

**BOARD OF DIRECTOR ORIENTATION AND PERFORMANCE OF STATE
CORPORATIONS IN KENYA : A SURVEY OF SELECTED STATE
CORPORATIONS IN THE ENERGY SECTOR.**

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**A RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF
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THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF
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DECLARATION

This research project is my original work and has not been presented for a degree in any other University.

Signature..... Date.....

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

Signature..... Date.....

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DEDICATION

I dedicate this Project to The Almighty God my creator, my anchor of hope and source of inspiration, wisdom, knowledge and understanding. He has been my great source of strength throughout this Research Project.

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My immense and deep gratitude goes to the Almighty God, for his kindness, wisdom, grace, guidance and direction throughout the process of writing this Research Project. Am greatly indebted to The Management University of Africa for their unwavering support and for giving me a chance to be part of The Management University of Africa family. Furthermore, I would like to express my heartfelt gratitude to the Board of Directors and the management teams of the selected State Corporations in Kenya; The Kenya Pipeline Co Ltd, Kenya Power & Lighting Co Ltd, KenGen Co Ltd, the National Oil Corporation Ltd that participated in this research. Their willingness to share their insights, experiences, and valuable time for interviews and surveys was crucial in this study. Finally, I owe the successful completion of this Research Project to all those people who were constantly beside me, cheering me, encouraging me and supporting me all the way during my fruitful time at The Management University of Africa and Dr. Samuel Thiongo, my supervisor, whose contributions in directing the development of this research Research Project was very valuable.

ABSTRACT

This study focused on the Board of director orientation on performance of state corporations in Kenya : A Survey of Selected State Corporations in the Energy sector. The objective of the study was to find out how board composition, board independence, board training and leadership style affect performance of board of directors in Kenya's state corporation. The scope of the study for the research project was selected state corporations in Kenya and they included: Kenya Power and Lighting Company, Kenya Pipeline Company, Kenya Electricity Generating Company, National Oil Corporation of Kenya and Kenya Civil Aviation Authority. The study was anchored on the Agency theory supported by Transactional Cost theory and Upper Echelon theory. The study adopted a descriptive research design. The unit of analysis was selected state corporations while the unit of observation was board of directors in the mentioned state corporations. The target population for the study was 62 board of directors drawn from state corporations in Kenya and census' method was adopted. The key research instrument to be used; a 5-point-likert scale questionnaire which was used to collect primary data. The questionnaire was administered through drop and pick method. The process of data analysis involved data clean up and explanation. Responses in the questionnaires were tabulated, coded and processed by use of a computer Statistical Package for Social Science (SPSS) version 25 programmed to analyze quantifiable data using descriptive and inferential statistics which include Frequency, Mean, Correlation analysis and Regression analysis. This study applied a descriptive research design since it analyzed both quantitative and qualitative data at the same time. The target population was directors of selected Kenya's energy sector parastatals that consisted of: Kenya Pipeline Company Ltd, Kenya Power and Lighting Company Ltd, KenGen Company Ltd, KETRACO, Geothermal Development Company Ltd and National Oil Corporation, where a simple random sampling was adopted to pick the respondents to engage in the study and a sample size of 62 directors were selected. The study utilized the help of self-administered questionnaires to compile primary data where the questionnaires had both open and closed –ended questions and statements. The research findings and results indicated that the questionnaires were both valid and reliable and could be utilized. Ideally, having all other independent variables constant, a unit increase in level of board leadership style would result to an increase in performance of the board of directors in Kenya's energy sector parastatals significantly. Several avenues for additional research can be identified. For starters, our research was limited to the effects of determinants of the effectiveness of board of directors in the Kenya's energy sector parastatals. Future studies should however look at the effectiveness of the board of directors from other sectors as well as from both public and private sectors. More research is needed to investigate on other determinants of effectiveness of the board other than board composition, board size, board independence, board training and development and board leadership style. Hence this study recommends further study to include other attributes that might influence the effectiveness of board of directors in the parastatal sectors.

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ACRONYMS AND ABBREVIATIONS

CEO	Chief Executive Officer
DCL	Development Company Limited
ICT	Information Board independence Technology
ISX	Indonesia Stock Exchange
KETRACO	Kenya Electricity Transmission Company Limited
KICD	Kenya Institute of Curriculum Development
KPC	Kenya Pipeline Company
MD	Managing Director
NED	Non-Executive Director
RBA	Retirement Benefit Authority
ROA	Return on Asset
ROE	Return on Exchange

OPERATIONAL DEFINITION OF TERMS

Board Effectiveness	As an organization that creates and promotes its collective vision of the company's mission, philosophy, values, and behaviors that it wishes to implement in its business operations.
Board of Directors	An important internal governance mechanism responsible for management's board size and successful control with accountability to shareholders.
Corporate Governance	Corporate Governance is a broad term that describes a company's methods, structure, and processes for conducting business and managing its affairs.
Training	It is a systematic process aimed at providing information and guidance to help an individual enhance their performance or achieve a desired level of growth and development.
State Corporation	It is a legal entity established by a government to undertake nationalized enterprises that are publicly owned by the state with a view to develop and grow its economy.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

In this chapter, the study examined the background of the study, introduced the variables, statement of the problem, objectives and research questions, justification of the study, scope and chapter summary.

1.1 Background to the Study

State Corporations worldwide plays a significant role in the economic development and public service delivery. As key entities entrusted with important functions, these State Corporations are expected to operate efficiently and effectively to achieve their objectives (Campbell, 2018). Board directors are critical aspect on corporate governance and can have a significant impact on these entities' effectiveness, efficiency, and overall success. This influence can be assessed from various angles, including strategic decision-making, oversight, accountability, and stakeholder relations.

From a global perspective, board directors play a pivotal role in shaping the performance of board members of state corporations. Their experience, expertise, and industry knowledge can guide the corporation in making informed decisions. For example, a study by Anderson and Reeb (2003) found that boards with a higher proportion of independent directors are associated with better corporate performance. This suggests that a diverse board can bring varied perspectives to strategic decision-making, leading to improved performance. The board of directors is responsible for monitoring the corporation's management to ensure that it operates in the best interests of shareholders and stakeholders. This oversight function is particularly important in state corporations where public funds and resources are involved. Studies like those by Beasley et al. (2009) highlight the importance of effective board oversight in preventing financial misconduct and improving corporate performance. The board also plays a crucial role in managing relationships with various stakeholders, including government agencies, employees, customers, and the public. A study by Hillman and Dalziel (2003) showed that boards with stronger ties to the government can influence the corporation's access to resources and regulatory support,

which can impact performance positively. The composition of the board of directors, including factors such as diversity and independence, can significantly affect its influence on corporate performance. Research by Adams and Ferreira (2009) suggested that board diversity, especially gender diversity, can enhance board effectiveness and contribute to better decision-making.

The influence of board directors on state corporations is also shaped by the regulatory environment. Laws and regulations governing the appointment, responsibilities, and qualifications of board members can impact their effectiveness. For instance, the Sarbanes-Oxley Act in the United States introduced regulations to enhance board independence and financial oversight, aiming to improve corporate performance. The effectiveness of board directors can be improved through training and development programs. A study by Rosenstein and Wyatt (2020) found that firms with more knowledgeable and trained board members tend to perform better, emphasizing the importance of continuous learning and development for directors.

Prior research has also echoed board composition as a key factor influencing performance of state corporation. According to Xie, Davidson, and DaDalt (2023), board composition, including factors such as, independence, and diversity, plays a significant role in determining board effectiveness. A diverse board composition can bring a range of perspectives, skills, and experiences that contribute to better decision-making and governance outcomes (Adams, Hermalin, & Weisbach, 2021). Moreover, independent directors, who are not affiliated with the corporation or its management, are expected to provide objective oversight and act in the best interest of the organization (Fama & Jensen, 2023). Studies on corporate governance landscape in the UK have witnessed significant developments in recent years. The UK Corporate Governance Code, issued by the Board training Council (FRC), provides guidelines and principles for effective board governance, emphasizing transparency, accountability, and shareholder engagement (FRC, 2018). In their study on board composition and firm performance in the UK, Adams, Hermalin, and Weisbach (2020) found that a higher proportion of independent directors on the board was positively associated with firm performance. They emphasized the importance of

independent directors in providing objective oversight and reducing agency conflicts within State Corporations.

In Africa, in their study on corporate governance practices in sub-Saharan Africa, Ibeh, Nwachukwu, and Emecheta (2023) found that board diversity significantly influenced the performance of state-owned enterprises. The research emphasized the need for balanced board composition and the inclusion of diverse perspectives to improve governance outcomes. Similarly, on a regional perspective, Kilonzo, Ndede, and Ogutu (2016) in their study on corporate governance practices in East Africa explored the relationship between board composition and firm performance. The research revealed that a higher proportion of independent directors and a diverse board were associated with improved firm performance, underscoring the significance of these determinants in East African state corporations.

Although board members select, supervise, and remunerate top managers in companies in addition to formulating policy, the board of directors is one type of internal control mechanism in corporate management (Campbell, 2018). Therefore, the understanding of the determinants that affect the performance of board of directors in the state corporations is crucial. The research variables in this research study are; board composition, board independence, board training and board leadership style. The study explores how and to what extent these variables affect the performance of board of directors in the state corporations. The board is in charge of safeguarding shareholders' interests, developing management policies, overseeing the organization and making critical decisions about the organization's issues. An organization's bylaws specify the structure, obligations, and powers granted to its board of directors. The laws and regulations normally specify how many board members should be on the board, how they should be appointed, and how often they should meet. A board of directors does not have a fixed structure; it is highly dependent on the corporation, the market in which it operates and the shareholders (Bhagat, 2019).

It is generally understood that the board of directors must serve the interests of both shareholders and owners and that it is typically a good idea for the board to include both

internal and external stakeholders (Stuart, 2019). As a result, there is normally an internal director – a member of the board who is involved in the company's day-to-day operations and handles the needs of shareholders and staff and an external director who expresses the views and interests of external stakeholders. According to Klein (2019) the principles of corporate governance, which are described as the mechanisms and processes for the direction and control of businesses, must be followed by an effective board. It's about how management, the board of directors, controlling shareholders, minority shareholders, and other stakeholders interact. By improving company efficiency and increasing their access to outside capital, good corporate governance leads to long-term economic growth. A company's management, board of directors, shareholders, and other stakeholders are all involved in corporate governance. Corporate governance is often described as the mechanism that determines the corporation's goals, as well as the means of achieving those objectives and monitoring performance (Knoeber, 2019).

A board of directors has three main roles, first it connects the company to its surroundings and safeguards essential resources. Second, the board is responsible for internal control and oversight. It has the ability to discipline management teams. Increasing the oversight position of (supervisory and management) boards depends on a variety of factors. Finally, there's the board's size, Haleblian (2019) argues that the biggest benefit of a large (management) board is that a large group will solve more problems. Those broad boards, on the other hand, are likely to be ineffective. The board of directors appoints the corporation's chief executive officer and establishes the company's overall board size. In companies with decentralized ownership, the board of directors also identifies and nominates directors (which shareholders vote for or against), resulting in a high degree of self-perpetuation. The executive board is composed of business insiders who are chosen by shareholders. The executive board is usually led by the company's CEO or a managing director (MD). Since the board of directors is the most important part of an institution, it's obvious that it needs to be responsive to the basic roles it's given. (Lipton, 2019).

1.1.1 Board of Director Orientation

State Corporations play a vital role in the economic development and public service delivery of many countries. Understanding the factors that influence the performance of

State Corporations is crucial for ensuring their efficiency, effectiveness, and accountability. The composition of the Board of Directors is an important determinant of State Corporations' performance. Research by Adams, Hermalin, and Weisbach (2020) emphasizes the significance of board independence, diversity, and size. Independent directors provide objective oversight and reduce agency conflicts. Diversity, in terms of skills, experiences, and backgrounds, brings a range of perspectives and contributes to better decision-making (Ibeh, Nwachukwu, & Emecheta, 2023). Furthermore, the size of the board affects its effectiveness, with a balance between too few and too many members being crucial (Kilonzo, Ndede, & Ogutu, 2016).

The expertise and experience of board members on the other hand have a direct impact on the performance of State Corporations. Daily and Dalton (2019) found that board members with industry-specific knowledge and financial expertise are more effective in fulfilling their roles. Omran, Bolbol, and Fatheldin (2020) highlighted the importance of board expertise in decision-making and risk management. Prior board experience also contributes to effective governance (Kesner, 2020). State Corporations benefit from board members with a diverse range of skills and experiences, enabling informed decision-making and effective oversight.

The performance of board of directors is a crucial aspect of corporate governance in state corporations, as it directly impacts the organization's overall effectiveness and success. This calls for the need for the directors to be responsive to their responsibilities. Such as supervising and tracking, avoiding opportunistic executive action, and providing guidance to decision makers to improve business managements (Remery, 2020). The significance of a well-managed board of directors for an organization's efficient production cannot be underestimated. Moreover, there are many problems with the board's structure, such as the fact that the chairman is a member of the executive board. (Fich, 2019), in recent years, the influence of nominating directors who are also board members of other organizations, the professionalization of Directors, and the position of proxy advisors have all been investigated. The inclusion of female directors on boards is a significant factor in their effectiveness. Boards with women are related to higher company performance.

Adams (2019), female directors are better monitors than male directors, according to the study, because they attend board meetings more often, encourage their male colleagues to attend, and are more likely to serve on oversight committees. It is also argued that, women's intense monitoring influences their positive effect on performance. In organizations with weak shareholder rights, where stringent oversight is required, having a large number of female directors only improves firm efficiency. Women are more responsive to the desires of others and are more likely to accept different viewpoints. Directors' profiles are also a key element of an effective board. Milliken (2019) argued that in order to improve board performance, directors should have practical and firm-specific expertise and skills. Kroll (2019) found that if a company's directors have industry-specific expertise, they have a greater chance of purchasing another company. The oversight and tactical positions of boards are also improved through directors' experience. The author concluded that in order to effectively develop their assignments, directors need sufficient information. Because of intellectual constraints and limitations, the author states that directors who lack the necessary skills become less engaged

Corporate governance practices are also a significant influence on State Corporations' performance. The UK Corporate Governance Code (FRC, 2018) provides guidelines and principles for effective governance, emphasizing transparency, accountability, and shareholder engagement. The implementation of robust governance practices, such as clear reporting mechanisms, ethical standards, and effective risk management frameworks, is essential for ensuring the performance and sustainability of State Corporations. These determinants are interconnected and mutually reinforcing. A board with diverse composition and independence is more likely to possess the required expertise and experience to make informed decisions and exercise effective oversight (Ali & Zhang, 2015). Effective governance practices, including transparency and accountability, create an environment conducive to board effectiveness and overall performance. Organizations with audit and remuneration committees, for example, are associated with better results. Klein (2019) states that, to contribute to board performance, board committees should be divided into two groups, monitoring committees which are: audit, reward, and nomination

committees and productivity committees which include: finance, investment and strategic committees.

1.1.2 Organizational Performance

The capacity of an organization to maximize outcomes and accomplish its objectives is known as organizational performance (Aguinis & Kraiger 2018). Organizational performance in today's workforce is the capacity of a business to meet objectives in a constantly changing environment. Performance is a critical concern for business owners and managers alike. Organizational performance was the main topic of the study. Assessing an organization's performance involves comparing its actual output or progress to its predetermined targets, goals, or outputs (Kithinji, 2019). The concept of organizational performance given by Aguinis and Kraiger (2018), which highlights the organization's mission, job findings, customer link, and quality service, was applied in this study. Performance increases when organizational resources are directed toward certain goals and objectives (Akello & Atambo, 2019). The customer value addition method can also be used to measure performance. Therefore, the strategic goals of an organization act as a lens through which to focus its resources. Performance offers essential data that is used to keep an organization under observation and control (Njeru, 2018). Measures of organizational success include growth, earnings, economic added value, customer satisfaction, balanced scorecards, and activity-based evaluations. The balanced scorecard method was used in this study to evaluate performance. Over time, several organizations have implemented the balanced scorecard; one such institution is D&S in the Kenyan setting.

A direct link between the objectives of the organization, the practices of evaluation, and the outcomes achieved are necessary for performance evaluation. Analyze the performance measures' relevance. Using goals, a balanced scorecard, and KPIs, management can evaluate an organization's performance. The accomplishment or lack thereof of a specific group, such as a project, program, or other indicator, is determined by the key performance indicator. Grove and Karugu (2018). KPIs go into one of two categories: quantitative or qualitative. It monitors several parameters, and KPI development should adhere to the SMART criteria. According to Gure and Karugu (2018), managers utilize the balanced

scorecard as a tool for strategic performance. This allows them to closely monitor and control the outcomes of their employees' actions while also keeping an eye on how those activities are conducted. In this study, the organization's efficacy was evaluated in terms of both its efficacy based on market share and its efficacy based on annual revenues

1.1.3 The State Corporations in Kenya

The state corporations in Kenya are established by the Act of Parliament under the Companies Act (CAP 486). Some of these include; Kenya Pipeline Company (KPC) Limited established on 6th September, 1973. The main objective of setting up Kenya Pipeline Company was to provide the Kenya economy with the most efficient, reliable and save at least cost of transporting petroleum products from Mombasa to the hinterland towns and cities at the lowest possible rate. Kenya Power and Lighting Company is a government corporation which transmits, distributes and retails electricity throughout the country. The corporation is partly owned by the government of Kenya with 50.1% shareholding and private investment of 49.9% shareholding. The company manages metering, licensing, billing, emergency electricity services and customer relations. KenGen Company Limited was established in 1954 and it is the largest electricity power producer in Kenya producing over 60% of electricity consumed in the country. National Oil Corporation was established in 1981 with the aim of becoming involved in all areas of the petroleum sector. The parastatal is wholly owned by the government of Kenya through the joint ownership by the ministry of mining and national treasury. It first began operating in 1984, and its initial missions were limited to exploration which were delegated from the ministry of energy. Relevant laws and regulations, such as the Finance Act, the Public Procurement Regulations, and Performance Contracting Acts, govern these state corporations' parastatal operations.

The main objective of establishing, especially in the state corporations, was to provide reliable, dependable, safe, and cost-effective services and products. The Kenya Pipeline Company, for instance, was established to transport petroleum products from Mombasa to the countryside (Goleman, 2019). To achieve this goal, the Company developed the pipeline network, storage and loading facilities for transportation, storage, and distribution

of petroleum products within the country and other neighboring states. According to Andres (2019). The current organizational structure includes a Managing Director appointed by the government and eight General Managers namely; General Manager Operations and Maintenance, General Manager Infrastructure, General Manager Human Resource and Administration, General Manager Finance, General Manager Internal Audit, General Manager Strategy, General Manager Supply Chain, and Director, Morendat Institute of Oil and Gas. Kenya Pipeline Company Ltd has a board of directors which totals to eleven in number. The board is chaired by a chairperson who presides over all of the company's board meetings.

1.2 Statement of the Problem

Despite tight regulatory framework in Kenya's state corporations, effective Board management continues to weaken in Kenya (Mangunyi, 2018). According to Mureithi, (2019), many have been punctuated by scandals as a result of directors acting improperly or in unethical conduct with their shareholders. In this study it was highlighted that some State Corporations have experienced scandals attributed to directors engaging in improper or unethical conduct towards their shareholders. These incidents raise concerns about the ethical behavior and corporate governance practices within State Corporations. Such scandals can have detrimental effects on the reputation, trust, and overall performance of State Corporations, emphasizing the need for robust governance mechanisms to prevent and address such misconduct. Hence the lack of competent management and governance, as well as malpractices have had some stock brokers in serious financial troubles, prompting the Capital Markets Authority to put them under receivership management.

According to Du Plessis, Hargovan, & Harris, (2018), in the last 15 years, there have seen failures in global corporate governance and the last 6 years of the global financial crisis have also put enormous pressure on board of directors to live up to their functional roles. Most countries of the world, including the emerging markets like Kenya, had to take stock of how they fared. (Yermack, 2019) reviewed corporate governance in UK banks and came out with the following recommendation which included improving the quality of the boards in terms of education, industrial experience, board functions, performance evaluation, pay packages and risk management capabilities. While this approach was welcome and aimed

at making board of directors more performative, there are still challenge as to how boards are constituted and structured, how they operate and how they play their respective functions.

In reference to recent parastatal failures, the emphasis is on the required board of director's composition that would effectively and efficiently manage corporate resources and give managers assess to independent and valuable direction. Any advice on how to deal with the challenges of strategic decisions in order to run a profitable company is highly useful. The relationship between the board of directors and the growth of the company is complex and researchers are struggling with multiple variables and have often been disappointed in searching for an optimum performance of board of directors that would positively impact on such institutions (Adams, et al 2020).

Based on three steps, Bouaziz (2018) investigated the influence of an efficient board of directors on the financial results of a sample of 26 Tunisian companies listed on the Tunisia Stock Exchange. the research highlights the significance of an efficient board of directors in influencing the financial outcomes of companies. This supports the notion that an effective board, with appropriate composition and monitoring practices, can positively impact a company's Performance of board of directors. The study provided a contextual gap that current study examined on local perspective. Obura (2018) conducted research into the impact of board composition and compensation on financial results of companies listed on the Nairobi Stock Exchange. While the majority of studies have looked at composite stock indices in relation to board composition of firms. By focusing on companies listed on the Nairobi Stock Exchange, the research by Obura (2018) provides insights into the unique dynamics and factors influencing Performance of board of directors within the Kenyan context. The study contributes to the understanding of how board composition and compensation practices impact the financial outcomes of companies operating in this specific market.

While the study conducted by Gitobu (2019) provides a review of the literature on corporate governance and firm performance, there are some gaps identified in terms of contextual, conceptual, and methodological aspects. The review lacks a clear delineation

of the specific context or setting within which the studies reviewed were conducted. The contextual factors, such as country-specific regulations, corporate governance practices, or cultural nuances, can significantly influence the relationship between corporate governance and firm performance. Without considering these contextual factors, the generalizability and applicability of the findings to specific settings may be limited. Similarly, the view does not thoroughly analyze or critique the existing conceptual frameworks or theoretical models used in the literature. There is a need for a more in-depth analysis of the conceptual foundations and theoretical underpinnings that guide the studies reviewed and lastly, it does not extensively evaluate the methodologies employed in the reviewed studies. It lacks a critical assessment of the strengths and weaknesses of different research designs, sampling techniques, data collection methods, and analytical approaches used in the literature. A more thorough methodological evaluation would enhance the understanding of the quality and reliability of the empirical evidence presented in the studies reviewed. As a result, this research aimed to bridge these gaps by carefully considering the specific context of the study, critically evaluating and refining conceptual frameworks, and employing rigorous methodology that would enhance examining the performance of board of directors at Kenya's state corporations.

1.3 Objective of the Study

1.3.1 General Objective

The objective of this study was to establish the board of director orientation on performance of state corporations in Kenya a survey of selected parastatals in the energy Sector.

1.3.2 Specific Objectives

- i. To examine how the composition of the board influence the performance of state corporations in Kenya.
- ii. To investigate the influence of board independence on the performance of state corporations in Kenya.
- iii. To assess the influence of board training on performance of state corporations in Kenya.
- iv. To assess how leadership style influence performance of performance of state corporations in Kenya.

1.4 Research Questions

- i. How does board composition influence performance of state corporations in Kenya?
- ii. In what way does the level of board independence contribute to the performance outcomes of state corporations in Kenya?
- iii. To what extent does board training influence the performance of state corporations in Kenya?
- iv. How does board leadership style affect the performance of state corporations in Kenya?

1.5 Significance of the Study

The significance of a study on the influence of directors on the performance of state corporations in Kenya is multifaceted, touching upon theory, policy, and practice. Such a study contributes to our understanding of corporate governance dynamics in a specific national context. From a theoretical perspective, investigating the influence of board directors on state corporation performance in Kenya can shed light on the applicability of corporate governance theories in diverse settings. It allows researchers to test and extend existing theories, such as agency theory, transaction cost theory and upper echelon theory, in the unique context of state corporations in a developing country like Kenya. This research can offer insights into whether the traditional governance models are effective in improving state owned enterprises performance or if alternative approaches are necessary to account for the nuances of the Kenyan corporate landscape. By anchoring the study in theoretical frameworks, it provides a structured foundation for analyzing and interpreting empirical data (Hitt et al., 2009).

In terms of policy implications, understanding the influence of board directors on state corporations in Kenya has significant relevance for policymakers and government agencies responsible for regulating state corporations. Kenya has made efforts to reform and enhance the governance of state corporations, and empirical findings from this study can help policymakers make informed decisions. For example, if the research reveals that board diversity or independence positively impacts state corporation's performance, it could inform policy changes related to board composition and appointment criteria. Conversely,

if it identifies governance challenges, it can trigger the implementation of specific policies and regulations aimed at improving board effectiveness and accountability within state corporations (African Development Bank, 2016).

In the realm of practical implications, the study can provide valuable insights for board members, corporate executives, and stakeholders in state corporations. It can serve as a guide for best practices in corporate governance, helping boards and management teams understand their roles and responsibilities in achieving better performance outcomes. The findings can be used as a basis for training and development programs for board directors, which can enhance their capabilities and effectiveness. Moreover, stakeholders, such as investors, can use the study's results to make more informed decisions about their engagement with state corporations in Kenya, ultimately influencing the market and business practices (Cadbury, 1992).

1.6 Scope of the Study

The scope of the study on the influence of directors on the performance of state corporations in Kenya is delimited by the specific context of state corporations in Kenya. This context encompasses the unique governance structures and regulatory frameworks that define the operational environment of Kenyan state corporations. By focusing on this context, the study provided insights tailored to the specific circumstances that influence board dynamics and performance outcomes in Kenyan state corporations. The geographical scope of this study is limited to Kenya, a country in East Africa. Within Kenya, the research concentrated on 62 directors from select state corporations representing various sectors of the economy which included: The Kenya Pipeline Co Ltd, Kenya Power & Lighting Co Ltd, KenGen Co Ltd, the National Oil Corporation Ltd. By surveying a sample of state corporations in Kenya, the study can capture variations in governance practices and performance outcomes that may exist due to regional differences. This geographical scope allows for a comprehensive examination of board directors' influence on state corporations while accounting for the country's regional diversity. The time scope of the study is bounded by a specific timeframe. This timeframe enabled the researcher to analyze the influence of directors on the performance of state corporations in Kenya over a recent and relevant period. It allows for the examination of contemporary

governance practices, regulatory changes, and performance trends. Additionally, by selecting a defined time scope, the study can assess the impact of any recent policy reforms or shifts in corporate governance practices on the performance of state corporations. This temporal focus ensures that the findings and conclusions of the study are up-to-date and reflective of the current dynamics within Kenyan state corporations. The study was done between May 2023 to June, 2024. Further, the scope of the survey examined in terms of the budget and was carried out in Nairobi since most of these have their headquarters in Nairobi.

1.7 Chapter Summary

This chapter entails the background on performance of board of directors in Kenya's state corporations, statement of the problem, study objective, research questions, justification of the study, study scope, and study limitation and lastly the chapter summary also indicates all the components of chapter one.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter covers the review of literature related to the current study. It lays out the basic theories that guide this study and a discussion of the most important empirical research. It also includes the research gaps summary and the conceptual framework.

2.1 Theoretical Literature Review

The section covers the theories that the study was based on. The anchor theory is the Agency theory supported by two other theories which are: Transactional Cost theory and the Upper Echelon theory

2.1.1 Agency Theory

The Agency theory was first introduced by Stephen Ross and Barry Mitnick in 1973. This was to solve the agency problems that would arise from the agency relationship between principals (shareholders or owners of the business) and the agents (management or workers) of the business. The Agency theory has been quite popular in explaining the responsibilities and roles of board of directors in solving and mitigating the expenditure and any other costs emanating from questionable and sub-standard performance by agents or management, which are termed as agency costs (Dalton et. al; 2007). The significance role played by board of directors in ensuring that there is good governance in corporations has been recognized and subsequently, laws and regulations have been enacted to that effect. In recent years, there has been more complains and pressure on board of directors to show how they can perform better and add significant value to their corporations, ways of increasing board performance and sustain general financial and operational stability in their corporations. This has become a major focus of interest, attraction and debate amongst corporate governance intellectuals and researchers.

There have also been renewed efforts in understanding the roles and tasks of board of directors and top management and how they can be made more proactive and effective. Additionally, there has been significant dissatisfaction amongst shareholders in regards to the poor performance of corporations which raises questions about the competency of

board of directors, corporate corruption and the failing value of the shareholders (Chaganti, 2018). The Agency theory also defines the monitoring responsibility and tasks of board of directors in terms of size and independence. The supporters or proponents of this theory argue that a substantial increase in of the board could result in slowdown in decision making and may lead to an increase in general costs (Tashakkori, & Teddlie 2017)

The relationship between principals, such as shareholders, and agents, such as company executives and managers, is referred to as agency theory. According to this theory, the shareholders, who are the company's owners, recruit the employees to do work on their behalf. Ross and Mitnick proposed this theory to clarify the distinction of ownership and power in companies. It views the corporation as a network of interconnected contracting relationships among people. The theory states that all parties in a contract relationship will use the available information to maximize their wealth. In the agency theory, a principal appoints employees as agents to undertake a job that the principal him/herself is unable to accomplish. In this case, the parties in the theory are the principals and the employees. The principals in the sense of companies are the company's owners, who assign work to the employees, who in this case are the management. Self-interest motivates both the principals and the employees, according to another assumption of the theory. If all sides are motivated by self-interest, this statement holds true (Mitnick & Ross, 2019)

Self-interest motivates both the principal and the employee, according to another assumption of the theory (Meckling, 2017).

Despite the fact that employees are supposed to behave in the sole interest of their principal, if both parties are motivated by self-interest, workers are more likely to follow self-interested interests that are at odds with the principal's goals (Hellqvist, 2020).

Modern organizations, which are defined by a large number of shareholders that permit distinct individuals to manage and direct the use of their collective resources for future profit, are governed by agency theory. It incorporates a number of useful tools for analyzing the relationship between owners and managers, as well as confirming how the corporate goal of optimizing returns to owners can be accomplished. Shareholders in today's may or may not own shares, but they may have appropriate and necessary technical expertise in the organization's management. Other theorists who contributed to the growth

of agency theory have proposed approaches to reduce the possibility of agency problems. Jensen (2018) proposes two alternatives. First, an efficient design of the principal-agent risk-bearing structure, and finally, monitoring of the established design through nexus of organizations contracts. The loss of a corporation's valuation as a result of the agency problem, as well as the tracking and bonding costs, are referred to as agency costs.

The principle behind agency theory is that in a modern organization, the division of ownership and management leads to agency costs associated with resolving the dispute between the owners and the employees. (Meckling, 2017). The effect of this, as well as the agency principle in general, is that management cannot be trusted, necessitating Board control to protect shareholders' rights. Agency Theory's key concern is successful oversight, which is accomplished when boards have a plurality of outside and preferably neutral directors. Different individuals should hold the positions of Chairperson and CEO (Jensen, 2018)

In the study on the determinants of performances of board of directors of state corporations in Kenya, Agency Theory can provide a useful lens to examine the potential agency problems that may exist within state corporations. By applying this theory, the study contributed to a deeper understanding of the governance dynamics within state corporations in Kenya and provide insights into the mechanisms that can foster effective board performance, aligning the interests of shareholders and board members. This understanding inform policy and governance reforms aimed at improving the performance and accountability of state corporations in Kenya.

2.1.2 Transaction Cost Theory

Transaction Cost Theory is another relevant theoretical framework that can be applied to the study on the determinants of performances of board of directors of state corporations in Kenya. It focused on the costs associated with transactions and provides insights into the choice of governance structures to minimize transaction costs. The origins of Transaction Cost theory can be traced back to the work of Coarse (2016), "The Nature of the Firm". Coarse explains that economic organizations operate to reduce the cost of trade in the industry. A corporation is regarded as a governance framework for minimizing the

cost of trading in the market in this regard. (Taylor, 2020). According to this theory, if a transaction is coordinated through the market or through the hierarchy (firm) it is decided by the efficiency of all modes of organization in minimizing the transaction's expense. In terms of Corporate Governance, the transaction at hand is an investment in a company that is accompanied by a guarantee of future return rather than payment. (Dyck, 2017). This theory states that, the board of directors is a structure that has evolved to solve issues that arise from managers' opportunistic conduct. Williamson, (2019). He stated that the board of directors' proper function is to safeguard the rights of shareholders. However, in terms of corporate governance, transaction cost theory has several weaknesses. The theory provides no guidelines about how the board should be structured to be effective in protecting shareholder rights (Williamson, 2019).

Applying Transaction Cost Theory to this study provided insights into the governance structures and mechanisms that influence board performance and mitigate transaction costs. Furthermore, Transaction Cost Theory explains the relevance of different governance structures and practices in state corporations, considering their unique characteristics and the potential for opportunistic behavior. It provides insights into how governance mechanisms can align the interests of shareholders and board members, promote accountability, and enhance board performance.

2.1.3 Upper Echelon Theory

The Upper Echelon Theory focused on the characteristics and attributes of top-level executives, such as their backgrounds, experiences, and values, and their influence on organizational outcomes. This theory was initially proposed by Hambrick and Mason (1984) and has been further developed and expanded by various scholars, including Donald C. Hambrick, Phyllis A. Mason, and Michael D. Hitt. Their contributions have helped shape the understanding and application of the Upper Echelon Theory in the field of organizational behavior and strategic management. The theory's core principle is that top executives in companies assess the opportunities, risks, alternatives, and probabilities of different outcomes from their operations (Hambrick (2019). Because of executives' experiences, values, attitudes, and other human factors, these individualized perceptions of strategic circumstances emerge. As a result, companies, according to the theory, become

representations of their top executives. Theorists argued that strategic decisions are inextricably related to the demographic profiles of decision-makers. Although most research on corporate executives and strategy have concentrated on the CEO and/or Top Management Teams (TMT), this study follows Hambrick's (2017) suggestion that research should include board of directors because they have a major impact on the corporation's strategic decisions. Boards of directors serve as advisors and are involved in the evaluation, approval, and facilitation of strategic policy direction. According to Yermack (2019), the demographic factors of the board of directors can affect the company's financial results inclination. This is crucial because corporate governance would necessitate the board's participation in the development, advice, analysis, and approval of strategic decisions (Williamson, 2019)

Mason (2020) posits that policy makers' demographic characteristics affect their strategic orientations to some extent. It argues that organizational results are attributed to top-level decision makers with clear demographic profiles, and that "if you want to understand why firms operate the way they do, we must consider the prejudices and dispositions of their most influential actors- their top executives," according to the report. The main argument of Hambricks and Manso's (Williamson, 2019) viewpoint is that demographic characteristics of corporate executives can be used as surrogates for their cognitive orientation, attitudes, values, expectations, and knowledge base, with financial consequences. According to Hambrick (2018), executives behave based on their individual perceptions of strategic situations they face, which are a feature of their backgrounds, values, convictions, and attitudes. The consequences of this theory for organizations are that top management's decisions determine the institution's development through coordinated interests, attitudes, and abilities in their strategic choices. As a rule, top executives should bring to their leadership roles a package of principles and values that define the means by which knowledge and action are rooted within existing corporate and social worlds.

The Upper Echelon Theory provides a relevant lens for this study for examining the determinants of performances of board of directors of state corporations in Kenya. By

considering the characteristics and attributes of board members, including diversity, backgrounds, and values, the study can provide valuable insights into enhancing board performance and improving the overall effectiveness of state corporations.

2.2 Empirical Literature Review

The section covers the past studies related to the research Research Project and the identification of the research gaps that the study intends to fill.

2.2.1 Board Composition and Performance of State Corporations

Traditional approaches to board structure are focused on the discrimination-and-fairness model, which includes policies like affirmative action, which aims to select from under-represented groups, and numbers-based approach, in which statistics are the most valuable instrument (Thomas, 2019). The ratio of inside directors who engage directly in routine management of the company to outside directors who serve as a check and balance to ensure that the interests of shareholders are covered.

He asserts in his findings that, in order for board of directors to be more relevant and effective, they need to have structures that are appropriate to their performance. This involves many related proportions. The most commonly cited proportions or dimensions refers to diversity. The board of directors should consist of a mix of personalities having different professional backgrounds, educational background, occupational and functional backgrounds. As some directors pointed out: “A board of directors composed of members with little educational background and experience, lack of skills and expertise and poor institutional connectivity does not perform effectively. While having diversity seems at the top of the minds of most people, it is also important to mention that different skills matter at the disposal of board of directors as a minimum requirement which must be complimentary. Besides, diversity and complimentary dimensions were cited as one of the major reasons determining the performance of the board of directors. Individual directors should have a minimum qualification of a degree, industrial knowledge and experience. It is of great importance to note the capacity and quality of the people sitting on boards as board members.

According to Wegge (2019), age variability strengthens a group's capacity to solve high-c complexity tasks. Age variability, on the other hand, increased the amount of self-reported

medical problems in groups working on simple tasks, suggesting that groups of different ages can be used more often for innovation or solving complex problems. Conversely, the study also found that age variability increased the amount of self-reported medical problems in groups working on simple tasks. This suggests that when groups are engaged in relatively simple and routine tasks, age diversity may not provide the same benefits as it does in complex problem-solving scenarios. Based on these findings, it can be inferred that groups comprising individuals from different age groups are more suitable for innovation or solving complex problems. The diverse knowledge, skills, and perspectives that result from age diversity can contribute to creative problem-solving and the generation of innovative solutions.

Furthermore, prolonged career tenure is credited with the positive outcome of age composition. The increasing use of transaction cost theory, according to (Dagsson, 2018), can be used to predict board operation and enhance board processes. They argue that rather than attempting to connect team attribute variables to organizational efficiency, governance research should focus on developing and testing a theoretically sound model of board performance. By considering the role of board tenure and organizational structure within the framework of Transaction Cost Theory, researchers can delve into the dynamics that shape board operations and identify mechanisms for enhancing board effectiveness. This approach helps to advance the theoretical understanding of board performance beyond individual attribute variables and towards a more integrated and comprehensive model. The study by Dagsson (2018) highlights the positive outcomes associated with prolonged career tenure within the board of directors, particularly in relation to age composition. The use of Transaction Cost Theory provides a valuable tool for predicting board operations and enhancing board processes. By focusing on the development of theoretically sound models of board performance, governance research can provide more nuanced insights into the dynamics that drive effective board functioning within organizations.

Bantel (2019) based his research on the demographic factors of the Board of Directors and their impact on the business's strategic decisions. One of the demographic factors selected for the analysis is the age of the Board members. Based on a survey of 100 companies in 1983, they reported a negative connection between the average age of Board members and

shifts in corporate strategies, in contrast to older directors, younger directors are more accepting of taking on more risks and are more likely to consider significant changes in the decision-making process.

According to the findings, younger directors were more accepting of taking on more risks and were more likely to consider significant changes in the decision-making process. In contrast, older directors were more cautious and conservative in their approach to strategic decision-making, potentially leading to a resistance to change or a preference for maintaining the status quo.

These findings suggest that the age composition of the Board of Directors can influence the strategic decision-making processes within organizations. Younger directors, due to their greater propensity for risk-taking and openness to change, may contribute to a higher likelihood of strategic shifts and a willingness to explore new opportunities and innovative approaches.

The phenomenon of corporate board ethnic composition involves at least two major and interconnected propositions. According to the first view, capable females and minority groups with human capital, expertise, skills, external networks, information, and other essential corporate features should be given chance to serve on boards of directors and in upper managerial positions. The second viewpoint asserts that having a diverse board of directors leads to better governance and, as a result, a more profitable company. (Carter *et al.*, 2018.). The study by Carter et al. (2018) explores the relationship between gender and ethnic diversity on corporate boards and firm Performance of board of directors. The findings suggest a positive association between gender and ethnic diversity on boards and Performance of board of directors measures, such as return on assets (ROA) and return on equity (ROE). The study provides empirical evidence supporting the second proposition, indicating that diverse boards are associated with improved corporate governance practices and better financial outcomes. It is important to note that the findings of Carter et al. (2018) pertain specifically to the US context. However, the underlying propositions regarding the importance of diversity and the potential benefits of diverse board composition are applicable and relevant across different regions and countries.

Various communities, educational levels, ages, gender, regional backgrounds, gender identity, and ethnicity may all affect performance, new product development, as well as other core business concerns. The organizational diversity guidelines booklet covers gender, age, language, race, historical aspects, sexual orientation, economic class, personality, religious beliefs, nationality, family responsibilities, and cognitive style. Workplace diversity as a concept entails recognizing and solving individual differences in the workplace. It also considered how people's expectations influence their board independence style. Diversity is vital in board composition because it can affect work relationships by providing different perspectives on business issues and opportunities, and also a broader variety of solutions to the problems. The absence of diversity on boards of directors is a critical challenge affecting the performance of in the state corporations (Vafeas, 2019).

Addressing the diversity challenge within state corporations requires proactive efforts to ensure that board composition reflects the diversity of the communities and stakeholders they serve. This may involve adopting policies and practices that encourage diversity, such as setting diversity targets, implementing inclusive recruitment processes, and providing training and development opportunities for individuals from underrepresented groups. In the findings of Vafeas (2019), diversity in board composition is essential for bringing different perspectives, varied solutions, and improved work relationships to address business issues and opportunities. The absence of diversity on boards of directors is indeed a critical challenge that can impact the performance of state corporations. By embracing diversity, state corporations can enhance their governance practices, decision-making processes, and ultimately improve their overall performance and responsiveness to stakeholders' needs.

This confirms the underlying criteria of appointment based on ethnicity and political patronage, with a bias towards men. The absence of diversity will have a negative impact, on the performance of the organization to which they are so appointed. This means that women or female representatives in boards of organizations are few and not well

represented. This in effect illustrates the fact that on the issue of appointments, little attention is placed on gender diversity.

Zakaria (2018) investigated the relationship between board composition and organizational performance using a board-level aggregation variable. Using a panel data set of 277 non-financial listed Malaysian companies from 2002 to 2018, the researcher used linear regression to evaluate the relation between board role typology and corporate performance. According to the empirical findings Organization boards with a high representation of external and foreign shareholders are associated with improved outcomes than those with a majority of internal shareholders and partnered non-executive directors. The findings contradict Niskanen's (2018) argument, which states that businesses with outside board members have slower growth and are less productive. Nyamongo (2019) looked into the impact of corporate governance on the performance of 37 Kenyan commercial banks from 2019 to 2020. Using two success metrics, ROA and ROE, as well as regression analysis, the study discovered that having an independent board of directors improves the performance of banking institutions in Kenya. The evidence corroborates (Zakaria's, 2018) statement that organizations with outside directors have better results. However, it challenges Bhagat's (2019) conclusions, which say that independent and non-executive directors have little impact on corporate productivity.

2.2.2 Board Independence and Performance of State Corporations

The emphasis on board independence stems from Organization theory (Jensen, 2019). Indeed, the finance literature has long reported that boards with a plurality of independent directors are more successful at overseeing management and are more likely to substitute underperforming CEOs. When an organization's output deteriorates dramatically, more independent boards are more likely to choose a clean slate and recruit a new CEO from outside the company rather than endorse an internal candidate.

Independent directors are those who are not paid by the corporation and have no business interests to it. The function of these directors is that of board monitors. They are also referred to as Outsiders or external directors. Within directors are those who engage in the

day-to-day activities of the company, while board independence is determined by the proportion of independent directors. They work full-time with the organization and are in charge of achieving financial and strategic goals. The CEO, for example, represents an inside manager according to Peng (2018), the effect of board independence on organizational performance is far from strong, and the effect is either negligible or positive depending on the measure of an organizations effectiveness. Klein (2019) also failed to establish a connection between the composition of the Board of Directors and the profit of the organization. Senbet (2019), on the other hand, suggests that a board is more autonomous if it has more non-executive directors (NEDs). Outside directors according to Cotter (2018), play an important role in protecting shareholders' interests through successful decision making. Some researchers have also discovered that there is no correlation between the proportion of NEDs and company results. It's been proven that a board's efficiency is determined by the right combination of inside and outside directors (Baums, 2018). However, there is a shortfall of a theory on the factors that affect optimal board composition. Baums (2018) highlights that some researchers have found no correlation between the proportion of non-executive directors (NEDs) on a board and company performance. Instead, it has been suggested that the effectiveness of a board is determined by the appropriate combination of inside and outside directors. However, there is a lack of a comprehensive theory that explains the factors influencing optimal board composition.

In order for a board committee to be an efficient monitor, independence is also necessary. Senbet (2019) states that, the participation of monitoring committees (audit, appointment, and compensation committees) is strongly associated to factors associated with monitoring benefits. Further, insiders on pay boards, on the other hand, raise the risk of decisions benefiting the CEO's interests. (Newman, 2019). Besides that, organizations nominate less unbiased outside directors and more grey outsiders with conflicts of interest when the CEO sits on the nominating committee or when there is no nominating committee at all (Yermack, 2019). Additionally, when the director selection process is considered as largely independent of CEO interference, the stock market reacts positively to the appointment of independent outside directors. Independent audit committees, according to (Klein 2019),

minimize the risk of earnings fraud, thereby strengthening transparency. Lastly, the audit committee is less likely to include a majority of independent directors if the CEO serves on the nominating committee.

The financial statements of all state corporations should be subjected to an independent audit. This is usually undertaken by the Auditor-General or by private sector auditors working on his or her behalf. The audit reports should be primarily addressed to Parliament rather than to the parastatal organization itself. In addition, the Public Accounts Committee of Parliament should use the audit reports to assist with holding the governing body and the chief executive to account for their decisions and for the management of the organization. The Auditor-General represents the wider public-sector interest in parastatal organizations and thus has a wider scope compared with an auditor in the private sector. The audit of parastatal organizations, like other public-sector entities, should be of the whole of the financial management of the organization, including specific consideration of probity and regularity, rather than of its accounts alone (Klein, 2019).

The strong bond between independent directors and an efficient board, like board composition, is not standard, and empirical evidence indicates that board independence does not always generate value. According to Agrawal (2019) and Netter (2019), negative and important relationship can be found in works while in others no such relationship can be found. These findings, which were often unexpected, could be explained in a number of ways. For instance, the directors may not be fully autonomous; they may lack the required skills to perform their advisory work; they may be subject to undue oversight as previously stated. The appointment of independent directors may be motivated by a desire to obey good governance recommendations. Resulting in a departure from the ideal board structure, which has a negative impact on the company's value; maybe better guidance is not reflected in the company's performance since there could be an issue with the methodology used.

2.2.3 Board Training and Performance of State Corporations

Businesses should monitor and invest in board of director training programs because it will enable their directors improve their performance and efficiency. According to Perry (2018), the training programs assists the company in attaining organizational goals and equipping

the directors with the skills necessary to implement effective strategies. Board management software, such as Board Management, is recommended for organizations seeking to upgrade the work of their board of directors. A higher academic standard of directors has been linked to openness to innovation and technology, tolerance for uncertainty, and the implementation of effective control systems.

Higher education improves one's ability to process knowledge, skills, learn new ideas, and come up with innovative solutions. Besides accommodating other directors' views. The key challenges that managers face is deciding what skills and expertise, a board member should have in order to efficiently and effectively carry out the board's strategic and tactical roles. Board members' qualification and experience can be seen in three different areas which include: level of education, industry experience, and international exposure. The findings presented by Perry (2018) highlight the positive impact of director education on firm performance and organizational outcomes. Directors with a higher academic standard bring valuable attributes, such as openness to innovation, tolerance for uncertainty, and the ability to implement effective control systems. These qualities contribute to organizational agility, innovation, and the ability to manage risks effectively.

The point of view of the upper echelons has its origins in the behavioral theory of the organization, which implies that managerial decisions are driven to a large degree by the inherent shortcomings of managers as human beings, rather than always pursuing objective motives. Behavioral considerations such as bounded rationality, numerous and competing priorities, and different levels of aspiration are thought to affect top executives' strategic decisions, which in turn decide firm results (Nielsen, 2018). In his findings behavioral considerations, including bounded rationality, numerous and competing priorities, and different levels of aspiration, have a significant impact on top executives' strategic decision-making processes. Recognizing and addressing these behavioral factors can enhance decision-making effectiveness and contribute to improved firm performance.

According to Ujunwa (2019), there have been a large number of studies examining the impact of the upper echelons' educational backgrounds (CEOs, board members, and top managers) on various aspects of managerial conduct and organizational efficiency. The

upper-echelon theory states that higher education is linked to open-mindedness, information processing, knowledge and skill acquisition. The researcher conducted a study on effects of corporate board features (board composition, board skill, board nationality, board gender, board ethnicity, and CEO duality) on the Performance of board of directors of Nigerian publicly traded corporations. Members of the board with PhD qualifications was found to have a positive effect on firm results using a panel data from 122 quoted organizations in Nigeria between 1991 and 2019. This research supports Darmadi's (2019) assertion that the educational qualifications of board members and the CEO are important. Darmadi (2019) assessed the effect of board members' educational qualifications, including the CEO's, on the financial results of Indonesian listed public organizations and argued that the educational background of board members and the CEO are extremely significant. The sample for this analysis consisted of 160 companies listed on the Indonesia Stock Exchange (IDX).

Tobin's Q and return on assets (ROA) were used as a calculation of financial success. Postgraduate degrees, degrees from top Universities, degrees from first world countries, and degrees in financial fields were used as substitutes for board members' educational qualifications. The findings of the study indicated that the educational background of board members, as well as the CEO, has a considerable influence on financial results. The educational qualifications of board members are regarded as crucial factors that contribute to the overall effectiveness of the board in guiding and monitoring the organization. Hence, the study suggests that educational qualifications bring valuable knowledge, skills, and credibility to the boardroom, contributing to effective governance practices and ultimately impacting firm performance.

A combination of directors with the knowledge and skills to perform their crucial monitoring roles makes for a highly successful and an effective board. The number and complexity of issues that directors must oversee keeps on rising as are their duties. In the current dynamic business climate, having a board consisted of the appropriate people with the right skill sets is essential to the organizational growth. The most sought after skills in new directors are industry experience, financial expertise and operational expertise (Stuart, 2019). In this findings, industry experience, financial expertise, and operational expertise

are highly sought-after skills in new directors. These skills contribute to board effectiveness by providing industry-specific insights, financial acumen, and operational knowledge, which enable informed decision-making and effective oversight of the organization. By assembling a board with a diverse range of these skills, organizations can enhance their governance practices and overall performance.

Successful practices in corporate governance aren't always easy to describe. Structured examination by corporate governance preparation aids in the identification of the best practices for board of directors. Governance training keeps a company updated with the current board practices in use and allows committees to be evaluated. A wide variety of insights into best practices are being introduced in order to better understand how they increase consistency in business direction and strategy, drive corporate responsibility, and improve transparency for stakeholder trust. A board of directors is unique in that it is made up entirely of top executives. An individual got to where he or she is because of their own set of skills, education, expertise, and experience and leadership style. This may be a recipe for disagreement but in the sense of a healthy board culture, these strong personalities will make excellent use of the group's skill set. According to (Tricker, 2019) Board chairpersons and members wasnefit from corporate governance training, particularly if it is done by the entire board at the same time

Garanina (2020) stated that members of the board used their expertise, experience, and networking and connection opportunities to establish intellectual capital for successful monitoring, controlling, directing, advising, and providing the business with tools in their analysis of the contribution of the board's intellectual capital in producing the human capital of an organization. The researchers proceeded to say that the directors' intellectual capital transformed into value creation for the corporation, and that board members' individual qualities, as a result, affect an organization's success.

2.2.4 Board Leadership Style and Performance of State Corporations

In any organization, the board of directors forms the highest decision-making organ. However, unlike the CEO, the board chairperson is not at the top of the decision-making hierarchy. The CEO is mostly accountable for decision execution, and also makes certain

decisions (Nyamongo, 2019). The board chairperson is in charge of decision-making but is rarely involved in execution. A board chairperson may resolve disputes with his or her double vote, and he or she may also have extra functions beyond those of the other board members, despite of these possibilities, the board chairperson is a member of a team that includes partners. Roles on the board are shared by all board members, not just the chairperson alone. Technically, the board chairperson faces greater difficulties than the CEO in delegating duties. The board chairperson does not have the same control power over the other board members as the CEO does over his juniors and the chairperson must never forget that the board members are his equals (Darwadi, 2019). The board chairperson has more duties than power. This ensures that the chairperson does not bear a sole accountability for the organization's success, and that decision-making authority is delegated to the team rather than the chairperson. The chairperson must encourage the other directors to cooperate in order to achieve the organization's goals. As a result, the chairperson should regard the team as a collaborative group rather than a collection of individuals (Kanter, 2019).

When discussing board leadership style, it should be noted whether there are separate members of the board who serve in roles of the Chairman and at the same time serve as the CEO of the organization. Agency theory as well as the Stewardship explain the leadership style of boards. In the perspective of the Agency theory, the separation of functions and roles of the Chairman and the Chief Executive Officer, is presumed and prescribed as a positive measure for more independent oversight in boards. This is crucial because splitting the functions of the two, dilutes the powers of the CEO and hence reduces the CEO's dominance and entrenched influence in boards. A separate board leadership style enhances the required checks and balances in the boards and hence affects the organization's performance (Zahra and Pearce, 2019).

Any qualities of the board chairperson's leadership should be clearly outlined. The chairperson's leadership functions were equated to those of a CEO. Although the CEO leads workers in daily operations of the organization, the board chairperson basically serves as a facilitator for board members at meetings. There are few facial meetings on the team, and they are constantly under time pressure to complete difficult tasks. These unique

circumstances, as Milliken (2019) points out, make boards especially sensitive to interaction matters and place special requirements on how to lead the team in order to carry out its responsibilities efficiently and appropriately. Ultimately, the efficiency with which board members conduct their duties is likely to be influenced by the chairperson's leadership in the board meetings. Obviously, a board chairperson must be able to lead debates in the meeting room and come out with clear ideas for discussion and decisions as well as summarize conclusions. Board chairpersons are in charge of educating and directing the other board members, as well as assisting board members in focusing on crucial issues and risks facing the organization. (Millstein, 2019). The board chairperson should be able to create cohesion among board members as the head of the team. This implies that the board requires a leader whose main responsibility is to assist the entire board in formulating and executing decisions. To promote a team-oriented culture, the board chairperson must be able to inspire and utilize the skills of each board member, as well as have a transparent and trustworthy style of leadership. Chairpersons have a variety of styles of leadership which they ought to be aware of. Since the board is a social system with a diversity of personalities and relationships, the chairperson's leadership style has an impact on board processes and results (Furr, 2019). The chairperson's role is to get the board together as a unit. Chairpersons must show leadership that instills trust in other board members, both individually and collectively, in order to accomplish the organization's goals. This implies that the board chairperson must lead by example and motivate the other members of the board to be committed, effective and efficient (Nystrom, 2018).

Change initiatives need executive sponsorship and involvement to succeed. Numerous reports have established top management leadership and engagement as the crucial factor in change management program performance (Burke, 2019). To address opposition and inertia within the organization, change leadership must be passed throughout the organization and an effective leadership network created. Leadership during proposed organizational changes necessitates the ability to challenge opponents and deal with controversies as early as possible. The ability to inspire and overcome opposition, as well as provide vision and coherence (linkages that keep the organization together) (Marshall, 2019). Because of the CEO's role in implementing and leading planned change, it's vital to remember that the right CEO will make or break the enterprise.

Boards of directors must provide vision, motivation, direction and belief, as well as demonstrate honesty and accountability, transparency, fairness, responsibility, provide sense, build confidence, and convey values. In addition, they must also understand how to plan and sequence change efforts to prevent resentment and change resistance (Abrahamson, 2019). The ability to adapt various styles of leadership to various situations, even within short periods of time, was found to be a key element of leaders' effectiveness during transformation as stated by Goleman's (2019) comprehensive research (random sample of 3,871 executives). This outcome is also in line with Fiedler's (2019) contingent leadership research.

Nystrom (2018) stresses the importance of top managers' ideas on organizational learning, as well as the possible need to substitute top managers in large numbers in order for the organization to unlearn ineffective approaches and respond effectively to challenges. Pascale (2018) incorporates workers thoroughly into the principal business challenges facing the organizations, he represented most of the literature in the three interventions they suggest to leaders for restoring businesses to "vital agility" and maintaining them in good position, by raising problems and creating urgency, instill mental disciplines that inspire people to act better, and then help them sustain their new behaviours, lead the company in a different direction to sharpen and retain employee engagement and generate positive tension.

Since transformation is so hard to achieve, it takes a strong force to keep the process going (Kotler, 2018). A good guiding partnership with the right composition, level of confidence, and common goals are often necessary. Transformational leadership is the type of leadership that is required in major organizational change. Leaders who practice transformational leadership are change agents. These leaders establish an organization's vision, empower and unite workers around that vision, and inculcate in them a mentality that allows the vision to be accomplished. Employees are stimulated and guided to a modern set of organizational principles and attitudes by transformational leaders. George Land, chairman and CEO of leadership 2000, a change management consultancy stated that "Without a significant reason, we live life as a relatively chaotic experience, easily influenced by the latest fad, transitory pressure, or the most recent guidance about what

others think we should be doing", he said. a clear vision and intent is what draws us to the future. Leaders must be consistent in their interactions when expressing the vision, and a formal board independence plan is very beneficial during a change initiative. Many other forms of contact compete with "equity of knowledge." When senior and middle managers do not consult with subordinates or staff about the intended improvements of the organization, there is a poor coordination (Kendall, 2019). During the preparation and implementation phases of transition, board independence must be evaluated by looking at the why, when, how, and time of communicating.

2.3 Summary and Research Gaps

This section provides the summary of the past studies reviewed in the study. The studies were done in different contexts and environments and each was conclusively done. The literature revealed that three theoretical perspectives for explaining the phenomenon of an effective board of directors currently exist: agency theory, transaction cost theory and upper echelon theory. These theoretical perspectives were applied in the research: Within these theories, a number of studies were identified and discussed among the study variables.

Table 1: Summary of the Literature Review and the Research Gaps

Author	The Study Area	Methodology	Study Findings	Knowledge Gap Identified	Focus of the Current Study
Bantel (2019)	Board Characteristics/Accounting Report Integrity and the Cost of Debt	The research adopted a systematic literature review methodology, gathering and analyzing data from a range of sources, including academic papers, policy documents, regulatory guidelines, and reports	The study established that there was a negative association between the average age of board of directors and shift in corporate strategies	The study had a small sample size, limiting the generalizability of the findings.	This study has a more diverse sample that will provide a more comprehensive understanding of the findings.

Author	The Study Area	Methodology	Study Findings	Knowledge Gap Identified	Focus of the Current Study
Ferreri a (2019)	Too Good to be True: Board Structural Independence as a Moderator of CEO Pay- for-Firm-Performance	from organizations The study employed empirical research approach that involved analyzing data related board structure. They used statistical methods to assess correlations	Concluded that the rise in the number of non- executive directors have a great positive effect on Performanc e of board of directors than increasing executive directors	Measures or indicators of board structural independenc e and CEO pay-for- firm- performance that could be subject to bias or alternative interpretatio ns.	The study choice of measurmen t instruments and operational definitions has been carefully considered to ensure validity and reliability.
Klein (2019)	Board Composition from a Strategic Management Perspective.	They used a case study approach. The researchers gathered and analyzed data from various sources, including surveys, interviews	The study found that there was no evidence of the relationship between board committee structure and organizatio nal profitability	Lack of adequate consideratio n on the contextual factors that could shape the relationship between board composition and strategic management outcomes	The current study has considered factors such as industry characteristi cs that plays a significant role in determining the impact of board composition on strategic decision- making.
Cotter (2019)	The Effect of Audit Committee Expertise, Independence, and Activity on Aggressive Earnings Management	The study employed a comprehensiv e research methodologyt hat involved both qualitative and quantitative approaches. They	The study concluded that external directors played a key role in upholding shareholder s rights through successful	Endogeneity issues in the relationship between audit committee characteristi cs and aggressive earnings management .	The current study addressing endogeneity by carefully assessing the assumptions and limitations associated with study approach on

Author	The Study Area	Methodology	Study Findings	Knowledge Gap Identified	Focus of the Current Study
		collected data through surveys, interviews	decision management		variables causal relationship.
Garani na (2020)	Corporate Governance practices and auditor's Acceptance decision: empirical evidence from Egypt, Corporate Governance.	The study adopted empirical research aiming to collect and analyze data to understand the relationship between corporate governance practices and client acceptance	The study found that for business to succeed the board of directors must have knowledge, experience, expertise and networking opportunities into state corporations	The study on specific sample of auditors or companies, which could limit the generalizability of the findings	The current study focuses on considers a diverse range of auditors, companies of different sizes, industries
Nystrom (2019)	Corporate governance and market valuation of capital and R & D investments	The study collected data from various sources, including government corporate agencies, market policy documents, interviews with regulators, exchanges, industry.	The study found that top managers view point were of great value in learning and arriving at quick decision	Inadequate contextual factors that could influence the relationship between corporate governance and the market valuation of capital and R&D investments.	Consideration of factors such as industry dynamics, regulatory environments, plays a significant role in shaping market valuations.

2.4 Conceptual Framework

Mugenda (2019), described conceptual framework as an interconnected collection of ideas (theories) about how a particular phenomenon works and connected to its components. In addition, it serves as a foundation for understanding the causal and correlational patterns of interconnections through events, ideas, observations, principles, information, interpretations, and other components and events in study, for example, it portrays the

relationship between the independent variables and the dependent variable as shown in the diagram below.

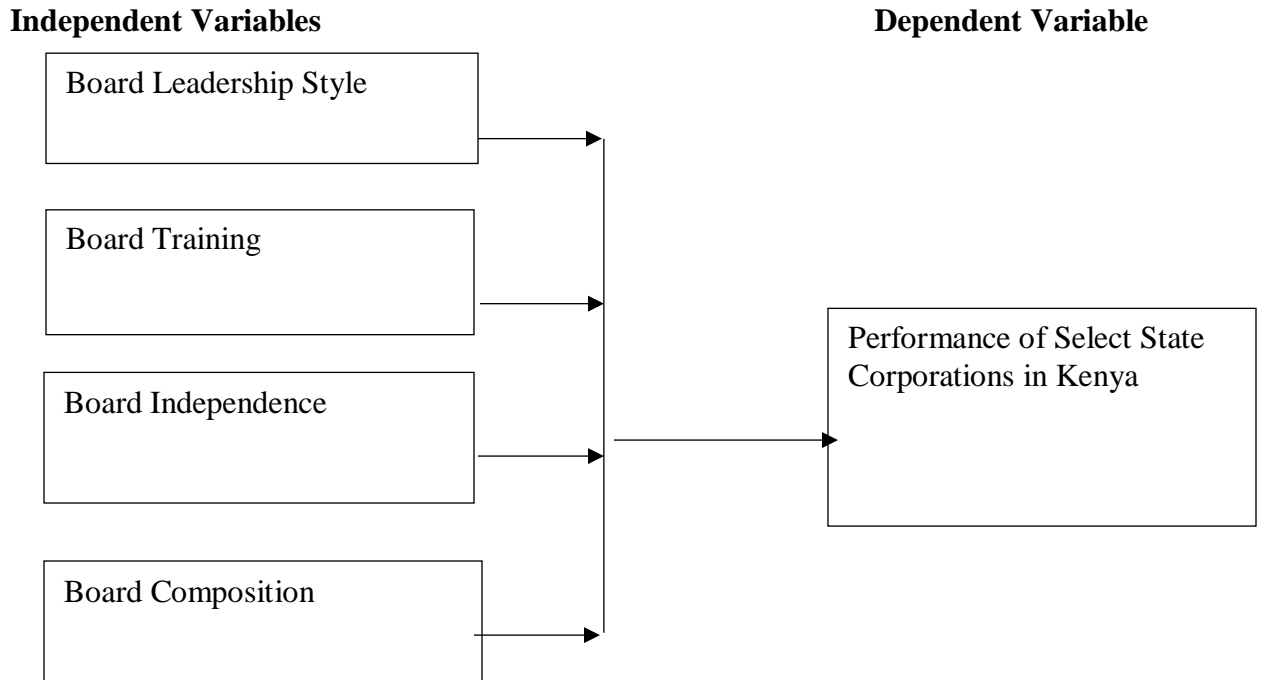


Figure 1: Conceptual Framework

2.5 Operationalization of Variables

Table 2: Operationalization of the Study Variables

Variables	Indicators	Tools of Analysis	Measurement Scale
Board Composition	Number of directors	Descriptive statistics	questionnaires, Frequencies-and Percentage Likert scale
	Diversity of skills and expertise Proportion of internal directors to external directors		
Board Independence	Independence of board committees	Descriptive statistics	Likert scale questionnaires, Frequencies and Percentage
	Frequency of executive sessions without management Existence of a separate chairman and CEO		
Board Training	Numbers of training received	Descriptive statistics	Likert scale questionnaires, Frequencies and Percentage
	Types of training programs Evaluation of the effectiveness of training		
Leadership Style	Providing	Descriptive statistics	Likert scale
	Presence of a formal orientation program Guidance		
Performance	CEO leadership style	Descriptive statistics	questionnaires, Frequencies and Percentage
	Decision-making approach Board independence style Frequency and nature of leadership interactions		
Performance	Customer satisfaction	Descriptive statistics	Likert scale questionnaires, Frequencies and Percentage
	Employee satisfaction		
	Board effectiveness assessments		
	Stock market performance		
	Revenue growth		

2.6 Chapter Summary

This study focused on reviewing relevant literature on the determinants of board performance in state corporations. The chapter provides a comprehensive review of theoretical frameworks and key studies and related to the research topic. Several theoretical

frameworks including: Agency Theory, Transaction Cost Theory, Upper Echelon Theory that provide insights into the factors influencing board effectiveness have been discussed. The research has reviewed study variables, board composition, board independence, board training and leadership style which have established significant relations in study variables and effectiveness of board of directors in Kenya's state corporations. Conceptual framework that denoted the existence of a connection between the independent variables and the dependent variable is presented. Finally, the chapter also presents study variable summary, identifies gaps in the existing literature related to the determinants of board performance in state corporations in Kenya, highlights the need for further research to address these gaps and provides operationalization of the study variables.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.0 Introduction

The research design is discussed in this chapter, which provides a description of how the analysis was performed, the target population, sampling method and data tools. Validity and reliability of the tools, data presentation and data analysis techniques that was used in the collection of data

3.1 Research Design

According to Creswell and Creswell (2017), research design is the overall plan or strategy that guides the conduct of a research study. It provided a framework for conducting the research, addressing the research questions or objectives, and achieving the study's goals. The research design encompassed decisions about the research methods, data collection techniques, sampling procedures, and data analysis methods employed. This study adopted a cross-sectional survey since a cross-sectional research design is justified for a study on the influence of board directors on the performance of state corporations in Kenya because it provided a current and comprehensive snapshot of the relationships between board characteristics and performance. It is efficient, cost-effective, and timely, making it suitable for policy-oriented research and comparative analysis across selected state corporations.

3.2 Target Population

Target population refers to the specific group or population of individuals that a researcher intends to study and draw conclusions about. It represented the larger group to which the research findings were generalized or applied (Leedy & Ormrod, 2021). The target population was defined based on specific characteristics, criteria, or attributes that were relevant to the research objectives. The target population for the study was made up of directors of selected Kenya's state corporations which consisted of the following; Kenya Pipeline Company Ltd, Kenya Power and Lighting Company Ltd, KenGen Company Ltd, Geothermal Development Company Ltd and National Oil Corporation. These corporations were chosen to ensure diversity in terms of industry, size, and geographic location and the unique characteristics, governance structures, regulatory frameworks, and cultural aspects

that shape the operations and governance practices of these corporations. The study targeted a total of 62 directors from the Kenya’s state corporations.

Table 3: Target Population

Population Category	Target Population	Percent (%)
Kenya Pipeline Co Ltd	15	24.19
Kenya Power & Lighting Co Ltd	15	24.19
KenGen Co Ltd	15	24.19
Kenya National Oil Corporation	15	24.19
Geothermal Co. Ltd	2	3.22
Total	62	100

Source: Kenya State Corporations Survey 2023

3.3 Sample and Sampling Design

A sample referred to a subset of individuals, items, or units selected from a larger population for the purpose of conducting research or drawing conclusions about the population. It represents a smaller, manageable group that is chosen to represent the characteristics, behaviors, or attributes of the larger population of interest (Ritchie, Lewis, Nicholls, & Ormston, 2014). Sampling design on the other hand refers to the plan or strategy used to select individuals or units from a population to be included in a sample. It involves determining the sampling method, sample size, and the criteria for selecting participants or units. The sampling design ensured that the sample is representative of the population and allowed for making valid inferences about the population based on the characteristics observed in the sample (Babbie, 2016).

Since studying the whole population is impossible. For this reason, the researcher picked a few directors from the selected Kenya’s state corporations. This was due to the closed nature of business in most. To achieve a representative sample for a research study,

directors who were studied (i.e. the subjects) was carefully selected using a simple random sampling methods (Amin, 2019). In other words, the selection of directors had no effect on the likelihood of someone else in the population being chosen. In order to achieve generalization, the analysis was based on a census of 54 directors which was 86% of the respondents in order to minimize sampling errors as indicated by Skerry (2019). This excluded 10 directors who appear in the pilot study.

Table 4: Sample and Sampling Techniques

Population Category	Target Population	Percent (%)
Kenya Pipeline Co Ltd	15	24.19
Kenya Power & Lighting Co Ltd	15	24.19
KenGen Co Ltd	15	24.19
Kenya National Oil Corporation	15	24.19
Geothermal Co. Ltd	2	3.22
Total	62	100

3.4 Research Instruments

According to Bickman and Rog (2018), measurement devices such as surveys, tests, and questionnaires are examples of research tools. The questionnaire served as the study's main method for gathering data. The questionnaire was used in the study because it has been used by other researchers in the same field of study and is thought to be more accurate, accurate in terms of labour, money, and time, and it helps gather both qualitative and quantitative data in addition to providing more structure than interviews (Bordens & Abbott, 2021). Thornhill, Lewis, and Saunders (2018). It should be mentioned that the questionnaire's sole limitation is that it cannot be distributed to respondents who lack literacy incapable of reading or writing. According to Saunders, et al (2018), the researcher employed questionnaires since they make correlational, descriptive, and inferential

statistical analysis possible and easy. These questions helped to effectively enrich the qualitative methodology (Saunders, Lewis, & Thornhill, 2018).

Data collection instruments refer to the tools or techniques used to gather data from the chosen data source. These instruments are designed to capture the required information or variables of interest in a structured and systematic manner. Examples of data collection instruments include surveys, questionnaires, interviews guides, observation protocols, checklists, and measurement scales (Creswell & Creswell, 2018). The researcher adopted the primary source of data that was collected by use of open structured questionnaires. This tool aimed at receiving the perceptions of the respondents in regards to the study objectives. The questionnaire is most preferred for the study as it allowed the respondents to deeply respond to every research objective. To determine the level of validity and the reliability of the research instrument, a pilot study was necessary to be done.

3.5 Pilot Study

According to Bowling, (2014), a pilot study is a small-scale preliminary investigation conducted prior to the main research study. It is designed to test and refine the research methodology, instruments, and procedures before undertaking the full-scale study. The pilot study was done at Kenya Rural Electrification Authority which allowed researchers to identify and address any potential issues or limitations in data collection, assess the feasibility of the research design, and make necessary adjustments to improve the effectiveness and efficiency of the main study. Mugenda (2019), argues that a pilot study sample should be at least 10% of the sample Research Project for the major study. The pilot study was carried out on 10 directors of the State corporations who was randomly selected. Respondents in the pilot study will not participate in the actual study which ensured that data collected was not to be interfered with or contaminated. The study tested the ability of questionnaires to measure the desired concept, degree of accuracy of the measuring tool and data interpretation of the researcher. The pilot study assisted the researcher in ascertaining that the tool used is accurate and reliable.

3.5.1 Validity

Validity, according to Wallen (2018), refers to the degree to which they adhere in order to identify knowledge or facts. It refers to the degree to which an instrument may or should have determined anything. Ensuring the validity of a study is essential to establish the credibility and reliability of its findings. In the context of the study on the determinants of performances of the board of directors of state corporations in Kenya, a survey of selected state corporations, the following aspects was considered; ensuring rigorous study design, appropriate questionnaire, representative sampling, and robust data analysis techniques. Additionally, clear reporting of the research methodology and limitations of the study was used to establish transparency and allow for a critical evaluation of the study's validity.

3.5.2 Reliability

Reliability is the integrity or the justness of the results acquired from measurements and assessment methods. According to Mugenda (2019), reliability can be defined as the degree to which a researcher's instrument produces reliable results or information on multiple testing. To ensure reliability, Mugenda (2019) suggests that the test-retest technique be used at two separate occasions to assess continuity in how the form or test items are answered or whether people's scores remain comparatively similar. This approach entails giving the questionnaire to the same audience at one-week intervals as a pilot test and then comparing the results. The responses to the pre-testing questionnaire were used to adjust and develop the instrument.

3.6 Data Collection and Processing Procedure

This is the process of collecting, processing, and evaluating raw data with the goal of illustrating useful knowledge, recommending, inference, and supporting decision making (Kothari, 2018). The aim of data analysis was to prepare raw data into understandable format. The questionnaire included both closed and open-ended questions to collect information from respondents. As a result, both quantitative and qualitative data was obtained from respondents using these two forms of questions. Three research assistants was appointed prior to the start of the survey to assist the researcher in administering the questionnaires.

3.7 Data Analysis Methods

Data analysis allows the testing and examining of data that was collected from the respondents (Kothari, 2018). The data obtained was quantitatively analyzed using content analysis techniques. The collected data was tested and analyzed to determine its credibility, consistency and usefulness. The gathered data was analyzed, interpreted and presented as findings in graphs and frequency distribution tables for ease of interpretation. Primary data reflected the actual information that was obtained for the objectives of the survey; questionnaires were used for this objective, and they were self-administered and hand presented to the target respondents, with the researcher choosing the questionnaire for data analysis. The use of other statistical techniques such as mean and percentages were paramount in submission and analysis of the data. Multiple regression analysis allows for the examination of the relationship between multiple independent variables (determinants) and a dependent variable (board performance). It can help assess the strength and significance of the relationships and identify the most influential determinants of board performance. The analyzed data gave room for statistical interpretation. To test the degree at which the variable affects the effectiveness of the board of director's, regression analysis and correlation was done using Cronbach's alpha formula as indicated below;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \hat{\epsilon}$$

Y = Dependent variable (Performance of board of directors)

β_i = coefficients (predicted)

X_i = Independent Variables

X_1 = Board composition

X_2 = Board Independence

X_3 = Board Training

X_4 = Board Leadership style

$\hat{\epsilon}$ = error term

3.8 Ethical Consideration.

Since this research included human subjects, ethical issues was paramount. Rosenthal (2018) describes research ethics as a researcher's capacity to disclose precisely what happened. It entails conducting and documenting scientific research with integrity and discipline, as well as giving credit for innovations and actions.

3.8.1 Confidentiality and Privacy

Respondents' privacy is protected by assigning them unique identities that protect both their privacy and the responses they provide. The findings were standardized, so no details were linked to a specific person.

3.8.2 Informed Consent

For the purposes of this study, participants were told and their consent was obtained. The anticipated length of the study was included in the informed consent, as well as the right of participants to refuse or leave at any stage during the process.

3.8.3 Fair and Equitable Treatment:

All the participants were treated with respect and fairness. This included avoiding discrimination, ensuring inclusivity, and being mindful of cultural and individual differences. Researcher created a positive and empowering research environment by introducing himself and purpose of the study to the respondents before data collection.

3.8.4 Research Integrity

The researcher conducted himself with honesty and integrity throughout the research process. This included accurately representing his credentials including institution introduction letter and research permit. The researcher also made sure that he remained transparent throughout the study and that all plagiarism requirements were adhered to.

3.8.5. Compliance with Regulations

The researcher adhered to relevant ethical guidelines, institutional permission on ethics committee requirements. This included obtaining necessary approvals from the institution and NACOSTI before commencing data collection.

3.9 Chapter Summary

This section is comprised of what is concerned with research methodologies that adopted in the study. The researcher used descriptive research design in the study. The chapter also

provided details on the target population, sample size and sampling design, data source and collection instrument, the pilot study, data collection procedure, data analysis methods and finally the highlights of ethical issues found in the research process.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSION

4.0 Introduction

In this chapter, results were presented by dividing the research results into three parts. Response rate analysis, descriptive statistical analysis of research variables and inference analysis of regression models. Results were presented using pie charts and tables.

4.1 Findings

Response Rate

The research targeted a sample size of 54 respondents from a selection of parastatals from the energy sector; Kenya Pipeline Company Ltd, Kenya Power and Lighting Company Ltd, KenGen Company Ltd, KETRACO, Geothermal Development Company Ltd and National Oil Corporation. The aim of the study was to establish the determinants affecting the performance of board of directors in Kenya's energy sector parastatals. The questionnaires were distributed to the respondents using the drop and pick method. However out of the 54 questionnaires, only 56 questionnaires were collected fully completed thereby making a response rate of 85% as shown in table 5.

Table 5: Response Rate

	Frequency	Percentage (%)
Responded	56	85%
Not responded	8	15%
Total	64	100%

4.1.2 Reliability Test

To distribute this consistent quality of result, a Cronbach Alpha was used to determine a direct trial assessment. This is illustrated in the table.

Table 6: Reliability Test

Variable	Number of Cronbach Item	Alpha	Interpretation
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Board composition	4	0.772	Good
Board Independence	4	0.814	Good
Board Training	4	0.739	Generally Acceptable
Leadership styles	4	0.753	Generally Acceptable
Average Cronbach Alpha	4	0.787	Generally Acceptable

From the research findings, board composition had Cronbach reliability alpha of 0.772, , board independence had a Cronbach reliability alpha of 0.814, board training had a Cronbach reliability alpha of 0.739 and leadership styles had a Cronbach reliability alpha of 0.753. From the results, it clearly indicates that the research instrument used was reliable thus amendments were not necessary.

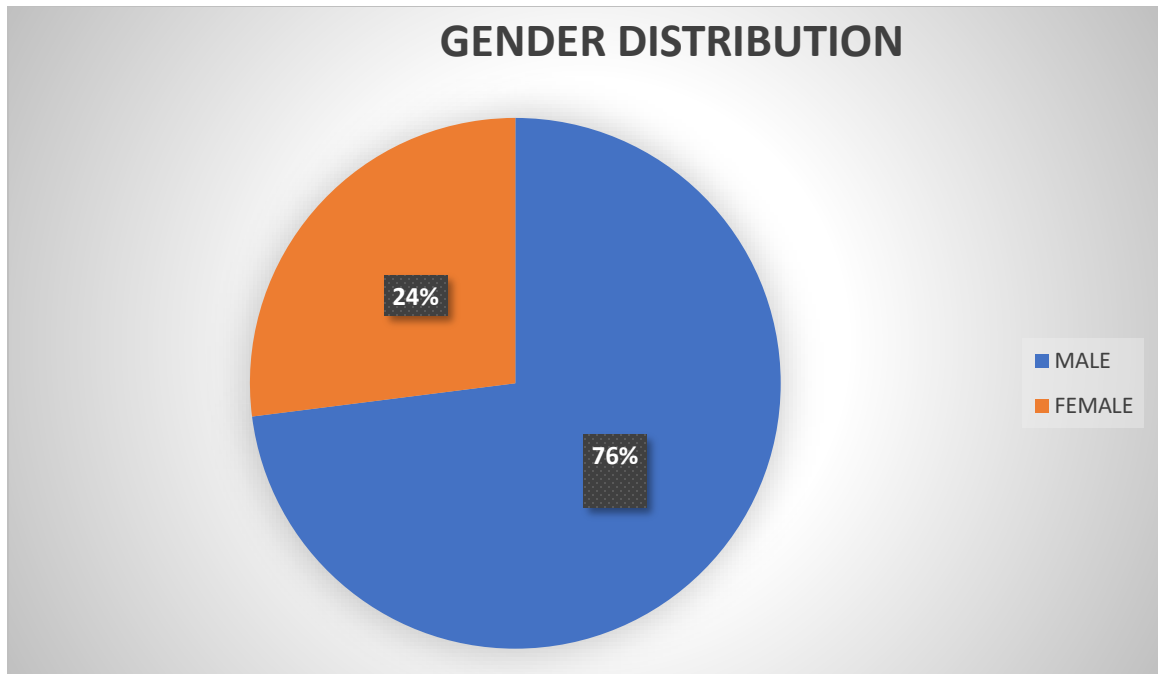
General Information

This section displays the results of an analysis of the respondent's general information. It displays background information such as whether the respondents were male or female, their age, their work experience, their level of education, the number of years they have worked for the organization, and their address. This data provided context for the responses of other respondents.

Gender Distribution Of The Respondents

The gender representation of the respondents from the energy sector parastatals in Kenya were both male and female. This is indicated in Figure 2 where the majority 54 constitute 72.97% of the respondents of the energy sector in Kenya were male and 20 which is 27.02% were female. This shows that both genders were fairly represented in this study hence the results don't agonize from gender biasness.

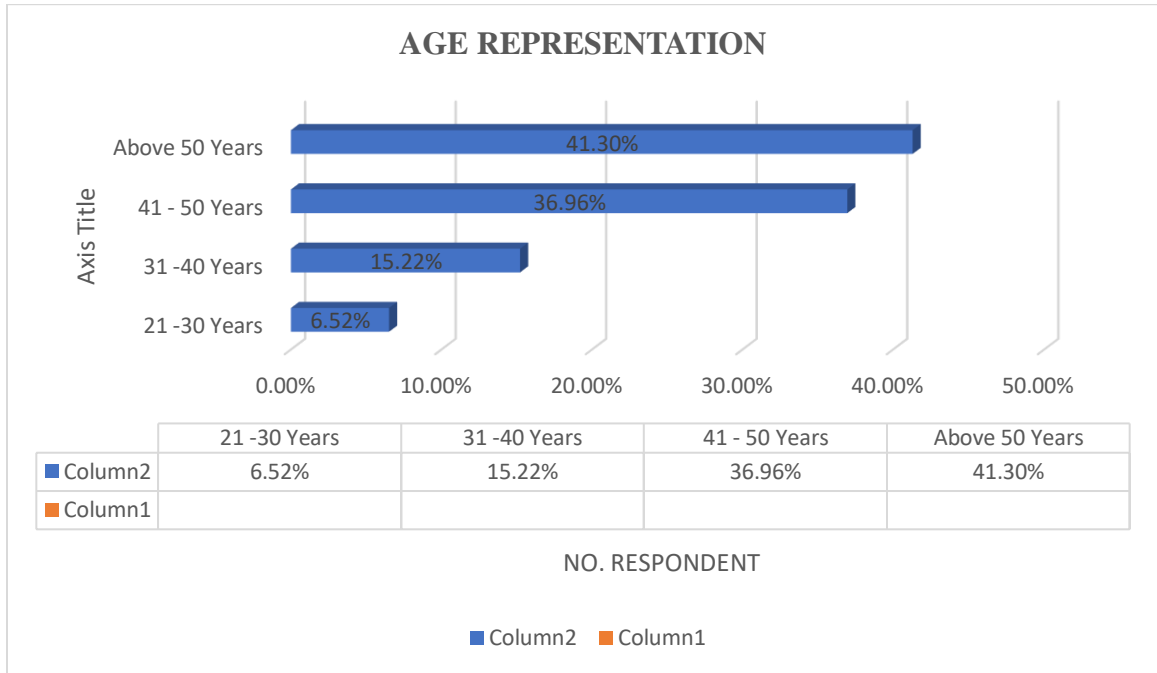
Figure 2: Gender Distribution of the Respondents



Age Representation

The participants were clustered according to their ages where it was noted that respondents of the age of 21 to 30 years were: 4 (8%), 31 to 40 years 8 (16%), 41 to 50 years 18 (36%) and above 50 years 20 (40%). This showed that majority of the board of directors in the energy sector parastatals in Kenya were above 50 years of age. The findings are represented in Figure 3

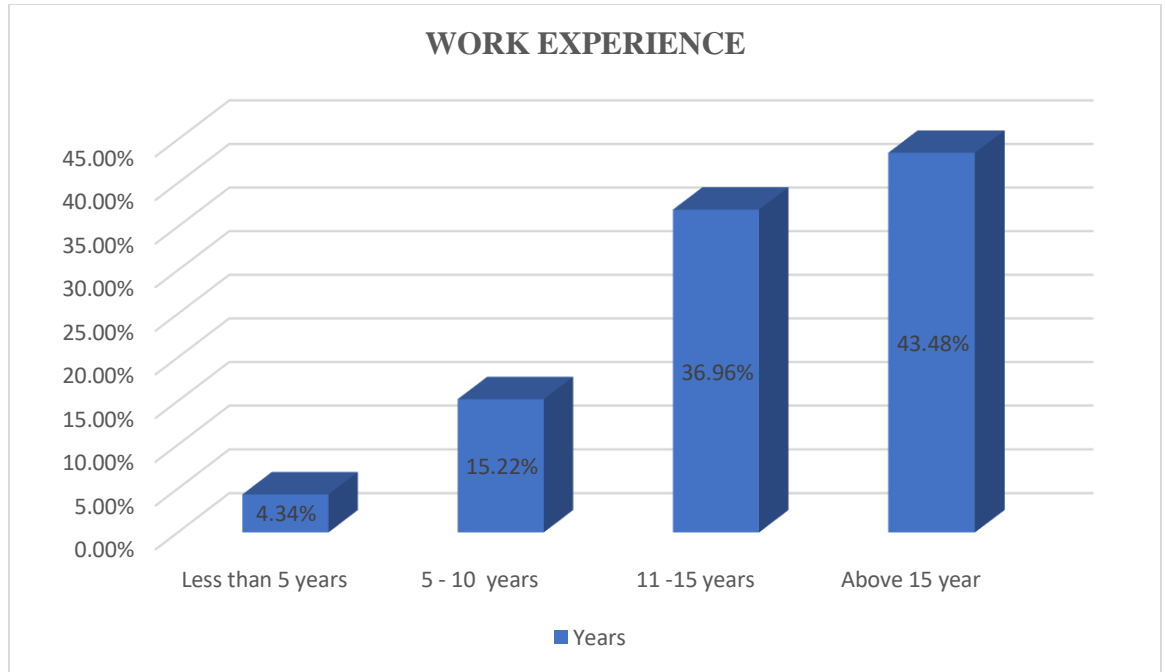
Figure 3: Age Representation of the Respondents



Work Experience

From figure 4, it depicts that those respondents with a work experience of between less than 5 years were 4 (8%). Respondents who have worked for 5 to 10 years 8 (16%), respondents with 11to15 years’ work experience were 18 (36%) and the respondents with work experience of above 15 years were 20 (40%). This indication depicted the high turnover of staff within the board of directors with large dependence on board members who have worked for more than 15 years. This depiction was seen as reasonable as it indicated that the respondents would give credible information related to this study.

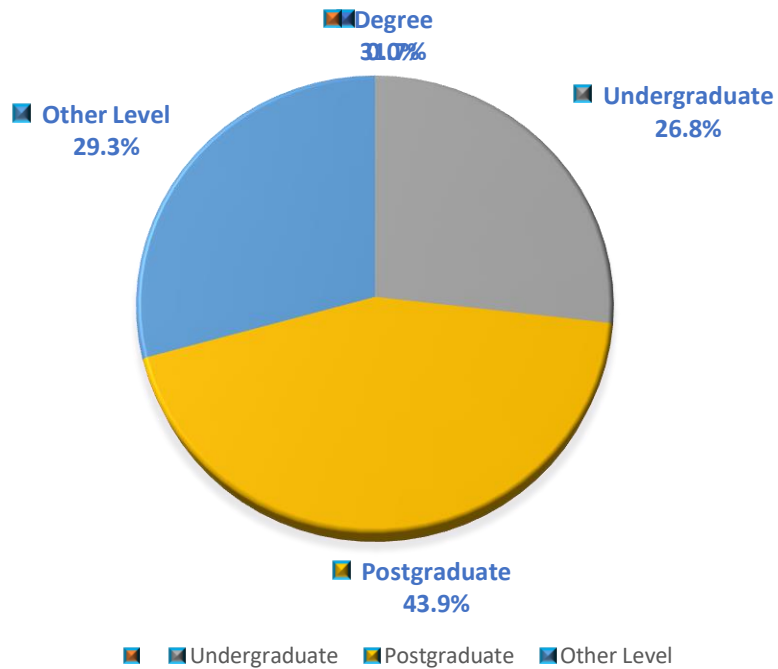
Figure 4: Work Experience



Level of Education

Figure 5 displays the level of education of the respondents. Board of directors with undergraduate certificates were the majority (43.9%) followed by postgraduate at (26.8%) while other levels at (29.3%) being Doctorate level and other relevant qualifications such as CPA, CPS, HRM among others. All the respondents had adequate educational background to read and understand the questionnaire. The distribution of the education level was also considered reasonable hence they would give reasonable responses

Figure 5: Level of Education Representation



Descriptive Analysis

This segment looks at the variables of this study and gives the overall image of the variables using descriptive statistics. Standard deviation and mean were used to look at the performance of board of directors in Kenya’s energy sector parastatals.

Board Composition

Various statements on how board composition affects the performance of board of directors in Kenya’s energy sector parastatals were determined. The respondents were advised to indicate the degree of agreement of each sentiment. A scale of Likert of one to five was used: where; 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree and 5 = strongly agree. The findings are shown in the table below:

Table 7: Board Composition

Statement	N	Min	Max	Mean	Std. Dev.
The presence of women on the board brings an additional perspective to board decision making	56	1.00	5.00	3.6935	1.01194
The board was diverse which improves its performance	56	1.00	5.00	2.7352	1.15354
The board was not comprised of one majority group	56	1.00	5.00	2.3654	1.19867
The age difference of the board makes it more inclusive thus effective	56	1.00	5.00	3.9598	0.97224

Table 7 demonstrates the descriptive statistics on how board composition affects the performance of board of directors in Kenya's energy sector parastatals. The respondents were requested to give to what extent they agreed or disagreed with the statement provided with regards to whether the presence of women on the board brings an additional perspective to board decision making. The respondents admitted with a mean of 3.6935 and a standard deviation of 1.01194. This study concurred with Omegas (2017) that women board members' opinions are valued especially when it comes to decision making thus they are valued. Additionally, the respondents were neutral with a mean of 2.7352 and a standard deviation of 1.15354 that the board is diverse which improves its performance at the parastatals. This study agreed with Wagana and Karanja (2015) that stated that board diversity had no positive nor negative significant relationship towards its performance. Also, the respondents remained neutral with a mean of 2.3654 and a standard deviation of 1.19867 that the board is not comprised of one majority group. Furthermore, the study concurred with Wagana and Karanja (2015) that board were not formed based on one majority group. The respondents agreed that the age difference of the board makes it more inclusive thus effective with a mean of 3.9598 and a standard deviation of 0.97224. This study concurred with Ouma and Webi (2017) that variation of age group improved the performance of the board thereby improving performance of the organization.

Board Size

The respondents were subjected to give their sentiments on their level of agreement on the statements on the impacts of board size on the performance of board of directors in Kenya's energy sector parastatals using a 5-point Likert scale. The findings were shown in table 8

Board Independence

The respondents were asked to indicate their degree of agreement with sentiments on the effects of board independence on performance of board of directors in Kenya's energy sector parastatals.

Table 8: Board Independence

Statement	N	Min	Max	Mean	Std. Dev.
The board appointment was politically motivated	56	1.00	5.00	3.7621	0.96239
Separating the board Chair and CEO roles had reduced conflict of interest	56	1.00	5.00	2.4154	1.04062
The parastatal board was impartial and does not condone nepotism	56	1.00	5.00	2.3151	1.13382
The parastatal members express multiple points of view which increases the performance of the board	56	1.00	5.00	3.6703	0.97186
Having the Chairman of the board as non-executive director would improve the performance of the board	56	1.0	5.0	3.1935	1.27562

From the questionnaire findings, the respondents agreed with a mean of 3.7621 and a standard deviation of 0.96239 that the board appointments were politically motivated. These findings concurred with Ileri (2023) that board appointments were politically influenced and motivated. The respondents disagreed on whether separating the board chair and CEO roles had reduced conflict of interest with a mean of 2.4154 and a standard deviation of 1.04062. Wagana and Karanja (2015); Grove *et al* (2011) asserted that separating the role of CEO and Chairman of the board can mitigate conflicts of interest

within an institution. Additionally, the respondents still disagreed on whether the parastatal board was impartial and did not condone nepotism with a mean of 2.3151 and a standard deviation of 1.13382. This study agreed with Mwengei, Ombaba, Kosgei and Muriuki (2018) that most parastatals condoned nepotism when it came to appointing board members. Further, the respondents agreed that the parastatal members expressed multiple points of view which increased the performance of the board with a mean of 3.6703 and a standard deviation of 0.97186. Mauro (2017) agreed with this study that board members' varied opinion increased its performance. On whether having the chairman of the board as non-executive director would improve the performance of the board, the respondents were neutral with a mean of 3.1935 and a standard deviation of 1.27562. This study agreed with Kipruto and Minja (2020) that having a non-executive member as a director improved the performance of the board to some extent.

Board Training

Tests for descriptive statistics were performed using statistical software called SPSS. The descriptive results for a variable of board training were provided in terms of the mean and standard deviation. A 5-point Likert scale was used to measure the level of agreement of the statements.

Table 9: Board Training

Statement	N	Min	Max	Mean	Std. Dev.
Encouragement is given to the board members to continue with their studies on the improvement of	56	1.00	5.00	3.5492	0.98532
The level of education of board members affects the performance of the board members during board	56	1.00	5.00	2.9854	1.10954
Board members without requisite skills contribute the least in board meetings.	56	1.00	5.00	3.0542	1.10876
Board members with high number of years of experience and training in various industries have	56	1.00	5.00	3.6143	0.98611

Table 10 demonstrated the descriptive statistics on the effects of board training on the performance of board of directors in Kenya's energy sector parastatals. The respondents

were asked to give to what extent they agreed or disagreed with the statement in the questionnaire. With regards to whether encouragement was given to the board members to continue with their studies on improvement of their skills, the respondents agreed with a mean of 3.5492 and a standard deviation of 1.109542. This concurred with Murage (2020) that board members should be given opportunities to further their skills and develop them. Further, the respondents were neutral when it came to the level of education of board members affecting the performance of the board members during board meetings, with a mean of 2.9854 and a standard deviation of 1.10954. It was established that the respondents were neutral when it came to determine that board members without the requisite skills contributed the least in board meetings as it was depicted with a mean of 3.0542 and a standard deviation of 1,10876. Further, Muruiki, Cheruiyot and Komen (2017) agreed with this study that by stating that to have an effective board, performance was driven by the extent to which the directors brought relevant knowledge and skills to the boardroom. The study by Ingari (2017) concurred with the respondents' findings that agreed with a mean of 3.6143 and a standard deviation of 0.98611 that board members with high number of years of experience and training in various industries had broad understanding of the board activities. This study concurred with Mohamed and Atheru (2017) that board members' education was relevant on how members conducted their meetings.

Leadership Style

The respondents were urged to demonstrate their degree of agreement with the statement below in relation to leadership styles in the performance of board of directors in Kenya's energy sector parastatals. The results were depicted in table 11

Table 10: Leadership Style

Statement	N	Min	Max	Mean	Std. Dev.
Directors discuss and approve the strategic plan of the company	56	1.00	5.00	3.8096	0.89523
The board monitored the performance of the governance practices	56	1.00	5.00	3.4753	1.00528
The board leads the process for the board appointment, makes recommendations to the board	56	1.00	5.00	2.9401	1.13298
The board leadership understands and knows the company beliefs to the vision and mission	56	1.00	5.00	3.4251	1.10117

Most of the respondents acknowledged that directors discussed and approved the strategic plan of the company as indicated by a mean of 3.8096 and a standard deviation of 0.89523. This was also depicted by Muriuki, Cheruiyot and Komen (2017) that the board was involved in the ability in shaping the organization. From the results, it depicted that for the strategic plan to be implemented in the institutions, the board of directors had to discuss and make approval. Additionally, the respondents agreed that the board monitors the performance of the governance practice as shown by a mean of 3.4753 and a standard deviation of 1.00528. This study concurred with Koech (2018) that the board kept track on the governance practices performance. On whether the board led the process for the board appointments, made recommendations to the board and was involved with the board composition in the parastatals, the respondents were neutral with a mean of 2.9401 and a standard deviation of 1.13298. Machuki and Rasowo (2018) agreed with this study that the board was involved in the process of appointing and making recommendation on the appointment of its members. In addition to that, the respondents were neutral with a mean

of 3.4251 and a standard deviation of 1.10117 that the board leadership understood and knew the institutions belief to the vision and mission. This study agreed with Dzigba and Ljungquist (2015) that the board leadership formulated the vision and mission of the organization.

Table 12: Correlation Matrix

Variables		Performance of board of directors	Board composition	Board independence	Board training	Board Leadership style
Performance of board of directors	Pearson Correlation Sig. (2-tailed)	1.000				
Board composition	Pearson Correlation Sig. (2-tailed)	.650**	1.000			
Board independence	Pearson Correlation Sig. (2-tailed)	.376**	.628**	1.000		
Board training	Pearson Correlation Sig. (2-tailed)	.566**	.536**	.547**	1.000	
Board Leadership style	Pearson Correlation Sig. (2-tailed)	.669**	.701**	.657**	.447**	1.000
		0.000	0.000	0.000	0.000	0.000

Table 12 demonstrates how board composition was connected and significantly correlated with the performance of the board of directors ($r = 0.650$, $p = 0.000 < 0.05$). This suggests that enhancing board composition could result in improved performance of the board of

directors, given its significant and positive impact. Board size has a significant positive correlation with the performance of the board of directors, as indicated by ($r = 0.378$, $p = 0.00 < 0.05$). This also implied that since board size had a big influence on performance, the board of directors would perform better if it improved. The finding showed that the performance of the board of directors was revealed to be significantly correlated with board independence ($r = 0.376$, $p = 0.000 < 0.05$). This also implied that the performance of the board of directors will improve as a result of increased board independence inside the firm. Lastly, it was demonstrated that board training was both associated with and significantly correlated with the performance of the board of directors ($r = 0.566$, $p = 0.00 < 0.05$). This implied that the performance of the board of directors will increase as a result of board training. Additionally, this indicates a strong relationship between the performance of the board of directors and board composition, board size, board independence, and board training, as well as leadership style.

Table 13: Model Summary of board composition

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	Change Statistics			Sig. F Change
						F Change	df1	df2	
1	0.548a	0.151	0.142	0.72	0.151	15.87	1	53	0.000

a. Predictors: (Constant), Board composition

The performance of the board of directors was a dependent variable, and board composition was a predictor component in a regression study. With a $R = 0.548$, the regression analysis demonstrated a substantial correlation between board composition and the performance of the board of directors. Table 13 shows that the factors that the study discovered had a substantial positive link with one another ($r = 0.548$, $p = 0.000$). Increased board composition consequently produced a better performance of the board of directors. Other criteria can also be used to explain variations in the performance of the board of directors.

Table 14 : ANOVA^a Results for Board composition

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	8.339	1	8.339	15.861	0.000 ^b
	Residual	46.714	53	.535		
	Total	55.053	54			

a. DV: Performance of board of directors

b. Predictors: (Constant), Board composition

The results show that board composition affects the Performance of board of directors in a statistically significant way ($F = 15.861$), and the data is well-fitted by the regression model. These findings also show how the Performance of board of directors at NLSIC is significantly impacted by personnel recruitment. The regression model predicts the dependent variable with accuracy when the level of significance is 0.000, or less than 0.05. Table 14 provides an overview of the results.

Table 15: Regression Coefficients^a for Board composition

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients		Sig.
		B	Std. Error	Beta	t	
1	(Constant)	2.144	0.420		5.100	0.000
	Board composition	0.403	0.101	0.353	3.984	0.000

a. Dependent Variable: Performance of board of directors

An ANOVA with a 95% degree of confidence was used to analyze board composition in connection to the Performance of board of directors. The regression equation that was generated and the data in Table 15 were evaluated for significance using the F critical value of 15.87 and the P value of 0.000. $Y = \beta_0 + \beta_1X_1 + \varepsilon$; $Y = 2.144 + 0.403X_1 + 0.420$

Table 16 : Model Summary of Board independence

Change Statistics									
Model	R	R Square	Adjusted R Square	Std. Error of the estimate	R Square Change	F Change	df1	df2	Sig. F
1	.658 ^a	.570	.454	.5283	.570	73.571	1	53	.000

a. Predictors: Constant, Board independence

In regression analysis, the performance of the board of directors was the dependent variable, while board independence was the predictor variable. There is a substantial link between board independence and performance, according to a regression analysis that found a relationship between the three with a relationship $R = 0.658$ and a moderate correlation. Table (r = 0.658, p = 0.000) illustrates the statistically significant positive correlation that the study found between the variables. Variations within the performance of the board of directors can also be explained by other factors, such as board size and other internal features.

Table 17 : ANOVA^a Results for Board independence

ANOVA ^a						
Model		Sum of Squares	Df	Mean square	f	Sig.
	Regression	20.584	1	20.584	73.571	0.000 ^b
	Residual	23.223	53			
	Total	43.807	54			

a. DV; Performance of board of directors

b. Board independence

The regression model's validity and the significance of board independence are both demonstrated by the results of 73.571, which indicate a substantial correlation between

Performance of board of directors and board independence. When the significance criteria is 0.000, or less than 0.05, the regression model effectively predicts the dependent variable. Table 17 presents the results in alphabetical order.

Table 18: Regression Coefficients^a for Board independence

Coefficients ^a						
Model		Unstandardized		Standardized		
		Coefficients		Coefficients		
		B	Std. error	Beta	t	Sig
1	Constant	1.075	.352		3.449	0.000
	Board independence	0.735	0.83	0.685	3.578	0.000

A 95% confident ANOVA analysis was conducted between the Performance of board of directors and board independence. The F critical value, 73.571, and the P value, 0.000, were used to assess the importance of the data in Table 20 and the regression equation that was produced.

Table 19: Model Summary Board training

Change Statistics									
Model	R	R Square	Adjusted R Square	Std. Error of the estimate	R Square Change	F Change	df1	df2	Sig. F
1	.685 ^a	.433	.425	.54731	.433	62.251	1	53	.000

b. Predictors: Constant, Board training

The Performance of board of directors was DV in regression, while board training was the predictor variable. The Performance of board of directors and board training had a significant link (R = 0.685) according to the regression analysis. Table 19 shows that the factors the study examined had a substantial positive link with one another (r = 0.685, p = 0.000). Increased board training will therefore result in a better Performance of board

of directors. Moreover, other research factors may be used to account for differences in the Performance of board of directors.

Table 20: ANOVA of Board training

ANOVA ^a						
Model		Sam of Squares	df	Mean square	f	Sig.
1	Regression	18.947	1	18.947	68.500	.000 ^b
	Residual	24.860	53			
	Total	43.807	54			

a. Dependable Variable: Performance of board of directors

b. Board training

The regression model accurately describes the data, as demonstrated by the 68.500 results, and board training significantly affects the Performance of board of directors. This implies that the Performance of board of directors is significantly impacted by personnel retention. When the significance criteria is 0.000, or less than 0.05, the regression model effectively predicts the dependent variable. Table 20 displays the results in tabular form.

Table 21: Regression Coefficients^a for Board training

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. error	Beta	T	Sig
1	Constant	1.915	.252		7.612	0.000
	Board training	0.571	0.73	0.685	7.954	0.000

The 68.500 findings show that regression model represents the data well and that board training has a major impact on the Performance of board of directors. This suggests that board training has a big influence on Performance of board of directors. The regression model accurately predicts the dependent variable when the significance threshold is 0.000,

or less than 0.05. Table 21 displays the findings in tabular form. $Y = \beta_0 + \beta_4 X_4 + \varepsilon$; $Y = 1.915 + 0.685X_4 + 0.252$

Table 22 : Model Summary for Board leadership style

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.547 ^a	.410	.304	.65295

a. Predictors: (Constant), Board leadership style

Board leadership style was the predictor and organizational performance was the dependent variable in a regression study. A unit change in board leadership style may explain 41% of the variance in organizational performance, according to $R^2 = 0.410$, while $R = 0.547$ indicates that board leadership style and Performance of board of directors are fundamentally associated.

Table 23: ANOVA^a Results for Board leadership style

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	21.617	1	21.617	50.702	.000 ^b
1 Residual	48.179	53	.371		
Total	69.796	54			

a. DV: Performance of board of directors

b. Predictors: (Constant), Board leadership style

$F = 50.702$ shows that board leadership style significantly affects Performance of board of directors, suggesting that the model takes the data into account and that Performance of board of directors is greatly impacted by board leadership style. The dependent variable is highly predicted when the regression model's significance level is .000, which is less than 0.05. The results are summarized in Table 23.

Table 24: Regression Coefficients^a for Board leadership style

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
(Constant)	1.620	.329		4.926	.000	.789	2.727
Board leadership style	.586	.082	.547	7.121	.000	.423	.749

a. DV: Performance of board of directors

Organizational performance = 1.620 + .586 (Board leadership style)

Adoption of board leadership style has significantly impacted Performance of board of directors. The findings show that Performance of board of directors and strategic direction are significantly correlated (p 0.05, P = 0.01). Due to the statistical significance of the board leadership style values (t = 7.121, p.05), an increase in the board leadership style mean index should result in an improvement in organizational performance of .586 units (58.6%). The regression equation can help to explain the results in Table 24: 1.620 + 0.586 (board leadership style) equals Performance of board of directors. The model shows how board leadership style positively affects organizational performance.

A multivariate regression analysis was used in the research study to determine the weight of the relationship between the dependent and independent variables. The multivariate regression model was as follows:

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

Where Y = Performance of board of directors

β_0 = Constant term

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5 =$ Beta Coefficient

X₁ = Board Composition

X₂ = Board Independence

X₃ = Board Training

X₄ = Board Leadership style ε = Error term

Table 25: Model Summary Multivariate Analysis

Model	R	R Square	Adjusted Square	R Std. Error of the Estimate
1	0.814 ^a	0.653	0.660	0.46036

From the table 25 above, the R-Squared is the proportion of variance in the dependent variable that can be explained by the independent variable. In this study the R-Squared was 0.668 that indicted the five independent variables, (board composition, board independence, board training and board leadership style) that explain 66.3% of the dependent variable. Therefore, the other factors not studied in this study explain the 33.7% of the dependent variable (performance of board of directors).

Table 26 demonstrates the findings on the analysis of variance on the determinants of the performance of board of directors in Kenya’s energy sector parastatals.

Table 26: Analysis of Variance Multivariate Analysis

Model	Sum of Square	df	Mean Square	F	Sig.
1 Regression	15.726	4	3.931	18.550	.000 ^b
Residual	183.962	50	.212		
Total	54.611	54			

The analysis of variance was utilized to determine if the model is a good fit for the data. From the findings, the p-value was 0.000 which is less than 0.05 thus, the model is good in predicting how the five independent variables, (board composition, board size, board independence, board training and board leadership style) influenced the performance of board of directors in Kenya’s energy sector parastatals. Moreover, the F calculated (18.550) was more than the F-critical (2.45) that shows the model was fit in predicting the influence

Regression Coefficient for Performance of board of directors

The study coefficient of the regression mode is shown on table 14 below

Table 27: Regression Coefficient Multivariate Analysis

	Unstandardized		Standardize		t	Sig
	Coefficient		d Coefficient			
	B	Std. Error	Beta			
(Constant)	2.354	0.306			7.653	0.000
Board Composition	0.354	0.061	0.471		6.543	0.000
Board Independence	-0.011	0.68	-0.01		-0.167	0.857
Board Training	0.317	0.062	0.114		5.010	0.010
Board Leadership style	0.148	0.053	0.057		2.781	0.030

Based on table 14, the equation for the regression is as shown;

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

$$Y = 2.354 + 0.354X_1 + 0.346X_2 - 0.011X_3 + 0.317X_4 + 0.148X_5 + \varepsilon$$

Based on the intercept(β_0), when the five independent variables are held constant the value performance of the board of directors in Kenya’s energy sector parastatals was 2.354. Additionally, a unit increase in board composition while holding the other independent variables would lead to a 0.354 increase performance of the board of directors in Kenya’s energy sector parastatals. This relationship was significantly indicated by a p-value of

0.000. Moreover, holding other independent variables constant, a unit increase in board size would lead to a 0.346 increase in performance of the board of directors in Kenya's energy sector parastatals. The relationship was significantly shown with a p-value of 0.001. Further, maintaining all other independent variables fixed, a unit increase in board training and development would result to an increase in performance of the board of directors in Kenya's energy sector parastatals by 0.317 with a significant relationship depicted with a p-value of 0.010. In addition, having all other independent variables constant, a unit increase in level of board leadership style would result to an increase in performance of the board of directors in Kenya's energy sector parastatals by 0.148 with a significant relationship depicted with a p-value of 0.030.

Lastly from the findings, having all other independent variables constant, a unit increase in level of board independence would result to a decrease in performance of the board of directors in Kenya's energy sector parastatals by - 0.011 with a significant relationship depicted with a p-value of 0.857. This study concurred with Newman (2019) that the board of directors had no independence as it is mostly affected from external factors such as political class as well as from the executive arms of government. From such discoveries, we deduced that mostly board composition affected performance of the board of directors in Kenya's energy sector parastatals followed by board leadership style, board size and board training. However, the relationship between board independence and performance of the board of directors in Kenya's energy sector parastatals was inconsequential.

4.2 Study Limitations

Most of the respondents had reservations about participating in the study, mostly about their institution and their unwillingness to fill out the questionnaire. Respondents were notified that the organization management was fully aware of the study, and confidentiality was assured. They were also shown the NACOSTI letter, which attests to the fact that the study is educational and that no data was shared with third parties.

4.3 Chapter Summary

Out of the 64 respondents who were handed questionnaires by the researcher, 54 completed them, which accounted for 85% response rate, that formed the basis of the analysis. Tables

with the information have been displayed. To analyze the data, both descriptive and inferential statistics were applied.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.0. Introduction

This chapter gives a synopsis of these research findings. The outcome was drawn from the research study and presented together with the recommendations based on the aims of this research study and areas recommended for further study are also noted.

5.1 Summary of the Findings

The questionnaires were distributed to the respondents using the drop-and-pick method. However, out of the 54 questionnaires, only 56 were collected and fully completed, thereby making a response rate of 85%; the majority were males who were more than fifty percent. The participants were clustered according to their ages, where it was noted that respondents of the age of 21 to 30 years were: 4 (8%), 31 to 40 years 8 (16%), 41 to 50 years 18 (36%), and above 50 years 20 (40%). This showed that the majority of the board of directors in the energy sector parastatals in Kenya were above 50 years of age. Those respondents with work experience of between less than 5 years were 4 (8%). Respondents who have worked for 5 to 10 years were 8 (16%), respondents with 11 to 15 years' work experience were 18 (36%), and the respondents with work experience above 15 years were 20 (40%). This indication depicted the high turnover of staff within the board of directors with large dependence on board members who have worked for more than 15 years. This depiction was seen as reasonable as it indicated that the respondents would give credible information related to this study. Board of directors with undergraduate certificates were the majority, followed by postgraduates, while other levels were doctorate-level and other relevant qualifications such as CPA, CPS, and HRM, among others. All the respondents had adequate educational background to read and understand the questionnaire. The distribution of the education level was also considered reasonable; hence, they would give reasonable responses.

5.1.1. Board Composition

Board composition positively and significantly impacted the performance of board of directors in Kenya's energy sector parastatals. From the research findings it showed that

the presence of women on the board brought additional perspective on the decisions made by the board. Further, the study showed that there was diversity within the board which led to having improvement on their performance. Additionally, with the diversity within the board meant the board was not comprised of one majority group as well as the age difference of the board was more inclusive and made it effective. Other than board composition, size, independence, training and leadership style, some attention should be drawn to the human element in board performance. This include: a climate of frankness and trust, a culture of openness and dissenting opinion, collective understanding, collective firmness and behavioral presumptions which are essential components that can increase the performance of board of directors Shen (2019) Board size was significant and positively affected the performance of board of directors in Kenya's energy sector parastatals. It was established that smaller sized boards enhanced the performance of the entire board. Moreover, bigger sized boards needed to deal with more conflicts among its board members hence hard to find consensus. On the other hand, medium sized boards tend to benefit parastatals by giving effective oversight of management and provide necessary resources. Large boards improved performance through reducing CEO's dominance on the board.

5.1.2. Board Independence

The research findings established that the appointment of the board was affected politically. Further, separation of roles between the board chair and the CEO had not reduced conflict of interest. Therefore, since there were no clear roles of both the CEO and the board chair, conflicts arose more so during decision making process. Additionally, the parastatal board was impartial and didn't condone nepotism within the organization. However, the performance of the board was increased especially when the board members expressed multiple points of view. Having the chairman of the board as a non-executive director would improve the performance of the board. Board Independence has frequently been approached as the capability of boards to act independently from the management. There has been considerable discussion on different perspectives that exist both on the right proportion of independent directors and their definition (Solomon & Solomon, 2017). Corporate governance and accountability, In corporate governance reforms, it is crucial and important that the independence of board of directors is critical for the board to provide

the required oversight roles. The findings also indicate that both Non-Executive and Independent directors of spend little time with corporations, may not know and have as much information as the executive directors could have in their possession. In most cases they depend on the goodwill of the management to obtain relevant and timely information. Independent directors need to be informed at all times for the to be able to execute and perform their respective roles professionally and effectively (Charan, 2018). It should also be noted that dysfunctional flow of information may act as an obstacle for board of directors to perform their duties effectively. This leads to many scandals the we see happening in many corporations due to little information going to board of directors.

5.1.3. Board Training

The board training had led to the encouragement of the board members to continue with further studies on the improvement of their skills. Additionally, the level of education of the board members affected the performance of the board members during a board meeting. It further established that board members without requisite skills contributed the least during board meetings. For the board members with high number of years of experience and training in various industries had a broader understanding of the board activities. Board training significantly affected performance of board of directors in Kenya's energy sector parastatals. According to Sonnenfeld (2018). What makes great boards greatl, Harvard Business Review, 80 (9), 106-114.), board of directors that are highly trained and receive great amount of information, perform their roles and duties professionally and effectively than those with little or less training. Training aspect plays a pivotal role in improving not only the skills and expertise of board of directors but also adds value to their intellectual capacity in terms of running such organizations.

5.1.4. Board Leadership style

The leadership style of the board positively and significantly affected performance of board of directors in Kenya's energy sector parastatals. Directors discussed and approved the strategic plan of the organization, in addition to monitoring the performance of the governance practice. Also, the board led the process of appointing the board as well as making recommendations to the board and also be involved with the board composition of

the organization. The leadership of the board understood and knew the organizations belief to the vision and mission of the organization. Our findings also point out the leadership style of the chairman of the board of directors. For example, the leadership style of the chairman plays a vital role in the way the board is able to carry out its obligations and activities.

5.2 Conclusions

Board composition is an inherent part of corporate governance. An effective board of directors provided inclusivity in terms of having a diverse age and also ensuring that the board was not comprised of one majority group. By having the presence of women on the board, brought about the perception during decision making process thus improving the performance of the parastatals. This provides adequate oversight and maintains the organization in moving towards the right direction with proper leadership. The size of the board significantly affects the performance of the board of directors in Kenya's energy sector parastatals. From the study findings, it is established that smaller sized boards enhanced performance of the whole board while large sized boards may have to deal with issues arising from the board members having reached a consensus thereby bringing about issues of conflicts among its members. However, large boards sometimes improved the performance by reducing the CEO's domination of the board.

On the other hand, medium sized boards enhanced the parastatals by providing effective oversight management and necessary resources. Board independence had a negative and insignificantly affected the performance of the board of directors in Kenya's energy sector parastatals. From the research findings, it depicted that the parastatals boards were impartial and didn't condone nepotism. Also separating the board chair and the CEO's roles had not reduced conflict of interest within the organizations. From these findings, it is evident that there are no clear roles defined for both the chair of the board and the CEO. Further, opportunities of the boards ought to be biased since they are politically affected as well as the boards didn't condone nepotism thus making them impartial. From the study, it is concluded that board training significantly and positively affected the performance of board of directors in Kenya's energy sector parastatals. This demonstrated that the level of education of board members affected the performance of board members during meetings

where members without requisite skills contributed the least in board meetings. Moreover, board members with more years of experience and training in various industries had a broader understanding of the board activities. Therefore, encouragement should be given to the board members to continue with their further studies on the improvement of their skills to be more effective. The study findings concluded further that the board leadership style positively affected the performance of board of directors in Kenya's energy sector parastatals, whereby established that the board of directors discussed and approved the strategic plan of the institutions. Also, the board monitors the performance of its governance practice as well as they lead in the process of appointment recommendation and also in the succession plan process. The board tends to understand the vision and mission of the institution.

5.3. Recommendations

To enhance the performance of board of directors in Kenya's energy sector parastatals diversity is to be encouraged to have more inclusivity and also gain different perspectives and views. Further, the board should ensure that they encourage appointment and participation of more women in board meetings as they bring in different views to the board. A board should be large enough to include a diverse of competencies required to carry out its responsibilities, but small enough to engage in active strategic discussions, make timely strategic decisions that move the organization forward, and bond as a team. In light of this, Klein (2019) recommended that the ideal board size for publicly traded companies be small, legally accountable and a diversified board of seven members (including an independent chairman, independent members and the CEO).

It has also been argued that a more independent board was more effective in performing their control roles because they were free from any effects. Having an independent chair may also result in better board monitoring. It was difficult to obtain a reliable and meaningful measure of board independence. Previous research had viewed the proportion of outside directors on the board as merely as a proxy for independence. The board of directors should also formulate policies that will curb nepotism and also formulate policies that will prevent external or internal interference with the decision making process more so during board appointments.

The roles of the Chairman and CEO should be separate and where the Chairman is also the Chief Executive Officer, it is therefore of great importance to have a ‘strong independent element’ on the board. It is also recommended that the number of non-executive directors should be more than the number of executive directors. Besides, the appointment of at least one director should be done to enhance further independence of the board. However, many governance experts and intellectuals are of the opinion that just one independent director is too minimal to serve this particular crucial purpose. The board should also provide regular training more in enhancing its performance. During the selection and appointment of board members, the board of directors should consider the education level of a candidate so as to avoid candidates with little requisite skills who end up contributing little during board meetings. Additionally, the board of directors should also put into consideration the years of experience a board member has as it will aid in enhancing its performance as the members with more experience come with vast experience on how to handle complex issues and disputes.

5.4 Suggestion for further Research

Several avenues for additional research can be identified. For starters, our research was limited to the effects of determinants of the effectiveness of board of directors in the Kenya’s energy sector parastatals. Future studies should however look at the effectiveness of the board of directors from other sectors as well as from both public and private sectors. More research is needed to investigate on other determinants of effectiveness of the board other than board composition, board size, board independence, board training and development and board leadership style. Hence this study recommends further study to include other attributes that might influence the effectiveness of board of directors in the parastatal sectors.

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APPENDICES

APPENDIX 1: INTRODUCTION LETTER

REF: REQUEST FOR PARTICIPATION IN RESEARCH STUDY

I am a student at Management University of Africa pursuing Master of Management and Leadership. I am currently undertaking a research study on the determinants affecting the effectiveness of Board of Directors in Kenya's State corporations: A case study of selected state corporations in Kenya. I will appreciate if you could find time from your busy schedule and complete the enclosed questionnaire(s). All the information provided was treated with a lot of privacy and confidentiality. The views that you will express are your own personal views and not that of the organization.

A copy of the final report was made available to you on your request. Your timely response and corporation was highly appreciated.

Yours faithfully,

Benson Emuget Imonyat

APPENDIX II: QUESTIONNAIRE

This research is a requirement for fulfilment of the Degree in Master of Management and Leadership at Management University of Africa. The questionnaire was aimed at determining the effectiveness of board of directors in Kenya's state corporations. The feedback to these questions shall be handled confidentially and purely used for academic purpose. Please tick where appropriate or fill in the required information on the spaces provided.

SECTION 1: GENERAL INFORMATION

1. Gender: Male Female []

2. Age: 21 – 30 years [] 31 – 40 years [] 41 – 50 years []
 Above 50 years []

3. Work Experience
 Less than 5 years [] 5-10 years []
 11-15 years [] Above 15 years []

4. Highest level of Education
 Certificate [] Diploma []
 Undergraduate [] Masters []
 PhD []

 Others (specify)

SECTION B: BOARD COMPOSITION

On a scale of 1-5, indicate your level of agreement with the following statements relating to the effect of board composition on effectiveness of board of directors in Kenya’s state corporations. Where 1= Strongly Agree, 2= Agree, 3= Not Sure, 4= Disagree and 5=Strongly Disagree?

Statement	Strongly Agree 1	Agree 2	Not Sure 3	Disagree 4	Strongly Disagree 5
The presence of women on the board brings an additional perspective to board decision making.					
The board is diverse which improves its effectiveness at the					
The board is not comprised of one majority group					
The age differences of the board makes it more inclusive thus effective					

SECTION C: BOARD INDEPENDENCE

Indicate on a scale of 1-5, how you rate the effect of board independence on effectiveness of board of directors in Kenya’s state corporations. Where 1= Strongly Agree, 2= Agree, 3= Not Sure, 4= Disagree and 5=Strongly Disagree?

Statement	Strongly Agree 1	Agree 2	Not Sure 3	Disagree 4	Strongly Disagree 5
The board appointment is politically motivated					
Separating the board chair and CEO roles has reduced conflict of interest.					
The parastatal board is impartial and does not condone nepotism					
The parastatal members express multiple points of view which increases the effectiveness of the board					
Having the chairman of the board as Non- Executive director will improve the effectiveness of the board					

SECTION D: BOARD TARINING

Indicate on a scale of 1-5, how you rate the effect of board training and development on effectiveness of board of directors in Kenya's state corporations. Where 1= Strongly Agree, 2= Agree, 3= Not Sure, 4= Disagree and 5=Strongly Disagree?

Statement	Strongly Agree 1	Agree 2	Not Sure 3	Disagree 4	Strongly Disagree 5
Encouragement is given to the board members to continue with their studies on governance skills					
The level of education of a board member influences the effectiveness of the board member during board meetings.					
Board members without the requisite skills contribute the least in board meetings.		3.0542	1.10876		
Board members with high number of years of experience and training in various industries have a broader understanding of the board activities					

SECTION E: LEADERSHIP STYLE

Indicate on a scale of 1-5, how you rate the effect of leadership style on effectiveness of board of directors in Kenya’s state corporations. Where 1= Strongly Agree, 2= Agree, 3= Not Sure, 4= Disagree and 5=Strongly Disagree?

Statement	Strongly Agree 1	Agree 2	Not Sure 3	Disagree 4	Strongly Disagree 5
Directors discuss and approve the strategic plan of the company					
The board monitors the Effectiveness of the governance practices					
The board leads the Process for board appointments, make recommendations to the board and be involve with board composition in the parastatal					
The board leadership understands and knows the company beliefs’, values, vision beliefs’, values, vision and mission					

SECTION F: PERFORMANCE

Indicate on a scale of 1-5, how you rate the performance of board training and development on effectiveness of board of directors in Kenya's state corporations. Where 1= Strongly Agree, 2= Agree, 3= Not Sure, 4= Disagree and 5=Strongly Disagree?

Statement	Strongly Agree 1	Agree 2	Not Sure 3	Disagree 4	Strongly Disagree 5
The board of directors provides clear board size to the state corporations					
The leadership style of the board of directors promotes innovation and creativity within the state corporations					
The board of directors ensures accountability and transparency in the operations of the state corporations.					
The leadership style of the board of directors motivates and inspires					
The state corporation effectively serves its stakeholders' interests					
Please rate the overall performance of the state corporation you are associated with					

<p>The state corporation's leadership demonstrates a commitment to ethical and responsible conduct.</p>					
<p>The leadership style of the board of directors has a positive impact on the overall performance of Kenya's state corporations</p>					