented in Table 4.36. Results depict more homogeneous performances across all financial institutions, with variations of between 0.22 and 0.73. Employee satisfaction survey recorded the highest variation of 0.73, mainly between banks (mean=3.92) and DTS's (3.19). Customer complaints resolution recorded a 0.69 deviation with the banks at the highest mean of 4.05, while MFI's recorded the lowest of 3.36. Further, R & D activities attracted diverse responses, the banks recording the highest (mean=3.94) while insurance companies scored a lower mean of 3.28.

Other question items that recorded substantial variations included CSR activities, market share and community activities. In the three items, the banking industry scored the highest mean (4.14, 4.00 and 4.13) respectively, with insurance companies holding the lower band of (3.52, 3.40 and 3.52) respectively. Nevertheless, staff training and superior products reported more consistent results, with variations of 0.22 and 0.23 respectively across all FI's. Further, performance on staff innovation, succession planning and improved products quality also reported more homogeneous means, with variations of 0.32 and 0.33 respectively. Overall the banks registered higher performance average of 4.26 across all the items. This was followed by MFI's at 4.07 and 3.94 for DTS's in the second and third positions respectively. Insurance companies had a slightly lower performance score of 3.90.

4.8 Chapter Summary

This chapter presented the study's preliminary findings. Organizational and respondents' demographics showed that respondent firms had been in Kenya for a reasonable period of time, hence respondents had an in-depth understanding of the subject matter in their organizations. This increased authenticity of the data collected. Generally, preliminary results indicate that financial institutions had a high-level adoption of corporate governance and strategic choices. Besides, in very rare occasions were conflicts observed among the various stakeholders. Moreover, the level of adoption of these variables in the financial institutions slightly differed amongst the banks, MFI's, insurance companies and deposit taking SACCO's.

Descriptive statistics clearly demonstrated the variables' manifestations in financial institutions. Further, the comparative analysis depicts variations on how the variables were embraced across the four categories of financial institutions. The following chapter (chapter five) presents findings on hypotheses tests. First, diagnostic tests were done to determine data suitability for regression analysis. Thereafter, regression modelling was done and results presented. Lastly, models testing various interactions are outlined and interpreted.

CHAPTER FIVE

TESTS OF HYPOTHESES AND DISCUSSION

5.1 Introduction

This chapter presents the research findings and discussions thereon. The study sought to establish the relationship between corporate governance and organizational performance, and how this relationship is influenced by agency conflicts and strategic choices in Kenya's financial institutions. This was achieved by formulating four objectives and corresponding four hypotheses. Further, individual contributions of each of the six dimensions of corporate governance to performance of financial institutions was examined.

Data was cleaned, coded, and analyzed using SPSS to run regression models. Before analysis, data was tested for appropriateness in running regression. These tests included normality, linearity, multicollinearity and autocorrelation. Further, simple regression models tested the linear relationship between corporate governance and organizational performance whereas hierarchical regression tested the moderation by agency conflicts on corporate governance and organizational performance. In addition, strategic choices that intervened the same relationship was tested using stepwise regression models. The joint effect of corporate governance, agency conflicts and strategic choices on performance was also done using hierarchical multiple regression. Data was therefore analyzed, interpreted and the results are presented in this chapter.

5.2 Diagnostic Tests

Various assumptions are taken into consideration for successful regression modelling to obtain valid results. These include data linearity, normal distribution, little or no multicollinearity and no auto-correlation. When these conditions are not met, the results

obtained are not reliable, leading to type I or type II errors (Osborne, 2002). Therefore, the study set out to run diagnostic tests for normality, linearity, multicollinearity, and auto-correlation of the data. The results are presented in sections 5.2.1.to 5.2.4.

5.2.1. Test for Linearity

Regression models accurately predicts the relationship between independent variables and dependent variables when the relationship is linear. The study tested linearity by plotting data for each variable on (P-P) plots. P-P plots (Probability plots) are used to determine whether the distribution of a variable matches a given cumulative frequency. When selected, variable matches the test distribution, the points cluster around a straight-line. The results obtained are presented in Figures 5.1 to 5.4.

Figure 5.1: P-P Plot for Corporate Governance

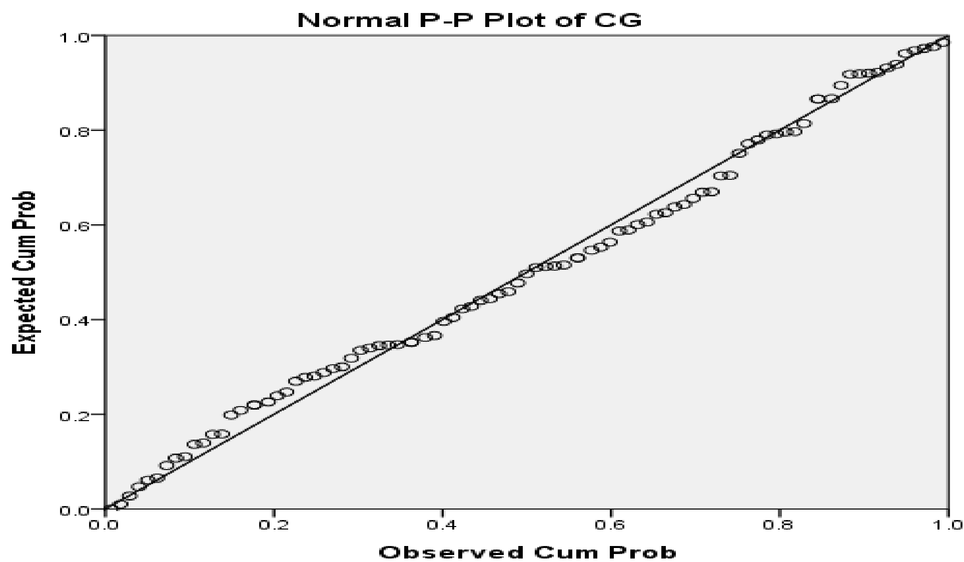


Figure 5.1 presents P-P plots for corporate governance data. A visual inspection shows linear distribution of data points along the line of best fit. This implies that corporate governance data was linear and hence suitable for running regression.

Figure 5.2: P-P Plot for Agency Conflicts

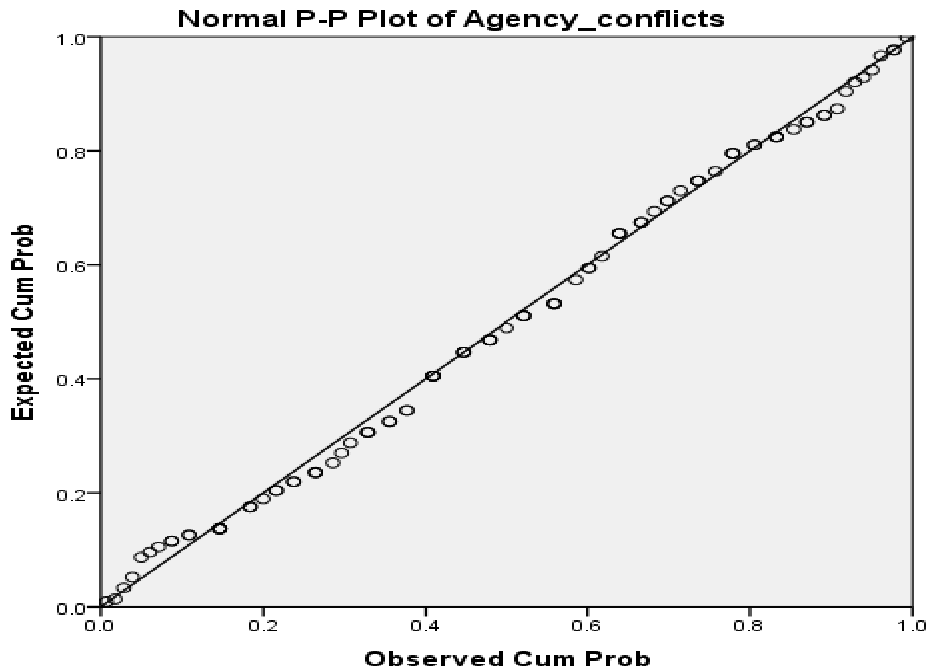


Figure 5.2 displays P-P Plots for agency conflicts data. The results reveal data coalescing along the best line of fit. This also demonstrates that data on agency conflicts is linear and appropriate for regression modelling.

Figure 5.3: P-P Plot for Strategic Choices

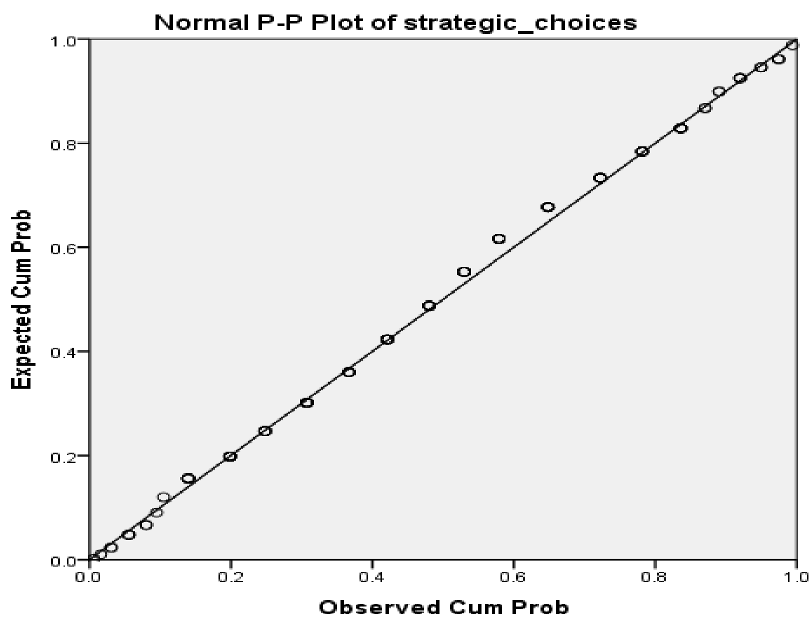


Figure 5.3 shows strategic choices data distribution on P-P Plots. Visual review depicts all the data points clustering along the best line of fit, implying that data was suitable for running regression.

Figure 5.4: P-P Plots for Organizational Performance

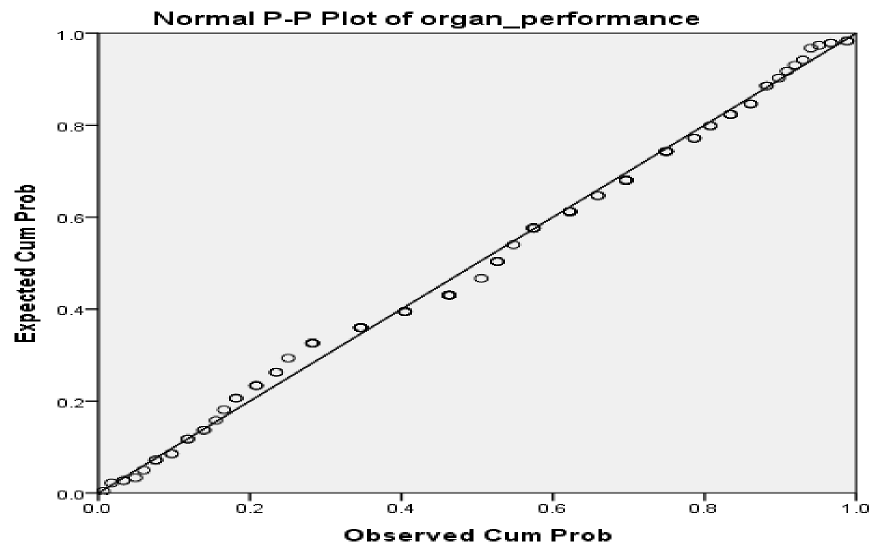


Figure 5.4 presents p-p plots for organizational performance data. Results reveal data points coalescing along the best line of fit, hence was suitable for regression tests. Thus, data for all the four variables passed the linearity test.

5.2.2. Test for Normality

This entails examining if the pattern of data followed a normal distribution curve. It is important because, parametric testing assumes that data is normally distributed. The test therefore helps to determine suitability of data for running regressions. When normality of data is violated, interpretation and inference of results are not reliable. The study used various mechanisms to determine normality of data. These are Histograms, Kolmogorov Smirnov and Shapiro Wilk's tests (Hanusz, Tarasinska & Zielinski, 2016).

To test for normality using histograms, frequency of score concurrencies were plotted on a graph and fitted with a normal curve. For model 1, corporate governance was plotted against organizational performance. Model 2 tested normality for corporate governance, agency conflicts and organizational performance. In the third model, corporate governance, strategic choices and organizational performance were assessed for normality. Finally, the fourth model tested the joint effect of corporate governance, agency conflicts and strategic choices on organizational performance for normality. Results are presented in appendix v section.

Visual inspection of all the four figures, each representing a model indicate that there was no significant variation between actual data and statistically calculated and fitted normal curves. As such, the data met normal distribution assumption and hence suitable for running regression statistics. Further, tests for normality were done on the data using Kolmogorov Smirnov (K-S) test and Shapiro-Wilk's test. These tests were used to determine whether the population that the sample data was drawn from was normally distributed. The study set a confidence level at 95 percent, meaning the acceptable error limit was 0.05. Therefore, Shapiro wilk's test, was set at a minimum of 0.05, below this limit, data was considered to significantly deviate from normal distribution. Results are summarized in Table 5.1

Table 5.1: Tests for Normality

	Kolmogorov-Smirnov			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	Df	Sig.
Corporate Governance	.093	99	.033	.924	99	.000
Agency Conflicts	.049	93	.200*	.985	93	.364
Strategic Choices	.073	101	.200*	.990	101	.635
Organizational Performance	.071	94	.200*	.989	94	.591

*. This is a lower bound of the true significance.
a. Lilliefors Significance Correction
(*) Asterisks indicate significance

Results indicate that with exception of corporate governance, all the other variables met normality tests. Corporate governance recorded significance level of 0.000 (p=0.000) which was lower than 0.05 (p≥0.05) while agency conflicts, strategic choices and organizational performance scored 0.364, 0.635 and 0.591 respectively, all satisfying the normality assumption. Results also indicate that agency conflicts, strategic choices and firm performance all passed K-S test at 0.200 each while corporate governance was below 0.05, at 0.033 significance level.

5.2.3 Autocorrelation

The data was further tested for autocorrelation using Durbin Watson tests. Results are presented in Table 5.2.

Table 5.2: Test of Autocorrelation

Model	Hypotheses	Durbin Watson
Corporate Governance and Organizational Performance	Hypothesis 1	1.945
Corporate Governance, Agency Conflicts and Organizational Performance	Hypothesis 2	2.142
Corporate Governance, Strategic Choices and Organizational Performance	Hypothesis 3	1.854
Corporate Governance, Agency Conflicts, Strategic Choices and Organizational Performance	Hypothesis 4	1.949

Source: Field study, 2017

The results reveal that Durbin Watson values for all the models were between 1.854 and 2.142. According to Field (2009) Durbin Watson values of between 1.5 to 2.5 are normal. Therefore, the results obtained in the study fell within acceptable ranges and hence, appropriate for running regression analysis. The first hypothesis reported Durbin Watson's value of 1.945, while 2.142 was conveyed for hypothesis two (H_2). In the third (H_3) and fourth (H_4) hypotheses results for Durbin Watson values were 1.854 and 1.949 respectively. Therefore, all the models met autocorrelation assumption.

5.2.4 Multicollinearity

The test for multicollinearity was done through tolerance and variance inflation factor (VIF). The interpretation of results was based on tolerance and VIF values. Tolerance, values of 0.1 and above were interpreted as acceptable while the results of VIF ranging between 1 and 10 were acceptable. The results are presented in Table 5.3.

Table 5.3: Test for Multicollinearity

Hypotheses	Tolerance	VIF
H_1	1.000	1.000
H_2	0.010	96.780
H3	0.945	1.059
H4	0.911	1.097

Source: Field study, 2017

The results indicate that in hypothesis 1 (H_1) tolerance of 1.000 and VIF of 1.000 were reported. These both met the acceptance condition. Hypothesis 2 (H_2) recoded tolerance of 0.010 and VIF value of 96.78. As such, they both did not fall within acceptable limits, hence did not pass the multicollinearity tests. Further, hypothesis 3 (H_3) confirmed multicollinearity tests by recording 0.945 tolerance and 1.059 VIF. Finally, hypothesis 4 (H_4) presented results of 0.911 for tolerance and 1.097 in VIF which were both within the range of acceptable multicollinearity.

5.3 Results of Tests of Hypotheses

Hypotheses are supposition that relationships exist between variables to a study. The current study set out to test four main hypotheses. This section presents results and findings of the various hypotheses. The study sought to establish the influence of corporate governance on organizational performance and how agency conflicts and strategic choices affects this relationship within the financial institutions in Kenya. To achieve this, four objectives were formulated. First, was to establish the relationship between corporate governance and organizational performance. Secondly, to examine how agency conflicts affects the relationship between corporate governance and organizational performance. The third objective was to establish the influence of strategic choices to the relationship between corporate governance and organizational performance and finally, to establish the joint effect of corporate governance, agency conflicts and strategic choices on organizational performance.

The study recognized six main components of corporate governance that included codes of corporate governance, board independence, skills, committees, size and board member's diversity in age, educational level, experiences, technical expertise and gender (OECD, 2004; Dewji & Miller, 2013; CMA, 2015). Agency conflicts was observed from its manifestation and frequency of occurrences' in the financial institutions (Jensen & Meckling, 1976; Schachter, 2014). Strategic choices were operationalized as the extent to which organizations had formulated and adopted strategies such as strategic alliances, mergers, acquisitions, diversifications, divestments, innovation, ICT adoption and level of products development (HBS, 2013; CBK, 2016; Bhasin 2017). Organizational performance was operationalized using the sustainable balanced scorecard (SBSC). These involved the six perspectives: financial, customer focus, internal business processes, learning and growth, social equity and environmental consciousness (Chakravarthy, 1986; Kaplan & Norton, 2007). The composite performance index was used across the study to evaluate how it was influenced by other variables of the study. Only corporate governance was presented both as a composite and individual score of the various components.

Four main hypotheses were postulated in line with each objective to test the composite indices for each variable. H_1: Corporate governance significantly influences organizational performance. H_2: Agency conflicts significantly moderates the relationship between corporate governance and organizational performance. H_3: Strategic choices significantly intervenes the relationship between corporate governance and organizational performance and finally, H_4: Corporate governance, agency conflicts and strategic choices jointly significantly influences organizational performance. Corporate governance had six main components and the study sought to determine individual component's influence on organizational performance.

Various regression models were used for data analysis: simple regression for direct relationship, hierarchical regression to test moderation, stepwise regression for testing mediation and hierarchical multiple regression for testing the joint interaction between the four variables. 95 percent confidence level was used across the study, that is, error term (α=0.05). The t - statistics were used to test the strength of independent variable's influence on dependent variable in each model. F statistics tested robustness of regression models while p value indicated the significance of the models at $p\leq 0.05$. The value of R indicated the correlation coefficient while R-squared (R^2) showed the coefficient of determination between model and response variables.

5.3.1 Corporate Governance and Organizational Performance

The first objective of the study was to establish the relationship between corporate and organizational performance. This was achieved in two steps. Step one involved testing the combined effect of corporate governance dimensions on organizational performance, while in step two, individual contribution of various dimensions of corporate governance to firm performance were examined. This was presented by the first hypothesis stated as follows.

H_1: Corporate governance significantly influences organizational performance.

This hypothesis sought to assess the influence of corporate governance on organizational performance. This was tested using a simple regression model. The explained variation was presented by coefficient of determination while robustness of the regression model was shown by the analysis of variance (ANOVA). In addition, regression coefficients and the accompanying p values were used to establish statistical significance of the hypothesis. Corporate governance was operationalized along six components whose independent influence on organizational performance was examined. These components are codes of corporate governance, board skills, independence, committees, size and diversity. The results of regression analysis are reported in Table 5.4.

Table 5.4: Corporate Governance and Organizational Performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.549	.302	.237	2.26816

ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	144.582	6	24.097	4.684	.001[b]
	Residual	334.397	65	5.145		
	Total	478.978	71			

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	15.520	4.651		3.337	.001
	Codes of corporate governance	-.111	.171	-.094	-.648	.519
	Board skills	.405	.122	.414	3.308	.002
	Board independence	.138	.142	.138	.970	.335
	Board committee	-4.418	1.785	-.276	-2.475	.016
	Size of the board	.096	.102	.099	.933	.354
	Board Diversity	-.136	.627	-.023	-.217	.829

a. Dependent Variable: Organizational performance (DV)
b. Predictors: (Constant), Codes of corporate governance, Board skills, Board independence, board committee, Size of the board and Board diversity.

Results indicate that the six dimensions of corporate governance combined explain 30.2 percent of the variation in organizational performance. This is demonstrated by R square value of 0.302 (R^2= 0.302) in the model summary. The results also show that the regression model fitting the relationship between corporate governance and organizational performance was strong and statistically significant as indicated by F = 4.684, $p \leq 0.05$. Thus, the composite index of corporate governance was found to have a significant influence on performance of financial institutions. The hypothesis was therefore supported.

Further, independent contribution of the six dimensions of corporate governance was presented in the coefficients section of Table 5.4. Codes of corporate governance was the first component to be examined for individual contribution to firm performance. The results indicate no statistically significant influence on performance with p value above 0.05 (p=0.519). Further, the t -value of -0.648 indicate that codes of corporate governance has a slight negative effect of organizational performance. The beta coefficient of -0.094 signify that for every 1 percent change in codes of corporate governance, organizational performance marginally reduced by 0.094 percent. Thus, codes of corporate governance were found to have no significant effect of organizational performance.

Next, the study examined the influence of board skill to performance of financial institutions. Results in Table 5.4 indicate that board skills are important in determining performance of the institutions. The p values of (p=0.002) and t values of t=3.308 shows that the relationship between the variables were statistically significant. Further, the beta coefficient (β) of 0.414 indicate that for every one percent change in board skill, organizational performance increased by 0.414 percent. The results also revealed that board skills had the highest individual contribution to firm performance among all the six components.

The dimension on board independence was found to be statistically not significant in predicting firm performance. This was depicted by p value of 0.335 and t – value of 0.97. The fourth dimension of corporate governance was board committees. Results found board committees statistically significant in influencing firm performance with $p \leq 0.05$. However, the influence was negative as indicated by t values of -2.475 (t= -2.475). Further, the beta coefficient of -0.276 revealed that for every 1 percent variation in board committees,

organizational performance reduced by 0.276 percent. Board committees were therefore found to have a statistically significant inverse relationship to performance of financial institutions in Kenya.

Board size was also assessed to determine if it had substantial contribution to firm performance. Results in Table 5.4 indicate that board size had very minimal influence on performance of financial institutions as depicted by standardized beta coefficient of 0.099. This indicated that for every one percent variation in board size, organizational performance increased by 0.099 percent. The relationship was also found to be statistically not significant t- value = 0.933; $p > 0.05$).

Finally, the influence of board diversity to organizational performance was examined. To achieve this, the various perspectives of board members' diversity in age, educational level, experience, technical expertise and gender were examined. Respondents' data that was largely nominal was converted into Likert scale type data using Blau's index as presented in Table 5.5.

Table 5.5: Blau's Index Summary

Board diversity	No.	Blau's Index
Age	106	0.67
Educational Level	103	0.52
Experience	103	0.59
Technical Expertise	104	0.63
Gender	106	0.30

The results on each component was then used to test the composite effects of board diversity to firm performance as presented in Table 5.5. The findings revealed that board

diversity was not statistically significant in influencing organizational performance $p>0.05$, t values = -0.217. The beta coefficient of -0.023 implies that for every 1 percent change in board diversity, organizational performance marginally decreased by 0.023 percent.

Thus, the model for the first hypothesis (H_1) is depicted as follows; -

$$OP= \beta_0+ \beta_1X_1+ \beta_2X_2+ \beta_3X_3+ \beta_4X_4+ \beta_5X_5+ \beta_6X_6+ \varepsilon$$

$$OP= 15.52 - 0.094\ X_1+ 0.414\ X_2 + 0.138\ X_3 - 0.276\ X_4+ 0.099\ X_5 - 0.023\ X_6 +2.26816$$

Where: X_1 = Codes of corporate governance

X_2 = Board Skills

X_3= Board Independence

X_4 = Board Committees

X_5 = Board Size

X_6 = Board Diversity

5.3.2 Corporate Governance, Agency Conflicts and Organizational Performance

The second objective of this study was to assess the influence of agency conflicts on the relationship between corporate governance and organizational performance. It was predicted that agency conflicts would moderate the relationship between corporate governance and organizational performance. This was presented by the second hypothesis.

> H_2: Agency conflicts significantly moderates the relationship between corporate governance and organizational performance.

Test for agency conflicts involved establishing whether shareholder's rights were upheld: the existence, manifestation and frequency of conflicts between various organizational stakeholders such as conflicts between shareholders and management, shareholders and

CEO, board of directors, debtholders and other stakeholders, board of directors and CEO, and/ or management, also amongst minority and majority shareholders. The study also sought to assess how the domineering characteristics of some stakeholders caused conflicts within Kenya financial institutions. Regression modelling was done using hierarchical regression method and results presented in Table 5.6.

Table 5.6: Moderating Effect of Agency Conflicts on the Relationship between Corporate Governance and Organizational Performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.451[a]	.204	.192	2.44349	.204	17.644	1	69	.000	
2	.471[b]	.222	**.199**	2.43261	**.019**	**1.619**	1	68	.208	
3	.471[c]	.222	.187	2.45057	**.000**	**.007**	1	67	.935	1.854

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	105.346	1	105.346	17.644	.000[b]
	Residual	411.976	69	5.971		
	Total	517.322	70			
2	Regression	114.926	2	57.463	9.711	.000[c]
	Residual	402.396	68	5.918		
	Total	517.322	70			
3	Regression	114.966	3	38.322	**6.381**	.001[d]
	Residual	402.356	67	6.005		
	Total	517.322	70			

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	7.566	2.821		2.682	.009		
	CG	.196	.047	.451	4.200	.000	1.000	1.000
2	(Constant)	6.942	2.851		2.435	.018		
	CG	.172	.050	.398	3.463	.001	.867	1.154
	Agency conflicts	.111	.088	.146	1.272	.208	.867	1.154
3	(Constant)	7.828	11.220		.698	.488		
	CG	.158	.186	.364	.849	.399	.063	15.843
	Agency conflicts	.060	.640	.078	.093	.926	.016	60.647
	Interact term	.001	.010	.087	.082	**.935**	.010	96.780

a. Predictors: (Constant), CG
b. Predictors: (Constant), CG, Agency conflicts
c. Predictors: (Constant), CG, Agency conflicts, interact term
d. Dependent Variable: organ performance

The results in Table 5.6 shows that in model one, corporate governance explains 20.4 percent variation in organizational performance. However, upon introduction of agency conflicts in model 2, the explained variation marginally declined to 19.9 percent. Inspection of model 3 revealed that the interaction term has no significant moderating effect on the relationship between corporate governance and organizational performance. This was proved by R square change (ΔR^2) of 0.00 from model 2 to model 3 and negligible change in F statistics (0.007). Although the analysis of variance (ANOVA) results suggests that all the three models were statistically significant, there was substantial decline in F statistics from model 1 (17. 644) through to model 3 (6.381). The p value for the interaction term of 0.935 was greater than the 0.05 ($p \leq 0.05$) that is acceptable for significant models. Consequently, the hypothesis was not supported, indicating that the moderating effect of agency conflicts to the relationship between corporate governance and organizational performance was not statistically significant.

5.3.3 Corporate Governance, Strategic Choices and Organizational Performance.

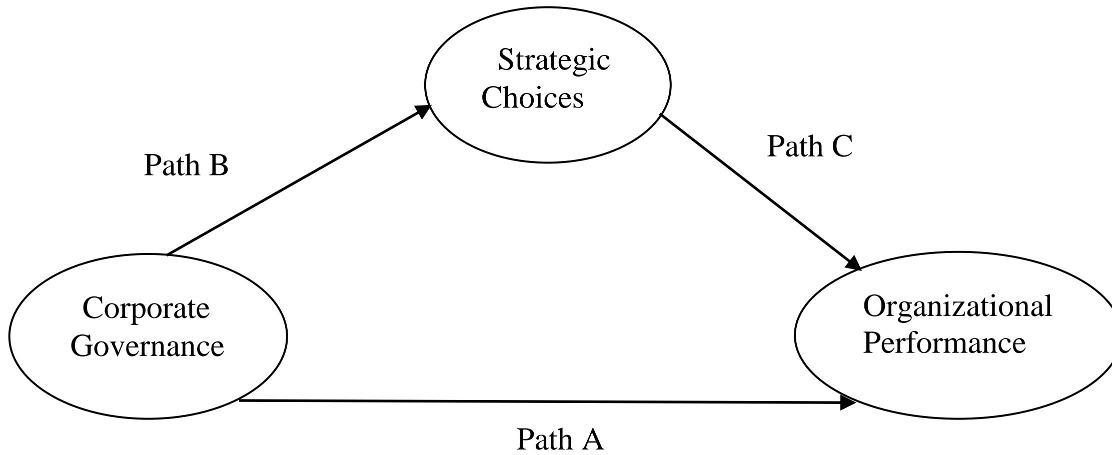
The third objective of this study was to establish the effect of strategic choices on corporate governance and organizational performance. Strategic choices are viewed as the mechanisms through which board of directors influence organizational performance. As such, strategic choices intervened the relationship between corporate governance and organizational performance. This objective was presented by hypothesis 3;

> H_3: Strategic choices significantly intervenes the relationship between corporate governance and organizational performance.

Strategic choices were viewed as the selection of best alternatives available to an organization, that optimizes their value. Thus, strategic choices evaluated in the study included strategic alliances, mergers, acquisitions, joint ventures, diversification strategies, differentiation, divestments, innovation, adoption of technology and product development.

The intervention was tested using path analysis and stepwise regression modelling. The path analysis model is presented in Figure 5.5.

Figure 5.5: Path Analysis



Source: Field Study, 2017

Path A depicts the direct relationship between corporate governance and organizational performance. This relationship was found to be significant. Path B shows interaction between corporate governance and strategic choices. In path C, both corporate governance and strategic choices' effects on organizational performance were outlined. These too were found to be significant.

Further, the first step of the four-step regression modelling involved regressing corporate governance on organizational performance. The second step entailed regressing corporate governance on strategic choices. In the third step, strategic choices index was regressed on organizational performance. Finally, both corporate governance and strategic choices were regressed on organizational performance (Baron and Kenny, 1986).

Results obtained are presented in Tables 5.7(a) through 5.7(d). Intervention step 1 involved regressing corporate governance on organizational performance. Results are presented in Table 5.7 (a).

Table 5.7 (a): Step 1 of Intervening Effect of Strategic Choices on Corporate Governance and Organizational Performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.4	.202	.192	2.46927	1.945

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	121.965	1	121.965	20.003	.000
	Residual	481.685	79	6.097		
	Total	603.650	80			

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	7.091	2.728		2.600	.011		
	Corporate governance (IV)	.202	.045	**.449**	4.472	**.000**	1.000	1.000

a. Dependent Variable: Organizational performance (DV)

b. Predictors: (Constant), Corporate governance (IV)

Results indicate that 20.2 percent variation in organizational performance is explained by corporate governance(r^2=0.202). The model was statistically significant and robust with F=20.003, $p \leq 0.05$. Moreover, the beta coefficient predicted that for every 1 percent change in corporate governance, organizational performance changed by 0.449 percent. Thus, confirming a strong relationship in the first model

In step 2, corporate governance was regressed on strategic choices. The results presented in Table 5.7 (b).

Table 5.7 (b): Step 2 of Intervening Effect of Strategic Choices on Corporate Governance and Organizational Performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	**.226**	.051	.040	2.68293	2.023

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	32.066	1	32.066	4.455	.038
	Residual	597.443	83	7.198		
	Total	629.509	84			

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	11.533	2.975		3.877	.000		
	Corporate governance (IV)	.104	.049	.226	2.111	**.038**	1.000	1.000

a. Predictors: (Constant), Corporate governance (IV)
b. Dependent Variable: Strategic choice (Intervener)

Results indicate that 5.1 percent (R^2= 0.051) variation in strategic choices was explained by corporate governance. The model was significant with F statistics of 4.455 and p value of 0.038 (p=0.038) which depicts a significant model.

In the third step, strategic choices were regressed on organizational performance. Results are presented in Table 5.7 (c).

Table 5.7 (c): Step 3 of Intervening Effect of Strategic Choices on Corporate Governance and Organizational Performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.511	.261	.252	2.39148	1.940

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	173.529	1	173.529	30.341	.000[b]
	Residual	491.851	86	5.719		
	Total	665.380	87			

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	10.261	1.656		6.195	.000		
	Strategic choice (Intervener)	.510	.093	.511	5.508	.000	1.000	1.000

a. Dependent Variable: Organizational performance (DV)

b. Predictors: (Constant), Strategic choice (Intervener)

The results obtained (R^2 = 0.261, p≤0.05, F statistics= 30.341) as presented in Table 5.7(c) indicate that the relationship between strategic choices and organizational performance was statistically significant. In this model, strategic choices explained 26.1 percent variation in organizational performance. The p value of 0.000 and F statistics of 30.341 depicts a robust and significant model explaining the relationship between variables. Consequently, the analysis proceeded to step four (4).

In the final step (4) both the independent variable (corporate governance) and intervening variable (strategic choices) were regressed on dependent variable (organizational performance). The results presented in Table 5.7 (d) demonstrate that there was statistically significant intervention by strategic choices on the relationship between corporate governance and organizational performance. Further, the results indicate that both the independent variable (model 1) and intervening variable (model 3) were also statistically significant. This implies partial intervention / mediation.

Table 5.7(d): Step 4 of Intervening effect of Strategic Choices on Corporate Governance and Organizational Performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.459[a]	.211	**.200**	2.50618	.211	19.772	1	74	.000	
2	.603[b]	.363	**.346**	2.26690	.152	17.446	1	73	.000	2.142

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	124.187	1	124.187	19.772	.000[b]
	Residual	464.790	74	6.281		
	Total	588.977	75			
2	Regression	213.841	2	106.921	20.806	.000[c]
	Residual	375.136	73	5.139		
	Total	588.977	75			

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	6.761	2.840		2.381	.020		
	Corporate governance (IV)	.209	.047	.459	4.447	.000	1.000	1.000
2	(Constant)	2.173	2.793		.778	.439		
	Corporate governance (IV)	.166	.044	.365	3.795	.000	.945	1.059
	Strategic choice (Intervener)	.405	.097	.401	4.177	.000	.945	1.059

a. Predictors: (Constant), Corporate governance (IV)
b. Predictors: (Constant), Corporate governance (IV), Strategic choice (Intervener)
c. Dependent Variable: Organizational performance (DV)

Inspection of the model summary in Table 5.7 (d) demonstrates that there was significant change in R square ($\Delta R^2 = 15.2$) from 21.1 percent to 36.3 percent upon introduction of strategic choices to the relationship between corporate governance and organizational performance. Thus, the results revealed evidence of mediation. The beta coefficient of 0.401 ($\beta = 0.401$) implies that for every 1 percent change in corporate governance and strategic choices, there was a positive variation of 0.401 percent in organizational performance. The $F = 20.806$, $p \leq 0.005$ affirmed a strong, statistically significant model. Thus, the hypothesis was supported.

Additional tests for intervention were done using Pearson correlation matrix. The first panel involved testing the relationship between corporate governance and strategic choices. In this panel, corporate governance was presumed to be the predictor variable and strategic choices the outcome variable. In panel two, strategic choices become the predictor variable while organizational performance was the outcome variable. The results are presented in Tables 5.8 (a) and 5.8 (b) where both the correlation matrices were positive.

Table 5.8 (a): Results of Correlation for Panel 1

Correlations

		Corporate governance (IV)	Strategic choice (Intervener)
Corporate governance (IV)	Pearson Correlation	1	.226*
	Sig. (2-tailed)		.038
	N	91	85
Strategic choice (Intervener)	Pearson Correlation	.226*	1
	Sig. (2-tailed)	.038	
	N	85	101

*. Correlation is significant at the 0.05 level (2-tailed).

Table 5.8 (a) presents result for correlation matrix for corporate governance and strategic choices. Results indicate there was a significant positive correlation between corporate governance and strategic choices.

Table 5.8 (b): Results of Correlation for Panel 2

		Strategic choice (Intervener)	Organizational performance (DV)
Strategic choice (Intervener)	Pearson Correlation	1	.511**
	Sig. (2-tailed)		.000
	N	101	88
Organizational performance (DV)	Pearson Correlation	.511**	1
	Sig. (2-tailed)	.000	
	N	88	94

**. Correlation is significant at the 0.05 level (2-tailed).

Panel 2 correlation matrix tested the relationship between strategic choice and organizational performance. The results revealed a significant positive correlation between the two variables. The Pearson correlation value of 0.511 indicate a strong relationship between strategic choices and organizational performance. The model was tested at 0.05 level of significance. The results of the two correlation matrices were both significant, supporting intervening effect of strategic choices to the relationship between corporate governance and organizational performance.

5.3.4 Corporate Governance, Agency Conflicts, Strategic Choices and Organizational Performance

The fourth objective of the study was to establish the joint effect of corporate governance, agency conflicts and strategic choices to organizational performance. The objective was presented by the fourth hypothesis.

> H_4: Corporate governance, agency conflicts and strategic choices jointly significantly influences organizational performance.

At this stage, composite indices of the four variables were regressed together to establish the joint effect. Hierarchical multiple regression model was used to run the analysis. First, corporate governance was regressed on organizational performance. Then, agency

conflicts were introduced to examine its influence on corporate governance and performance. In the third stage, strategic choices were introduced, to determine the joint effect of the four variables. Results are presented in Table 5.9.

Table 5.9: The Joint Effect of Corporate Governance, Agency Conflicts and Strategic Choices to Organizational Performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.452[a]	.205	.192	2.48227	**.205**	16.968	1	66	.000	
2	.493[b]	.243	.220	2.44000	.039	3.307	1	65	.074	
3	.669[c]	**.448**	**.422**	2.09988	**.205**	**23.762**	1	64	.000	1.949

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	104.551	1	104.551	**16.968**	.000[b]
	Residual	406.670	66	6.162		
	Total	511.221	67			
2	Regression	124.237	2	62.118	**10.434**	.000[c]
	Residual	386.984	65	5.954		
	Total	511.221	67			
3	Regression	229.014	3	76.338	**17.312**	.000[d]
	Residual	282.207	64	4.409		
	Total	511.221	67			

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	7.615	2.880		2.645	.010		
	CG	.196	.047	.452	4.119	.000	1.000	1.000
2	(Constant)	6.572	2.888		2.276	.026		
	CG	.159	.051	.369	3.145	.003	.847	1.181
	Agency conflicts	.179	.098	.213	1.818	.074	.847	1.181
3	(Constant)	1.187	2.720		.437	.664		
	CG	.094	.046	**.217**	2.059	**.044**	.774	1.293
	Agency conflicts	.247	.086	**.295**	2.881	**.005**	.824	1.213
	Strategic choices	.459	.094	**.474**	4.875	**.000**	.911	1.097

a. Predictors: (Constant), CG
b. Predictors: (Constant), CG, Agency conflicts
c. Predictors: (Constant), CG, Agency conflicts, strategic choices
d. Dependent Variable: organizational performance

In model 1, 20.5 percent (R^2=0.205) of the variation in organizational performance was explained by corporate governance. Upon introduction of agency conflicts, the explained variation in organizational performance increased by 3.9 percent ($\Delta R^2 = 0.039$) showing that agency conflicts caused some variation in organizational performance. Further, in model 3, the introduction of strategic choices increased the explained variation by 20.5 percent ($\Delta R^2 = 0.205$) in organizational performance.

The beta coefficients in model 1 shows that for every 1 percent change in corporate governance, organizational performance improved by 0.217 percent. However, upon introduction of agency conflicts, this variation increased by 0.295 percent. Eventually, introducing strategic choices in model 3 raised the variation in organizational performance by 0.474 percent. The F statistics values of 16.968, 10.434 and 17.312 for models 1,2 and 3 respectively, suggest that all the three models were statistically strong for predicting the relationships. However, models 1 and 3 were stronger than model 2. Further, the p values of 0.044, 0.005 and 0.000 for models 1, 2 and 3 respectively, demonstrated that all the three models were statistically significant ($p \leq 0.05$). The hypothesis was therefore supported.

5.4 Summary of Research Findings

This section presents a summary of research findings on the hypotheses tested. From the results obtained, three hypotheses were supported. These are hypotheses 1, 3 and 4 (H_1, H_3 and H_4). However, independent moderating effect of agency conflicts to the relationship between corporate governance and organizational performance was found to be statistically not significant. The summary results of all the hypotheses tested are presented in Table 5.10.

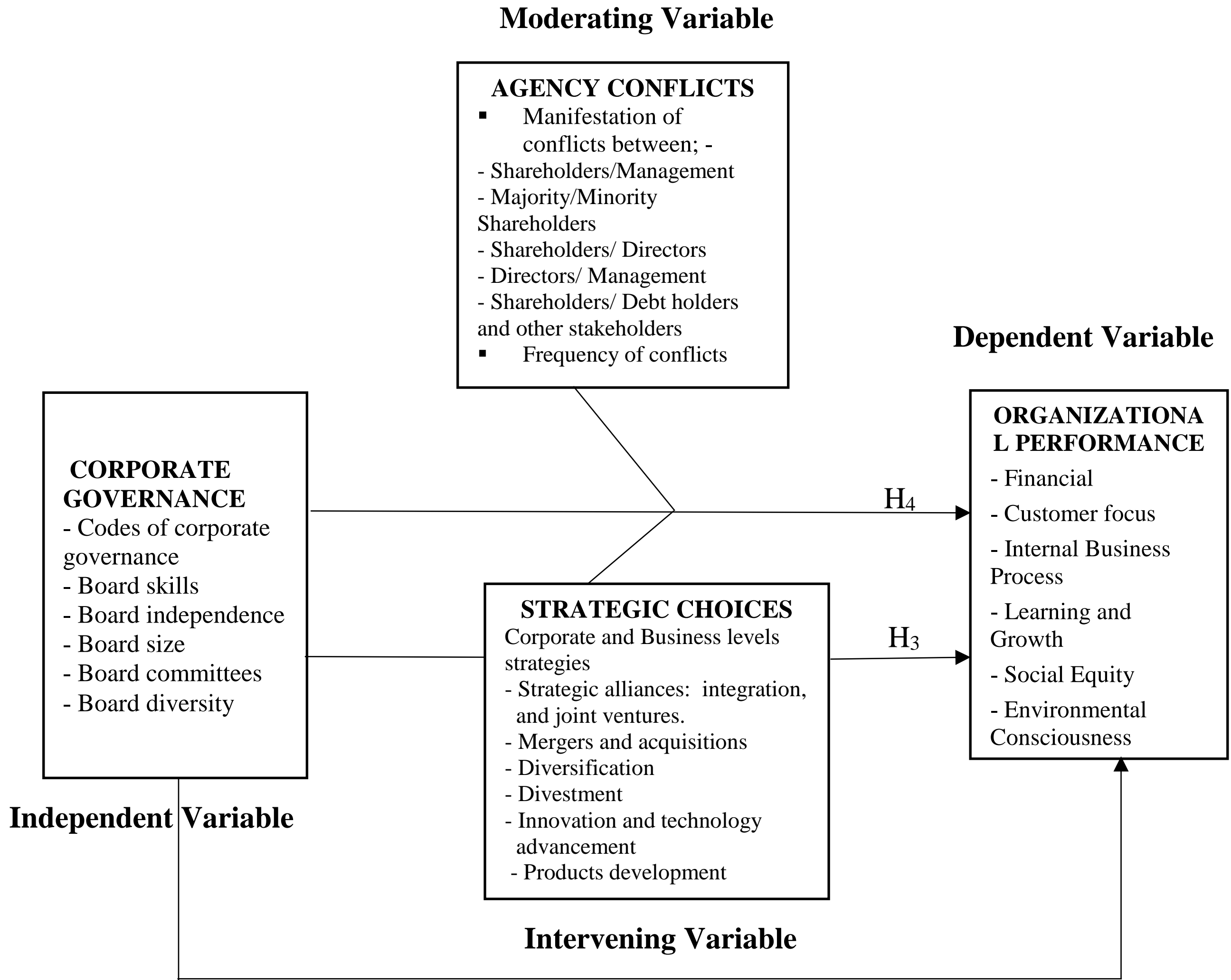
Table 5.10: Summary of Research Findings

Objective	Hypotheses	Findings	Hypotheses Tests Decision
To establish the relationship between corporate governance and performance of financial institutions in Kenya	**H_1:** Corporate governance significantly influences organizational performance (Composite)	Results depicts statistically significant relationship $R^2 = 0.302$ $p = 0.001$ $F = 4.684$	Supported
Examine the influence of agency conflicts to the relationship between corporate governance and performance of financial institutions in Kenya	**H_2:** Agency conflicts significantly moderates the relationship between corporate governance and organizational performance.	Very weak relationship was recorded between the variables. $\Delta R^2 = 0.00$ $p = 0.935$ F= decline by 11.263 (from 17.64 to 6.68 from model 1 to model 3)	Not Supported
Assess the influence of strategic choices to the relationship between corporate governance and performance of financial institutions in Kenya	**H_3:** Strategic choices significantly intervenes the relationship between corporate governance and organizational performance	Strategic choices were found to significantly intervene the relationship between corporate governance and Performance of financial institutions. $\Delta R^2 = 0.152$ $R^2 = 0.363$ $p = 000$ $F = 20.806$	Supported
Establish the joint effect of agency conflicts and strategic choices to the relationship between corporate governance and performance of financial institutions in Kenya	**H_4:** Corporate governance, agency conflicts and strategic choices jointly significantly influences organizational performance.	There was significant joint influence between all variables. Results for the 3 models respectively are presented as below $R^2 = 0.192$, 0.220 and 0.422 $\Delta R^2 = 0.205$, 0.039 and 0.205 $p = 0.044$, 0.005 and 0.000 $F=16.968$, 10.434, 17.312 $\beta = 0.217$, 0.295 & 0.474 Respectively	Supported

Culmination of the results of hypotheses tests, confirm the conceptualization of the study variables. The results show that three out of the four hypotheses were supported. Further, whereas the influence of agency conflicts to corporate governance and organizational performance was not supported, the joint influence of corporate governance, agency

conflicts and strategic choices on firm performance was significant. Consequently, the empirical model is presented in Figure 5.6.

Figure 5.6: The Empirical Model



Source: Field study, 2017

5.5 Discussion

In this section research findings, are discussed. The study had four objectives that sought to examine the influence of corporate governance on organizational performance, the effect of agency conflicts to the relationship and the influence of strategic choices to this relationship. Further, the study established the joint influence of corporate governance, agency conflicts and strategic choices to organizational performance. To achieve this, four hypotheses were formulated, corresponding to each objective. In addition, the individual effects of the six dimensions of corporate governance on organizational performance were evaluated.

The discussion on each research objective and corresponding hypotheses is presented in sections 5.5.1 to 5.5.4. From the study findings, three out of the four research hypotheses were strongly supported. As such, only the independent influence of agency conflicts on corporate governance and firm performance was found to be statistically not significant. Further, the individual contributions of the various corporate governance dimensions to organizational performance are briefly discussed.

5.5.1 Corporate Governance and Organizational Performance

The area of corporate governance and organizational performance has attracted immense attention over the years. Corporate governance is viewed as a mechanism through which organizations are managed, directed and controlled, objectives are set and achieved, risks are monitored and assessed, and performance is optimized (Hamilton, 2003). As such, various internal and external corporate governance structures and practices have been adopted by corporations to maximize their performance and value. Structures identify

distribution of rights and responsibilities among various corporate stakeholders like boards of directors while practices involve operations such as board appointment, functioning, compensation and conflicts management. (Aguilera & Jackson, 2003; OECD, 2004; Dewji & Miller, 2013).

Previous studies have recorded inconsistent findings on how corporate governance influences organizational performance. Numerous studies have reported a positive relationship, whereas, others have found a negative link between corporate governance and firm performance, a third category didn't find any relationship at all. However, majority of the studies consistently reported a significant positive relationship between corporate governance and organizational performance (Shleifer & Vishny, 1997; Letting', 2011). Similarly, the current study found corporate governance to significantly influence organizational performance positively.

The findings were in support of empirical evidence reported by Brown and Caylor (2004) who established a positive relationship between corporate governance and firm performance. In addition, results of the current study match Grove et al. (2011) who found a link between corporate governance and financial performance. Nevertheless, the results run contrary to Narwal and Jindal (2015) who observed various corporate governance perspectives to be of no significant influence on organizational performance. In the same vein, Adams and Mehran (2011) reported no connection between corporate governance and corporations' performance. The inconsistencies reported between corporate governance and firm performance suggest that corporate governance is a crystallization of various components. The interaction of each component to performance ultimately affects

the composite score of how corporate governance affects organizational performance. As such, a large pool of studies reported insightful results on the relationship between the various dimensions of corporate governance and firm performance.

Drawing from various corporate governance literature, guidelines and principles, six components of corporate governance were identified to be key and thus their independent effect to organizational performance was tested (CMA, 2015; Dewji and Miller, 2013). These include codes of corporate governance, board skills, board independence, committees, size, and board diversity. The results indicate mixed findings on the aforementioned components and their independent influence to firms' performance. However, the composite corporate governance index recorded a positive significant connection to organizational performance. Further, corporate governance components such as board skills and board committees were found to have a strong influence on organizational performance. However, while board skills were found to have a positive effect on firm performance, board committees negatively or inversely influenced performance of financial institutions. On the contrary, the study found codes of corporate governance, board independence, board size and diversity to have no statistically significant influence on organizational performance.

Codes of corporate governance was evaluated to assess its effect on organizational performance. Corporate governance codes are the laid down policies and procedures, that guide corporations on acceptable governance practices to be adopted. Cadbury (1992) viewed codes of corporate governance as a system through which organizations are

directed and controlled, where board is responsible for governance, setting strategies and offering leadership. The current study sought to establish the extent to which financial institutions had developed and adopted governance codes to guide various key corporate issues. Further, the effects of these codes to the performance of financial institutions was evaluated.

The results revealed a statistically not significant effect of codes of corporate governance on organizational performance. This was in support of prior studies. Cuervo - Cazurra and Aguilera (2004) found codes of corporate governance as ineffective in predicting organizational performance. However, this was inconsistent with Filatotchev and Boyd (2009) who argued that codes of corporate governance, when adopted, improved governance standards and performance. However, the researchers were opposed to the one-size-fits-all codes. This suggests that codes of corporate governance affect performance, but the context plays a critical role in determining its significance.

Further, the study examined variation in organizational performance, attributable to board skills. Various skill-sets that were tested recorded positive influence on organizational performance. This supported Letting et al. (2012) who found a positive relationship between board skills and firm performance. Similarly, Van Ness et al. (2010) observed board expertise to influence performance positively. However, the findings deviated from Adams and Mehran's (2011) study that found no relationship between board and organizational performance. It can therefore be deduced that board skills and expertise relating to organizations performance are important. In addition, having diverse mix of skills and expertise leads to enhanced firm performance.

The study also sought to establish the influence of board independence on organizational performance. The results revealed independence to be of no statistical significant influence to the performance of financial institutions. The results were consistent with other studies that found board independence to have no significance on firm performance. Narwal and Jindal (2015) recorded no relationship between board independence and firm performance. Similarly, Horváth and Spirollari (2012) found independent directors as an impediment to firm's high performance due to their associated low risk appetite. Further, Kiel and Nicholson (2003) found a higher proportion of inside directors positively associated with organizational performance.

On the contrary Ness, et al. (2010) found board independence a key determinant of organizations performance. It is also argued that independence of the board enhances objectivity and provides multiple perspectives for the firm's decision making and ultimately improves its performance (Dewji & Miller). The findings of the current study were also inconsistent with Letting' s (2011) dissertation that observed board independence to influence financial performance positively.

The findings of this study suggest that although Kenya's financial institutions have embraced independence of boards, this does not directly contribute to their performances. Independence has been enhanced by distinct roles among board chairman and the CEO, that do not conflict or overlap. Moreover, board independence was achieved by having a higher proportion of outside (non- executive) board members than insider (executive directors). Non- executive directors were viewed to be more independent as they are not compelled by CEO or board chairman's sway. In addition, adoption of board independence

has been associated with more effective monitoring of management, financial reporting and better credit management leading to higher shareholder returns (Van Ness et al., 2010). It therefore emerges that although independence and objectivity of organizational leaders charged with the responsibility of spearheading its strategic direction is key for organizational survival, mixed empirical findings have been reported. Thus, other factors may be contributing to how the variables are related. Further, various organizations have adopted varied mechanisms of achieving board independence.

Another key component of corporate governance is board committees. Board committees are sub- sets of board of directors, mandated to execute specific functions, programs and / or projects as assigned by the board. Codes of corporate governance in Kenya identifies the following board committees to cover the various board functions: audit and risk, finance, investment, nomination, remuneration and governance. In the current study board committees in Kenya's financial institutions were found to have a negative influence on organizational performance. This was consistent with Narwal and Jindal (2015) who observed negative association between board committees and organizations profitability. Grove et al. (2011) found a weak relationship between board committees and firm performance. Besides, results from Fratini and Tettamanzi (2015) indicate that board committees had no connection with firm performance. On the contrary, Brown and Caylor (2004) found board committees to be key indicators of good governance, associated with high performance. In the same vein, Carter, D'Souza, Simkins and Simpson (2010) reported audit, executive, remuneration and nomination committees positively associated with firm value. The ensuing debate from previous studies and the findings of this study imply that the contribution of board committees to firm performance is not direct.

Board size, that is, the number of board members in an organization has received enormous attention from both management scholars and practitioners. It is argued that larger boards constitute diverse knowledge and experience to spur higher performance (Dewji & Miller, 2013). However, mixed empirical results have been recorded on the influence of board size to firm performance. On one hand, researchers contend that larger boards are beneficial and will enhance resources accessibility to a firm (Daily, et al., 2003) yet, minimal empirical evidence has been recorded in support of this argument.

The current study however, did not find a statistically significant relationship between board size and organizational performance. This is in line with earlier studies like Narwal and Jindal (2015) who found no relationship between board size and firm performance. Moreover, Nyamongo and Temesgen (2013) and Manini and Abdillahi (2015) found large board sizes to impact performance negatively. Therefore, the linkage between board size and its influence to firm performance is still inconclusive. Some studies have found smaller boards to be more unified hence easier to reach consensus in decision making. However, small boards are argued to be prone to dominance by the CEO and/or board chairman (Van Ness et al., 2010). Larger boards, on the other hand, are perceived to benefit organizations by providing diverse perspectives on organizational matters and can distribute work to the various board members and committees. However, they are regarded as difficult in consenting leading to a lengthy strategic decision making processes (Van Ness et al., 2010). The pros and cons of both large and small boards suggest that none of them is ideal and as such, organizations need to establish board sizes that are neither too big nor too small so as to enjoy the advantages of each and optimize their value.

Eventually, the study sought to determine firm performance variation attributable to diversity in boards. To achieve this, board members' attributes were categorized into the various diverse parameters. These are diversity in age, educational level, board experience, technical expertise and gender. They were considered important aspects in determining firm performances. However, the study found them not statistically significant in determining the level of organizations performances.

Diversity in board members' level of education was assessed to determine its contribution to organizational performance. Having board members with a high level of education is viewed as an important ingredient and a key resource for propelling organizations to higher performances. Studies have recorded diverse findings on how important education is to organizational leaders. Bathula (2008) found board level of education to be negatively related to firm performance. Similarly, in the current study, as demonstrated by the merged diversity score, board members' education level was not a significant determinant of firm performance. On the contrary, Darmadi (2013) reported education level of board members as paramount to organizational performance. Likewise, Simons, Pelled and Smith (1999) found education-level diversity among organizational leaders to be significantly positively related to firm performance. These inconsistencies suggest that having board members with high education level is an important ingredient for optimal firm value. However, its utilization for organization's benefit is dependent on other factors such as provision of an environment where board members' academic exploits informs firms strategic direction.

Board members gender was also assessed to establish the level of diversity in representation of both male and female members in the boards. The results indicate no

linkage between board gender and organizational performance. This was consistent with Carter, et al. (2010) who observed no significant relationship between board gender and firm performances. Similarly, Manini and Abdillahi, (2015) observed gender diversity to have no association with performance. Further, Van Ness et al. (2010) found no connection between the gender of board members and firm performance.

This was however, a departure from the numerous studies that reported a significant association between board gender and organizational performance. Rovers (2011) found that boards with women directors to perform better than male-only boards. Likewise, board gender diversity was reported to be positively related to firm performance (Bathula, 2008; Erhardt, Werbel, & Shrader, 2003). Inclusion of women in boards was found to be associated with higher performances (Van der Walt et al, 2006). Moreover, Vo and Phan (2013) found the presence of female board members to influence performance positively. In addition to financial benefits, studies suggest that women board members are associated with stronger satisfaction of organizational commitments and a social balance in governance oversight (Siciliano, 1996), Erhardt et al., 2003). The divergent results suggest that having both gender representation in boards may not be sufficient, but devising mechanisms of tapping into strengths of each gender and translating them into value for organizations.

Another key diversity indicator in boards was variation in board member's age. The overall score for diversity however did not show this as an important performance determinant. This was in line with Van Ness et al. (2010), who found no association between board members age and firm performance. On the contrary, Francis, Hasan and Wu (2012)

reported a positive relationship between board members age and performance. Similarly, Horvath and Spirollari (2012) and Marimuthu (2008) found age of board members a significant determinant of firm value. Younger board members are associated with a higher risk appetite, are more ICT savvy and innovative. Further, their greater receptibility to change enhances their capacity to execute oversight role. Older members, on the flip side, are regarded as more independent, more experienced and experts in their fields. Moreover, they are associated with greater networks and linkages for firm's resources, hence higher performances. The findings of the current study imply that no particular age group is ideal for organizations boards but a mix of all ages is ideal. Other important considerations entail how each board member contributes towards shaping the strategic direction of corporations.

Further, diversity in board members experience in boards was also an important aspect examined by the study. The length of time a board member have served in boards is expected to enhance their learning and understanding of the business environment and hence make more informed contributions towards running of the firm. This study sought to determine the length of service board members had served in boards. As depicted by diversity score, board members experience did not influence performances. This was in line with Livnat, Smith, Suslava and Tarlie, (2016) who found long serving board members (beyond 9 years) to be associated with deteriorating technical advice to management. Similarly, Simons et al (1999) argued that experience diversity among board members had a negative impact on the overall organizational performance due to the associated informal communication among top management teams.

On the contrary, divergent findings were reported on board experience and firm performance. Van Ness et al. (2010) found board of directors with high average tenure positively related to high performance. Similarly, Huang, (2013) and Vo and Phan, (2013) found a significant relationship between board tenure and firm performance. Further, Livnat, et al (2016) found a positive relationship between board tenure and performance for the first nine (9) years, after which, negative results were observed. The ensuing debate and results of the current study suggest that organizations may draw value from experienced board members. However, other factors play a role in determining the extent of value obtained. For instance, more experienced boards may become accustomed to the organizations and hence may not bring in fresh ideas required for the firm to gain and sustain competitive advantage. Thus, a mix of new and more experienced board members becomes a requisite for firms to enhance performance.

5.5.2 Corporate Governance, Agency Conflicts and Organizational Performance

Drawing from agency theory, agency conflicts is arguably one of the key variable that has spurred the rapid growth and widespread adoption of corporate governance. As corporations grew in leaps and bounds, it was inevitable to separate the ownership and control functions. In the new arrangement, owners were detached from the operational aspects of corporations. In turn, professional managers took over the running of organizations as agents to the principals (owners). This brought about the agency relationship mainly between the owner and managers, and later amongst other stakeholders. Consequently, agency conflicts began to creep in and got established, hence the need for a mechanism to control it.

According to Jensen and Meckling (1976) agency problems occur when the desires of the principals and agents are not aligned. Corporate governance is therefore viewed as a mechanism through which the conflicting interests amongst various organizational stakeholders are brought into congruence (Oviatt, 1988). Additionally, corporate governance discipline sprout out to include all other aspects of how organizations are managed, directed, financed, the ownership structure, oversight structure, the boards and shareholder rights. Therefore, it is paramount to assess the influence of agency conflicts to the relationship between corporate governance and firm performance.

The second objective of the study was to examine the moderating effect of agency conflicts to the relationship between corporate governance and organizational performance. To achieve this, respondents were tasked to indicate the extent and frequency with which agency conflicts were observed between various organizational stakeholders. The results indicated minimal existence of agency conflicts between various stakeholders within the financial institutions in Kenya. Further, the research findings revealed that agency conflicts did not have a significant moderating effect on corporate governance and organizational performance.

Inconsistent to this finding, other studies observed a strong linkage between agency conflicts to the relationship between corporate governance and firm performance. Muneer, Bajuri and Rehman (2013) found a significant moderating effect of agency conflicts on various governance components and organizational performance. Similarly, Hillman and Daziel (2003) reported a significant connection between agency conflicts, board of directors and firm performance. Moreover, it has been argued that efficient governance mechanisms lead to reduced agency conflicts, thus improving firm performance (Eisenhardt, 1989).

Dey (2008) found governance mechanisms as key in mitigating the level of agency conflicts. Further, he argued that organizations with greater agency conflicts have adopted better corporate governance mechanisms such as boards compensation, audit committees and auditor independence which are all associated with high performance. Equally, Renders and Gaeremynck (2012) postulate that corporate governance choices are affected by the severity of agency conflicts and the way corporate governance is regulated. Moreover, it has been argued that disclosure and transparency in organizations reduces information asymmetry associated with conflicts between majority and minority shareholders (Ali, 2014). This disclosure is enhanced by adoption of governance devices such as duality, board independence, efficient small boards thus resulting to high performance (Baek, Kang & Park, 2004). Ultimately, companies operating in high-quality disclosure environments are perceived to have good corporate governance leading to improved firm value.

It has been argued that existence of high agency conflicts in organizations triggers adoption of good governance mechanism. These mechanisms include review of ownership structure, board of directors and executive compensation which promote increased corporate performance (Zhu and Wen, 2011). Studies have also shown that organizations with higher ownership concentration with wide-spread shareholders suffer increased manager-shareholder conflicts leading to a higher demand for public disclosure (Gelb & Tidrick, 2000). In turn, this leads to more tightened corporate governance practices that emphasizes accountability, transparency and disclosure. As such, although agency conflicts are viewed as a weak determinant of organizational performance in this study, this may be due to its self-correcting mechanism through enhanced governance practices.

5.5.3 Corporate Governance, Strategic Choices and Organizational performance

Strategic choices are viewed as selecting optimal courses of action from available alternatives to an organization. It is argued that strategic decision making is a crucial part of the process by which organizations align to the environment (Miles and snow, 1978). Divergent conceptual schemes and associated analytical techniques have been proposed to aid TMT in making strategic choices. Hofer and Schendel (1978) provide a review and rational for separating and sequencing corporate-level and business level strategies as inter-industry and intra-industry respectively. Further, functional level strategies are viewed as the operational aspects that implement both corporate and business level strategies.

Corporate governance structure plays a critical role in determining the strategic direction for corporations. Boards of directors are responsible for formulating and sanctioning firms' key strategies (Carpenter & Westphal, 2001). As such, scholars and practitioners have generally acknowledged the importance of adequate board control and independence in effectively executing their strategic decision making roles (Jensen & Zajac, 2004). The current study sought to examine the intervening effect of strategic choices to the relationship between corporate governance and organizational performance. It is argued that corporate governance influences organizational performance through making strategic choices that align the organization to the environment for competitive advantage.

This was achieved by analyzing the extent to which Kenya's financial institutions adopted the various strategic choices. These include mergers, acquisitions, strategic alliances, diversifications, divestiture, innovation, technology adoption, and products or services development. The results revealed a significant partial mediation of strategic choices to the relationship between corporate governance and organizational performance. This suggests

that corporate governance uses strategic choices as a conduit through which to influence firm performance. This was consistent with other studies that have shown a strong relationship between the variables. Heracleous (2001) argues that boards influence strategic choices and their implementation, consequently affecting firm performance. The study however, cautioned against excessive regulation on corporate governance to avoid being too restrictive and impractical in adoption and implementation. On the contrary, Essen, Oosterhout and Carney (2011) found no significant mediation by strategic choices to the relationship between governance and organizational performances. Although mixed empirical findings have been reported on the effects of strategic choices, there is consensus that firms employ both governance and strategy variables and relate them to success.

The findings of the current study point towards two key issues. First, the statistically significant partial mediation of strategic choices between corporate governance and organizational performance imply that adoption of corporate governance by firms enhances their performance even without any form of strategic planning. This further underscores the importance of corporate governance in corporations that extends beyond defining organizations strategic direction. Drawing from agency theory, other important functions of corporate governance include mitigation of conflicts through transparency and disclosure, identification, monitoring and control of risks, aids in acquisition of resources, both financial and human capital, necessary for sustainability and expansion. In addition, corporate governance brings about efficiency, business ethics and corporate citizenship that all enhance value in organizations.

Secondly, the study highlights the importance of strategic choices in determining firm performance. It demonstrates that by formulating and adopting optimal strategic options, organizations can greatly enhance their fortunes and higher value. The study accentuates the important role of board of directors in formulating and sanctioning the strategic direction of corporations. Board of directors are viewed as the linkage between organization's financiers and those that use the capital to create value. Therefore, the most effective way of achieving optimal performances is through formulating and sanctioning optimal strategic choices.

5.5.4 Corporate Governance, Agency Conflicts, Strategic Choices and Organizational Performance

The fourth objective of the study was to examine the joint effect of corporate governance, agency conflicts and strategic choices to organizational performance. The need to adopt good governance practices in organizations cannot be over emphasized. Various corporate governance mechanisms have been adopted by corporations to mitigate agency conflicts that emanate from separation of ownership and control (Jensen, 1993; He & Sommer, 2010). Further, boards achieve high organizational performance through making corporate strategic choices that lay foundation for optimal utilization of firms' resources (Daily, et al., 2003). Thus, the need to simultaneously dispel agency conflicts as well as heighten strategic choices for optimal performances.

The current study achieved this objective through hypothesis four (H_4). It was postulated that the joint effect of corporate governance, agency conflicts and strategic choices would significantly influence organizational performance. To achieve this, corporate governance,

agency conflicts and strategic choices were jointly regressed on organizational performance using hierarchical multiple regression models. Results revealed a strong relationship between all the variables, thus supporting the hypotheses. However, stronger associations between corporate governance, strategic choices and organizational performance were observed, while relatively weaker correlation was recorded for agency conflicts.

This was in line with other studies that have shown a strong contribution of board of directors to strategy and effects of conflicts to organizations performance. However, these studies interrogated two or three variables of the study, and not the four variables as conceptualized in the current study. Zona and Zattoni (2007) argued that boards contribution to strategic decision-making has been harnessed by focus on a common goal, openness and responsiveness. Moreover, an effective contribution of board members to strategy requires an adequate composition, structure and well-organized internal processes (Zattoni & Zona, 2009). Drawing from agency theory, adoption of corporate governance through its various dimensions is viewed to have a direct linkage to the level of agency conflicts in organizations (Dey, 2008). As such, the functioning of boards, independence of auditors, director compensation and composition of board determines firms' performance.

5.6 Chapter Summary

This chapter discussed results on findings on hypotheses testing. Before running regression models, data was tested for suitability using normality, linearity, autocorrelation and multicollinearity. After passing these tests, data proceeded to regression analysis using

simple, hierarchical, stepwise and hierarchical multiple regression modelling. Results indicated that out of the four hypotheses, three were supported. Further, based on the findings of the study, the empirical model was presented. The chapter also interpreted the results and offered discussion on the implication of the results so obtained.

The next chapter (chapter six) presents a summary of the research findings as well as providing the conclusion of the study. Further, the chapter offers recommendations based on the findings. This is followed by the implications of the study to theory, policy and practice. Finally, the chapter highlights some limitations of the study and offers suggestions for future research.

CHAPTER SIX

SUMMARY, CONCLUSION AND RECOMMENDATIONS

6.1 Introduction

In this chapter, a summary of research findings is presented. The study had four objectives and corresponding four hypotheses for establishing the relationship between corporate governance, agency conflicts, strategic choices and organizational performance. The research conclusion is presented in line with the findings obtained from tests of hypotheses. This section briefly describes all the key deductions inferred from the results of the study. Further, the chapter highlights a few limitations identified when executing the research and how they can be addressed in subsequent studies. Finally, suggestions for future research areas are recommended.

6.2 Summary of Research Findings

The current study sought to examine the relationship between corporate governance and organizational performance, and how agency conflicts and strategic choices affects this relationship, independently and jointly. The study also sought to analyze the similarities and differences in variables' interaction across all financial institutions, and in their various categories of banks, MFI's, insurance companies and deposit taking SACCO's. To achieve this, four specific objectives were established as follows (i) to establish the relationship between corporate governance and organizational performance (ii) examine the moderating effect of agency conflicts to the relationship between corporate governance and organizational performance (iii) assess the intervening effect of strategic choices to the relationship between corporate governance and organizational performance and (iv) establish the joint effect of corporate governance, agency conflicts, strategic choices and organizational performance.

The corresponding four hypotheses were: First hypothesis (H_1) tested the relationship between corporate governance and organizational performance. Hypothesis two (H_2) sought to established the moderating effect of agency conflicts to the relationship between corporate governance and organizational performance, while hypothesis 3 (H_3) examined the intervening effect of strategic choices to the relationship between corporate governance and organizational performance. Finally, hypothesis 4 (H_4) assessed the joint effect of corporate governance, agency conflicts, strategic choices and organizational performance.

Corporate governance was analyzed using the various dimensions. These are: codes of corporate governance, board skills, independence, board committees, size, and board diversity in age, educational level, board experience, technical expertise and gender. In addition, individual contribution of the six corporate governance dimensions to organizational performance were tested. Results revealed that corporate governance significantly influences organizational performance. Thus, the hypothesis was supported. Further, out of the six components of corporate governance, only board skills and board committees were found to be statistically significant in determining organizational performance. It is however worth noting while board skills influenced performance positively, board committees' effects on firm performance were found to be negative. The other four dimensions, codes of corporate governance, board independence, board size and diversity, were all not key in influencing performance in Kenya's financial institutions.

The study's second objective was to evaluate the moderating effect of agency conflicts to the relationship between corporate governance and organizational performance, presented by hypothesis 2 (H_2). To achieve this, agency conflicts was tested using Baron and Kenny's

(1986) three step hierarchical regression modeling. Results indicated a weak influence of agency conflicts to the relationship between corporate governance and organizational performance. As such, the hypothesis was not supported. This implied that, while the relationship between corporate governance and organizational performance was strong, introducing agency conflicts was of no significant consequence. Thus, the moderation in hypothesis 2 (H_2) was not supported. Further, while studies have reported inconsistent findings on the moderating effect of agency conflicts, there was strong support that existence of agency conflicts in organizations in turn prompts stronger adoption of good governance practices hence its effect is not amplified. The current study ascribes to this school of thought.

The third objective of the study was to assess the mediating/ intervening effect of strategic choices on the relationship between corporate governance and organizational performance. This was presented by hypothesis 3 (H_3). The intervention was tested using 4- steps regression modelling. Model 1 tested the linear relationship between corporate governance and organizational performance. Model 2 tested the relationship between corporate governance and strategic choices while model 3 established the relationship between strategic choices and organizational performance. In model 4, both corporate governance and strategic choices were regressed on organizational performance. Results revealed that all the models were statistically significant, thus supporting the hypothesis. This signified strong statistically significant influence of strategic choices to the relationship between corporate governance and firm performance.

The intervention was further tested using Pearson's coefficient correlation. This was achieved through two panel correlations matrix, panel 1 tested intervention between corporate governance and strategic choices, while panel 2 tested mediation between strategic choices and organizational performance. Results revealed positive correlation for both panels. This further confirmed significant intervention of strategic choices to the relationship between corporate governance and organizational performance. Finally, the study sought to examine the joint effect of corporate governance, agency conflicts, strategic choices and organizational performance, outlined by hypothesis 4 (H_4). These were tested using hierarchical multiple regression modelling. Results depicted a statistically significant joint relationship between the four variables, thus, the 4th hypothesis was supported. Moreover, the joint effect of the four variables were greater than the sum of their individual effects. This indicate that the conceptualization of variables interaction would achieve the expected greater firm value.

6.3 Conclusion

The study sought to examine the influence of corporate governance to organizational performance and effects of agency conflicts and strategic choices to this relationship. The subject of corporate governance has gained popularity in the last few decades, attracting enormous research both by scholars and practitioners. These studies have correspondingly reported divergent findings, particularly those that tested the various components of corporate governance and the resultant performance. Consequently, creating even greater impetus for further research. Consistent with numerous previous studies, the current research affirmed a resultant positive relationship between corporate governance and organizational performance (Shleifer & Vishny, 1997; Kiel & Nicholson, 2003; Letting', 2011).

However, a further interrogation into the various corporate governance components and their influence on firm performance reported inconsistent results. Two out of the six components significantly influenced performance. However, one of the components, that is, board committees reported a negative influence on organizational performance. The other four, codes of corporate governance, board independence, size and diversity did not have a statistically significant influence on performance.

The study further hypothesized that the presence or absence of agency conflicts would significantly affect how corporate governance influences firm performance. However, the research findings defied this conjecture, indicating a weak relationship. The results suggest that the presence of agency conflicts tends to trigger adoption of good governance mechanisms and practices that corrects or mitigates its effect. For instance, conflicts emanating from information asymmetry within organizations are corrected by enhancing reporting and disclosure requirements. Further, conflicts between shareholders and debt holders is corrected by review of the ownership structure thus ultimately eliminating the conflicts. The study therefore infers that agency conflicts may have an indirect relationship to firm performance. However, its self- correcting act, by adoption of good governance practices makes its effects too short-lived to influence performance.

Strategic choices proved to be a key conduit through which corporate governance influences performance in organizations. In the study, it was estimated that approximately 36 percent variation in performance of financial institutions was explained by corporate governance and strategic choices. The study suggests that one of the key roles of successful

boards is to set out strategic direction of corporations. This should be entrenched in the appointment, codes and performance evaluation of boards. Further, the findings insinuate that corporations should evaluate their internal and external environments when formulating strategic choices. Thus, one-size-fits-all strategies would not apply to all corporations, even within the same industry if optimal value is to be achieved.

Overall, the joint effect of corporate governance, agency conflicts and strategic choices recorded the highest results on firm performance. In the study, over 42 percent variation in firm performance was explained by the joint effect of the three variables. This shows that the joint effect of the variables was greater than the sum of their individual effects. The study therefore shows that corporations can enhance their value by implementing agency conflicts mitigation and adopting various strategies concurrently. The study further offered support to agency theory that views corporate governance as a mechanism aimed at mitigating agency conflicts. The theory argues, that an agency relationship exists when one party in an organization acts on behalf of another- mainly between shareholders and managers. Further, the theory posits that conflicts emerge when interests of the agent are not aligned to those of the principal, and when each party pursues to satisfy their interests. However, the current study advances this conceptualization by demonstrating that over and above mitigating agency conflicts, corporate governance adoption also leads to higher performance.

6.4 Recommendations Section

Based on the findings of the study, the following are recommended for financial institutions in Kenya.

1. Financial institutions should embrace corporate governance mechanisms and practices as a means of enhancing their performance and overall firms value.
2. Corporations should carefully select and appoint board members based on certain key attributes that catapult organizations forward. One of the most important attribute identified for board members is possession of requisite skills which should be considered in all board appointments.
3. Organizations should strive to create value for all stakeholders that significantly reduces agency conflicts that emanates from stakeholders attempts to satisfy their own interests.
4. Financial institutions should formulate and implement strategic choices that takes into consideration their internal and external environments for optimal performance.
5. An all-inclusive performance measurement matrix like sustainable balanced scorecard (SBSC) affords organizations a better view of the overall performance and firm value.

6.5 Implications of the Study

The study sought to examine the influence of corporate governance to organizational performance, and how agency conflicts and strategic choices affects this relationship. The findings of the study are important to the various corporate spheres. Further, the results obtained enriches the existing body of literature theoretically, conceptually and

empirically. Theoretically, the study confirmed the three theories and offered invaluable insights to policy makers at all levels, institutional, industry, sector and country at large. Further, the study offered vital acumens to industry players, investors, directors, shareholders, managers and the general public.

6.5.1 Theoretical Implications

In pursuits of interrogating the relationship between corporate governance, agency conflicts, strategic choices and organizational performance, the study employed a few theories. First, agency theory was a key foundation of the study that anchored corporate governance and agency conflicts. The theory views stakeholders' interests in conflicts and postulates that corporate governance is key in mitigating these conflicts. This study extends this theory by demonstrating that beyond bringing into congruence interests of various stakeholders in organizations, corporate governance leads to high performance.

Further, in a bid to address weaknesses of agency theory the study was also anchored on stakeholders' theory. Stakeholders theory provided different lenses, that views managers as selfless and working for the interests of all organizational stakeholders. Further, the theory posits that stakeholders' interests are not in conflict, but rather complement each other. This study confirms this view by asserting that organizational leaders drive organizations through formulating strategic choices that are aimed at improving firm value for all stakeholders. The study therefore suggests that when agency conflicts are abated and better strategic decisions are sanctioned, the performance of organizations is enhanced. The current research has therefore merged the two perspectives in the agency theory and

stakeholders theory, depicting that when both the viewpoints are considered, performance is enhanced. The study has also shown that SBSC performance measurement perspectives leads to higher firm value, thus demonstrating that the two theories complement each other.

6.5.2 Policy Implications

The findings of this study are important to policy makers in formulation and improving existing policy framework. First, the study has shown that corporate governance enhances firm value. As such, regulators need to incorporate good governance mechanisms to be adopted at industry and country level. This entails formulating and sanctioning codes of corporate governance to be implemented. However, not all codes of corporate governance apply uniformly in all firms, industries and sectors, particularly the financial services sector. There is therefore need for each corporation to also develop a set of codes that are firm- specific for optimal performance.

Further, the study informs policy makers on the need to be moderate in regulation. The study postulates that voluntary adoption of corporate governance yields better results. Besides, corporations become more innovative on various governance aspects. For instance, the integrated reporting for corporations, which is voluntary, has gained popularity and most corporations have adopted it in their annual reporting. This has greatly improved governance practices of disclosure, transparency and enhanced sustainable performance metrics. The various industries policy makers will be guided on the level of adoption of corporate governance and points to key areas of concern.

6.5.3 Implications to Managerial Practice

The findings of this study offer very critical solutions to practitioners in the financial sector. First, the study accentuates the need for good governance practices in organizations for posterity. In addition, the study has highlighted key considerations to guide in board member's appointments. The findings confirmed important characteristics of board members that are associated with high performance. Further, the study has highlighted key functions of the board that enhance firm value. The financial institutions being highly regulated, are viewed as adopting various best practices as a regulators requirement. However, this study altered this perception, by demonstrating the value firms gain by adopting best practices voluntarily, and going beyond the regulators requirements.

The study's descriptive and comparative analysis provided important insights to players and investors. The analysis of the adoption of corporate governance, strategic choices and prevalence of agency conflicts relative to their counterparts in the financial sector was a key indicator of areas to improve and what to maintain. Further, the segments of strengths and weaknesses are outlined, hence the study points to areas that need greater emphasis by the various industries. The study also informs future strategic choices that financial institutions can adopt, such as strategic alliances, mergers and acquisitions, to the most compatible players within the industry and sector.

6.6 Key Contributions to Knowledge

The study has immensely contributed to knowledge in various ways. First, the study confirms that adoption of good corporate governance mechanisms and practices in organizations leads to enhanced organizational performance and overall firm value. In addition, the study demonstrates that carefully selecting and appointing board members

with requisite skills, among other attributes, is an integral part of the adoption of good governance that immensely contributes to high performance. Further, the study reveals that strategic choices is a vital conduit through which corporate governance influences performance. The partial mediation of strategic choices signifies that both corporate governance and strategic choices are important determinants of firm performances independently and jointly.

On agency conflicts, the study presented invaluable input, that although traces of agency conflicts were observed within Kenya's financial institutions, they did not have a direct impact to performance. This implies that as agency conflicts increases in organizations, they trigger adoption of good governance mechanisms, such as disclosure, transparency and accountability that in effect self corrects the causes of conflicts. Thus, agency conflicts traced become so short-lived to influence organizational performance. Further, in recognition of the weaknesses of financial performance, the study adopted sustainable balanced scorecard (SBSC) in determination of organizational performances. Thus, the study demonstrated that SBSC is a more superior and holistic measure of performance in consideration of the six perspectives of financial, customer focus, learning and growth, internal business processes, social aspects and environmental consciousness.

6.7 Limitations of the Study

Although this study recorded invaluable impact for future studies, it still had some limitations. The study achieved a response rate of 67 percent (108 firms) from a sample of 162 financial institutions. This indicate that 33 percent of those sampled did not respond. This was partly due to the geographical spread of some financial institutions, especially deposit taking SACCOs across the country and some in remote areas. Data from these

institutions was collected through emails and sending questionnaires through post where in some instances sampled financial institutions were non- responsive. In addition, some institutions opted not to participate in the study, citing restriction by their company policy. Thus, the study did not factor in their contributions, yet they may have had additional insights on the findings of the study. Further, in a few instances, the senior executives targeted to respond to the questionnaires delegated them to their deputies and assistants. These challenges were addressed by enhancing the response rate as much as possible and ensuring sufficient representation of each category of financial Institutions for making inferences.

Another limitation of the study was the cross-sectional method of data collection. This method records data at one point in time, hence if there were substantial changes after the data collection time, the findings would not capture that. To try and address this, the study adopted an average of the last 3 years on variables interactions. Further, due to the small population of MFI's (12) and the low response rate by insurance companies (25), it was not possible to test comparative regression analysis. Regression analysis requires relatively larger data sets for accurate reports. To address this, the study reported descriptive and comparative analysis of all the variables interaction across all the financial institutions, and in the various categories.

6.8 Suggestions for Further Research

The variables of this study were corporate governance, agency conflicts, strategic choices and organizational performance, tested within the Kenya financial institutions. Further research in other contexts would corroborate findings of this research. It would be interesting to interrogate agency conflicts' moderating role to other sectors, to confirm

whether it is a threat to an economy or not. Besides, including other factors such as the firm competitive environment and resource capabilities that are also critical in determining organizational performance. Further, research on strategic decision making and strategy implementation would enrich findings of this study.

The comparative analysis of how the variables interaction varied across various industries, within the financial sector was a major contribution by this study. A similar comparative analysis in other sectors and across the industries within those sectors would be critical to policy makers, regulators and players. A case in point would be the Nairobi Securities Exchange (NSE), the manufacturing and mining sectors, to mention a few. Further research is recommended on adoption of corporate governance within the small and medium enterprises (SMEs) and in the NGO sectors.

6.9 Chapter Summary

This chapter presented the summary conclusion and recommendations of the study. First, the summary of the findings was presented followed by the conclusion. Further, based on the findings, recommendations are outlined especially to financial institutions in Kenya. In addition, implications of the study to theory, policy and practice was presented. Finally, the researcher notes a few limitations faced while carrying out the study and offers suggestions for further studies.

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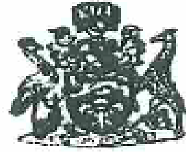
APPENDICES

APPENDIX I: LETTER OF INTRODUCTION



UNIVERSITY OF NAIROBI
COLLEGE OF HUMANITIES & SOCIAL SCIENCES
SCHOOL OF BUSINESS

Telephone: 4184160-5 Ext 215
Telegrams: "Varsity" Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, KENYA

1st March, 2017

TO WHOM IT MAY CONCERN

Dear Sir/Madam,

INTRODUCTORY LETTER FOR RESEARCH
GRACE WAIRIMU KAMAU – REGISTRATION NO. D80/72454/2011

The above named is a registered PhD candidate at the University of Nairobi, School of Business. She is conducting research on "***Corporate Governance, Agency Conflicts, Strategic Choices and Performance of Financial Institutions in Kenya***".

The purpose of this letter is to kindly request you to assist and facilitate the student with necessary data which forms an integral part of the thesis. The information and data required is needed for academic purposes only and will be treated in **Strict-Confidence.**

Your co-operation will be highly appreciated.

Thank you.

Prof.Martin Ogutu
For: Associate Dean, Graduate Business Studies
School Of Business

MO/jkm

APPENDIX II: RESEARCH QUESTIONNAIRE

Dear Respondent,

This questionnaire is designed to collect data on **Corporate Governance, Agency Conflicts, Strategic Choices and Performance of Financial Institutions in Kenya**. The data collected will be analyzed to establish existence of relationship between the study variables and used for academic purposes only. All data and information obtained will be treated with utmost confidentiality. Your participation in this study will be highly appreciated. Kindly spare some time to fill in the questionnaire, and note, there are no right or wrong answers.

Section A: Organizational Background

1. Name of Organization…………………………...Rubber Stamp………………….

(Please tick appropriately in the following questions)

2. How long have you worked in this organization?
   Below 2 years [ ]   2 to 4 years [ ]   5 to 7 years [ ]
   8 to 10 years [ ]   above 10 years [ ]
3. How long have you served in the current position?
   Below 2 years [ ]   2 to 4 years [ ]   5 to 7 years [ ]
   8 to 10 years [ ]   above 10 years [ ]
4. How many permanent staff does your organization have?
   Below 250 [ ]   250 to 500 [ ]   501 to 750 [ ]
   751 to 1000 [ ]   above 1000 [ ]

5. Which year was your organization established in Kenya............................

Section B: Corporate Governance

6. The following statements describe the codes of corporate governance practices that guide organizations in your industry. Please indicate the extent to which each statement applies to your organization. Use 1-Not at all; 2- To a small extent; 3- Moderate extent; 4- Large extent; 5- Very large extent

		1	**2**	**3**	**4**	**5**
i	Our board have developed and implemented a code of conduct and ethics					
ii	Our organization has a policy on appointment of new board members					
iii	Formal letters are issued to appointed board members stipulating their rights and responsibilities					
iv	Diversity is entrenched in our policy to ensure diverse board members are appointed					
v	Our codes require various committees be established to cover board functions					

vi	A key function of the board is to define the company's mission, vision and strategy					
vii	Our board has put in place a policy to manage conflicts of interest					
viii	Our policies and procedures ensures independence of the board is upheld					
ix	Our organization has an operational board charter					
x	We have an approved formal and transparent remuneration policy for board members					
xi	Our codes of conduct require that we comply with all applicable laws, regulations and standards					
xii	Our board requires recognition, respect and protection of all shareholder rights					
xiii	Our board have adopted a stakeholder-inclusive approach in its practice of corporate governance					
xiv	Our board has a formal process to resolve both internal and external disputes					
xv	Our board considers both financial and also the impact of our company operations on society and environment					
xvi	Our shareholders appoint independent external auditors at each annual general meeting					
xvii	All newly appointed board members are inducted on our company culture					

7. The following tables indicate board diversity (personal characteristics of board members). Kindly fill them according to your organization's board members.

(i) **Age of board members**

Kindly fill the age brackets and number of board members in each category in your organization

Age Brackets in years	**Number of board members**
Below 30	
30 to 34	
35 to 39	
40 to 44	
45 to 49	
50 to 54	
55 to 59	
60 to 64	
65 to 69	
70 and above	

(ii) **Educational background**

Please indicate the highest attained academic qualification and the number of board members in each category.

Highest academic qualification achieved	**Number of board members**
High School	
Diploma	
Bachelor's degree	
Master degree	
PhD	

(iii) **Board members prior experience**

Please indicate the number of years of experience of board members in similar position

Number of year	**Number of board members**
below 2 years	
2 to 4 years	
5 to 7 years	
8 to 10 years	
11 to 13 years	
above 13 years	

(iv) **Technical expertise**

Please indicate the number of board members who have functional expertise in each of the following and related fields.

Area of expertise	**Number of board members**
Finance and accounting	
ICT, Engineering	
Human resources, administration	
Sales and marketing	
Legal	
Others (Please specify)	
Others Please specify)	

(v) **Gender**

Please indicate board members gender

Gender	Number of board members
Male	
Female	
Total	

8. The following statements describe board independence in organizations. Kindly indicate by ticking [√] the extent to which each statement applies to your organization. Use 1-Not at all; 2- To a small extent; 3- Moderate extent; 4- Large extent; 5- Very large extent.

		1	**2**	**3**	**4**	**5**
i	Our board executes their roles and responsibilities independently and objectively					
ii	Our non-executive directors have not been employed by our organization in the last 3 years					
iii	The board hires or recommends hiring of the best candidates based on merits					
iv	The board awards tenders to the most competitive bidders					
v	The board makes decisions independent of management					
vi	The board chair person and the CEO plays key distinct roles					

9. Kindly indicate the board members' composition in your organization.

Type of board members	Number of board members
Executive (including CEO)	
Non- executive	

10. The following are board committees established to cover board functions. Please tick [√] all that applies to your organization.
    (i) Rewards and remuneration [ ]
    (ii) Audit and Risk [ ]
    (iii) Finance [ ]
    (iv) Investment [ ]
    (v) Board nomination committee [ ]
    (vi) Human resources and administration [ ]
    (vii) Executive [ ]
    (viii) Others (please specify)
    ____

11. The following statements describe board members' skills and expertise in handling responsibilities allocated to them. Please indicate by ticking [√] the extent to which each statement applies to your organization. Use 1-Not at all; 2-Small extent; 3-Moderate extent; 4- Large extent; 5- Very large extent**.**

		1	**2**	**3**	**4**	**5**
i	Technical expertise is a key consideration when appointing board members					
ii	Our board members have necessary skills for executing their roles					
iii	Our board members have essential experience on our business					
iv	Our board members have the required independence for executing their roles					
v	Our board members have proper understanding of the current and emerging issues of business					
vi	Our Board members have the required competences to deal with any issue in our firm					
vii	Our board encourages enhanced performance of the organization.					
viii	Our board evaluates senior managements performances					
ix	Our board recommends rewards and punishments to management based on performances					

Section C: Agency Conflicts

12 The following statements describe equitable treatment of shareholders in organizations. Please indicate by ticking (√) the extent to which each statement applies to your organization. Use 1-Not at all; 2-Small extent; 3- Moderate extent; 4-Large extent; 5- Very large extent

		1	**2**	**3**	**4**	**5**
i	All shareholders have the right to attend general meetings					
ii	All shareholders have the right to vote in general meetings					
iii	All shareholders receive a copy of annual reports of our company					
iv	All shareholders have the right to receive dividend					
v	All shareholders have the right to receive final dues in case of liquidation					
vi	Appropriate knowledge is shared with all shareholders for informed decision making					

13. The following statements describe manifestation of agency conflicts between various organizational stakeholders. Please indicate by ticking (√) how frequently each statement applies to your organization.

	Very Frequently	Occasionally	Rarely	Very Rarely	Never
i) There is friction between senior executives and shareholders					
ii) There is tension amongst senior executives and shareholders					
iii) There are personality clashes between senior executives and shareholders					
iv) There are emotional conflicts amidst senior executives and shareholders					
v) Top managers and board members disagree on opinions about work					
vi) There are disagreements about ideas between the board and managers					
vii) There are professional differences in opinions between board and managers					
viii) Intentions of some stakeholders during joint stakeholders' meetings are not good					
ix) There is conflict of interest between board members and their functional roles					
x) There are conflicts between majority shareholders and minority shareholders					
xi) There are conflicts between shareholders and directors					
xii) There are conflicts between executive directors and non-executive directors					
xiii) There are conflicts between shareholders and the CEO					
xiv) There are conflicts between directors and the CEO					
xv) There are conflicts between shareholders and debt holders					

14. The following statements describe how various interest groups control decisions in organizations. Please indicate by ticking (√) the extent to which each statement applies to your organization. Use 1-Not at all; 2-Small extent; 3- Moderate extent; 4- Large extent; 5- Very large extent

		Very Frequently	Occasionally	Rarely	Very Rarely	Never
i)	The board dominates management					
ii)	Majority shareholder's influences running of our organization					
iii)	Majority shareholders dominates board decisions					
iv)	Executive directors influence major board decisions					
v)	Management dominates the board					
vi)	Non-executive directors influence major board decisions					
vii)	The CEO dominates major organizational decisions					

Section D: Strategic Choices

15. The following statements indicate strategic choices that are made by corporations. Kindly indicate by ticking (√) the extent to which each statement applies to your organization in the last 5 years. Use 1-Not at all; 2-Small extent; 3- Moderate extent; 4- Large extent; 5- Very large extent

		1	2	3	4	5
i)	We have had a merger with another organization in the recent years					
ii)	We have acquired another organization to better compete in the market					
iii)	We have outsourced some of our non-core functions					
iv)	We have sold off a non-performing business venture					
v)	We have ventured into provision of other financial services to our customers					
vi)	We have introduced new differentiated products and services to reach wider customer needs					
vii)	We have adopted a better information technology system in our operations					

viii)	We have upgraded our information technology system to a better version for efficient operations					
ix)	We have automated some of our operations for customers' convenience and to reach wider client base					
x)	We have introduced a major innovation in our business					
xi)	We have integrated our system with our major customers for ease of transacting					

Section E: Organizational Performance

16. The following statements describe performance in organizations. Please indicate by ticking (√) the extent to which each statement applies to your organization. Use 1-Not at all; 2-Small extent; 3- Moderate extent; 4- Large extent; 5- Very large extent.

		1	2	3	4	5
i)	Our market share has been increasing over the last five years					
ii)	We have a high level of customer retention					
iii)	Our customers rate our products and services highly					
iv)	We receive new customers on referral from our existing customers					
v)	The complains we receive from our customers have been declining					
vi)	Our organization consistently monitors and improves the quality of our products					
vii)	We have been increasing budget allocation for research and development in the last 5 years					
viii)	We have developed many innovate products and services that meets our customers' needs					
ix)	We have more superior products and services than our competitors					
x)	We continuously train our staff on all areas of our operations					
xi)	We have a well laid out succession planning					
xii)	We value and nurture continued innovation by our staff					
xiii)	Our organization has strong mentorship programs for our staff that are consistently followed					

xiv) We conduct surveys to determine our employees' satisfaction					
xv) We regularly carry out and participate in social responsibility activities					
xvi) We run a community benefits organization that takes care of the most needy in our society					
xvii) We participate in community activities aimed at alleviating suffering of vulnerable groups					
xviii) We have incorporated integrated reporting in our annual performance reports					
xix) We carry out annual environmental audits to improve and safeguard our nature					
xx) We follow laid out policy on waste management and disposal					

THANK YOU FOR TAKING TIME TO PARTICIPATE IN THIS STUDY

APPENDIX III: RESEARCH PERMIT

THIS IS TO CERTIFY THAT:
MISS. GRACE WAIRIMU KAMAU
of UNIVERSITY OF NAIROBI, 0-100
NAIROBI,has been permitted to conduct
research in *All Counties*

Permit No : NACOSTI/P/17/14881/16202
Date Of Issue : 14th March,2017
Fee Recieved :Ksh 2000

on the topic: *CORPORATE GOVERNANCE, AGENCY CONFLICTS, STRATEGIC CHOICES AND PERFORMANCE OF FINANCIAL INSTITUTIONS IN KENYA*

for the period ending:
14th March,2018

Director
National Commission for S
Technology & Innovation

CONDITIONS

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

REPUBLIC OF KENYA

National Commission for Science, Technology and Innovation

RESEACH CLEARANCE PERMIT

Serial No.A 13243

CONDITIONS: see back page

APPENDIX IV: LIST OF FINANCIAL INSTITUTIONS

Licenced Insurance Companies in 2016

1	AAR Insurance Kenya Limited	PO Box 41766 - 00100, Nairobi
2	Africa Merchant Assurance Co. Ltd	PO Box 61599 - 00100, Nairobi
3	AIG Kenya Insurance Co Ltd	PO Box 49460 - 00100, Nairobi
4	Allianz Insurance Co of Kenya Ltd	PO Box 66257- 00800, Nairobi
5	APA Insurance Limited	PO Box 30065 - 00100, Nairobi
6	APA Life Assurance Limited	PO Box 30389 - 00100, Nairobi
7	Barclays Life Assurance K Ltd	PO Box 1140 - 00100, Nairobi
8	Britam General Ins. Co. (K) Ltd.	PO Box 40001 – 00100, Nairobi
9	British-American Insurance Co. Ltd.	PO Box 30375 – 00100, Nairobi
10	Cannon Assurance Ltd	PO Box 30216 - 00100, Nairobi
11	Capex Life Assurance Limited	PO Box 12043 - 00400, Nairobi
12	CIC General Insurance Limited	PO Box 59485 - 00100, Nairobi
13	CIC Life Assurance Ltd	PO Box 59485 - 00100, Nairobi
14	Continental Reinsurance Ltd	PO Box 76326 - 00508, Nairobi
15	Corporate Insurance Co. Ltd	PO Box 34172 – 00100, Nairobi
16	Directline Assurance Co Ltd	PO Box 40863 - 00100, Nairobi
17	EA Reinsurance Company Ltd	PO Box 20196 - 00200, Nairobi
18	Fidelity Shield Insurance Co Ltd	PO Box 47435 - 00100, Nairobi
19	First Assurance Company Ltd	PO Box 30064 - 00100, Nairobi
20	GA Insurance Limited	PO Box 42166 - 00100, Nairobi
21	GA Life Assurance Ltd	PO Box 42166 - 00100, Nairobi
22	Geminia Insurance Company Ltd	PO Box 61316 - 00200, Nairobi
23	ICEA LION General Insurance Co Ltd	PO Box 30190 - 00100, Nairobi
24	ICEA LION Life Assurance Co Ltd	PO Box 46143 - 00100, Nairobi
25	Intra Africa Assurance Co Ltd	PO Box 43241 - 00100, Nairobi
26	Invesco Assurance Company Ltd	PO Box 52964 - 00200, Nairobi
27	Kenindia Assurance Co Ltd	PO Box 44372 - 00100, Nairobi
28	Kenya Orient Insurance Ltd	PO Box 34530 - 00100, Nairobi
29	Kenya Orient Life Assurance Ltd	PO Box 34540 - 00100, Nairobi
30	Kenya Reinsurance Corp Ltd	PO Box 30271 - 00100, Nairobi
31	Liberty Life Assurance Kenya Ltd	PO Box 30364 - 00100, Nairobi
32	Madison Insurance Company Ltd	PO Box 47382—00100, Nairobi
33	Mayfair Insurance Company Ltd	PO Box 45161 - 00100, Nairobi
34	Metropolitan Cannon Life Ass Ltd	PO Box 46783 - 00100, Nairobi
35	Occidental Insurance Co Ltd	PO Box 39459 - 00623, Nairobi
36	Old Mutual Life Assurance Co Ltd	PO Box 30059 - 00100, Nairobi
37	Pacis Insurance Company Ltd	PO Box 1870 - 00200, Nairobi
38	Phoenix of EA Assurance Co Ltd	PO Box 30129 - 00100, Nairobi
39	Pioneer General Insurance Ltd	PO Box 20333 - 00200, Nairobi

40	Pioneer Life Assurance Company Ltd	PO Box 20333 - 00200, Nairobi
41	Prudential Life Assurance K Ltd	PO Box 25093 - 00100, Nairobi
42	Resolution Insurance Company Ltd	PO Box 4469 - 00100, Nairobi
43	Saham Assurance Company K Ltd	PO Box 20680 - 00200, Nairobi
44	Sanlam General Insurance Ltd	PO Box 60656 -00200, Nairobi
45	Sanlam Life Assurance Ltd	PO Box 44041 – 00100, Nairobi
46	Takaful Insurance of Africa Limited	PO Box 1811- 00100, Nairobi
47	Tausi Assurance Company Ltd	PO Box 28889 - 00200, Nairobi
48	The Heritage Insurance Company Ltd	PO Box 30390 - 00100, Nairobi
49	The Jubilee Insurance Co. Ltd	PO Box 30376 – 00100, Nairobi
50	The Kenyan Alliance Insurance Co Ltd	PO Box 30170 - 00100, Nairobi
51	The Monarch Insurance Co. Ltd.	PO Box 44003 - 00100, Nairobi
52	Trident Insurance Company Ltd	PO Box 55651 - 00200, Nairobi
53	UAP Insurance Company Limited	PO Box 43013 - 00100, Nairobi
54	UAP Life Assurance Limited	PO Box 23842 - 00100, Nairobi
55	Xplico Insurance Limited	PO Box 38106 - 00623, Nairobi

Source: IRA- October 2016
http://www.ira.go.ke/attachments/article/47/licencedcompanies2016.pdf

List of Banks in Kenya

1	ABC Bank (Kenya)	
2	Bank of Africa	
3	Bank of Baroda	
4	Bank of India	
5	Barclays Bank Kenya	
6	CFC Stanbic Holdings	
7	Charterhouse Bank Limited -Under Statutory Management	
8	Chase Bank Kenya - in Receivership	
9	Citibank	
10	Commercial Bank of Africa	
11	Consolidated Bank of Kenya	
12	Cooperative Bank of Kenya	
13	Credit Bank	
14	Development Bank of Kenya	
15	Diamond Trust Bank	
16	Ecobank Kenya	
17	Spire Bank Limited –Formerly Equatorial Commercial Bank	

18	Equity Bank	
19	Family Bank	
20	Fidelity Commercial Bank Limited	
21	First Community Bank	
22	Giro Commercial Bank	
23	Guaranty Trust Bank Kenya	
24	Guardian bank	
25	Gulf African Bank	
26	Habib Bank AG Zurich	
27	Habib Bank	
28	Imperial Bank Limited - In Receivership	
29	Housing Finance Company of Kenya	
30	I & M Bank	
31	Jamii Bora Bank	
32	Kenya Commercial Bank Limited	
33	Sidian Bank Limited – Formerly K-Rep Bank	
34	Middle East Bank Kenya	
35	National Bank of Kenya	
36	NIC Bank	
37	Oriental Commercial Bank	
38	Paramount Universal Bank	
39	prime Bank (Kenya)	
40	Standard Chartered Kenya	
41	Trans National Bank Kenya	
42	United Bank for Africa - UBA	
43	Victoria Commercial Bank	

Source: (CBK, 2016) Bank Supervision Annual Report for 2015

List of Micro Finance Institutions (MFIs) in Kenya

1	Faulu Kenya	
2	Choice Microfinance Bank Limited	
3	KWFT – Kenya Women Microfinance Bank Ltd	
4	SMEP Microfinance Bank Ltd	
5	Century Microfinance Bank Ltd	
6	Uwezo Microfinance Bank Ltd	
7	Rafiki Microfinance Bank Ltd	
8	Remu Microfinance Bank Ltd	
9	Sumac Microfinance Bank Ltd	
10	U&I Microfinance Bank Ltd	
11	Caritas Microfinance Bank Ltd (Owned by the Catholic Church of Kenya)	
12	Daraja Microfinance Bank Limited	

Source: (CBK, 2016) Bank Supervision Annual Report for 2015

Licensed SACCO Societies for 2016

SACCO SOCIETIES ACT
(Cap 490B)

LIST OF SACCO SOCIETIES LICENSED TO UNDERTAKE DEPOSIT-TAKING SACCO BUSINESS IN KENYA FOR THE FINANCIAL YEAR ENDING DECEMBER 2016

PURSUANT to Section 28 of the Sacco Societies Act (Act) as read with Reg. 8 of the Sacco Societies (Deposit-Taking Sacco Business) Regulations, 2010, the Sacco Societies Regulatory Authority (Authority), hereby publishes for the notification of the general public:

a) the list of Sacco Societies which have been duly licensed to carry out deposit-taking Sacco business in Kenya in accordance with Section 26(1) of the Act for the financial year ending on **31st December, 2016** as appears in **SCHEDULE I**.

	NAME OF SOCIETY	POSTAL ADDRESS
1.	2NK Sacco Society Ltd	P.O Box 12196-10100 Nyeri
2.	Afya Sacco Society Ltd	P.O. Box 11607 – 00400, Nairobi.
3.	Agro-Chem Sacco Society Ltd	P.O Box 94-40107, Muhoroni.
4.	All Churches Sacco Society Ltd	P.O Box 2036-01000, Thika.
5.	Ardhi Sacco Society Ltd	P.O. Box 28782-00200, Nairobi.
6.	Asili Sacco Society Ltd	P.O.BOX 49064 – 00100, Nairobi.
7.	Bandari Sacco Society Ltd	P.O. BOX95011 –80104, Mombasa.
8.	Baraka Sacco Society Ltd	P.O.BOX 1548 – 10101, Karatina.
9.	Baraton University Sacco Society Ltd	P.O BOX 2500-30100, Eldoret.
10.	Biashara Sacco Society Ltd	P.O.BOX 1895 – 10100, Nyeri.

11.	Bingwa Sacco Society Ltd	P.O.BOX 434 – 10300, Kerugoya.
12.	Boresha Sacco Society Ltd	P.O.BOX80–20103, Eldama Ravine.
13.	Capital Sacco Society Ltd	P.O BOX 1479-60200, Meru.
14.	Centenary Sacco Society Ltd	P.O.BOX 1207 – 60200, Meru.
15.	Chai Sacco Society Ltd	P.O.BOX 47815 – 00100, Nairobi.
16.	Chuna Sacco Society Ltd	P.O.BOX 30197 – 00100, Nairobi.
17.	Cosmopolitan Sacco Society Ltd	P.O.BOX 1931 – 20100, Nakuru.
18.	County Sacco Society Ltd	P.O.BOX 21 – 60103, Runyenjes.
19.	Daima Sacco Society Ltd	P.O.BOX 2032 – 60100, Embu.
20.	Dhabiti Sacco Society Ltd	P.O.BOX 353 – 60600, Maua.
21.	Dimkes Sacco Society Ltd	P.O.BOX 886 – 00900, Kiambu.
22.	Dumisha Sacco Society Ltd	P.O BOX 84-20600, Mararal.
23.	Egerton Sacco Society Ltd	P.O.BOX 178 – 20115, Egerton.
24.	Elgon Teachers Sacco Society Ltd	P.O BOX 27-50203, Kapsokwony.
25.	Elimu Sacco Society Ltd	P.O BOX 10073-00100, Nairobi.
26.	Enea Sacco Society Ltd	P.O.BOX 1836 – 10101, Karatina.
27.	Faridi Sacco Society Ltd	P.O. BOX 448-50400, Busia.
28.	Fariji Sacco Society Ltd	P.O.BOX 589 –00216, Githunguri.
29.	Fortune Sacco Society Ltd	P.O.BOX 559 – 10300, Kerugoya.
30.	Fundilima Sacco Society Ltd	P.O.BOX 62000 – 00200, Nairobi.
31.	Gastameco Sacco Society Ltd	P.O BOX 189-60101, Manyatta.
32.	Githunguri Dairy & Community Sacco Society Ltd	P.O. BOX 896–00216, Guthunguri.
33.	Goodway Sacco Society Ltd	P.O BOX 626-10300, Kerugoya.
34.	Gusii Mwalimu Sacco Society Ltd	P.O.BOX 1335 – 40200, Kisii.
35.	Harambee Sacco Society Ltd	P.O.BOX 47815 – 00100, Nairobi.
36.	Hazina Sacco Society Ltd	P.O.BOX 59877 – 00200, Nairobi.
37.	IG Sacco Society Ltd	P.O.BOX 1150 –50100, Kakamega.
38.	Ilkisonko Sacco Society Ltd	P.O BOX 91-00209, Loitokitok.
39.	Imarika Sacco Society Ltd	P.O.BOX 712 – 80108, Kilifi.
40.	Imarisha Sacco Society Ltd	P.O.BOX 682 – 20200, Kericho.
41.	Imenti Sacco Society Ltd	P.O.BOX 3192 – 60200, Meru.
42.	Jacaranda Sacco Society Ltd	P.O. BOX 176744-00232, Ruiru
43.	Jamii Sacco Society Ltd	P.O.BOX 57929 – 00200, Nairobi.
44.	Jitegemee Sacco Society Ltd	P.O. BOX 86937-80100, Mombasa.
45.	Jumuika Sacco Society Ltd	P.O. BOX 14-40112, Awasi.
46.	Kaimosi Sacco Society Ltd	P.O BOX 153-50305, Sirwa.
47.	Kathera Rural Sacco Society Ltd	P.O BOX 251-60202, Nkubu.
48.	Kenpipe Sacco Society Ltd	P.O.BOX 314 – 00507, Nairobi.
49.	Kenversity Sacco Society Ltd	P.O.BOX 10263 – 00100, Nairobi.
50.	Kenya Achievas Sacco Society Ltd	P.O. BOX 3080-40200, Kisii.
51.	Kenya Bankers Sacco Society Ltd	P.O.BOX 73236 – 00200, Nairobi.
52.	Kenya Canners Sacco Society Ltd	P.O.BOX 1124 – 01000, Thika.
53.	Kenya Highlands Sacco Society Ltd	P.O.BOX 2085 – 002000, Kericho.
54.	Kenya Midland Sacco Society Ltd	P.O BOX 287-20400, Bomet.

55.	Kenya Police Sacco Society Ltd	P.O.BOX 51042 – 00200, Nairobi.
56.	Joinas Sacco Society Ltd	P.O.BOX 669 – 00219, Karuri.
57.	Kimbilio Daima Sacco Society Ltd	P.O. BOX 81-20225, Kimulot.
58.	Kingdom Sacco Society Ltd	P.O.BOX 8017 – 00300, Nairobi.
59.	Kipsigis EDIS Sacco Society Ltd	P.O BOX 228-20400, Bomet.
60.	Kite Sacco Society Ltd	P.O.BOX 2073 – 40100, Kisumu.
61.	Kitui Teachers Sacco Society Ltd	P.O.BOX 254 – 90200, Kitui.
62.	KMFRI Sacco Society Ltd	P.O.BOX 80862, 80100 Mombasa.
63.	Kolenge Tea Sacco Society Ltd	P.O BOX 291-30301, Nandi Hills.
64.	Konoin Sacco Society Ltd	P.O.BOX 83 –20403, Mogogosiek.
65.	Koru Sacco Society Ltd	P.O. BOX Private Bag-40100, Koru
66.	Kwale Teachers Sacco Society Ltd	P.O. BOX 123-80403, Kwale.
67.	Kwetu Sacco Society Ltd	P.O BOX 818-90100, Machakos.
68.	K-Unity Sacco Society Ltd	P.O.BOX 268 – 00900, Kiambu.
69.	Lamu Teachers Sacco Society Ltd	P.O. BOX 110-80500, Lamu.
70.	Lainisha Sacco Society Ltd	P.O. BOX 272-10303, Wang'uru.
71.	Lengo Sacco Society Ltd	P.O.BOX 1005 – 80200, Malindi.
72.	Mafanikio Sacco Society Ltd	P.O BOX 86515-80100, Mombasa.
73.	Magadi Sacco Society Ltd	P.O.BOX 13 – 00205, Magadi.
74.	Magereza Sacco Society Ltd	P.O.BOX 53131 – 00200, Nairobi.
75.	Maisha Bora Sacco Society Ltd	P.O.BOX 30062 – 00100, Nairobi.
76.	Marsabit Teachers Sacco Society Ltd	P.O.BOX 90 – 60500, Marsabit.
77.	Mentor Sacco Society Ltdz	P.O.BOX 789 – 10200, Murang'a.
78.	Metropolitan National Sacco Society Ltd	P.O.BOX 871 – 00900, Kiambu.
79.	Miliki Sacco Society Ltd	P.O.BOX 43582 – 10100 Nairobi
80.	MMH Sacco Society Ltd	P.O.BOX 469 – 60600, Maua.
81.	Mombasa Port Sacco Society Ltd	P.O.BOX 95372–80104, Mombasa.
82.	Mudete Tea Growers Sacco Society Ltd	P.O.BOX 221 – 41053, Khayega.
83.	Ollin Sacco Society Ltd	P.O BOX 83-10300, Kerugoya.
84.	Murata Sacco Society Ltd	P.O.BOX 816 – 10200, Murang'a.
85.	Mwalimu National Sacco Society Ltd	P.O.BOX 62641 – 00200, Nairobi.
86.	Mwietheri Sacco Society Ltd	P.O. BOX 2445-060100, Embu.
87.	Mwingi Mwalimu Sacco Society Ltd	P.O BOX 489-90400, Mwingi.
88.	Muki Sacco Society Ltd	P.O BOX 398-20318, North Kinangop.
89.	Mwito Sacco Society Ltd	P.O.BOX 56763 – 00200, Nairobi.
90.	Nacico Sacco Society Ltd	P.O.BOX 34525 – 00100, Nairobi.
91.	Nafaka Sacco Society Ltd	P.O.BOX 30586 – 00100, Nairobi.
92.	Nandi Farmers Sacco Society Ltd	P.O BOX 333-30301, Nandi Hills
93.	Nanyuki Equator Sacco Society Ltd	P.O BOX 1098-CX10400, Nanyuki
94.	Narok Teachers Sacco Society Ltd	P.O.BOX 158 – 20500, Narok.
95.	Nassefu Sacco Society Ltd	P.O.BOX 43338 – 00100, Narobi.
96.	Nation Sacco Society Ltd	P.O.BOX 22022 – 00400, Nairobi.

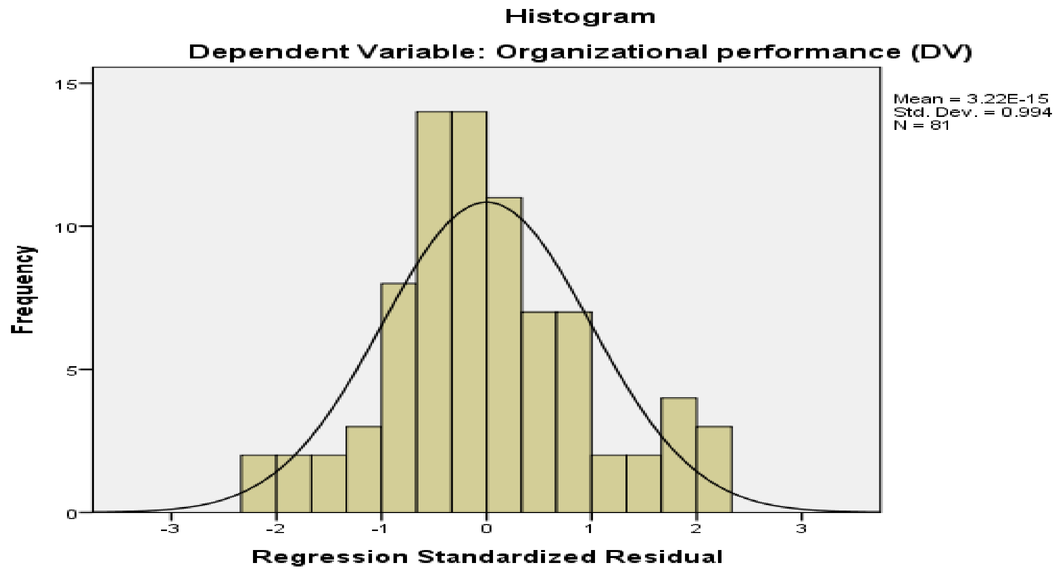
97.	Nawiri Sacco Society Ltd	P.O BOX 400-16100, Embu.
98.	Ndege Chai Sacco Society Ltd	P.O.BOX 857 – 20200, Kericho.
99.	Ndosha Sacco Society Ltd	P.O.BOX 532– 60401, Chogoria Maara.
100.	Ng'arisha Sacco Society Ltd	P.O.BOX 1199 – 50200, Bungoma.
101.	Noble Sacco Society Ltd	P.O.BOX 3466 – 30100, Eldoret.
102.	NRS Sacco Society Ltd	P. O BOX 575-00902, Kikuyu.
103.	Nufaika Sacco Society Ltd	P.O BOX 735-10300, Kerugoya.
104.	Nyahururu Umoja Sacco Society Ltd	P.O BOX 2183-20300, Nyahururu.
105.	Nyala Vision Sacco Society Ltd	P.O BOX 27-20306, Ndaragwa.
106.	Nyambene Arimi Sacco Society Ltd	P.O.BOX 493 – 60600, Maua.
107.	Nyati Sacco Society Ltd	P.O. BOX 7601 – 00200, Nairobi
108.	New Forties Sacco Society Ltd	P.O.BOX 1939 – 10100, Nyeri.
109.	Orient Sacco Society Ltd	P.O.BOX 1842 – 01000, Thika.
110.	Patnas Sacco Society Ltd	P.O BOX 601-20210, Litein.
111.	Prime Time Sacco	P.O. BOX 512 – 30700, Iten
112.	Puan Sacco Society Ltd	P.O BOX 404-20500, Narok.
113.	Qwetu Sacco Society Ltd	P.O BOX 1186-80304, Wundanyi
114.	Rachuonyo Teachers Sacco Society Ltd	P.O. BOX 147-40332, Kosele.
115.	Safaricom Sacco Society Ltd	P.O.BOX 66827 – 00800, Nairobi.
116.	Sheria Sacco Society Ltd	P.O.BOX 34390 – 00100, Nairobi.
117.	Shirika Sacco Society Ltd	P.O BOX 43429-00100, Nairobi.
118.	Simba Chai Sacco Society Ltd	P.O.BOX 977 – 20200, Kericho.
119.	Siraji Sacco Society Ltd	P.O.BOX Private Bag, Timau.
120.	Skyline Sacco Society Ltd	P.O. BOX 660 – 20103, Eldama Ravine.
121.	Smart Champions Sacco Society Ltd	P.O BOX 64-60205, Githingo
122.	Smart Life Sacco Society Ltd	P.O BOX 118-30705, Kapsowar.
123.	Solution Sacco Society Ltd	P.O.BOX 1694 – 60200, Meru.
124.	Sotico Sacco Society Ltd	P.O.BOX 959 – 20406, Sotik.
125	Southern Star Sacco Society Ltd	P.O BOX 514-60400, Chuka
126.	Shoppers Sacco Society Ltd	P.O. BOX 16 – 00507, Nairobi
127.	Stake Kenya Sacco Society Ltd	P.O.BOX 208 – 40413, Kehancha.
128.	Stima Sacco Society Ltd	P.O.BOX 75629 – 00100, Nairobi.
129.	Sukari Sacco Society Ltd	P.O BOX 841-50102, Mumias
130.	Suba Teachers Sacco Society Ltd	P.O. BOX 237-40305, Mbita.
131.	Supa Sacco Society Ltd	P.O.BOX 271 – 20600, Maralal.
132.	Tai Sacco Society Ltd	P.O.BOX 718 –00216, Githunguri.
133.	Taifa Sacco Society Ltd	P.O.BOX 1649 – 10100, Nyeri.
134.	Taraji Sacco Society Ltd	P.O.BOX 605 – 40600, Siaya.
135.	Tembo Sacco Society Ltd	P.O. BOX 91 – 00618, Ruaraka Nairobi.
136.	Tenhos Sacco Society Ltd	P.O.BOX 391 – 20400, Bomet.
137.	Thamani Sacco Society Ltd	P.O.BOX 467 – 60400, Chuka.
138.	Transcounties Sacco Society Ltd	P.O. BOX 2965-30200, Kitale.

139.	Trans Nation Sacco Society Ltd	P.O.BOX 15 – 60400, Chuka.
140.	Times U Sacco Society Ltd	P.O.BOX 310 – 60202, Nkubu.
141.	Tower Sacco Society Ltd	P.O.BOX 259 – 20303, Ol'kalou.
142.	Trans- Elite County Sacco Society Ltd	P.O BOX 547-30300, Kapsabet.
143.	Ufanisi Sacco Society Ltd	P.O BOX 2973-00200, Nairobi.
144.	Uchongaji Sacco Society Ltd	P.O. BOX 92503-80102, Mombasa.
145.	Ukristo Na Ufanisi Wa Angalicana Sacco Society Ltd	P.O BOX 872-00605, Nairobi.
146.	Ukulima Saco Society Ltd	P.O.BOX 44071 – 00100, Nairobi.
147.	Unaitas Sacco Society Ltd	P.O.BOX 38791– 00100, Nairobi.
148.	Uni-County Sacco Society Ltd	P.O BOX 10132-20100, Nakuru
149.	United Nations Sacco Society Ltd	P.O.BOX 30552 – 00100, Nairobi.
150.	Unison Sacco Society Ltd	P.O BOX 414-10400, Nanyuki.
151.	Universal Traders Sacco Society Ltd	P.O.BOX 2119– 90100, Machakos.
152.	Vihiga County Farmers Sacco Society Ltd	P.O BOX 309-50317, Chavakali.
153.	Vision Point Sacco Society Ltd	P.O.BOX 42 – 40502, Nyansiongo.
154.	Vision Africa Sacco Society Ltd	P.O BOX 18263-20100, Nakuru.
155.	Wakenya Pamoja Sacco Society Ltd	P.O.BOX 829 – 40200, Kisii.
156.	Wakulima Commercial Sacco Society Ltd	P.O.BOX 232 – 10103, Mukurweni.
157.	Wanaanga Sacco Society Ltd	P.O.BOX 34680 – 00501, Nairobi.
158.	Wananchi Sacco Society Ltd	P.O.BOX 910 – 10106, Othaya.
159.	Wanandege Sacco Society Ltd	P.O.BOX 19074 -00501, Nairobi.
160.	Washa Sacco Society Ltd	P.O.BOX 83256–80100, Mombasa.
161.	Waumini Sacco Society Ltd	P.O.BOX 66121 – 00800, Nairobi.
162.	Wevarsity Sacco Society Ltd	P.O BOX 873-50100, Kakamega
163.	Winas Sacco Society Ltd	P.O. Box 696 – 60100, Embu.
164.	Yetu Sacco Society Ltd	P.O. Box 511 – 60202, Nkubu.

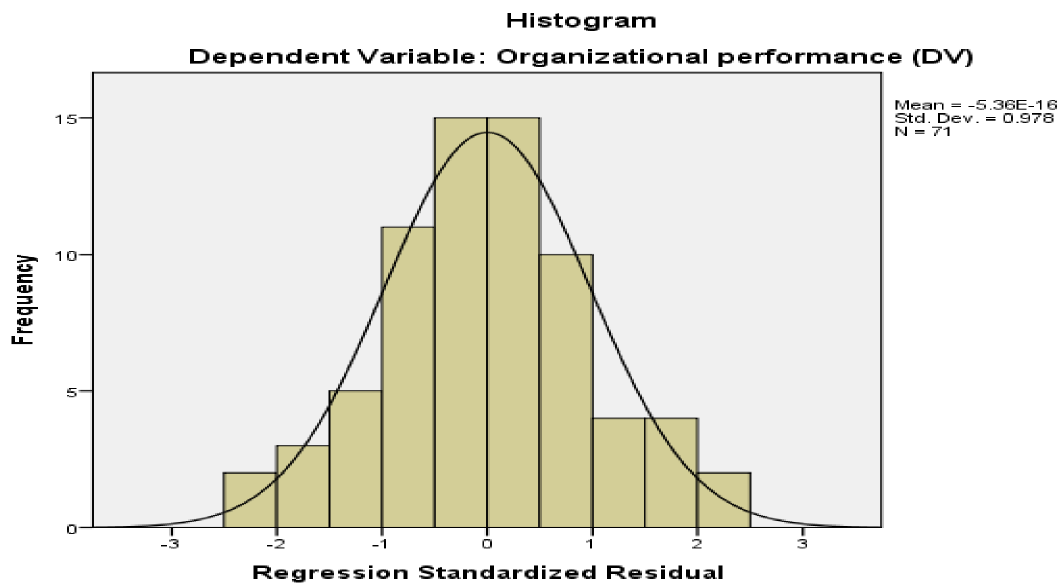
Source: SASRA, 26th January 2016

APPENDIX V: HISTOGRAMS FOR TESTING NORMALITY OF THE FOUR REGRESSION MODELS

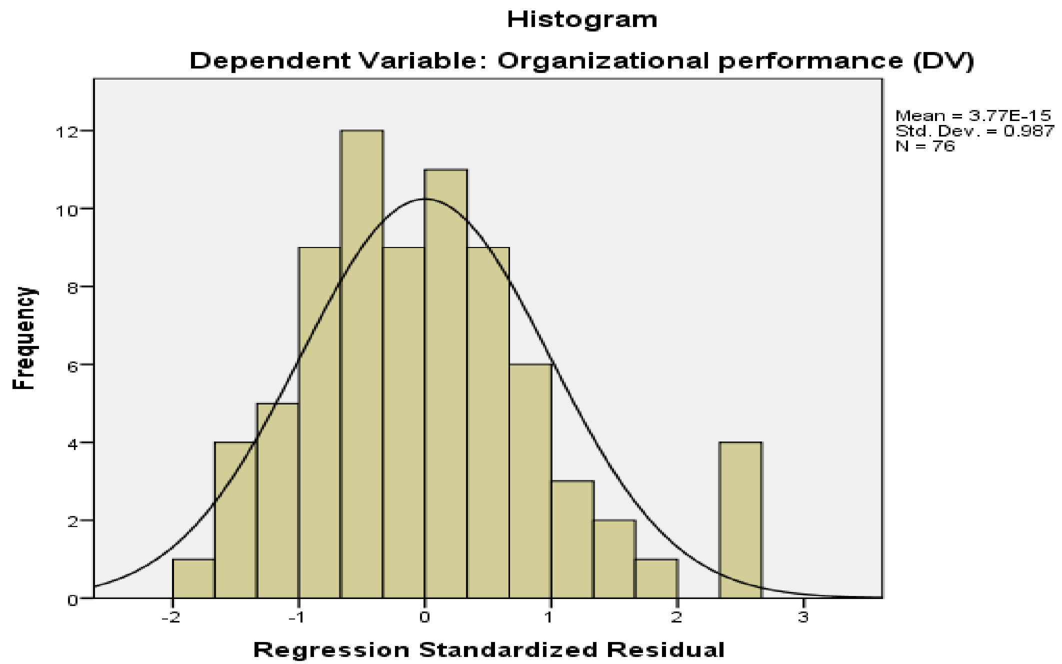
Histogram for Corporate governance and Organizational Performance



Histogram for Corporate governance, Agency Conflicts and Organizational Performance



Corporate Governance, Strategic Choices and Organizational Performance Histogram



Corporate Governance, Agency Conflicts, Strategic Choices and Organizational Performance Histogram