CORPORATE GOVERNANCE PRACTICES AND PERFORMANCE OF KIKIMA DAIRY CO-OPERATIVE SOCIETY

BY

Lucy Matee

This dissertation is submitted in partial fulfillment of the requirements for the award of Masters in Business Administration degree at St. Paul's University

May 2019

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Supervisors: Dr. John Muhoho

Dr. Julius Kahuthia

May 2019

DECLARATION

This Dissertation is a product of my own work and is not the result of anything done in collaboration. It has not been previously presented to any other institution. I agree that this dissertation may be available for reference and photocopying, at the discretion of the institution

Signed …… Date ……

Lucy Matee

Reg. No.: MBAMKS 350418

We confirm that the student under our supervision carried out the work reported in this thesis.

Signed …… Date ……

First Supervisor, Dr. John Muhoho

Lecturer, Faculty of Business and Communication Studies

St. Paul's University

Signed …… Date ……

Second Supervisor; Dr. Julius Kahuthia

Lecturer, Faculty of Business and Communication Studies

St. Paul's University

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ABBREVIATIONS AND ACRONYMS

AIG:	American International Group
CCG:	Centre for Corporate Governance
CEO:	Chief Executive Officer
CFO:	Chief Financial Officer
CMA:	Capital Markets Authority
ICA:	International Cooperative Alliance
KUSCO:	Kenya Union of Savings and Credit Cooperatives Limited
NSE:	Nairobi Securities Exchange
OECD:	Organization of Economic Co-operation and Development
PSICG:	Private Sector Initiative for Corporate Governance
SACCO:	Saving and Credit Co-operative
SASRA:	Sacco Societies Regulatory Authority
USA:	United States of America
WOCCU:	World Council of Credit Unions

DEFINITION OF TERMS

Corporate Governance: This is the system of laws, strategies, traditions, procedures and establishments influencing the manner in which a company is controlled, managed and coordinated (Knell, 2006). Corporate governance is utilized in this research to mean procedures used to run a Sacco.

Corporate Governance Practices: These practices are applied to protect the interests of all these stakeholders. In order for corporate governance to be viable, it is essential that autonomous, non-official executives are not all that free that they do not comprehend the business (Bharadwaj, 2013). Corporate Governance practices are used in this study to mean the deeds of a -cooperative society that ensure optimum performance.

Performance: It is the results of a firm's operations and strategic set up (Tjahjadi, 2011). Performance is used in this study to mean profitability.

Board leadership: It is a group of people who jointly supervise the activities of an Organization which can either be a profit business anon profit or a government agency.

Ethics based culture: It a system of shared assumption, values, and believes that are clearly defined and understood by majority of its members.

Human resource management: Employees are managed in the strategic and coherent manner.

ABSTRACT

Dairy cooperative societies in Kenya play a vital role since they provide members with opportunities of spurring financial, economic and social growth. Corporate governance is considered as the most efficient way of supervising the operations of a firm and ensuring that the main goals of a firm are maximized to make sure that shareholders wealth is taken care of. Corporate governance can also be used to reduce misconduct by organizations and ensure enforcement of policies and decisions aimed at securing rights of shareholders and other stakeholders. This study seeks to determine the influence of board leadership, ethics-based culture and human resource management on performance of Kikima Co-operative Society. The study employs a descriptive research approach with a target population of 28 assistant supervisors, four executive committee members, six members of board and five supervisory committee members. This study used desk study to gather information and research questionnaires to acquire data. The data collected was qualitative data and was analyzed using the Statistical Package for Social Sciences (SPSS) analysis software. The study established that growth in membership as indicated by 36 of the respondents, increase in deposit by 35 and customer satisfaction by 37 had a significant influence on the performance of Kikima Cooperative Society. It's clear that there is a strong and positive statistical correlation between corporate governance practices and performance of Kikima cooperative society as indicated by R2= 0.825 and adjusted R square 0.789 that revealed that 82.5% change in organizational performance can be explained by the changes of all the predictor variables. It also showed that the independent variables had a strong relationship with the dependent variable. The results indicate that board leadership, ethics based culture and HRM positively influence Kikima cooperative society. The study recommended that Kikima should employ competent board of directors who are able to add value to the society.

CHAPTER 1
INTRODUCTION

1.1 Background of the Study

Corporate Governance (CG) practice is an essential management's strategic move that helps to improve the performance of a business. According to Haider, Khan and Iqbal (2015), corporate governance is vital in establishing the connection of a firm to its surroundings including political and social systems, within which it functions. CG involves setting up the structures, procedures and instruments that ensures that the firm is coordinated and controlled such that it improves investor confidence through accountability of members, which improves firm performance. The essence of corporate governance is currently broadly perceived, and all organizations require great administration to succeed and achieve feasible thriving (Chaves, Soler & Sajardo, 2013).

According to Papania (2013) corporate governance is the systems, structured processes that define policies and procedures that influence the way an institution is directed, administered or controlled. Nowadays, firms operate in a rapidly evolving marketplace and technology is a critical factor that helps ensure firms can evaluate their performance and know their progressive nature and growth. According to OECD (2013), indicators of performance are designed to present information on operations in a firm and helps guide it in knowing how it can meet target objectives within a certain time. Corporate governance incorporates relationships among central players, for example, investors, the executives and the top managerial staff while perceiving the objectives for which the company is administered and connections among different partners including providers, clients, workers, banks and different loan specialists and controller as a whole (Manduku, 2016).

As per Nill and Schibrowsky (2015), a firm should be equipped with means of recognizing procedures that guide it when reacting to new challenges in its environment and to adjust as fast as possible. Corporate governance practices main goal is to safeguard the mutual interests of stakeholders and to achieve autonomy, justice, transparency, accountability which would lead to maximizing profitability, new growth opportunities

and customer satisfaction via constant improvement in its performance (Qatawneh, 2015).

A study done by Manduku (2016), organizations in Kenya have failed as a result of poor corporate governance practices, with the current ones being Imperial Bank, Chase Bank, Nakumatt Holdings and Uchumi Supermarket that are trying their best to remain afloat. As per the International Cooperatives Alliance 2012 data, one in every five Kenyans is an individual from a cooperative society making up a total of between 5.9 million and 20 million Kenyans on such societies. In addition, these societies are in charge of 45 percent of Kenya's GDP and 31 percent of national reserve funds and deposit. They have 76% dairy, 90% pyrethrum, and 95% of cotton. The agreeable development in Kenya additionally utilizes in excess of 250,000 individuals. Therefore, cooperative societies form a crucial financial player in a country's economy.

The Kenyan dairy industry is the single biggest rural sub-area and it adds to 14 percent of agrarian Gross Domestic Product (GDP) and 3.5 percent of complete GDP (Abdullah and Valentine, 2014). The Ministry of Livestock Development appraises the complete yearly milk generation in the nation at 3.5 billion liters, meaning a normal yield for every dairy animal at 564kgs yearly for both indigenous and grade cows and 1500 kilograms for grade cows. Though the dairy industry has been growing, after years of decline and disruption by liberalization, Kenya's output has been fundamentally beneath worldwide benchmarks; South Africa and Argentina have yields going somewhere in the range of 2,500 and 3,500 kilograms for every year, while the USA remains at a normal of 9,000 kilograms annually. With the many challenges they experience, some dairy cooperative societies have flourished and expanded their services to value addition and there by becoming a major player in Kenya such as Kikima Dairy Cooperative society in Makueni County, Kenya (Ministry of Trade and Cooperatives, 2014).

1.1.1 Corporate Governance Practices

Corporate governance includes customs, laws, policies and processes and institutions that affect how a firm is managed (Donaldson & Preston, 2013). It includes the objectives with which an enterprise is managed and the different relations among stakeholders. The shareholders, board of directors and management are termed as the main stakeholders.

Other stakeholders include customers, financial institutions, workers, contractors, the government and its agencies. Bharadwaj (2013) allude that these practices are applied to protect the interests of all these stakeholders. The firm's competitive advantage is affected by how the firm controls and manages its resources. It also determines the accessibility to outside finance and improves investors' confidence (Brownbridge, 2014). Corporate governance is multifaceted in co-operative organizations compared with conventional organizations, because the ownership structure is different or varied as a result of the democratic way in which decision making has to be done.

Many organizations, corporate governance is a major issue since it represents chances that have value addition benefits and how to cope with threats or risks. Hence, the corporate governance practices improve a firm's performance. This gives it a competitive edge, attracts investors and increases lender confidence (Armstrong & Spellman, 2015). Efficiently managed enterprises perform better and are highly valued on global rankings than inadequately governed organizations. CG practices center on the board's role, rights of shareholders, ethics-based culture and full information disclosure by firms (Gompers & Metrick, 2013). This makes corporate governance a sensitive subject especially for development and performance subtleties of credit unions which are referred to as savings and credit co-operatives in Kenya.

Gurmessa and Ndinda (2014) contend that the organization should encourage joint workforce between the firm and its stakeholders in jobs creation, sustainable competition and creation of wealth. Every organization, through the assistance of board members should be guided by an ethics code that outlines concepts, operating standards and corporate values that manage its strategic conduct and defines the principles and standards applicable to the organization and all its stakeholders. The behavior and activities of a firm towards stakeholders are critical in ensuring it successfully implements a strategy (Manzaneque, Priego & Merino, 2015).

Full disclosure of information relating to rules and steps set up to deal with conflict of interest or connected relations (Salim, Arjomandi, & Seufert, 2014). It also includes salaries or remuneration, distinguishing the sums payable to top management and members of board including other reimbursements and bonuses. The organization should

also publish officially qualified auditor reports of the past five years. Additionally, accessibility of annual reports by publishing them on the organization's website helps ameliorate investor relations. The presentation during corporate meeting should also be presented digitally on a firm's website and annual report which contains specific segment committed to corporate governance (Leal, Carvalhal & Iervolino, 2013).

1.1.2 Organizational Performance

According to VO and Phan (2013), performance refers to the real yield or outcomes of a given association as considered beside the expected targets. Firm performance envelops three viewpoints: financial performance, that is, benefits, return on resources and quantifiable profit; item showcase performance and shareholder return that incorporates add up to shareholder return and financial esteem included. Firm performance measures the yield of a specific procedure or methodology, then adjusting the procedure or strategy to build the yield, increment proficiency, or increment the adequacy of the procedure or system. Nenova (2013) indicated that the modern business environment, examination and estimation of association's performance plays a critical part in the achievement of the association and a lot of work has to be done on this.

The assessment of Performance is typically done by figuring the estimations of subjective and quantitative Performance markers like benefit, cost, and customers (Outa & Waweru, 2016). It is vital for an organization to decide the fundamental Performance markers and how they identify with the organization's objectives and their reliance on the performed exercises. Such assessment is done in a casual way and advantages more from the orderly approach. Making unequivocal the accessible learning on Performance markers and how they are connected is an underlying stride towards a change around there. This does not just add to the plan and examination of associations and the assessment of their performance additionally empowers re-utilize, trade and arrangement of learning and exercises between organizations. Therefore, the performance of organizations depends on financial perspective (rate of return, interest rate, leverage, total revenue) and non-financial perspective which includes customer satisfaction, service error rate, and customer retention (Plex, 2017).

Performance includes financial and non-financial indicators that present data relating to level of achievement of objectives and results (Qatawneh, 2015). It can also be defined as the results of a firm's operations and strategic set up. Numerous enterprises observe performance as how a firm achieves it goals, objectives, and purpose. In addition, many corporations observe how they perform in terms of how efficiently they use their resources to reach a target. According to Mohan and Chandramohan (2018), a firm needs to be sustainable in the end, in such a way that it is economically viable and at the same time remain relevant to its customers, employees and other stakeholders, as it increases profitability and returns to its members thus increasing its membership growth.

1.1.3 Effect of Corporate Governance Practices on Organizational Performance

Research on corporate governance practices mainly states that the board of directors is reactive bystanders; they are liable for any poor performance due to their failure to identify and readjust in accordance to market changes (Shuto & Iwasaki, 2014). Board of directors instead bring to organizations a combination of understanding of internal strengths and prospects from outside the organization which are important in choosing the firm's standing and competitive basis and are capable of adjusting to changes depending on resources available and target objectives. CG helps in characterizing the connection between the organization and its general condition, the social and political frameworks in which it works. Zhang, Robin and Wu (2016) contended that corporate administration is connected to monetary execution.

The way procedures and controls are composed influences the organization's execution of its mandate and objectives. Corporate governance decides the conditions for access to capital markets and the level of investor's confidence. Soheilyfar (2014) attributed the close relation of various assets that a firm has and its capabilities enhancement. This includes a firm's market knowledge by managers and how it can work on change management. Consequently, corporate governance is observed as recommended practice that leads to a firm being highly valued resulting in sustainable performance.

Corporate governance structure is essential in setting up of a firm's operational structure about performance matters and stakeholders' relations. Papania (2013) reported that the anticipated effect between CG practices and how a firm performs could be elaborated as

where a researcher anticipates an optimistic or negative affiliation of the two factors. Low-level transparency between insiders, outsiders and controlling shareholders, causes potential conflict of interest. The principle-agent problem and the resultant agency costs come about when the prime interest of the firm's management differs from those of investors. This can be attributable to agency costs that affect revenues negatively. Lack of transparency brings about agency costs, which affect an organization's performance and its ability to utilize growth opportunities (Outa & Waweru, 2016).

1.1.4 Dairy Cooperative Societies in Kenya

Vo and Phan (2013) pointed that cooperative societies face serious and fundamental problems in managerial as majority of members lack understanding of everything connected with the process by which a particular form of cooperative societies operates, failure to initiate projects for increasing revenue and inability of members including their administrators to comprehend the problems in question. The governance structure of a co-operative entails carrying out an annual general meeting (AGM), five elected executive committee members, four elected members of board or ordinary directors, three elected supervisory committee members, the executive management and the operational staff members (Kobia, 2012). The number of members in the committees and management and operational staff differs from one cooperative societies to another depending on their constitutional structure.

As per SASRA (2017), a cooperative society is essentially a group of individuals who join forces with similar objectives aimed at financial, economic and social growth. The International Co-operative Association (ICA, 2017) stated that, a co-operative is a self-governing group of people who work on a voluntary basis to meet set economic, financial and social well fares. Many Kenyans are reliant on cooperatives that offer savings and credit facilities that meet medical, educational and other development needs.

According to SASRA (2017), there are 5,122 Sacco's in Kenya holding over 6.1 million members and savings amounting to Kes.420B with assets amounting to Kes. 500B. Cooperative societies are guided by Sacco Societies act of 2008 that substituted the co-operative society's act of 2004. The instituting and elevation of co-operative societies in Kenya is a significant way of meeting various financial, social and cultural needs

(Ministry of Trade and Cooperatives, 2014). In Kenya, the cooperative societies receive milk when it is raw where it is then processed and packed into fresh, mala, yoghurt, butter or ghee products. The county has 415 registered co-operative societies, 330 being active. Milk production has really improved at Makueni County. The milk production in this county is produced by small-scale dairy farmers and large-scale dairy farming but on zero grazing system. The milk is marketed through co-operative societies and hawking around Nairobi.

1.1.5 Kikima Cooperative Society

Kikima Cooperative Society is a dairy processing plant operating in production of milk and other dairy products in Makueni County. The plant was opened in January 2018. Its opening commenced with the introduction of a new milk brand, Makueni Fresh and viewed as a big boon to the dairy farmers in Makueni. At inception, the project had the capacity to homogenize, pasteurize and pack UHT milk, 300kg per hour and 6600 liters in a day but this capacity has since been increased as supply and demand for dairy products increase. The Dairy plant ensures that Makueni County produces 18 Million litres of milk annually against a demand of 340 Million litres, which guarantees market for 'Makueni Fresh milk'.

The products of Kikima Cooperative Society hit the market and gave the local farmers in Makueni an edge over others in the County and beyond. Kikima Dairy Farmers Cooperative Society owns the dairy facility and is therefore involved in making contact with retail supermarkets, institutions and other consumers regarding the marketing of its products. The society embraces different modern milk production technologies. The study sought to investigate the influence of corporate governance practices on performance of Kikima Cooperative Society.

1.2 Statement of the Problem

Various studies have indicated that the objectives pursued by shareholders and corporate managers tend to differ and are contradictory about their individual interests and this has given rise to corporate governance which is said to minimize the spill over. Good corporate governance practices enable firms to keep off from scandals and fraud and enhance the organization’s image on public domain. It is also important for companies to

improve the performance of the firm, enhances investment atmosphere, ensures investor rights, as well as promote economic development (Shastri & Braga, 2011).

In Kenya, cases of corruption have brought about many debates in many business and legal sectors which have in turn influenced the confidence of both local and foreign investors(Munyuru,2005).For example, the recently published huge losses and numerous unresolved court cases of Kenya Airways and Kenol Kobil have thrust corporate governance practices into the limelight (Mboka, 2014). Scandals involving poor corporate governance of the directors and managers have been reported in sectors like Euro Bank, Uchumi supermarkets, the NBK, the near collapse of Unga group, and the discovery of secret accounts by some CMC Motors directors (Madiavale, 2011). Kenyan companies need to focus on corporate governance, which would mitigate against some of the risks of doing business. Previous researchers have been only concentrating on Banking and other service industries thereby ignoring other sectors like dairy cooperative society sectors, which are still prone to Corporate Governance issues.

Cooperative movements bring together various classes of people regardless of their socioeconomic status. According to (Armstrong & Spellman, 2015) global changes are occurring constantly due to technological advancement, globalization and competitive nature of markets, hence, firms are faced with a myriad of challenges in an effort to meet set goals and objectives. Organizations look for better means to minimize the effects of these threats by increasing their strengths towards implementing corporate governance practices that are adaptable and responsive to these changing conditions to achieve exemplary performance (Qatawneh, 2015). As cooperative societies become bigger and progressively active, they require explicit information to settle on some of the particular problems that they experience. They require administrative abilities and specialized information to handle the organizations activities and tackle the day to days problems

In the study by Haider, Khan and Iqbal (2015) on the impact of corporate governance on firm financial performance in Islamic financial institutions, it was established that inadequately governed organizations were unpredictable, less lucrative and resulted in lower dividend payment than firms with robust corporate governance policies.

According to Afande (2015), the adoption of corporate governance practices and financial performance of SMEs in Kenya revealed that the way management and control were organized has an impact on the performance of the SMEs and its long run competitiveness. Corporate governance practices assisted in establishing the relationship between the SMEs and its general, social and political environment in which it operates.

Kikima cooperative society experiences poor leadership and management since the board of directors do not follow the laid down regulations and practices as documented in the articles of association and memorandum of understanding They fail to do proper consultation with the shareholders when making decisions thus bringing conflict of interest among the top manages and the shareholders. Unethical behaviors coupled with lack of competent personnel who exposes Sacco's information makes the society performance wanting thus necessitating this study. Previous studies have failed to observe and present the resultant performance effects of these practices on the performance of the cooperative societies. Few studies have been carried out on corporate governance practices and performance effects on dairy Corporative society. This study, seeks to establish the influences of board leadership, ethics, based culture and human resources management practices on performance of Kikima Cooperative society

1.3 Objectives of the Study

1.3.1 General Objective

This study is aimed at assessing the influence of corporate governance practices on Kikima Co-operative Society.

1.3.2 Specific Objectives

This study was guided by the following specific objectives:

i. To assess the influence of board leadership practices on performance of Kikima Co-operative Society
ii. To explore the influence of ethics-based culture practices on performance of Kikima Co-operative Society
iii. To establish the influence of human resource management practices on performance of Kikima Co-operative Society

1.4 Research Questions

This study further sought answers to the following questions:

i. What is the influence of board leadership on the performance of Kikima Co-operative Society?
ii. What is the influence of ethics-based culture on the performance of Kikima Co-operative Society?
iii. What is the influence of human resource management on the performance of Kikima Co-operative Society?

1.5 Significance of the Study

In practice, the findings of this study would be of great significance to Kikima Co-operative Society as well as other dairy cooperative societies in Kenya because they may use this study to formulate strategies that maximize optimal effects of corporate governance on their performance. Cooperative societies can make informed decisions on how to manage the effects of corporate governance. The results of this research would benefit the cooperative societies in Kenya and elsewhere as it would assist them in pointing out the effects of CG practices on their performance.

With regard to policy measures, the study‘s findings might help the policy makers in formulating corporate governance policies and in dealing with exogenous factors affecting performance of cooperative societies. The study would as well offer insights to the governing agencies; citizenry and possible investors regarding Kikima Co-operative Society as well as other cooperative societies in Kenya abide by CG practices and therefore have best chances of longevity via effectual CG practices.

In theory, the academicians would use the results and findings of this study as a reference point and for literature and empirical purposes. Understanding the results of this study would supplement the existing knowledge on this topic. A base would be established to help other scholars develop their research studies. Hence, it would lead to need for extensive research work in corporate governance practices.

1.6 Limitations of the Study

Methodologically, the descriptive research design was employed which allowed for only observational data gathered. Therefore, the findings of the study were only based on the observed population. The study used close-ended questions mainly 5-point Likert scale which might have hindered deeper analysis on the reasoning of respondents' answers. The study however synthesized the data further using inferential analysis to enhance credible conclusions and recommendations. There was likelihood of fear that information disclosed would fall in the hands of competitors or regulators and be used to the disadvantage of the affected cooperative societies. To counter this limitation, the researcher obtained an approval letter from the University, which was used to assure the respondents that the information given would be used for academic purposes only.

1.7 Scope of the Study

The conceptual scope of this study lay on assessing the effects of corporate governance practices on performance of dairy cooperative societies. The specific context of interest was the effects of corporate governance practices on performance of Kikima Co-operative Society. This study was limited to the primary data of Kikima Co-operative Society. Geographically, the study was limited to Makueni County where Kikima Cooperative Society operates. The target population included executive committee, members of board, supervisory committee and management staffs in Kikima Cooperative Society.

CHAPTER 2
LITERATURE REVIEW

2.1 Introduction

Corporate Governance, therefore, refers to the manner in which the power of a corporation is exercised in the stewardship of the corporation's total portfolio of assets and resources with the objective of maintaining and increasing shareholder value and satisfaction of other stakeholders in the context of its corporate mission. This chapter presents the relevant literature on the topic of study. The theories of these study entail general literature on corporate governance practices and performance, empirical review, conceptual framework and the relationship among the variables of the study.

2.2 Theoretical Framework

Theoretical review outlines the suppositions on which the current research is anchored. Scholars when performing research studies to form a foundation for the parameters, or boundaries, of a study, use theories. This study is grounded on agency theory, stakeholders' theory, stewardship theory and Transaction cost theory.

2.2.1 Agency Theory

Alchian and Demsetz (1972) established agency theory, which was later on value-added by Jensen and Merckling (1976). The agency hypothesis expounds that supervisors are more concerned with allowances and high salaries at the investors cost which causes irreconcilable situation between the two parties. As per Mallin (2012), the proprietors, who for this situation are investors, experience office costs since supervisors are observing and controlling their investments for their benefit. However, an agent may resort to resourceful trend, selfish interest and fail to meet set targets of the principal (Jensen & Merckling, 1976).

Under agency theory, issues on management of a corporation under corporate governance is seen as a means via which the executive management, the board of directors act as monitors and work to solve problems arising from relationship of the principal-agent (Mallin, 2012). The main use of corporate governance practices is reduction of the possibility that managers may act in a way that is contrary to shareholders interest

(Carpente & Westpal, 2011). The co-operative governance structure in Kikima is composed of the executive committee, board members, supervisory committee, executive management and assistant supervisors. Good cooperate governance can occur in the organization by putting the balance between the ownership and control and also among the interest of the stakeholders of the firm.in this case the fundamental question is how to ensure that managers follow the interest of stakeholders in order to reduce costs associated with urgency problems.

There has to be separation of ownership between the board members and management, as the principal-agent relationship needs this. For management purposes, good corporate governance practices must be encouraged and cultivated. Normally, principals are in dire need of revenues while agents are concerned with increase in wages.

Through incorporation of good corporate governance practices and using good leadership systems, an increase in wages may be experienced. Additionally, growth of members' deposits because of the culture of a business enterprise, which ensures that the management does not abuse power of the office they hold through a working culture, that is based on ethical approach or means (Manyara, 2004). Monitoring and control of costs is reduced, and managers or agents are able to focus on other wealth creation ventures in a firm. In this study, the board members are agents while the principals are the shareholders. This theory is thus relevant in explaining the roles of corporate governance practices in the management of the organizational affairs that affect their performance.

2.2.2 Stewardship Theory

According to Donaldson and Davis (1991), this hypothesis was propelled as an option in contrast to the organization hypothesis. He contended from the perspective on administrative inspiration by expressing that administration needs to work admirably, to be a decent steward of the corporate resources. The hypothesis attempts to recognize the circumstance where both the investor and the steward interests are adjusted. The hypothesis acknowledges that operators argues that human thought processes are something more other than self-realization.

In this manner specialist that are driven by hierarchical and collectivistic thought processes have a higher utility by going for objectives that are the best for the business which regularly line up with the enthusiasm of its key objective (Bender, 2011). This circumstance is accomplished all the more promptly where the executive likewise seat on the board. Further, the stewardship hypothesis expresses that observing and controls that are proposed by the organization hypothesis interferes with the inspiration of the steward. This could prompt lost profitability and actuate shrewd conduct. Since there is no contention between the investor and the steward, the hypothesis recommends that the operators get strengthening and self-sufficiency from their principals. This prompts an expansion in profitability, and in this structure, they can make a situation where the operators could continue successfully.

This theory therefore relates to the roles of board leadership in execution of corporate governance in the societies.

2.2.3 Transaction Cost Theory

Transaction Cost Hypothesis (Williamson, 1986) was first examined about the choice by a firm whether to accomplish something in-house or to re-appropriate. Exchange costs are the circuitous expenses (for example non-creation costs) caused in playing out a specific action, for instance the costs acquired through redistributing. In order to carry out a market transaction it is necessary to discover who it is that one wishes to deal with to conduct negotiation leading up to a bargain to draw up the contract to undertake the inspection needed to make sure that the terms of the contract are being observed. (Coase, 1937). This hypothesis depends on the way the organizations have turned out to be large to the point that they actuality substitute for the market in deciding the allotment of assets.

As per Solomon (2007), association of a firm, for instance the degree of vertical corporate appears to decide the limits past which the organization can decide cost and created. It is the manner by which a firm is manned out decides its power over exchanges. It is in light of a legitimate concern for the administration to disguise exchanges as much as could be expected. This disguise expels dangers and vulnerabilities on future items and quality. There are paltry and restrictive expenses in doing exchanges in the commercial

center, and it is in fact less expensive for associations to do it for themselves through vertical incorporation.

Customary financial aspects view every monetary specialist as normal, and benefit expansion to be the essential target of the business. On the other hand, exchange cost financial matters endeavors to fuse human conduct in a progressively reasonable manner. In this worldview, supervisors and other financial operators practice a limited reasonability (Simon, 1957). The implication of this theory in this study is that the strategies put in place by cooperative societies will be highly determined by the available resources. This is attributed to the fact that a firm cannot implement an intended strategy if it does not have the required resources. However, the strategies available in the cooperative societies are based on the resources available in the firms. Therefore, the human resources act as a key resource in the cooperative societies. As such, this theory will be crucial in informing the influence of human resource on performance of cooperative societies.

2.3 Empirical Literature Review

CG involves a set of relationships between a company's management, its board, its shareholders and other stakeholders. Corporate governance also provides the structure through which the objectives of the company are set, attained and how the performance are determined. (Manzaneque, Priego & Merino, 2015). CG practices ensure divergent stakeholders' welfare is sound and that sensible decisions are arrived at in a coherent and well-versed manner. An effective co-operative governance structure is one that ensures the firm achieves high performance metrics in line with protecting and advancing the interest of a co-operative society, especially in preserving autonomous decision-making ideologies.

According to Chaves, Soler and Sajardo (2013), an efficient arrangement of corporate governance aids in decision-making, transparency, and accountability internally or externally. Corporate system benefits firms through more prominent access to financing, lower cost of capital, better execution and increasingly positive treatment all things considered. Corporate administration should prompt better execution since directors are

better regulated and organization costs are diminished. Firms with more fragile corporate administration perform ineffectively contrasted with those with more grounded corporate administration as far as stock returns, productivity and profit installments. A well working corporate administration framework encourages a firm to pull in speculation, raise reserves and fortify the establishment for firm money related execution. According to Salim, Arjomandi and Seufert (2014), corporate governance practice trends are mainly associated with established firms.

SACCOS are inclined to have a less conspicuous demarcation between proprietorship and administration compared to larger firms. Since Sacco's are dependent on public funds, the matters surrounding accounting role towards the public sphere does not exist. Consequently, credit provision amenities to associates, growing dividends and disbursement and cutting costs are primary objectives set for members. Additionally, there is a worldwide need for the utilization of these practices in cooperative societies. Bharadwaj, (2013) noted that despite the enormous potential of co-operative societies to significantly contribute to Kenya's development., The performance of the sector has been constrained by a number of factors namely poor governance and limited transparency in their management, market intelligence and market research, weak capital leading to low capital volume, low resource base and narrow borrowing base, and infrastructural weakness occasioned by operational and structural flaws.

According to (Oluoch, 2016), high rates of interest attract more members to save with the Sacco thus creating a bigger pool of finances and they also offer attractive products and better services in order to attract more deposits than their competitors. According to Armstrong and Spellman (2015), customer satisfaction is a key indicator of performance because satisfied customers are likely to provide recurring business. This is because, not only will satisfied customers be loyal and possibly willing to accept higher prices for the goods or services of an organization, but they will also recommend the firm's products to others. In Sacco's, satisfied members will always recommend the Sacco to others which enables the Sacco to grow in membership.

2.4.1 Board Leadership practices and Performance

According to Haider *et al.,* (2015), the board's execution job implies setting the key direction for the organization choosing what it ought to and shouldn't do and guaranteeing that the arrangements are set up to convey on the performance. This execution job is principally about initiative. The executive ought not inactively rubber stamp the executive's choices. So, the executive need to effectively give initiative to the board to accomplish continued, better than expected execution. Setting and affirming procedure is an imperative job for the Board in driving execution of the work.

Almost all organizations are overseen by a top managerial staff, selected or chosen by the investors to run the organization for their benefit. As indicated by Darko et al., (2016), the executives are liable to occasional (frequently yearly) re-appointment by the investors. This would seem to give the investors extreme power, yet in many divisions, it is perceived that execution must be made. Executive need to take care of a number of issues that are related and not conveniently bundled as either conformance or execution related. If executive looks excessively far into one region to the detriment of the other, at that point they may neglect to satisfactorily meet investor's desires. The board of directors comprises of five to eleven officials, but this figure differs depending on the organization.

According to Armstrong and Spellman, (2015), organizations that are highly valued separate the role of CEO and Chairman, they have outside directors and board committees that improve organizational monitoring. The board's composition and decision making should be in such a way that no group or individual dominate it. The procedure to appoint and nominate new board of directors ought to be transparent. For an organization to achieve long-term profitability, it is the role of the board to implement good decision making in guiding the organization, leadership, integrity and innovation for the sake of a brighter future for the firm (Armstrong & Spellman, 2015). Furthermore, the board of directors is expected to use its power, which is subject to regulation, by various elements such as the law, memorandum of articles and incorporation of company laws. Approaches created by the board and affirmed by the shareholders set the way which an office empowers its procedure and rules (Brownbridge, 2014). Approaches can

incorporate reactions to administrative arrangements, just as strategies intended to improve execution (for example worker relations or different patient consideration arrangements). Technique should be supported by many strategies that are focused on supporting prevalent execution for the association objectives. Accreditation is a genuine case of how arrangements can be utilized to guarantee consistence from one viewpoint and upgrade execution on the other. Compelling approaches are normally required to guarantee that practices are sheltered and fulfilling accreditation guidelines (Leal, Carvalhal & Iervolino, 2013).

2.4.2 Ethics Based Culture practices and Performance

According to Soheilyfar (2014), it has indicated that the moral models can be distinguished as the augmentation of personal responsibility, boosting the enthusiasm of numerous individuals and the staffs to an all-inclusive standard of conviction. The top managerial staff is required to do all undertakings in accordance with a company's veritable advantages and great business practices, for example, reasonable work arrangements, condition and societal advantages (Zhang, Robin & Wu, 2016). Corporate administration inventive methodology states straightforwardness and exposure in each business step been taken and avoidance of misrepresentation and degradation from each dimension inside the association. Corporate administration sets least benchmark that will be trailed by working together and executed by the individuals who work with the business. Corporate administration undertaking is basic in present day since it requires saving money for the board. It also envelops giving out information to the financiers or to the general society and administrative specialists. As indicated by Salim *et al.,* (2014) correspondence through corporate administration divulgence is clearly essential as in sufficient revelation to upgrades great CG.

As per Nill and Schibrowsky (2015), they opined that an ethos of transparency, reliance and reverence could motivate workers to defy settlement and the means of execution. According to Leal, Carvalhal and Iervolino (2013), morals in corporate administration alludes to organization's arrangements and procedures that bargain with those issues, which are identified with the everyday activity of the business. A substantial number of issues emerging in this setting have to do with the Ethics person and the job the person in

question must play to support business moral qualities that can later be accepted by whoever is left in the association. To fuse moral administration in the underlying foundations of any association. The foundation is to make the conduct of association executives to shine, as their practices are to be trailed by the whole organization.

Any association neglecting to do so will tarnish its great name and believability (Mohan & Chandramohan, 2018). Corporate moral projects in any association helps in lessening the quantity of contentions, which may emerge, and it additionally guarantees the smooth going of tasks. In the present business condition, organizations are confronting numerous moral issues, a portion of these incorporate duty sparing, debasement, deceitful exercises, and not giving appropriate rights to investors (Nill & Schibrowsky, 2015). The essential reason for the business is to create benefit however, that reason must be accomplished in a moral way. The social impact, for example, connection-based priority and social 'obligations involve an alternate methodology from the past. There must be a decent methodology that boast and take care of moral issues.

Strife in corporate governance emerges when more consideration is given to the requirements and interests of larger part investors forgetting that minority investors requires getting their rights too. This convention gives more delegation of power to managers and chances of ruinous activities increases (OECD, 2013). Governance is seen as a strategic matter involving people's expectation. According to Papania (2013), for an organization, its most important expectation is apprehensive of which direction to take, who to follow and determination of purposes of the organization. The function of corporate governance practice and the supervisory structure where firm's main role links not only to the power to affect objectives, but the supervision process, activities, choices, and accountability related matters. All directors sitting on boards are expected to disclose at least annually during their first appointment year to external auditors any interests, may it be personal or business-based on the fact that it may cause conflict of interest (Awan & Akhtar, 2014). More disclosure may lead to increased value of a firm, which may lead to overall improvement of corporate governance activities.

2.4.3 Human Resource Management Practices and Performance

The operational performance is a function of people, process and technology. Gompers and Metrick (2013) indicates, that while HRM experts pride themselves on having the capacity to decide the individuals who are qualified versus the individuals who are not, the reality remains that barely any, new representatives can genuinely come into an association and quickly turn out to be completely functional. For viable cooperation of individuals with innovation and procedure, they should be equipped with the required learning, aptitudes and capacities.

Human resource governance helps in characterizing the connection between the organization and its general condition, the social and political frameworks in which it work. Human management executes leadership procedure of influence by utilizing their management skills and knowledge (Manzaneque *et al.,* 2015). Even if leadership is learned, the aptitude and facts a leader possesses is subject to influence his or her traits or attributes for example, their character, what they believe in and their ethics and values. Nill and Schibrowsky (2015) indicated that education and experience have impact on the performance of individuals. Workers perform relatively better with the increase in experience but in education, it is otherwise. When these factors increase greatly the performance is found to decline even more (Bhargava, Kotu & Anbazhagan 2014).

While skills and knowledge directly contribute to the leadership process, it is other characteristics that a leader possesses that make him or her distinctive. An organization cannot function well without an effective leader because it is the leader's role to determine the goals the firm seeks. Leaders also progress management systems that guide the firm's operations, they design a firm's operating structure suitable for the tasks to be done and motivate employees to take up these responsibilities or tasks (Qatawneh, 2015). Lack of leadership in a firm leads to poor implementation of corporate governance practices which would enable the firm not to meet its obligations. As a result, a Sacco can grow its member's database, which then spurs their deposits, and customers are content with the effective management.

2.4.4 Organizational Performance

The performance of an organizations is essential since it leads towards the development of the entire area where it is placed and to the general flourishing of the economy, (Burca and Batrinca, 2014). As indicated by Richard, Devinney, Yip and Johnson (2009) hierarchical execution thinks about three particular zones of an association's yield: budgetary execution as estimated by benefits, return on resources, return on speculations; item advertise execution as estimated by deals volumes and piece of the pie and in conclusion investor return as estimated by monetary esteem included. Authoritative execution considers non-monetary, money related consequences of an associations, and it is not confined to financial results (Upadhaya, Munir & Blount, 2014). In view of the finding by Abu (2014) on the commitment of Jordanian firms to execute corporate governance policies to attract foreign direct investments.

The Jordanian firms were dedicated towards implementing corporate governance in their operations, which enhanced their steadfastness and improved their financial performance. This is crucial while trying to build investors' confidence hence making a firm be a global competitor. Salim, Arjomandi and Seufert (2014) sought to establish whether corporate governance affects Australian banks' performance. Their research was limited by the fact that, although investors gave priority to firms that adopt all corporate governance practices, firms may still perform poorly if the actions are not applied in management. An assumption made is that, once a firm takes up corporate governance practices, it will pay off immediately. Other factors such as leadership and organizational culture also influence the performance of an organization.

According to Anyanga (2014) conducted a survey of corporate governance practices by savings and credit co-operative societies in Kakamega Municipality Kenya. The study applied a descriptive research design. The study revealed that all SACCOs have two types of boards; the supervisory board and the management board. However, their composition ignored the aspect of gender where men were the majority. The SACCOS had also subcommittees. The study revealed that most of the Sacco has ignored the importance of an audit committee as stipulated by the Sacco Societies Act 2008. It was not clear as to who should set the agenda of the board meetings and who should also call

for these meetings, is it the secretary or the chair. Nevertheless, it is unclear from the research if the poor performance of a firm was caused by poor execution of corporate governance practices or due lack of execution of the practices.

2.5 Conceptual Framework

The conceptual framework includes various concepts, research variables and principles obtained from pertinent fields of enquiry. An independent variable is an influencing factor while a dependent variable is one that is usually manipulated by the variables that are independent. In this research, the dependent variable is performance measured in terms of growth in membership, increase in customer deposits and satisfaction of customers. In addition, the independent variable is corporate governance practices. The independent variables from Figure 2.1 include board leadership; ethics-based culture and human resource management. These aspects form the undernoted diagram.

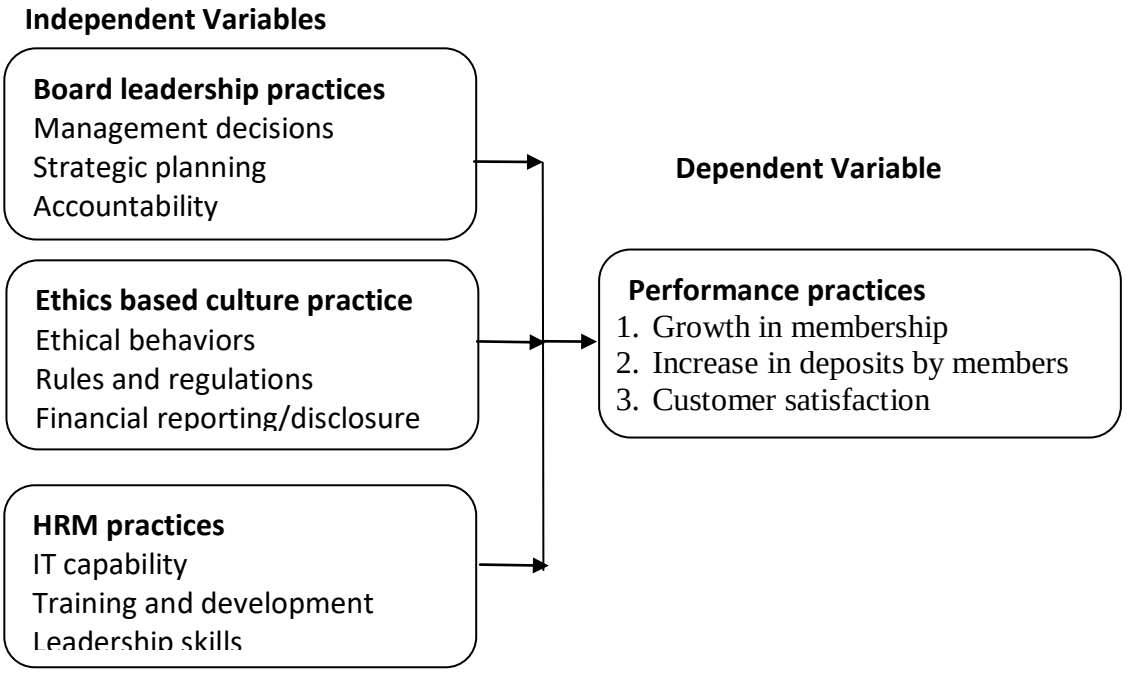


Figure 2.1 Conceptual Framework

Source: Author (2019)

CHAPTER 3
RESEARCH METHODOLOGY

3.1 Introduction

This section portrays the techniques used to assemble data on the region of the research. The chapter indicates the research methodology used in carrying out the study. It discusses and describes the information accumulation instruments, information gathering methodology, examining, information social event and investigation of the impediment of the technique proposed.

3.2 Research Design

This study employed a descriptive research approach. Kothari and Garg (2014) indicated that a descriptive research gathers information among a given populace, which becomes crucial to the researcher in describing a given occurrence by inquiring the participants' opinions and views. This research gives a precise and substantial portrayal of the components or factors that relate or are important to the research questions

3.3 Population of the Study

According to Collis and Hussey (2013), a populace is a total arrangement of people, case or items with some normal perceptible qualities. Every populace has one trademark that separates it from different populace. In this examination, the objective populace was Kikima Co-operative Society in Makueni County. The study examined the executive committee, members of the board, supervisory committee and assistant supervisors in the societies. According to Kikima Cooperative Society Human Resource Manual (2018) there are 28 assistant supervisors, 4 executive committee members, 6 members of board and 5 supervisory committee members. Accordingly, the target population was 43.

The choice of this Dairy Cooperative Society was based on the premise that the Cooperative Society is seen as a key player in the industry and thus collecting data from the same would be regarded to be relatively representative of the dairy cooperative societies in Makueni County SASRA (2017). It is expected that the results of this study would give a more definite indication of the effect of CG on its performance at the time the study. The choice of the 43 respondents was guided by their knowledge of the daily

operations, of the Cooperative Society. The outline of the object populace was as shown in Table 3.1.

Table 3.1: Target population

Category	Frequency	Percent
Executive Committee	4	9.3
Members of Board	6	14.0
Supervisory Committee	5	11.6
assistant supervisors	28	65.1
Total	**43**	**100.0**

3.4 Sampling Design and Sampling Technique

According to Kothari and Garg (2014), sampling ensures a generalization of the entire population's characteristics based on observations or studies. This study entailed census of the entire target population, with the choice of the populace being guided by Mugenda and Mugenda (2012), 30 respondents as rule of the thumb. This target population provides data that gives answers to the research questions raised by the researcher on how corporate governance affects the practices and performance of Kikima cooperative society

3.5 Data Collection

This study made use of fresh primarily gathered data as well as ready published information techniques. For primary data, the researcher made use of research questionnaires. This research tool was semi-structured and was made up of open – ended and closed ended questions. The questionnaire made use of Likert scale ranging from one to five with one corresponding to the least weighted response to the issues investigated and five being the strongest weighted response to the aspects investigated. From the Society, the respondents were picked from the assistant supervisors, executive committee members, members of board and supervisory committee members in the societies and administered with the research instrument. This was the most appropriate respondents to participate and provide appropriate information for the purpose of this study. The sections of the questionnaires were divided in such a manner as to answer questions specific to the different research goals where section one was focused on demographic

data while section two looked at the effect of corporate governance on performance of dairy cooperative societies.

3.6 Reliability Test

The questionnaire was pretested among 10 respondents from Githunguri Dairy Farmers Cooperative Society in Kiambu County which was not included as part of the actual sample. The pretesting at Githunguri cooperative society was necessitated by its vibrancy and a number of brand varieties that it has. According to (Kothar & Garg, 2014) pretesting is useful to the researcher in evaluation of how the respondents reacts to, clarification of questions and their willingness. The outcome of the pretest was used to help alter questions in the questionnaire through removal or adjustment of imprecise questions by using comments from respondents. Validity of the pretested data is a measure of how accurate and useful the inferences are and is based on the study results. This ensures collection of relevant data to respond to the study questions. For face, content and construct validity, the researcher-sought views of researchers and specialists including the lecturers in strategic management. This permitted change of the instrument accordingly improving legitimacy.

Moreover, the examination surveyed the reactions and non-reactions per question to decide whether there was any specialized mastery with the inquiries inquired. Reliability refers to how consistent a tool is when used in a repetitive manner under set conditions. The use of Cronbach's alpha test method is crucial in testing how consistent the research variables are in the research. Additionally, it is utilized in measuring reliability or internal consistency of the scale to be utilized. Cronbach's alpha establishes the internal constancy or average correlation of objects in a survey tool in order to estimate if it is reliable. To gauge how reliable a tool is, Cronbach's alpha is used to establish the internal constancy or average correlation of items. The main objective was to get a score of 0.7, which is deemed an accurate measure of reliability coefficient. This study achieved the reliability of above 0.7.

3.7 Data Analysis

The descriptive data collected was analysed using the SPSS software while the qualitative data was analysed by content analysis and visualized by SPSS software also the quantitative data was analyzed using the multiple regression since it entailed one dependent variable and many independent variables. Likert scales was used to analyse the data and the outcome of the findings presented by use of tables. Further, the researcher conducted a multiple regression analysis seeking to establish the relationship between the variable under investigation. This descriptive analysis revealed the magnitude, significance and direction of the relationship between the independent and dependent variables.

In regression analysis, the value of R-squared shows the amount of variation in the dependent variable caused by the independent variable. The unstandardized coefficient shows the amount of change in the dependent variable attributable to the amount of change in the predictor variable. In Analysis of Variance (ANOVA) test, the F-statistics measure the goodness of fit of the model. The statistical significance of the predicted relationship was interpreted based on R^2, F, t, β and p values. The regression model to be used is shown as below:

$Y= \beta_0+ \beta_1X_1+ \beta_2 X_{two}+ \beta_3 X_{three}+ \varepsilon$, where:

Y= performance of Kikima Dairy Cooperative Society;

$\beta_{0=}$ Intercept;

β_1, β_2, β_3=Coefficients;

X_1 = board leadership practices

X_2 = ethics-based culture practices

X_3 = human resource management practices

ε =Error term.

Qualitative data obtained from the open-ended questions were analyzed through content analysis. This involved analyzing the data in terms of its relevance to the study. The information was presented in prose form.

3.8 Ethical considerations

The study considered a few research issues especially in the area of respondent's security, the examination simply used the information aggregated from respondents for study reason. Every information in the examination was confidential. This enabled respondents to strongly esteem their dedication as individuals in the examination. The analyst ensured that the approval of the respondents was searched for first, with the true objective to finish some other examination work out. The researcher did not offer anything with the ultimate objective to ask for information or data, responses were in light of an authentic concern for the respondents themselves. The researcher ensured that straightforwardness and genuine regards are put in place to ensure successfully coordination in the examination.

CHAPTER 4

DATA ANALYSIS, INTERPRETATION AND DISCUSSION

4.1 Introduction

This presents analyses and interprets the research findings and consequences of the aspects utilizing methodologies referenced in the proceeding chapter. The chapter is divided into different sections containing the research objectives, which were to assess the effects of board leadership, to explore the effects of ethics-based culture and to establish the effects of human resource management on performance of Kikima Co-operative Society.

4.2 Response Rate

Response rate involves the computation of the response rate from the questionnaire returned from the respondents. The self-developed questionnaires were presented to the 43 respondents on a personal basis to increase the response rate. The results are based on the responses obtained from the field as shown on Table 4.1.

Table 4.1: Response Rate

Category	Frequency	Percentage
Responded	39	90.7
Not responded	4	9.3
Total	**43**	**100.0**

Source: Author (2019)

The study targeted staff working in the Kikima Co-Operative Society. From the target population, 43 respondents were selected in collecting data regarding the effects of corporate governance practices on performance of Kikima Co-operative Society. From the results shown in Table 4.1, out of the 43 questionnaires distributed, 39 of them were received back completely filled translating to a response rate of 90.7% On the contrary, four (4) questionnaires representing 9.3% of the sample were not received at all and therefore not considered in data analysis. This was a reliable portrayal of the focused-on populace hence sufficient for the investigation examination. According to Mugenda and Mugenda (2012) half reaction rate is satisfactory, 60% is great, while 70% or more is evaluated to be great. This infers the reaction rate of 90.7% is palatable and

useful for examination, reaching inferences and making proposals. From the foregoing, the response rate provided adequate data to proceed with the analysis.

4.3 Demographic Information

This section concerns itself with establishing the various demographics of the study participants. They are broken down into gender, age, managerial level, working experience and number of employees in the organizations.

4.3.1 Gender of the Respondents

One of the parameters that were to be determined was the gender of the respondents. While the gender of the respondents would not have a direct impact on the objectives of the study, there was need to ensure that the gender composition was as near as possible to equal numbers. The question of gender was considered important in the study primarily because it could help the researcher get a balanced view from both males and females. The findings on gender were as presented in Table 4.2.

Table 4.2: Gender of the Respondents

Gender	Frequency	Percentage
Male	24	61.5
Female	15	38.5
Total	**39**	**100.0**

Source: Author (2019)

According to Table 4.2, there were more male executives and board members in the Co-operative Society as compared to their female counterparts. 61.5% of the responses were obtained from the male respondents as compared to 38.5% female respondents. The findings imply that the views expressed in these findings are gender sensitive and can be taken as representative of the opinions of both genders. According to Denis and McConnell (2012), gender diversity significantly influenced performance of modern organizations. Gender representation is an important ingredient for diversity views regarding the corporate governance situation in each firm.

4.3.2 Age Brackets

The study sought to examine the age ranges of the respondents in this study. Table 4.3 demonstrates the outcomes.

Table 4.3: Age Brackets of the Respondents

Age bracket	Frequency	Percentage
31-35	3	7.7
36-40	8	20.5
41-45	9	23.1
46-50	13	33.3
Greater than 50	6	15.4
Total	**39**	**100.0**

Source: Author (2019)

From the outcomes in Table 4.3, the respondents with ages between 46 and 50 years contributed the biggest response with 33.3%, followed by 23.1% whose ages fell between 41 and 45 years and then 20.5% of the participants with ages between 36 and 40 years. Further, 15.4% of the respondents were over 50 years while another group of 7.7% (of the respondents were aged between 31 and 35 years. These outcomes imply that the Kikima Cooperative Society incorporated committee members and assistant supervisors of various age brackets consequently the outcomes portrayed in this research are probably illustrative of the aspects researched.

4.3.3 Designations of the Respondents

The study sought to assess the distribution of respondents in various designations. The results of the analysis were as presented on Table 4.4.

Table 4.4: Designations of the Respondents

Category	Frequency	Percent
Executive Committee	4	10.3
Members of Board	5	12.8

Supervisory Committee	5	12.8
assistant supervisors	25	64.1
Total	**39**	**100.0**

Source: Author (2019)

From the study findings, 64.1% of the respondents were working as assistant supervisors, 12.8% of them were committee members as well as supervisory committee, and the smallest proportion comprised of 10.3% of the responses obtained from the executive committee members in the Society. These results imply that a majority of the respondents of this study were well conversant with the issues sought and their views were essential in this study for conclusions and recommendations. According to Gompers and Metrick (2013), the various designations, functions, roles and responsibilities of stakeholders play varying roles in execution of corporate governance in organizations.

4.3.4 Working Experience

The respondents were requested to indicate the number of years that they had been working in Kikima Cooperative Society. Working experience is critical since it reviews the respondents' understanding of the issues sought by the study. The results are as shown in Table 4.5.

Table 4.5: Working Experience

Duration	Frequency	Percentage
1-3yrs	6	15.4
4-6yrs	17	43.6
7-10yrs	10	25.6
Over 10yrs	7	17.9
Total	**39**	**100.0**

Source: Author (2019)

Accordingly, 43.6% of the participants worked in the Cooperative Society for 4 to 6 years, 25.6% of them had worked with the Cooperative Society for between 7 and 10 years, 17.9 percent of the respondents had worked with Kikima for more than 10 years, while 15.4% of them indicated that they had been working with the Cooperative Society

for a period of a period of between 1 to 3 years. The results imply that most participants had been working in the Firm for a significant period.

4.3.5 Level of Education

The study further sought to establish the level of education of the respondents. The study results are as shown in Table 4.6.

Table 4.6: Level of Education of the Respondents

Education Level	Frequency	Percent
College Diploma	2	5.1
Bachelor's degree	28	71.8
Master's degree	7	17.9
PhD	2	5.1
Total	**39**	**100.0**

Source: Author (2019)

The study established that an overwhelming 71.8% of the respondents indicated that they had acquired bachelors' degrees. The other category comprised of 17.9% of those who had postgraduate degrees, while 5.1% of them were college diploma and PhD degree holders in each case. This result implies that most of the respondents had acquired university degrees and hence comprehended the issues investigated. The amount of time utilized in learning and acquiring academic qualifications is among the crucial elements required for participation in governance and management and their associated benefits for organizational performance.

4.4 Board Leadership and Performance of Kikima Co-Operative Society

The first objective of this study sought to assess the influence of board leadership on performance of Kikima Co-operative Society. The respondents were therefore requested to indicate extent to which board leadership affects the performance of Kikima Cooperative Society.

Table 4.7: Extent to which Board Leadership affects Performance of Kikima

Response	Frequency	Percentage
No extent	0	0

Little Extent	3	7.7
Moderate extent	12	30.8
Very Great extent	16	41.0
great extent	8	20.5
Total	**39**	**100.0**

Source: Author (2019)

From the results shown in Table 4.7, 41%, 30, 8% and20.5percentage of the respondents, affirmed that board leadership affects the performance significantly. While 7.7% of the respondents shown that board leadership is insignificant to Kikima cooperative society. This is an implication that board leadership plays a great role to the performance of Kikima Cooperative Society.

The study also sought to establish the extent to which various aspects of board leadership affect the performance of Kikima Cooperative Society. The outcomes are shown in Table 4.8.

Table 4.8: Aspects of Board Leadership affect the Performance of Kikima

Aspects of board leadership	Not at all	Small extent	Moderate extent	Large extent	Very large extent
Management decisions	0	4	8	19	8
Strategic planning	0	6	10	17	6
Accountability	0	8	12	15	4

Source: Author (2019)

As depicted in Table 4.8, 35 respondents indicated that management decisions affect performance significantly, while four of the respondents indicated that management decisions affect Kikima cooperative society insignificantly. These responses indicated in general that management decisions generally affect the performance of Kikima

Cooperative Society. On strategic planning, 33 of the respondents showed that strategic planning affects the performance of Kikima Cooperative Society significantly, while six indicated not significant.

These results cumulated a general outcome that strategic planning affects the performance of Kikima Cooperative Society. Finally, 31 of the respondents demonstrated that accountability affects the performance of Kikima Cooperative Society significantly while eight of them indicated to be insignificant. In general, the respondent shows these results imply that the various aspects of board leadership have a great effect on the performance of Kikima Cooperative Society.

The respondents were further required to rate their levels of agreements with various statements provided on board leadership and performance of Kikima Cooperative Society. The results are shown in Table 4.9.

Table 4.9: Agreements with Statements on Board Leadership and Performance

Statements on board leadership and performance	**Strongly disagr**	**Disagree**	**Neutral**	**Agree**	**Strongly agree**

	e e				
Decisions concerning the Society are made by the board	0	3	9	19	8
The board ensures the Society complies with the law and regulatory bodies	0	4	13	15	6
There is a standard of measurement set by the board to assess the accountable performance of the Society	0	5	14	17	3

Source: Author (2019)

From the study, a majority of the respondents were on agreement that decisions concerning the Cooperative Society were made by the board as shown by 27 respondents who positively responded., 9 respondents were neutral and 3 gave a negative response In addition the respondents affirmed that the board ensures the Society complies with the law and regulatory bodies as shown by 21 respondents who negatively responded, 13 giving a negative response and 4 negatively responding. However, there was a question on whether there was a standard of measurement set by the board to assess the performance of the Cooperative Society as shown by five respondent who gave a negative response 14 respondents being neutral, and 20 positively responded. These results imply that board leadership is a crucial practice that plays a very significant role on the performance of the Cooperative Society. The scores show that in general the respondents affirmed with the various statements on board leadership and the performance of Kikima. McConnell (2012) established that role of the boards ensures that the stakeholders in cooperative societies receive adequate returns on their investments. In cooperative societies, the governance is concerned with allocation of power and authority between the clients, the board, committee and the assistant supervisors,

The respondents were required to indicate the various hindrances facing board leadership and hence affecting the performance of Kikima Cooperative Society. They indicated that the Society experiences challenges of building a strong qualified board of directors and evaluating performance, defining roles and responsibilities, emphasizing integrity and ethical dealing and valuating performance and making principled compensation decisions, as well as engaging in effective risk management. The respondents also indicated that the board faces problems arising from conflict of interests, resistance from shareholders, changing market dynamics, regulatory frameworks and competition from rival firms.

4.5 Ethics Based Culture and Performance of Kikima Co-operative Society

This study also sought to explore the influence of ethics-based culture on performance of Kikima Co-operative Society. Accordingly, the respondents were asked to indicate the extent to which ethics-based culture affect the performance of Kikima Cooperative Society.

Table 4.10: Extent to which Ethics Based Culture Affect Performance of Kikima

Extents	Frequency	Percent
No extent	0	0
Little Extent	3	7.7
Moderate extent	12	30.8
Great extent	16	41.0
Very great extent	8	20.5
Total	**39**	**100.0**

Source: Author (2019)

From the results shown in Table 4.10, 41.0%, 30.8%, 20.5% of the respondents affirmed that ethics-based culture affects the performance of Kikima Cooperative significantly. In addition, 7.7% of them recapped that ethics-based culture does not affect the performance of Kikima significantly. These results imply that ethics-based culture has been crucial in the performance of Kikima Cooperative.

The respondents were further required to indicate the extent to which various aspects of ethics-based culture affect the performance of Kikima Cooperative Society. A scale of

1 to 5 was provided where one= no extent, two= little extent, 3= moderate extent, 4= great extent and five is largely.

Table 4.11: Aspects of Ethics Based Culture affecting the Performance of Kikima

Aspects of ethics-based culture	No extent	Little extent	Moderate extent	Great extent	Very great extent
Ethical behaviours	0	3	16	14	6
Rules and regulations	0	3	16	18	2
Financial reporting and disclosure	0	3	17	17	2

Source: Author (2019)

According to the results depicted in Table 4.11, ethical behaviours affect the performance of Kikima Cooperative Society significantly as shown by 36 respondents. Three respondents felt that ethical behaviour affects Kikima Sacco insignificantly. On financial reporting and disclosures, it affects the performance of Kikima Cooperative Society significantly as shown by 36 respondents, while three responded insignificantly. However, rules and regulations affect the performance of Kikima Cooperative Society significantly as shown by 36 respondents while three responded insignificantly. These results imply that the various aspects of ethics-based culture are the major determinants of performance of Kikima Cooperative Society. These corroborates with Carvalhal and Iervolino (2013) who indicated that ethics in corporate management alludes to organization's arrangements and procedures that bargain with those issues which are identified with the everyday activity of the business.

The study further sought to establish the respondents to agree with various statements on ethics-based culture and performance of Kikima Cooperative Society. Table 4.12 shows the results obtained.

Table 4.12: Extent to which Ethics Based Culture Affect Performance of Kikima

Statements on ethics-based culture and performance	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Procedures put in place to ensure ethical behaviour in the Organization	0	4	16	12	6
The annual report includes a specific section dedicated to the implementation of corporate governance practices	0	0	17	15	6
Adequate accounting systems and records support financial performance and governance reports	0	0	7	14	18
The Society adheres to rules and regulations set by the industry regulators	0	0	12	20	7

Source: Author (2019)

The results tabulated above shows that some of the respondents were neutral as indicated by 16 respondents.18 respondents positively agreed that procedures are put in place while,4 negatively responded that the Society does not adheres to rules and regulations set by the industry regulators. The annual report includes a specific section dedicated to the implementation of corporate governance practices as shown by 17 respondents who were neutral,21 respondents positively agreed that procedures are put in place to ensure ethical behaviour in the Organization are put in place. On the other hand, most of the respondents agreed that adequate accounting systems and records support financial performance and governance reports as shown by 32 respondents while seven respondents were impartial. The shows that in general the

respondents agreed with the various statements on ethics-based culture and performance of Kikima.

These results imply that ethics-based culture and full disclosure of information have been embraced in Kikima Society to support financial performance and governance reports. In the same line of view, Johnson and Scholes (2008) established that for an organization, its most important expectation is apprehensive of which direction to take, who to follow and determination of purposes of the organization.

The study further sought to establish the nature of ethics-based culture in Kikima Cooperative Society. From the results, Kikima dairy cooperative society has a morally upright culture that embraces transparency and accountability. Further, the stakeholders are effectively involved in enhancing integrity and ethical dealing as well as making principled decisions.

4.6 Human Resource Management and Performance of Kikima Co-Operative

The third objective of the study focused to establish the effects of human resource management on performance of Kikima Co-operative Society. In this regard, the respondents were asked to indicate the extent to which human resource management affects the performance of Kikima Cooperative Society.

Table 4.13: Extent to which HRM affects Performance of Kikima Cooperative

Extent	Frequency	Percentage
No extent	0	0
Little Extent	1	2.6
Moderate extent	17	43.6
Great extent	16	41.0
Very great extent	5	12.8
Total	**39**	**100.0**

Source: Author (2019)

From the study, 43.6%, 41%, and 12.8% of the respondents reiterated that human resource management affects the performance of Kikima Cooperative Society significantly while 2.6% of the respondents indicated that human resource management insignificantly affects the performance of Kikima Cooperative Society. These insights

imply that human resource management contributes significantly to the performance of Kikima Cooperative Society.

The respondents were provided with various aspects of human resource management and asked to indicate the extent to which they affect the performance of Kikima Cooperative Society. The results depicted in Table 4.14.

Table 4.14: Extent to which Aspects of HRM affect Performance of Kikima

Aspects of HRM	Not at all	Small extent	Moderate extent	Large extent	Very large extent
IT capability	0	4	10	23	2
Training and development	0	5	15	16	3
Leadership skills	0	0	12	22	5

Source: Author (2019)

The results in Table 4.14 above show that leadership skills affect the performance of Kikima Cooperative Society largely as shown by 39 who positively responded. Majority of the respondents who recapped that IT capability affects significantly the performance of Kikima Cooperative Society as shown by 35 respondents followed this closely. While four insignificantly responded\. In addition, most of the responses showed that training and development affect the performance of Kikima Cooperative Society significantly as shown by 34 respondents. While four insignificantly responded. These shows that in general the respondents positively agreed with the various statements on HRM and the performance of Kikima. These results imply that the exercising of governance and control is bestowed on human resources. This is reflected through the processes and structures by which the affairs of the Cooperative are directed and managed for interest of all stakeholders.

The respondents were further requested to indicate their level of agreement with various statements on human resource management and performance in Kikima Cooperative Society. Table 4.15 shows the results obtained from the research.

Table 4.15: Agreement with Statements on HRM and Performance of Kikima

HR management and performance	Strongly agree	agrees	Neutral	disagrees	Strongly disagree
The recruitment and selection of skilled staff in this Society offers better opportunity to implement corporate governance practices	0	7	10	15	7
The Society attracts IT qualified employees which aids in implementation of corporate governance in the Organization	0	5	17	15	2
Human resource management practices involve employees in various leadership roles and functions of the Cooperative	0	4	11	22	2
The Cooperative society incorporates training and career development programs for enhancing employee performance in their duties	0	0	11	23	5

Source: Author (2019)

Majority of the respondents did not affirm that the Cooperative society incorporates training and career development programs for enhancing employee performance in their duties as shown by 28 of the respondents.11 respondents were neutral, while the rest gave a positive response. The recruitment and selection of skilled staff in this Society offers better opportunity to implement corporate governance practices as shown by 22 who negatively responded while 10 were neutral and seven agreed.

Human resource management practices involve employees in various leadership roles and functions of the Cooperative as shown by 24 respondents who were negative, 11 of the respondents were neutral, while four respondents agreed. However, there was neutrality on that the Society attracts IT qualified employees which aids in implementation of corporate governance in the Organization as shown by 17 respondents who were neutral while 17 respondents negatively disagreed and another 5 respondents positively. In general, the respondents agreed with the various statements on human resource management and the performance of Kikima. These results imply that matching human resource capabilities with the strategic and operational needs of an organization ensures that the resources are efficiently utilized. These resources are relevant in achieving organizational capability and therefore the need to find people whose attitudes and behaviour are likely to be congruent with what management believes to be appropriate and conducive to success.

The study further requested the respondents to outline the various challenges of human resource management that affect the performance of Kikima Cooperative Society. Most of the responses showed that the Society faces challenges of recruiting and retaining qualified staff, there is a problem of talent management and challenges of formulating human resource policies that cater for the stakeholders. In addition, Kikima faces challenges of adhering to set human resource policies and rising employee demands.

4.7 Performance of Kikima Cooperative Society

To establish the measures of performance of the Cooperative Society, the study sought the respondents' views on rating the performance of the Cooperative Society. The results of the analysis are presented on Table 4.16.

Table 4.16: Rating the Performance of Kikima Cooperative Society

Rating	Frequency	Percentage
Very good	10	25.6
Good	26	66.7
Average	3	7.7
Total	**39**	**100.0**

Source: Author (2019)

According to the results presented on Table 4.16, 66.7% of the respondents opined that the performance of the Cooperative Society is good. Twenty-six percent of the population studied believed the performance of Kikima Cooperative Society was very good, while 7.7% of the respondents rated the performance of the Cooperative to be average. These results are an implication that Kikima Cooperative Society has been recording good performance as opined by the respondents that participated in the study.

The respondents were also asked to indicate the overall extent to which corporate governance practices affect the performance of Kikima Cooperative Society.

Table 4.17: Overall extent to which CG Practices affect Performance of Kikima

Extent	Frequency	Percent
No extent	0	0
Little Extent	3	7.7
Moderate extent	22	56.4
Great extent	12	30.8
Very great extent	2	5.1
Total	**39**	**100.0**

Source: Author (2019)

From the results shown in Table 4.17, 56.4%, 30.8%, and 5.1% of the respondents indicated that in overall, corporate governance practices affect the performance of Kikima Cooperative Society significantly while 7.7% of the respondents insignificantly responded. The results imply that in general there is a significant effect of corporate governance practices on the performance of Kikima Cooperative Society.

The study required the respondents to rate the extent to which corporate governance practices affect various aspects of performance of Kikima Cooperative Society. Table 4.18 shows the results gathered.

Table 4.18: Aspects of Performance affected by Corporate Governance Practices

Measures of Employee Engagement	Not at all	Small extent	Moderate extent	Large extent	Very large extent
ı in membership	0	3	16	14	6
e in deposits by members	0	4	19	12	4
ıer satisfaction	0	2	17	17	3

Source: Author (2019)

From the study findings, most of the respondents indicated that corporate governance practices affect growth in membership significantly as shown by 36 respondents. Three responded insignificantly. CG practices affect customer satisfaction in Kikima Cooperative Society significantly as shown by 37 respondents. With two of the respondents giving a negative response. It is evident that the governance structure of the Cooperative Society affected their ability to respond to external factors hence their performance. The growth in membership, increase in deposits and customer satisfaction can also be stimulated by the products that the Cooperative offers.

The respondents were required to share any other information regarding the effect of corporate governance practices on performance of dairy cooperative societies in Kenya. The respondents also reported that organizational culture affected corporate governance practices and performance at Kikima Society. They also pointed that withdrawal of members from the Society influences dividends paid, the expenses of the Society well controlled, the members increasing deposits improves the performance of the Society and that for the Society to perform better there is need to increase membership numbers.

The respondents were also requested to suggest possible ways of enhancing corporate governance practices and performance of dairy cooperative societies in Kenya.

Members as owners of the organizations jointly and severally protect, preserve and actively exercise the supreme authority of the corporation in general meetings. Selecting the board of directors should be through a proper managed process and ensure that a balanced mixture of proficient individuals is made and that each of those appointed is able to add value and bring independent judgment to bear on the decision-making process.

4.8 Regression Analysis

A linear regression analysis was conducted to predict the effect of corporate governance practices on performance of Kikima Co-operative Society. The researcher extracted the model summary, which portrays the coefficient of determination. Table 4.19 shows the results of the model summary.

Table 4.19: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.908	.825	.789	.0323

Source: Author (2019)

From the model summary, R, which is the correspondence among the anticipated value and the experiential results of Y, was found to have a figure of 0.908. This shows a strong and positive statistical relationship between corporate governance practices and performance of Kikima Co-operative Society. R^2= 0.825 and adjusted R square 0.789 reveal that 82.5% change in organizational performance can be explained by the changes of all the predictor variables. It shows that the independent variables had a strong correlation with the dependent variable. On the other hand, 17.5% was explained by other factors that were not part of this study. The results imply that corporate governance practices contribute a major part of the organizational performance.

The Analysis of variance (ANOVA) was used to determine the goodness of fit of the model. The F-ratio in the ANOVA table tested whether the overall regression model was good and fit for the data. The results obtained are presented in Table 4.20.

Table 4.20: ANOVA Test Results

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	6.33	3	2.11	2.912	0.001
Residual	25.2	35	0.72		
Total	**31.53**	**38**			

Source: Author (2019)

Dependent variable: Performance of Kikima Cooperative Society

Independent variables: CG practices (board leadership, ethics based culture and HRM)

The results indicate that F=2.912, is significant since p=0.001 which is less than p value (p =0.05). The critical alpha value for F-test (at three, 35) is 2.85, which is less than the computed F-value (2.912). This therefore shows that the model is fit for finding out the relationship between the dependent and independent variables

Table 4.21: Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	.580	.189		3.069	.004
Board leadership	.712	0.137	0.064	5.197	.026
Ethics based culture	.619	.145	.103	4.269	.033
Human resource management	.755	0.126	0.054	5.992	.021

Source: Author (2019)

The coefficients in Table 4.21 answer the regression equation relating the dependent and the independent variables. Based on these coefficients, the regression model becomes;

$Y=0.580+0.712X_1+0.619\ X_2\ +0.755X_3$

X_1 = Board leadership

X_2= Ethics based culture

X_3= HR Management

The model indicates that, holding the predictor variables constant, the performance of Kikima Society would have a coefficient of 0.580. The data findings analysed also shows

that taking all other independent variables constant at zero, a unit increase in board leadership will lead to a 0.712 increase in performance of Kikima Co-operative Society. The data findings also show that taking all other independent variables at zero, a unit increase in ethics-based culture will lead to a 0.619 increase in performance of Kikima Co-operative Society. Ethics based culture had significance value of 0.033, which is, less than 0.05. In addition, a unit increase in human resource management will lead to a 0.755 increase in performance of Kikima Co-operative Society. All the variables were significant with p values less than 0.05. Ethics based culture being the relatively least significant variable in this case had a p- significant value of 0.033, board leadership recorded p-value of 0.026 and human resource management had a p-value of 0.21 hence the most significant variable in influencing performance of Kikima Co-operative Society.

According to the study findings, human resource management contributes more to the increase in performance of Kikima Co-operative Society followed by board leadership, while Ethics based culture contributes the least to performance of Kikima Co-operative Society. This compares with findings by Wasike (2012) who studied corporate governance at Elimu Sacco with a focus on authority, accountability, stewardship, leadership, direction and control exercised and concluded that the corporate governance helped in defining the relation between the Sacco and its general environment, the social and political systems in which it operates and also linked the way management and control were organized thus affecting the performance of the Sacco and its long run competitiveness.

CHAPTER 5

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The section consolidates the disclosures of the examination and makes closes whereupon proposals are drawn. The proposals for further examination are also gotten as a technique for filling the gaps perceived in the examination.

5.2 Summary of the Findings

From the results obtained in the foregoing chapter, the following findings were established:

5.2.1 Influence of Board Leadership on Performance of Kikima Co-Operative

The study found that board leadership affects the performance of Kikima significantly as indicated by 16 of the respondents. This is a clarification that board leadership plays a great role to the performance of Kikima Cooperative Society. The study revealed that there exist various aspects of board leadership that affect the performance of Kikima Cooperative Society which includes management decisions, Strategic planning, and accountability which positively affects the performance of Kikima Cooperative Society. There was an agreement that decisions concerning the Cooperative Society were made by the board and ensure that the Society complies with the law and regulatory bodies and there was a standard of measurement set by the board to assess the performance of Kikima Cooperative Society. The roles of the boards ensure that the stakeholders in the Society receive adequate returns on their investments.

5.2.2 Influence of Ethics Based Culture on Performance of Kikima Co-Operative

The study found that ethics-based culture affects significantly the performance of Kikima Cooperative as indicated by 16 of the respondents. As such, ethics-based culture has been crucial in the performance of Kikima Cooperative society. It was established that Ethical behaviours, financial reporting and disclosure, rules and regulations affect positively the performance of Kikima Cooperative Society. There was affirmation that the Society adheres to rules and regulations set by the industry regulators. The annual report includes a specific section dedicated to the implementation of corporate

governance practices and procedures put in place to ensure ethical behaviour in the Organization, however, there was impartiality on that adequate accounting systems and records support financial performance and governance reports as shown.

5.2.3 Influence of HR Management on Performance of Kikima Co-Operative

The study found that human resource management affects the performance of Kikima Cooperative Society as indicated by 17 of the respondents. This is enough confirmation that human resource management contributes significantly to the performance of Kikima Cooperative Society. From the study, leadership skills, IT capability, training and development affect the performance of Kikima Cooperative Society significantly. It was found out that Kikima incorporates training and career development programs for enhancing employee performance in their duties. The recruitment and selection of skilled staff in this Society offers better opportunity to implement corporate governance practices and human resource management practices involve employees in various leadership roles and functions of the Cooperative. As such, human resources are relevant in achieving organizational capability and therefore the need to find people whose attitudes and behaviour are likely to be congruent with what management believes to be appropriate and conducive to success.

The study established that the performance of Kikima Cooperative is good as indicated by 26 of the respondents. In overall corporate governance, practices affect the performance of Kikima Cooperative Society to a moderate extent according to 22 of the respondents. Corporate governance practices affect growth in membership and customer satisfaction in Kikima Cooperative Society to great extents while they affect members' deposits in Kikima to a moderate extent. The growth in membership, increase in deposits and customer satisfaction can also be stimulated by the products that the Cooperative offers. R^2= 0.825 reveal that 82.5% change in organizational performance can be explained by the changes of all the predictor variables. From the ANOVA, the critical alpha value for F-test (at three, 35) is 2.85, which is less than the computed F-value (2.912). From the regression analysis, human resource management contributes more to the increase in performance of Kikima Co-operative Society followed by board

leadership, while Ethics based culture contributes the least to performance of Kikima Co-operative Society.

5.3 Conclusions

The study made the following conclusions:

5.3.1 Influence of Board Leadership on Performance

The study concludes that board leadership plays a great role to the performance of Kikima Cooperative Society. Management decisions, accountability and strategic planning have significant effects on performance of Kikima. From the study, the board makes decisions concerning the Society and it ensures that the Society complies with the law and regulatory bodies and there is a standard of measurement set by the board to assess the accountable performance of Kikima Cooperative Society. It was concluded that adequate accounting systems and records support financial performance and governance reports while the Cooperative Society adhered to rules and regulations set by regulating authorities when board adopted appropriate decision-making processes.

5.3.2 Influence of Ethics Based Culture on Performance

The study deduces that ethics-based culture has been crucial in the performance of Kikima Cooperative. In addition, ethical behaviours, rules and regulations, financial reporting and disclosure are major determinants of the performance of Kikima Cooperative Society. As a result, it can be deduced that aspects of ethics culture influences practices and performance of Kikima significantly as shown by most of the respondents procedures put in place to ensure ethical behaviour in the organization as in the annual report, includes a specific section dedicated to the implementation of corporate governance practices, adequate accounting systems and records support financial performance and governance reports and lastly that the society adheres to rules and regulations set by the industry regulators which affect the performance of Kikima Cooperative Society.

5.3.3 Influence of Human Resource Management on Performance

The study finally concludes that human resource management contributes significantly to the performance of Kikima Cooperative Society. The exercising of governance and control is bestowed on human resources. This is anchored on IT capability, training and

development and leadership skills. From the results, the recruitment and selection of skilled staff in this society offers better opportunity to implement corporate governance practices, the society attracts IT qualified employees which aids in implementation of corporate governance in the organization, human resource management practices involve employees in various leadership roles and functions of the cooperative and the cooperative society incorporates training and career development programs for enhancing employee performance in their duties.

The study deduces that Kikima Cooperative Society has been recording good performance since it incorporates training and career development programs and recruitment and selection of skilled staffs. There is a moderate effect of corporate governance practices on the performance of Kikima Cooperative Society

5.4 Recommendations

Based on the study findings, the following recommendations were made:

5.4.1 Influence of Board Leadership on Performance

The study suggests that selecting the board of directors in Kikima Cooperative Society should be through a proper managed process and ensure that a balanced mixture of proficient individuals is made and that each of those appointed is able to add value and bring independent judgment to bear on the decision-making process. The study further recommends that Kikima Cooperative Society should be guided by an efficient board leadership that should exercise leadership, enterprise, and judgment in facilitating the corporation to achieve future prosperity and to act in the best interest of the Organization. The study recommends that the responsibilities and duties of board and top management in Kikima Cooperative Society need to be disclosed to the stakeholders in order to provide accountability to the organization.

5.4.2 Influence of Ethics-Based Culture on Performance

The study recommends that ethics-based culture should be enhanced to increase the performance of Kikima Dairy. Accordingly, there is need to focus on cultivating integrity, transparency, accountability and other relevant matters of the Organization should be

factual and balanced to ensure that all investors have access to clear information. Appropriate ethical procedures ought to be implemented to independently review and protect the integrity of the Organization's corporate image. Disclosure and transparency would improve the image of Kikima Cooperative Society and reduce risk to the stakeholders hence improves the financial soundness of the Organization.

5.4.3 Influence of Human Resource Management on Performance

The study established that the human resource management in Kikima protect, preserve and actively exercise the operations of the Society in all its endeavours. Accordingly, the management of Kikima Cooperative Society should ensure that only competent and reliable persons, who can add value, are employed and maintained in the Organization and ensure that they are constantly held accountable and responsible for the efficient and effective running of the Society so as to achieve corporate objectives, prosperity and sustainability.

5.5 Areas for Further Research

From the study, there is a positive relationship between corporate governance and performance of selected dairy or agriculturally based cooperative societies in Kenya. Owing to the fact that Kikima Cooperative Society studied is agriculturally based Cooperative Society, more studies should be done to ascertain the relationship between other aspects of corporate governance other than the ones studied in this research with a contextual scope of various counties in Kenya. The researcher recommends that further studies should be done on the effect of corporate governance practices on the growth of the cooperative societies in Makueni County and other counties across the Country. Lastly, further studies should be done on the challenges of corporate governance and the effect of these challenges on the performance of cooperative societies as well as other financial institutions in Kenya.

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APPENDICES

Appendix I: Research Questionnaire

My name is Lucy Matee, a postgraduate student at St Paul's University currently pursuing a Master's in Business Administration in Strategic Management. I am undertaking a study titled '**corporate governance practices and performance of Kikima dairy co-operative Society'**. The study tool is meant to be filled by any management staff, member of executive committee, members of board or ordinary members and the supervisory committee of Kikima Cooperative Society.

SECTION A: GENERAL INFORMATION

1. Your gender Male ☐ Female ☐

2. Please indicate your age (in years):

25 years or less	[ ]	26-30	[ ]	31-35	[ ]
36-40	[ ]	41-45	[ ]	46 – 50	[ ]
51 and above	[ ]				

3. Position/Designation:

Executive Committee	[ ]	Ordinary Director/member of board	[ ]
Supervisory Committee	[ ]	Management Staff	[ ]

Others (Specify) _____

4. How many years of experience do you have in Kikima Cooperative Society?

1-3yrs	[ ]	4-6yrs	[ ]
7-10yrs	[ ]	Over 10yrs	[ ]

5. What is your highest level of education?

Certificate	[ ]	Diploma	[ ]
Bachelor's Degree	[ ]	Masters	[ ]
PhD	[ ]	Others (Specify.....)	[ ]

SECTION B: CORPORATE GOVERNANCE PRACTICES
Board Leadership and Performance of Kikima Co-operative Society

1. To what extents do the following aspects of board leadership affect the performance of Kikima Cooperative Society? Use a scale of 1 to 5 where 1= no extent, 2= little extent, 3= moderate extent, 4= great extent and 5 is to a very great extent.

Aspects of board leadership	**1**	**2**	**3**	**4**	**5**
Management decisions					
Strategic planning					
Accountability					
Other:					

2. Rate the extent to which you agree with the following statements on board leadership and performance of Kikima Cooperative Society. Kindly rate the statements on the scale given: **KEY: (5)-Strongly agree, (4) - Agree, (3)-Neutral, (2)-Disagree, (1) - Strongly Disagree)**

Statements on board leadership and performance	**1**	**2**	**3**	**4**	**5**
i. Decisions concerning the Society are made by the board					
ii. The board ensures the Society complies with the law and regulatory bodies					
iii. There is a standard of measurement set by the board to assess the accountable performance of the Society					

3. What are the various hindrances facing board leadership and hence affecting the performance of Kikima Cooperative Society?

……

……

4.. Ethics Based Culture and Performance of Kikima Co-operative Society To what extents do the following aspects of ethics-based culture affect the performance of Kikima Cooperative Society? Using a scale of 1 to 5 where 1= no extent, 2= little extent, 3= moderate extent, 4= great extent and 5 is to a very great extent.

Aspects of ethics-based culture	**1**	**2**	**3**	**4**	**5**
Ethical behaviours					

Rules and regulations					
Financial reporting and disclosure					
Other:					

4. Rate the extent to which you agree with the following statements on ethics-based culture and performance of Kikima Cooperative Society. Kindly rate the statements on the scale given: **KEY: (5)-Strongly agree, (4) - Agree, (3)-Neutral, (2)-Disagree, (1) - Strongly Disagree)**

Statements on ethics-based culture and performance	**1**	**2**	**3**	**4**	**5**
Procedures put in place to ensure ethical behaviour in the Organization					
The annual report includes a specific section dedicated to the implementation of corporate governance practices					
Adequate accounting systems and records support financial performance and governance reports					
The Society adheres to rules and regulations set by the industry regulators					

5. How would you describe the nature of ethics-based culture in Kikima Cooperative Society?

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……

Human Resource Management and Performance of Kikima Co-operative Society

6. To what extents do the following aspects of human resource management affect the performance of Kikima Cooperative Society? Use a scale of 1 to 5 where 1= no extent, 2= little extent, 3= moderate extent, 4= great extent and 5 is to a very great extent.

Aspects of human resource management	**1**	**2**	**3**	**4**	**5**
IT capability					
Training and development					
Leadership skills					
Other:					

The following statements relate to human resource management in Kikima Cooperative Society. Please indicate your opinion on how human resource practices apply in your institution. Rate on a scale of 1-5 where **5 = Strongly Agree (SA) 4 = Agree (A), 3= Undecided (U), 2=Disagree (D), 1= Strongly Disagree (SD).**

Statements on HR management and performance	**1**	**2**	**3**	**4**	**5**
The recruitment and selection of skilled staff in this Society offers better opportunity to implement corporate governance					

practices					
The Society attracts IT qualified employees which aids in implementation of corporate governance in the Organization					
Human resource management practices involve employees in various leadership roles and functions of the Cooperative					
The Cooperative society incorporates training and career development programs for enhancing employee performance in their duties					

7. Briefly, outline the various challenges of human resource management affect the performance of Kikima Cooperative Society?

……

……

Performance of Kikima Cooperative Society

8. 4Rate the extent to which corporate governance practices affect the following aspects of performance of this Cooperative Society.

Measures of Employee Engagement	**Very great extent**	**Great extent**	**Moderate extent**	**Little extent**	**No extent**
in membership					
e in deposits by members					
er satisfaction					
in membership					
Other:					

9. What other information would you like to share regarding effect of corporate governance practices on performance of dairy cooperative societies in Kenya?

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10. What recommendations would you suggest about effect of corporate governance practices on performance of dairy cooperative societies in Kenya?

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Thank you for participation.