EFFECT OF CORPORATE GOVERNANCE PRACTICES ON PERFORMANCE OF STATE CORPORATIONS IN THE TOURISM INDUSTRY IN KENYA

BY

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MASTER OF SCIENCE IN COMMERCE (FINANCE AND INVESTMENT)

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DECLARATION

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

Student Name_______________________________ Reg.No _________________________

Sign _______________________________________ Date ___________________________

I do hereby confirm that I have examined the master's Dissertation of

Moses Wafula Wanjala

And have certified that all the revisions that the dissertation panel and examiners recommended have been addressed

Signature ____________________________________ Date ___________________________

Dr. Gladys Bunyasi
Dissertation Supervisor

ABSTRACT

The main objective of the study was to assess the effect of Corporate Governance practices on performance of State Corporations in the tourism industry in Kenya. It focused on three key areas of the organization governance viz., Board diversity; CEO attributes and audit committee activities as independent variables whereas performance was the dependent variable. Six State Corporations with headquarters in Nairobi formed the target population. The subjects of study were 57 management staff of the six selected SCs, which were chosen based on Census survey since the number was small and manageable. This group was deemed to have needed information that was sought by the researcher since it is involved in planning and executing of organization policies. The management staff also formed the unit of analysis. The study adopted descriptive design and primary data was collected using the questionnaire that was made up of structured, and closed ended questions based on the five point Likert scale where 1 was the lowest (strongly disagree) and 5 being the highest as strongly agree. Before use, the questionnaire was validated through a pilot test on five employees in one of the organizations (KUC) who were not part of the study. The questionnaire was also subjected to Cronbach's test for reliability. The collection of data involved drop and pick method by the researcher and they were collected after three weeks. After collection, data was cleaned, coded and analyzed with the help of Excel and Stata version 13 software. The analysis was based on descriptive and multiple regression techniques. After the analysis, data was presented in form of charts, tables, percentages and frequencies. The study found out that board diversity, CEO attributes and audit committee activities positively and significantly affected performance in the state corporations in the tourism industry in Kenya,(R- Squared= 53.1%, $p<0.05$). That signified that 53.1 % of variance in performance was explained by corporate governance practices while 46.9% was attributed to other factors. Further, the study established that individually, board diversity had the highest effect on performance, correlation coefficient (49.4% against audit committee, which posted a coefficient of 32.5%. Therefore, the study rejected the null hypothesis for both board diversity, audit committee, and recommended that the government expedite on diversity in public institutions and empower audit committees for better performance.

Key words: Corporate governance, Performance, State Corporations, Tourism Industry.

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DEDICATION

I dedicate this piece of work to my late brother (George) who had a great love for education but never lived to accomplish his dream. And to my dear parents who occupy a special place in my heart.

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ACRONYMS AND ABBREVIATIONS

AC	Audit Committee
BOK	Bomas of Kenya
CBK	Central Bank of Kenya
CCG	Centre for Corporate Governance
CEO	Chief Executive Officer
CLRM	Classical Linear Regression Assumptions
CMA	Capital Market Authority
CG	Corporate Governance
GOK	Government of Kenya
GDP	Gross Domestic Product
KICC	Kenyatta International Convention Centre
KNBS	Kenya National Bureau of Statistics
KQ	Kenya Airways
KSLH	Kenya Safari Lodges and Hotels
KTB	Kenya Tourism Board
KUC	Kenya Utalii College
NSE	Nairobi Stoke Exchange
OECD	Organization for Economic Cooperation and Development
OLS	Ordinary Least Squares
ROA	Return on Assets
ROE	Return on Equity
SC	State Corporation
TFC	Tourism Finance Corporation
TRA	Tourism Regulatory Authority

TTF	Tourism Trust Fund
UK	United Kingdom
USA	United States of America
VIF	Variance Inflation Factor
WTTC	World Tourism and Travel Council
YEF	Youth Enterprise Fund

OPERATIONAL DEFINITION OF TERMS

Audit Committee Independence	It is concerned with the percentage of executive directors on the board of management vis-à-vis the non-executive directors (Baxter and Cotter, 2009)
Board Diversity	Separation, variability or disparity within the membership unit based on gender, age, education and experience. (Harrison and Klein, 2007)
CEO Tenure	CEO Tenure is the number of terms a CEO serves in an institution in the current capacity (Gabaix and Landier, 2008)
Corporate Governance	It is concerned with mechanisms, processes and systems that Support the attainment of corporate objective and how an Organization is controlled and directed (Cadbury, 1992)
Performance	It is the ability or process by an organization to quantify and control activities and events. It encompasses both financial and non-financial indicators based on the firm (Morgan, 2004),
State Corporations	A legal entity created by the government used for channeling resources to the public and accelerating economic and social development (GOK, 2013).

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Tourism industry is a very important sector in many countries because of its significant role on the economy. A survey by World Travel and Tourism council (WTTC, 2010) revealed that tourism contributes over 10 percent of gross domestic product to (GDP) and employs close to 240 million people globally. Kenya's tourism sector is the second largest foreign exchange earner after tea and it contributes substantially towards the overall economic development (GOK, 2013.) Nevertheless, the industry is full of challenges, which are caused by many factors including competition, globalization and insecurity where there is need for good internal governance by the sector's institutions to provide policy and enhance competitiveness.

Today good governance is no longer an option but a benchmark to measure the success or failure of any institution. In a study in the US by Gompers, Ishiij, & Metric (2003), it was revealed that investors are willing to commit more money in companies that are managed well because they provide security for their money. In addition, professionals would want to work for organizations that have good reputation and not those that have governance issues. Corporate governance (CG) is therefore concerned with how companies are directed and controlled that influences an organization's growth and development (Clark 2004).

The concept of CG can be traced back to the 19th Century period in the United Kingdom (UK) when the joint stock companies Act (1844) allowed the registration of companies. According to Berle and Means (1932), this registration led to the birth of the modern corporation. The registration of a corporation meant separation of the owner from the business where professional managers are the ones to run the business (Kiel &Nicholson, 2003). Whereas the birth of corporation reduced the owners' liabilities in the company, it also created conflicts between owners and managers. Consequently, CG framework was necessary to protect owners from the actions of the managers who had the advantage of running the company. In developing countries, (CG) became prominent in the 1980s after the storm of corporate failures sweeping across developed world had calmed down (Francis, 2000). Organizations such as the WorldCom and Enron in the United States of America (USA) and Golden Quadrilateral in India collapsed attributed to bad governance and financial impropriety.

The problems that brought down many organizations in the US and other parts of the world culminated into the formation of codes of conduct for corporate institutions as a way of preventing further corporate failures. Such codes from developed countries include (Cadbury Report UK, 1992, Sarbanes-Oxley SOX**,** 2002**,** Organization for Economic Cooperation and Development OECD, 1999**,** Corporate Forum Principles, Japan, 1998). In developing countries, similar bodies include, Kings Report 11 & 111, and Security Exchange Commission of Ghana, (Nwadioke, 2009), intended to help reinforce corporate ethics in terms of accountability and transparency in the management of a public entities (OECD, 2004). However, there is no universal law due to financial and economic circumstances in different countries (Clark, 2004).

In Kenya, the issue of (CG) has created a lot of interest lately even more than what transpired in the US in the 1980s. Despite Kenya having very good laws and progressive new constitution with elaborate oversight institutions, the trend in corporate failures is worrying especially in the public sector. The issues surrounding Uchumi Supermarkets, National bank of Kenya, Youth Enterprise Fund (YEF), Kenya Airways (KQ) and Mumias Sugar Company were attributed to poor governance as the major factor affecting performance. In Kenya, oversight agencies include Capital Markets Authority (CMA), Nairobi Security Exchange (NSE), Central

Bank of Kenya (CBK) and the Centre for Corporate Governance (CCG) (Kombo, Chepkoech, Koech and Shavulimo.2014). The CMA in particular has been on the forefront in ensuring that companies carry out their functions well. However, mismanagement and wastage of public resources and corruption has continued to run down state corporations to the extent that they have been unable to make any economic sense (Mwaura, 2007)

1.1.1 State Corporations in Kenya

According to the State Corporations Act (1987), a state corporation (SC) is a legal entity created by the government where the majority shares are owned by the government. State corporations operate within the specific mandate towards service delivery to the public. The day-to-day corporate activities fall under the board of directors but within the parent ministry. In Kenya, each ministry has a specific number of corporations related to the activities of that ministry. Before the 2013 proposed reforms, the total number of State corporations in Kenya was 262. The government established State corporations essentially to fulfill the social economic goal of the citizenry and because of their strategic importance; the political class has made them uncompetitive hence unable to meet their original objective (Mwaura, 2007).

The SCs are divided into eight categories (commercial/manufacturing, Regulatory, Service, Financial, Public universities and training institutions and Regional development). After the proposed reforms, the number of SCs was reduced to 187 by dropping those with overlapping functions as well merging others. It is the intention of the government that SCs are managed well with clear goals that enhance public confidence. However, most of the SCs have not been doing well for a very long time, which has been the genesis of public sector reforms by the current administration. Corruption, bureaucracy and mismanagement have brought down some sectors such as the sugar industries with majority of them even unable to sustain themselves.

The government through State Corporations manages tourism industry in Kenya. The sector falls under the ministry of tourism and has thirteen corporations from the list obtained from the taskforce for public sector Reforms, (GOK, 2013). These corporations include : (Kenya Utalii College (KUC); Tourism Trust Fund (TTF); Tourism Finance Corporation (TFC); Bomas of Kenya (BOK); Kenya Tourism Board(KTB); Kenya Safaris Lodges and Hotels Ltd (KSHL); Kabarnet Hotel, Mt. Elgon State Lodge; Sunset Hotel Kericho, Tourism Regulatory Authority(TRA), Kenyatta International Conventional Centre(KICC), Golf Hotel Kakamega and Tourism Research (Appendix C).

Tourism has been identified as one of the key pillars of the economy since independence and currently it is as a key sector driving vision 2030 (GOK, 2007). It is also the second highest foreign Exchange earner after tea and therefore contributing up to 12 percent to the GDP, (KNBS, 2015). As a result, institutions within its territory must do well for the sector to realize this goal. According to (KNBS ,2015), tourism industry has not been doing well lately with revenues dropping from 96 Billion in 2014 to 84 Billion in 2015 which is a genuine cause for worry given that tourism remains a key sector that is central to the economic development.

Despite other factors being cited as possible contributors of poor performance in the tourism industry in Kenya nevertheless, internal organization and performance of state corporations have also contributed substantially especially with regard to governance. Competitiveness is a function of policies and vision and for an organization to achieve this, it is imperative for public institutions to improve on governance, which has been lacking in Kenya.

1.1.2 *Concept of Corporate Governance*

Different versions have been advanced on the definition of CG, which explains the underlying complexities of the concept. However, there is convergence on the core principles, which are checks and balances. According to Cadbury, (1992), CG is a system by which corporations are directed and controlled. While the Organization for Economic Cooperation and Development (OECD, 2004) defines CG as a set of relationships between company's management, its board, shareholders and other stakeholders. However, opinions are divided whether CG definition should include other stakeholders or it should be to specific stakeholders.

In a study by Love (2011), findings revealed that there exists a relationship between CG and performance with observance of such principles as improved accountability and transparency. Therefore CG is meant to reinforce these principles that influence performance for example: CEO duality; independent non-executive directors; appointment and re-election of directors; availability of information for directors; remuneration of directors; financial reporting; internal controls; audit committee and the relationship with stakeholders(Mallin,2004). Accountability, transparency, fairness and responsibility provide the assurance to the shareholders that their interests are safe. However, in other instances, researchers had found negative relationship between some aspects of CG practices and organization performance for example (Ferreira & Lux, 2007, Pham, Surchard and Zein, 2007). Nevertheless, majority of scholars agree that, good governance enhance firm value where values and principles are adhered to (Black 2001, Eichholtz & Kok, 2011, Gakam, Banerjee, Pathanyak & Simba .2009).

Therefore, this study focused on three key governance variables: Board diversity, CEO's tenure and experience and audit committee respectively. These variables have not been used much in the context of state corporations in Kenya and in the tourism industry in particular yet they have close and very strong effect on the day-to-day decision-making process of the organizations. Board diversity for example is among the prominent elements of the new constitution with regard to gender, youth and disabled groups.

1.1.3Firm Performance in the Public Sector

Morgan (2004) defines performance measurement as the ability and processes used to quantify and control activities and events. Different sectors measure performance differently and performance is quantitative or qualitative, financial or non-financial (Ittner & Lacker 2003). Some organizations use multiple performance measurements in order to capture every aspect of production. In this study, performance was measured based on policy implementation and commitment to targets as agreed upon between the state corporations and line ministries. Policy and targets have a direct link with the public sector's strategic intent that is in resonance with evaluation criteria used in the public service (GOK, 2010). Therefore, the overall performance was based on six indicators: financial, operational, service delivery, corruption eradication, dynamic assessments and national cohesion. This resembles the Balance Scorecard, which considers all aspects of performance measurement (Kaplan and Norton, 2009)

A literature survey with regard to the type of measurements used in CG studies reveals that majority of the scholars have used the accounting and market based measures such as Return on Assets (ROA), Return on Equity (ROE) and Tobin's Q. This study used the composite technique, which incorporates all aspects of performance and especially for public sector where both financial and non-financial indicators are critical (Stvers, Cavin, Hall, & Smalt, 1998)

1.2 Statement of the Problem

Whereas State Corporations in Kenya were established to provide services and help the government accelerate its economic and social development, yet this goal is never met because State corporations have generally been facing governance and management challenges (Macharia, 2012). The systemic misappropriation of funds, wastages of resources, corruption and boardroom wars have for a long time dominated the operations of State Corporations leaving no room for them to meet their performance expectations (Mwaura, 2007).

Just like all other State corporations, tourism performance need effective internal governance structures that can enhance the industry's competitiveness to match those of other destinations across the world. These structures have been lacking in the majority of public institutions going by recent events of conflicting interests between the board and management, political interference, accountability problems and corruption. The government cited poor governance as one of the prime challenges hindering performance of state corporations affecting the realization of vision 2030 (GOK, 2013). Therefore, governance problems facing public institutions in Kenya have made the State corporations vulnerable and uncompetitive leading to poor economic performance, job losses and addition burden to the exchequer.

Despite governance challenges in the entire public sector, empirical evidence is limited to very few of them despite tourism being a key determinant in the realization of economic transformation. Muringu & Muoria (2011) examined corporate governance and performance of commercial state corporations in Kenya, Kombo et al. (2014) studied corporate governance and performance of Sugar manufacturing firms in Kenya while Abdi (2015) examined corporate governance and performance of all state corporations in Kenya and Wagana & Karanja (2015) studied corporate governance and performance of manufacturing firms in Kenya. In the same light, studies in other countries are plenty but their findings are not relevant within the current study environment and context for example: (Coleman, 2007; Nielsen & Huse, 2010; Smith, Verner and Smith. 2006). Therefore, this study sought to determine the effect of corporate governance practices on performance of state corporations in the tourism industry in Kenya.

1.3 Research Objectives

The study sought to assess the effect of corporate governance practices on performance of state corporations within the tourism industry in Kenya and the specific objectives were:

i. To assess the effect of board diversity on performance of state corporations in the tourism industry in Kenya
ii. To determine the effect of CEO attributes(tenure and experience) on performance of state corporations in the tourism industry in Kenya
iii. To assess the effect of audit committee on performance of state corporations in the tourism industry in Kenya

1.4 Research Hypotheses

In order to determine the research objectives, the researcher tested the following hypotheses:

H_{01}: Board diversity has no significant effect on performance of state corporations in the tourism industry in Kenya

H_{02}: CEO attributes have no significant effect on performance of state corporations in the tourism industry in Kenya

H_{03}: Audit Committee has no significant effect on performance of state corporations in the tourism industry in Kenya

1.5 Significance of the Study

Corporate governance has received a lot of attention lately because of the challenges facing companies today. As a result, the outcome of this study is significant to the following groups:

Business managers because of the challenges they face when trying to balance the various demands and attention from the company stakeholders as well as meet the performance objectives of the organization

Shareholders' attempt to maximize their wealth depends on how well their businesses are managed because that gives them assurance that their investment is sound and stable.

Investors who want to find companies with good governance and performance to put their money so that they are assured of good returns in form of dividends and capital gain.

Students and Researchers in their future studies on corporate governance since majority of scholars had obtained mixed results earlier. As a result, this study provides a good reference for their work to continue with investigations.

1.6 Scope of the Study

The study sought to determine the effect of corporate governance practices on performance of State corporations in the tourism industry in Kenya. It focused on board diversity (gender, educational qualification), CEO attributes (tenure and experience), and audit Committee activities (independence and frequency of meetings). The population of study was the six SCs in tourism industry after the public sector reforms of 2013 with headquarters in Nairobi and the respondents comprised of all the management staff because of their significant role in the organization governance hence were in possession of the needed information for the study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents a review of the main theories and empirical studies on the subject of CG and performance including the relationships between the independent and dependent variables.

2.2 Theoretical Review

The dynamics surrounding CG has received a lot of attention from various areas of knowledge including economics, finance, law and sociology, which essentially made a significant contribution, (Kiel & Nicholson, 2003). As a result, a number of theories exist in literature, which tries to shed light on the subject viz., Social contract theory, Legitimacy theory, Agency theory, Stakeholders theory and Resource dependence theory. This study was informed by four main theories, which are Agency theory, Stewardship theory, Stakeholders theory and Resource dependence theory. These theories focus on the issue of CG but using different perspectives that makes their contribution unique. The same theories were also used in similar studies in Kenya: for example in the studies by (Abdi, 2015, Gachoki & Rotich, 2013)

2.2.1 The Agency Theory

The Agency theory was the brainchild of (Jensen & Meckling, 1976) which is concerned with the relationship between the owners of the company and the agents who comprises of the company management. Meckling had argued that the separation of ownership from control creates conflicts of interest which results into agency costs (Aguilera, Rupp, and Williams & Ganapathi.2008). The agent pursues individual interests and therefore builds his own empire contrary to the principal’s interest that is to maximize his wealth (Padilla, 2002). In order to counter the agency problem, the owner puts measures to check the powers of the CEO, which creates the agency costs.

The theory advocates that the agency problem be solved when directors of the board comprise of both independent and dependent directors to provide effective oversight function, (Chen & Wei, 2004). In other words, the CEO's position should separate from that of the chair. The importance of this theory is to demonstrate that resolving the conflicts is necessary for any organization to do well since conflicts affect performance (Clark 2004). When an institution has sound CG mechanism with proper channels of work conflicts are minimized which minimizes agency costs hence improve corporate performance. However, weak CG structures escalate conflicts that affect performance negatively (Gursoy & Aydogan, 2002).

2.2.2 Stewardship Theory

The stewardship theory has its origin in the field of Sociology and Psychology as a development from the works of the earlier researchers. It holds that managers are stewards for the organization contrary to the views of the Agency theory (Mallin, 2004). It further views the manager as one who protects the owner's wealth by maximizing it through performance, which also serves his or her own interests as well (Cornforth, 2003). This is actualized through profit because the management is part of the business and therefore they feel motivated with the success of the organization. In the stewardship theory, agency costs such as monitoring and control are no longer necessary and that gives value to the firm (Daily, Dalton & Canella, 2003).

Unlike the Agency theory, Stewardship theory is anchored on the value of trust and not suspicions. Trust cultivates a health decision-making environment, which is vital in stimulating the realization of organization goals than conflict (Jensen, 2001). Stewardship theory supports the role of insider directors who possess good knowledge that ensures that managers make quality decisions that are necessary in enhancing organization performance and progress.

2.2.3 Stakeholders Theory

The Stakeholders theory is concerned with the role of the board towards all the stakeholders since they also have an interest in the performance of the organization. Stakeholders in any organization include (Customers, employees, suppliers, government, community, banks etc). This theory originated from the works of (Freeman, 1984) who argued that the success of the firm is affected by the stakeholder's actions vis-à-vis the actions of the firm. He noted that for good performance, organizations ought to involve the stakeholders in their company's decision-making. He further argued that satisfaction of all interested parties is paramount in improving the performance of the firm, which is also supported by (Solomon & Solomon, 2004).

The Stakeholder theory takes cognizant of the fact that an organization is not limited to Shareholders alone as proposed by the Agency theory. According to (Wright, Filatotchev, Buck and Bishop (2003) all the stakeholders are important and trusting and involving them in the decision-making influences the performance of the firm. This view is supported by the report by (OECD, 2004) on governance where the role of stakeholders is well elucidated. According to Kiel & Nicholson (2003), organizations are interdependent and therefore they are not limited to only the financial aspect of the firm. Carver & Oliver (2002) concurs with this argument in the sense that Stakeholders get personal satisfaction when a company does well.

2.2.4 Resource Dependence Theory

According to Tokuda (2005), the Resource dependence Theory has its history in the Systems theory. It holds the view that organizations have some dependence on the external environment, which enables them to function. As a result, the board taken from this perspective is a resource based on connections of the directors with the outside world. According to Hillman (2000), the board performs a strategic function in terms of resources mobilization and protects what the firm already has which have the potential to determine its growth. In this case, we have resources that are unique to only a particular organization, which should be protected to bring about competitive advantage. Public sector organizations such as tourism require adequate resources, skills and strategy because of the high competition involved.

The board brings on board resources such as skills, knowledge and legitimacy. In addition, members also provide linkage with the external environment through their networks and connections (Abdullah & Valentine, 2009). Unlike the Agency theory, Resource dependence theory is focused on the advisory support provided to the management, (Wang and Huynh, 2013).The relevancy of this theory is to explain the importance of the board in a sector such as tourism which requires a lot of connections, resources and networks to improve the image of the country (Kiel & Nicholson, 2003).

2.3 Empirical Review

2.3.1 Board Diversity and Firm Performance

According to Harrison & Klein (2007), diversity is defined as the separation, variability or disparity within the membership. In other words, the board must represent various groups of interest within its rank. It encompasses both the demographic and cognitive characteristics of the members where demographic is concerned with attributes such as gender, age, ethnicity and abilities whereas cognitive attributes include an individual's experience, education as well as technical skills (Carpenter & Westphal, 2001). Both the stakeholders and resources dependence theory support diversity because it provides a wider representation that is essential in creating synergy for the board when carrying out their duties. According to Dutta & Bose (2006), this mixture of membership also enriches the decision making process of the board. In this study, diversity was limited to gender, age and the directors ‘educational qualification.

Gender Diversity

According to Smith et al. (2006), gender diversity is concerned with the number of female directors on the board. They noted that the presence of female directors is important to the organization because women have better understanding of the market trends than their male counterpart does. In addition, female directors have better comprehension, patience and empathy that bring about compromise during the meeting. In addition, a diverse board avails more and a unique alternative in as far as decision making is concerned. It is the way a board is constituted that determines the organization policies and how it performances in the long run.

Empirical evidence on board diversity has obtained mixed results both locally and internationally with majority of them coming from the international scene. Studies that obtained positive outcomes include: Smith et al.(2006) in a study on largest Danish firms 1993-2001 using ordinary least squares regression model established that the percentage of women on the board have a positive effect on performance. In the USA, Bart & McQueen (2013) in their study on the moral reasoning dimension by directors reported that female board members achieved better scores than the male colleagues in moral reasoning skills, which is an important asset of the firm. Julizaerma & Sori (2012) obtained positive association between gender diversity and firm performance in Malaysia. Kang, Cheng, and Gray. (2007) in a study in Australia over top 100 companies revealed that gender is significant. Islam, Bhattacharjee and Islam (2010) examined board diversity and performance of firms in Malaysia where they established that a positive and significant relationship existed between gender and performance of firms.

In other studies, gender diversity revealed negative results for example, a study by Haslam, Ryan and Kulich (2010) in the UK on the association between gender and company performance. The study used multiple regression and secondary data for the period 2001-2005. In a similar study in USA, Adams & Ferreira (2009), using Ordinary least squares technique found out that gender negatively affected performance of firms sampled. In the same light, in Kenya, a study by Ekadah and Mboya (2012) with regard to gender diversity in commercial banks reported that gender alone has no effect on performance of commercial banks without.

The issue of gender is currently a global issue and many countries are trying to bring about diversity on decision making as a requirement in public institutions. Ramirez (2003) assessed the development across the world with regard to gender inclusivity and found that Israel has been on the forefront since 1993 to encourage boards of government organizations to observe gender while Norway has public institutions fill their board positions with 40 per cent women. According to (GOK, 2010) the government has it as a requirement that all public appointments observe the 1/3 gender rule which parliament is yet to enact into law.

Directors' Educational Qualification

Level of education of directors is also important factor in the management of any institution in the rank of the board of directors in the sense that such positions require a broad knowledge base to support the decision making process (Nicholson & Kiel 2004). The directors being in the decision making body of a firm should be well versed with most of the issues surrounding the firm. They should for example possess some accounting and finance knowledge because of evaluating financial records before making any approvals. They need some element of law in order to understand the implications of their decisions (Carver, 2002)

According to Fairchild & Li (2005) and Ferreira (2007), sound knowledge is critical during decision-making by the directors because it enhances the quality of the decisions whereas lack of adequate knowledge is manifested in bad policies that affect performance. Board members with higher qualifications give value to the organization through a mix of competencies and capabilities with innovative ideas to develop policy (Carpenter & Westphal, 2001). Empirical evidence on qualification of directors is quite limited however, several studies in developed countries found a positive correlation for example (Ljungquist, 2007) whose results indicate that educational heterogeneity of board members positively affect the market share growth as well as profits of a firm. The diversity of the board on gender, age and education qualification of board members has received very limited attention in literature yet they provide important measures of evaluating the performance of the board and their decision-making ability. An individual's educational qualification enriches the decision-making process, quality of policies made and a platform for compromise that influences organization performance.

Directors' Age

Age is the number of years for the director from the date he or she was born. Demographic attributes of an individual is important since it has some influence on individual's productivity. Because it is alleged that young people have less experience, most governments today have put in place special legislations that force public institutions to give them jobs for them to gain experience. According to Cheng, Chan, and Leung (2010), youthful officers like new ideas and abhor status quo. This implies that a board that has young people is resourceful to the organization because they will engineer and come up with new and innovative ideas.

Empirical evidence on the relationship between age diversity and performance of firms is scarce however; the few, which are available, have also obtained different results and most of them essentially from developed countries. In a study by Mahadeo, Plantenga and Remetry (2012) in an attempt to establish the link between age and performance, findings revealed that a positive relationship exists. Ararat, Kas, and Cetin (2010) in a similar study in Turkey on whether age of directors determines the performance of firms sampled for the study, it was established that a positive and significant relationship exist. However, Ranoy & Down (2002) in another study in the Nordic countries did not find any significant relationship between age and firm performance. As a result, age as a factor influencing performance has received mixed results with different studies showing that when the young and old work together, they bring more advantages to the organization, which is improves performance.

2.3.2 CEO's Attributes and Firm Performance

The CEO is the topmost manager to oversee the day-to-day running of an organization**.** He is appointed by the board and therefore reports to the board. Tenure is the number of years that a CEO serves in that position in the institution. The tenure of the CEO is critical for him to effectively execute the affairs of the organization. This is because some plans may be short term while others are long term for example: cost reduction, innovation, and strategy implementation (Gabaix and Landier.2008). As a result, the CEO ought to be balanced in age, background, tenure and work experience to navigate effectively the realization of the set goals, (Bennedsen, Kongsted and Nielsen.2008). This is especially true because the CEO implements all the plans of the organization passed by the board.

Empirical evidence on the effect of the CEO tenure is scanty especially from the local perspective; nevertheless, studies in other countries are plenty with mixed results. In a study by Coleman (2007) in four African countries, results revealed that, tenure had a significant correlation with performance of firms. This is based on the fact that the number of years a manager is in an institution gives him the assurance that his job is secure and therefore allows him or her to perform his duties well. However, where the CEO overstays in an institution he losses interest in pursuing innovative strategies of the company instead focuses on stability and efficiency (Barker & Muller, 2002). In another study, Wasserman, Nohria and Anad (2001) established that a long serving CEO would have a positive impact on the firm value since he will have a team that is cooperative and supportive.

On the other hand, the CEO's experience depends a lot on the number of years one has worked in similar position in a given institution. Markman (2007) describes competence as observable characteristics such as knowledge, skills or behavior patterns that have a bearing on the managerial positions, which are important in many professions. Armstrong, (2002) notes that there are over four hundred competencies available in literature which are generally grouped into two;, general competency and specific competency. According to McCall (2004), general competencies include skills that are essential in handling managerial positions whereas specific competencies are concerned with basic principles of management such finance and logistics which provide necessary platform for the CEO to perform his duties better and effectively.

A survey of literature on the effect of experience as a factor determining performance reveals that the position of the CEO requires most of these skills for better performance. However, evidence on that effect is scanty nevertheless; Sturman (2003) underscored the fact that CEOs need experience to enhance performance after a review of prior studies on the CEOs experiences. In the context of public sector in Kenya, the tenure of the CEO is three years period, which is renewable. However, the issue of experience is still debatable since most public appointments depend on the government in power and what it intends to accomplish within their manifesto. Ideally, issue of tenure and experience are complementary attributes.

2.3.3 Audit Committee and Firm Performance

Audit Committee is an essential function within the wider CG structure. It is established to mitigate the agency conflicts between the owners of the firm and the management brought about by weak internal controls and other operational deficiencies (Islam et al. 2010). This Committee is necessary in order to enhance confidence in the organization in the eyes of the owners and stakeholders. This study focused on independence of directors and number of meetings.

Frequency of Meetings

Frequent meetings by the audit committee are a fundamental aspect of the board. It involves the number of times that the audit committee meets in a year. In some organizations, the number of committee meetings is stipulated in law and regulations, which the organization is supposed to comply. This kind of requirement is also true with SCs in Kenya as contained in the SCs (ACT, 1987). Some studies indicate there is a relationship between the number of meetings held by a committee and performance of an organization while others hold contrary opinion.

Beasley and Means(2000) in a study on the relationship between the number of meetings held and the number of fraud cases in a firm , it was established that organizations with a lot of fraud cases were found to have had very few audit committee meetings and those with more meetings had fewer fraud cases in Nigeria. Chen & Wei (2004) on the other hand in their study noted that, the frequency of meetings by the audit committee enhances corporate performance since the frequency makes employees to be more careful in preparing necessary, correct and accurate reports for the organization that reduces fraud and financial impropriety.

Stewart and Munro (2007) in their study in Australia examined the presence of the audit committee, the frequency of their meetings and the reduction of risks. They found no substantial relationship though the possibility that their presence helped the auditors to provide qualified reports. Saleh, Iskandar and Rahmatl (2007) in a study in Malaysia on the role of some qualities of the audit committee in relation to independence and frequency of meetings in monitoring management behavior established that absolute independence of the members and frequent meetings reduces the practices of earnings management as compared to other companies. Abbott and Parkers(2000) in another study over the frequency of meetings by organizations established that firms with audit committee that met at least twice in one year were not sanctioned by their regulatory authorizes for any reporting anomalies than those which failed to meet regularly.

The frequency of meetings held in a period of one year for a company is important because when the committee meets often, it is able to discover if there are any improprieties in good time. Secondly, frequent meetings also make those in charge of preparation of financial reports more careful and therefore help to enhance the credibility of the reports. However, the audit committee meetings alone cannot be effective if other characteristics such as skills of the members and experience including their professional background is considered because that helps the members to understand their role and therefore provide effective oversight.

Audit Committee Independence

For the Audit committee to be effective in fulfilling their mandate of oversight, majority of the members need to be independent where independence is concerned with the number of outside directors sitting on the committee (Baxter & Cotter, 2009). Their primary duty is to ensure reliability of financial reports, which portrays the health of the organization finances. The audit committee is also required to ensure the appointment of external auditors and provide oversight audit process by empowerment (Carcello, Nael, Palmrose, Vonna and Scholz.2006).

Bryan and Lui (2004) in another study found out that an independent audit committee has a positive effect on the quality of earnings of an organization. Felo, Krishnamurthy and Solieri,

(2003) in a similar study on the effect of audit committee independence on financial information quality established that there is a positive correlation between the independence of the audit committee members and deviations in the financial reporting of firms that respected this requirement as opposed to those, which violated. However, other scholars found contrary results with audit committee for example: Kajola (2008) sought to determine the relationship between audit committee and two firm financial performances on twenty listed Nigerian firms for the period 2000-2006 using panel data method. He established that there was no significant relationship between ROA and performance margin with audit committee independence. Klein (2002) on the other hand obtained negative results in a similar study on the correlation between audit committee independence and earnings management.

The above implies that audit committee without other attributes and skills may not be sufficient to provide effective oversight function to the organization's resource management as cited by (Klein, 2004). This is because the audit committee has many responsibilities including risk management policies and internal audit controls, which are the foundation of oversight function. State corporations in Kenya are required to adhere to the maximum number of meetings by law as well have more outside directors on the committee than internal directors in order to provide assurance that the oversight function is effective(GOK, 2013). However, this requirement can only reduce impropriety if it is effectively enforced within the public sector

2.4 Corporate Governance and Firm Performance

CG has been identified as one of the processes determining performance of organizations in the world today (Pham et al.2007). Despite that however, a few studies in different countries have obtained varying results for example (Ferreira & Luak, 2007, Gillian et al. 2006). Nevertheless, majority of studies have found that there exists a correlation even though there is a considerable variance in the degree of relationship. Generally, organizations with good governance where there is accountability and transparency and clear rules and procedures of work perform better as compared to those which disregards them. Many countries are working towards enhancing governance processes especially in public sector where there have been so many incidences of impropriety and corruption. Strengthening governance is vested in the board of directors, which links the company and the owners in this case the government.

2.5 Research Gaps

It is evident that CG practices have an influence on performance of firms. Whereas majority of the studies provide evidence on positive correlation, a few have given mixed results, which indicates that firms, which are properly governed, are more profitable than those which are not. As a result, the following research gaps were identified:

First, Most studies on corporate governance concentrated in developed countries and yet the level of governance there is much better after the scandals that they experienced earlier.

Second, majority of the studies used financial and accounting indicators (ROA, ROE and Tobin’s Q) to measure performance ignoring the equally important non-financial measures that also captures other intangible factors, which are equally important in a firm.

Third, diversity, experience and qualification have were not adequately covered since majority of the studies concentrated on structural characteristics of corporate governance

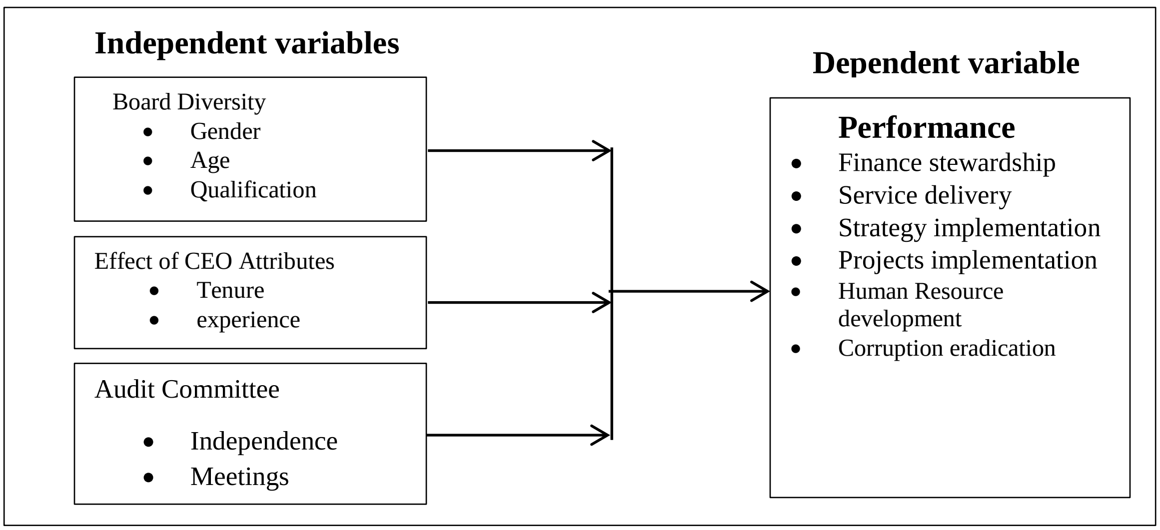
Fourth, majority of the studies sampled used secondary data yet secondary data is meant for other purposes different from what they are made to perform which has been the cause of mixed results on corporate governance studies across the world hence this study used primary data to take care of this anomaly.

2.6 Conceptual Framework

According to Smyth (2009), a conceptual framework is a structure that explains possible connections between variables under study. In other words, it is a framework or set of broad ideas used in a relevant filed of enquiry. Figure 1 below presents the relationship between variables (corporate governance practices and performance)

FIGURE 1

Conceptual Framework



Source: Developed by the researcher (2016)

Figure 1 above summarises the relationship between the variables under study. Performance (dependent) variable is being influenced by the independent variable which is CG that is made up of (board diversity, CEO tenure and experience and audit committee)

2.7 Operationalization of Study Variables

According to Bryman & Bell (2011), operationalization involves converting theoretical concepts into measurable units to enhance empirical determination. The measurement for variables under study is presented in table 1 below.

TABLE 1

Operationalization of Variables

Construct	Indicators	Literature Applied	Measurement Scale	Questionnaire Section
<u>Board Diversity</u> ▪ (Gender) ▪ (Qualification) ▪ (Age)	❖ female directors ❖ Level of Education ❖ No of years	▪ OECD(2004)	Five Point Likert Scale	Section B
<u>CEO Attributes</u> ▪ (CEO Tenure) ▪ (Experience)	❖ No of terms ❖ No of years in the organization	▪ OECD(2004)	Five Point Likert Scale	Section C
<u>Audit Committee</u> • Independence ▪ No of Meetings	❖ independent directors ❖ No of Meetings	▪ OECD(2004)	Five Point Likert Scale	Section D
<u>Dependent Variable</u> ▪ (Performance)	Goal attainment Commitment to program	• Public Service Performance Guidelines,2013	Five Point Likert Scale	Section E

Source: Developed by Researcher (2016)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the entire plan that was used during the study. The specific steps and procedures include research design, target population, sampling method, research instruments, data collection procedures, data analysis, and presentation. This is to help determine the relationship between the variables under study (CG and performance of State Corporations)

3.2 Research Design

This study adopted descriptive design. Cooper & Schindler (2003) notes that, a descriptive design is concerned with finding out the what, where and how of a phenomenon. This design was preferred because it enables the study to generalize the findings to a larger population. In addition, it allows the collection of quantitative data, which can be analyzed using descriptive and inferential statistics (Saunders, Thornhill & Lewis, 2007). Under descriptive design, the characteristics of the variables do not change much within the data collection period and the researcher has no control over independent variables (Kothari, 2004)

3.3 Target Population

A population is the entire set of individuals, events or subjects with common observable characteristics whereas the target population is the population of interest, which the researcher wants to make statistical inference (Mugenda, 2003). In this study, the population of interest was 6 State Corporations in the tourism industry with headquarters in Nairobi according to (GOK, 2013) presidential taskforce report (Appendix C). The researcher focused on the six for proximity reasons during data collection process. All management staff of selected SCs formed the subjects of study since they are immediate officers that implement governance policies of an organization hence they are in better position to provide the needed answers by the researcher. The management staff comprised of Chief Executive Officer, Finance Manager, Human Resource Manager, Corporate Communication Manager, Internal audit manager, Marketing Manager, Legal Officer. Others support managers included are based on the mandate of each individual corporation. The management staff also formed the unit of analysis.

3.4 Census Design

According to the (GOK, 2013) State corporations have a specific number of directors representing administrative departments based on their mandate. As a result, the number of directors of the six State corporations is shown in table 2. Following the small number of respondents targeted, the study adopted the census design where all the subjects were involved

TABLE 2

Sample Size

State Corporation	Population size	Sample Size
Kenya Utalii College	**12**	**12**
Bomas of Kenya	**08**	**08**
Tourism Fund	**10**	**10**
Tourism Regulatory Authority	**07**	**07**
Tourism Finance Corporation	**10**	**10**
Kenyatta International Convention Centre	**10**	**10**
Total	**57**	**57**

Source: Ministry of Tourism (2014). **Management Organization Structures**

3.5 Data Collection

The study collected both primary and secondary data. For primary data, questionnaires were used (Appendix B). The questionnaires were self-administered by the researcher. The selected respondents were visited in person and after getting their consent, they were requested to complete the questionnaire. Secondary data involved reviewing credible sources with related information on subject of the study. Books and academic journals with information on CG and performance of State corporations in the public service were reviewed

3.6 Research Instrument

The study used the questionnaire as the main research instrument. The questionnaire was preferred as the most suitable instruments for the data collection because it allows researcher to reach many respondents within limited time (Mugenda & Mugenda, 2003). It also ensures confidentiality and thus helps gather more candid and objective answers. The questionnaires are made up of structured closed ended questions (Appendix B). According to (Saunders et al., 2012), structured questionnaires are techniques of data collection in which each person is asked to respond to the same set of questions in a predetermined order.

The questionnaire was divided into four parts; Part A provided demographic information, Part B covered Board diversity, Part C had CEO's tenure and experience, Part D had Audit Committee and part E was organization performance. The questionnaire adopted a 5 point Likert type scale, where 1 represented strongly disagree , 2 disagree, 3 neither agree nor disagree, 4 agree and 5 strongly agree as shown in (Appendix B).

3.6.1 Validity and Reliability of the Instrument

A pilot test was done to check the questionnaire for validity. The validity test is used to find out the extent to which the set of measures correctly represents the concept of the study. According to Fairchild (2002), face validity is a non - statistical assessment of whether the test is valid or not. The face validity test was undertaken by administering the questionnaire to 5 assistant managers in one of the organization (KUC) who were not part of the sample. The test helped the researcher to enhance the content of the questionnaires before they were finally administered.

The questionnaire was also tested for reliability. A reliability measure is the degree to which research instruments yields consistent results after several trials (Fairchild, 2002). According to Field (2005) a Cronbach's $\alpha > 0.7$ implies the instrument is relatively good measurement tool therefore reliable. The instrument in (Appendix B) was subjected to Cronbach's alpha test based on the set benchmarks and the overall alpha for the 24 questions was **0.7510** meaning reliability of the instrument based on pilot study was within the acceptable range hence relatively good

3.7 Data Analysis

The purpose of data analysis is to organize and elicit meaning from research data (Polit & Beck, 2008). After fieldwork, the data collected was prepared for analysis. Preparation entailed checking the questionnaire for completeness and legibility. Data was analyzed using STATA Version 13 software and findings were summarized in frequencies and percentages and presented in tables and charts. Both descriptive and regression analysis were performed. For background information, descriptive statistical analysis were used and analyzed to provide a profile of respondents. Quantitative analysis involved performing correlation analysis using Pearson correlation coefficient (r) to determine the level of significance. A correlation is significant if the probability value is below 0.05 ($p \leq 0.05$). The study used multiple regression analysis to determine the effect of CG on performance of SCs. Multiple regression analysis was used to determine the effect of three independent variables on the dependent variable, which was guided by the following regression model:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon \qquad \text{(i)}$$

Where:-
Y = Performance of State Corporations
β_0= Constant, showing SC performance in the absence of CG
B1-β3= Regression Coefficients
X_1= Board diversity (Gender and Education)
X_2= CEO's tenure and experience
X_3= Audit Committee (independence and Meetings)
ε =Error Term
Before the regression analysis was done, data was tested for Normality. Normality test entailed checking whether data collected was normally distributed based on OLS assumptions for example (Skewness, Kurtosis and Multicollinearity respectively). After running the regression, the residuals were also checked for heteroscedasticity and normality.

3.8 Ethical Consideration

In order to safeguard the privacy of the respondents and that of their organizations, the researcher took the early initiative of giving the assurance to the respondents that the study was only meant for academic purpose, therefore their responses would remain confidential, and only a summary of the data will be captured. Further, the exercise was voluntary and therefore they had the option not to take part in the exercise. Before the exercise however, the researcher sought approval from the management of the respective organizations through submission of the introduction letter from the University accompanied with a copy of the questionnaire.

CHAPTER FOUR

DATA ANALYSIS AND DISCUSSION OF RESULTS

4.1 Introduction

This chapter presents an analysis of the results obtained from the fieldwork. The results cover the general information of the respondents and analysis as per the three research objectives based on multiple regression as well as the hypotheses developed for the study. After the fieldwork, data was edited and coded. Thereafter, data was analyzed using STATA Version 13 software. Data preparation was achieved during cleaning that made data ready for analysis. The following statistical analysis was applied: Descriptive statistics was done on the sample profile and their views on the corporate governance. Regression analysis was used in testing the research hypotheses and determination of the significant relationship between variables and finally to ascertain the predictive power of the independent variable on the dependent variable.

4.2 Response Rate

Fifty-seven questionnaires were distributed to the respondents (management staff) in the six state corporations, which are (Kenya Utalii College, Bomas of Kenya, Kenyatta International Convention Centre, Tourism Finance Corporation, Tourism Fund, and Tourism Regulatory Authority). The questionnaires were collected after three weeks where 40 were returned posting a response rate of 70 percent. This response rate is considered very good for analysis, according to Mugenda (2003). The response rate is presented in table 3 below:

TABLE 3

Response Rate

Response	Respondents	Percentage
Returned	40	70
Not Returned	17	30
Total Distributed	57	100

Source: Primary data

4.3 Demographic Analysis of Respondents

This section sought to establish the respondents' personal information that included their gender, age and educational qualification. Moreover, the position on management and length of service in their organizations was also considered. The results are summarized and presented in table 4

TABLE 4

Demographic Information

Item	Description	Frequency	Percent
Gender	Male	28	70
	Female	12	30
	Total	**40**	**100**
Age Bracket	18-25	2	5
	26-33	10	25
	34-41	15	37.5
	42-49	8	20
	50 and above	5	12.5
	Total	**40**	**100**
Level of Education	Diploma	5	12.5
	Degree	30	75
	Post Graduate	5	12.5
	Total	**40**	**100**
Level of Management	Middle Level	11	27.5
	Top Management	29	72.5
	CEO	0	0
	Total	**40**	**100**
Length of Service	**0**-2	0	0
	2-5	15	37.5
	5-10	25	62.5
	10 and above	0	0
	Total	**40**	**100**

Source: Primary data

On demographic information, results in table 4 revealed that 28(70%) of the respondents were male while 12(30%) were female which indicates that majority of the people on management level in state corporations are male and female officers with responsibility are the minority. In addition, most of the managers are between the age of 34-41 at 37.5%, followed by 26-33 bracket at 25%, 50 and above bracket at 20%, and 18-25 bracket at 5%. This means that in state corporations, majority of the managers are in the middle level age bracket. They have also worked their way up the professional ladder and therefore they understand their work well.

With regard to their level of education, it was revealed that, (75%) of the managers hold a bachelor's degree, whereas those with postgraduate and diploma level of education ties at (12.5%) each respectively. This indicates that most of the respondents on management level in state corporations have good education qualification that is necessary in their job performance. On the level of management of respondents, it was revealed that the majority of respondents, (72.5%) were senior managers whereas (27.5%) are on the middle level hence concluded that majority of respondents who took part in the study were senior level managers. On the length of service of the respondents, it was revealed that (62.5%) were in the range of 5-10 years of service whereas (37.5%) are in the range of 2-5 years' service. This implies that most senior managers in the state corporations have good experience in their respective institutions.

4.4 Study Variables

The study sought the views of the respondents on the effect of CG practices on performance of state corporations in the tourism industry in Kenya. The respondents were asked to state the extent to which they agreed with the statements associated with each of the CG practices by stating the level of agreement or disagreement using five point Likert scale. Moreover, the mean score and standard deviation of each attribute was determined and analyzed appropriately.

4.4.1 Board Diversity

The study sought to find out the views of the respondents on the effect of six board diversity statements provided on organizations performance and the results are presented in table 5.

TABLE 5

Board Diversity

Statement		SD	D	N	A	SA	T	M	SD
The Government considers diversity as key requirement when constituting the board of management in your organization	F	3	7	5	21	4	40	3.4	1.30
	%	7.5	17.5	12.5	52.5	10	100		
Your board of management has at least two female directors	F	2	8	4	22	4	40	3.5	1.08
	%	5	20	10	55	10	100		
The composition of your board of management includes people of different age brackets.	F	3	7	4	21	5	40	3.4	1.20
	%	7.5	17.5	10	52.5	12.5	100		
The minimum level of education of board members of your organization is a bachelor's degree	F	4	20	2	10	4	40	2.7	1.20
	%	10	50	5	25	10	100		
The professional qualification of board members in your organization is not limited to your sector.	F	4	7	3	21	5	40	3.4	1.22
	%	10	17.5	7.5	52.5	12.5	100		
Board diversity has no effect on the overall performance of your organization.	F	3	18	6	9	4	40	2.8	1.17
	%	7.5	45	15	22.5	10	100		

Source: Primary data

From table 5 above, majority of the respondents agreed that government considers diversity when constituting their board, (62.5%), (25 %) disagreed whereas (12.5%) were neutral. This suggests that majority of the board members in state corporations in Kenya are composed of people that represents various interests, which to the respondents view has covered satisfactory grounds. With regard to the number of women directors, results revealed that state corporations have at least two female members (65 %) while (25 %) disagreed with the statement whereas (10%) were neutral. This indicates that according to the majority of the respondents, most appointments in state corporations have a considerable number of female members on the board.

The question on whether the board membership include people of all age brackets, majority (65 %) were in agreement, (25%) disagreed with the statement and (10%) were neutral This implies that State corporations boards of management have people representing all age brackets especially going by the current appointments in the government where the youth were well considered . With regard to educational qualification of the members, majority (60%) disagreed that most of the board members have at least a bachelor's degree, (35%) agreed with the statement whereas (5%) were neutral. This implies that education qualification is not necessarily the main criteria of board appointment in the state corporations in Kenya.

The study sought to find out whether the professional qualification of board members is not limited to their sectors, 65% agreed that the board has members from different professions, 27.5% disagreed with the statement whereas 7.5% were neutral which concludes that boards in state corporations are made up people from different professional background. On whether board diversity does not affect the overall performance of state corporations, 52.5% disagreed with the statement, 32.5% agreed while 15% were neutral. This implies that diversity of the board membership influences the overall performance state corporations in the tourism industry.

The mean score of the results from the statements on board diversity ranged between (2.7 and 3.5). The statement with on gender having the highest contribution to board diversity, (M= 3.5, SD=1.08) whereas the educational qualification had the lowest contribution on diversity (M=2.7, SD=1.20) this signifies that the inclusion of women on the board is quite strategic in boosting the performance of state corporations in the tourism industry in Kenya.

4.4.2 CEO's Attributes (Tenure and Experience)

The study sought the views of the management staff of the six state corporations on the effect of the CEO's attributes measured through tenure and experience on performance of their respective organizations and the results obtained are presented in table 6 below:

TABLE 6

CEO Attributes

Statement		SD	D	N	A	SA	T	M	SD
Hiring of the CEO in your organization is based on a competitive process as stipulated in the public service ACT	**F**	2	8	4	22	4	40	3.5	1.11
	%	5	20	10	55	10	100		
The tenure of the CEO in your organization is three years which is renewable	**F**	2	9	3	22	4	40	3.4	1.10
	%	5	22.5	7	55	10	100		
The CEO's tenure can only be extended based on his or her performance	**F**	4	22	6	6	2	40	2.7	1.14
	%	10	55	15	15	5	100		
The minimum qualification for a CEO in your organization is a master's degree or higher.	**F**	2	11	2	22	3	40	3.4	1.12
	%	5	27.5	5	55	7.5	100		
Work experience of the CEO is an important factor in your organization's performance	**F**	4	7	7	8	14	40	3.5	1.50
	%	10	17.5	17.5	20	35	100		
Tenure, educational qualification and experience determine the performance of your organization	**F**	5	3	7	13	12	40	3.6	1.34
	%	12.5	7.5	17.5	32.5	30	100		

Source: Primary data

From table 6 above, majority of the respondents (65%) agreed with the statement that the CEOs are hired competitively, (25%) disagreed whereas (10%) were neutral with the statement. This implies that in the view of the majority of respondents, the hiring process of the CEO in their respective organizations is competitive. On whether the tenure of the CEO is three years and renewable, majority (65%) agreed and (27.5%) thought otherwise and 7.5% were neutral to the statement. This agrees with the public service ACT where a CEO is supposed to work for a period of three years, which can be renewed, based on many factors.

The study sought to determine if the CEO's tenure is extended based on performance, majority of the respondents (65%) disagreed with the statement, (20%) agreed with the statement whereas (15%) were neutral. This implies that extension of tenure does not depend on performance achievements. Further, when asked to state whether job experience of the CEO is important, majority (55%) agreed that experience is important**,** (27.5%) disagreed with the statement whereas (17.5%) were neutral. This suggests that in the view of the respondents, experience is important in running state corporations effectively. On whether tenure and work experience influence performance of state corporations, (62.5%) of the respondents agreed, (20%) disagreed whereas (17.5%) were neutral. This implies that in the opinion of the respondents, experience and the period that one has been in an institution plays a significant role on the overall performance of the state corporation in the tourism industry.

The mean score range for CEO attributes was between (2.7 to 3.5) with the highest contributor towards the CG being competitive hiring and experience (M=3.5). While the lowest contributor on CG was CEO tenure posting (M=2.7, SD=1.14)).This implies that government should ensure that hiring of the CEOs is competitive to enhance performance in state corporations in the tourism industry.

4.4.3 Audit Committee

The study sought the views of the management staff of the six state corporations on the effect of audit committee practices in their organizations using the five point Likert scale and the overall mean score for every indicator determined where: SD=(1),strongly disagree, D=(2)agree, N=3 Neutral, A=(4)agree and SA=(5)strongly agree. The results are presented in table 7

TABLE 7

Audit Committee

Statement		SD	D	N	A	SA	T	M	SD
There is an audit committee or its equivalent in your organization's board administration	F	3	8	3	22	4	40	3.4	1.15
	%	7.5	20	7.5	55	10	100		
Inside directors form the majority of the audit committee membership in your organization	F	3	20	2	12	3	40	2.8	1.18
	%	7.5	50	5	30	7.5	100		
Audit committee makes use of external auditors to perform their oversight role in your organization	F	10	14	5	8	3	40	2.5	1.28
	%	25	35	12.5	20	7.5	100		
The audit committee is not influenced by any other person when they give their opinion	F	3	10	2	22	3	40	3.3	1.16
	%	7.5	25	5	55	7.5	100		
The audit committee meets as scheduled in the public sector guidelines to enhance maximum oversight role	F	4	6	4	21	5	40	3.4	1.20
	%	10	15	10	52.5	12.5	100		
Independence, and the frequency of meetings by the audit committee determines the performance of your organization	F	3	8	4	21	4	40	3.3	1.15
	%	7.5	20	10	52.5	10	100		

Source: primary data

Table 7 reveals that majority of the respondents (65%) agreed that audit committee exists in their organizations whereas (27.5%) disagreed and (7.5%) were neutral. This indicates that SCs have complied with the requirement of having an audit committee. On whether inside directors' form the majority of the audit committee, (57.5%) disagreed with the statement, (5%) were neutral whereas (37.5%) agreed with the statement. This means that state corporations are complying with this requirement of having more outside directors to handle oversight function.

On whether the audit committee makes use of external auditors, (60%) disagreed that the audit committee makes use of external auditors to perform the oversight in the organization, (27.5%) agreed while (12.5%) were neutral. This confirms that both audit committee and external auditors are separately committed to provide oversight in the state corporations. On whether the audit committee is not influenced when they give their opinion, (62.5%) agreed, 32.5% disagreed with the statement whereas (5 %) were neutral. This implies that the audit committee is independent

Majority of the respondents (65%) agreed that the audit committee meets as scheduled in the public sector guidelines to enhance maximum oversight role, (25%) disagreed with the statement whereas (10%) was neutral. This confirms that the board of management ensures that they follow what they are required to do by their employer through scheduled meetings. On whether the audit committee's independence and the frequency of their meetings determine performance of the organization, (62.5%) agreed with the statement, (27.5%) disagreed while 10% were neutral signifying that independence and frequent meetings are important factors.

On mean analysis, the item with the highest score was that, audit committee meets as scheduled (M=3.4, SD=1.20) and the one with the lowest score was that audit committee depends on external auditors to perform their work (M=2.5, SD=1.30). These results signify that, in terms of audit committee effectiveness, the number of meetings that the committee has in one year greatly determines the corporate performance of state corporations than if they only depend on the work of external auditors.

4.4.4 Organization Performance

The study sought the views of the management staff of the six state corporations on the performance of their organizations given the prevailing corporate governance practices and the results obtained were summarized and presented in table 8 below, where: SD=(1),strongly disagree, D=(2)agree, N=3 Neutral, A=(4)agree and SA=(5)strongly agree and results discussed.

TABLE 8

Organization Performance

Statement		**SD**	**D**	**N**	**A**	**SA**	**T**	**M**	**SD**
The budgetary allocation in your organization always cover what is projected	**F**	4	19	3	11	3	40	2.7	1.19
	%	10	47.5	7.5	27.5	7.5	100		
All the projects in your organizational plan are implemented within stipulated time period	**F**	4	16	3	15	2	40	2.8	1.18
	%	10	40	7.5	37.5	5	100		
Your organization has a clear human resource policy and everything is based on the government policy on employment	**F**	5	18	2	10	5	40	2.8	1.30
	%	12.5	45	5	25	12.5	100		
Your organization has clear mechanism of handling corruption cases as per the government guidelines	**F**	7	15	2	13	3	40	2.7	1.29
	%	17.5	37.5	5	32.5	7.5	100		
Your organization has met the government requirement on national values and cohesion	**F**	5	19	3	10	3	40	2.6	1.20
	%	12.5	47.5	7.5	25	7.5	100		
The overall performance aggregate of your organization based on all the indicators mentioned is over 50 percent	**F**	2	8	7	11	12	40	3.6	1.25
	%	5	20	17.5	27.5	30	100		

Source: primary data

From table 8 above, findings revealed that majority (57.5%) disagreed with the statement that the budgetary allocation always covers what is projected, (35%) agreed with the statement while and (7.5%) were neutral. This implies that probably the budget process is not working well in State Corporation in Kenya. On whether, all the projects planned are implemented within the stipulated time, majority (50%) disagreed with the statement, 42.5% agreed with the statement while 7.5% were neutral. This suggests that there is a problem with regard to prioritization of projects within the state corporations in Kenya. With regard to human resource policy in state corporations, majority (57.5%) disagreed that it is based on merit, (37.55%) agreed with the statement whereas (5%) were neutral. this means that the issues of human resource policy is not well formulated as per the government guidelines in public service.

On the question of corruption, Majority (55%) disagreed that there is a clear mechanism, (40%) agreed while 5% were neutral. This implies that the issue of corruption is still a problem in many of the state corporations in Kenya. On whether the organizations have met government policy on national values, majority (60%) disagreed with the statement, (32.5%) agreed while (7.5%) were neutral, this implies that national values and cohesion in state corporations is ongoing and cannot be achieved over night. On whether their organizations have surpassed 50 percent mark with regard to the indicators mentioned, (57.5%) agreed with the statement, (25%) disagreed, while (17.5%) were neutral. This implies that, despite poor rating on individual indicators, the overall performance according to the respondents is above average.

Further, the study performed the mean and standard deviation analysis on the performance. The results revealed that the mean score ranged from (2.6 to 3.5) with the highest contributor being the statement that CG practices affect corporate performance (Mean=3.6, SD=1.25) and the least contributor being national cohesion with mean of (2.6 , SD=1.2) which implies that state corporations must work on CG practices in order for them to improve.

4.5 Reliability and Validity Analysis

In order to establish the reliability and validity of the instruments, the questionnaire was tested on the selected sample in one of the corporation, which was not part of the study sample. The following results were obtained.

4.5.1 Validity

Validity is the degree by which instruments accurately targets the contents that the test is designed to address, Kothari (2004). The experts in academic were consulted with regard to the questionnaire content and their suggestions were finally incorporated in the final draft.

4.5.2 Reliability

Cronbach's test was performed on the four variables (board diversity, CEO attributes, audit committee and performance). The results are presented in table 9 below.

TABLE 9

Cronbach's Alpha

Variable	Number of items	Reliability Coefficient alpha
Boar Diversity	06	0.7794
CEO Tenure & Experience	06	0.7204
Audit Committee	06	0.8387
Organization Performance	06	0.7107

Source: **Primary data**

The results from table 9 above shows that Cronbach's alpha for all the variables under study were higher than 0.7 thresholds suggested by (Field, 2005) that **α** greater than 0.9 is excellent, **α** greater than 0.8 is good and **α** above 0.7 is acceptable and below 0.7 is questionable. Hence, the results above confirm that the internal consistency of the instruments was not violated.

4.6 Diagnostic Tests

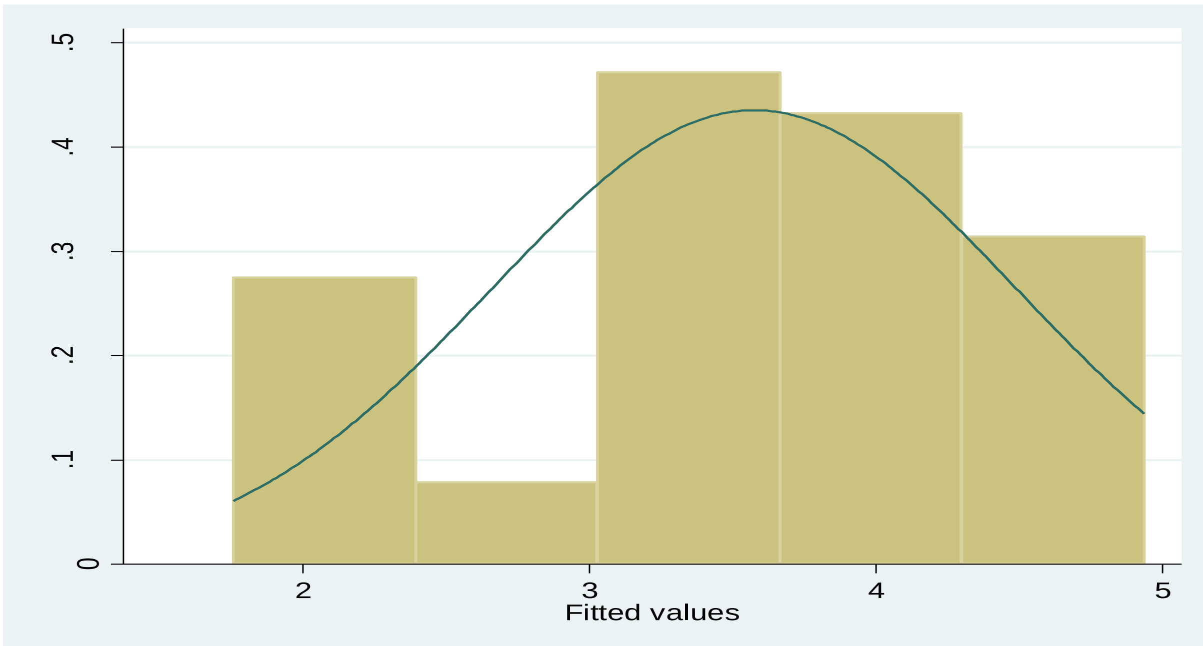
In order to use Ordinary Least Square (OLS) and get credible results, several tests were performed on data to ensure that the CLRM assumptions are not violated. The specific tests include the Normality test, multicollinearity test and the Heteroscedasticity test. The normality test and multicollinearity tests were done before regression was carried out while the test for Heteroscedasticity was done after running the regression. These tests are discussed in details next

4.6.1 Test for Normality

To test data for normal distribution of pattern, both the histogram and (Shapiro-Willk test) were applied on residuals. In theory, normality is confirmed when the curve for histogram is bell-shaped whereas the p-value in Shapiro-Wilk test should be above 0.05(insignificant) to signify normality of data. The results on histogram and Shapiro test of normality is presented below

FIGURE 2

Histogram Test for Normality



Source: Stata output

The results obtained in figure 2 above shows a histogram bearing a bell shaped curve, which essentially indicates normal data. However, graphical plot alone does not provide enough evidence of normality; hence, a non-graphical technique was used (Shapiro-Wilk test). The results for Shapiro-Wilk test are presented in table 10

TABLE 10

Shapiro-Wilk Normality Test

```
. swilk e

                   Shapiro-Wilk W test for normal data

    Variable |        Obs       W           V         z       Prob>z
-------------+------------------------------------------------------
           e |         40    0.94485      2.180     1.640    0.05050

.
```

Source: **Stata output**

Table 10 reveals that residuals have a p-value of (0.05050) which is greater than 0.05 threshold, which signifies that the error term of the model is normally distributed.

4.6.2 Test for Multicollinearity

According to Gujarat (2003), multicollinearity is a situation where the explanatory variables are highly correlated with each other, which may cause unrealistic results during regression. In order to solve this problem, two techniques are available that is the pairwise correlation and the variance inflation factor technique (VIF). The first test for multicollinearity among explanatory variables was performed using pairwise correlation and the results are presented in table 11

TABLE 11

Pair Wise Correlation

	Performance	Board Diversity	CEO Attributes	Audit Committee
Performance	1.0000			
Board Diversity	0.6250*	1.0000		
CEO Attributes	0.3996*	0. 3679*	1.0000	
Audit Committee	0.5569*	0.4114*	0.2158	1.0000

Source: Stata Output

Findings in table 11 above revealed that all the explanatory variables involved in the study (Board diversity, CEO attributes and audit committee are not strongly correlated) below the 0.8 threshold for data to have multicollinearity problem, (Gujarati, 2003).

Multicollinearity can also be identified based on the Variance Inflation Factor (VIF). A VIF greater than 10 suggest the presence of multicollinearity. Results of VIF are in table 12.

TABLE 12

VIF Test for Multicollinearity

Variable	**VIF**	**1/VIF**
Audit Committee	1.34	0.749
Board Diversity	1.21	0.826
CEO Attributes	1.61	0.859
	Mean VIF=1.24	

Source: Primary data

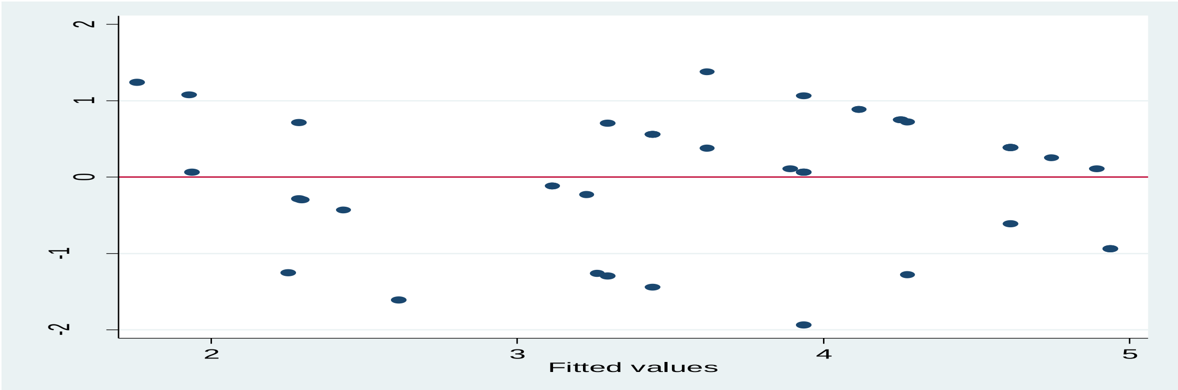
Results obtained in table 12 reveals that all the variables had the VIF less than 10, which implies that there is no multicollinearity problem in the data set used in the study.

4.6.3 Test for Heteroscedasticity

The pattern of errors should be constant throughout the observations and violation of this assumption renders (OLS) results biased, (Gujarat (2003). To minimize this problem, residuals were subjected to both graphical and non-graphical test on the residuals and the results obtained are presented and discussed in details. The first test for heteroscedasticity involved the **rvfplo**t where the residuals were plotted against predicted values. In theory, there should be no pattern observed in the scatterplot generated. Figure 3 presents the results obtained from the rvfplot test for heteroscedasticity.

FIGURE 3

Scatterplot (Residuals vs. fitted values)



Source: Stata Output

The results in figure 3 above shows a fairly pattern less scatterplot between the residuals and the predicted values. However, given that the above pattern cannot provide absolute evidence, a non-graphical test (Breush-Pagan test) was performed and the results are presented in table 13

TABLE 13

Breush-Pagan Test for Heteroscedasticity

```
. hettest

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity
         Ho: Constant variance
         Variables: fitted values of PERFORM

         chi2(1)      =     0.38
         Prob > chi2  =   0.5403
```

Source: Stata output

The results in table 13 above posted a Prob<chi2 of 0.5403 at 95% confidence hence insignificant which implies that the tests fails to reject the null hypothesis that errors are homogeneous and therefore conclude that there is no possible presence of heteroscedasticity .

4.7 Inferential Analysis

In this section, the study examined the composite effect of corporate governance variables, which had three objectives according to the conceptual framework figure 1 thus: (board diversity, CEO attributes and audit committee) on performance of state corporations in the tourism industry. Specifically, the analysis covered multiple regressions(R-Square and the model fit) and hypotheses (based on the coefficients of regression). The analysis is based on the following regression model:

$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$... (i)

Where:-

Y= Performance of State Corporations
β_0= Constant, showing SC performance in the absence of CG
B1…β3= Regression Coefficients
X_1= Board diversity (Gender, Age and Education)
X_2= CEO Attributes (Tenure and experience)
X_3= Audit Committee (independence and Meetings)
ε =Error Term
The inferential analysis discussion is based the multiple regression results obtained below.

4.7.1 Multiple Regression Analysis

The study performed multiple regression on the variables under study as per the regression model and the results obtained are presented in table 14 below:

TABLE 14

Multiple Regression Analysis

Source	SS	df	MS	
				Number of obs = 40
				F(3, 36) = 13.54
Model	32.7486816	3	10.9162272	Prob > F = 0.0000
Residual	29.0263184	36	.806286622	R-squared = 0.5301
				Adj R-squared = 0.4910
Total	61.775	39	1.58397436	Root MSE = .89793

PERFORM	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
BDIVERSITY	.4949467	.1347355	3.67	0.001	.2216906	.7682029
CEOATTRIB	.1797062	.1160858	1.55	0.130	-.0557268	.4151393
AUDITCOM	.3254159	.1447525	2.25	0.031	.0318442	.6189875
_cons	.4315545	.5386116	0.80	0.428	-.6608004	1.523909

Source: Stata Output

Based on the multiple regression results presented in table 14 above, the R-Squared value is 0.5301, which implies that 53.1% of the observed changes in corporate performance in state corporations in the tourism industry is attributed to corporate governance practices while 46.9% could be other factors not included in the study. The study further concludes the model is statistically significant and fits well in the sense that the F statistic has a p-value of 0.000

4.7.2 Hypotheses Analysis

In this section, the significance of the hypotheses formulated earlier is presented after the regression results in table 14 above. This is presented in table 15 and discussed in details.

TABLE 15

Hypothesis Analysis

Independent variables	Dependent Variable				Hypotheses Results	
	Coefficients	Std. Err	T-Statistic	Significance p>t	Test	Results
Board Diversity	0.494	.1160858	3.67	**0.001**	H01	Positive and Significant
CEO Attributes	0.179	.1447525	1.55	**0.130**	H02	**Positive and insignificant**
Audit Committee	0 .325	.5386116	2.25	**0.031**	H03	Positive and significant
Cons	0.432	.1347355	0.80	**0.428**		

Source: Primary data

Results in table 15 reveals that two independent variables(Board diversity and audit committee) are significant while CEO attributes is insignificant at 5% degree of significance ($p<0.05$):board diversity=0.001,audit committee=0.031) and CEO attributes=0.130. Therefore, the study rejected the first and third hypotheses and concluded that board diversity and audit committee activities have a positive and significant influence on performance of state corporations in Kenya whereas the study failed to reject the second null hypothesis that the CEO attributes understudy (tenure and experience) have no significant effect on performance.

The results further imply that, when all factors are held constant, a unit increase in audit committee activities will lead to 0.325 units increase in performance, a unit increase in board diversity will lead to 0.494 units increase in organization performance. This also suggests that board diversity has the highest influence on performance of state corporations, followed by audit committee activities, which agree with prior studies in Kenya and beyond who found positive correlations between CG practices and various aspects of organization performance (Abdi, 2015, Ismael et al. 2013, Coleman, 2007). The regression coefficients are shown in the regression model $\mathbf{Y} = \boldsymbol{\beta_0} + \boldsymbol{\beta_1 X_1} + \boldsymbol{\beta_2 X_2} + \boldsymbol{\beta_3 X_3} + \boldsymbol{\varepsilon}$**:**

Performance = 0.432+0.494Bdiversity+ 0.325AuditCommittee.

4.8. Discussion of Results

Based on the regression results obtained, all the independent variables (corporate governance practices combined were statistically significant ($p<0.05$) at 5% level of significance in causing variation in the dependent variable (performance). The R-squared was 53.1%, implying that corporate governance in state corporations determines over 5o percent variance in performance and only 46.9% is attributed to other factors which essentially confirms the fact that majority of corporate failures in Kenya's public sector has been attributed to corporate governance where the board of directors have been the prime causes of the problems.

Individually, the results revealed that board diversity and audit committee positively and significantly influenced performance in the public sector in the tourism industry, with board diversity having a coefficient of (0.494, p=0.001) and audit committee (0.325, p=0.031). This implies that board diversity has a stronger effect (49.4%) on performance as compared to other variables since the board is the center of all the activities related to organization performance. The audit committee on the other hand affects (32.5%) of organization since checks and balances are central to organization health and financial strength.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

The purpose of this chapter is to present a summary of the research findings and draw conclusions from the results obtained in the main objectives. It also contains recommendations and policy implications as well as the limitations of the study. Specifically, the following areas are highlighted

5.1 Summary of Findings

The study's general objective was to examine the effect of corporate governance practices on performance of state corporations in the tourism industry in Kenya. The study established that there was a statistically positive significant effect of corporate governance practices on organization performance in the tourism industry in Kenya with R- Squared (53.1%) explaining corporate performance and 46.9%, attributed to other factors. The results are in agreement with findings of (Kombo et al.2014) who established that good corporate governance practices such as board characteristics and CEO characteristics improve organization performance. The results for each objective are discussed.

5.1.1 Findings on Board Diversity

The first objective was to assess the effect of board diversity on performance of state corporations in the tourism industry in Kenya and three aspects of board diversity were assessed viz., gender, age and educational qualification. The results obtained as composite for all the three dimensions together revealed that board diversity has a positive and significant relationship on performance of state corporations in Kenya with coefficient of correlation 0.494,P= 0.001). These findings concur with those of (Habbah, 2010 and Smith et al. 2006) who found out that the presence of women in top management improved firm performance.

5.1.2 Findings on Audit Committee

The third objective was to determine the effect of audit committee activities on performance of state corporations in the tourism industry in Kenya where the study examined the number of meetings as well as the independence of the board. The study observed that audit committee has a positive and significant relationship on performance of state corporations in the tourism industry in Kenya, correlation coefficient (0.325, p=0.031). This finding agrees with those of (Bryan et al.2004, and Felo et al. 2003) who separately found positive correlation between an independent audit committee and quality of earnings as well as quality of information of the concerned organizations. This implies that the function of audit committee is quite important and it is imperative that the government ensures that such committee is active and functional to minimize the wastage, inaccurate reporting and corruption, which have been common in the public sector Kenya. A functional audit committee should also be independent enough to provide adequate oversight on behalf of the public who provide them with funding.

5.2 Conclusion

Based on the findings therefore, the study concluded that there exists a positive and significant effect of corporate governance practices on the performance of state corporations in the tourism industry in Kenya. The state corporations that observe good corporate governance practices perform better those that do not adhere to good governance, which have been witnessed lately in Kenya through the collapsing of public institutions such as Mumias Sugar and Kenya Airways.

Second, board diversity had a positive and significant effect on performance of state corporations in the tourism industry in Kenya therefore there is need for state corporations to expand their board of management since more women bring on board variety and alternative perspectives that is good for organization performance and service delivery to the people.

Third, audit committee had a positive and significant effect on performance of state corporations hence the regulatory authority should ensure that state corporations have audit committee in place, which is independent, and meets as required to enhance their role.

As a result, the study rejected the null hypotheses on board diversity and audit committee and concluded that board diversity and audit committee have positive and significant effect on performance of state corporations in the tourism industry in Kenya and therefore they need be active and functional for better performance and effective oversight.

5.4 Recommendations

The study made the following recommendations based on the results the researcher obtained:

First, boards of management should be quite inclusive and diverse in terms of age, gender and qualification to enhance the quality of deliberations, policy and implementation of strategies.

Second, parliament should have the 1/3 gender rule passed to make it enforceable going forward so that public institutions can benefit from advantages which women bring on board.

Third, the regulatory authorities should ensure that the constitutional requirements on the role of audit committee and other oversight agencies are empowered to minimize impropriety of public resources and enhance their oversight role in all the public sector institutions in Kenya.

5.5 Limitations of the Study

First, the study focused on tourism sector alone which makes the results limited to only tourism sector in Kenya given that every sector of the economy has unique circumstances, environment and mandate and therefore the results cannot be generalized to other sectors.

Second, the study was limited in scope as very few dimensions making up the variables were considered hence that could have given a different outcome had all of them been considered for example board meetings, board size, CEO's specialization, CEO duality, auditors competence).

Third, the sample used was very small (57) and the duration of study was very short. Therefore, further research with a larger sample and a longer time is necessary in future.

5.6 Suggestions for Further Research

Based on this study, it is recommended as follows: First, a similar study can be done within the East Africa region in the tourism industry because tourism is going regional based on the East Africa Community.

Second,, an assessment of corporate governance in the individual institutions making up the tourism industry in Kenya given that they have different mandates and therefore that may be necessary to determine their level of CG practices.

Finally, a comparative study to compare the effectiveness of corporate governance practices in both the public and private sector institutions in Kenya to get an accurate picture of CG.

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APPENDICES

Appendix A: Letter of Introduction

TFC

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~1989~

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KCAU/SGS/MSC/Aug.16/25 *August 5, 2016*

To whom it may concern,

Dear Sir/Madam,

<u>RE: WAFULA MOSES WANJALA REG. NO. 11/01578</u>

It is my distinct pleasure to introduce to you Mr. Moses Wanjala who is a student in our institution pursuing a Master of Science in Commerce at the School of Business and Public Management.

Moses is conducting research on a topic titled: "*Effect of Corporate Governance Practices on Performance of State Corporations in the Tourism Industry in Kenya*" which is part of the requirements of the program he is pursuing. The research as well as the data procured thereof shall be used for academic purposes only.

Any assistance accorded to him is highly appreciated.

In case of further inquiry, do not hesitate to contact the undersigned.

Yours faithfully,

KCA UNIVERSITY
SCHOOL OF GRADUATE STUDIES
05 AUG 2016
P.O. Box 56808 - 00200, NAIROBI

Dr. R. Muchiri Mwangi
Dean, School of Graduate Studies & Research

Appendix B: Research Questionnaire

Dear Respondent,

The intention of this questionnaire is to assess the effects of Corporate Governance on performance of State Corporations in the tourism industry in Kenya as a requirement for the Master's degree in Commerce KCA University. The researcher is focusing on governance issues in the public institutions within the tourism industry bearing in mind the importance of tourism sector in Kenya's social economic development. Your organization has been selected to facilitate this exercise and as a member of the management staff, it will be a great honor for me if you will participate by filling out this questionnaire since your input is what will make this process complete. I give you my commitment that your response will only be used for the purpose of study. Please do not write your name on questionnaire.

Yours sincerely

Moses Wanjala

Name of your Organization…...

Core Mandate………………………………………………………………………………

SECTION A: PERSONAL INFORMATION

This section is concerned with individual information as highlighted which you are requested to share with the researcher by putting an appropriate tick based the choices provided

1. Gender	Response
Male	
Female	
2. Age	Response
18-25	
26-33	
34-41	
42-49	
50 and above	

3.	Educational Qualification	Response
Certificate		
Diploma		
Degree		
Post Graduate		

4.	Level of Management	Response
Supervisory		
Middle Level		
Top Management		
CEO		

5.	Length of Service	Response
0-2		
2-5		
5-10		
10 and above		

SECTION B: EFFECT OF BOARD DIVERSITY

Please indicate to what extent you agree or disagree with the following statements on board diversity in your organization by putting a tick or circle against the options provided as follows:

1=Strongly disagree (SD) 2=Disagree (D) 3=Neural (N) 4=Agree (A) 5= Strongly Agree (SA)

GENDER, AGE AND , EDUCATION		**SD**	**D**	**N**	**A**	**SA**
NO	**STATEMENT**	**1**	**2**	**3**	**4**	**5**
6.	The Government considers diversity as key requirement when constituting the board of management in your organization	1	2	3	4	5
7.	Your board has at least two female directors	1	2	3	4	5
8.	The composition of your board of management includes people of all ages	1	2	3	4	5
9.	The minimum level of education of board members of your organization is a bachelor's degree	1	2	3	4	5
10.	The professional qualification of board members in your organization is not limited to your sector.	1	2	3	4	5
11.	Board diversity has no effect on the overall performance of your organization.	1	2	3	4	5

SECTION C: EFFECT OF THE CHIEF EXECUTIVE OFFICER (CEO)

Indicate to what extent you agree or disagree with the following CEO attributes in your organization by putting a tick or circle against the options provided:

1=Strongly disagree (SD) 2=Disagree (D) 3=Neural (N) 4=Agree (A) 5= Strongly Agree (SA)

TENURE AND JOB EXPERIENCE		**SD**	**D**	**N**	**A**	**S A**
NO	**STATEMENT**	**1**	**2**	**3**	**4**	**5**
12.	Hiring of the CEO in your organization is based on a competitive process as stipulated in the public service ACT	1	2	3	4	5
13.	The tenure of the CEO in your organization is three years which is renewable	1	2	3	4	5
14.	The CEO's tenure can only be extended based on his or her performance	1	2	3	4	5
15.	The minimum qualification for a CEO in your organization is a master's degree or higher.	1	2	3	4	5
16.	Job experience of the CEO is an important factor in the organizational performance of your organization	1	2	3	4	5
17.	Tenure, educational qualification and experience determine the performance of the CEO in your organization.	1	2	3	4	5

SECTION D: EFFECT OF AUDIT COMMITTEE

Please indicate to what extent you agree or disagree with the statements provided on the effect of the audit committee on performance in your organization on the selected areas indicated by putting a tick or circle against the options provided:

1=Strongly disagree (SD) 2=Disagree (D) 3=Neural (N) 4=Agree (A) 5= Strongly Agree (SA)

INDEPENDENCE AND FREQUENCY OF MEETINGS		**SD**	**D**	**N**	**A**	**SA**
NO	**STATEMENT**	**1**	**2**	**3**	**4**	**5**
18.	There is an audit committee or its equivalent in your organization's board administration	1	2	3	4	5
19.	Inside directors form the majority of the audit committee membership in your organization	1	2	3	4	5
20.	Audit committee makes use of external auditors to perform their oversight role in your organization	1	2	3	4	5
21.	The audit committee is not influenced by any other person when they give their opinion	1	2	3	4	5
22.	The audit committee meets as scheduled in the public sector guidelines to enhance maximum oversight role	1	2	3	4	5
23.	Independence, qualification and the frequency of meetings by the audit committee determines the performance of your organization	1	2	3	4	5

SECTION E: ORGANIZATION PERFORMANCE

Please indicate to what extent you agree or disagree with the following statements regarding the performance of your organization based on the indicators provided by putting a tick or cycle against the options in the table using:

1=Strongly disagree (SD) 2=Disagree (D) 3=Neural (N) 4=Agree (A) 5= Strongly Agree (SA)

Financial Stewardship, Strategic implementation, Service delivery, Operation Matters.						
		SD	D	N	A	SA
NO	**STATEMENT**	**1**	**2**	**3**	**4**	**5**
24.	The budgetary allocation in your organization always cover what is projected	1	2	3	4	5
25.	All the projects in your organizational plan are implemented within stipulated time period	1	2	3	4	5
26.	Your organization has a clear human resource policy and everything is based on the government policy on employment	1	2	3	4	5
27.	Your organization has clear mechanism of handling corruption Cases as per the government guidelines	1	2	3	4	5
28.	Your organization has met the government requirement on national values and cohesion	1	2	3	4	5
29.	The overall performance aggregate of your organization based on all the indicators mentioned is above 50 percent.	1	2	3	4	5

Appendix C: State Corporations (Tourism Industry)

Kenya Tourism Board.

Tourism Trust Fund.

Kenyatta International Convention Centre.

Bomas of Kenya.

Tourism Regulatory Authority

Kenya Utalii College.

Tourism Research.

Tourism Fund.

Mt. Elgon lodge.

Sunset Hotel.

Kenya Safari Lodges and Hotels.

Golf Hotel Kakamega.

Kabarnet Hotel

Proposed state corporations for merging and dropping

Kenya Tourism Board to be merged with Kenya Investment Corporation

Tourism Research (dropped) -to Universities and Tertiary institutions

Selected State Corporations

Tourism Finance Corporation (KTC)

Tourism Fund (TF)

Kenya Utalii College (KUC)

Tourism Regulatory Authority (TRA)

Kenyatta International Convention Centre (KICC)

Bomas of Kenya (BOK)

Source: (GOK 2013)