



## EFFECT OF CORPORATE GOVERNANCE ON PERFORMANCE OF KENYA'S STATE CORPORATIONS IN MOMBASA COUNTY; A CASE OF KENYA FERRY SERVICES LIMITED

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### ABSTRACT

The objective of the research was the determination of the effect corporate governance has on the performance of State Corporation in Kenya's marine sector in Mombasa County, specifically a study of Kenya Ferry Services Limited. The specific objectives of the research were; to determine board characteristics' effect on Kenya Ferry Services Ltd performance in Mombasa County, explore corporate board composition's effect on Kenya Ferry Services Ltd performance in Mombasa County, identify the audit committee of the board's effect on Kenya Ferry Services Limited performance in Mombasa County and assess corporate board size effect on Kenya Ferry Services Ltd performance in Mombasa County. As regards the theoretical frame work, the study consisted of agency theory, resource dependency theory and stakeholder's theory. This research adopted a cross-sectional survey design, which was aimed at collecting large numbers of quantitative data geared towards addressing the formulated hypotheses. Stratified random sampling technique was used to come up with the sample size of 171 from 300 respondents in Kenya Ferry Services Limited. Primary data was collected via self-administered structured questionnaires that were distributed through the drop and collect method. Cross validation of the primary data results was done through the collected secondary data. The analysis of data collected was done quantitatively. Both analysis of descriptive and inferential statistics was conducted by use of Statistical Package for Social Sciences (SPSS) version 24, specifically the multiple regression model for hypotheses testing. The mean Standard Deviation, Percentages and Co-efficient of variations used to describe the set of data and the presentation was by way of tables, charts and graphs. The study revealed that board characteristics had no significant effect on corporate performance of Kenya Ferry Services in Mombasa County. Corporate board composition had a statistically significant effect on corporate performance of Kenya Ferry Services in Mombasa County. Board audit committee had a statistically significant effect on corporate performance of Kenya Ferry Services in Mombasa County. Corporate board size had no significant effect on corporate performance of Kenya Ferry Services in Mombasa County. The study recommended that government of Kenya under relevant authorities should formulate policies or enforce existing policy to make sure that all the state corporations have boards that are very transparent in all their undertaking and operations to ensure high performance. The State Corporation should ensure that they have policies in place to ensure formulation of balanced boards in terms of both executive and non-executive directors.

**Key words:** Cooperate governance, board composition, board characteristics, audit committee.

## **1. INTRODUCTION**

Corporate governance approaches are becoming extra complex and there is demand for more differentiated and there is an increasing need for new governance instruments that are adaptive to the changing societal and economic setup (Johnson, Scholes, & Whittington, 2008). This embraces factuality since most murmurs arise as a result of different governance ratings in various governance aspects such as principles of governance and project governance (Koszewska, 2010). Verhezen (2013) asserts that for the welfare of the society to exist, there is need for efficient, effective and highly justifiable effective institutions for the best interest of society. It requires a receptive and responsible organization that amasses wealth, job opportunities and answers to emerging issues. Quality and inclusive governance is key to democratic principles, genuine image and involvement. This helps in safeguarding the rights of the stakeholder.

Countries where government spends in raising the living standards of its citizens have a higher chance of development and success. Clearly the need for good governance is now a necessity and has been properly documented. LeClair (2008) asserts that when certain principles are guaranteed and respected by a country's leaders, governance becomes good and benefits the nation. Today Good Corporate Governance has made it essential not only to disclose the operating results but also transparency of the objectives/policies or owners of the company as well as company structure of management, as a more dynamic process. State owned companies (State corporations) have capacity legally to contract debts to finance their requirements.

## **2. RESEARCH PROBLEM**

The many failures in corporate governance globally, during the last 10 years; coupled with financial crises led to emphasis on boards living up to their responsibilities. Most countries in the world, including emerging markets, have had to take stock of how they fare on (Christopher, 2019). Many Kenyan parastatals have had major performance challenges as witnessed by; Kenya Railways Corporation, Numerical Machining Complex (NMC), Kenya Farmers' Association, Kenya Planters Co-operative Union, Milling Corporation Industries Ltd., revamped New Kenya Co-operative Creameries Ltd., National Social Security Fund (NSSF), Uchumi Supermarkets and all the State owned Sugar factories that continue to post dismal performance; due to poor management, these include Ramisi Sugar, Chemelil, and Sony Sugar. Organization for Economic Cooperation Development (OECD) (2013) reported Kenya's State corporations as facing performance challenges.

Laplume, Karan, and Reginald, (2018) observe that lack of maintained governance principles such as integrity, transparency and accountability highly affects state corporates performance. Brunsson, Rasche, and Seidl (2019) state that governance are rules and practices which govern negotiations and the implementation of its objectives and principles through the exercising of authority, control and management of an organization. Looking at the traffic trends (See appendix V), especially the pedestrian traffic flow, it is on a steady upward trend, which means KFSL faces a challenge of satisfying the huge number of people plying the Likoni ferry channel, unless it raises its performance stake. Kenya Ferry Services Limited strategic plan (2014-2019) mentions expansion of ferry services to cover the entire coastline and inland waterways and also operate a cruise ship. The researcher's observation is that the expansion is long overdue compared to the many years KFSL has been in operation. The main problem at the ferry is huge traffic congestion of both passengers and vehicles crossing either from mainland or

island. This problem is caused due to inadequate number of ferries to provide the services to the public efficiently.

Several studies conducted in Kenya on Corporate Governance assessed other contextual issues that impacted on Corporate Governance (Dimba & K'Obonyo (2009), Iravo, Namusonge & Karanja (2011), Uzel, Namusonge & Obwogi (2015), Simba *et. al.*, (2015) Sasaka, Namusonge & Sakwa (2015). Ultimately, research on corporate governance in the marine sector as well as management practices that determine effectiveness of corporate governance has not been investigated together with the need to get a better understanding, proper documentation, operationalized board variables with their efficacy in the context of Kenyan. This study will therefore, be undertaken to fill the gap in knowledge.

### **3. GENERAL OBJECTIVE**

The general study objective was to determine the effect of corporate governance on Kenya's marine state Corporations 'performance in Mombasa County.

#### **3.1 Specific Objectives**

1. To determine the board characteristics' effect on the performance of Kenya Ferry Services Limited County of Mombasa.
2. To explore the corporate board composition's effect on the performance of Kenya Ferry Services Limited County of Mombasa.
3. To establish the effect of audit committee of the board on the performance of Kenya Ferry Services Limited County of Mombasa.
4. To assess the size of the board's effect on the performance of Kenya Ferry Services Limited County of Mombasa.

### **4. REVIEW OF LITERATURE**

#### **4.1 Theoretical Framework**

This study was anchored on the following theories; governance, stakeholders' and resource dependency theories.

##### **4.1.1 The Agency Theory**

The agency theory was first introduced by Stephen Ross and Barry Mitnick in 1973 (Mitnick 2013 and is characterized through the conflict of interest between principal (owners) and agents (managers), known as an "agency problem". The Agency theory by Michael and William (1976), has successfully been applied to examine the kind of the relationship that exists between the agent and principal in a firm Denise (2001). The theorist argues that to protect the principal's interest, the board must play an effective oversight role. This then should determine the board size Brennan (2010). The benefits principal-agent relationship provides is that it allows specialization between management and the risk bearer who is the shareholders of the firm. The theory holds an assumption of goal incongruence between the agent and the principal. It focuses on the relationships between the principal and agents engaged in a cooperative effort, with differing goals and attitudes toward risks.

The agent's job security is threatened when she/he engages in risky projects even if the projects may lead to high returns (increased value of the asset). The agent thus will be reluctant to

undertake such projects because he sees them as a risk. Since his/her preferences or goals differ from the principal's, the assumption usually is that the interest of the principal is only wealth maximization Denise (2001). On the other hand, the agent's interests are issues such as career goals, large salary, corporate jets, plush offices, and meals expense account. With such conflict of interests, the agent will pursue his own interests if left alone to the detriment of the principal's interests of wealth maximization. It is therefore, imperative that the monitoring systems by shareholders as well as constitute mechanisms for encouraging managers not to deviate from shareholder interests.

#### **4.1.2 The Theory of Resource Dependency**

The theory originated in the 1970s with the publication of *The External Control of Organizations: A Resource Dependence Perspective* by Jeffrey Pfeffer and Gerald R. Salancik. The theory highlights the way external resources of a parastatal affect its behavior. Pfeffer and Salancik (2003) avail a framework for comprehending the relationship between a parastatal and its environment. A fundamental assumption of this theory is that dependence on essential and critical resources influences the actions of parastatals and that organizational decisions and action can be elaborated depending on the particular dependency situation.

This theory explains further the usefulness of the environmental linkages of a parastatal and the outside resources which when used effectively could provide the parastatal with its competitive advantage through corporate governance (Hull & Rothenberg, 2008). According to Ongore and Kobonyo (2011), more emphasis is put on the skills and other knowledge resources that directors could bring to the parastatals to enhance performance of state corporations. Huse (2004) argues that directors connect the parastatals with its external factors, which they do by co-opting the resources needed for the performance of the state corporations. Therefore, boards are a vital mechanism that absorbs some critical elements of governance in the performance of state corporations. Satrirenjit, Alistair and Martin (2012) narrate further the reason that directors link the parastatals with external resources as a reduction of uncertainty since effective management with uncertainty is critical as regards the going concern of the parastatals.

#### **4.1.3 Stakeholders Theory**

Edward Freeman's stakeholder theory holds that a company's stakeholders include just about anyone affected by the company and its workings. This theory points out that parastatals need to seek a balance between its interest and those of its diverse stakeholders. This ensures that each constituency is satisfied to some level. The theory puts emphasis of firm management and business ethics that elaborate morals and values in the management of parastatals (Bondy *et.al.* 2011). The Stakeholder theory is a reflection of corporations' performance. It elaborates the parastatal behavior by incorporating some observed economic performance (Mansell, 2013). The theory attempts to show the relationship between the parastatal to its external environment as well as its behavior in the said environment. It argues that there is need for parastatals to pay attention to all their stakeholders; customers and community. In other words this theory is consistent with maximization of value or rather value seeking; meaning customers in all constituencies, that affect the corporation should be considered (Laplume, Karan, & Reginald, 2008). Financiers want high returns with low risk. This therefore, compels the parastatals to specify the tradeoffs on the conflicting as well as inconsistent demands (Johnson, Scholes, & Whittington, 2008).

The theory confirms that those actors; both internal and external have a right and are obligated to participate in decision-making as well as in management of the parastatals. Therefore, according to stakeholder theory directors are obligated to balance everyone's interests and welfare by ensuring maximum benefits across the divide. The final and main goal of stakeholder theory is attainment of a win-win outcome in the medium and long term perspective (Friedman & Miles, 2006). For this reason, Parastatals need to allocate resources in a manner in which all the various groups within and outside the parastatal are considered (Mitchel & Cohen, 2006).

## **4.2 Review of Study Variables**

### **4.2.1 Board Characteristics and Performance**

The board is a link between the capital providers (shareholders) and the users of that capital to create value (Margolis & Walsh, 2003). Nicholson and Kiel (2004) assert that the board is an organ of a company vested with power to oversee the company's operations at the strategic level and demonstrating leadership at the top, monitors the company's financial results and ensure compliance with regulations. Bhagat and Bolton (2008), indicate that the board plays a key role in corporate governance because it plans and monitors a company's objectives. An effective board with appropriate composition of directors is necessary for the board to accomplish its aim and ensure success of the company (Barney & Delwyn, 2007). The board is undoubtedly one of the main organ for controlling a company.

Ayuso and Argandona (2007) state that there are three dimensions of board composition and structure that are vital and reflect the degree of concern about stakeholders, which has been integrated into corporate decision-making. These are stakeholders' participation/presence as directors, their appointment to oversight board committees as well as the existence of a committee majorly composed of stakeholders. As suggested in agency theory, the audit committee of the board's independent monitoring function is essential corporate governance as it aims at reducing information asymmetry between managers and shareholders which then mitigates the agency challenges (Hutchinson & Zain, 2009). Waithaka, Gakure, and Wanjau (2012) did a study on effect of the characteristics of the board on corporate governance performance of institutions dealing in microfinance in Kenya. However, the study did not look at a broad set of board characteristics and also only focused on about two aspects of corporate performance in a financial institution but not strategic management practices in parastatals. The study therefore, will be addressing issues of corporate governance on the performance of marine State Corporations in Mombasa County using a case of Kenya Ferry Services LTD.

### **4.2.2 Corporate Board Composition and Performance**

Empirical research studies in relations to boards have often arisen from researchers questioning the amount of influence the board has over performance of corporations. Most varied researchers, using financial health of the corporations analyzed different characteristics of the board's direct impact on the performance of a firm, but no conclusive results have been realized by most studies (Cutler, 2006) Further research on the influence board's attributes has on board's roles performance and suggested an indirect causal relationship between the board the performance of a firm (DelBaldo, 2012). Of interest however, on the studies, is the attention on a small number of attributes relating to the composition of the board, such as external representation, the size of the board and CEO duality. Although the U.K. Code puts emphasis on

separation of the role of CEO and chairman as a gesture of good governance, previous empirical analyses do not support it.

The propositions by the CMA guidelines (2002) on Corporate Governance are that for a board to be effective, it must be balanced in regards to its constitution. That is having independent non-executive and executive directors; forming a third membership. This ensures no group dominates in decision-making (CMA guidelines on Corporate Governance, 2002). Higher board activity enhances better monitoring of the board, external directors are likely to make demands for more meetings to enhance their ability to monitor management. In addition, more external directors, will mean more time spent in briefing board members than with higher inside directors. Thus, it shows a positive correlation between board representation and the level of activity of the board (Little, 2006). The CMA recommends the establishment of relevant board committees with specific mandates (CMA guidelines on Corporate Governance (2002).

#### **4.2.3 The Audit Committee of the Board and Performance**

Given broad and diverse roles, the board delegates some of its oversight responsibilities to such as an audit committee and others. The Audit Committee usually recommends selection and appointment of the external auditor, to make sure the firm's accounting internal controls are sound. The Audit Committee also monitors the external auditor's independence from senior management, Anderson et al. (2004). Yakhou (2005) states important questions to ask such as who is to appoint it, what its mandate should be, and about its authority. Also questions like whether the Audit Committee Members are independent, competent and also whether they discuss and how often the financial issues with the external auditor. DeZoort *et al.* (2001) found out that, in the case of disputes between the auditor and management, there was a positive correlation in support for the auditor with the external members of the audit committee in possession of auditing knowledge.

The independence of the Audit Committee of the board is determined by the firm's board size whereas in firms with growth opportunities it decreases, which results in losses (Klein, 2002). There is a positive correlation between the audit committee meetings and the proportion of accounting experts, which also applies to the firm size, its outsider block-holdings, the risk of litigation, and board meetings (Raghunandan, 2007). In addition, independent directors do not have any interest in the firm such as of personal or economic would nature therefore, carry their responsibility of overseeing and monitoring the management or executives of the firm as professional referees (Munro & Buckby, 2008). The board at large and its audit committee also monitor the integrity of the financial statements of the company to find out how the company is performing financially, thereby reviewing financial reporting of a significant nature to put in check the effectiveness of the internal control and risk management systems Weil and Manges (2014).

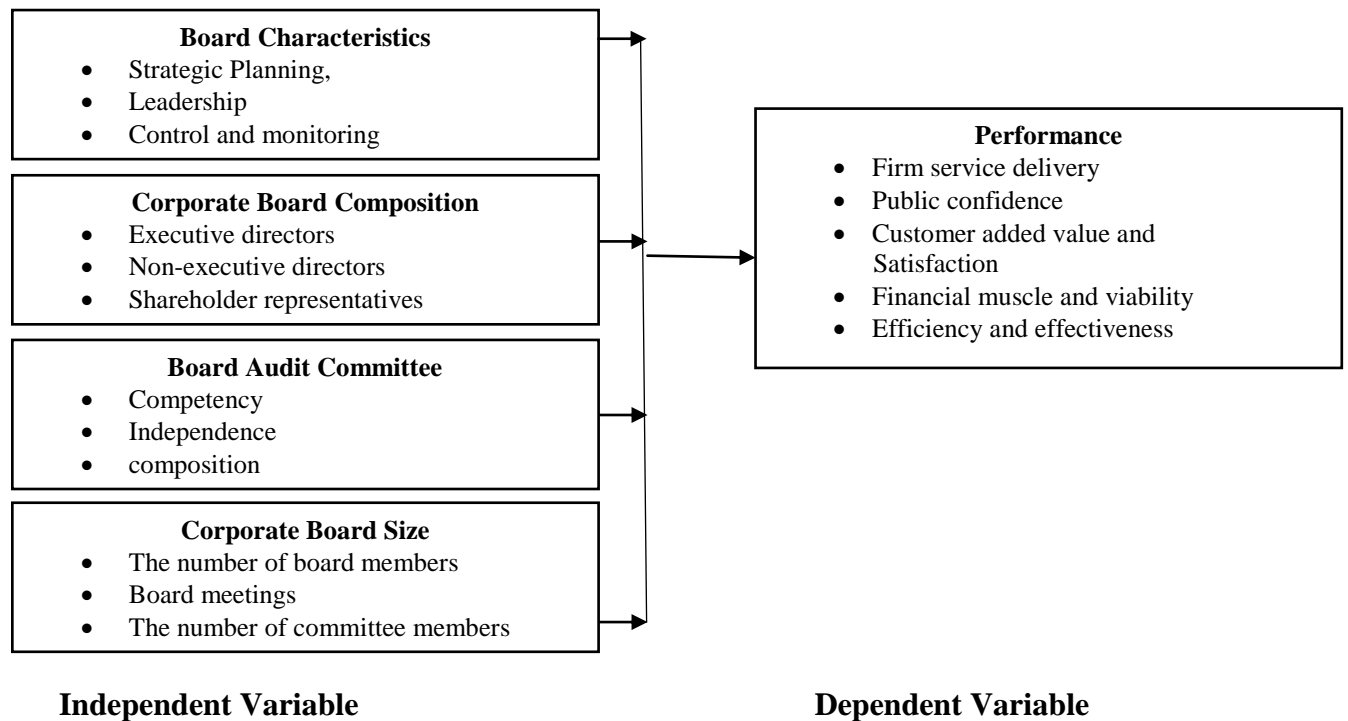
#### **4.2.4 Corporate Board Size and Performance**

The Kenya Companies Act does not give guidelines on the maximum number of company directors but rather gives a node to a minimum of two directors. However the Kenya capital markets guidelines on corporate governance practices states that the board size should medium so as to extent that fruitful discussions during meeting cannot be realized. It also cautions on very small boards of directors because such boards may not have the necessary experience and expertise to run on the affairs of that particular organization. Research studies on the board size

and how firms perform have documented myriad of views from various scholars. Most of the scholars’ findings were a negative correlation between the firm’s financial health and its board size, (Acemoglu, & Robinson, 2012). These scholars argue that too many members on a board may create agency problem, and some members may be considered free rider without corresponding impact to relevant decision making. They hold the notion that larger boards are disadvantageous and expensive to the firm. Dalton (2015) however made his conclusion that small-sized board may not have expertise, to bring in a wealth of experience as well as decision endowed with wisdom that would otherwise have been available with more board members. Several studies have supported smaller-sized boards citing a dysfunction in larger-sized boards. The studies show an impact the board size has on quality of governance of corporations. Larger-sized boards may be plagued with free rider and monitoring challenges. For instance, (Argyris, 2013) found out a negative relationship between the firm’s size of the board its value, an indication that smaller boards are more effective than larger ones as they would experience no or less challenges in coordination and communication (Himmerlberg, 2011).

**4.3 Conceptual Framework**

Bryman and Bell,(2015) defined conceptual framework as a diagrammatical representation that shows the relationship between the dependent variable and independent variables. A conceptual framework shows the relationship between independent and dependent variable. In this study, the independent variables included characteristic of the board, the composition of board, the audit committee of the board as well as legal and regulatory framework. The conceptual framework further explained the sub variables which were tested in each variable which were the measures that were tested. The dependent variable was corporate performance of state corporation in marine sector in the County of Mombasa Kenya; The case of Kenya Ferry Services Limited as shown in Figure 2.1 below.



**Figure 2.1 Conceptual Framework**

## 5. RESEARCH METHODOLOGY

This research adopted a cross-sectional survey research design whose aim was to collect a multitude of both quantitative and qualitative data, within a specific, time to find out the effect governance has on Kenya Ferry Services Limited performance. Stratified random sampling technique was used to select a sample size of 171 respondents from the target population of 300 respondents in Kenya Ferry Services Limited in Mombasa County. The study selected respondents from departments of Finance, Managing Director, Engineering, Procurement, Operations, Human Resource and the board members. Primary data was collected by use of self-administered structured questionnaires which were distributed through the drop and pick method.

## 6. DATA ANALYSIS AND RESULTS

### 6.1 Correlation Analysis

Pearson Bivariate correlation coefficient was used to compute the correlation between the dependent variable (Corporate Performance) and the independent variables (Board Characteristics, Corporate Board Composition, Board Audit Committee and Corporate Board Size). According to Sekaran, (2015), this relationship is assumed to be linear and the correlation coefficient ranges from -1.0 (perfect negative correlation) to +1.0 (perfect positive relationship). The correlation coefficient was calculated to determine the strength of the relationship between dependent and independent variables (Kothari & Gang, 2014).

In trying to show the relationship between the study variables and their findings, the study used the Karl Pearson's coefficient of correlation. This is as shown in Table 4.12 above. According to the findings, it was clear that there was a positive correlation between the independent variables, Board characteristics, Corporate Board Composition, Board Audit Committee and Corporate Board Size and the dependent variable performance of Kenya's state corporations. The analysis indicates the coefficient of correlation,  $r$  equal to 0.271, 0.318, 0.522 and 0.068 for Board characteristics, Corporate Board Composition, Board Audit Committee and Corporate Board Size respectively. This indicates positive relationship between the independent variable namely Board characteristics, Corporate Board Composition, Board Audit Committee and Corporate Board Size and performance of Kenya's state corporations.

**Table 1 Pearson Correlation**

Correlations					
	Corporate Performance	BC	CBC	BAC	CBS
Corporate Performance	1				
	138				
Board Characteristics	.271**	1			
	.001				
	138	138			
Corporate Board Composition	.318**	.221**	1		
	.000	.009			
	138	138	138		

Board Audit Committee	.522**	.721**	.212*	1	
	.000	.000	.012		
	138	138	138	138	
Corporate Board Size	.068**	.047	-.236**	.062	1
	.000	.584	.005	.470	
	138	138	138	138	138
**. Correlation is significant at the 0.01 level (2-tailed).					
*. Correlation is significant at the 0.05 level (2-tailed).					

## 6.2 Coefficient of Determination ( $R^2$ )

To assess the research model, a confirmatory factors analysis was conducted. The four factors were then subjected to linear regression analysis in order to measure the success of the model and predict causal relationship between independent variables (Board characteristics, Corporate Board Composition, Board Audit Committee and Corporate Board Size), and the dependent variable (performance of Kenya's state corporations). The model explains 35.7% of the variance ( $R$  Square = 0.357) on performance of Kenya's state corporations. Clearly, there are factors other than the four proposed in this model which can be used to predict performance of Kenya's state corporations. However, this is still a good model as Bryman and Bell, (2018) pointed out that as much as lower value  $R$  square 0.10-0.20 is acceptable in social science research. This means that 35.7% of the relationship is explained by the identified four factors namely Board characteristic, Corporate Board Composition, Board Audit Committee and Corporate Board Size. The rest 64.3% is explained by other factors in the performance of Kenya's state corporations, Kenya not studied in this research.

**Table 2 Model Summary**

Model Summary				
Model	R	R Square	Adjusted Square	R Std. Error of the Estimate
1	.598 <sup>a</sup>	.357	.338	2.01212
a. Predictors: (Constant), Corporate Board Size, Board Characteristics, Corporate Board Composition, Board Audit Committee				

## 6.3 Analysis of Variance (ANOVA)

The study used ANOVA to establish the significance of the regression model. In testing the significance level, the statistical significance was considered significant if the p-value was less or equal to 0.05. The significance of the regression model was as per Table 4.14 below with P-value of 0.00 which is less than 0.05. This indicates that the regression model is statistically significant in predicting factors of corporate performance. Basing the confidence level at 95% the analysis indicates high reliability of the results obtained. The overall Anova results indicates that the model was significant at  $F = 18.489$ ,  $p = 0.000$

**Table 3 ANOVA<sup>a</sup>**

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	299.416	4	74.854	18.489	.000 <sup>b</sup>
	Residual	538.468	133	4.049		
	Total	837.884	137			
a. Dependent Variable: Corporate Performance						
b. Predictors: (Constant), Corporate Board Size, Board Characteristics, Corporate Board Composition, Board Audit Committee						

**6.4 Regression Analysis**

The researcher conducted a multiple regression analysis as shown in Table 4.15 to determine the relationship between corporate performance in Kenya Ferry Services and the four variables investigated in this study.

**Table 4 Regression Coefficients**

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	6.824	1.634		4.176	.000
	Board Characteristics	-.267	.105	-.257	-2.548	.012
	Corporate Board Composition	.280	.079	.262	3.537	.001
	Board Audit Committee	.464	.072	.645	6.404	.000
	Corporate Board Size	.067	.047	.102	1.414	.160
a. Dependent Variable: Corporate Performance						

The regression equation was:

$$Y = 6.824 - 0.267X_1 + 0.280X_2 + 0.464X_3 + 0.067X_4$$

Where;

Y = the dependent variable (performance of Kenya's state corporations)

X<sub>1</sub> = Board Characteristic

X<sub>2</sub> = Corporate Board Composition

X<sub>3</sub> = Board Audit Committee

X<sub>4</sub> = Corporate Board Size

The regression equation above has established that taking all factors into account (performance of Kenya's state corporations as a result of board characteristic, corporate board composition, board audit committee and corporate board size) constant at zero performance of Kenya's state corporations was 6.824. The findings presented also shows that taking all other independent

variables at zero, a unit increase in board characteristics will lead to a 0.267 decrease in the scores of performance of Kenya's state corporations; a unit increase in corporate board composition will lead to a 0.280 increase in the scores of performance of Kenya's state corporations; a unit increase in board audit committee will lead to a 0.464 increase in the scores of performance of Kenya's state corporations; a unit increase in corporate board size will lead to a 0.067 increase in the scores of performance of Kenya's state corporations (Tonui & Olweny, 2018). This therefore implies that corporate board composition, board audit committee and corporate board size have a positive relationship with board audit committee contributing most to the dependent variable performance of Kenya's state corporations. From the table above we can see that the predictor variables of performance of Kenya's state corporations as a result of board characteristic, corporate board composition and board audit committee got variable coefficients statistically significant since their p-values are less than the common alpha level of 0.05 while corporate board size is statistically insignificant since the p-value is more than the common alpha level of 0.05.

## **7. CONCLUSIONS AND RECOMMENDATIONS**

### **7.1 Conclusions**

On board characteristics the p-value was 0.012 which was below the threshold of 0.05. Therefore, the study concluded that board characteristics has significant effect on corporate performance of Kenya Ferry Services in Mombasa County.

On corporate board composition the p-value was 0.001 which was below the threshold of 0.05. Therefore, the study concluded that corporate board composition has a significant effect on corporate performance of Kenya Ferry Services in Mombasa County.

On board audit committee the p-value was 0.000 which was below the threshold of 0.05. Therefore, the study concluded that board audit committee has a significant effect on corporate performance of Kenya Ferry Services in Mombasa County.

On corporate board size the p-value was 0.160 which was above the threshold of 0.05. Therefore, the study concluded that corporate board size has no significant effect on corporate performance of Kenya Ferry Services in Mombasa County

### **7.2 Recommendation**

From the study findings the following are the recommendations;

That the government of Kenya under relevant authorities should formulate policies or enforce existing policy to make sure that all the state corporations have boards that are very transparent in all their undertaking and operations to ensure high performance.

That State Corporation should ensure that they have policies in place to ensure formulation of balanced boards in terms of both executive and non-executive directors.

The study recommends that all state corporation board in collaboration with the management should structure communication systems that will ensure free flow of information between the board, management and all other stakeholders to enhance the overall performance of the corporation.

That all the boards in state corporations in Kenya should disclose their reviews and evaluation to their management to help them identify areas of weakness that needs improvement and further improve in their strength areas to boost the overall performance.

That increase board gender composition/diversity has a significant positive effect on the corporate performance of state corporations, the state corporations should increase the proportion of female directors sitting in their boards.

That audit committee experience is positively associated with performance. It is therefore utmost necessary for state corporations to re-elect audit committee members that have served for more than 9 years to the board because of their vast experience. Also, the presence of audit members with experience will also reduce financial misreporting and enhance quality monitoring. As such, having experienced audit committee members should be a key priority for state corporations.

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