

**ORGANISATIONAL FACTORS INFLUENCING FINANCIAL PERFORMANCE OF
PRIVATE COMPANIES IN KENYA: A CASE OF KTDA FACTORIES IN ABERDARE
RANGES REGIONS**

BY

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DECLARATION

I declare that the work in this dissertation has not been previously published or submitted elsewhere for award of a degree. I also declare that this my own original work and contains no materials written of published by other people except where due reference is made and author duly acknowledged.

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ABSTRACT

Financial performance is an important measure of the productivity and effectiveness of an organization. This is because it is an indicator of the ability of an organization in using its resources to generate wealth, profits and returns for stake holders. There are several determinants of financial performance including the resource use, employee productivity, leadership in the organizations. The purpose of this study was to identify and examine how organizational factors which include top management and support team, organizational structure and the corporate governance influence the financial performance of KTDA factories. The aim of the study was to get data on these organizational factors and analyze them with a view of finding out their relationship with financial performance of the of KTDA factories that were sampled. The study used the quantitative research method. A census was done on 9 factory managers and their assistants, finance officers and human resources managers. The total population comprised of 18 factory managers and their assistants, 9 finance officers and 9 human resources managers all totaling 36 target respondents. The study solely relied on primary data for research information. Questionnaires were used to collect primary data from the participants. Regression analysis was done to find the correlation between each organizational factor and tea factories financial performance. The data was analyzed using SPSS software. The study found out that: Most of the respondents rated the organizational structures of the tea factories as highly layered and having occasional opportunities of impairing and negatively affecting the decision making processes. Most of the respondents had the feeling that the members of the top management cadres merited their positions but situations of challenges occasioned by poor employee performance attributed to unqualified personnel in top management positions were confirmed. All the respondents confirmed the tea factories had code of ethics that guided the interactions between the shareholders and the institutions. The ability of the codes of ethics to assure harmonious interactions by the membership was confirmed. All the respondents confirmed there had been instances of strained internal relations which they attributed to the inadequacies of the codes of ethics in use. The study recommended that: organizations should strive to ensure that they have lean organizational structures as a measure of reducing operational costs and enhancing efficiency. In the situation of the tea factories, conferring them with independence from the KTDA parent company may greatly enhance their positions in terms of freeing them from obligations to the parent company. The top management in private companies should equally be implored on to carry out its activities diligently as a measure of ensuring that the ideals of the organizations are met. The organizations should ensure that the recruitment of the top managers is driven by merit and ascension in the organizational hierarchy is meritorious. Private companies should work towards enhancing their corporate governance thresholds to earn industry respect and elicit attention from peers. The tea factories should seek to ensure that the prescribed tenets guiding corporate governance expectations are adhered to as a measure of assuring them confidence from peers and other partners collaborating with them in different lines of business.

Key Words

Financial performance, Organizational structure, Top management, Corporate governance

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DEDICATION

This work is dedicated to my parents, my husband Dickson and daughters Janet and Angeline for their continued support and bearing the pain of my education. I pray that the Almighty bless them lavishly. Thanks again to the Almighty God for his blessings without which it would have been impossible to accomplish this research.

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ACRONYMS AND ABBREVIATIONS

KTDA: Kenya Tea Development Agency

OECD: Organization for Economic Co-operation and Development

ROE: Return on Equity

ROA: Return on Assets

SCADS: Special Crops Development Authority

VAT: Value Added Tax

OPERATIONAL DEFINATION OF TERMS

Corporate governance refers to the mode of structured association and management in an organization which inculcates the input of all the stakeholders

Organizational structure refers to the hierarchal chain of command in an organization

Top management support refers to the ability of the top managers to accord assistance to an institutional program

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter will be represented in the following sections background Information, statement of the problem, objectives of the study, research questions, limitations of the study, basic assumptions, significance and justification of the study.

1.1 Background Information

Organizational factors are aspects of a company that control its operations and performance. Firms are made up of several elements that are related. These elements are what form the foundation on which organizations are built and are meant to focus a company towards achieving their set goals and targets. Organizational factors that may affect a company in relation to financial performance include audits, corporate governance, organizational politics, organizational leadership, which includes the structure and top management, as well as the organizational environment (Sheaff, 2003).

According to McDowell (2006), the organizational environment entails the internal and the external factors influencing its performance. Internal factors include those affecting the firm from within the organization while external are those influencing it from the outside. The external environmental factors influence the financial performance companies through policies and regulation. Policies and regulations create guidelines, through which organizations have to adhere thus making them significantly influence a company's financial performance (Harash, Al-Tamimi & Al-Tamimi, 2014). All these organizational factors are crucial and important in the decision making aspects of an organization.

Financial performance represents a subjective measure that helps to indicate how well a company can utilize its assets and be able to generate revenue and profit through its operations. The financial performance of an organization indicates the degree to which a firm's financial goals have been achieved and also helps in identifying strategies for risk management related to financial issues. There are several groups of individuals including investors, shareholders, tax authorities and creditors affiliated with a firm that are greatly interested in the company's financial performance. Each of this group has its interest in the financial results. For example, trade creditors are interested in the firm's liquidity, bond holders are interested in the company's cash flow, investors are interests in the financial status and profitability of the organization and the management is interested in the financial conditions, performance, and control (Eshna, 2016).

To make financial reports to group of interest within the organization, the financial performance must be measured used different parameters. Financial performance measures help identify the financial risk, profitability and debt capacity of an organization. There are four performance ratios of measuring financial performance. They include liquidity, profitability, efficiency and leverage ratios. Profitability ratios that include the net profit margins, Return of equity ratio (ROE) and Return of assets ratio (ROA) are the most utilized ratios in measuring financial performance of firm. The Net profit margin indicates the much a company relative to sales after tax. The ROE measures the performance of the business in relation to shareholders investments while ROA measures the ability of an organization's management to use its assets. ROA indicates how profitable a firm is in relation to all the company's assets (Poznanski, Sadownik&Gannitsos, 2013). ROA gives an idea of the way financial decisions improve the use of an organization's resources to generate revenue.

Manufacturing firms in Kenya today have to contend with increased international competition, globalization, evolving consumer expectations and clients' demands geared towards more competitive products. Globalization has occasioned enhanced automation and reduced human labour interface in the production processes (Havas, 2009). The markets are unpredictable owing to the dynamism and changing trends. Clients' demands are the driving factor in the emerging trends in the global business arena. The competitive business environment forces businesses to focus on specific niches and have them act as the defining factors in the determination of the direction that they take. The identification of the avenues that the manufacturing concerns have to exploit as the best avenue to maximize on profits is a challenge to them. Tea factories have equally borne the brunt of the underlying dynamics.

Tea is one of the main cash crops produced in Kenya. Over the years, this cash crop has been one of the major foreign exchange earners for Kenya as it is one of the major exports of Kenya. The production of tea in Kenya started in the year 1904. However, the cash crop started being produced as a commercial product in the 1920s. In 2015, Kenya was ranked fourth among the highest tea exporters in terms of dollars. In this year the country was able to export tea valued at \$440.3 which was a represented a 7.2% of the world's total tea exports. However, this was a 62.6% decline in the Kenyan tea export from previous years (Workman, 2016). This decline can be attributed to several failures and challenges affecting tea production in the country that are forcing tea farmers to switch from tea production to alternative crops which offer better returns considering that tea production is becoming less profitable for them.

The Kenya Tea Development Agency Ltd (KTDA) is a primary provider of services to a large number of tea farmers producing tea at a small scale. This company is made up of 8 subsidiary companies whose core mandates are to provide services such as clearing and

forwarding, warehousing, exporting, blending, value addition and general trading to farmers (KTDA, 2016). KTDA has been experiencing several challenges especially in relation to financial performance like the decline of auctioning prices, little farmers wages awards, high cost of production with low income among others that are leading to the decline in tea production (Gesimba et al., 2005). These financial hurdles can be attributed to the organizational factors that are affecting the financial operations of the company both internally and externally. Organizational factors are crucial especially when it comes to making decisions and solving issues related to the financial problems, and if not well managed and controlled, they can lead to poor financial performance. Given this fact, it is necessary to analyze and assess how general organizational factors in KTDA factories influence financial performance. The focus of this analysis is on KTDA factories in Aberdare Ranges Regions. This is motivated by the fact that KTDA is one of the largest private organizations in Kenya whose operations and financial performance is crucial to small-scale tea farmers and their households. These farmers greatly rely on KTDA factories to achieve their livelihood. This research will assess the way organizational factors may influence the performance of financial issues within KTDA factories in Aberdare Ranges Regions.

Concession programmes, leasing and build own operate arrangements have helped grow many businesses and the public sector has taken note of them. The programmes save organizations the costs of tax accruing from acquisition of land, machinery and allied movables. They equally reduce the start up costs of the organizations and aid propels them into the pedestal of growth, (Nyangito, 2011). The tea processing industry can only thrive on the realization of the need to engage the private sector in the realization of cost cutting as a measure of ensuring reduced expenditure. Invitation of partnerships can save the K.T.D.A enormous costs and give

farmers opportunities to maximize growth and realize better proceeds by virtue of having a bigger leeway and more avenues for processing the green leaf. Tea factories can equally engage the private sector partners to help improve their capacities and recover their costs over long periods of time. This will assure farmers of improved processing capacities and greater benefits from their production activities. Asset financing can thus be termed as a great initiative of enhancing and assuring the profitability of tea factories by way of having operating costs which are manageable and assured despite numerous demands and obligations to shareholders.

The Kenya tea industry is divided into sub-sectors of production systems that include the integrated multinationals that have their factories, plantation and small-scale farmers. Tea was introduced to Kenya in 1903 as an experiment in Limuru Kenya. However, tea production was not commercialized until 1924 when it became a cash crop that was completely under the control of the colonial government. In 1956, Kenyans were allowed to start growing tea on their farms (Owuor, 2011). After independence, Kenyan farmers were able to auction their tea and export it to other countries. Over the years since independence, small-scale tea farmers have been able to gain significance ahead of the extensive estates accounting for about 60% of tea production in Kenya as at 2011. Both large and small-scale tea producers auction their tea at Mombasa Tea Auction, which is the second largest tea auction centre in the globe (Ndege, 2013).

Small-scale tea farmers are integrated by the Law, CPDA 2007 under KTDA, which coordinates, processes, and markets and group all small scale farmers of tea production. KTDA Ltd was previously a public authority which was known as the Kenya Tea Development Authority that was formed under the legal notices No. 42 of 1964. The authority took over after the Special Crops Development Authority (SCADS), which had been created by the colonial government. The body was meant to enhance tea production in the country by taking over the

functions and liabilities of SCADS (Ndege, 2013). In 2000, the authority was privatized under Cap 486 of the Kenyan law to form the current KTDA, becoming the largest private tea management organization in Kenya. Currently there are 67 KTDA factories and eight subsidiary companies (KTDA, 2016). Aberdare Ranges region is located in serene hills. The tea estates of the Aberdare ranges stand at an altitude of 1700-2200 meters above sea level. This catchment is home to one of Kenya's key belts, extending from Kiambu all the way to Thika which covers region one and region two covering Nyeri and Murang'a tea zones.

In recent years, the tea industry has been experiencing some challenges resulting from low yield from small-scale farmers, less participation of stake-holders at the upper segment of the value chain and regulatory bodies, increased dependency on few markets in relation to exports, management and governance deficiency in KTDA factories, lack of credit facilities and rising cost of tea production. Other attributes of these challenges include minimal value adding strategies, lack of benefits to farmers from levies and cess, low levels of research, extension services and innovation and weak marketing at the local level (Ndege, 2013). All these factors have led to the great failures and challenges resulting to a significant concern of the financial performance within the industry especially within KTDA factories, which are in charge of the small scale farmers who are profoundly affected by these issues.

1.2 Statement of the Problem

Organizational factors are very crucial when it comes to the decision making process in a company, regardless of the aspect of the decision being made. These factors significantly influence the balance between the wealth maximization objectives and the economy of a company in many different ways (Ndege, 2015). When an organization is given the responsibility to manage and control assets and finances of investors, clients, shareholders, and

creditors, any mismanagement of the crucial organizational factors that influence financial performance leads to great failure. Regardless of the important role that tea production has on the Kenyan economy like earning foreign exchange, income generation and creation of employment, there have been some financial concerns over the decline in tea income that is resulting from the low-profit margins in global market. In addition, the prices of Kenyan tea have been reducing at the international market forcing most small-scale farmers to replace tea with more profit table crops (Gesimba et al., 2005).

KTDA factories management has in the recent year been experiencing accusation of funds mismanagement and financial frauds that have been associated with the small and delayed farmers' benefits. This can be attributed to hemorrhages and leakages in the financial management systems occasioning losses to the tea farmers. (Kimutai, 2012, Kareithi&Kathuri, 2007).Financial mismanagement leaves farmers struggling and this makes most opt to seek alternative crops to replace tea, hence reducing tea production in Kenya. Research related to how organizational factors like top management and organizational structure influence financial performance are limited. This has created a gap on the knowledge of how organizational factors should be managed to ensure there is excellent financial performance in organizations, which is what this research intends to bridge at the same time add new knowledge.Previous studies by (Kimanga, 2015); (Kareithi and Kathuri, 2007); (Ndege, 2013) and (Kimutai, 2016) focused on financial malpractices as an aspect affecting the financial health of the tea factories. The study sought to expound further and find out the organizational factors influencing financial performance of the KTDA managed tea factories in Aberdare Ranges region two.

1.3 Objectives of the Study

1.3.1 General Objective

To determine the influence of organizational factors on the financial performance of KTDA factories in Aberdare Ranges Regions.

1.3.2 Specific Objectives

- i. To identify the influence of organizational structure on the financial performance of KTDA factories in Aberdare Ranges Regions
- ii. To establish the influence of top management support on the financial performance of KTDA factories in Aberdare Ranges Regions
- iii. To determine the influence of corporate governance on the financial performance of KTDA factories in Aberdare Ranges Regions

1.4 Research Questions

- i. To what extent does organisational structure influence the financial performance of KTDA factories in Aberdare Ranges Regions?
- ii. To what extent does the top management support influence the financial performance of KTDA factories in Aberdare Ranges Regions?
- iii. In what ways does corporate governance influence the financial performance of KTDA factories in Aberdare Ranges Regions?

1.5 Limitations of the Study

The study encountered the challenge of respondents' attitudes. This is because different respondents had varied inclinations towards the study subject. This influenced them towards individual perceptions as regards the study subject. The researcher overcame the challenge by way of imploring on the respondents on the essence of objectivity when filling in the questionnaires for the success of the study.

The availability of the respondents was a challenge owing to the busy nature of the tea factories. The researcher surmounted the challenge by making prior arrangements with the tea factories. This ensured that they made provisions for the availability of the personnel to be subjected to the data collection instruments.

1.6 Basic Assumptions

- i) The study had the assumption that the methodologies used were adequate for the realization of the envisaged results.
- ii) The study equally assumed that the information generated by the research was relevant to the field of corporate financial performance and would be of essence in terms of policy formulation.
- iii) The study assumed that the information realized would be of great essence to the tea industry and spur improved productivity.

1.7 Significance of the Study

The focus of this study is to identify how organizational factors influence the performance of public corporations. In both private and public corporations financial stability and sustainability is very crucial making auditing a very important part of these firms. This study may be beneficial to all type of firms, public or private, whose organizational factors affect their financial performance in different aspects. Top management team, support teams and board of directors among other leadership teams like those in the financial and human resource department may also benefit from the study since it will provide knowledge of how important organizational factors are in influencing financial performance if well managed and controlled.

The study also sought to provide new knowledge on the responsibilities of governance in managing organizational factors to influencing change in private and public sector to initiate

positive performance that not only increase the growth of the both public and private corporations but also that of the whole country. The study may also benefit financial students by providing themwith insights and understanding how the operations of organizational factors can be used to influence the performance of both private and public corporations financial and non-financial performance. This study may also create a foundation on which further studies on the influence of organizational factors on financial performance in public and private companies as well as in other entities can be done.

1.8Justification of the Study

Currently, firms in both private and public sector are striving to become more efficient, effective, accountable and transparent in their use of financial resources and this has resulted to improvement of their financial performance and growth for the Kenyan economy. To achieve high levels of transparency and efficiency in financial issues, one cannot ignore the importance and influence oforganizational factors like organizational structures, corporate governance and the top management has on the control and decision making of financial issues. This study was hence justified because it sought to evaluate how the organizational factors influence the current changes in the effective and efficient use of financial resources and how this has influenced the financial performance of both private and public companies.

High demands are currently placed on organizations as pertains their ability to meet stakeholder expectations as pertains to fiduciary and the ability to ensure realization of maximum returns on the investments made. In the event of KTDA, the essence of striving to have defined systems and structures as a measure of enhancing the governance levels as a means of assuring sound financial performance cannot be underscored. This is an aspect that needs to be taken care of by the firms operating in the highly competitive business scene and the emerging trends call

for austerity and corporate governance practices in the wake of seeing to it that the financial performance is enhanced. The study was thus justified in the wake of finding out what the prevailing situation in KTDA was.

1.9 Scope of the Study

The study sought to determine the influence of organizational factors on the financial performance of KTDA factories in Aberdare Ranges Regions. This was with a specific focus on the tea factories in region two. The study sought to find out how the organizational structure, top management support and corporate governance affected the tea factories financial performance. The study ran from March 2016 to September 2016.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter explores the literature available on organizational structure, top management and corporate governance on financial performance from various researchers. The chapter covers agency theory and stakeholder's theory. The literature has been discussed under theoretical review and conceptual framework.

2.2. Theoretical Review

2.2.1 Agency Theory

The Agency Theory is rooted in the work of Berle and Means (1932) on the separation of firm ownership from management. According to the Institute of Chartered Accountants in England and Wales (2005), the agency theory indicates that due to self-interest and information asymmetries, principals lack reasons to trust their agents. This fact makes them seek to resolve these concerns by placing strategies to align the interests of principals and the agents and to minimize the scope for information asymmetries and opportunistic behavior. In agency theory information is regarded as a commodity which has a cost and can be purchased which then makes it possible for organizations to invest in formal information systems such as budgeting, Board of Directors and informal systems such as managerial supervision, (Ndege,2015). Agency theory focuses on solving issues that usually occur in an agency relationship between principals

who may be shareholders and the agent of principals who in this case include organization executives.

The major assumption of the Agency theory in relation to auditing, Islam (2014) is that it assumes the interests of the principals and that of the agents are divergent. It also implies that both parties focus on promoting their interest and the fact that there exists information asymmetry. The principal-agent relationship is beneficial in that it creates room for the shareholders to specialize as risk bearers, the principal, who hires and retains the agent who is endowed with specific talents, knowledge and capabilities to increase the value of the asset through efficient allocation of resources (Melyoki, 2005). These assumptions create the two elements of the agent theory, which include conflict of interest between the principals and the agents and the information asymmetry between the involved parties. The conflict that arises between principles and agents can be attributed to several factors. (Jensen, 1976). One of these factors includes agents trying to maximize their wealth at the cost of shareholders, which usually involves unjustified and significant Remuneration, Islam (2014). Another factor concerns where the agents place emphasis on the short-term performance at the expense of long-term performances and the different attitude that the two parties hold towards risks.

In a study done by Baxter (2010), the quality of an organization's Good corporate governance is positively associated with the organization's large audit firms, advantage, expertise, activities, the board's size and independence. In relation to Baxter's research, if this factors determining the quality of good corporate governance is enhanced then the agency problem can be easily reduced and it makes it easy to minimize ownership (Islam et al., 2010).

Through the concepts of the concepts of agency theory, the Good corporate governance is able to manage any agency problem that arises. In cases where the principal does not trust their agent, they will demand compensation. This indicates that if the accounting figures are questionable, the investors will not trust their agency in future (Baxter, 2010). For clarity and to minimize the information asymmetry that may be between the two parties in relation to the issue the good corporate governance comes in to provide financial reports, provide evidence reported numbers were carefully prepared and free from material errors to minimize the doubts that usually exist between the parties.

Literature in auditing has confirmed that agency costs, caused by information asymmetry and conflict of interest are positively related to the demand for high-quality auditing done by the auditing committee of the particular organization. In addition, the changes that occur in agency costs are associated with variations in the quality of organizational factors (Ittonen, 2010).

Organizations have variation in their demands for audit quality based on the alignment of interests between the management and the owners. The divergence of interests consists of conflict of interests and information asymmetry, (Melyoki, 2005), where the agent has more information on the outcomes than the principal implies that the principal cannot fully measure the outcomes of the agents as well as the degree of these, determines the extent of auditing required.

Shareholders should have an important mechanism for encouraging managers not to deviate from shareholders interest. (Ndege, 2015). In cases where ownership is split, the board of directors is viewed as an alternative mechanism (Jensen, 1993 and Denise, 2001). Agency theory has a basic conclusion that value of a firm cannot be maximized as managers normally

hold executive power which allows them to expropriate value for their own interest (Turnbull, 1997). However despite the claim that the conflicts between the principal and the agent cannot be eliminated Agency theory provides a broad analytical framework to assess how successful corporate governance systems can curb opportunistic managerial behavior, (Ndege 2015) securing a fair return on investment for shareholders. Organizational factors are known to make the management of firms more credible to investors either in the absence of or in addition to other means of controlling conflict agency (Ittonen, 2010). This theory is one indication of how organizational factors influence the performance of an organization. Having good corporate governance in a firm ensures that agency problem and conflicts do not arise between the agents and the principals.

2.2.2 Stakeholder Theory

Freeman (1984) defined Stakeholder theory as any group or individual who can affect or is affected by the achievement of the organization's purpose. The theory is derived from a combination of two academic disciplines: sociological and organizational (Wheeler et al, 2003). Stakeholder theorists suggest that all individuals or groups with legitimate interests participating in an enterprise do so in order to obtain benefits giving no priority of one set of interests and benefits over another (Smith, 2003, Ndege, 2015).. One of the criticisms of Agency Theory is that it provides a short term perspective and explanation of the purpose of the firm (Freeman, 1984; Freeman, Wick and Parmar, 2004). Also, critics argue that its scope is narrow, since it projects the activities of the firm from the perspective of the shareholders only. An alternative proposition known as the Stakeholder Theory suggests that firm's activities should be projected on longer and broader perspectives (Freeman, 1984). The theory posits that the essence of corporate activity is not only for the benefit of the shareholders, but also for the benefit of all

relevant stakeholders (including the shareholders) and it is all these relevant stakeholders who should be the main remit of the modern firm (Freeman, 1984; Cadbury, 1992; Jensen, 2001). It argues that firms should be managed in such a way that they coordinate the diverging interests of their numerous stakeholders including employees, shareholders, customers, suppliers, the government and society in general. This consideration should thus impact upon the formulation of the corporate strategy of the organization as a whole (Marcoux, 2003). The arguments for the stakeholder view of the corporation have often been premised on moral and business ethics (Phillips, 1997).

2.3 Empirical Review

2.3.1 Organizational Structure

An organization structure defines how operations are carried out in a firm. It involves activities such as supervision, coordination, and allocation of tasks. The effectiveness of an organization's financial success is greatly influenced by the organizational structure since it determines the best strategies to use to maximize on wealth creation within the company. The structure of a firm also defines productivity by ensuring that the right tasks are carried out by the right individuals. An organizational structure is also the foundation on which control over procedures, decision making processes, authority, and governance is based to ensure that maximum productivity is achieved (Njiru, 2014). In private corporations, productivity is measured by elements such as customer satisfaction and profitability which is portrayed through financial performance. KTDA organizational structure is made up of small-scale farmers, factories companies, and KTDA subsidiaries representatives (KTDA, 2015). The control and decisions made by this representative in relation to wealth creation, pricing and assets utilization are crucial in affecting financial performance.

According to Robbin and DeCerzo (2005), indicates that organization structure performs an important role in achieving the objectives and strategic direction and goals of every aspect of a firm. In most instances, organizational structures are more relevant to a firm if they are in harmony with the resources, objectives, competitive environment and mission of the company. Levie (2006) provides evidence that there is a positive relationship between organization structure level and the strategies and a company's effectiveness and performance. This means that if an organisational structure is well aligned with the firm's mission and goals, it positively affects its operational and financial performance positively.

Organisational structure influence on performance is usually controlled by the dynamics of the environment. This means that in order for an organization to achieve high financial and non-financial performance, it requires to pay close attention to ensure that the organizational structure matches the environment dynamics existing in a place (Mansoor, 2012). A study by in China and Australia done by Quingin, Helmu and Juergen (2012) indicates that organizational structures indirectly and directly influence the non-financial and financial performance of an organization. Oyewobi et al. (2013) research on the effect of organizational firm structure and strategies on the performance of construction showed that organizational structures have direct influence on both the non-financial and financial performance. Robbi and DeCerzo (2005) indicate that an organizational structure has two important functions which are coordination and control. The control function involves ensuring that makers of decisions at all levels follow the hierarchical constrains as a criteria under which they make decisions. Coordination on the other had involves ensuring that there activities in the organization are well organized and aligned to the company's goals. From these studies, it is evident that organizational structure is an

important factor that affects both financial and non-financial performance through the coordination and control of activities and operation.

2.3.2 Top Management Support

In an organization, Top management Support team represents the highest ranked executives that are given the responsibility to overlook the company. The executives are some of the most influential individuals in an organization since they are mostly the ultimate decision makers. This means that they can influence any aspect of an organization including the financial aspect. The support team and top management has the authority to make decision, manipulate and influence the rest of the body depending on whether their interests are aligned to that of the organization or their interest (Dhaouadi, 2014). In situations where the top management focuses on its interest, there is always a possibility of financial mismanagement or frauds that affect the financial performance negatively. On the other hand, if the top management is keen on satisfying the company's interest before theirs, it influences financial performance positively.

According to Daily and Ellstrand (1996), in most cases of Asian banks that are family based, the executives and board is usually dominated by insiders who do not have any obligations to play roles of supervising and monitoring in the bank's management. The outsider directors and executives usually give the companies a link to the external environment of the firm, assisting it to expand their network and secure important resources. According to Sang – Woo and Lum (2004), the presence of external directors at the top management bring about higher investment returns since they are able to guide the firm into analysing and controlling the external environment factors that may influence financial and non-financial performance.

According to Eisenhardt and Schoonhoven (1990), top managements teams significantly influence the success of organizations. Large top management teams that are diverse in terms of experience, age and background often lead organization into achieving great success in non-financial and financial performance. Eisenhardt (2013), states that a top management team that uses strategic process of making decision often influence a company financial and non-financial performance. This means that, top management are crucial in making decisions that are important in influencing the performance of a firm. Maschke and Knyphausen (2012), the size of the team management is one of the impacting elements that determines the impact that a team of top management will have on the performance and productivity of a firm. In addition, the level of education and type of professional that each of the members has also influences the capability of the firm in relation to growth, non-financial and financial performance.

2.3.3 Corporate Governance

Corporate governance represents the system of practices, processes, and rules that control and direct a firm. It focuses on the relationship between the internal corporation and mechanism of governance and the conception of the society on corporate accountability. (Ndege, 2015). Corporate governance in Kenyan private corporations like KTDA factories is measured using the board of director's integrity, transparency, and disclosure, KRA clearance, ethics anti-corruption commission clearance, credit bureau clearance and independence of internal auditors. Other measures of corporate governance include balances and checks of the CEO and chairperson, board of directors resolutions and accountability, monitoring and evaluation and minutes adoption (Ndege, 2015). Corporate governance that is accountable influences financial performance through these elements of measurements. Audit committee will adhere to these aspects of accountability and most importantly will give the internal good corporate governance

its independence. This enhances transparency, accountability, and disclosure which influence the performance of the firm (Jackson, 2010).

There have been several studies attempting to determine the effect of corporate governance and financial performance. One such study is a research by Hewa (2012), which analyzed the impact of corporate governance on financial performance in companies within Sri Lanka between. According to the study's findings, there exist a positive relationship between corporate governance and a firm's cost. Another study that supports this findings is a study carried out by Tricke (2012) who observed that the differences corporate governance among organizational institutional influence the financial performance and the cost of firm. OECD publishes some Principals of Corporate Governance in 1999. The principles were meant to provide guides in helping government in enhancing legal, regulatory and institutional framework that underpins the functions of corporate governance (OECD, 1999). This indicates that the functions of corporate governance are very crucial and even supported by government policies.

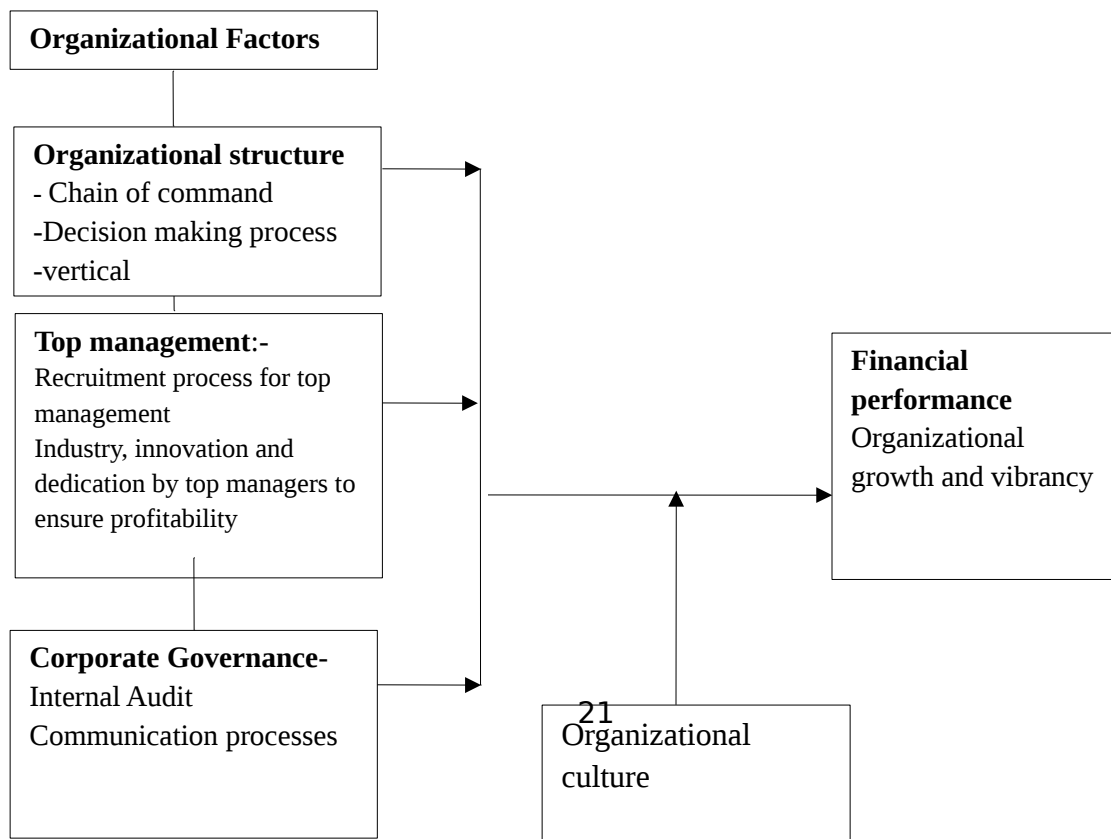
According to a study done by Amba (2012), corporate governance is very important in influencing financial performance and the responsibility should be left to thinkers, policy makers and regulators in determining how the elements of corporate governance are supposed to be managed to ensure that the organizations are productive for all stakeholders' interest. In a study done Qaemi and Shahyari (2009), that studied 77 companies on the corporate governance and financial performance found that there is a significant relationship between corporate governance and financial performance. From these studies, it is evident that there is a significant relationship between corporate governance and financial performance since they create the guidance on which procedures, rules and practices are controlled and directed (Awino, 2015).

2.4 Conceptual Framework

The conceptual framework for this research incorporates the dependent and independent variables of the study. The independent determinants of the study are the organizational factors of the study which include organizational structure, organization audit, and corporate governance. The dependent variable is the financial performance, and the moderating factors include the size of the firm and the organizational culture. The following illustration indicates the study's variables.

FIGURE 1 :Conceptual Framework: Organizational factors on financial performance

Independent variables Dependent variables



Intervening variable

Source: Researcher, 2016

Organizational culture is a system of shared assumptions, values, and beliefs, (Needle (2004) which oversees how people behave in organizations. These shared values have a strong influence on the people in the organization and order how they act and perform their jobs. Organizational culture may influence the organizational financial performance positively or negatively depending on how management manipulates the culture.

2.5 Gap in the Literature Review

This study attempts to bridge the gap by providing a basis for a thorough and insightful discernment of the influence of organizational factors on the performance of organizations. Although the causal relationships among the constructs, as shown in Figure 1, seem to be straightforward, in order to make practical statements about organizational factors and its relation with financial performance, the conceptual framework requires further analysis.

2.6 Summary

The reviews of theoretical frameworks and the empirical studies that have been done by other researchers give a clear indication that the organizational factors are the ones that drive financial performance of a corporate organization. Though much research has been done on the corporate

governance and the financial status of an organization, not much research has been done focusing on the direct influence of the organizational factors on the performance of private corporations. The purpose of this paper is to close this gap of research by studying the organizational factors in Private Corporations in Kenya and identify how the performance of these private corporations are influenced by the organizational actors.

2.7 Operationalization of Variables

Table 2.1 presents the research variables, their measures, scale and sections that they are placed in the questionnaires. The study has two sets of variables which are the dependent and independent variables

TABLE 2.1: Research Variables

Variable	Indicator	Measure	Scale	Questions in questionnaire
Independent variables				
Organizational structure	- Defined system of governance and administration in the tea factories	Clear systems and structures of reporting within the organizations	Nominal Ordinal Interval	Section D
Top management support	- Alignment of the top management to shareholder interests with a view of ensuring profitability	Top management that is innovative, industrious and performs to the shareholders expectations	Nominal Ordinal Interval	Section E

Corporate governance	- System of rules and regulations governing the internal operations of the tea factories to ensure probity	-Internal control measures to minimize the risks of losses to farmers and ensure profitability	Nominal Ordinal Interval	Section E
Dependent variable				
Financial performance	- Profitability of the tea factories	Organizational growth, vibrancy and optimal returns to shareholders	Nominal	Section F

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter presents the research methodology that was used to examine the influence of organizational factors on the financial performance of KTDA factories in Aberdare Ranges Regions. The chapter was presented in the following subsections; research design, target population, sampling procedure and sample size, data collection and analysis and analytical model.

3.1 Research Design

This study used a descriptive research design. The design was considered worthwhile owing to having the ability to collect data without manipulating the environment from which the data is collected. The study employed quantitative research to identify the association between organizational factors and the financial performance of KTDA factories in Aberdare Ranges region. A quantitative descriptive research design is used to define answers about certain situations with an objective of understanding the situation (Anastas, 2012). It is for this reason that the quantitative descriptive research design was considered the most suitable research approach to assess the relationship between organizational factors and the financial performance of KTDA factories in Aberdareranges region two.

3.2 Target Population

The target population for this study included all factories within the region two Covering Nyeri, and Murang'a Counties namely Githambo, Kanyenyaini, Kiru, Gatunguru, Chinga, Iriaini, Gitugi, Gathuthi and Ragati (KTDA, 2016). The population consisted of the 18 factory managers and their assistants, 9 finance officers and 9 human resources managers all totaling 36 target respondents.

3.3 Sampling Procedure and Sample Size

The census sampling method was adopted since the population of interest was small. A census sampling method is used if the entire population is small or it is reasonable to include the entire population. In the case of the study, the target population was 36 persons thus fairly small to be adequately covered.

3.4 Data Collection

Data was collected using primary and secondary data collection methods. Primary data was collected using questionnaires which the management team were filled for the provision of data. Secondary data was collected from the organizational records reflecting financial performance in a progressive manner over a period of time.

3.4.1 Instrumentation

Primary data was collected using structured questionnaires. The questionnaires and research instruments were developed from literature review and organized on the basis of background information of the respondents and the research questions to ensure relevance to the research problem. The questions were tailored to establish the influence of organizational factors on KTDA factories. According to Curmin and Slater (1996), the structure of the questionnaire

should ensure that there is a flow from question to question and topic to topic, as would usually occur in a conversation. Closed ended items were used to provide exact information needed by the researcher while open-ended questions provided detailed information in the respondents own words. The use of structured questionnaires also required minimal staff and enabled the researcher to collect large amounts of data within the shortest time possible. It was economical and easy to administer, had the benefit of anonymity which gave respondents courage to answer questions without fear of victimization (Cooper and Schindler, 2003).

3.5 Piloting of Tools

A pilot test was carried out on two factories in Aberdares region one which is a different area from the study region. This entailed questionnaire filling by some select management team members to ascertain the validity of the instruments. The pilot test entailed a test and retest method to confirm the validity of the instruments. Changes were made on the instruments after the conduct of the pilot test.

3.5.1 Validity

Validity is the degree to which a test measures what it purports to be measuring. Validity can also be said to be the degree to which results obtained from analysis of data actually represent the phenomenon under investigation, (Khan and Best, 1998). The researcher tested the face and content validity of the questionnaire.

Face validity is in relation to the misunderstanding or misinterpretation of the question. This was checked by way of employing the pre-testing method. Content validity on the other hand refers to the capacity of the instrument to provide adequate coverage of a topic.

Adequate preparation of the instruments under the guidance of the supervisors, expert opinion and pre-testing of the open-ended questions helped establish the content validity.

3.5.2 Reliability

Reliability is a measure of the extent to which an instrument will consistently yield the same result after being administered several times to the same respondents (Khan and Best, 1998). To establish the reliability of the research instruments, the test retest method whereby the pilot study respondents were issued with questionnaires for them to fill and the same questionnaires were subjected to a retest to see how the response was. The reliability coefficient was computed using Pearson's Product Co-relation Co-efficient. The pilot study findings reflected the ability of the tools to generate the requisite responses in terms of consistency from the subsequent administration.

3.6 Data Analysis and Presentation

After data collection, data cleaning followed to identify any incomplete, inaccurate or unreasonable data. Coding of the data thereafter followed for analysis purposes. Data analysis entailed quantitative procedures. Quantitative data analysis required the use of computer spreadsheets and the Statistical Package for Social Sciences (SPSS) was deemed adequate. Martin and Acuna (2002) attested that the SPSS package is versatile given its big spectrum and wide array of statistical procedures purposefully designed for social sciences.

The study used descriptive and inferential statistics. The background information was analyzed by use of descriptive statistical analysis using means, mode and measures of standard deviation. The inferential statistics used included regression One Way Analysis of Variance

(ANOVA) to determine the existence of a significant difference between the factors influencing financial performance.

To address the specific research objectives of organizational factors influencing financial performance of the tea factories, the study adopted regression analysis. The organizational factors were the independent variables and financial performance was the dependent variable.

The hypothesized model took the form of equation one below.

$$Y = \alpha_0 + \beta_i X_1 + \beta_{ii} X_2 + \beta_{ii} X_3 + \varepsilon_0 \quad \text{equation (1)}$$

From the equation (1),

Y = Financial performance,

α_0 = constant showing financial performance devoid of the influencing factors,

β_i = Coefficient of the independent variables

X_1 = Organizational structure,

X_2 = Top management,

X_3 = Corporate governance,

ε_0 = error term associated with the regression model.

3.7 Ethical Considerations

The researcher sought the consent of the respondents before research tools administration. She also sought to assure the respondents of confidentiality of their identities. An assurance that the information provided would be used for research purposes only was also given to the respondents.

CHAPTER FOUR

DATA ANALYSIS, INTERPRETATION AND DISCUSSION OF FINDINGS

4.1 Introduction

The study was carried out in tea factories in the Aberdares region two. The study sought to find out the organizational factors influencing financial performance of the tea factories. All analysis used descriptive statistics and inferential statistics. Frequencies were obtained and expressed in percentage form and varying statistical tests employed. The opinions were interpreted and their content analyzed and described. The same was used to answer the research questions put forth when the researcher sought to the organizational factors influencing financial performance of the tea factories. The objectives that guided the study were organizational structures, top management support and corporate governance on the financial performance of the tea factories.

4.2 Demographic findings

The study sought to find out the socio-demographic data as regards the managers working in the tea factories as pertains to their genders, academic qualifications and length of service with a view of relating the information to their understanding to organizational factors influencing the financial performance of the tea factories.

The response which entailed the participation by management staff sampled in the study was as indicated in the table 4.1.

TABLE 4.1: Response rate

Response	Frequency	Percent
Number of questionnaires returned by respondents	32	89
Number of questionnaires not returned	4	11
Total	36	100

The response can be interpreted to show a willing participation from the sampled respondents owing to the fact that 89% of them filled and returned the questionnaires. It also reflected good understanding of the study.

The respondents' genders were as indicated in the table 4.2.

TABLE 4.2: Respondents' gender

Response	Frequency	Percent
Male	22	68.8
Female	10	31.3
Total	32	100

Table 4.2 shows that most of the respondents were of the male gender thus denoting a higher male population from members of the management teams in the tea factories sampled. This was reflective of a situation whereby most of the tea factories had a higher disposition in engaging male managers. It can be interpreted to mean that members of the male gender had a bigger inclination in seeking management positions in the tea factories.

The respondents' academic qualifications were as indicated in the table 4.3.

TABLE 4.3: Highest academic qualification

Response	Frequency	Percent
Tertiary	3	9.4
Graduate	21	65.6
Post Graduate Diploma	2	6.3
MA/MSC/MBA	6	18.8
Total	32	100.0

Table 4.3 shows that the study had the benefit of accessing varied academic qualifications from the respondents who participated in the study. The bulk of the respondents had graduate qualifications. This was an indication that the factories had strived to ensure that academic certification was a key requisite in the engagement of personnel to work with them. It also gave the study the benefit of having individuals from different academic backgrounds thus enriching it with regard to exposure.

The respondents' lengths of service were as indicated in the table 4.4

TABLE 4.4: Years worked in tea factory

Response	Frequency	Percent
Less than 1 year	2	6.3
1-5 years	23	71.9
6 - 10 years	3	9.4
11 - 15 years	4	12.5
Total	32	100.0

Table 4.4 shows that most of the respondents had served in the tea factories for periods of 1 – 5 years. This would have been alluded to the practices of transfers to deter instances of getting employees overly too familiar to the specific work environment. Fresh postings and employment would also be another contributing factor. It can thus be interpreted to mean that the tea factories had a good policy of transfers deterring familiarity to work environment as a measure of assuring good performance.

Positions held in the tea factories

The respondents held different positions in the tea factories. Presence of factory managers, their assistants, human resource managers and finance managers was confirmed. The responses confirmed the ability of the study to reach different managerial cadres.

The respondents' rating of the financial performance was as indicated in the table 4.5.

TABLE 4.5: Rating of financial performance

Response	Frequency	Percent
Very good	4	12.5
Fair	28	87.5
Total	32	100.0

Table 4.5 shows that most of the respondents rated the tea factories financial performance as fair. The responses denoted an element of failure to wholly approve the tea factories financial performance standards. This was an indication that they were not entirely satisfied with the financial performance of the tea factories. It can be interpreted to mean that despite the relatively good financial performance and the ability to meet obligations to stakeholders, the respondents were not entirely satisfied with the financial performance in place. The respondents had varied reasons as pertains to their financial performance rating. They alluded to the inability to stem the spiraling operational costs and external factors pertaining to inflation, foreign currency devaluation and international market forces as factors affecting the financial positions of the tea factory.

TABLE 4.6 :Cross tabulation on the academic qualifications and ability to rate tea factory financial performance

Chi-Square Tests			
	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	23.293 ^a	3	.000
Likelihood Ratio	16.073	3	.001
N of Valid Cases	32		

a. 6 cells (75.0%) have expected count less than 5. The minimum expected count is .25.

Table 4.6 shows χ^2 (23.293^a, N=32) = 16.073, $p < 0.000$. The calculated statistic $\chi^2 = 23.293^a$ was found to be more than the tabled critical value of $\chi^2 = 16.073$. It can be interpreted that, statistically, there was a very significant statistical relationship between the managers academic qualifications and ability to rate tea factory financial performance at $\alpha = 0.25$. The responses by the tea factory managers reflected a situation whereby their academic qualifications influenced the levels of knowledge and understanding as pertains to rating the financial performance of the tea factories.

TABLE 4.7 :Cross tabulation on the length of service and known efforts to improve financial performance in tea factory

Chi-Square Tests			
	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	31.940 ^a	6	.000
Likelihood Ratio	26.374	6	.000
N of Valid Cases	32		

a. 10 cells (83.3%) have expected count less than 5. The minimum expected count is .19.

Table 4.7 shows χ^2 (31.940^a , N=32) =26.374, $p < 0.000$. The calculated statistic $\chi^2 = 31.940$ was found to be more than the tabled critical value of $\chi^2 = 26.374$. It can be interpreted that, statistically, there was a very significant statistical relationship between length of service and known efforts to improve financial performance in tea factory at $\alpha = 0.19$. The responses by the tea factory managers reflected a situation whereby the length of service played an integral role in aiding the employees understand and appreciate the efforts made in improving the financial performance of the tea factories.

The respondents' rating of the efforts to improve tea factories financial performance was as indicated in the table 4.8.

TABLE 4.8: Efforts improve financial performance

Response	Frequency	Percent
To a high degree	19	59.4
To a fair degree	10	31.3
To a low degree	3	9.4
Total	32	100.0

Table 4.8 shows that the respondents confirmed to have been aware of efforts put in place to improve the financial performance of the tea factories with most of them being highly aware. The responses were reflective of a situation whereby all the respondents confirmed presence of efforts to improve financial performance of the tea factories though to varied degrees. It can be interpreted to mean that the tea factories were conscious of the essence of improving their financial performance and had put in place efforts to improve on it. Responses on the particular efforts put in place reflected activities geared towards staff rationalization, operational cost reduction and adoption of technology in the management fulcrum.

The respondents' rating of the efforts to improve tea factories financial performance realizing positive results was as indicated in the table 4.9.

TABLE 4.9: Financial improvement efforts ability to realize positive results

Response	Frequency	Percent
Highly	5	15.6
Fairly	27	84.4
Total	32	100.0

Table 4.9 shows that most of the respondents deemed the efforts put in place to improve on the financial performance to have realized fairly positive results. The responses were an indication that despite the efforts in place there was need to scale up the activities geared towards operational efficiency with a view of improving on the financial performance of the tea factories.

4.3 Organizational structure

An organization structure defines how operations are carried out in a firm. It involves activities such as supervision, coordination, and allocation of tasks. The effectiveness of an organization's financial success is greatly influenced by the organizational structure since it determines the best strategies to use to maximize on wealth creation within the company. The structure of a firm also defines productivity by ensuring that the right tasks are carried out by the right individuals. An organizational structure is also the foundation on which control over procedures, decision making processes, authority, and governance is based to ensure that maximum productivity is achieved (Njiru, 2014). In private corporations, productivity is measured by elements such as customer satisfaction and profitability which is portrayed through financial performance. KTDA organizational structure is made up of small-scale farmers, factories companies, and KTDA subsidiaries representatives (KTDA, 2015). The control and decisions made by this representative in relation to wealth creation, pricing and assets utilization are crucial in affecting financial performance. The study sought to find out how the prevailing organizational structures in the tea factories were with a view of confirming the extent to which they affected the financial performance of the tea factories.

The respondents' rating of the organizational was as indicated in the table 4.10.

TABLE 4.10: Rating organizational structure

Response	Frequency	Percent
Lean	13	40.6
Highly layered	19	59.4
Total	32	100.0

Most of the respondents rated the organizational structures of the tea factories as highly layered. The responses were an indication that they had noticed a long chain of command within the organizational spectrums. The responses mirrored a situation whereby the respondents had taken time to evaluate and understand the systems in place with regard to management and decision making especially so taking into account that they held management positions. It can be interpreted to mean that most of the tea factories had highly layered organizational structures. The respondents had reasons for their positions and the chief one was presence of many committees involved in the decision making processes and administrative structures of the factories and equally many cadres of middle level management positions.

The study findings were in consonance with the position of Robbin and DeCerzo (2005), who indicated that organization structure performs an important role in achieving the objectives and strategic direction and goals of every aspect of a firm. In most instances, organizational structures are more relevant to a firm if they are in harmony with the resources, objectives, competitive environment and mission of the company. Levie (2006) provides evidence that there is a positive relationship between organization structure level and the strategies and a company's effectiveness and performance. This means that if an organizational structure is well aligned with

the firm's mission and goals, it positively affects its operational and financial performance positively.

TABLE 4.11: Cross tabulation on the academic qualifications and rating of the organizational structure

Chi-Square Tests			
	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	10.284 ^a	3	.016
Likelihood Ratio	14.165	3	.003
N of Valid Cases	32		

a. 6 cells (75.0%) have expected count less than 5. The minimum expected count is .81.

Table 4.11 shows $\chi^2 (10.284, N=32) = 14.165, p < 0.000$. The calculated statistic $\chi^2 = 10.284$ was found to be less than the tabled critical value of $\chi^2 = 14.165$. It can be interpreted that, statistically, there was no significant statistical relationship between the academic qualifications and rating of the organizational structure at $\alpha = 0.19$. The responses by the tea factory managers showed that regardless of the respondent's academic qualifications, the organizational structures still retained their usual statures and positions

The respondents' rating of the organizational was as indicated in the table 4.12

TABLE 4.12: Instances of organizational structure effecting decision making

Response	Frequency	Percent
Always	3	9.4
Occasionally	29	90.6
Total	32	100.0

Table 4.12 shows that most of the respondents considered the organizational structures within the tea factories as having occasional opportunities of impairing and negatively affecting the decision making processes. The responses were a confirmation that the decision making processes were negatively affected by the highly layered organizational structures in place. This was evidence of the fact that there were negative implications accruing from the many levels of decision making within the tea factories. It can be interpreted to mean that the highly layered organizational structures had negative implications on the day to day work activities of the tea factories. The respondents attributed the impairment of the decision making processes to the disconnect between the members of management involved in the day to day operations of the tea factories and the boards of directors who exercised executive authority. This was an indication that there was need to align both cadres of management to the ideals of the organizations as a measure of reducing incidences of strife accrued from the different lines of thought.

The findings confirmed the position taken by Mansoor, (2012) who opined that organizational structures influence on performance is usually controlled by the dynamics of the environment. This means that in order for an organization to achieve high financial and non-financial performance, it requires to pay close attention to ensure that the organizational structure

matches the environment dynamics existing in a place The control function involves ensuring that makers of decisions at all levels follow the hierarchical constrains as a criteria under which they make decisions.

The respondents' rating of the impaired decision making on organizational performance was as indicated in the table 4.13

TABLE 4.13 : Impaired decisions making on organizational performance

Response	Frequency	Percent
To a great extent	4	12.5
To a fair extent	19	59.4
Not at all	9	28.1
Total	32	100.0

Most of the respondents confirmed that the impaired decision making processes attributed to the multilayered organizational structure had fairly affected the financial performance on the tea factories. The responses were an indication that the impaired decision making processes had a great effect on the overall performance of the tea factories to the extent of negatively impacting on their financial performance occasioning the risks of making losses. Some of the factories however had the benefit of minimal risks to the extent of the decision making processes not negatively impacting on the financial performance at all. It can thus be

interpreted to mean that there was need to take charge of the decision making processes as a measure of reducing the risk of losses occasioned by the impairment of the activity.

TABLE 4.14: Correlations on respondents rating of the organizational structure and their perceptions on the influence of the organizational structures on the financial performance of the tea factories

Correlations

		organizational structure rating	influence by organizational structure to financial performance
	Pearson Correlation	1	.266
organizational structure rating	Sig. (2-tailed)		.141
	N	32	32
	Pearson Correlation	.266	1
influence by organizational structure to financial performance	Sig. (2-tailed)	.141	
	N	32	32

A Spearman's Rank Order correlation was run to determine the relationship between the respondents rating of the organizational structure and their perceptions on the influence of the organizational structures on the financial performance of the tea factories. There was a

correlation between rating of the organizational structure and their perceptions on the influence of the organizational structures on the financial performance of the tea factories which was statistically significant ($r_s = .266, p = .01$). It could thus be interpreted to mean that the respondents understood the essence of the organizational structures as a medium of positively affecting the financial performance of the tea factories.

TABLE 4.15 :Influence by organizational structure to financial performance

				influence by organizational structure to financial performance		Total
				Yes	No	
cost of running the multilayered organizational structure	strongly agree			17	0	17
	agree			12	3	15
Total				29	3	32
allowances and emoluments due to directors are a heavy drain	strongly agree			13	0	13
	agree			12	0	12
	undecided			2	0	2
	Disagree			2	3	5
Total				29	3	32
The democratic process of putting new directors into office	strongly agree			14	0	14
	agree			13	0	13
	undecided			1	0	1
	disagree			1	3	4

				29	3	32
<hr/>						
Total						
recurrent expenditure toward obligations	geared meeting factory	strongly agree		18	0	18
		agree		11	2	13
		undecided		0	1	1
<hr/>						
Total						
management employees financial burden	team cost a huge	strongly agree		16	0	16
		agree		12	0	12
		undecided		1	0	1
		Disagree		0	3	3
<hr/>						
Total						

Table 4.11 shows that all of the respondents confirmed that the cost of running the multilayered organizational structure of the tea factory occasions heavy operational costs. This was an indication that they appreciated the implications of the highly layered structure in place as regards its effects on the overall cost of the factory. It was an attestation that the management structure and systems in place had negative ramifications on the operational performance of the tea factories occasioned by the financial demands placed on it by the bloated membership. It can thus be interpreted to mean that the highly layered organizational structure come along with the embodiment of financial demands which were pegged on the organization leading to heavy overall costs as pertains to the operational expenditures.

Allowances and emoluments due to directors were confirmed by most of the respondents to have been a heavy drain on the tea factories coffers. The responses were in tandem with the

position of the operational costs being a heavy drain to the tea factories owing to the expenditure incurred directly in the quest of rewarding the board of directors. This was an indication that the tea factories attracted heavy capital expenditure owing to having huge numbers of the membership of the boards of directors who the tea factories were obligated to reward with allowances. This was an indication of the extent to which the presence of the boards and the expectations from the members of the boards drained the finances of the organizations. It can thus be interpreted to mean that the tea factories had the emoluments and allowances due to the boards of directors draining the organizational coffers and negatively impacting on the bottom line.

The democratic process of putting new directors into office in every election cycle was equally confirmed to be a factor which had great implications on the financial performance of the tea factories. Holding elections after every three years as a basis of satisfying the requirements for the democratic processes was a factor entrenched in the organizational constitution guiding and governing its operations thus had to be adhered to. On the other hand it came along with financial implications which had to be met as a measure of satisfying the requisite obligation. It can thus be interpreted to mean that the measures put in place to satisfy the organizational constitutional requirements of installing new directors had negative implications on the financial performance of the tea factories. Some of the respondents however felt that the financial implications associated with directors emoluments and allowances were negligible to warrant negative overall implications on the tea factories.

The recurrent expenditure geared towards meeting the factories obligations to the parent KTDA company were confirmed to have the potential of eroding the profitability of the tea factories. The responses reflected a situation whereby obligations to meet the operational

expenditures of the mother company negatively impacted on the organizations bottom line. This was with regard to having the contributions made being a heavy drain on the organizations budget but not drawing any immediate returns in terms of benefits accruing to the organization as pertains to the ability to confer financial rewards to the organization. It can thus be interpreted to mean that the direct costs accruing to the tea factories in terms of their obligations to the head office had negative implications on the overall running costs of the individual tea factories thus negatively impacting on their ability to make profits.

Most of the respondents confirmed that the costs due to members of the management team and the employees were a huge a financial burden to the organizations negatively affecting their ability to make profits. The responses denoted the capacity of the costs expended in terms of remunerating the management teams and employees digging into the coffers of the organization to the extent of eroding the returns accrued to farmers. This negated the import of the tea factories in terms of meeting stakeholder expectations especially so as pertains to the ability to guarantee them maximum returns from their production. It can thus be interpreted to mean that the organizations ran the risk of losing out on their core mandate which is guaranteeing the shareholders maximum value for their tea production owing to the financial demands of the human resource component.

4.4 Top management support

In an organization, top management Support team represents the highest ranked executives that are given the responsibility to overlook the company. The executives are some of the most influential individuals in an organization since they are mostly the ultimate decision makers. This means that they can influence any aspect of an organization including the financial aspect. The support team and top management has the authority to make decision, manipulate and influence

the rest of the body depending on whether their interests are aligned to that of the organization or their interest (Dhaouadi, 2014). In situations where the top management focuses on its interest, there is always a possibility of financial mismanagement or frauds that affect the financial performance negatively. On the other hand, if the top management is keen on satisfying the company's interest before theirs, it influences financial performance positively. The study sought to find out the extent to which the top management support influenced the tea factories financial performance.

The respondents' rating of the ability of the top managers to merit their positions was as indicated in the table 4.16

TABLE 4.16: Top managers meriting their positions

Response	Frequency	Percent
Very much	14	43.8
Fairly	12	37.5
Not at all	6	18.8
Total	32	100.0

Most of the respondents had the feeling that the members of the top management cadres merited their positions. The responses reflected a situation whereby the feeling by majority of the respondents was that merit was a key imperative in the recruitment and retention of the human resource within the organizations. It can thus be interpreted to mean that most of the top

management members enjoyed the good will of the other membership within the organization stemming from the consideration that they held their positions based on merit.

The study findings were a contrast to the situation in Asia where according to Daily and Ellstrand (1996), most banks are family based, the executives and board is usually dominated by insiders who do not have any obligations to play roles of supervising and monitoring in the bank’s management. The outsider directors and executives usually give the companies a link to the external environment of the firm, assisting it to expand their network and secure important resources.

The respondents’ consideration of the recruitment process as meritorious was as indicated in the table 4.17

TABLE 4.17: Consideration of the recruitment process as meritorious

Response	Frequency	Percent
Yes	23	71.9
No	9	28.1
Total	32	100.0

Most of the respondents deemed the employee recruitment processes employed by the tea factories as meritorious. The responses vindicated the tea factories with regard to the ability to ensure individual proficiency with regard to skill levels and certification were the key driving factors in employee recruitment. This was an indication that they approved the systems and structures put in place with regard to employee recruitment within the organizations. It can be

interpreted to mean that the tea factories had strived to put in place mechanisms which ensured merit in the employee recruitment processes to the levels of gaining approval by the membership. A significant percentage of the respondents however did not approve the recruitment processes in place. This was an indication that instances whereby the roles had been flouted in the recruitment processes were evident within some of the tea factories.

The study findings reflected a situation whereby the essence of the top management in making strategic decisions comes out strongly just as Eisenhardt (2013), states that a top management team that uses strategic process of making decision often influence a company financial and non-financial performance. This means that, top management are crucial in making decisions that are important in influencing the performance of a firm

The responses on challenges due to poor performance by top management was as indicated in the table 4.18

TABLE 4.18 :Challenges due to poor performance by top management

Response	Frequency	Percent
Often	8	25.0
Rarely	19	59.4
Not at all	5	15.6
Total	32	100.0

Situations of challenges occasioned by poor employee performance attributed to unqualified personnel in top management positions were confirmed in many tea factories. The responses reflected vivid instances whereby individual competency was a factor negatively impacting on the ability of the tea factories to realize their mandates in terms of meeting obligations to shareholders. It can thus be interpreted to mean that despite the measures put in place to ensure merit in the employee recruitment processes and with a bias for the top management cases of unqualified personnel still sufficed. These were a drawback to the overall prospects of the affected tea factories.

The study findings were in tandem with the position taken by Maschke and Knyphausen (2012), who argued that the size of the team management is one of the impacting elements that determines the impact that a team of top management will have on the performance and productivity of a firm. In addition, the level of education and type of professional that each of the members has also influences the capability of the firm in relation to growth, non-financial and financial performance.

TABLE 4.19 :Relationship between consideration of top management cadres meriting their positions and challenges occasioned by unqualified personnel in top management positions

Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	37.774 ^a	4	.000
Likelihood Ratio	36.025	4	.000
N of Valid Cases	32		

a. 7 cells (77.8%) have expected count less than 5. The minimum expected count is .94.

Table 4.19 shows $\chi^2(37.774, N=32) = 36.025, p < 0.000$. The calculated statistic $\chi^2 = 37.774$ was found to be more than the tabled critical value of $\chi^2 = 36.025$. It can be interpreted that, statistically, there was a significant statistical relationship between the consideration of top management cadres meriting their positions and challenges occasioned by unqualified personnel in top management positions at $\alpha = 0.94$. The responses showed that the perception of the top manager's ability to merit their positions was deeply ingrained and it was an aspect that affected the internal interactions more so as pertains to the ability to have the top managers appreciated by the others by virtue of attaining positions in a befitting manner.

TABLE 4.20: Top management influence on financial performance

		Does the top management influence the financial performance of tea factories		
		Yes	No	Total
top management in the tea factory is highly accountable	strongly agree	9	0	9
	agree	14	0	14
	undecided	2	0	2
	Disagree	3	4	7
Total		28	4	32
highly aligned to the vision and mission	strongly agree	13	0	13
	agree	12	0	12

	undecided	3	1	4
	Disagree	0	3	3
Total		28	4	32
personal competence of the top management	strongly agree	6	0	6
	agree	9	0	9
	undecided	7	0	7
	disagree	6	4	10
Total		28	4	32
no cases of conflict of interest in the top management recruitment process	strongly agree	4	0	4
	agree	7	0	7
	undecided	3	0	3
	disagree	14	4	18
Total		28	4	32
freedom to carry out its tasks without fear of reprisals	strongly agree	9	0	9
	agree	10	0	10
	undecided	2	0	2
	Disagree	7	4	11
Total		28	4	32

Most of the respondents were of the view that the top management in the tea factories was highly accountable to the shareholders and sought to ensure protection of their interests in decision making. The responses were an indication that the top management was considered diligent in its day to day activities geared towards actualizing its obligations to the shareholders. The ability to ensure protection of the shareholders' interests in the decision making processes

was equally an attribute that confirmed the capacity of the top management to discharge its obligations with the greater good of the organizations being the key driving factor. It can thus be interpreted to mean that the top management was keen to discharge its mandate in the best possible manner while at the same time taking care not to compromise the interests of the shareholders in the decision making processes. Instances whereby the top management was deemed to have risked the position of the shareholders while making decisions were confirmed by some of the respondents. This was an indication that some top managers were not very keen to take care of the positions of the shareholders in the wake of the decision making processes.

The ability of the top management to be highly aligned to the vision and mission of the tea factories and have profitability as the core motivation of their service to the tea factories was confirmed by most of the respondents. The responses reflected a situation whereby the need to have selfless service to the tea factories was a key driving parameter of the top managers and it was their motivation at work in the quest of giving service to the shareholders. It can thus be interpreted to mean that most of the top managers had their driving motivation as the profitability of the tea factories and strived to be aligned to the vision and mission of the tea factories. Instances whereby some respondents felt the top management was not highly aligned to the vision and mission of the tea factories especially so as regards aspects of profitability were also cited. This was an indicator that some of the top managers had complicity with regard to their individual persuasions and this affected their ability to ensure the profitability of the tea factories.

The personal competence of the top management as a factor driving the profitability of the tea factories chiefly attributed to personal industry and innovation at work was confirmed by a significant percentage of the respondents. This was an indication that in some factories

individual competence spurring innovation and industry drove up the performance of some of the factories with regard to the ability to generate profits. It can be interpreted to mean that some factories had the benefit of having highly skilled managers who were industrious and innovative at work growing their profitability levels. The bulk of the respondents however had a negative feeling as regards the ability of the individual managers more so as pertains to their industry and innovation at work. This was an indication that the respondents appreciated the nature of the tea factory settings which limited individual prowess as a factor contributing to the profitability of the tea factories. This was attributed to the collegial within which the tea factories operated guaranteeing them the capacity to have the total membership contributing to the overall performance. It may also be occasioned by the ineptitude of the individual managers linking it to the poor perception about individual top manager performance.

Presence of conflict of interest in the top management recruitment process was confirmed by most of the respondents. This was an issue which predisposed the organization to the risk of insubordination and related malpractices leading to the reduced profitability for the tea factories. The responses reflected a situation whereby despite the efforts put in place to assure meritocracy in the recruitment process of the top management there were still situations whereby the membership of the factory felt that the activity was not above board. This was a factor occasioning acrimony within the institutional setting impairing individual employee performance and negating the possibility of the organizations to post good profits. It can thus be interpreted to mean that the top management recruitment process in some cases was infiltrated and compromised to the detriment of the tea factories. Instances whereby the recruitment process was deemed fair and above board to the satisfaction of the membership still were confirmed from the responses though to a negligible percentage. This was an indication that in some cases the tea

factories had strived to ensure that the top management recruitment process met the expectations of the membership leading to reduced strife at the work place and enhanced financial performance.

The ability to have the top management enjoy the freedom of carrying out its responsibilities without fears of reprisals was confirmed by majority of the respondents. This was an indication that in some factories the top management was given room and unfettered access to instruments of power with regard to exercise of authority. This was confirmation of the ability of the tea factories to confer responsibility to the top management and allow it room to exercise it without fear. It can be interpreted to mean that the top managers had been given the requisite latitude enhancing their ability to perform and realize their expectations with regard to organizational management and governance. This enhanced shareholders positions as pertains to assurance of the profitability levels. Cases whereby the top management suffered from the risk of running the fear of reprisals from the decisions taken were confirmed by a very significant percentage of the respondents. This was a clear manifestation of the situations whereby managers did not have the total freedom to carry out their duties and responsibilities without fear from other forces. This was an indication that in some factories the managers suffered from situations of always seeking clarification from the board of management before making decision. It can thus be interpreted to mean that in some factories incidences of failure to accord managers freedom in decision making affected the operations of the factories and by extension their financial performance.

4.5 Corporate governance

Corporate governance represents the system of practices, processes, and rules that control and direct a firm. It focuses on the relationship between the internal corporation and mechanism of

governance and the conception of the society on corporate accountability(Ndege, 2015). Corporate governance in Kenyan private corporations like KTDA factories is measured using the board of director’s integrity, transparency, and disclosure, KRA clearance, ethics anti-corruption commission clearance, credit bureau clearance and independence of internal auditors. Other measures of corporate governance include balances and checks of the CEO and chairperson, board of directors resolutions and accountability, monitoring and evaluation and minutes adoption (Ndege, 2015). Corporate governance that is accountable influences financial performance through these elements of measurements. Audit committee will adhere to these aspects of accountability and most importantly will give the internal good corporate governance its independence. This enhances transparency, accountability, and disclosure which influence the performance of the firm (Jackson, 2010). The study sought to find out the extent to which corporate governance affects the financial performance of the tea factories.

The responses on presence of a code of ethics was as indicated in the table 4.21

TABLE 4.21:Code of ethics

Response	Frequency	Percent
Yes	32	100.0
Total	32	100.0

All the respondents confirmed the tea factories had code of ethics that guided the interactions between the shareholders and the institutions. This was an indication that the parent company (KTDA) had strived to ensure uniform standards across board as pertains to the systems of governance prevailing within the institution. It can thus be interpreted to mean that

the factories had strived to work towards sound internal governance mechanisms to the extent of putting down codes of ethics to be adhered to by the membership.

The essence of codes of ethics as a measure of corporate governance identified with previous works by Qaemi and Shahyari (2009), carried out in 77 companies on corporate governance and financial performance. The studies found out that there is a significant relationship between corporate governance and financial performance. From these studies, it is evident that there is a significant relationship between corporate governance and financial performance since they create the guidance on which procedures, rules and practices are controlled and directed (Awino, 2015).

The responses on the ability of the code of ethics to ensure harmonious interaction was as indicated in the table 4.22

TABLE 4.22 :Code of ethics to ensure harmonious interaction

Response	Frequency	Percent
To a high degree	9	28.1
To a fair degree	12	37.5
To a low degree	11	34.4
Total	32	100.0

The ability of the codes of ethics to assure harmonious interactions by the membership was confirmed. This was an attestation of the capacity of the codes of ethics to guide and provide direction as pertains to the institutional interactions. It was also an indication of the ability of the

tea factories to go beyond having policy provisions guiding the conduct of the membership but also put it into practice. It can thus be interpreted to mean that the tea factories went out of their way to ensure that the codes of ethics in place were actualized and implemented for the purpose of ensuring harmonious relations and achievement of their ideals in an institutional setting. Most of the respondents deemed the ability of the codes of ethics in place to influence harmonious relations to have been fair. The responses denoted failure to be totally satisfied by the provisions of the codes of practice in use in terms of total enforcing provisions for harmonious co-existence in the factories.

The responses on instances of strained internal relations was as indicated in the table 4.23

TABLE 4.23:Instances of strained internal relations

Response	Frequency	Percent
Often	13	40.6
Rarely	19	59.4
Total	32	100.0

All the respondents confirmed there had been instances of strained internal relations which they attributed to the inadequacies of the codes of ethics in use. The responses were an indication that the situations of strained internal relations were profound within the institutional setting and this was aptly captured as a factor occasioned by the inadequacies in the code of ethics applied by the tea factories. Most of the respondents were of the view that the strained internal relations were rare though a very significant percentage alluded to often cases of strained internal relations in the human resource component. The responses reflected the situation of

inter-relational dynamics attributed to different character and personality traits in the work force. This had negative implications on how the personnel related and equally affected the ability to have harmonious co-existence in the tea factories. It can thus be interpreted to mean that there is need to enhance the provisions of the code of ethics in use in the tea factories with a view of aligning it to the dynamics of the institutional settings as a measure of reducing internal strife. The need to ensure that the letter and spirit of the code of ethics was enshrined in the mind sets of the membership is also of paramount importance as a means of assuring enhanced internal relations devoid of strife.

According to a study done by Amba (2012), corporate governance is very important in influencing financial performance and the responsibility should be left to thinkers, policy makers and regulators in determining how the elements of corporate governance are supposed to be managed to ensure that the organization are productive for all stakeholders interest.

TABLE 4.24 :Cross tabulation between presence code of ethics and presence of strained internal relations owing to inadequacies of the code of ethics in place

Chi-Square Tests			
	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	20.945 ^a	2	.000
Likelihood Ratio	27.953	2	.000
N of Valid Cases	32		

a. 3 cells (50.0%) have expected count less than 5. The minimum expected count is 3.66.

Table 4.24 shows $\chi^2(20.945, N=32) = 27.953, p < 0.000$. The calculated statistic $\chi^2 = 20.945$ was found to be less than the tabled critical value of $\chi^2 = 27.953$. It can be interpreted that,

statistically, there was no significant statistical relationship between the presence code of ethics and presence of strained internal relations owing to inadequacies of the code of ethics in place at $\alpha = 0.94$. The responses showed that despite the presence of a code of ethics the individual dispositions of the membership of staff affected the way the internal relations of the organizations were modeled. This was an inclination towards the situation of personal character devoid of the rules prescribing how persons should relate being the core integral factor in influencing internal relations.

TABLE 4.25:Corporate governance

				corporate governance influence financial performance		the	Total
				Yes	No		
presence of internal audit system	strongly agree			18	0		18
	agree			12	0		12
	undecided			0	2		2
Total				30	2		32
Committee is independent and its recommendation	strongly agree			11	0		11
	agree			14	0		14
	undecided			2	0		2
	Disagree			3	2		5
Total				30	2		32
all professionals working are	strongly agree			6	0		6

required to get accreditation	agree	9	0	9
	undecided	2	0	2
	disagree	13	2	15
Total		30	2	32
good system of internal governance	strongly agree	7	0	7
	agree	23	0	23
	undecided	0	2	2
Total		30	2	32
good system of internal governance	strongly agree	7	0	7
	agree	23	0	23
	undecided	0	2	2
Total		30	2	32

Presence of an internal audit system ensuring effective controls and minimal risks of loss to the tea factories was affirmed to by most of the respondents. This was confirmation that the tea factories had endeavoured to ensure that the accounting procedures and internal audit processes ensured that the shareholders were insulated from the risk of loss. This was an indication that the tea factories had put in place measures to safeguard themselves by way of always auditing the processes within their operational confines with an aim of deterring and detecting systemic failures before they occurred. The responses can be interpreted to mean that the internal audit systems put in place to infuse checks and balances in the operational confines was robust enough and served the factories well with regard to enhancing the efficiency levels. A negligible percentage of the respondents were of a contrary view. This was an indication that

regardless of the measures put in place to guard against losses to the tea factories, part of the membership was not comfortable with the measures taken. It can thus be interpreted to mean that in some of the factories the measures put in place in the name of internal audit mechanisms were not enough to cushion the shareholders from the risk of loss.

The independence of the internal audit committee and its ability to have its recommendations for action enforced was confirmed by most of the respondents. The responses were reflective of a situation whereby the capacity of the internal audit committee as pertains to having its mandate realized was esteemed by most of the respondents. This was confirmation that the committee had the ability to duly safeguard shareholders' interests owing to the independence that it enjoyed. The responses denoted clarity with regard to separation of mandates and achievement of the ideals of the internal audit committee. It can thus be interpreted to mean that the members of the internal audit committee were knowledgeable and understood their mandates thus effectively discharging the responsibilities in most of the factories. Situations whereby the independence the internal audit committee was questioned equally sufficed. This was an indication that in some of the tea factories the internal audit committees were not empowered enough to carry out their mandates effectively without fear or favour.

The occasion of carrying out background checks for the directors and top managers with an aim of ensuring integrity was confirmed by most of the respondents. The responses vindicated the tea factories with regard to their efforts in ensuring that the integrity of the board members and top managers was beyond reproach with an aim of cushioning the factories from reputational risks. This was a measure which reassured the shareholders with regard to having them place confidence in the competency of the persons put in office. It can be interpreted to mean that the tea factories took time to understand the individual profiles of the persons accorded with the

responsibility of leadership and management in the organizations. This was with an aim of protecting shareholders' interests for posterity.

The ability of enforcing accreditation of professional to the bodies that they are aligned to was confirmed by most of the respondents. This was an indication that other than confirming the certification and proficiency of the members of staff the tea factories went out of the way to seek registration of the professionals with their accreditation bodies. This was a measure which instilled professional discipline owing to the fact that the employees knew that they were responsible for their actions even beyond their attachment to the place of work. It can thus be interpreted to mean that the ability to enforce accreditation of the members of staff to their professional bodies infused responsibility and ability to have them play by the rules prescribed by their regulators. Instances of professionals not being forced to seek accreditation were equally confirmed by a very significant percentage of the respondents. This was an indication that in some factories the modalities of enforcing accreditation were relaxed thus the failure to have employees register with their professional bodies.

The ability to have good systems of internal governance with defined calendars of events as pertains to meetings, adequacy of the notices for meetings and prior communication the meeting's agenda as a measure of ensuring probity was confirmed by most of the respondents. This was an indication that the tea factories had entrenched systems of governance which were borrowed heavily from the parent company especially so as pertains to the operations and transparency to shareholders. The applied programs in line with the dictates of the tea factories instruments of association and responsibility to shareholders were thus confirmed to be a key guiding principal which affirmed the modes of interaction within the legal spectrums guiding their operations. It can thus be interpreted to mean that the tea factories had strived to ensure that

they operated within the confines of the law as clearly stipulated in their memoranda and articles of association as a premise of fulfilling and meeting shareholder expectation.

Model fit for the regression equation

The linear regression model was presented as shown below.

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \dots e$$

From the equation (2),

Y = Financial performance,

α_0 = constant showing financial performance devoid of the influencing factors,

β_i = Coefficient of the independent variables

X_1 = Organizational structure,

X_2 = Top management,

X_3 = Corporate governance,

ϵ_0 = error term associated with the regression model.

TABLE 4.26 :Descriptive statistics for the regression equation

	Mean	Std. Deviation	N
financial performance	1.88	.336	32

organizational structure influence on financial performance	1.09	.296	32
top management support on financial performance	1.13	.336	32
corporate governance on financial performance	1.06	.246	32

The descriptive statistics depicted financial performance to have a mean of 1.88 and a standard deviation of 0.336, the influence of the organizational structure on the tea factories financial performance had a mean of 1.09 and standard deviation of 0.296, top management support had a mean of 1.13 and a standard deviation of 0.336 while corporate governance had a mean of 1.06 and a standard deviation of 0.246. From the descriptive the study deduced corporate governance as the variable with the lowest mean difference thus the greatest influence on the financial performance.

TABLE 4.27 :Correlations for the Regression Equation

		financial performance	organizational structure influence on financial performance	top management support on financial performance	corporate governance on financial performance
Pearson Correlation	financial performance	1.000	.122	.143	.098
	organizational structure influence on financial performance	.122	1.000	.851	.803
	top management support on financial performance	.143	.851	1.000	.683
	corporate governance on financial performance	.098	.803	.683	1.000
	financial performance	.	.254	.218	.298
Sig. (1-tailed)	organizational structure influence on financial performance	.254	.	.000	.000
	top management support on financial performance	.218	.000	.	.000
	corporate governance on financial performance	.298	.000	.000	.
N	financial performance	32	32	32	32
	organizational structure influence on financial performance	32	32	32	32
	top management support on financial performance	32	32	32	32

corporate governance on financial performance	32	32	32	32
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The three variables considered by the study which organizational structures; top management support and corporate governance had Pearson correlation significance levels of less than 0.05 which was an indication that they had significant influence over the dependent variable which was financial performance.

TABLE 4.28 :Variables table

Variables Entered/Removed^a

Model	Variables Entered	Variables Removed	Method
	corporate governance on financial performance , top management support on financial performance , organizational structure influence on financial performance ^b		Enter

a. Dependent Variable: financial performance

b. All requested variables entered.

All the study variables for the regression equation were considered for the regression equation thus they were all model fit.

TABLE 4.29 :Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.143 ^a	.020	-.085	.350

a. Predictors: (Constant), corporate governance on financial performance , top management support on financial performance , organizational structure influence on financial performance

The R squared value was 0.20 which indicated that the model fitted the data well taking into consideration that it should be within the range of 0 to 1.

TABLE 4.30 :ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
	Regression	.071	3	.024	.194	.899 ^b
1	Residual	3.429	28	.122		
	Total	3.500	31			

a. Dependent Variable: financial performance

b. Predictors: (Constant), corporate governance on financial performance , top management support on financial performance , organizational structure influence on financial performance

The independent variables had a good variation from the dependent variable because the significant value F is more than 0.05.

TABLE 4.31 :Regression coefficient

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error			
(Constant)	1.001	.281		6.110	.000
1 organizational structure influence on financial performance	1.001E-013	.495	.000	.000	1.000
1 top management support on financial performance	.143	.356	.143	.401	.691
1 corporate governance on financial performance	-1.000E-013	.429	.000	.000	1.000

a. Dependent Variable: financial performance

The linear regression model was presented as shown below:

$$Y = 1.001 - 0.13x_1 + .0143x_2 - 1.00x_3 + \dots e \quad \text{equation 3}$$

The regression equation was:-

Financial performance = 1.001 - 0.13*organizational structure influence on financial performance + 0.143*top management support on financial performance + -1.000*Corporate governance on financial performance. The constant was financial performance and it was influenced by organizational structures at -0.13, the top management support at 0.143 and corporate governance at -1.000. The equation shows that the variable with the greatest significant

influence over the dependent variable was corporate governance. This denoted the essence of good corporate governance provisions for sound financial performance. It was equally evident of the capacity of the model to fit within the equation taking into account that all the variables had a very slight variation of values between 0 and 1.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter gives a summary of the findings, conclusions and recommendations drawn from the findings in connection with the organizational factors influencing financial performance of the tea factories. The objectives that guided the study were: organizational structures, top management support and corporate governance on the financial performance of the tea factories.

5.2 Summary of findings:

The summary of findings was as guided by the objectives of the study:

5.2.1 Organizational structures

Most of the respondents rated the organizational structures of the tea factories as highly layered. The responses mirrored a situation whereby the respondents had taken time to evaluate and understand the systems in place with regard to management and decision making especially so taking into account that they held management positions. Most of the respondents considered the organizational structures within the tea factories as having occasional opportunities of impairing and negatively affecting the decision making processes. The responses were a confirmation that the decision making processes were negatively affected by the highly layered

organizational structures in place. This was evidence of the fact that there were negative implications accruing from the many levels of decision making within the tea factories.

Most of the respondents confirmed that the impaired decision making processes attributed to the multilayered organizational structure had fairly affected the financial performance on the tea factories. The responses were an indication that the impaired decision making processes had a great effect on the overall performance of the tea factories to the extent of negatively impacting on their financial performance occasioning the risks of making losses.

5.2.2 Top management support

Most of the respondents had the feeling that the members of the top management cadres merited their positions. The responses reflected a situation whereby the feeling by majority of the respondents was that merit was a key imperative in the recruitment and retention of the human resource within the organizations. Most of the respondents deemed the employee recruitment processes employed by the tea factories as meritorious. The responses vindicated the tea factories with regard to the ability to ensure individual proficiency with regard to skill levels and certification were the key driving factors in employee recruitment.

A significant percentage of the respondents however did not approve the recruitment processes in place. This was an indication that instances whereby the roles had been flouted in the recruitment processes were evident within some of the tea factories. Situations of challenges occasioned by poor employee performance attributed to unqualified personnel in top management positions were confirmed in many tea factories. The responses reflected vivid instances whereby individual competency was a factor negatively impacting on the ability of the tea factories to realize their mandates in terms of meeting obligations to shareholders.

5.2.3 Corporate governance

All the respondents confirmed the tea factories had code of ethics that guided the interactions between the shareholders and the institutions. This was an indication that the parent company (KTDA) had strived to ensure uniform standards across board as pertains to the systems of governance prevailing within the institution. The ability of the codes of ethics to assure harmonious interactions by the membership was confirmed. This was an attestation of the capacity of the codes of ethics to guide and provide direction as pertains to the institutional interactions. It was also an indication of the ability of the tea factories to go beyond having policy provisions guiding the conduct of the membership but also put it into practice.

All the respondents confirmed there had been instances of strained internal relations which they attributed to the inadequacies of the codes of ethics in use. The responses were an indication that the situations of strained internal relations were profound within the institutional setting and this was aptly captured as a factor occasioned by the inadequacies in the code of ethics applied by the tea factories. Most of the respondents were of the view that the strained internal relations were rare though a very significant percentage alluded to often cases of strained internal relations in the human resource component.

5.3 Conclusions of the study

The study drew the following conclusions:

5.3. 1 Organizational structures

The cost of running the multilayered organizational structure of the tea factories occasioned them heavy operational costs. The highly layered structures in place affected the overall costs of running the tea factories. Allowances and emoluments due to directors were a factor which were a

heavy drain on the tea factories coffers owing to the operational costs being a heavy drain to the tea factories in the expenditure incurred directly in the quest of rewarding the board of directors. Holding elections after every three years as a basis of satisfying the requirements for the democratic processes was a factor that came along with financial implications which had to be met as a measure of satisfying the requisite obligation.

Obligations to meet the operational expenditures of the mother company negatively impacted on the organizations bottom line. This was with regard to having the contributions made being a heavy drain on the organizations budget but not drawing any immediate returns in terms of benefits accruing to the organization as pertains to the ability to confer financial rewards to the organization. The costs due to members of the management team and the employees were a huge a financial burden to the organizations negatively affecting their ability to make profits. The costs expended in terms of remunerating the management teams and employees digging into the coffers of the organization to the extent of eroding the returns accrued to farmers.

5.3.2 Top management support

The top management in the tea factories was highly accountable to the shareholders and sought to ensure protection of their interests in decision making. The ability to ensure protection of the shareholders' interests in the decision making processes was confirmed. The ability of the top management to be highly aligned to the vision and mission of the tea factories and have profitability as the core motivation of their service to the tea factories was confirmed and the need to have selfless service to the tea factories as a key driving parameter of the top managers was their motivation at work in the quest of giving service to the shareholders.

The personal competence of the top management as a factor driving the profitability of the tea factories chiefly attributed to personal industry and innovation at work. Individual competence spurring innovation and industry drove up the performance of some of the factories with regard to the ability to generate profits. The ability to have the top management enjoy the freedom of carrying out its responsibilities without fears of reprisals was confirmed. The ability of the tea factories to confer responsibility to the top management and allow it room to exercise it without fear or favour was a key attribute.

Presence of conflict of interest in the top management recruitment process was an issue which predisposed the organizations to the risk of insubordination and related malpractices leading to the reduced profitability for the tea factories. Despite the efforts put in place to assure meritocracy in the recruitment process of the top management there were still situations whereby the membership of the factory felt that the activity was not above board.

5. 3. 3 Corporate governance

Presence of an internal audit system ensuring effective controls and minimal risks of loss to the tea factories was confirmed. The tea factories had endeavoured to ensure that the accounting procedures and internal audit processes ensured that the shareholders were insulated from the risk of loss. Tea factories had put in place measures to safeguard themselves by way of always auditing the processes within their operational confines with an aim of deterring and detecting systemic failures before they occurred. The internal audit systems put in place to infuse checks and balances in the operational confines were robust enough and served the factories well with regard to enhancing the efficiency levels.

The independence of the internal audit committee and its ability to have its recommendations for action enforced was confirmed. The committee had the ability to duly safeguard shareholders' interests owing to the independence that it enjoyed. The occasion of carrying out background checks for the directors and top managers with an aim of ensuring integrity was confirmed. This raised the profile of the tea factories with regard to their efforts in ensuring that the integrity of the board members and top managers was beyond reproach with an aim of cushioning the factories from reputational risks.

The ability of enforcing accreditation of professionals to the bodies that they are aligned to was confirmed. The members of staff the tea factories went out of the way to seek registration of the professionals with their accreditation bodies as a measure of ensuring the certification and proficiency. This instilled professional discipline in the members of staff. Good systems of internal governance with defined calendars of events as pertains to meetings, adequacy of the notices for meetings and prior communication the meeting's agenda as a measure of ensuring probity was confirmed.

5.4 Recommendations of the study

The study made the following recommendations:-

5.4.1 Organizational structures

Organizations should strive to ensure that they have lean organizational structures as a measure of reducing operational costs and enhancing efficiency. This will also see to it that instances of duplicity as regards to carrying out of functions are minimized and the organizations have well-structured decision making pathways which do not occasion instances of acrimony and disputes within the membership. This is an attribute which can greatly propel the organizations owing to

the harmony that may arise and the situation of inculcating a culture of resoluteness in the membership attributed to ownership of decisions taken. It may also save the organizations of the high operational cost which go out to meet demands for directors' allowances and emoluments in the multi-layered structures.

In the situation of the tea factories, conferring them with independence from the KTDA parent company may greatly enhance their positions in terms of freeing them from the cost expended towards obligations to the parent company. This may translate to enormous savings transferable to the shareholders 'and increasing the profitability of the tea factories. This may enhance the financial position of the tea farmers who are shareholders of the factories placing them on a better pedestal as regards their returns from the tea growing.

5.4.2 Top management support

The top management in private companies should equally be implored on to carry out its activities diligently as a measure of ensuring that the ideals of the organizations are met. This may play a big role in shoring up the positions of the organizations with regard to meeting stakeholder expectations. This is attributed to the membership seeking to identify with the character and output of the top management owing to the role modeling. It may thus enhance the organizational profiles and outlook to the wider publics. This can only suffice in the event of the organizations ensuring that the recruitment of the top managers is driven by merit and ascension in the organizational hierarchy is equally meritorious. This may inspire industry, innovation and thrift within the organization and have enhanced prospects occasioned by personal initiative owing to the competitive nature of the organizational human resource component. The ultimate

will be improved financial performance and enhanced positions for the shareholders' who are the tea growers.

5.4.3 Corporate governance

Private companies should work towards enhancing their corporate governance thresholds. This is the only way to earn industry respect and elicit attention from other peers. It is also the avenue towards earning international recognition owing to the trends gaining currency in the global business arena. This is a facet which may attract international acclaim to the companies and have their products taken up not only based on their quality but also driven by the reputation of the organizations. The tea factories should thus seek to ensure that the prescribed tenets guiding and governing corporate governance expectations are adhered to as a measure of assuring them confidence from peers and other partners collaborating with them in different lines of business. This may enhance their positions and assure them increased business thus bettering the financial positions and returns accruing to the shareholders.

5.5 Suggestion for further studies

The study suggests that similar research with a bigger scope like currently wide should be done to confirm whether the situation in Aberdares region two identifies with other parts of the country.

The study equally suggests that research on the organizational factors affecting the financial performance of coffee factories should be carried out. This is with a view of confirming whether the dynamics affecting the tea industry are similar to those of the coffee sector.

5.6 Limitations of the study

Tea factories have high confidentiality levels as pertains to their operations. This limited access to research information. The researcher overcame the obstacle by getting an introductory letter to assure confidence to the respondents. This aided proffering of information with ease.

The pertinent circumstances identifiable to Aberdares region two did not apply to other areas. This constrained the ability of the study to make generalizations. The challenge was overcome by way of making comparative assessments with other previous research on the field of organizational factors affecting the financial performance of firms.

The study had difficulties pertaining to respondents' attitudes and individual positions. The study sought to implore on the respondents on the essence of giving honest answers. This enhanced the objectivity and credibility of the research.

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APPENDIX 1: QUESTIONNAIRE FOR KTDA FACTORY MANAGEMENT TEAM MEMBERS

Dear Participant

This study seeks to find out the influence of organizational factors on financial performance of KTDA factories in Kenya. I am kindly requesting you to assist in the provision of the necessary information needed to conduct the research. The information provided will be used for academic purposes.

Section A: Socio-Demographic Information

1. Kindly indicate your gender

Male

Female

2. What are your highest academic qualifications?

Tertiary

Graduate

Post Graduate Diploma

MA/MSC/MBA

Any other _____

3. How long have you worked in the tea factory?

Less than 1 year

1 – 5 years

6 – 10 yrs

11 – 15 yrs

Any other _____

4. Kindly indicate the position that you hold in the tea factory

Section B: Study Questions

6. a) How would you rate the financial performance of your tea factory?

Very good
Fair
Bad

b) What makes you draw the consideration? Kindly explain _____

7. a) Have there been any known efforts to improve on the financial performance of the tea factory?

To a high degree
To a fair degree
To a low degree

b) What particular efforts have been put in place? Kindly explain _____

8. Have the efforts to improve the financial performance realized positive results?

Highly
Fairly
Not at all

Section C: Organizational Structure

13. a) How would you rate the organizational structure of your tea factory?

Lean
Highly layered

b) What are the reasons for your answer? Kindly explain _____

14. a) Have there been instances when the decision making processes have been affected by the prevailing organizational structure?

Always
Occasionally
Not at all

b) What would you attribute to the impairment of the decision making processes? Kindly explain _____

15. Has the impaired decision making processes affected the financial performance of the tea factories?

- To a great extent
- To a fair extent
- Not at all

16. Kindly indicate your level of agreement with the following attributes on the organisational structure and its influence on the financial performance of your tea factory -

SA – Strongly Agree
DA – Disagree

A – Agree
SDA – Strongly Disagree

U – Undecided

	SA	A	U	DA	SDA
The cost of running the multilayered organizational structure of the tea factory occasions heavy operational costs to the tea factory	5	4	3	2	1
Allowances and emoluments due to directors are a heavy drain on the tea factories coffers	5	4	3	2	1
The democratic process of putting new directors into office in every electoral cycle has great financial implications affecting the profitability of the tea factory	5	4	3	2	1
Recurrent expenditure geared towards meeting the factories obligations to the parent KTDA company erodes the profitability of the tea factory	5	4	3	2	1
The costs due to the members of the management team and the employees are a huge financial burden	5	4	3	2	1

affecting the profitability of the tea factory

17. Does the organizational structure influence the financial performance of the tea factories?

Yes

No

Section D: Top Management Support

18.a) Would you consider your all members of the top management cadres as meriting their positions?

Very much

Fairly

Not at all

b) In your opinion, is the employee recruitment process employed by the tea factory

meritorious?

Yes

No

c) What makes you draw the consideration? Kindly explain _____

19. Has the tea factory had situations of having challenges occasioned by poor employee performance attributed to unqualified personnel in top management positions?

Often

Rarely

Not at all

20. Kindly confirm your level of agreement with the following attributes on top management support and its influence on the financial performance of the tea factories-

SA – Strongly Agree

DA – Disagree

A – Agree

SDA – Strongly Disagree

U – Undecided

	SA	A	U	DA	SDA
The top management in the tea factory is highly accountable to the shareholders and seeks to ensure protection of their interests in decision making	5	4	3	2	1
The top management is highly aligned to the vision and mission of the factories and has profitability of the factory as the core motivation	5	4	3	2	1
Personal competence of the top management members drives up the profitability of the tea factory owing to their industry and innovation at work	5	4	3	2	1
There have been no cases of conflict of interest in the top management recruitment process leading to insubordination and related malpractices in the tea factories thus ensuring profitability	5	4	3	2	1
The top management is given the freedom to carry out its tasks without fear of reprisals thus efficiency and profitability	5	4	3	2	1

21. Does the top management influence the financial performance of tea factories?

Yes

No

Section E: Corporate Governance

22. a) Does the tea factory have a code of ethics that guides the interactions between the shareholders and the institution?

Yes

No

b) Does the code of ethics assure the tea factory harmonious interactions between the membership?

To a high degree

To a fair degree

To a low degree

c) What makes you draw the consideration? Kindly explain _____

23. Have there been instances of strained internal relations attributed to inadequacies of the code of ethics in use?

Often

Rarely

Not at all

24. Kindly give your levels of agreement with the following attributes on corporate governance and its influence on the financial performance of the tea factories:-

SA – Strongly Agree

DA – Disagree

A – Agree

SDA – Strongly Disagree

U – Undecided

	SA	A	U	DA	SDA
Presence of an internal audit system ensures effective controls and ensures minimal risks of loss to the tea factory	5	4	3	2	1
The internal audit committee is independent and its recommendations for action are always enforced to safeguard shareholder interests	5	4	3	2	1
Background checks for the directors and top managers are strictly carried out to ensure the integrity of the persons in office	5	4	3	2	1
All professionals working in the tea factory are	5	4	3	2	1

required to get accreditation from their professional bodies

The tea factory has a good system of internal governance with a defined calendar of events as regards the meetings, adequacy of the notices for meetings and prior communication on the agenda as a measure to ensure probity for the institution

5 4 3 2 1

25. Does corporate governance influence the financial performance of tea factories?

Yes

No

26. How can the financial performance of tea factories be improved on? Kindly explain
