EFFECT OF CORPORATE GOVERNANCE PRACTICES ON PERFORMANCE OF CONSERVATION NON-GOVERNMENTAL ORGANIZATIONS IN KENYA

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A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION, FACULTY OF BUSINESS AND MANAGEMENT SCIENCE, UNIVERSITY OF NAIROBI

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DECLARATION

I declare that this inquiry and final project is my true and original work and has not been used by any other person in any other places of learning across the globe.

01/09/2021

Signature: ……………………… **Date: ………………………**

Judith Akinyi Otindo

D61/6264/2017

This research project has been presented with my approval as the university supervisor

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DEDICATION

This study is dedicated to my family and friends for their love as well as encouragement while I was not sleeping working on this project.

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To begin with, my highest gratitude is to God and may his power be seen throughout my life even after the project. Secondly, I want to acknowledge and recognize my supervisor Dr. Regina Kitiabi for the direction she has given me through the course of the project and enabling me to improve and refine my work.

I also express my appreciation to all those who have been instrumental in review of this project.

ABSTRACT

The aim as well as purpose of this inquiry was to determine the connection the adoption of corporate governance practices and the outcome of productivity (performance) of conservation non-governmental organizations (NGOs) operating in Kenya. The specific dimensions of corporate governance practices investigated were external directorship, transparency and accountability, audit committee and board gender diversity. The research employed a cross-sectional descriptive research design with the population of the study being the 33 conservation NGOs registered by the NGOs Coordination Board in Nairobi Kenya. Data from the field was collected using questionnaires as the main data collection form and the analysis was done using descriptive model including mean as well as the standard deviation. The conclusions revealed that external directorship provides the board with strategic expertise in the running of the organization and also brings on board external persons with varied expertise, which has a positive effect in attracting funding from donors. The organizations enhanced transparency and accountability through publishing of the activities, a move that affords stakeholders an opportunity to assess the operation and financial information. Independent directors and increasing the size of the audit committee resulted in a more effective audit quality and at the same time preventing opportunistic actions by the managers. Similarly, board gender diversity was manifested through increasing the role of women in both the board supervisory and management function. The results also show that all the predictors positively affected performance of the conservation NGOs though was insignificant since their p-values were greater than 0.05 except the external directorship. The results show that representation of women in the management and structural system in an organization enhances the level of decision making and thus the NGOs should endeavour to have a balanced gender at the management and board level. The research recommends that board composition should take into account the external and internal connections that the board members have developed. Board reforms should take into consideration the required social capital.

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ABBREVIATION AND ACRONYMS

CEO	-	Chief Executive Officer
CG	-	Corporate Governance
CNGOs	**-**	Conservation Non-governmental organizations
FBO	-	Faith Based Organization
IBT	**-**	The Institutional Based Theory
IBV	-	Institutional Based View
NGO	-	Non-Governmental Organization
OECD	-	Organization of Economic Cooperation and Development
PC	-	Performance Contracting
WWF	-	Worldwide Fund

CHAPTER ONE: INTRODUCTION

1.1 Background to the Study

The performance of an organization is not determined by one factor but rather a myriad of strategies that it adopts, implying that the capability of an organization is to recognize its current position and goals with a view to pursue effective strategies that will enhance the attainment of its long- term strategic goals. The willingness of the organization is to follow clear internal rules governing the interaction between different organizational stakeholders with a view of working towards a shared purpose is likely to affect the outcome of an organization (Kaptein & Van Tulder, 2017). There is general consensus that corporate governance policies and associated values, such as the creation of an efficient board of directors, audit committee and operational and strategic control, is required to enhance the overall organizational performance. The external relations of an organization should be increased through having a wide tenure of the board and at the same time audit committee independence should be able to reduce the level of conflict that might arise in the firm's daily operations (Rajavuori, 2018).

This study was founded on the Institutional based Theory (IBT), Stewardship Theory and the Stakeholder theory. IBT was led by Scott (2004) and tries to explain the resilient and in-depth elements by which organizational schemas, traditions, routines and rules are recognised as strategies for organizational success. The IBT discusses the importance of the institutional climate and indicates that the internal structure of an organization forms and defines its performance and strategic decisions (Davidson, Goodwin-Stewart & Kent, 2015). Stewardship Theory was advanced by Donaldson (1990) and focuses on the sociological and psychological approach of management in that it advocates members to have the same form of positive collective identity that advocates a trustworthy behaviour in the organization. The theory highlights the need for organizational managers to be trustworthy stewards and utilize their knowledge positively to improve the organization productivity. On the other hand, Jensen and Meckling (1976) advanced agency theory and argued that conflicts of interest and a lack of sufficient knowledge will minimize the establishment of effective control procedures to match the interests of the different parties within an organization. An example is the formation of corporate boards composed of individual directors to make top-level decisions and management autonomous.

One of the eight key social sectors foundations and goal of Kenya's' Vision 2030 is to provide a society which is free from conflicts and where people live in peace. By 2030, Kenya strives to be a nation that coexists in a secure, stable and healthy ecosystem with the goal of growing the country's forest cover by 5% by 2020. This goal is to be achieved through adoption of such strategies as effective corporate governance practices that will make both the national government and conservation NGOs improve their performance towards maintenance of the environment through establishment of effective internal mechanism and align the management actions to the overall goal. The introduction of an external board in organisations is expected to bring on board different perspective of management and external relationship that could increase donor funding and improve relationships with local communities. The awareness of the significance of corporate governance in the success of conservation NGOs in Kenya would therefore be essential for environmental conservation.

1.1.1 Corporate Governance

The stewardship of an organization is different from ownership and as a result, the owners or stakeholders need to come up with appropriate mechanisms through which they can control the activities of the management. One of the mechanisms that have been adopted includes corporate governance practice. Corporate governance, according to Hong, Li and Minor

(2016), is concerned with the ways in which all stakeholders of a business aim to make sure administrators and other employees act on or follow procedures that protect stakeholder interests by distinguishing control from management. Shleifer and Vishny (1997), on the other hand, it suggests that corporate governance deals with the process by which organizations' financiers guarantee that they earn a good return on their investments. This ensures that corporate governance offers a system of direction and leadership that aligns control with the management of a company.

According to Bae and Masud (2018), the three essential aspects of corporate governance include three independent components, namely: the assembly of stockholders, the board and top management. The assembly of stockholders includes all business stockholders, within and outside the family, who typically meet regularly or on an exceptional basis to decide on the affairs of the corporation. In most cases, the stockholders' assembly gets the final say on business decisions, however the board is responsible for matters relating to organizational control, and hence the way the board is appointed impacts the top management roles and duties. According to Hermalin and Weisbach (2017), the board's makeup depends on the characteristics of the particular organization and on a per-country basis. These main board characteristics include political orientation, economic, geographical, legal, and economic variables, as well as market culture.

Corporate governance practise is designed to provide the organization with strategic guidelines and can provide efficient management audit by the directors (OECD, 2004). In order to generate ample returns for shareholders, the board of directors must ensure that management practices are adequately controlled in order to minimize conflicts between shareholders and managers. The board is also tasked with behaving in the best interests of customers and executives. This ensures that the top management value the goals of the company and work with the company team without any forms of discrimination.

1.1.2 Organizational Performance

Corporate performance depends on the entities activities but there exists different definitions of what constitutes performance. Walker, Damanpour and Devece (2011) describe organizational performance as the record of results generated over a defined period for a specified job feature or operation. Organizational performance involves a firm's real production or effects as calculated against its expected outcomes or priorities and goals. Similarly, Ağan et al. (2016) claims that three basic aspects of firm performance are assessed by operational performance: financial performance; commodity demand performance; and shareholder value. Therefore, performance can be evaluated in terms of productivity and results, sustainability, internal process and practices, systems of the company, behaviour of workers and environmental organizational responsiveness among other aspects.

Organizational performance has recently been measured by many organizations using a balanced scorecard technique. This strategy of performance measurement focuses on various constructs of performance indicators such as profitability, satisfaction of consumers, employee stewardship and social responsibility (Valmohammadi & Ahmadi, 2015). Performance Contracting (PC) is often used to assess performance for public agencies and PC identifies goals (the task, the outcomes to be accomplished and the attributes) and competencies expected to produce outcomes. The mechanisms used to track, assess and analyze results are often defined by the PC (Gross, 2015). In many government organizations, performance contracting is the main tool of measuring organizational performance and therefore this study will adopt this approach and the balance scorecard performance perspective metrics will be utilized. It is a paradigm of strategic performance assessment introduced by Kaplan and Norton (1992) and its key purpose is to remodel the mission and vision of an enterprise into practical organizational behaviour. The perspective metrics are: the firms, internal processes, financial, learning, customer focus, and growth.

1.1.3 Conservation NGOs in Nairobi

The conservation Non-governmental organizations (CNGOs) have been formed in response to the perceived or actual threats to the landscape, wildlife or resources with amenity values. Therefore, CNGOs represent the organizational expression of these concerns and also the method upon which to act on the said concern (Berny & Rootes, 2018). Over the last two decades, the growing demand on natural resources in Kenya has put increased pressure on the oceans, forests, wildlife, rivers and riparian lands, often for short-term benefits but with long-term negative effect. Out of this genuine concern CNGOs have been established with the aim of directly and indirectly protecting the conservation of these natural resources, both at the national and international level (Lück, Wozniak & Wessler, 2016).

Similarly, media attention on matters relating to conservation has grown around the world due to environmental degradation and climate change, CNGOs in Kenya deal with the protection of the environment and habitat Conservation represents the ethic of resource use, protection and allocation, with the focus being the maintenance of the natural world health namely; fisheries, habitats, and biological diversity. Those who advocate or work towards the Millennium Development Goal number 7 call for safeguarding stability in the environment by boosting the total area of forest cover among other actions. Over the past two decades conservation organisations in Kenya have become a force to reckon with based on how they have spearheaded the protection of such natural forests as Karura, the Mau, Mount Kenya and the Aberdare eco-system. Globally, the leading worldwide environmental CNGOs include

Greenpeace International, World Wide Fund International and International Union for Conservation and Nature (Zhang, Mol, & He, 2016).

1.2 Research Problem

The performance of an enterprise is impacted by different variables, including how it is managed; therefore, corporate governance as one of the tenets guiding the management of an organization is expected to guarantee shareholders' value by ensuring that there is suitable use of resources in an organization, and improving investor confidence (Denis and McConnell, 2015). Similarly, in the present day turbulent business environment, organizations should be sensitive to the external market factors and for this to happen, the firm‘s governance structure will play an important role (Gregory and Simms, 1999). The function of corporate governance in a corporation integrates general governance considerations with management decisions, such as the pattern and volume of shareholder and board characteristics. The most relevant corporate governance practice includes having a board of directors, according to Liu and Fong (2010), and because they are shareholder members and their duty is to make sure the management operates in the shareholders' best interests, the efficiency of the company is likely to be impacted by the practice of corporate governance. In addition, the regulatory structure and the makeup of the board within an organisation should give the company strategic advice and successful management supervision.

The concept of corporate governance has attracted the interest of scholar internationally and locally. Herdjiono and Sari (2017) examined the role of corporate governance on the success of Indonesian companies and found that institutional and management ownership had no effect on performance, but the scale of the board had an impact on company performance. Among Indian companies, Dwivedi and Jain (2015) tried to assess the impacts of ownership and board size on organizational efficiency. The findings suggest that foreign direct investment improves Indian businesses which have internalized their practices. Furthermore, Christensen, Kent, and Stewart (2010) tried to explore how the corporate governance and market success of Australia are related and found that systems of corporate governance boost performance relative to the implementation of sub-committees of the board. The study found a significant relationship between board tenure and company performance.

In their study on the influence of corporate governance activities on earning management of firms enlisted in the Nairobi Stock Exchange, Iraya, Mwangi and Wanjohi (2014) established that earning management is influenced negatively by ownership concentration, board size and board independence. On the contrary, the activities of the CEO at the board of management enhance earning management. Opanga (2013) investigated the impact of corporate governance on organizational performance in the Kenyan insurance sector. The study found that the board committee size, regularity of board meetings positively affects financial performance of the insurance firms. Furthermore, Maalu (2012) using firms involved in stock trading and investment Kenyan commercial banks, attempted to investigate the impact of corporate governance practices on organizational fiscal performance where the findings highlighted that the structure of the board enhances organizational financial performance.

From the studies above and literature, it is evident that corporate governance strategy in organizations, more so business oriented firms, have received significant attention and research with varied results based on the sector investigated. It is also clear that most studies have been inclined on profit based organizations and few limited studies on the non-profit organization. Further, the studies differ with regard to the methodology adopted in the sense that the studies highlighted above (Iraya, et al., 2014; Dwivedi and Jain, 2015, Herdjiono and Sari, 2017) used a mixed research methodology whereby both primary and secondary data was employed. This differs with this research design since only primary data was applied.

Consequently, this research sought to bridge the prevailing gap by responding to the question; what is the effect of corporate governance practices on the conservation based non-governmental organizations in Kenya?

1.3 Research Objective

The purpose of the study was to determine the impact of corporate governance practices on the performance of conservation non-governmental organization in Kenya.

1.4 Value of the Study

The business environment that firms operate in the globalized market is characterized by disruptions in the way that organizations operate. Under these kinds of environments, non-governmental organizations need to look inwardly with a view to developing management practices that would safeguard interests and achieve actualization of goals. NGOs would benefit from the study by identifying the corporate governance tenets that result in positive impacts on the performance of Kenyan CNGOs. From the indentified CG practices, NGOs would be able to direct more resources to these areas to boost their performance. From previous research findings CNGOs in developing countries, like Kenya, can benefit from the study because they will be able to identify the most relevant CG practices to the Kenyan context. In addition, the study has provided a justification in the adoption of CG by the NGOs in developing countries.

The policy makers would be able to get an undertanding on the corporate governance practices and its role in performance of NGOs. Policy makers such as the Ministry of Interior & Coordination of National Government and the NGO council would be able to identify the important CG practices to the NGOs to be adopted by the organizations. Donors would benefit from the study because they would learn how best to improve the performance of the

NGOs through effective utilization of the funds donated for the environmental activities in the organizations. From the policy suggestions that would come from this investigation, the government will be able to come up with an appropriate policy framework aimed at enhancing the NGO financing mechanism.

For researchers, this thesis forms the basis on which other similar and repeated studies would be centred. Investors can now obtain insight into the organization and its competitive position in the world, which can help them assess the feasibility of their contributed funds. This study findings would provide a deeper understanding on the funding challenges face by NGOs and how internal resources can be utilized to remedy the same.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This section reviews previous studies in the field. These studies shed light on the appropriate literature and theoretical background that this study is anchored on. The specific areas that are reviewed in this chapter are the theoretical background, extensive empirical studies on corporate systems and its influence on outcome. Additional areas covered in this section include the conceptual framework based on the study topic.

2.2 Theoretical Review

To establish how corporate governance influences NGOs performance, the study was informed by three theories, namely, stakeholder, institutional-based and stewardship theories.

2.2.1 Stakeholder Theory

The theory – advanced by Freeman (1984) – is based on factors pertaining to stakeholders in an organization by arguing that a corporate body has to balance between the needs and wants of its various stakeholders with a view to ensure that each interest group to the firm receive some degree of satisfaction. This position implies that organizations are no longer the business of shareholders alone but exist within communities; therefore, they have a responsibility to that society. The firm’s economic value is better achieved by individuals who willingly team up and collaborate to improve the welfare of all (Freeman et. al., 2004). Further, it acknowledges that the managers’ deliberations impact various stakeholders, implying that it is necessary to design tools of assessing the accountability and responsibility under the stakeholder relationship. Unlike the organizations economic view which limits the relationship between the owners and the financiers, the stakeholder theory assumes a wider perspective by incorporating issues relating to employees, customers, community, government and the environment-by incorporating the moral duty rather than a requirement on the part of the organization (Mason & Simmons, 2014).

Chan, Watson and Woodliff (2014) highlight that, recently, economists tend to back this theory because of its perceived benefits out of the realization that, recently, some economists tend to back this theory out of the realization that the wellbeing of an organization impacts all stakeholders. Therefore, irrespective of individual managerial performance, in good financial years, organizations will make profits and losses in bad times. Consequently, it takes a good economic point to aspire for economic stability to support organizations in the long term. The application of stakeholder theory under corporate governance practice is out of the realization that there exists a broader group than just the stockholders in an organization with the dynamic corporate environment, including the increasing importance of environmental issues, more demanding customers, communities and employees (Harrison, & Wicks, 2013). Similarly, the duty to act in the company's interests introduces the need to act according to the organization's principles and values, as they define the limits of the company's actions.

The stakeholder theory has however been criticized because of the premise that it holds. Jensen (2001) criticizes this theory due to the single assumption that at all times, there need to be gains that accrue to the constituencies to a firm. Jensen's argument is defeatist since the firm's performance is not and should not be evaluated only by how it benefits stakeholders.

2.2.2 Institutional Based Theory (IBT)

IBT was promoted by North (1990) and explains the resilient and in-depth factors by which organisational traditions, routines rules and schemas are recognised as strategies for organizational success. The IBV stresses the relevance of the operational climate and suggests that structural factors influence the strategic decisions of organizations and decide their performance (Peng, & Delios, 2006). The theory opines that internal corporate operations are established as a result of rationalised organizational evaluation of the operating ecosystem and that these routines should be subject to market demands. In order to access and manage a foreign market effectively, an organization should be able to come up with tailor made strategies in a way that will meet the needs of the targeted market. These strategies will include coming up with corporate governance practices that will guide the day-to-day activities of the organization.

Peng, Wang and Jiang (2016) assert that IBT has been touted as one of the most relevant aspects for examining corporate activities, more so in developing nations characterized by dysfunctional enforcement mechanisms and therefore necessitating informal institutional systems to realize corporate performance. Peng and Zhou (2015) further highlight that the Institutional theory advocates the creation of a corporate governance plan that lays down the rules of the game facilitating the boosting of its performance since it will minimize the level of uncertainty among stakeholders. For successful market analysis, an organization should be in a position to adopt appropriate internal norms and routines which can enable a company gain a competitive edge in a new market. IBT thus acknowledges the value of the operational climate and indicates that institutional factors structure contributes greatly to the success of the strategic decisions of organizations (Simon, et al., 2011). This skill is especially important for businesses whose funding comes from external sources and who will expect high level of accountability to guarantee continued financing and it is possible that the existence of high quality of institutional forces-such as corporate governance, may lead to improved organizational performance (LiPuma *et al.* 2013). Therefore, the Institutional theory advocates the adoption of the internal organizational mechanism that defines both internal and external working relationships with all the stakeholders to the firm.

2.2.3 Stewardship Theory

Donaldson and Davis (1991) advanced the theory of Stewardship. It maintains that as adequate remuneration is sufficient, there is no reason for the supervisory board to seek expensive motivators. The agents of shareholders who serve as trustees will be adamant about advancing their individual economic interests, but may try to act in their business common good, meaning that they will act as best as possible for the corporation rather than for self-serving gains, while at the same time satisfying their own desires in doing so (Kluvers & Tippett, 2011). This perspective indicates that the theory of stewardship stresses corporate management and partnership by offering a non-economic premise for understanding partnerships as agents and is expected to behave voluntarily rather than self-serving gains in the best interest of their company. According to Sundaramuthy and Lewis (2003), directors' personal interests are fulfilled by undertaking activities that help the company accomplish its own goals and are thus encouraged to act sincerely and behave in a proper manner. This suggests that the theory of stewardship forges the principle of obligation to others and not self-interest by a dedication to the wellbeing and wholeness of others by guiding an enterprise's management to do the right thing to still promote it.

According to Schillemans and Basuioc (2015), it is borrowed from the theory of stewardship that people, and this involves an organization's directors, should be guided by considerations of equity, justice, and respect for others' needs and to do the same, managers also see themselves as business stewards. The theory asserts that the key purpose for directors is to work well with honor and achieve intrinsic gratification via success, self-actualization and an ability to develop in the process. In the opposite, if managers do not behave right, they would be at a high risk of destroying their technical and personal reputations, which are essential matters for managers in terms of the labour market (Pastoriza & Arinio, 2008).

The value of the principle of stewardship is to understand the important role that management and external directors play by making a level of personal commitment and behaving sincerely and faithfully, and this shouldn't be perceived as odd actions (Blair and Stout, 2011). Because of the management act, this conduct is what corporate governance promotes for the organization's best interest, and as a result organizational performance is positively influenced. The Supervisory Board -as advocated by the principles of corporate governance explains why there's a need to act in the organization's best interest, and if this is adhered to, it is expected to positively impact the organization's performance. The motivation of the directors, according to stewardship theory is to give their best towards the realization of the organization ideals (Lambright, 2009).

2.3 Empirical Reviews on the Effect of Corporate Governance on Performance

The role of corporate administration in organizational performance and the challenges raised by these organisations have been paid attention to by both management practitioners and academics. For the period 2005-2009, Gohar and Batool (2015) sought to examine the connection between organizational administration and the success of 25 Pakistani microfinance firms. The results suggest that a broader board has a inverse impact on the the companies' economic performance, but a positive effect on the organizations' social performance. In general, the results suggest that the corporate governance factors had a considerable impact on the organisation's performance and several more independent board members supported the greater corporate responsibility activities of the Micro Finance Institutions (MFIs). In evaluating the influence of organizational administration on the efficiency of sugar factories in Kenya, Shavulimo (2014) earlier reached this position, which showed that openness, accountability and control relationships inside and outside the company have a positive impact on the progress of the businesses under investigation.

From the viewpoint of Kenyan state agencies, (Abdinassir, 2015) tried to determine how the success of state corporations in Kenya is influenced by corporate governance. The results show that board size and insider shareholding have a positive influence on the performance of the State corporations, using data from 60 state corporations. The report also indicated that the independent audit committee had a positive influence on the state corporation's organizational results and was able to handle political involvement in these organizations. For their part, when analysing the influence of corporate governance on Nigeria Breweries Plc's organizational efficiency, (Ozuomba, Uchenna, Nkechi and Sixtus 2016) established that organizational performance is positively influenced by appropriate communication practices between subordinates and the top management. Kamau (2015) who tried to evaluate the impact of organizational governance activities on operational success at Equity Bank Kenya, endorsed this stance earlier and noted that in dispersed operations, the administration of bank communication policies by external directors influenced the implementation of communication practices.

Ibrahim and Zulkafli (2016) studied the impact of corporate governance practices, Human Resource Management activities and operational success of companies in the consumer goods sector in Malaysia. The report analysed the audit committee’s effects on accountability; external directors and findings showed that the audit committee had the largest impact on efficiency, followed by accountability, whilst the external board had the least impact on performance. The analysis also showed that corporate governance practices also influenced a company's Human Resource practices and thus proposed an influential audit committee led by an independent director. Similarly, Zabri, Ahmad and Wah (2016) studied the influence of corporate governance practices and company efficiency among the top 100 publicly listed firms in Malaysia and the findings indicate that while there is no impact on the success of organizations by the independence of the board, board size had a substantially weak impact on performance, a result that is contrary to that of Gohar and Gohar (2015).

Kamau, Aosa and Pokhariyal (2018) studied the effect of strategic decisions on the correlation between corporate administration and organizational performance of Kenyan financial institutions. The findings focused on 108 financial institutions and suggest that the success of financial institutions is greatly influenced by corporate administration and strategic decisions and that strategic choices partly mediate the relationship. The findings from Essen, Oosterhout and Carney (2011) differ with these findings on the grounds that there was no significant mediation impact on the association between organizational administration and organizational success attributed to strategic decisions. In favour of the Heracleous (2001) results, however, it is noted that their decision would impact the final company performance as the board controls strategic decisions and their execution in an enterprise.

The impact of conflict management on the association between organizational administration and organizational success in Kenya's state agencies was analysed by Muriuki, Cheruiyot and Komen (2017). The study used the leadership skills of the board chair, the culture of board team development, board strategic culture and the cooperation of the CEO-Board chair as the dimensions of corporate performance. The findings indicate that Board Conflict Management Techniques statistically balance the association between the performance of state corporations and corporate administration. This finding coincides with previous studies by Leblanc and Gillies (2005); Carter and Lorsch (2004) that demonstrate that the structure of the board takes clear account of how board members operate as a team and the behaviours and expertise of both individual directors and the board.

Abdulkadir (2014) tried to explore the problems of the introduction of internal control in the coastal region of Kenya by faith-based NGOs. The thesis analysed the effect of three internal management activities in Faith Based Organisations (FBOs) on their effects on the operational strategies of the implementation of corporate administration regulations, financial controls and the practicality of ethics and enforcement controls. The results suggest that the FBOs still employed the traditional and informal control – as opposed to the formal internal control employed in the corporate world, to fulfil their welfare agendas. In line with the findings of Kimunguyi, Memba and Njeru (2015), the results also indicate that management regulations combining internal monitoring along with conventional welfare targets are considered a valuable starting point in the drive towards managing a more sustainable field of NGOs.

Commenting on the effect of corporate administration systems and the performance of HIV-AIDS agencies in Kenya, Machuki and Oketch (2012), it was found that the presence of beneficiaries in decision-making was a common occurrence among NGOs dealing with HIV / AIDS relative to donors. Donors were found to lean more to capacity building and empowerment as opposed to the being involved in the actual decision making process. These results vary from those of Kawira (2012), who, when analyzing the association between corporate administration and the success of multinational NGOs in Mogadishu, found that donors had a major influence in terms of organizational structure and the key issues facing organizations include a lack of transparency in financial and audit reports and unilateral decision making.

2.4 Summary of Literature Review and Research Gap

Author	**Focus**	**Findings**	**Gap**
Gohar and Batool (2015)	Effect of corporate governance on performance of microfinance institutions: A case from Pakistan	Diversified board had a negative effect on firm performance	The context of the study is different since the current study concentrated on NGOs operating in Kenya

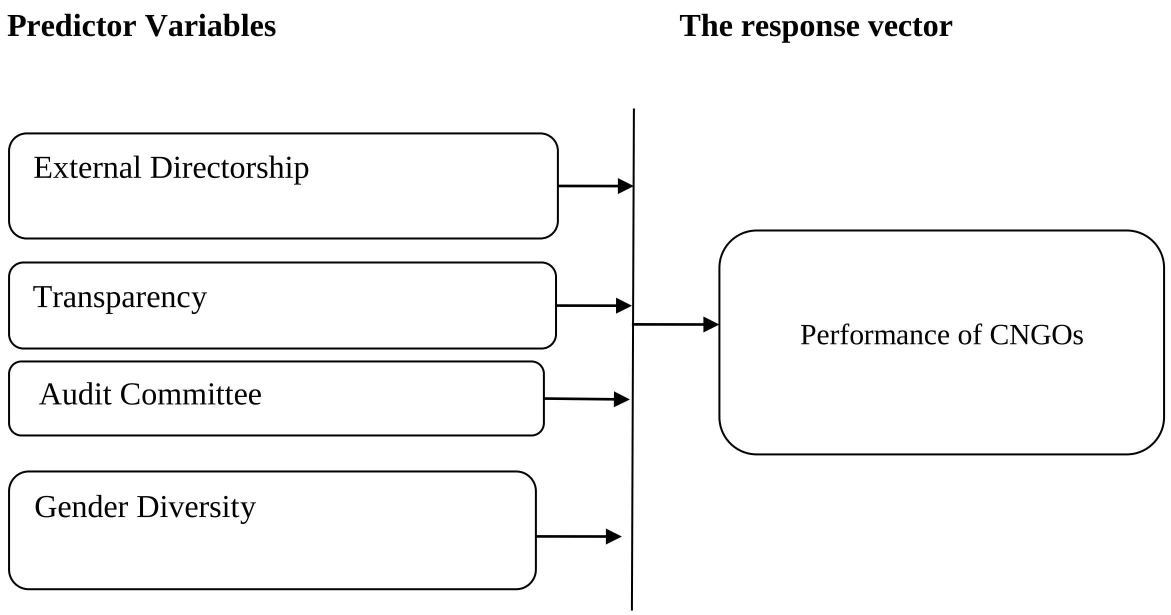
Shavulimo, (2014	Impact of corporate administration on performance of Kenyan sugar firms	Openness and accountability has positive effect on performance of sugar companies	The current study differs since the corporate governance variables employed, namely, transparency, external directorship, audit committees was not employed in the study
Abdinassir (2015)	Impact of corporate administration on performance of Kenyan state corporations	Board size and insider trading have an impact on the performance of the State corporations	Apart from the difference in the contextual areas, the current study will be longitudinal and hence be different from the current one.
Kamau, Aosa, & Pokhariyal, (2018).	Corporate Governance, Strategic Choices and Performance in the Kenyan financial sector	The mediating role of strategic decisions on the association between CG and performance of commercial banks was found to be positive	The current study incorporated different variables to represent corporate governance and does not consider the mediation effect
Zabri, Ahmad and Wah (2016)	Corporate governance practices and firm performance: Evidence from top 100 public listed companies in Malaysia	Board independence and board size had a substantially weak impact on performance	The difference in the legal and regulatory framework between the two countries forms the gap of the studies
Kimunguyi, Memba, & Njeru, (2015).	Impact of corporate governance on financial performance of NGOs in heath sector in Kenya	Management regulation and internal monitoring forms important factor in firm performance	The current study was assessing the impact of CG on the non –financial performance of the NGOs unlike the study which concentrated on the financial performance only.

Machuki and Oketch (2012),	Effect of corporate governance systems and the performance of HIV / AIDS NGOs in Nairobi,	Presence of beneficiaries in the decision organ of the NGOs led to increase in organizational performance	Unlike the study, the current study investigated the conservation NGOs

2.5 Conceptual Model

A conceptual model is a framework that gives further details on the relationship and structure of study variables. It also gives the researcher in-depth insights into the study's phenomenon. The association between corporate administration and performance of Kenyan CNGOs is presented in Figure 2.1.

Figure 2. 1 Conceptual Model



Source: Researcher (2020)

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

In this chapter, the focus was inclined towards the steps and procedures adopted in realizing the research objective. In particular, the areas covered include the study design, the target population that the researcher would like to study, the data collection process as well as the sampling procedure. Furthermore, the chapter provided the process involved in data analysis, the statistical tools used and presentation.

3.2 Research Design

A research design provides the technique to be applied to meet the expected purposes of the study at hand. The study design was further used as a guiding model, a blueprint outlining processes, procedures and strategies for data collection and evaluating the knowledge required, or simply as a study structure or action plan (Collis & Hussey, 2013).

The study adopts a descriptive research design. This is because a descriptive design deals with univariate questions which the researcher asks about the distribution form, size and existence of the impact of corporate administration practices on the performance of CNGOs. Since the target respondents was the NGOs Senior Management and Independent directors, descriptive research design was able to give individual respondent attitudes, real perceptions, and standards in reporting the real situation in regard to how corporate governance practices influence the organization performance.

3.3 Population of Study

A target population is the whole category of people or firms that a researcher has developed an interest in investigating specific characteristic (Hancock & Algozzine, 2016). The availability of components, time frames, geographic boundaries and subject-matter are the factors that define the target population. The research population in the current study comprised of all CNGOS registered by NGO's Coordination Board in Nairobi Kenya. This formed the unit of analysis. On the other hand, the unit of observation was the NGO Senior Management and Independent directors. According to the NGO coordination Board (2019) there are 33 environmental conservation NGOs that are based in Nairobi Kenya (Appendix II). Since the target sample is small, and then the research was a survey.

3.4 Data Collection

The research used primary data that was gathered using a semi-structured questionnaire (Appendix I). There was open and closed questions in the structured questionnaire with the open-ended questions structured and tailored to allow respondents to address questions with their own opinion and to assist respondents in answering questions as fast as possible. Section A covers the respondents' demographic information and NGOs while section B seeks to investigate the degree to which the four corporate governance practices are applied in the NGOs. The aim of Section C was to collect information concerning the association between corporate administration and performance of the NGOs. The questionnaire distribution process used a "drop and pick" strategy and email. According to Mugenda (2008), questionnaire saves time, it is convenient in data collection and also ensures respondents anonymity and confidentiality of information is upheld. The responses were to be given over a five-point Likert scale as designed in the questionnaire.

3.5 Data Analysis

The data obtained was analysed using descriptive statistics technique (central tendency measurements and variance measurements. The questionnaires were edited after the data collection process was completed for precision, clarity and completeness. However, details were verified to remove inconsistencies and ultimately categorized and then collated before the final analysis was done. To allow statistical analysis, the responses were encoded in numerical form. The descriptive methodology that was adopted included the mean and standard deviations to summarise and present the answers obtained from the questionnaires given to the respondents to discuss the four research questions.

Regression analysis was conducted to evaluate the connection that occurs when companies or CNGOs have adopted corporate models to promote their outcomes. The regression equation is shown below:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where Y	=	Performance
X_1	=	External Directorship
X_2	=	Transparency
X_3	=	Audit Committee
X_4	=	Gender diversity
ε	=	Error term

CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION OF RESULTS

4.1 Introduction

This study's purpose was to investigate the impact of corporate administration practices on performance of CNGOs in Kenya. This section discusses the analysis of the primary data collected from the field. The results and conclusions was done using tables according to the research specific objectives.

4.2 Response Rate

According to Collis and Hussey (2017), a response rate is used to find out a test's statistical power, such that the larger the response rate the higher the statistical power and thus credibility of study findings. Each of the 33 environmental CNGOs was issued with one questionnaire.

The demographic information sought was for both the respondents and conservation organizations under investigation. The information that was sought in this section include managerial level of the respondents, length of service, number of employees and the respondents' level of education. Table 4.1 shows the summary of the response rate.

Table: 4.1: Primary Response Rate.

Questionnaires	Number	Percentage
Filled and collected	24	72.7
Non-responded	7	23.3

Total	33	100.0

Source: Primary Data 2020.

From the results in Table 4.1, it shows that a response rate close to three quarters of the targeted respondents (72.7%) was achieved and this implies that a good response was achieved for analysis purposes (Mugenda & Mugenda, 2008). According to the scholar, a response rate of over 75% is considered good.

4.3 Demographic Information

This section discusses results on questions relating to the respondents and the conservation NGOs. In regard to the information of the respondents, the questions related to the level of management, length of service the educational level. For the organization, the questions related to the number of employees. The results to the demographic information are presented in Table 4.2.

Table 4.2: Demographic Information

	Management Level	Frequency	Percentage	Cumulative Percentage
Valid	Top level	9	37.5	37.5
	Middle level	15	62.5	100
	Total	24	100.0	
	Length of Service			
	0-5 years	3	12.5	12.5

	Management Level	Frequency	Percentage	Cumulative Percentage
Valid	Top level	9	37.5	37.5
	Middle level	15	62.5	100
	5-10 years	8	33.3	45.8
	11-15 years	13	54.2	100
	Total	28	100.0	
	Number of Employee			
	Less than 30	7	29.2	29.2
	31 - 50	8	33.3	64.3
	51 - 70	9	37.5	100.0
	Total	24	100.0	
	Education Level			
	Diploma	4	16.7	16.7
	University	20	83.3	100
	Total	28	100.0	

Source: Research Data (2020)

The managerial position of the respondents' gives an indication of the level of policy decisions that they are involved in and consequently be able to respond appropriately to the questions contained in the questionnaire. From the findings, most of the respondents (62.5%) were at the middle level management, while 37.5% held the top management position. The respondents' length of service within the environmental CNGOs helps in assessing their working experience within the industry and therefore their knowledge on the research subject area. The more years that a respondent has been in service, *ceteris paribus*, the more information that he/she has with regard to the study subject area.

The findings in Table 4.2 suggest that slightly half (54.2%) (13) of the respondents, had worked in their respective organizations for between 11 and 15 years while 33.3% and 12.5% had worked in the organizations for between 5-10 years and less than five years respectively. Cumulatively, over 80% of the participants worked in the environment conservation firms for over five years, indicating that the respondents will be versed with the corporate administration activities in the respective organizations.

In determining the size of an organization, one of the measures used is number of employees. The current study followed the suit in determining how big or small the conservation NGOs are in relation to number of employees. The findings from Table 4.2 reveal that the conservation NGOs are small organizations given that 37.5% of the respondents indicated that their organizations comprise of 51-70 employees, 33.3% marked that they are between 30 and 50 employees in the organization while 29.2% indicating that they comprise of less than 30 employees. Since all the firms had less than 100 employees, they can be considered as small to medium sized organizations.

Indication of the highest level of education the respondents had attained, helped to gauge the capacity of the respondents to understand the questionnaire items and provide well thought out responses. From the results presented in Table 4.1, over four fifths (83.3%) of the respondents had university degrees out of which one third had post-graduate level of education. Only four respondents indicated a diploma educational level. With the above educational results, it can be deduced that the respondents had the requisite educational understanding to answer the questions contained in the data collection form.

4.4 Corporate Governance Dimensions

This section sought to investigate the degree to which different corporate governance practices had been employed in the environmental CNGOs under investigation. The study considered four corporate governance strategies that are perceived to influence the performance. These dimensions include; external directorship, transparency and accountability, audit committee and board gender diversity. The study asked the respondents to indicate the extent at which the CG practices had been implemented and the possible impact on organizational performance using a 5-point Linkert scale. The scale rating ranged from, 1-strongly disagree to 5-strongly agree. This implies that a mean greater than 2.5 suggest that the respondents agreed with the statement while the means less than 2.5 shows that the respondents disagreed with the statement. A standard deviation greater than 1 represents a high response variation on the statements

4.4.1 External Directorship

Independent directors bring a lot of experience to the organization in terms of the day-to-day operations as well as the recruitment of the senior management to the organization. External directorship ties form an important avenue through which external opinion outside the firm finds its way to the organization. As a corporate governance practice, the results on external directorship are presented in Table 4.3.

Table 4. 3: External Directorship

Statement	N	Mean	Std. Deviation
External directorship provides the board with strategic expertise on the running of the organization	24	4.25	.794

External directors are reputable individuals and therefore attract funding from donors	24	4.17	.816
Hiring of the director in my organization is based on a competitive process as stipulated in the public service Act	24	3.78	.830
External directorship facilitate the completion of all projects undertaken within the stipulated time period	24	3.52	.654
External directors are highly connected and therefore source for support from external stakeholders	24	3.45	.751
Connection with industry by external directors is higher		3.35	1.026
External directors facilitate critical resources and faster access of useful information	24	3.26	0.731
Overall mean	**24**	**3.68**	

Source: Research Data (2020)

In regard to the board external directorship, the results in Table 4.3 reveal that the respondents were in agreement that the external directors provide the organization board with strategic knowledge on the running of the organization (M=4.25) and coupled with the perception that the external directors are persons of reputable standing, they are able to attract funding from donors (M=.17). Similarly, there was an agreement that the hiring of external directors was done competitively through evaluation of their expertise and competence (M=3.78). The results on the statement were less than one and therefore suggesting that there was high concurrence among the respondents. On the lower side of the findings, to a moderate extent, the results suggest that external directors facilitate the access of critical information (M=3.26) and that the external directors bring with it increased connection.

4.4.2 Transparency and Accountability

Organizations both profit and non-profit oriented, need to be trusted in order to succeed. Transparency on the part of NGOs allows stakeholders to access information that will allow them to protect their interest. The results regarding the respondents' views on this dimension are presented in Table 4.4.

Table 4.4: Transparency and Accountability

Statement	N	Mean	Std. Deviation
The organization overhead expenses are provided upon request by donors	24	3.94	.900
The organization has put its activities and cost involved in the websites	24	3.79	.884
The fundraising costs is provided in the financial statements	24	3.75	.847
The organization produces an annual report of its activities in the previous year is expounded	24	3.45	.792
The benefit service to the community is well covered and shared in the organization books	24	3.32	1.025
The organization evaluates its services on yearly basis to determine if it adds value to the community	24	2.98	.780

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The organization evaluates its services on yearly basis to determine if it adds value to the community	24	2.98	.780
Overall mean	**24**	**3.538**	

Source: Research Data (2020)

The results reveal that there was a strong agreement that the organization overhead expenses are provided upon request by donors (M-3.94) and that all other information can be accessed from the organizations websites (M=3.79). Similarly, as one other measures of transparency the conservation NGOs provide their total costs of fundraising in their books (M=3.75). To a moderate extent, the results suggest that their benefit service to the community is well covered and shared in the organization books (M= 3.32) and that there is continuous evaluation of their services on continuous basis (M= 2.98).

4.4.3 Audit Committee

The organizational audit committee is part of the wider organization mosaic that seeks to ensure improved financial reporting. The audit committee is expected to influence the financial reporting quality and corporate performance by influencing internal control structures and independence of the audit function. The findings in regard to the objective are presented in Table 4.5.

Table 4. 5: Audit Committee

Statements	N	Mean	Std. Deviation
Audit committee makes use of external auditors to perform their oversight role in your organization	24	4.24	.944
The audit committee meets as scheduled in the public sector guidelines to enhance maximum oversight role	24	3.95	.806
The audit committee assesses the effectiveness of the external audit	24	3.62	.726
The audit committee is perceived to be independent	24	3.57	.963
The audit committee has at least a member with finance related qualification	24	3.10	.978
I feel our organization audit committee is composed of persons with necessary expertise	24	2.79	1.056
Overall mean	24	3.55	

Source: Research Data (2020)

The results of the audit committee dimension suggest that there was a strong agreement that the NGOs makes use of external auditors to perform their oversight role (M = 4.24) and on their part, the audit committee meet frequently in a particular year (M = 3.95). Further, there was an agreement that the audit committees assess on a continuous basis the effectiveness of the external audit (M= 3.62). On the other hand, there was less agreement among the respondents that the committees were composed of persons with the requisite expertise (M= 2.79, SD = 1.059).

4.4.4 Board Gender Diversity

The company's' board plays an important role in controlling the activities of the management. As an internal control mechanism, the board serves to reduce chances of opportunistic activities of the managers. The results regarding the board gender diversity of the conservation NGOs investigated are presented in Table 4.9.

Table 4.6: Board Gender Diversity

Statement	N	Mean	Std. Deviation
Women have a special place in the organization structure	24	4.29	.955
Women constitute at least one third of the board members	24	3.87	1.035
All board committees have women representative	24	3.83	1.007
All genders are represented in the management board	24	3.79	.833
All genders are represented in the supervisory board	24	3.50	1.063
Overall mean	24	3.86	

Source: Research Data (2020)

On the question of the position of women in the organization structure, the respondents agreed that women occupy a significant position (M= 4.29) and towards the same, women constitute at least one-third of the board members (M= 3.87, SD = 1.035), with the high standard deviation implying that there was divergence among the respondents. Similarly, to a large extent, it was found that all board committees have women representation (M= 3.83, SD= 1.007). Further, to a moderate extent, there was an agreement that all genders are represented in the supervisory board committees (M=3.5, SD=1.063) as well as in the management board committees (M= 3.79).

4.5 Effect of Corporate Governance practices on Performance

The objective of this investigation was to evaluate the influence of corporate governance on the performance of the conservation CNGOs in Kenya. In regard to how corporate governance had affected the organizations performance, the findings are presented in Table 4.7.

Table 4.1: Effect of Corporate Governance on Performance

Statement	N	Mean	Std. Deviation
Projects are aligned to the needs of donors	24	4.11	.977
Project targets are achieved within the stipulated time period	24	4.06	1.007
Projects undertaken by the organization meets beneficiaries needs	24	3.87	0.807
The organization is able to share progress reports with the stakeholders on timely basis	24	3.72	0.816
The organization systems, procedures and policies are well documented for ease of reference by interested parties	24	3.48	1.039
The organization makes annual filings with the statutory bodies including audits	24	3.48	0..926

The organization adheres to the national guidelines on NGO operations	24	3.36	.999
Overall mean	**24**	**3.73**	

Source: Research Data (2020)

The findings of the study reveal that there was concurrence among the respondents that as a result of the adoption of corporate governance practices, their projects have been aligned to a great extent to donors needs (M= 4.11) as well as being able to complete projects within the stipulated time period (M = 4.06, SD =1.007). Further, it was agreed strongly that CG had resulted in the projects being undertaken by the organization meeting the beneficiaries needs (M = 3.87). Similarly, the results suggest that the organizations have been able to conform to the set national guidelines regarding NGO operations in the country (M =3.36) and that the NGOs are able to fill their statutory reports with the relevant organizations (M=3.48) and be able to put into place systems, procedures and systems relevant to efficiently guide its internal operations (M = 3.48).

4.6 Regression Analysis

Regression analysis helps to formulate the linear model that will relate the dependent and independent variables. The resulting linear equation from analysis helps in predicting the outcome variable, when the coefficients of one or more predictor variables remain constant. The statistical package for social sciences (SPSS V 20.0) was used to enter and compute linear regressions for the variables under study. This computation comprises of summary model, ANOVA and regression coefficients.

4.6.1 Model Summary

Table 4. 8: Summary model

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.839[a]	.703	.641	.489

a. Predictors: (Constant), Gender diversity, Transparency, External directorship, Audit committee

The study findings in Table 4.11 shows that corporate governance has a positive and strong influence on the performance of conservation NGOs in Kenya as indicated by correlation coefficient (r = 0.839). Similarly, the coefficient of determination measure (R2 = 0.703 =70.3%) implies that on the basis of the results obtained, the performance of the conservation NGOs in Kenya is affected to the extent of 70.3% by the corporate governance practices adopted.

4.6.2 ANOVA

Table 4.9 presents the statistical results of the analysis of variance explaining the fitness of the model from the likelihood of F-statistic and the value of F statistic. ANOVA presents the extent to which the regression equation will be relied upon as an estimator of the organization performance.

Table 4.9: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	10.784	4	2.696	11.259	.000[a]
	Residual	4.550	19	.239		
	Total	15.333	23			

a. Predictors: (Constant), Gender diversity, Transparency, External directorship, Audit committee

From the ANOVA findings in Table 4.9, the F statistic was is 11.259 and the level of significance was found to be 0.000 (expressed into 3 DP) which is less than 0.05, the significance value to the study. If the p-value is less than or equal to the significance level, you reject the null hypothesis and conclude that not all of population means are equal. Therefore, since our significance value is less than the p-value, we fail to reject the null hypothesis and conclude that population means vary significantly thus implying that the model is good of fit to model the variables under consideration.

4.6.3 Coefficients

Regression coefficients are important in determining the degree of the extent to which each individual independent variable may have on the outcome variable. Table 4.10 displays the coefficients of the variables in the regression model, the t-values of every predictor variable as well as the degree of level of significance.

Table 4.2: Coefficients of Regression Analysis

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	-.648	.760		-.852	.405
External directorship	.492	.190	.394	2.590	.018
Transparency	.122	.148	.131	.824	.420
Audit committee	.347	.203	.337	1.711	.103
Gender diversity	.205	.161	.208	1.272	.219

a. Dependent Variable: Organizational performance

The study findings in Table 4.10 suggest that without incorporating corporate governance tenets of external directorship, transparency and accountability, audit committee and board gender diversity, the performance of conservation NGOs under consideration will decline by

0.648 units. Similarly, a unit change in external directorship practice will result in an increase in NGO performance by 0.492. Furthermore, it was established from the study findings that a unit change in transparency and accountability will cause a positive impact on NGOs' performance by a factor of 0.122. The study additionally found that a unit change in audit committee and gender diversity will prompt a positive impact on performance by a positive factor of 0.347 and 0.205 respectively. From the findings, it is evident that corporate governance structures enhance performance of conservation NGOs in Nairobi County.

The following is the regression equation,

$$Y = -0.648 + 0.492X_1 + 0.122X_2 + 0.347X_3 + 0.205X_4$$

4.7 Discussion of the Findings

The study focused on determining the effect of four corporate governance dimensions, namely; external directorship, transparency and accountability, audit committee and gender diversity on the outcome of Kenyan CNGOs. The study found a strong positive correlation between corporate governance practices and performance of the NGOs. The findings coincides with many previous outcome studies that have similarly shown that corporate governance have positive effect on a firm's as measured by both financial and operation perspective (Muriuki et al., 2017; Rodrı´guez-Ruiz et al. 2016; Kyereboah-Coleman & Biekpe, 2006). This is due to the perceived improved oversight on the organization management that will discourage opportunistic behaviour on their part.

The external directorship was found to have a positive though significant effect on the performance of the conservation NGOs. This is because, as the findings reveal, external directorship provides the board with strategic expertise on the running of the organization and also brings on board external individuals with varied expertise and therefore attract funding from donors. This position is in line with the seminal work by Pfeffer and Salancik's (1978) who note that directors' network building within and outside the organization is an important part of social capital and this helps in the board's complex work of strategic building. External board members, is a resource – as postulated by the Resource dependence theory, such that directors with critical connections will access important decisions earlier and faster, and that consequently will lead to improved financial outcomes (Johnson et al., 2013). The research findings also reveal that external directors facilitate support from the external stakeholders and as Connelly et al., (2011), external directorship reduces the uncertainty from new strategies that are being implemented by an organization because they are able to share experience from firms that have already introduced similar strategies in their organizations.

Transparency and accountability is another tenet of corporate governance investigated. The results of the research reveal that in observance of the same, the CNGOs, among others, provide overhead expenses report upon request by donors, the activities that are ongoing or completed are put in the website and also annual reports are produced and shared with stakeholders. This popular practice among the NGOs support the views of Ebrahim (2010) who avers that non-governmental organizations has an obligation to responsibly use available resources and be accountable to the stakeholders. Publishing of the organizations activities enhance open access to information through which local community can assess the operation and financial information. This is because open access to information facilitates a well-informed decision by donors and thus resulting in an efficient capital flow (Browne & Nuttall, 2013). Similarly, the process should be evaluated on continuous basis in order to align it to the prevailing market demands.

The study reinforces the important role played by audit committee as a tool to improve governance and accountability in organizations. The findings highlight that having effective auditing framework is important in managing and reducing financial challenges in the company. This means that auditors must be included in major activities and programs of NGOS. As Turley and Zaman (2004) assert, audit committees are responsible for safeguarding the auditor independence and should therefore be independent likewise and as the findings suggest frequent meetings of at least four sessions per year is carried out and this improves their efficiency. Similarly, the meetings help in assessing the effectiveness of the external audits. Similarly, as the findings reveal, smaller audit committees with outside directorship are better in facilitating financial reporting quality and thus reduce chances of financial irregularities. This position was earlier supported by Song and Windram (2004).

In respect to the board gender diversity, the findings reveal that in most of the NGOs, women constitute over one-third of the board and that they do play a prominent role in the organization structure. The results highlight that women play important role in both the board supervisory and management function. As the resource dependency theory (Pfeffer and Salancik, 1978) asserts, an organization is an open system and thus rely on the contingencies in the environment and this can better be handle by a gender compliant board.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The chapter presents the summary, conclusion drawn from the findings and policy recommendations.

5.2 Summary of the Findings

The study found out that adoption of corporate framework is important in improving the outcome of NGOs in Kenya. The study used primary data collected using structured questionnaire that were distributed to the NGO Senior Management and Independent directors who have vast knowledge on NGO management and performance. Specifically, the study aimed to determine how external directorship, transparency and accountability, audit committee and board gender diversity influence the outcome of CNGOs. The findings reveal that all the four dimensions of corporate governance under investigation had a positive effect on the organizational performance with external directorship having the greatest effect by a factor of 0.492, followed by audit committee, board gender diversity and transparency tenets by a factor of 0.347, 0,205 and 0.122 respectively. However, the findings suggest that all the variables were insignificant in influencing the firms' performance except external directorship.

The external directorship was found to have a positive effect on the organizational performance due to its ability to provide the board with strategic expertise on the running of the organization and also bring on board external individuals with varied expertise and therefore increase chances of increased funding from donors. External directorship was therefore found to increase the organizational social capital resulting from the expanded directors' network building within and outside the organization and which has the potential to help the board handle complex work of strategic building. In most of the cases, external directors that hold directorship in many other organizations are better connected and thus bring on board capability to handle more complex problems in the organization. In regard to transparency and accountability, the CNGOs were found to prefer accounting for all overhead expenses, update on all activities that are ongoing and also publishing of the organizational activities to enhance openness and access of organizational information.

The audit committee was found to play an important role to improve governance and accountability in organizations. The findings highlight that it is important for companies to include auditor experts in their management to increase their productivity and avoid financial errors. Similarly, as the findings reveal, smaller audit committees with outside directorship are better in facilitating effective financial quality management and ensuring low unethical activities in the company.. Further, with regard to the board gender diversity, the findings reveal that in most of the CNGOs, women constitute over one-third of the board and that they do play a prominent role in the organization structure. The results highlight that women play important role in both the board supervisory and management function.

5.3 Conclusion

From the findings, it can be concluded that the board of an organization plays an important role in checking management actions and towards playing effectively that role, the board will be more productive and efficient if it has a diverse pool of qualified persons but who can still work as a compact unit. Consequently, organizations seeking to add more directors should not merely add new ones without considering whether their expertise will complement the existing one and thus result in a synergy. Similarly, the study expounded the important role played by transparency and accountability in building confidence in the sector. Transparency and accountability acts as trust catalysts and the more perceived transparency, the more trustworthy the organization from the eyes of the public. Publication of the organization information was found to be more effective source of confidence building and consequently should be pursued by an organization. Donors have a right to know before, during and after a project has been implemented on how their donation was utilized.

The findings reinforce the importance of audit committees in the organizational activities. The results suggest that a larger audit committee and that is also independent resulted in improved quality of external audit and this also was the same if the committee is made up of persons with different set of skills and expertise such as finance and accounting background resulted in better audit quality and thus performance. Consequently, organizations should endeavour to improve the independence of their audit committee by having more members to be non-executive. The results also show that representation of women in the management and structural system in an organization enhances the level of decision making and thus the NGOs should endeavour to have a balanced gender at the management and board level.

5.4 Recommendations for Policy

The findings of the research are that directors play an important role in their advisory function and therefore the firm should seek directors who have network connections beyond those of the existing directors at the firm. Similarly, the composition of the boards should take into account the external and internal connections that the board members have developed. Board reforms should take into consideration the required social capital. Further, the findings reveal the need to improve the independence of the audit committees and also to have audit committee members with accounting and finance knowledge.

The findings also lent credence to the need for gender diversity in organization management and thus advocates for regulators to investigate the role of both genders because of its contribution to the organization governance. Additionally, to further reduce incidences of unethical practice, transparency and accountability should be subject of service delivery. To promote this further, professionalism, integrity and excellence among the employees should be encouraged in the organizations.

It is recommended that when sourcing for external directors, it is important that persons that have resource mobilisation capacities, moving the CNGO to a much visible position and thus attract donors should be considered criteria. Similarly, the organization needs to have increased publicity to attract both local and foreign funding and also there is need to develop an effective monitoring process that can evaluate the achievements and the impact of the CNGO's on the ground.

5.5 Limitations of the Study

The study is limited in terms of scope, context and methodological approaches that have been adopted. The research was limited to CNGOS registered by NGO's Coordination Board in Nairobi Kenya and therefore the findings cannot be generalized to the profit oriented organizations in the economy such as the commercial banks or other financial intermediaries. In addition, the study restricted itself to the four corporate governance dimensions that were deemed applicable to the firms. There is need to expand the number of corporate governance variables so that the generalization of the findings can be enhanced. The research was also limited to descriptive research design. Consequently, the results might differ with findings from other studies that adopted a different methodology such as time series analysis. However, despite the inherent limitations to the study, it forms an important source of reference as well as foundation for future studies in the area.

5.6 Recommendation for Further Research

The study focused on four constructs of corporate governance however, it suggests that future studies to be done to evaluate how the adoption of corporate framework can promote productivity of companies with additional constructs of corporate governance. There is also need to conduct a study on the relationship between each dimension of corporate governance independently with organizational performance in different sectors of the economy particularly the profit-oriented firms. While the study expounds the importance of the independence and size of the board, it will be important to evaluate the effect of audit committee tenure on the performance of the committee. While the present study and other studies have used primary data, future studies should focus on secondary data such as profitability and other performance indicators.

Unlike the corporate world where performance measures can be made using hard measures like profits, risk and cost management; in the NGO world, the results are not witnessed immediately but rather takes a while to be reflected at the societal or community level. It is therefore recommended that a longitudinal study be undertaken to cover more than one period after implementation of corporate governance tenets in an organization.

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APPENDIXES

Appendix 1: Letter to the Respondents

Judith Akinyi Otindo

P. O. Box 23900 - 0100

Nairobi, Kenya.

4th October, 2020

I am requesting for your participation in this project. Te project aim is to investigate the effects how corporate governance influences your company performance and you have been identified as respondents to this study and would like to request your assistance by answering the questions provided in the questionnaire. All data provided will be kept confidential and only meant for academic value.

My regards,

Judith Akinyi Otindo

0721251638

Appendix II: Questionnaire

Section A: Background Information

1. Name of the NGO (Optional)……………………………………

2. What level of management are you?

a) Top Level	( )	b) Middle level	( )
c) Supervisory Level	( )	d) Others (Specify)	( )

3. Length of service

a) Less than 5 years	( )	b) 6 -10 years	( )
c) 11 – 15 years	( )	d) More than 15 years	( )

4. How many employees are there in your organization?

a) Less than 30	( )	b) 31 – 50	( )
c) 51 - 70	( )	d) Over 71	( )

5. What is level of education?

a) Certificate	( )	b) Diploma	( )
c) Degree	( )	d) Post graduate	( )

SECTION B: Corporate Governance Practices

6. Please indicate the extent to which you agree with the statement below.

Key-Five represent-you strongly agree while 1 represent strongly disagree respectively.

a) External Directorship

	Statement	5	4	3	2	1
1.	External directorship facilitate the completion of all projects undertaken within the stipulated time period					
2.	External directors are reputable individuals and therefore attract funding from donors					
3.	External directors are highly connected and therefore source for support from external stakeholders					
4.	External directors facilitate critical resources and faster access of useful information					
5.	External directorship provides the board with strategic expertise on the running of the organization					
6.	The company always hire new employees based on merit and procedures set.					
7.	Connection with industry by external directors is higher					

What other external directorship impact does your organization experience to achieve greater performance?...
....

b) Transparency and Accountability

	Statement	5	4	3	2	1

1.	The organization has put its activities and cost involved in the websites					
2.	The organization produces an annual report of its activities in the previous year is expounded					
3.						
4.	The fundraising costs is provided in the financial statements					
5.	The organization overhead expenses are provided upon request by donors					
6.	The benefit service to the community is well covered and shared in the organization books					
7.	The organization evaluates its services on yearly basis to determine if it adds value to the community					

What other transparency and accountability strategies and practices does your organization undertake...

....

c) Audit Committee

	Statement	5	4	3	2	1
1.	The audit committee assesses the effectiveness of the external audit					
2.	The audit committee has at least a member with finance related qualification					

3.	The audit committee is perceived to be independent					
4.	Audit committee makes use of external auditors to perform their oversight role in your organization					
5.	I feel our organization audit committee is composed of persons with necessary expertise					
6.	The audit committee meets as scheduled in the public sector guidelines to enhance maximum oversight role					

What other audit committee practices does your organization undertake in the current dynamic government operation environment

....

....

d) Gender Diversity

	Statement	5	4	3	2	1
1.	All genders are represented in the management board					
2.	All board committees have women representative					
3.	Women constitute at least one third of the board members					
4.	All genders are represented in the supervisory board					
5.	Women have a special place in the organization structure					

Section C: Organization Performance

Statement	1	2	3	3	5
The organization systems, procedures and policies are well documented for ease of reference by interested parties					
The organization makes annual filings with the statutory bodies including audits					
Project targets are achieved within the stipulated time period					
The organization adheres to the national guidelines on NGO operations					
Projects are aligned to the needs of donors					
Projects undertaken by the organization meets beneficiaries needs					
The organization is able to share progress reports with the stakeholders on timely basis					

THANK YOU SO MUCH FOR YOUR TIME

Appendix III : List of Conservation NGOs Based in Nairobi, Kenya

1. African Conservation Centre
2. East African Wild Life Society
3. The Green Belt Movement
4. Green Africa Foundation
5. Sheldrick Wildlife Trust
6. Solar Cookers International
7. Tsavo Trust
8. Wetlands International Eastern Africa
9. Wildlife Direct
10. Cordaid

11. Birdlife International
12. WWF Kenya
13. Africa Wildlife Foundation
14. Nature Kenya
15. Fauna and Flora International
16. Conservation International
17. The Nature Conservancy
18. IUCN ESARO
19. Forest Action Network
20. Institute for Law and Environmental Governance
21. Kenya Organisation for Environmental Education
22. Care International
23. A Rocha
24. Community Action for Nature Conservation
25. Centre for Environment Justice and Development
26. Heinrich Boll Foundation: East and Horn of Africa Region
27. International Center for Research in Agroforestry (ICRAF)
28. Kenya Climate Change Working Group Association
29. Kenya Land Alliance
30. Pan African Climate Justice Alliance (PACJA)
31. African Fund for Endangered Wildlife (AFEW)
32. International Fund for Animal Welfare (IFAW)
33. Born Free Foundation

Appendix IV : Plagiarism Report

JUDITH AKINYI OTINDO Final

ORIGINALITY REPORT

13%	11%	3%	8%
SIMILARITY INDEX	INTERNET SOURCES	PUBLICATIONS	STUDENT PAPERS

PRIMARY SOURCES

1	erepository.uonbi.ac.ke Internet Source	4%
2	pdfs.semanticscholar.org Internet Source	2%
3	Submitted to KCA University Student Paper	1%
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