EFFECTS OF CORPORATE GOVERNANCE PRACTICES ON ORGANIZATIONAL PERFORMANCE: A CASE OF COFFEE COOPERATIVE SOCIETIES IN MACHAKOS COUNTY

BY

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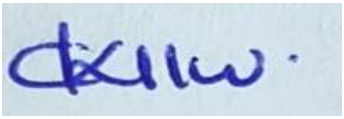
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DECLARATION

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 university.

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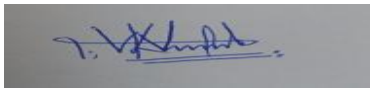
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My regards go to everybody who has given me incredible support and through their diverse contributions and encouragement, enabled me to complete this research successfully.

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DEDICATION

I would like to dedicate this research project to my parents Mr. and Mrs. Kiilu for their continued support throughout my research work.

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LIST OF ABBREVIATIONS

AFACD	Agriculture and Food Authority Coffee Directorate.
CB	Coffee Board
CBK	Coffee Board of Kenya
CEO	Chief Executive Officer
CG	Corporate Governance
CMB	Coffee Marketing Board
CRI	Coffee Research Institute
CSR	Corporate Social Responsibility
FAS	Foreign Agricultural Service
GDP	Gross Domestic Product
ICC	International Coffee Council
KARLO	Agriculture Research and Livestock Organization
KCPA	Kenya Coffee Producers Association
KCTA	Kenya Coffee Traders Association
KEPHIS	Kenya Plant Health Inspectorate Services
LECOM	Lower Eastern Coffee Mill
NCE	Nairobi Coffee Exchange
NEMA	National Environmental Management Agency
OECD	Organization for Economic Co-operation Development
USDA	United States Department of Agriculture

OPERATIONAL DEFINITION OF TERMS

Board Compensation: This is remuneration of directors of a board governing an organization (Tang, 2017).

Board Composition: This refers to individuals who form a board of an organization particularly the ratio of non-executive to executive directors (Afzalur, 2018).

Board Structure: This is a governance system which distinguishes between those directors who hold management positions in the company and those who do not (Brennan, 2016).

Corporate governance: The actual behavior of corporations, in terms of such measures as performance, efficiency, growth, financial structure, and treatment of shareholders and other stakeholders (Afzalur, 2018).

ABSTRACT

The study focused on effects of corporate governance practices on organization performance. Specifically, the study examined the influence of board structure, composition and compensation on the performance of coffee cooperative societies in Machakos County. Using descriptive research design, closed ended questionnaires were administered to the 174 board executive directors and supervisory directors from 29 registered active coffee cooperative societies in Machakos County. Data collected was analyzed using descriptive and inferential techniques and the findings were expressed in means, standard deviations and percentages before being presented in form of tables and figures which were followed by comments and inferences. Overall, the study established that corporate governance positively and significantly influences firm performance. The study found out that board structure, board composition and board compensation had a strong influence on the performance of coffee cooperative societies in Machakos County. In terms of compensation, it was established that recent board members are unstable in contrast to stable longer-tenure members. Likewise, executives' compensations are low and fewer, not based on merit although subject to increment, timely paid as well as no compensation arrears observed. Largely, the study recommends that the boards' structure design should ensure consensus, checking of CEO/COB, bring more expertise and experience. Similarly, boards should appoint younger members for superior technical knowledge, more adaptability, receptivity and innovation. Further, CEO should be separate from board to avoid conflict of interest and weakening board independence besides increasing non-executives and women on boards. Capacity of inside directors should be enhanced; recent board members should be reduced in favour of maintaining stable longer-tenure members and board membership be anchored on merit. Board compensation should be standard; merit based, promptly paid and subject to increment.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

Primarily, the foundation of the research project is based on this preliminary part which largely delineates the contextual information surrounding the key problem which is equally discussed. Additionally, sub-themes reflecting study constructs of the defining thematic issue, the questions posed requiring response at end of the study and the significance as well as scope of the study and limitations and delimitations of the study, are given attention in this inception segment.

1.1 Background of the Study

For a firm to perform, corporate governance is exclusively and imperatively determinant implying corporate governance affects how a firm performs (Lu & Wang, 2021). Indeed, the effect of corporate governance on performance is adequately captured in the definition. It is the process and structure for controlling, directing and managing business' affairs in order to enhance business success and accountability with the ultimate objective of realizing shareholders long term value while taking into account the interests of other stakeholders (O'Kelley, Goodman & Sanderson, 2021).

Primarily, corporate governance is the process carried out by the board of directors through various committees down to management, on behalf of and for the benefit of the company's shareholders and the other stakeholders (Gitonga & Miano, 2020). Majorly, the board provides strategic direction, authority, and oversights to management. In the lenses of agency theory, the board is confronted with balancing between interests of

board members, shareholders and the other stakeholders (Hashed & Almaqtari, 2021). Mismanaging the conflict of interest can lead to corporate misconduct such as financial scandals and fraud resulting into corporate failure.

According to Li (2018), the negative effects, conflict of interest and corporate misconduct can be remedied by aligning stakeholders interests through effective board structure, balanced and competent board composition and board compensation (incentive mechanisms). Al-Shaer, Salama and Toms (2017) add that properly structured, composed and compensated board ensures transparency and accountability resulting into improved performance reflected in profitability, expansion, and enhanced company image among others. It is this that motivated the present study to focus on the three core corporate governance principles namely board structure, board composition and board compensation.

In spite of all legislations, reforms and other efforts to safeguard shareholders' interest, lack of transparency, irresponsible corporate executives, increased corporate failure, financial scandals, frauds, inside trading and agency conflicts (Berghoff & Spiekermann, 2018). This has resulted into adverse business consequences such as diminished return on investment, nose-diving of shares, damaged company reputation, loss of market share, skewed merging, cheap acquisition by profitable firms, the collapse of major businesses and undermined public and investor confidence (Toms, 2017). The bottom line is that this is placing the issue of corporate governance firmly in the spotlight (Fratini & Tettamanzi, 2015).

The rate of financial scandals, fraud and corporate failure continues to increase at an alarming rate in every year due to board failure occasioned by inappropriately structured, composed and remunerated boards of directors (Scott & Davis, 2015)). Indeed, the financial debacles Enron, AIG, WorldCom, and Xerox in the USA, Lehman Brothers, Polly Peck in the UK and African Petroleum Plc., Cadbury Plc., in Nigeria list continues to get longer.

The collapse of Carillion in January 2018, the biggest corporate collapse in UK for a decade underscores how misleading audits have been at the heart of corporate failures (Steven, 2019). The flop of Carillion came on the heels of other high-profile corporate failures such as BHS, the British Steel in May 2019, Thomas Cook and the British travel firm, in September 2019. UK's Financial Reporting Council (2019) and the Department of Business, Energy and Industrial Strategy (BEIS), reiterate views of Boterenbrod (2017) such corporate fiascos are attributed to the poorly structured board remuneration tempting inappropriately structured board such as CEO duality make selfish decisions.

Still in the UK, in 2018, Patisserie Valerie, trading in the shares of Patisserie Holdings, was suspended due to a financial scandal about the discovery of overdrafts totaling £10million in two secret accounts (SAHA, 2021). Patisserie Valerie's fraudulent accounting irregularities demonstrated a clear lack of internal controls in terms of quality assurance that is as a result of incompetent, inefficient and unprofessional directors in oversight inability occasioned by poorly composed boards (Berghoff, 2018).

Likewise, in 2014, TESCO, a UK food business entity was accused of revenue recognition where it overstated profits by £250 million. The disclosures wiped £2 billion off the supermarket's share price in one day, and the overstatement was later revised up to £326million. This contributed to Tesco's £6.4billion loss in 2015, one of the largest in corporate history (OECD (2018b). Tesco financial fraud quantifies the assertion by Taylor (2018) that a board composition dominated with internal directors, has higher chances of exhibiting incompetence and selfish interest causing failed probing and understanding their firms' risk management processes and poor management decisions.

Likewise, the latest addition to a long and storied history of corporate fraud is Europe's preeminent fintech firm Wirecard. A German electronic payments company in 2020 found a $2 billion hole in Wirecard's books which unearthed accounting fraud, money laundering, falsifying accounts and fraudulently inflating the company's sales and profits (SAHA, 2021). This case typifies what Ofer, Saad, Su and Tallarita (2021) refer to as oversight failure, the inability to combat groupthink and inactivity at the board level by failure of incorporating non-executive directors (NEDs). Rashied (2018) opines that effective NEDs ask difficult questions, do not approve unsustainable dividends and both support and challenge executive teams to create stronger and more informed financial decisions.

The Malaysia Development Berhad (1MDB) financial fraud of money laundering, abuse of political power and government bribes in 2018, reported of $4.5billion that was stolen from the fund, from individuals who used it to buy expensive real estate and artworks (OECD, 2021). Koutoupis (2019) opines such fraud, raises doubt of directors' duties and

liabilities and highlights the importance of non-executive training and professional development.

For instance, the requirement that directors' remuneration should be linked to performance has not always been observed in the corporate world and examples abound where directors receive excessive pay rises or significant bonuses when their companies are in financial crises and sometimes laying off employees due to over-domineering CEO-cum-board chair (Zondi, 2015).

A recent example makes the above point. In November 2019, shareholders of Kier Group plc, a leading UK construction and infrastructure services company, revolted over the company's plan to pay its CEO more than £1m in bonuses despite disastrous profit warnings and a plunging share price. Kier is reported to have paid its board a total of £2.1m in the year to June 2019, when the company reported losses of £245m (OECD, 2018b).

While most of the fraud discussed earlier was committed by C-suite executives, the false accounting case of the USA's Wells Fargo is a bit different. This fraud solidifies the argument that inappropriately structured boards such as CEO duality; directors are usually overpowered or coerced into self-centered skewed decisions (Cosma, Venturelli, Schwizer & Boscia, 2020). It is clearly the failure of company higher-ups (board) in probing wrongly risk management decision of giving employees at Wells Fargo impossibly unrealistic and high sales goals that rose like clockwork from 2002 to 2016 (Balleisen, 2017).

Therefore, to meet these quotas, employees at the bank were incentivized to open fake accounts under customers' names, if a customer opened a savings account at the bank, employees might surreptitiously open a credit card under that customer's name as well. Short-term profits soared thanks to more than 2 million of these fake accounts, but it wasn't worth it in the long run. Wells Fargo paid $3 billion in fines to the U.S. Securities and Exchange Commission and Department of Justice, and who knows whether customers were able to fully trust the bank again (European Corporate Governance Institute, 2021).

Still in the USA, to beat the compliance of cars in meeting emissions standards test, Volkswagen illegally put a special type of software in about 11 million of its diesel-powered cars to detect when those cars were being tested for emissions and change their results (European Corporate Governance Institute, 2021). ECGI reports further that the dube was discovered in 2015 resulting in recalling of more than 480,000 vehicles and $25 billion fines besides financial burdens it continues to face and ongoing litigation risk for its actions. Choudhury and Martin (2018) attributed this to a skewed and incompetently constituted/composed board that lacks capability in overseeing decision making.

Another recent scandal comes from China, where coffee company Luckin Coffee was reprimanded of inflating its 2019 sales revenue by up to US$310 million (OECD, 2018a). Investigation revealed the company had fabricated approximately $310 million in sales during 2019 by selling vouchers for coffee in bulk to companies with ties to its chairman and creating a fictitious employee to purchase $140 million in raw materials. Dong, Wang, Zhang and Zhou (2020) attributes such eventualities to inadequately structured

boards, excluding external directors and incompetently composed board that lacks inability to evaluate risky implications of management decisions and processes.

In India, the Punjab National Bank (PNB), one of the country's largest public-sector lenders, found itself in the middle of a Rs. 11,400 crore transaction fraud case in February 2018 (O'Kelley, Goodman & Sanderson, 2021). Still in India, Dewan Housing Finance Limited (DHFL) scandal that faked income was the biggest corporate fraud of 2019 (Steven, 2019). The supposed Bandra branch for which a parallel set of books exist, does not exist in reality but a completely made up entity for the corrupt business practices to thrive. Yameen, Farhan and Tabash (2019) blame board failure where if there are few independent members in the audit committee, the audit committee cannot effectively protect firms' financial reporting.

In Canada, the Valeant Pharmaceuticals scandal investigations showed that the company's strategy had been to acquire small pharmaceutical companies and raise the prices of their drugs, rather than investing in its own research and development (R&D) in early 2015. This led to public outcry and a fall in the company's share price. The scandal deepened in October the same year when it was alleged that Valeant controlled a chain of pharmacies called Philidor and had abused this position to inflate the size of its order book and report higher profits. The company has since changed its name to Bausch Health Companies Inc (Steven, 2019). According to Vig and Datta (2021), there is often a lack of skills at board level attributed to inappropriate composition of the board that is rarely based on merit.

In South Africa, effects of corporate governance flaws reared its ugly head at Steinhoff International Holdings NV courtesy of accounting irregularities of inflating its profits and assets by R250 billion as well as corruption being exposed among senior management (OECD, 2018b). As a result, Steinhoff has been hit with one blow after another since the beginning of 2018: plummeting share prices, the closure of some of its retailers, class-action lawsuits and investigations from regulators. It declared its US Mattress Firm bankrupt, the Mattress Firm emerged from bankruptcy in November with $525 million in exit financing (Steven, 2019). Olojede, Erin and Asiriuwa (2020) note that this case demonstrates the board's insufficient handling of annual reporting and accounts including revenue recognition on significant contracts, massive carrying value of goodwill and alternative performance measures.

Still in South Africa, KPMG auditing firm has experienced a domino effect since its 2017 scandal, which revealed that the company had delayed to identify inaccuracies in the auditing work done for Gupta-owned companies, as well as its involvement in the now-defunct VBS Mutual Bank. Since then, KPMG has lost 1,000 staff members, 15 audit partners, R1-billion in revenue and high-profile clients such as Gold Fields, Sasfin, Sygnia and Absa (O'Kelley, Goodman & Sanderson, 2021).

Other high-profile companies which had financial scandals, fraud and company failure included Petrobras and Odebrecht of Brazil that was accused of taking government bribes, funds misappropriation and money laundering in 2014 and 2016 respectively. Also accused of overstated profits in 2015 included Toshiba of Japan. Similarly, Alberta Motor Association of Canada was reprimanded for fraudulent invoices in 2016 (Londono,

Claessens & Correa, 2021). The cases discussed here, is the iceberg of the long list of firms struggling under effects of poor corporate governance. These sampled fraud cases represent just a glimpse into a much broader global problem and highlighting corporate governance issues that need intense scrutiny (Robert & Rutledge, 2016).

Tsegba and Upaa (2015) proposed that the board of directors should have both executive and non-executive directors to protect the firm against external threats. Additionally, the board should have an optimum number of members such that it is not so lean nor so large. Moreover, the board should have an optimum mix of the required skills and competencies, optimum gender mix, age distribution, occupation, geographical coverage, ethnicity, academic qualifications as well as individual experience (Afrifa & Tauringana, 2015).

The separation of ownership and control as provided by the agency theory and entrusting the managers as provided by the stewardship theory provides efficient means of corporate performance. Such corporate practices guide how best a board should be structured. In performing this role, members are expected to be independent and monitor the actions of managers as agents of the owners to ensure they are acting in accordance with the owners' interests (Jensen & Meckling, 1976). The theory suggests that board composition is important for effectively monitoring top management. Equally, the composition to avoid manipulation by one person or group of persons so that decisions can be taken in the best interest of the organization.

Fundamentally, this investigation was moored on the agency and Resource dependency theories. All companies are exposed to agency problems, and to some extent develop action plans to deal with them. These include establishing measures such as controls on the actions of agents, monitoring the actions of agents, financial incentives to encourage agents to act in the interest of the principals, and separation of risk taking functions from control functions (Altuwaijri & Kalyanaraman, 2016). Resource dependency theory concentrates on the role of BOD in providing resource access and oversight of resource management as well as offering strategic direction to a firm (Glaulier & Underdown, 2001). The agency theory progressed by Means and Berlie (1932) portrays the relationship between the business managing agent and the owner (principal) of the business to be that of doubt and contending interests. Alternately, the stewardship theory replaces question presented by theory of agency with objective consistency. This theory recommends that the owner's requirement for accomplishment and feat must be acknowledged when the business improves performance.

The current study intended to review theoretical and empirical literature on the relationship between corporate governance practices and firm performance among coffee cooperatives in Machakos County, Kenya. In line with these, the research examined especially board structure, board composition and board compensation and their influence on organizations performance. To do this, the three most important theories of corporate governance; agency theory, stakeholders' theory and stewardship theory were examined.

1.1.1 Corporate Governance Practices

Scott and Davis (2015) define corporate governance as the collaboration of different interior and outside players and the board directors in coordinating a firm in value addition. Yasser, Al-Mamun and Rodrigs (2017) characterized corporate governance being duty-bound about governing body's obligations and roles and relationship with the investors, interest groups as well as other partners in the achievement of organization's set goals. In this way, meaning of corporate governance construed up to be a framework for setting up the goals of the organization, the methods for achieving the set goals and checking performance of the same for improved performance.

Although corporate governance practices categorization varies from one scholar to another, the current study identifies the structure, composition and remuneration or compensation of a governing board as pertinent to the conceptual sub-themes establishment of the current investigation. Board design (structure) alludes to the conventional arrangement of the directorate (board of directors). Board design and qualities incorporate the size of the board, authority edifice or design (Chief Executive Officer Duality), board arrangement, variety (distinctiveness and divergence), and board advisory groups (committees). The size of the board alludes to the all-out (total) quantity of owners that make up body governing a business entity. Basically, the design of leadership alludes to the separation of roles between the board chairman and the CEO. Board autonomy alludes to the extent of owner (insider) directors and non-owners (outsider) management team. Variety (distinctiveness and divergence) alludes to the different foundations, socioeconomics, capabilities, and perceptions of directors on the

board. Existence of management teams and their framework are also part of the structure of the board.

In contrast to structure, the composition of a directorate (board of directors) characterizes the businesses or relationships of every director like insider owner and pariah owner (Borlea, Achim & Mare, 2017). Further, board remuneration (compensation) is utilized to demonstrate the top governance or top representative's net income as monetary rewards and advantages. Board compensation's components include, pension, bonuses, medical, utilities, granted equity, options award, insurance, endowment to clubs, conveyance, housing subsidy, and provident funds and incentives plans.

1.1.2 Organizational Performance

There are multiple of definitions of performance of an organization in the pragmatic previous studies of scholars. Basically, performance is the willful relationship of industrious (productive) resources, namely human labour, tangible assets, and capital assets to accomplish a common perspective (Srivastava, 2015). Nas and Kalaycioglu (2016) characterize firm performance as the assessment of the relative energies of endeavors made to accomplishing the business objectives.

These scholars further define performance or firm performance as an effective company subsection comprising operative and monetary results. Then again, Mori and Towo (2017) show that firm viability is a more extensive terminology that includes company performance yet having an anchoring in the theory of organization that engages substitute performance objectives. From the definitions above, organizational performance can be

explained as the definite return or achievement and aggregate outcome of an organization as measured against its preplanned objectives.

The goal of any business is to accomplish superior performing position in contrast with its rivals in the business and it’s anything but a marker of the business’ wellbeing of some random business which will have an effect on its partner return value addition just as its substitute the business. Firm performance might be estimated either as monetary or nonfinancial result dependent on the indictors utilized as directed by the ideas and setting of an exploration. Monetary performance part of performance is for the most part shown as productivity (return on selling, profit from speculation and return on value) and share income.

These outcome indicators mirror the commercial goals of the monetary targets of a business. Non-monetary performance viewpoint of performance aspects incorporates pointers like new product performance, item quality, showcasing adequacy, value added options, piece of the pie (market share) and extra proportions proficiency in technology inside the business's performance framework. The reception of both of the viewpoints is coordinated by the business's goals (McCahery, Sautner & Starks, 2016).

This scholarly discourse adopted performance indicators regularly utilized in cooperative society studies namely return on equity, coffee productivity, stakeholder satisfaction, asset base, branch network, and savings and loans uptake (Gitonga & Miano, 2020; Macharia, 2019).

1.1.3 Corporate Governance and Organizational Performance

Proper corporate governance assumes a significant part in improving moral uprightness and productivity of companies, just as monetary business sectors in which an organization functions. On the other hand, the reverse (bad governance) debilitates organization's latent capacity and in most noticeably awful consideration can open the route for monetary troubles and misappropriation (Azeez, 2015). Companies embracing proper standards of governance ordinarily raise capital simpler and lower cost which reaps benefits and competitiveness as opposed to businesses wallowing in inappropriate governance (Zaman, Arslan & Siddiqui, 2015). Companies that insist on the best requirements of governance lessen many dangers that stand up from each day operations.

Indeed, firms with proper governance are capable of posting sterling performance to draw in financial backers that stand to enhance further business expansion through financial injection. Still, proper corporate governance improves brand picture and notoriety of an organization which presents the firm with increased appeal to financial backers willing to invest, clients, suppliers and different partners (Abdullah, 2014). Significant proof exists to the fact that great corporate governance delivers immediate financial advantage which enhances its productivity and competitiveness. With progressed governance practices, greater of the firm’s loose coins waft turned into lower back to them as dividends as opposed to being expropriated through the managers who manage the firm (Mersni & Othman, 2016).

Measuring Corporate Governance (CG) is difficult because it cannot be directly observed, and it usually involves multiple dimensions (Melih & Ersem, 2016). However,

there is no one single measure for corporate governance. Researchers have used a wide range of indicators to proxy CG such as size of the management team, duality of the Chief Executive Officer, independence of the management team, and diversity of the management team and ownership structure. These measures can be used uni-dimensionally or can be aggregated to form CG indices. Saidat, Silva and Seaman (2019) used board size, board independence and ownership structure to proxy CG and documented that CG was positively related with superior organizational performance. Farhan, Obaid and Azlan (2017) measured CG using duality of the Chief Executive Officer, size of the management team, management team committee and audit type and found out that duality of the Chief executive officer and size of the management committee were positively linked to organizational performance.

Undeniably, the performance level a business entity posts, is a reflection of business governance standard developed and implemented in place such that the greater advanced the company practices of an enterprise, the advanced the overall performance of an enterprise will be. Organizational Performance is consequently frequently assessed to become aware of if there are gaps and outcomes are deviating from the company practices (Borlea, Achim & Mare, 2017). These overall performance gaps decide if company practices in location are powerful or want to be reviewed. In line with such overall performance opinions the enterprise has to additionally adopt to evaluate if their stakeholders are glad about the overall performance of the enterprise to earn their approval as a prime associate mainly the shareholders.

1.1.4 Coffee Cooperative Societies in Machakos

There are 81 co-operative entities (societies) in excess of 70,000 members in the two counties of Machakos and Makueni. Other than these social enterprises, there is a presence of 26 bunches (groups) having a member participation of in excess of 4000 women primarily in the creation of hand-made items such as carpets, baskets among others made from sisal popularly known as *"Syondo"* among the locals. In addition, there are 34 coffee cooperatives occupied with coffee farming, handling and market promoting in the two counties. These cooperatives belong to the larger Machakos Cooperative Union which offers various services and products to coffee cooperatives. The Union offers the societies services that include, coffee milling and marketing. Coffee from factories is taken to the Union mill for processing, value addition and marketing.

The Union also provides education and training to the cooperative societies. With this programme, societies are helped to develop and implement strategic plans as well as train staff for improved performance. Through the Union the societies are certified to meet international quality standards and therefore helped to access premium market prices. More, provision of farm inputs at subsidized prices to societies by the Union. The subsidized inputs are supplied through merchandise stores established by the Union for the purpose. So far, the Union is operating stores located at Kangundo and Kakuyuni. The farm inputs include farm chemicals (herbicides, fungicides), seeds and fertilizers. Farmers also benefit from government subsidized farm products which pass through the Union. This has led to increased coffee production.

Other services offered by the Union to member coffee societies include, transport of coffee to the milling plant, bookkeeping and accountancy services and establishment of coffee nurseries in all its affiliated societies. The union also lobbies on behalf of member societies. It has been in the forefront in negotiating for favorable terms on coffee cess as well as environmental issues with National Environmental Management Agency (NEMA).

Through the Union initiative, Lower Eastern Coffee Mill (LECOM) was started in 2013. With the mill, farmers are making enormous savings on milling and transport costs they have previously been incurring when taking the produce for processing outside the region. Specifically, the mill has had the following benefits for farmers; reduced costs of milling, created direct and indirect employment, increased savings in transport costs and reduced milling loses. Created opportunities for value addition, thus the Union has been able to develop a local coffee brand. Use of coffee waste as charcoal has not only benefitted the farmers but is helping in conserving forests.

Machakos County, among the main producers of coffee, as such had many cooperative entities which as expected subscribed to the Kenya National Federation of Co-agents (KNFC). Accordingly, the county has been an example of success, in regard to the enhancement of social enterprise. Notwithstanding, there has been a decrease in coffee producing as well as delivery to societies which is attributed to governance issues touching on board structure, board composition, board compensation among others (International Coffee Organization, 2019).

1.2 Statement of the Problem

The unending wave of corporate failures and collapse validates the empirical link between corporate governance and performance. Largely, consequences of poor practices are attributed to many factors with governance taking center stage (Londono, Claessens & Correa, 2021). Like many countries, many organizations in Kenya share the sickening governance issues. For instance, in a report by the US Department of Agriculture on Kenya's coffee industry identifies poor governance of marketing cooperatives as the leading factor in a possible fall in marketed coffee volumes in many counties including Machakos (USDA Foreign Agricultural Service, 2019). The Kenya Coffee Annual Report (2018) warns of declining coffee volumes, delayed payment, milling losses among others in counties with Machakos topping the list. As a result, the International Coffee Organization (ICO) observed cases of farmers in Machakos, Muranga and Kiambu uprooting coffee shifting to less risky enterprises.

Despite stated increasing challenges, until now there are insufficient empirical findings on this issue in Machakos County. Little available local empirical evidence is either contextually or conceptually remote (Mbogo, 2020; Irungu, 2019; Macharia & Genga, 2019; Bajji, Nkaabu & Rintari, 2019). Most studies are contextually based in developed countries (Lu & Wang, 2021; Hashed & Almaqtari, 2021; O'Kelley, Goodman & Sanderson, 2021; Vig & Datta, 2021; Benvenuto, Avram, Avram & Viola, 2021; Dong, Ofer, Saad, Su, & Tallarita, 2021; Wang, Zhang & Zhou, 2020; Steven, 2019). The study, therefore, sought to address the contextual and conceptual gap by examining corporate governance practices on organizational performance of coffee cooperative societies in Machakos County.

1.3 Research Objectives

1.3.1 General Objective

The main objective of the study was to establish the effect of corporate governance practices on organizational performance.

1.3.2 Specific Objectives

Essentially, the present study sought to:

i. Determine the effect of board structure on performance of coffee cooperative societies in Machakos County.
ii. Determine the effect of board composition on performance of coffee cooperative societies Machakos County.
iii. Determine the effect of board compensation on the performance of coffee cooperative societies in Machakos County.

1.4 Research Questions

The study sought to answer the following research questions.

i. What is the effect of board structure on performance of coffee cooperative societies in Machakos County?
ii. To what extend does board composition influence performance of coffee cooperative societies in Machakos County?
iii. What is the role of board compensation on the performance of coffee cooperative societies in Machakos County?

1.5 Significance of the Study

Undoubtedly, the current study adds to the improvement of the field of corporate governance. The investigation's outcomes on the impact of corporate governance on the performance of firms gives solid experimental proof on the continuous discussions on the manageability of the organizations' performance in face of corporate governance challenges and increased regulation. These outcomes are of incredible importance to the state, policy producers as well as industry players. Showing that corporate governance determines significantly firm performance, the outcomes urge designers of policy to readjust corporate governance systems.

The findings structure a perspective for the policy and strategy producers in forming strong, expansive and adjusted strategies that establish framework for sound corporate governance. The arrangements upgrade country’s competitive advantage globally, versatile economy and fulfillment of fundamental public objectives. To the business players, findings detailed improve soundness, development and performance in the corporate area. The exploration outcomes are important to the governance practice. The findings display that corporate governance is a first-rate driving force of organizational overall performance. The findings propel an organization to acquire a complete increase through company governance alongside all of the organizational overall performance dimensions. By consequently counting on those findings, the control can craft a legitimate company governance approach and execute it as part of its enterprise strategy.

1.6 Scope of the Study

In terms of content scope, the study examined the effects of corporate governance practices on organizational performance of coffee cooperative societies in Machakos County. This study sourced data from primary sources. Corporate governance variables for this research included board structure, board composition and board compensation. Organizational performance variables for this study employee satisfaction, customer satisfaction, market share and sales growth. In relation to time scope, the research was carried out for 6 months from January to June, 2020.

1.7 Limitations of the Study

Although it was not possible to cover all the aspects that are considered as practices of good corporate governance; the study covered three corporate governance practices which included board structure, board composition and board compensation. The several case research designs including twenty-nine firms was a limitation since it never provided for research simplification to each cooperative society in the industry. The other limitation was that the respondents had a tendency of delaying in questionnaire response which was a significant data collection method in the research. As a means to conquer this challenge, the researcher organized one on one follow up with the organizations management. Additionally, the researcher collected the questionnaires in person.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

To address the study objectives, this section of the research study offers different scholarly viewpoints in order to give a comprehension of the idea of the developments and the nature they achieve in corporate governance. The concepts distinguished and talked about with the end goal of adding value for additional conceptualization and estimating in CG.

2.2 Theoretical Framework

The previous studies assessed on the theme understudy demonstrated a rich basket of theories that have been utilized massively in corporate governance. However, theoretical perspectives underpinning the current study were narrowed down to the resource dependency theory and the agency theory.

2.2.1 Agency Theory

Theory of agency was pioneered by Jensen et al. (2015), who showed that the owner (owner principal) can guarantee themselves that the (agent) will settle on the ideal choices just if fitting motivators are given and just if the agent is checked. Agency theory is based on the view that the corporate governance systems (which essentially require directors to promote the success of the company for the benefit of the members as whole) is designed to minimize the agency problem and reduce agency cost (Coffee, 1993). But problems arise where directors, as agents, take decisions which are perceived not to be for the benefit of the shareholders, as principals (Keay & Loughrey, 2015).

Some of the proponents of this theory include Mori, Golesorkhi, Randoy and Hermes (2015) as well as Tchuigoua (2015) who believed the theory emerged to resolve this conflict. According to Williamson (1996), agents are opportunistic actors given to self-interest seeking with guile. It is this selfishness and mischief that the agency theory strives to assist organizations address.

In application to the current scholarly discourse, agency theory can predict, explain and help address the effect of board structure, board composition and board compensation on organization performance. First, reflecting on reviewed empirical evidence on remuneration bears the hallmarks of the agency theory more than any other corporate theory (Main, Bruce & Buck, 1996). According to the theory, poorly remunerated directors and management, are more likely to engage in financial misconduct hence explain rampant corporate financial fraud (Ozkan, 2011). As such, the theory can assist coffee cooperatives address financial indiscipline and related fraud through staff incentive mechanisms such as competitive remuneration package. It seems that no other corporate governance issue epitomizes agency conflict more than remuneration.

Further, agency theory can predict the relationship between board structure, board composition and coffee cooperatives' performance. Boards, acting as shareholders' agents, having unskillful, incompetent, short or very tenures, without non-executive directors, very small or oversize as well as other standard characteristics, are highly likely to lead to corporate failure (poor performance). Boards with independent directors, with optimum size, skill set, experienced, and competent; will provide strategic direction and oversight by understanding firm's risk management decisions. They do this by asking

difficult questions, not approve unsustainable transactions and both support and challenge executive teams to create stronger and more informed financial decisions

However, Tchuigoua (2015) suggests that scholars advancing the positivist agency have just focused on the (agent) side of the 'owner (principal) and agent issue' and believed that the issue may likewise occur from the owner's side. He saw that this theory is indifferent concerning owners who bamboozle, evade and misuse the agent. Besides, in addition the managers (agents) are accidentally hauled into work with the dangerous workplace and with no degree for infringement, where owners go about for convenience. Eisenhardt (1989) criticized the agency theory for ignoring key organizational aspects like motivation for the agents, risk averseness, time predilection and equitable reward.

2.2.2 Resource Dependency Theory

Resource dependency theory concentrates on the role of BOD in providing resource access and oversight of resource management as well as offering strategic direction to a firm (Pfeffer & Salancik, 1978). The theory is premised on the fact that resource misuse such as scandals and fraud increase uncertainty for an organization making it a useful theory in analyzing opportunities and threats of proper management of resources (Pfeffer & Salancik, 1978). According to the theory, an attempt to avoid subverts institutional norms and expectations by an organization leads to pressure being exerted by the institutional environment like the government, regulatory institutions and professionals (Sheppard, 1995). For coffee cooperatives societies to survive in the environment, they must design board structures and compositions to possess impartiality (independence), power and skills in order to oversee management's decisions.

Proper governance structures and inclusively composed boards reduce uncertainty and have control over significant recourses management which are key in determining their success or failure. It is therefore important that an organization possess the ability to utilize resources better than competitors in order for it to be successful. Hatch (2013) notes that directors play a role in providing or securing essential resources to an organization through their linkages to the external environment. Therefore, resource dependence theory is the reason behind board composition of incorporating independent representatives as a way of gaining access in resources and offering objective advice to the firm's success.

As such, resource dependence helps to explain role of a board of directors as a provider of resources such as legitimacy, advice, counsel, new technology and connections to major sources of finances and other external contingencies, by incorporating external directors to coffee cooperatives societies boards (Sheppard, 1995). Resource dependency theorists perceive external directors bring to the board capital which includes relational capital, the skill set, and experience (Pfeffer & Salancik, 1978).

2.3 Empirical Literature Review

2.3.1 Board Structure and Organizational Performance

Admittedly, both theoretical and empirical evidence confirm the fact that aspects of an organization's board structure such as size of the board (management team), board leadership (CEO duality), board independence, board committees and board diversity, influence performance. However, the business between board structure and corporate performance is still abstruse as contradictory studies reveal.

Mohammed, Hamdan and Al Mubarak (2017) carried out a study on the connection among board length and enterprise performance. They noted that significant forums with more than seven or eight participants feature much less efficaciously and are less difficult for the CEO to manipulate than smaller forums. However, Okiro, Aduda and Omoro (2015) noted that board length is definitely related to performance; large forums offer a number of advantages. Borrowing the organization perspective, they found that a bigger management team is much more arguably to be vigilant in regards to organization issues sincerely due to the fact an extra variety of humans changed into reviewing control actions.

Adusei, Akomea, Poku and McMillan (2017) examined the relationship between board leadership (CEO duality or identity of the chairman) and organizational performance where there is a general changeover from member-based management team models towards CEO dual board model. Besides, the stud established that CEO duality board, the CEO is offered full membership in the board in addition to keeping the CEO in a managerial position. The CEO duality board design established that the CEO, who also serves as the board chairman, has complete power and is responsible for all decision-making operations. Furthermore, the study found that CEO-only board models are a natural evolution and reflection of the desire for independent boards. Other experts, on the other hand, claim that this evolution and shift in authority to the CEO is paradoxical, as it could lead to less diversification, challenges with monitoring activities and managerial excess, and a substantial degree of CEO influence.

However, Ouma and Webi (2017) found that ‘independence’ and performance of a firm are unconnected to each other. Nevertheless, boards exist primarily to offer ‘advise’ and to ‘monitor’ and ‘discipline’ the CEOs. However, there are still debates going on what should constitute the optimum board structure, and whether large firms should have large or smaller boards, and the reverse for smaller firms. Similarly, the number of inside executives and outside executives on boards and their independence is also questionable. Moreover, are the non-executive directors really independent? If they are, in what way?

Fratini and Tettamanzi (2015) found that board committees are closely related to company performance. The study defines board committees as a subset of the board, responsible for the implementation of specific functions, plans, and projects designated by the board. The study found that finance, investment, auditing, and risk, appointment, compensation, and governance are positively correlated with company performance. However, Tang (2017) confirmed that companies whose boards of directors and directors of the audit committee have social and professional connections with the CEO are connected with decreased work execution, lower merit relevance, decreased accrual quality, and increased probability of restatement.

In their study on the influence of board variety on performance, Narwal and Jindal (2015) establish that variety in age, instructive level (education) and sex had positive effect on firm performance. The investigation further saw that having board directors with significant degrees of training is seen as a significant fixing and a distinct advantage for pushing businesses to better productivity. However, Manini and Abdillahi (2015) had a

contrary observation when they established that sex variety to have no relationship with performance.

Equally, the study detailed a positive connection between age of directors and productivity. Further, more youthful board of directors are related with increased hunger for risk taking, are more ICT insightful and inventive. Moreover, their more propensities to change improve their ability to execute oversight job. More seasoned individuals, on the other side, are viewed as more free, more experienced and professionals in relevant areas. Additionally, they are related with more noteworthy social capital and linkages for company's assets, thus better performance. The outcomes of the current study suggest that no specific age bunch is ideal for businesses management however a blend of all ages is considered. Other significant contemplations involve how each board part contributes towards organization's superior productivity.

More so, variety in the length of service among directors of the board was likewise a significant perspective analyzed by the study. The period one has functioned as a member of a board is relied upon to upgrade their learning and comprehension of the business climate and consequently more educated commitments towards organization running regarding the firm. Be that as it may, board director’s experience was found not significant in affecting superior productivity. This was in accordance with Livnat, Smith, Suslava and Tarlie (2016) who discovered long serving board directors (past 9 years) to be related with weakening specialized exhortation to the executives.

Also, Simons and Pelled (1999) contended that experience variety among board directors contrarily affected by and large the performance because of the related casual

correspondence among top supervisory crews. Despite what might be expected, disparate outcomes were accounted for on board insight and firm performance. Van Ness et al. (2010) discovered governing body with high normal tenancy to be decidedly identified with elite. Additionally, Huang, 2013 and Vo and Phan (2013) tracked down a significant connection between board tenancy and firm performance. Further, blended outcomes were accounted for by Livnat et al. (2016) that positive connection between board tenancy and performance for the initial nine (9) a long time, after which, adverse outcomes were noticed.

However, disparate results were accounted for on board insight and firm performance. Van Ness et al. (2010) discovered directorate having typical or normal tenancy to be decidedly identified with more productivity. Likewise, Huang (2013) and Vo and Phan (2013) tracked down a significant connection between board tenancy and firm performance. Further, blended outcomes were accounted for by Livnat et al. (2016) that positive connection between board tenancy and performance for the initial nine (9) a long time, after which, adverse outcomes were noticed.

The following discussion and aftereffects of the current investigation recommend that businesses may attract value addition from variety board director's experience. Nonetheless, different components assume a part in deciding the degree of significant worth acquired. For example, more experienced sheets may get familiar with the businesses and subsequently may not acquire new thoughts needed for the organizations to acquire and support upper hand. Accordingly, a blend of new and more experienced board directors turns into an essential, for firms to improve performance.

2.3.2 Board Composition and Organizational Performance

Undeniably, board composition is a key determinant of financial and non-financial performance of a company. Indeed, the success of any firm is predicated on the people sitting on it board. Accordingly, the role of board tenure, proportion of outside directors, and directors' expertise and perspectives, has a strong bearing on the competitiveness and realization of an organization's desired goals. Tellingly, this aspect of the corporate governance elicits mixed and inconclusive viewpoints.

According to Yasser, Al-Mamun and Rodrigo's (2017) study, the average term of the management team has a positive influence on the performance of asset growth. The study also found that the term of the management team is positively correlated with the asset-liability ratio, but positively correlated with free cash flow and income. The study observed that board directors should not stay long on the board as it increases chances of compromise. The study observed that a specific period of directors' service on the board should be modest.

As noted by Kosnik (1990), longer tenancy does not just improve firm performance yet in addition empower the board directors to foster a feeling of comradeship and all in all they are better ready to assess top governance projects successfully. Curiously, there is by all finances a positive connection between board insight and firm performance. Albeit the great majority of the past studies suggest that directors to the board should serve throughout quite a while to have sufficient mastery that will improve firm performance.

According to an empirical study by Brennan (2016) on board tenure and its effects on performance, where an analysis of 452 large US firms was done, Brennan confirmed that

there was a negative long-time span board tenure effect on performance in a number of studies on large publicly traded US firms. However, other studies of large US firms provide evidence that the board tenure effect depended on the other organizational factors. In the same vein, Ageda (2015) shows that the negative board tenure effects do not hold for firms with medium time span on the board.

On the contrary, Kyereboah-Coleman and Biekpe (2016) in their study at Sarbanes Oxley World on the relationship between competence of the management team and financial performance board, they found a positive impact between the two variables. Furthermore, the study found that there is a positive correlation between board specialization and performance, and board members with high levels of education and experience are positively related to company performance.

Kercher and Routledge (2018) conducted a descriptive study on the relationship between board composition and performance and extended their research on effects of board expertise and perspectives to include small and medium-sized closely held business. In its sample of 785 sanitation companies and 94 bankrupt companies, these are mainly small and medium-sized companies closed in Finland. They found that these closed small businesses have significant negative board experience and forward-looking effects.

In addition, estimates have a significant impact on performance: According to their most conservative estimates, with a sample average of 13%, a board of directors with great experience and opinions will increase the return on assets by an average of about 11 percentage points. However, Sheikh (2018) observed that the size of the board of directors (BS) is negatively correlated with the performance of the company, and the

independence of the board of directors does not have a significant impact on the performance of the company.

In Nigeria, Bebeji, Mohammed and Tanko (2015), carried out a study on the influence of board external directors on the financial performance of banks and established that external director have significant negative impact on the performance of banks in Nigeria. This means that the presence of outside directors in the board of directors will lead to a decline in ROE and ROA. In Kenya, Ongore, K`Obonyo, and Ogutu (2015) assessed the impact of outside directors on the financial performance of companies listed on the Nairobi Stock Exchange. The study investigated 46 companies listed on the Nairobi Stock Exchange in 2011 and found that outside directors were negatively correlated with the financial performance of companies listed on the Nairobi Stock Exchange.

2.3.3 Board Compensation and Organizational Performance

The relationship of company compensation performance in the board of directors has caused endless and inconsistent debates, which is consistent with agency theory. For example, Anwar, Shah and Hasnu (2016) reported on Pakistan that an increase in the distribution of board members is positively correlated with the development of shareholder wealth in listed companies and private companies. The study also determined that increased funding would reduce self-interest issues, as these benefits will be changed to be the same as those of related companies.

In doing so, the board members will strive to achieve the company's goals, because this ultimately aligns with their own goals. Therefore, the incentive system does not make the

executives change their motivations and reduce the drive of their own interests, but connects the self-interests of the senior managers with those of the owners.

Borlea, Achim and Mare (2017) analyzed 15-year panel data sets from significant companies listed on the New York Stock Exchange to confirm the link between board bonuses and performance. The findings revealed that board incentives and performance had a substantial link. Relationship is good, and the company is doing well. When Marashdeh (2014) looked at the relationship between board bonuses and company performance in the banking business, he came to the same conclusion. According to the retention data, there is a substantial positive relationship between board compensation and performance.

Mori and Towo (2017) also found a positive correlation between competitive (high) emission allowance committees and company performance, which is reflected in the company's market value. Although Amoll (2015) also confirmed that there is a weak but positive relationship between board performance distribution and company performance.

Borlea, Achim and Mare (2017) saw that capability, abilities, skill and experience decide the degree of board directors' compensation. In his study on owner compensation, he contended that underlying nature of compensation has kept on changing to tackle the owner-agent issue where most significant organizations have chosen to pay bigger extent of compensation in different structures like short and long haul motivators, conceded reward, share alternatives, and benefits to determine issues distinguished in owner agent issue.

The same study proposed that organizations ought to be urged to be more straightforward about owner remuneration. Nonetheless, expanded straightforwardness of pay will provoke compensation panels to legitimize pay projects and urge investors to assume a more extremist part. What's more, significant reasons at present distinguished for undeniable degrees of pay is the impact of the worldwide market for CEOs and the need to pay better than expected to draw in the absolute best ability and to deter stream of owners to different nations from created economies like UK and US.

In a formerly directed investigation, Scott and Davis (2015) test the remuneration for performance affectability among double CEOs. The outcomes of this study show that when the investor fortune increments by 1000 US dollar, the complete stipends, reward and pay of the CEO increment by roughly two pennies, proposing that the difference in the reward and pay are exceptionally low contrasted with change in performance. Scott and Davis (2015), along these lines contend that the motivators are too low to even consider changing the inspiration and the conduct of the top owners. Subsequently, the awards as far as rewards should be expanded to really affect the conduct of the board.

2.3.4 Organizational Performance

A definitive objective of a business is higher monetary performance or amplification of fortune for partners (Shahzad, Rutherford, & Sharfman, 2016). In any case, achieving the business's objectives relies on the degree to which its firm performance is reached (Patel & Cooper, 2014). Firm performance is for the most part demonstrated by viability, productivity, fulfillment of representatives and clients, development, nature of objects or governances, and potential to hold personnel. The enterprise overall performance

elements of the present day research covered highlights like object quality, purchaser loyalty, new object improvement, capacity to draw workers, capacity to maintain employees, and board-employee connection

As Huang, Shieh and Kao (2015) point out; performance implies changes in the contribution of certain results to profits. In essence, performance clarifies the links between irrelevant and compelling costs (economics), costs of success and recognized benefits (productivity), and full benefits and results (feasibility). The performance of the transaction can be clarified in each exercise or risk that the company completes within a certain period of time.

It can be well estimated by the total revenue collected from the merchandise sold. The characteristic of development income is the total amount of cash collected by the organization for the products it sells at a specific time, which is determined before deducting costs. Business suitability is based on the three basic elements of performance, including the unwavering quality of productivity and cycles; assets and interpersonal relationships; and the progress and transformation of the work environment (ElChaarani, 2014).

Competition is important when a company's competitiveness strategy provides projects and governance at a lower price than its competitors. Characteristics of the human asset connection are trust, steadfast responsibility, aggregate test of distinction, and collaboration among workers (ElChaarani, 2014). Most companies believe that their performance is sufficient to achieve their main objectives, reasons, or goals. For example, most open companies tend to associate broader corporate performance concepts with the

consequences of their specific projects to improve the existence of objective meetings (Shahzad, Rutherford & Sharfman, 2016). At the same time, more companies believe that their performance is due to their effectiveness in transferring assets. This is consistent with the ideal use of the asset to obtain the desired result.

In conclusion, for firm to achieve its mandate, and remain reasonable and relevant throughout time, it must be both economically viable and adaptable to its partners' changing demands. These four aspects of performance are the important measurements of company performance in the organizational performance structure. Businesses operate within a set of external settings or factors that either help or hinder their success. The monetary, political, socio-social, ecological, and mechanical circumstances, as well as key components in the strategy or administrative climate, all impact how the company approaches its work (Buallay, Hamdan & Zureigati, 2017).

Inside, overall performance is driven by means of the business's concept to perform, which alludes to the association culture, history, mission, features and motivation frameworks. These aspects have an effect on the nature of work, the thinking of how the business contends, and the stage of inclusion of interior companions in selection making measures. Performance is driven to some degree, via firm limit, which we in modern times are aware of as present in seven vital regions: key governance, HR, financial resources, infrastructure, programming and method management, and inter-institutional linkages (Brahmana, Brahmana & Ho, 2018).

Every one of these seven competence aspects might be depicted in sub-segments as, for instance, in the business's essential governance limit which is perceived as its

construction, governance, authority, vital plans and board specialty. HR, monetary assets and foundation are viewed as assets just as the governance of these assets (Buallay, Hamdan & Zureigati, 2017). Businesses additionally have limits that outcome from the relations they have established with different organizations alluded to as between institutional linkages.

Huang, Shieh and Kao (2015) clarify adjusted scorecard procedure as a complete methodology that investigates a business's general 4 forms of performance, in view of the possibility that evaluating performance through monetary returns, it only provides data on how the company performed before the evaluation, so that it can predict future performance and take appropriate activities to achieve the desired future.

Studies have adopted various proxies of measuring performance of cooperatives which may differ according to the type and form of a cooperative. However, number of branches, number of shareholders, number of branches, return on equity, stakeholder satisfaction, asset base, branch network, savings and loans uptake have been utilized recently (Macharia, 2019; Gitonga & Miano, 2020). This scholarly discourse adopted performance indicators regularly utilized in cooperative society studies (Gitonga & Miano, 2020) namely return on equity, stakeholder satisfaction, branch network, and savings and loans uptake.

2.4 Summary of the Literature Review

From the previous studies audited, different issues stuck out. First were a comprehension of the developments and the operational pointers of the builds of corporate governance practices and performance. Survey from previous studies show proof of a broad exertion

made by the executive researchers to characterize corporate governance practices and performance in a manner that gives a reasonable comprehension of theoretical and logical parts of the builds and demonstrated how they can be applied in essential governance. The researchers additionally operationalized the builds by means of pointers that can without much of a stretch give a way to portraying the idea of connections among the outcomes.

Second, the depth of the current scope of understanding of the construct of performance is limiting (Anwar, Shah & Hasnu, 2016; Alusa, 2015). Indeed, the current understanding takes a narrow aspect of the concept, which raises the need for a broader view of the construct of performance (Awaluddin, 2014). Implicitly, a relevant set of theoretical underpinnings of performance are required.

In addition, scholars surveyed commercial enterprise performance in relation to different boundaries outside the investigation builds and these studies are; Anwar, Shah and Hasnu (2016) who directed research on Business Strategy and Organizational Performance; the place performance was operationalized as financial performance; Munyoki, (2015) tried to find out about the joint influence of company self-governance, situating and serious practices on performance of Kenyan State Business where performance was operationalized as economic and non-monetary measures. Lastly, Wandiga, Kilika and James (2017) led an investigation pointed towards proposing an emotional estimation model, for association performance in firms where performance used to be portrayed as benefit, development, purchaser and worker fulfillment.

As such, a previous study of the investigates shows that the agents applied a wide cluster of builds that are past those caught in the calculated previous studies and rise above the extent of the mother disciplines (Marshall & Rossman, 2014). For instance, the analysts have presented the builds of capital design (Okiro, Aduda & Omoro, 2015) and abstract estimation model. Moreover, while the calculated previous studies are hazy on the pointers of governance structure, the observational studies have been very exact on the operational markers of the build. By and large, across the explorations, the agent applied thorough conceptualization and theory assembling those slices across various controls to investigate the connections among the builds.

2.5 Research Gaps

To conclude, the results concerning the relationship between various aspects of corporate governance and company performance except board structure, composition and compensation. Therefore, the scanty focus on this area in the studies discussed above necessitated similarly lookup within the area and indicating that exploration of new angles and thoughts are required.

Conceptually, studies reviewed have examined the study construct in combination or alongside other constructs. Equally, other studies surveyed the phenomenon in relation to constructs outside the study focus. Besides conceptual gaps, these studies were contextually based in other geographical jurisdictions quite different from the scope of the current study. Moreover, there are conflicting findings from many studies hence lack of conclusiveness on the phenomenon.

Further, the approaches utilized such as unique characteristics of the sample size, sampling procedure and governance of research tools, pose credence issues of the studies. Together with other outcomes that characterize research in corporate governance practices, the author is of the opinion that there is both conceptual and contextual gaps in the studies reviewed. Therefore, there was need to examine the constructs of the study in the context of the scope of the current study.

2.6 Critique of the Literature

The researchers submitted various aspects on the relationship between corporate governance and organizational performance. Indeed, different conceptual and contextual backgrounds were examined within varied scopes. However, certain glaring gaps emerged in the course of reviewing of the studies that were not addressed by the researchers. First, while most of sample size was good, the trouble lies with the distribution of the pattern that is rather low. A larger sample with regard to all categories would have aided in the information analysis, particularly when searching for possible interactions between company governance and performance level.

Threats to validity were also provided, such as a lack of information about the validity of several of the instruments used, which was inconsistent with the type of data obtained. Similarly, approaches for analyzing data for variations across variables in relation to the issues under investigation. The researchers may have decreased some of the potential challenges to internal validity by increasing the number of independent variables.

While the research is valid, the methods should be reconsidered. The study's credibility should be enhanced by using a larger sample size. The many potential threats to inward

validity should be addressed and restricted to the extent possible. It would also be beneficial to be given information on the instruments' validity. It's difficult to judge the investigation's expected importance without them.

2.7 Conceptual Framework

The proposed model provided two levels of consideration of constructs in the phenomenon. Figure 2.1 depicts the conceptual framework illustrating the link between the dependent and independent variables. The hypothesized phenomenon's contingent or ultimate condition is performance, which has been operationalized as indicated. Independent variables include board structure, board composition and board compensation. The phenomenon that has emerged from reviewed literature such as Macharia (2019); Gitonga and Miano (2020) among others, as well as the proposed conceptual framework, is summarized in Figure 1.

Independent Variables **Dependent Variable**

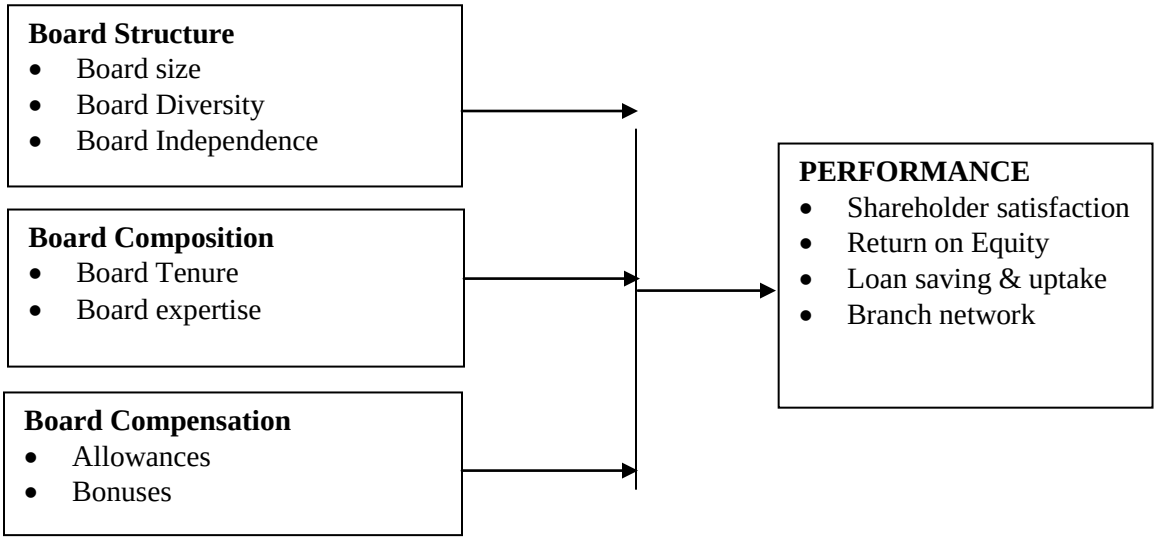


Figure 2.1: Conceptual Framework

Source: Researcher, 2021

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This part portrayed the study area and how the exploration study was directed. The segment portrays the exploration philosophy; it incorporates the study configuration received, the objective populace and testing configuration just as inspecting methodology. Additionally, talked about is the estimation of information assortment instruments and information assortment methods. Further, directing of the information assortment instruments, investigation of the information gathered, and moral issues were examined.

3.2 Research Design

The exploration plan for this study adopted descriptive model. This sort of exploration configuration portrays the situation as it exists as of now. Review research plan (Kihn & Ihantola, 2015) who concur that information advancement strategy, field overview and interaction following convention just as controlled test are the awesome testing social, mental and conduct elements of human instinct.

Stage and Manning (2015) set field review as the most broadly utilized information gathering apparatus. It can reveal mentalities and conclusions yielding relations that fill in as a directing theory for additional subsequent exploration, which is pertinent in revealing the significant variables behind this marvel. The key point of this investigation was to investigate through inside and out shut finished polls that, board of directors' plan

and implement corporate governance practices to improve firm performance in the coffee cooperative societies in Machakos County.

3.3 Target Population

The population for this study consisted of board members of the 29 active organizations who are deemed to display corporate governance practices to enhance the organizational performance of the coffee cooperative industry in Machakos County as indicated in Table 1. Typically, a coffee cooperative society's board comprises executive board composed of a chairperson, secretary and treasurer while supervisory committee consists of three members. Eligibility of person to undertake the exercise met the following criteria: (a) a base of 5 years of experience either as an executive board member or supervisory committee member in the organization; (b) as part of the executive board and supervisory committee job description or responsibilities and (c) participation in policy making and overseeing corporate governance practices (d) belong to a cooperative society which is dully registered and (e) hailing from a cooperative society which is active.

In order to characterize a group, researchers need to define a set of inclusion or exclusion standards or an aggregate of the two (Luborsky & Rubinstein, 1995; Patton, 1990). Robinson (2013) further described the inclusion criteria as the attributes that individuals must possess to be eligible for research, whilst the exclusion criteria had been the attributes that disqualified research participants.

Table 3.1: Target Population

No of cooperative Societies	Population Segment	Category/cadre	Category unit	Population distribution
29	Executive board members	Chairperson	1	29
		Secretary	1	29
		Treasurer	1	29
	Supervisory committee members	Members	3	87
Total				**174**

Source: Researcher, 2021

3.4 Sample Procedure and Sample Size

Considering a whole populace is unfeasible. Hence, a9o sample is picked to address the populace. A sample is a subset of the populace, chosen as illustrative of the bigger populace (Acharya, Prakash, Saxena & Nigam, 2013). While picking a sample size, an analyst ought to consider what is ideal and what common sense (Robinson, 2013) is. For this investigation, three (3) eligible board members which consisted of chairperson, secretary and treasurer from executive board and three (3) supervisory committee members from each of the 29 organizations were selected. Thus 174 executive board and supervisory committee members were considered for participation in the current study.

In order to get a representative sample for the study, the researcher used census technique. This is because the target population comprising 174 executive board and supervisory committee members was too small to sample. Indeed, Yu, Abdullah and Saat (2015) argue that census is where the entire population is chosen to take part in the study since the population size with the specific features in the study is small.

Two aspects that justify application of this type of sampling include (a) the fact that the population size is very small; and (b) the fact that the population shares an uncommon characteristic(s). Tellingly, executive board and supervisory committee members being solely in charge of governance of cooperative societies understand corporate governance philosophy of their respective cooperative societies and were therefore in pole position to provide the required information. To create a census, the population characteristics would be defined then creates a list of the population before contacting all members on the list.

One of the major advantages of census method is the accuracy as each and every unit of the population is studied before drawing any conclusions of the research (DeLyser & Sui, 2014). When more and more data are collected the degree of correctness of the information also increases. Also, the results based on this method are less biased. This sampling method can be applied in a situation where the separate data for every unit in the population is to be collected, such that the separate actions for each are taken.

Therefore, the entire target population was selected to participate in the study. Census is deemed suitable because the population is small. The method allows the entire population to participate are most prepared to provide a thorough understanding of the phenomena (Poulis, Poulis & Plakoyiannaki, 2013). Case study design, according to Neuman (2011), depends on a small sample to provide relevant insights of a situation. Census approaches can be used by quantitative and qualitative researchers to aid in the selection and engagement of participants (Koch, Niesz, & McCarthy, 2013). In this study, therefore, the sample size comprised 174 respondents as indicated in Table 3.2.

Table 3.2: Sampling Frame (Census Distribution)

No of cooperative Societies	Population Segment	Sample size Category/cadre	Category unit	Sample size distribution
29	Executive board members	Chairperson	1 x 29	29
		Secretary	1 x 29	29
		Treasurer	1 x 29	29
	Supervisory committee members	Members	3 x 29	87
Total				**174**

Source: Researcher, 2021

3.5 Data Collection Instruments

Structured surveys were utilized to accumulate data from respondents. The surveys were managed on a drop and pick premise inside a time of 2 - 3 days by the researcher face to face, because of the affectability of the topic. The survey strategy for gathering information was good for the study since it permitted the analyst to get the reactions in a way that is probably not going to be defiled through varieties in the phrasing as the factors were plainly spelt out. The technique likewise considered simple coding of information.

3.6 Piloting of the Research Instruments

A pilot study was directed to give the researcher thoughts and signs to expand the shots at getting more clear outcomes in the principal study. Sakarau (2015) proposes that a pilot study is a limited scale trial of the strategies and methodology to be utilized for a bigger scope. To find out how substantial and dependable the polls are, the questionnaire was administered to 17 subjects randomly selected from the study area. This was done prior to setting out on the fundamental review. A pilot practice is utilized in distinguishing and

amending any potential blunders that may be in the surveys (Yazan, 2016) with 1-10% was adequately representative for pilot study. The 10% pilot study respondents did not take part in the main survey (Rajiv, Chu & Jiang, 2015).

3.6.1 Validity of Data Collection Instruments

Validity assisted the specialist with being certain that poll things estimated the ideal develops (Yazan, 2015). The portrayal of the entire populace is widely addressed by validity. Making validity the indent to which the marvel under study investigation is oozed (Kihn & Ihantola, 2015). Saunders, Lewis and Thornhill (2016) concur with this affirmation that validity has to do with how precisely the information acquired in the study addresses the factors. There are three sorts of validity that are important to analysts: content related, basis related (Statistical end) and build validity (Garousi, Garousi-Yusifoğlu, Ruhe, Zhi, Moussavi & Smith, 2015).

As pointed out by Fletcher, Massis, and Nordqvist (2016), the content effectiveness of the tool is improved through master judgment. Ultimately, the help of the experts was sought who reviewed and improve the effectiveness of the content of the document.

3.6.2 Reliability of Data Collection Instruments

Krueger and Casey (2015) characterize reliability of the exploration instrument as the consistence of scores acquired and that it has two perspectives, soundness and comparability. Dependability is supposed to be accomplished if an instrument gives reliable outcomes with rehashed estimations of a similar item. Dependability is rightness and significance of the investigation instruments. Arising modifications was done as needs be after the instrument is pretested with an example of the respondents. Interior

consistency method was applied to test for reliability during the pilot study. Interior consistency estimates consistency inside the instrument and questions how well a bunch of things estimates a specific conduct or trademark inside the test.

The study adopted coefficient alpha being perhaps the most well-known strategy for testing for inner consistency in the behavioral. Coefficient alpha was advocated by Cronbach (1951), who perceived its overall value. Therefore, it is normally alluded to as Cronbach's alpha. The Cronbach's Alpha Coefficient is the action instrument importance (Zhang, Jiang, Shabbir & Du, 2015).

It is utilized to evaluate how steady/homogenous the inquiries are. The coefficient is value addition from 0 to 1, where the higher the worth, the better the alpha. Essentially, 0.7 is the base appraised an incentive for the alpha and in this manner anything beneath the limit is discarded. In the current study, alpha score was obtained as indicated in the analysis in chapter four ahead.

3.7 Data Collection Procedures

An introduction letter from the college giving consent for collection of required information was acquired and utilized just as basic letter to the respondent. Study license was gotten from National Commission for Science, Technology and Innovation (NACOSTI). A pick and drop technique was utilized and every respondent was allowed 2-3 days to fill the poll.

3.8 Data Analysis

The returned and duly filled questionnaires were verified, coded and thereafter quantitatively and qualitatively analyzed. The researcher used Statistical Package for Social Sciences (SPSS Version 21) to analyze quantitative data from the questionnaires.

3.8.1 Analytical model

Analytical technique multiple regression analysis was used to determine the relationship between variables under the following formula:

$$OP= B_o+B_1BS+B_2BC+B_3BCP+ \varepsilon_1$$

Where;

OP = Organization performance

B = Constant

BS = Board structure

BC = Board composition

BCP = Board compensation

ε_1 = Residual (error)

3.9 Ethical Considerations

The researcher is morally obliged ensuring respondents from damage, ensure their privacy, and gain their endorsement prior to the study project (Knepp, 2014). The assent structures were furnished to members with a clarification of the investigation and permit them to pose inquiries prior to consenting to partake. The assent structure contained: (a) contact data, (b) reason for the study, (c) potential dangers, d) the organization supporting

the investigation, (e) the option to withdraw from the research project at any time by requesting that their data not be made available for research and, in some situations, to destroy their data (Kaye et al., 2014).

Respondents were not given any motivations for cooperation in this investigation. To ensure the confidentiality of the respondents, the researcher was the lone individual with admittance to the data that distinguishes the members. Two letters were sent out, (O) to address the business and (P) to address the respondent and a number to every respondent from O1-P1-3 to O29-P87 to separate the reactions for information examining and which business they have a place. The assent structures, documents, records, and accounts from the exploration were put away on a secret phrase ensured USB drive and kept in a bank lock box for a very long time. After the 5-year time frame, research supporting archives were annihilated by burning. Crumbling, burning, and destroying were strategies utilized in the annihilation of information (Saunders, Lewis & Thornhill, 2016).

CHAPTER FOUR

DATA ANALYSIS, INTERPRETATION, PERFORMANCE AND DISCUSSION

4.1 Introduction

This section presents the study outcomes, analysis, interpretation and presentation in type of tables, diagrams and figures. Fundamentally, data analysis is the way toward requesting and rebuilding information from the field to get an understanding on the general meaning as introduced by research inquiries to represent the issues.

4.1.1 Pilot of the Study

A pilot study was conveyed at the Mukuyuni Farmers' Cooperative Society to examine dependability of the study instrument (survey). A Sample size of 17 members (10% of test) as suggested by Fletcher, De Massis and Nordqvis (2016) was chosen and managed with surveys. All were given with questionnaires which they filled and returned giving a reaction range of 100%. The Cronbach's Alpha Test was led on all the investigation factors and results are introduced in Table 4.1.

Table 4.1: Reliability Test Results

Variable	Number of Items	Cronbach's Alpha
Board structure	6	.819
Staff Competency	6	.767
Board compensation	6	.759

The outcomes provided Cronbach's Alpha values greater than 0.7 as shown in Table 4.1. A Cronbach correlation coefficient greater or equal to 0.7 is satisfactory (Mallon & Elliott, 2019). The outcomes of the pilot test were not included in the final data analysis.

4.2 Response Rate

Reaction rate is the degree to which the ultimate informational collection comprises all respondents and is computed as the number of respondents with whom meetings are finalized, divided by the sum of all respondents in the sample, including those who would not be interested and those who are inaccessible (Ravitch & Riggan, 2017). The sample size was determined by a total of 174 respondents, of whom 134 completed and returned the surveys, resulting in a response rate of 23% (Table 4.1).

In accordance with the analysis of Rubin and Babbie (2016), a recovery rate of 50% is acceptable, a recovery rate of 60% is good, and a very good analysis and release of more than 70%. Therefore, the response rate of 77 obtained in this study is good enough to allow the study to draw rational conclusions. The high response rate may be attributed to the effective management of the questionnaire, especially the close monitoring of the respondents. Response rate as shown by Rubin and Babbie (2016), return ranges of 50% are worthy for study, 60% useful for investigation and more than 70% are awesome for investigation. In like manner, the reaction range of 77% accomplished in this study was generally excellent and gotten the job done for the investigation to reach sensible determinations. The high reaction rate might have been ascribed to viable organization of the surveys especially a close following up of the respondents. The reaction rate is as summarized in Figure 4.1.

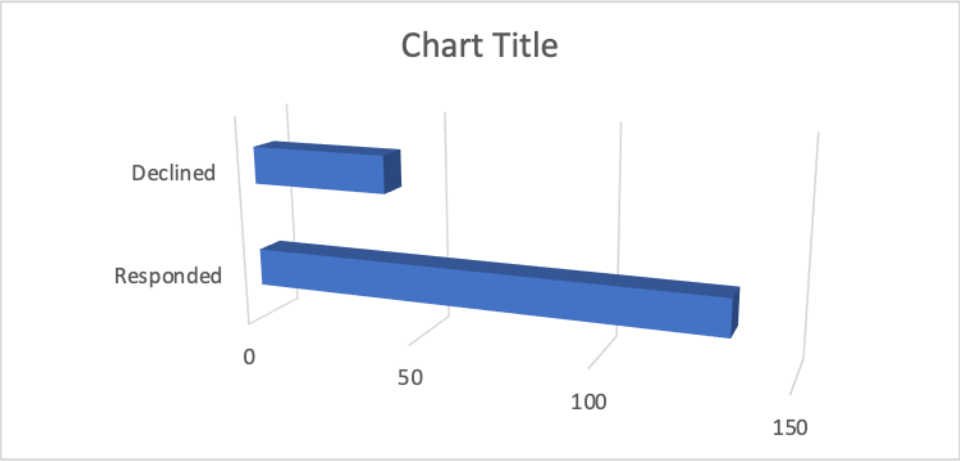


Figure 4.1: Response Rate

Source: Researcher, 2021

4.3 Demographic Data

The respondents were required to give their age group, gender, as well as their greatest education level. Their present roles and length of governance in current businesses were also required. Respondents' current enterprises were deemed relevant since they would demonstrate the members' relevance to the concept of the information requested. The respondents' length of governance was deemed noteworthy because it was everything but a predictor of their knowledge of the firms and the organization's performance

4.3.1 Analysis of Respondents' Age

Age is a key segment include that bears on the study outcomes consequently this part tried to decide the period of individual respondents. Respondents were approached to demonstrate their age. The outcomes are as introduced in Figure 4.2.

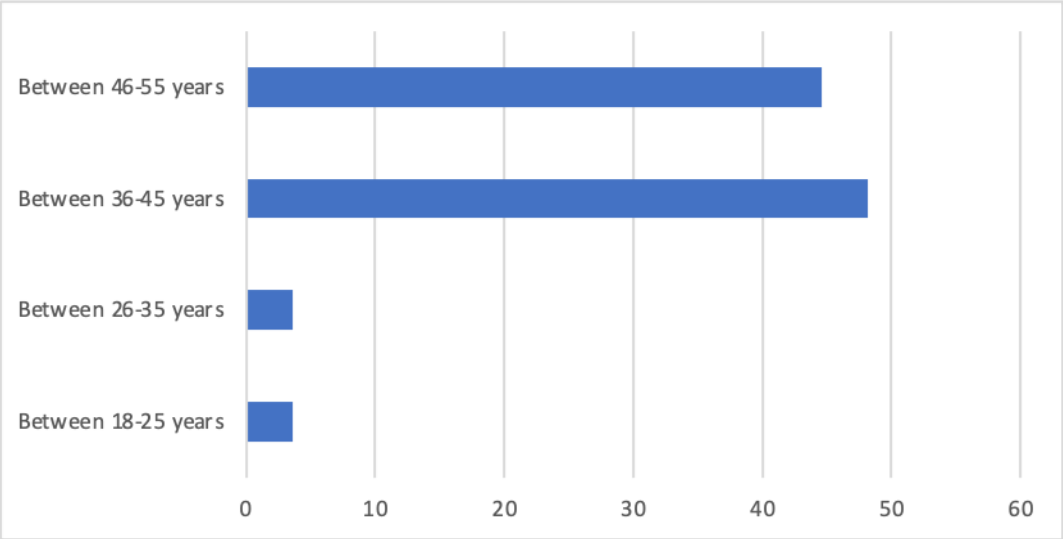


Figure 4.2: Age

Source: Researcher, 2021

The outcomes demonstrate that greater parts of respondents addressed by 48.2% were matured between a day and half years. This is trailed by 44.6% matured between 46-55 years while a simple 3.6% addressed both the aged between 26-35 years and 18-25 years. Verifiably, greater parts of board of directors are mature enough to comprehend corporate governance standards weakness on performance theory and subsequently ready to react to the polls properly. Despite the fact that measurements show most age bunches were all around addressed, the youth bunch is extremely unimportant at 3.4%. This projects vulnerability on the coherence of performance theory predicated on mentorship of the probably small youth worker number.

4.3.2 Gender

The research aimed at knowing the gender of the respondents as shown in Figure 4.3

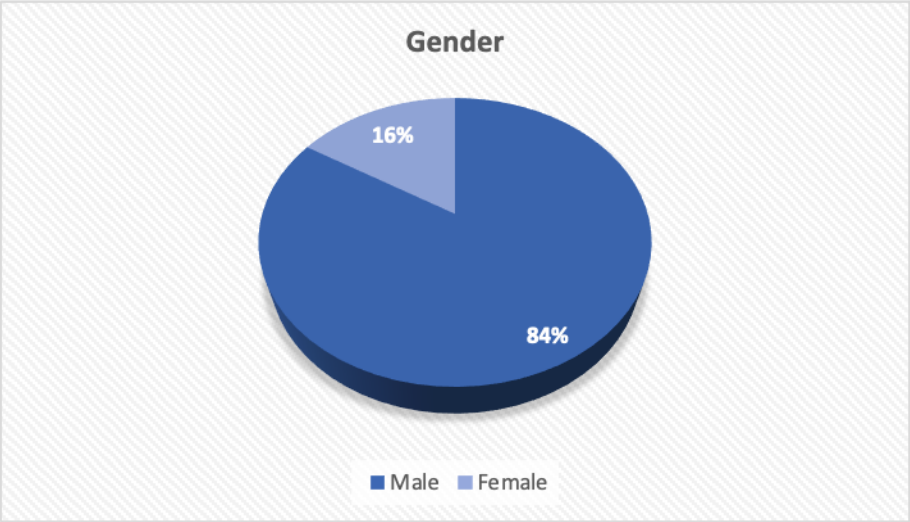


Figure 4.3: Gender

Source: Researcher, 2021

The outcomes reveal 84 percent of the respondents being male and 16 percent was female. This indicates that the Board is not gender sensitive because it neglects in meeting the gender balance limit needed in most organizations that 1/3 should be of opposite sex. This is in agreement with the suggestion of Fesenko, Shahov and Fesenko (2017) that firms that are sensitive to gender issues settle on very equilibrium decisions on key aspects such as marketing in this case.

4.3.3 Educational Level

Training of faculty is key in the acknowledgment of a business's set targets. One of these goals is being in front of different firms which are generally conceivable through boost of prevalent corporate governance standards. To accomplish this, a satisfactorily taught and

created labor force is required. That is the reasoning this part looked at, to decide the instructive degree of respondents and its bearing on corporate governance standards weakness on performance in Kenya. Figure 4.4 shows the outcomes on the respondents' degree of training

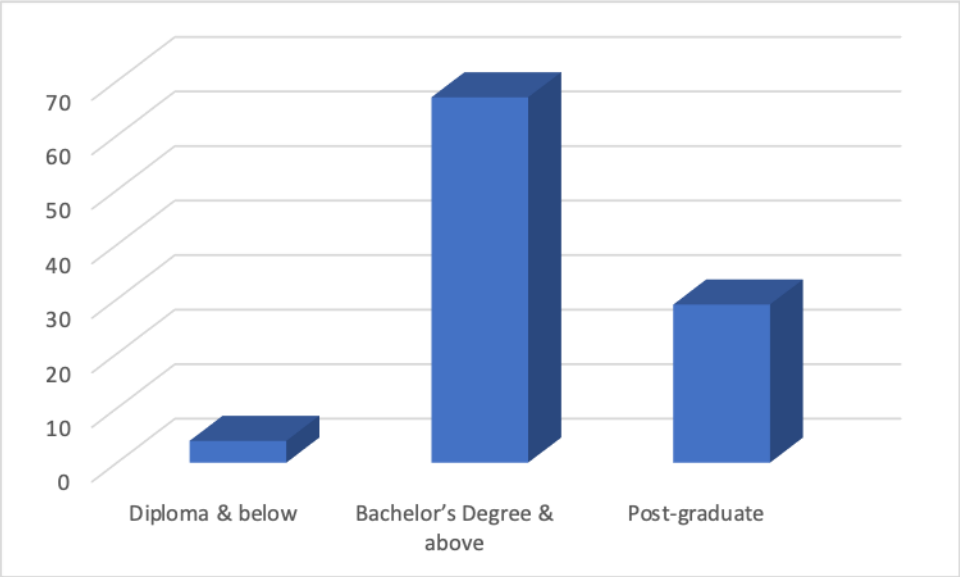


Figure 4.4: Educational Level

Source: Researcher, 2021

From Figure 4.4, larger part (67%) of the respondents had achieved a bachelor's degree while 29% and 4% of the respondents had accomplished postgraduate and recognition levels of schooling individually. The undeniable degrees of schooling achieved, shows respondents were proficient to provide the data needed on corporate governance practices and performance

4.3.4 Working Experience

The purpose of this section was to find out how long respondents had been with the companies and how they viewed corporate governance policies in relation to company performance. As a result, respondents were asked to list the number of years they had served on the board of directors of their respective organizations. Table 4.9 summarizes the findings.

Table 4.2: Working Experience

	Frequency	Percent
1 Year & below	14	10.7
Between 2-4 Years	14	10.7
Between 5-7 Years	43	32.1
Between 8-10 Years	53	39.3
Over 10 Years	10	7.1
Total	**134**	**100.0**

Source: Researcher, 2021

As outlined, a larger part of the respondents addressed by 39.9% had taken part in the field from 8-10 years and firmly followed by 32.1% had been working for 5 to 7. 20% had been working for a period below four years. From the outcomes, it very well may be derived that the greater part of the respondents had gained hands on experience. On preparing in this way, they were aware of corporate governance practices and performance.

Further, most respondents were in the business for a while consequently were educated to comprehend the impact of corporate governance standards on corporate governance. As such, they had developed the in-depth of experience in the area and so could respond objectively to the issues. According to Kotler and Keller (2016),

experience as far as number of years an individual has occupied with a specific field was a significant variable in managing issues under a microscope.

4.3.5 Job Designation (Position)

Examined here, are functional roles (positions) respondents held in the organization. This is due to the reality that job designation without delay describes board member's performance and function.

Table 4.3: Job Designations

Designation	Frequency	Valid Percent	Total
Chairperson of the Executive Committee	21	72	100
Secretary	22	75	100
Treasurer	26	90	100
Member of the Supervisory Committee	65	75	100
Total	**134**	**100.0**	

Source: Researcher, 2021

From Table 4.3, Chairpersons of the Executive Committee were 21 represented by 72%, 22 and 26 were board secretaries and treasurers comprising 75% and 90% respectively. Finally, members of the supervisory committee totaled to 65 represented by 75%. Implicitly, all categories of board composition were adequately represented by over 70% of the total category. This gives credence to the findings of the study hence can be generalized.

4.4 Descriptive Statistics

Generally, the study tried to decide the impact of corporate governance standards on performance among public establishments with explicit reference to the coffee cooperative societies in Machakos County. Three components of corporate governance

standards were inspected, specifically, board structure, board synthesis and board remuneration. Information was gathered utilizing organized poll, with a 5-point Likert scale. Clear measurements which utilized incorporate mean, standard deviation, frequencies and rates.

Mean values show the normal score or measure from a gathering of scores in a study. Standard deviation shows the dissemination of scores around the mean of the circulation. The recurrence conveyance and rates recorded the occasions a score happens and the degree of event of a specific perception individually. Inferential insights in particular, connection and regression decided the nature and force of connection between corporate governance practices and performance.

4.4.1 Board Structure and Organization performance

The initial objective was seeking to know from the respondents, with a 1-5 scale, the extent to which a number of statements associated to the board structure is applicable in the organizations.

Table 4.4: Board Structure (n = 134)

Board structure attributes	Mean (Likert Score)	SD	Frequency	Score	verdict
Large boards are not prone to conflicts due to difficulty in reaching compromise agreement	2.85	1.0	65	49.4%	Agree
Large boards bring more expertise and experience	2.42	1.0	77	58.8%	Agree
Large boards do not provide a diverse range of opinions or the ability to disperse work burden among multiple committees.	2.75	1.1	68	51.8%	Disagree
Slim boards ensure coherence and simpler consensus building	2.65	0.9	75	56.5%	Agree
Small boards can be easily manipulated by CEO/COB especially in dual CEO model	2.75	1.0	92	69.4%	Agree
Large boards are no longer concerned about decisions on strategic issues as well as non-committal in effecting strategic vicissitudes (adjustments).	2.68	0.9	68	51.8%	Disagree
Boards with experienced directors advanced in age, more autonomy, social capital gained for many years, results in improved expected business outcomes	2.34	1.2	80	60%	Agree
Youth directors possess higher expertise, better adaptable to new phenomenon, are more willing to take risks, are more innovative, and are more efficient in their governance monitoring.	2.56	1.0	74	55.6%	Agree
The combination of positions of CEO and COB causes conflict of interest, weakens the board hence threatens independence	3.81	0.7	99	74.1%	Agree
Women on corporate boards provide a fresh viewpoint to the table and encourage employee diversity, which leads to improved results.	3.34	1.0	81	61.2%	Agree
Large boards do not reduce CEO/COB dominance	3.44	0.9	90	68.5%	Agree
Aggregate Mean Score	**2.97**	**0.1**		**59.3%**	Agree

Source: Researcher, 2021

Statistics (49.4%with mean of 2.85 and SD of 1.0) demonstrate large boards do not experience conflicts due to difficulty in reaching compromise agreement. Additionally, 58.8% and 51.8% with mean of 2.42 and SD of 1.0 and with mean of 2.75 and SD of 1.1 respectively agreed and disagreed that large boards bring more expertise, experience and

offer a more extensive exhibit of viewpoints and can disperse the responsibility across different advisory committees respectively. Also, 56.5% and 69% with mean of 2.65 and SD of 0.9 and mean of 2.75 and SD of 1.0 agreed that boards with fewer directors (members) possess more coherence as well as simpler in consensus building, and can be easily manipulated by CEO/COB especially in dual CEO model respectively. Likewise, 51.8% with mean of 2.68 and SD of 0.9 disagreed that that large boards are no longer concerned about decisions on strategic issues as well as non-committal in effecting strategic vicissitudes (adjustments). In an affirmative response, 60% with mean of 2.68 and SD of 0.9 agreed that boards having experienced members who are advanced in age, larger independent as well as social capital gained for many years, results in improved company overall expected business outcomes.

Similarly, 55.6% with mean of 2.56 and SD of 1.0 agreed that youthful boards demonstrate higher practical expertise, flexible in accepting new ideas or systems, are more willing in risking, embrace increased imaginative aptitude, besides displaying higher effectual governance monitoring. Further, 74.1% with mean of 3.81 and SD of 0.7 of the respondents agreed that the combination of positions of CEO and COB causes conflict of interest, weakens the board hence threatens independence. Equally, 61.2% with mean of 3.34 and SD of 1.0 agreed that women on corporate boards add new perspective and inspire workforce diversity leading to stronger performance, new point of view and rouse labor force variety, prompting more grounded business outcomes. Finally, 68.5% with mean of 3.44 and SD of 0.9 agreed that large boards do not reduce CEO/COB dominance. Overall, this thematic area or research construct ‘board structure’ received an average of 59.3% with mean of 2.97 and SD of 0.1 agreements.

4.4.2 Board Composition and Organization Performance

Further, it was necessary to determine the role of board composition on organization performance among coffee cooperative societies in Machakos County as presented in Tables 4.5.

Table 4.5: Board Composition and Organization Performance (N = 134)

Board Composition Attributes	Mean (Likert Score)	SD	Frequency	Score (%)	Verdict
External directors form a higher proportion of the board	3.59	0.8	93	70.6%	Disagree
Non-executive members, as observers, offer independent opinion as they have no conflict of interest	2.92	1.1	48	36.5%	Agree
Inside directors might not be ready to oppose the COB's desire and seek risky expansion ambition through unrealistic investment	2.68	0.8	67	50.60%	Agree
Inside executives are competent and reliable advocates for shareholders' interests	2.27	0.5	100	75.30%	Disagree
Non-executive directors excel in monitoring reports on management and finance, more efficient business/company FICO assessments, and antitakeover modifications (revisions).	2.38	0.7	95	71.8%	Agree
Recently appointed/elected board participants and settle on temporary or speculative choices (decisions), imperfect examination (scrutiny), and vulnerable to social influences	3.08	0.9	57	43.50%	Agree
Competency and expertise are considered requisites for board membership	2.36	0.9	76	57.6%	Agree
Long serving directors are not in opposition to social disengagement and enhance a feel of solidarity, consequently possess ability to assess recommendations of senior company executives	2.47	0.8	85	64.2%	Agree
Aggregate Mean Score	**2.70**	**0.1**		**54.02%**	**Agree**

Source: Researcher, 2021

Evidently, results show a mean of 3.59, SD of 0.8 and 70.6% of the respondents disagreed that external directors form a higher proportion of the board. On whether non-executive members, as observers, offer independent opinion as they have no conflict of interest, a mean of 2.92, SD of 1.1 and 36.5% agreed. Concerning inside directors might not be ready to oppose the COB's desire and seek risky expansion ambition through unrealistic investment, a mean of 2.68, SD of 0.8 and 50.60% agreed. As well, a mean of 2.27, SD of 0.5 and 75.30% disagreed that inside executives are competent and reliable advocates of shareholders' interests. However, a mean of 2.38, SD of 0.7 and 71.8% agreed that non-executive directors excel in monitoring reports on management and finance, are more efficient business/company FICO assessments, and antitakeover modifications (revisions).

Responding in the affirmative, a mean of 3.08, SD of 0.9 and 43.50% of the respondents agreed that recently appointed/elected appointed/elected board participants and settle on temporary or speculative choices (decisions), imperfect examination (scrutiny), and vulnerable to social influences. However, a mean of 2.36, SD of 0.9 and 57.6% agreed that competency and expertise are considered requisites for board membership. Similarly, a mean of 2.47, SD of 0.8 and 64.2% agreed that long serving directors are not in opposition to social disengagement and enhance a feel of solidarity, consequently, possess ability to assess recommendations of senior company executives. Tellingly, board composition as a key determinant of organizational performance, is effectively appropriated among the coffee societies in the county, at a composite mean of 2.70, SD of 0.1 and 54.02%. Undeniably, proper board composition implies good corporate governance functionality and eventual higher performance.

4.4.3 Board Compensation and Organization Performance

The last study target sought after the connection between boards pay and performance at the coffee cooperative societies in Machakos County. Utilizing a size of 1-5, respondents were mentioned to rate the degree at which different explanations identifying with board compensation was applicable in their coffee cooperative societies in Machakos County. The responses were as shown in Tables 4.6.

Table 4.6. Board Compensation and Organization Performance (n = 134)

Board Compensation Attributes	Mean (Likert Score)	SD	Frequency	Score (%)	Verdict
Board members are entitled to market rate bonuses and allowances which positively enhancing performance	2.38	0.7	95	71.8%	Disagree
Remuneration is based on qualification, skill, competence and experience of board members	3.08	0.9	57	43.5%	Agree
Board members are not owed any bonuses and allowances arrears	2.49	0.6	77	58.8%	Agree
There exists provision for periodical upward adjustment of compensations to the motivate board	2.47	0.6	81	61.2%	Agree
Board compensations are inclusive of all standard categories provided by labour regulations and laws	2.56	0.8	85	64.7%	Disagree
Bonuses and allowances are timely delivered to board members	2.69	0.9	81	61.2%	Agree
Board Compensation Overall Score	**2.75**	**0.1**		**55.0%**	**Agree**

Source: Researcher, 2021

Findings reveal a mean of 2.38, 0.8 and 71.8% disagreed that Board members are entitled to market rate bonuses and allowances. On whether remuneration is based on qualification, skill, competence and experience of board members, a mean of 3.08, SD of 0.9 and 43.5% of the respondents answered in the affirmative. When asked whether Board members are not owed any bonuses and allowances arrears, and if there exists

provision for periodical upward adjustment of compensations, 58.8% with a mean of 2.49, SD of 0.6 of the respondents and 61.2% of the respondents with a mean of 2.47, SD of 0.6 agreed respectively.

Likewise, 64.7% of the respondents a mean of 2.47, SD of 0.6 disagreed that board compensations are inclusive of all standard categories provided by labour regulations and laws while 61.2% of the respondents with a mean of 2.69, SD of 0.9, agreed that bonuses and allowances are timely delivered to board members. Overall, board compensation posted a composite score of a mean of 2.75, SD of 0.1 and 55.0% agreement. The interpretation is that board compensation fairly meets the expectations of the board members and that a board that is handsomely compensated performs better hence positively influencing organization performance.

4.4.4 Determination of Organization Performance

This part sought to determine organization performance at the coffee cooperative societies in Machakos County. Performance is the main single determinant of each information or interest in any endeavor. Basically, it illuminates financial backers regarding an endeavor's worth other than giving opportunity to progress. In that capacity, utilizing a Likert size of 1-5, respondents were approached to demonstrate their degree of concurrence with the significant pointers of performance in their business. This was illustrated using Table 4.7.

Table 4.7: Determination of Organization Performance (n = 134)

Organization Performance attributes	Mean (Likert Score)	SD	Frequency	Score (%)	Verdict
There was return on equity	3.48	1.1	58	44.7%	Disagree
Stakeholder satisfaction	3.58	1.0	73	54.1%	Disagree
Branch network expansion	2.62	1.0	74	55.3%	Disagree
Savings and loans uptake	3.07	0.9	58	44.7%	Agree
Increased asset base	2.76	1.1	84	63.3%	Disagree
Aggregate Mean Score	**3.10**	**0.1**		**48.7. %**	**Average**

Source: Researcher, 2021

Data in the table above indicate 44.7% with a mean of 3.48 and SD of 1.1 and 54.1% with a mean of 3.58 and SD of 1.0 disagreed that there was return on equity and shareholder satisfaction respectively. Also, 55.3% with a mean of 2.62 and SD of 1.0 disagreed that there was branch network expansion, while 40.3% with a mean of 2.62 and SD of 1.0 agreed that savings and loans uptake scaled up. However, 63.3% with a mean of 2.76 and SD of 1.1disagreed that there was increase in asset base of the society. The overall picture is that organization performance level/ score attained an average score of 48.7% with a mean of 3.10 and SD of 0.1. Implicitly, organization performance at the coffee cooperative societies in Machakos County is average.

4.5 Inferential Statistics

The study conducted inferential analysis using regression analysis. Regression analysis was used to measure the relationship between individual independent variables and the dependent variable when they act together.

4.5.1 Model Summary

Table 4.8 shows the strength of the relationship between board structure, board composition and board remuneration and performance of coffee cooperative societies. It does not anticipate about singular factors on how a logical variable is related with the dependent variable (performance). R is the connection coefficient or assurance which showed the connection between the study factors. R squared was utilized to show how the regression line predicts the evaluations of the mean and decide distance from the real qualities. Furthermore, R squared or the coefficient clarifies the variety in the dependent variable coming about because of progress in the dependent factors.

Table 4.8: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics			
					R Square Change	F Change	df	Sig. F Change
	0.887	0.787	0.778	0.507	0.062	1.401	134	.000

Predictors: (Constant), BS=Board structure; BC=Board composition; BCP=Board compensation

Source: Researcher, 2021

From Table 4.8, the adjusted R established the predictive power of the study model which was 0.778. This means that combined corporate governance standards (board structure, board composition and board remuneration) affect 77.8% of organization performance at coffee cooperative societies in Kenya's Machakos County, leaving 22.2 percent unexplained. As a result, more research is needed to determine the additional elements (22.2%) that influence organization performance at coffee cooperative societies in Machakos County, Kenya.

Table 4.9: Regression Coefficients to Test for Influence of Corporate Governance Practices on Organization Performance

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	27.246	10.993		2.478	0.015
BS	0.613	0.215	0.012	2.851	0.005
BC	0.823	0.413	0.199	1.993	0.049
BCP	0.847	0.408	0.052	2.076	0.041

***** Dependent Variable: Organization performance: Predictors: (Constant), BS=Board structure; BC=Board composition; BCP=Board compensation.

Source: Researcher, 2021

The regression coefficients of the regression model Table 4.9 above show a positive and significant connection between board structure, board composition and board renumeration and performance of coffee cooperative societies in Machakos. Subsequent to running data through SPSS, a statistical model was produced as; Operation = 27.246 + .613X1 + .823X2 + .847X3+ ε. The model created is given as Y (Organization performance of coffee cooperative societies in Machakos County) = 27.246+.613 (BS= board structure of coffee cooperative societies in Machakos County) + .823 (BC=board composition of coffee cooperative societies in Machakos County) + .847 (BCP=board compensation of coffee cooperative societies in Machakos County).

Thus, the established values for regression equation were: Y = 27.246 + .613X1 + .823X2 + .847X3+ ε. certainly, the regression coefficients of the regression model reveal the presence of positive and significant connection between board structure, board composition and board remuneration and performance of coffee cooperative societies in Machakos. The outcomes of the investigation found that assuming all independent factors were held steady, performance at coffee societies in Machakos County in Kenya was 27.246 is significant since p=0.015 is under 0.05.

Following that, the relationship between board structure, board composition and board renumeration and performance of coffee cooperative societies in Machakos was established. Firstly, assuming the other factors under research were held constant, a unit change in board structure would result in a unit change in organization performance of coffee cooperative societies in Machakos County by a factor of 0.613, which is significant because p=0.005 is less than 0.05.

Put in other terms, board structure influenced organization performance of coffee cooperative societies in Machakos County by 61.3%. The understanding is that there is a positive significant connection between corporate governance practices and performance of coffee cooperative societies in Machakos County in Kenya. This answers the principal research question that board structure influences performance of coffee cooperative societies in Machakos County in Kenya.

Besides, a unit change in board composition of coffee cooperative societies in Machakos County would cause a unit change in performance by a factor of 0.823 which is significant since p=0.049 is under 0.05. The understanding is that there is a significant connection between board remuneration and performance of coffee cooperative societies in Machakos County in Kenya. This implies board composition influences performance of coffee cooperative societies in Machakos County in Kenya by 82.3% accordingly responding to the subsequent study question of this investigation that tried to establish the impact of board structure on performance of coffee cooperative societies in Machakos County in Kenya.

Lastly, the statistics also indicate that a unit change in board compensation of coffee cooperative societies in Machakos County in Kenya would result in unit change in organization performance by a factor of 0.847 which is significant since p=0.005 is less than 0.05. The interpretation is that there is a positive relationship between board compensation and organization performance of coffee cooperative societies in Machakos County in Kenya.

This means that board compensation has an 84.7 percent impact on the organization performance of coffee cooperative societies in Machakos County, Kenya, thereby answering the study's third research question: does board compensation have an impact on the organization performance of coffee cooperative societies in Machakos County, Kenya? Furthermore, given that the p-value (0.015) is less than Alpha, all of the coefficients are positively associated and significant at the 0.05 significant thresholds (0.05). This means that corporate governance procedures have an impact on or affect the performance of coffee cooperative societies in Kenya's Machakos County.

The findings confirm that corporate governance practices significantly affect organization performance at coffee cooperative societies in Machakos County in Kenya. This is proven by unit exchange in the value of the regression coefficients in the model. Therefore, the widespread goal this learn about sought to set up that corporate governance practices effect organization performance at coffee cooperative societies in Machakos County in Kenya was confirmed and concluded that there is a significant positive relationship between corporate governance practices and organization performance at coffee cooperative societies in Machakos County in Kenya. The

outcomes affirm that corporate governance standards altogether influence performance at coffee cooperative societies in Machakos County in Kenya. This is shown by unit change in the worth of the regression coefficients in the model. Hence, the overall target this investigation tried to establish that corporate governance standards impact performance at coffee cooperative societies in Machakos County in Kenya was affirmed and inferred that there is a significant positive connection between corporate governance practices and performance at coffee cooperative societies in Machakos County in Kenya.

The findings of this study consistent with that of Jensen et al. (2015) who established that large boards with above seven or eight directors work less successfully besides being vulnerable to CEO manipulation than more modest boards. Also in support of the finding is the study by Ouma and Webi (2017) who found out that 'independence' and performance of a firm are unconnected to each other since the boards exist primarily to offer 'advise', and to 'monitor' and 'discipline' the CEOs who, therefore, should not function as chairman of board at the same time.

The findings of Tang (2017) are in agreement with the finding above that long-serving boards positively impact performance of organization. Also, in agreement with the current findings is Livnat et al. (2016) who observed that board expertise to influence performance positively. Further, the study found a positive relationship between board specialization and performance and those board members with high level of education, experience, are positively related to firm performance. However, an empirical study by Brennan (2016) contradicted the findings by establishing that there was a negative long-time span board tenure effect on performance. Yasser, Al-Mamun and Rodrigo (2017)

argue that board of directors should not stay long on the board as it increases chances of compromise. Equally in agreement with the current findings is the study by Kosnik (1990) which pointed out that long serving directors are not in opposition to social disengagement and enhance a feel of solidarity, consequently, possess ability to assess recommendations of senior company executives.

Anwar, Shah and Hasnu (2016) reported that increment in board members' allowances is positively associated with the development of shareholder wealth both for public and private firms. Similarly, the relationship between board bonuses and overall performance has been confirmed by Borlea, Achim and Mare (2017) who studied the relationship between board bonuses compensation and agency performance. Similar findings have been documented by Marashdeh (2014) who examined the relationship between board bonuses and company performance inside the banking industry. The research outcomes indicated a strong wonderful relationship between board bonuses and performance. Mori and Towo (2017) also pointed out a positive relationship between aggressive (high) allowances with board and company performance, mirrored via market fee of the firm. And though weaker however high-quality relationship between board allowances for overall performance and company overall performance has also been confirmed with the aid of Amoll (2015) as well as Scott and Davis (2015).

4.5.2 Regression Analysis

A multiple regression analysis was conducted to see if organization performance in coffee cooperative societies in Machakos County of Kenya could be predicted by board structure, board composition and board compensation. The coefficient of influence of

corporate governance practices on the organization performance at coffee cooperative societies in Machakos County in Kenya is shown in Table 4.12.

4.6 Discussion of the Findings

This section gave attention to the discussion of the findings in relation with the previous studies examined in the literature review section. To achieve this, the discussion was organized along the key study sub-themes or constructed as clearly stated in the research objectives. Essentially, this part attempted to relate the current study to the previous studies reviewed along the four study variables, namely, board structure, board composition and board compensation.

4.6.1 Board Structure and Performance of Coffee Societies in Machakos County

In the first place, the study established that board structure was favorably designed as most respondents were in agreement with board structure. A good board structure should be suitable for better functionality and eventual performance of coffee cooperative societies. Additionally, regression showed a significant positive relationship between corporate governance and performance of coffee cooperative societies in Machakos County. Mohammed, Hamdan and Al Mubarak (2017) had similar findings that poorly structured board's affected financial performance of organizations. Equally, Okiro, Aduda and Omoro (2015) observed that properly designed board structure is positively associated with firm performance; large boards supply a host of advantages. Borrowing the agency perspective, they found that a large board is greater probable to be vigilant with regard to business enterprise issues virtually because a greater number of humans were reviewing management actions.

In the same vein, Adusei, Akomea, Poku and McMillan (2017) examined the relationship between board leadership (CEO duality or identity of the chairman) and organizational performance where there is a general shift from member-based board models towards CEO dual board model.

4.6.2 Board Composition and Performance of Coffee Societies in Machakos County

On the second research objective, the study established that the board was not adequately composed. Besides, the findings revealed a positive and significant relationship between board composition and coffee cooperative society's performance in Machakos County. The study is in agreement with the Yasser, Al-Mamun and Rodrigo (2017) who reported a significant positive impact of board composition on financial performance (ROA) of the banks.

This also concurs with Brennan (2016) who observed that board composition positively affected financial performance of firms. Additionally, this is in line with the studies done by Ageda (2015) who established that board composition has notable positive effect on profitability of Nigerian banks. Further, this finding is consistent with that of Kercher and Routledge (2018) who found that board composition and performance are inversely related.

This result on the second objective, however, contradicts the findings of Sheikh (2018) which showed a negative significant relationship between board composition and performance. Bebeji, Mohammed and Tanko (2017) also established a statistically significant negative relationship between board composition and performance. Equally, the results are in contradiction to Ongore, K 'Obonyo and Ogutu's (2015) study which

found that board compensation had an inverse relationship with financial performance of companies listed at the Nairobi Securities Exchange.

4.6.3 Board Compensation and Performance of Coffee Societies in Machakos County

Concerning the third objective, compensation of board members is not competitive hence unfavorable to board members as most respondents registered disagreement on the same. On running regression and correlation, the study established a positive and significant relationship between board composition and coffee cooperative societies' performance in Machakos County.

Also, the connection between board rewards and performance has been affirmed by among Borlea, Achim and Mare (2017) utilized a fifteen-year board informational index with significant public firms from the U.S. market, and the outcomes infer a solid positive connection between board rewards remuneration and firm performance. Comparative outcomes have been identified by Marashdeh (2014), who examined the relationship between board bonuses and firm performance within the banking industry. The retained results indicated a strong positive relationship between board bonuses and performance.

Mori and Towo (2017), also found a positive relationship between competitive (high) allowances board and firm performance, reflected by market value of the firm although weaker but positive relationship between board allowances for performance and firm performance has also been confirmed by Amoll (2015), who examined this relationship within the computer and electronics industries.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

In the current segment, an outline of the significant investigation outcomes, focuses on determinations and examines suggestions exuding from these outcomes. At the close, it makes a few proposals and ideas on the need of additional study. The goal of this study was set out to establish the correlation between corporate governance practices and performance with regards to coffee cooperative societies performance in Machakos County.

5.2 Summary of the Findings

This investigation was an endeavour to discover the connection between corporate governance practices and performance in Kenya with unique reference to the Machakos Coffee Cooperative Societies in Machakos County. In particular, the current study attempted to establish the effect of board structure, board composition, and board compensation on organization performance at coffee cooperative societies' performance in Machakos County.

To accomplish set aims, agency and stakeholders theories just as past studies and conceptual structure were distinctively expressed. Further, appropriate strategy comprising enlightening study configuration, evaluation procedure, statistics and inferential insights among others, contributed essentially in fostering this investigation.

5.2.1 Board Structure and Organizational Performance

Overall, the research results revealed a significant positive correlation between the board structure and organizational performance in the performance of the Cooperative Coffee societies in Machakos County, Kenya. According to statistics, the change of the unit of the board of director's structure changed the performance of the Kenya organization by 0.613 units. In addition, in the performance of coffee cooperatives in Machakos County, Kenya, a strong and significant relationship of $p = 0.005$ was found between the board structure and organizational performance.

The study established that large boards do not experience conflicts due to difficulty in reaching compromise agreement, bring more expertise, experience and offer a broader array of perspectives and do not reduce CEO/COB dominance respectively. Also established was that boards with fewer directors (members) possess more coherence as well as simpler in consensus building and can be easily manipulated by CEO/COB especially in dual CEO model respectively. Likewise, it was observed that large boards are no longer concerned about decisions on strategic issues as well as non-committal in effecting strategic vicissitudes (adjustments). Equally, boards having experienced members who are advanced in age, larger independent as well as social capital gained for many years, results in improved company overall expected business outcomes.

Similarly, the study reported that youthful board demonstrates higher practical expertise, flexible in accepting new ideas or systems and are more willing in risking, embrace increased imaginative aptitude, besides displaying higher effectual governance monitoring. Furthermore, it was discovered that the combination of CEO and COB posts

creates a conflict of interest, weakens the board, and so jeopardizes independence. Women on corporate boards bring new perspectives and stimulate staff diversity, which leads to improved performance.

5.2.2 Board Composition and Organizational Performance

The study tried to assess the impact of board composition on performance at coffee cooperative societies in Machakos County in Kenya. The investigation found that there was a solid and negative relationship between the board composition and performance at coffee cooperative societies in Machakos County in Kenya with r=0.823 and a p-worth of 0.049. The study likewise settled that a unit change in board structure changes would prompt 0.823 units change in performance at coffee cooperative societies' performance in Machakos County in Kenya.

According to findings, external directors form majority of the board and non-executive members, as observers, offer independent opinion as they have no conflict of interest. Also revealed was that inside directors might not be ready to oppose the COB's desire and seek risky expansion ambition through unrealistic investment, and that they are competent and reliable advocates of shareholders' interests. Equally found out was that non-executive directors excel in monitoring reports on management and finance, more efficient business/company FICO assessments, and antitakeover modifications (revisions).

In the same way, recently appointed/elected board participants settle on temporary or speculative choices (decisions), imperfect examination (scrutiny), and vulnerable to social influences. However, competency and knowledge are considered requisites for

board membership. Correspondingly, longer-tenure participants have been determined to be insulated in opposition to social disengagement and enhance a feel of solidarity, and consequently possess ability to assess recommendations of senior company executives.

5.2.3 Board Compensation and Organizational Performance

Further, it was crucial to determine how the compensation of company directors influences the level of how a company performs at coffee cooperative societies' performance in Machakos County in Kenya. With r=-0.847 and a p-value of 0.041, it was discovered that there was a significant and negative relationship between board compensation and organization performance at coffee cooperative societies in Machakos County. According to the study, a one-unit change in board compensation results in a 0.847-unit change in organization performance at coffee cooperative societies' performance in Machakos County in Kenya.

Findings reveal that Board members are not entitled to market rate bonuses and allowances and that remuneration is based on qualification, skill, competence and experience of board members. In the same vein, it was observed that board members are not owed any bonuses and allowances arrears, and there was provision for periodical upward adjustment of compensations. Likewise, board compensations are not inclusive of all standard categories provided by labour regulations and laws just as bonuses and allowances were timely delivered to board members.

5.2.4 Corporate Governance Practices and Organizational Performance

Finally, determination of how governing practices influence the degree to which an organization performs among coffee cooperative societies performance in Machakos County was done. Findings confirmed facts coefficient of 0 0.778 with a p-value of zero given that it was under 0.05. This implies that 77.8% of performance at coffee cooperative societies performance in Machakos County in Kenya was once accounted for via company governance practices whilst the 22.2% of enterprise overall performance at coffee cooperative societies performance in Machakos County in Kenya is ascribed to different variables not factored in the current survey. Consequently, the three factors examined positively and significantly influence coffee cooperative societies overall performance in Machakos County.

5.3 Conclusions

Generated out demonstrate corporate governance positively and significantly influences coffee cooperative societies performance in Machakos County. Concerning the first objective, it was concluded that large boards do not experience conflicts due to difficulty in reaching compromise agreement, bring more expertise, experience and offer a broader array of perspectives and do not reduce CEO/COB dominance respectively. Also concluded was that slim boards portray unified as well as uncontested consensus building although can be easily manipulated by CEO/COB especially in dual CEO model respectively. Likewise, it was observed that large boards are no longer concerned about decisions on strategic issues as well as effortless in effecting strategic vicissitudes (adjustments). Equally, boards having experienced members who are advanced in age,

larger independent as well as social capital gained for many years, results in improved company overall expected business outcomes.

In relation to the second objective, it was concluded that external directors form a higher proportion of the board and non-executive members, as observers, offer independent opinion as they have no conflict of interest. Also revealed was that internal directors are less ready to oppose the desire of the COB and had an advantage from expanding risk by seeking after more ambitious expansion, and that they are skilled and solid promoters of investors' inclinations. Similarly, the investigation reasoned that non-leader owners are more successful directors of the executives and monetary revealing, better corporate FICO assessments, and antitakeover corrections

In the same way, it was concluded recently that appointed/elected board members settle on temporary or speculative choices (decisions), imperfect examination (scrutiny), and vulnerable to social influences. However, competency and expertise were not considered requisites for board membership. Correspondingly, longer-tenure members were found to be to be in opposition to social disengagement and enhance a feel of solidarity, and consequently possess ability to scrutinize recommendations of senior company executives.

On the third objective, it was concluded that Board members never earn market rate bonuses and allowances, and that remuneration is based on qualification, skill, competence and experience of board members. In the same vein, it was observed that board members are not owed any bonuses and allowances arrears, and that there was provision for periodical upward adjustment of compensations. Likewise, it was concluded

that board compensations are not inclusive of all standard categories of bonuses and allowances provided by labour regulations and laws just as bonuses and allowances were timely delivered to board members.

5.4 Recommendations of the Study

Based on the conclusions evolved, key interventions are suggested in improving corporate governance among the coffee cooperatives. Largely, findings evolved in the study portray mixed conclusions of both strengths and weaknesses. While it is appreciated, most findings demonstrate positive corporate governance practices in the coffee cooperative societies, it is crucial to address identified gaps. Such gaps left unattended could pose threat to organization or even reverse gains made so far.

Additionally, it is prudent to strengthen strong areas while addressing gaps since a substantial number of respondents gave negative or dissatisfactory rating of very aspect approved as good. The study recommends proper utilization of large board by trying to overcome the difficulty in reaching compromise agreement to bring more expertise, experience and offer a broader array of and reduce CEO/COB dominance. Also, small boards should be strengthened to be more cohesive and easier to reach consensus and avoid being easily manipulated by CEO/COB especially in dual CEO model respectively. Likewise, it is important that the study suggests appropriate usage of significant board by attempting to beat the trouble in agreeing to bring more skill, experience and offer a more extensive cluster of and do decrease CEO/COB strength. Likewise, little sheets ought to be reinforced to be more durable and simpler to arrive at agreements and try not to be effortlessly controlled by CEO/COB particularly in double CEO model individually. In

like manner, it is significant to enable large boards get involved in strategic decision making to make it easy to make strategic changes. Equally, older boards' members' experience, greater independence, and long-term connections should be strengthened further to enhance stronger corporate performance.

Similarly, the study recommends that boards should appoint younger members as they have potential to offer superior technical knowledge, more amenable to change, greater receptivity to risk-taking, more innovative, and more efficient in governance oversight. Further, the investigation suggests that organizations ought to have more youthful directors in their boards as they can possibly offer prevalent specialized information, more manageable to change, more noteworthy receptivity to chance taking, more inventive, and more productive in governance oversight. Further, it recommended that positions of CEO and COB should not be combined as it causes conflict of interest, weakens the board hence threatens independence. Similarly, the number of women on corporate boards should be increased and not used as window dressers as they add new perspective and inspire workforce diversity leading to stronger performance.

Evidently, the study recommends increase the proportion of external directors on the board due to their ability to offer independent opinion as they have no conflict of interest. Also recommended is strengthening of inside directors to be able to resist the will of the COB and also prevent them from increasing risk by pursuing more speculative opportunities for growth. The study, additionally, recommended enhancing capacity of inside directors to be competent and reliable advocates of shareholders' interests. The study equally recommended that non-executive directors should be given more range as

more effective monitors of management and financial reporting, better corporate credit ratings, and antitakeover amendments.

In the same way, recommended number of recently appointed/elected board members should be reduced as they tend to make tentative decisions, incomplete analysis, and are susceptible to social pressures. In the same way, competency and expertise should be considered requisites for board membership. Correspondingly, longer-tenure members should be increased on the board since they were found to be insulated against social isolation and develop a sense of camaraderie, hence better able to evaluate top management proposals.

In reference to board compensation, the study recommends that Board members should be entitled to market rate bonuses and allowances and that remuneration be based on qualification, skill, competence and experience of board members. In the same vein, it is prudent for board members not to be owed any bonuses and allowances arrears in addition to provision for periodical upward adjustment of compensations. In addition, it is recommended that board compensations be inclusive of all standard categories as provided by labour regulations and laws just as bonuses and allowances should be timely delivered to board members.

5.5 Recommendations for Further Studies

The current study examined key broad issues of cooperate governance board structure, composition and compensation thematic areas. Further exploration, focusing on each of these particular constructs is encouraged. To that end, additional prominence on each of these specific corporate governance practices including board structure, composition and

compensation, should be invigorated. Correspondingly, scaling up sample size with more premium on areas with scanty empirical evidence, would contribute massively to this area. Further, employing other research approaches would enhance validity and reliability to make the work more credible.

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APPENDICES

Appendix 1:Questionnaire

Kindly fill this questionnaire as openly and honestly as possible. This research instrument is designed to solicit for empirical data for the conduct of academic survey on "The effect of corporate governance practices on organizational performance". Kindly, respond to all items in the questionnaire by marking in the appropriate box using a tick (√) or X in the spaces provided. In rating the statements below, indicate your answer based on a 5-point scale where: 5= Strongly Agree, 4=Agree, 3= Not Sure, 2=Disagree and 1=Strongly Disagree. (Use a tick (√) or X to mark the applicable box).

You are humbly requested not to mention your name or any information anywhere that might reveal your identity as all responses are supposed to be anonymous. To that end, any information, opinion and views provided in this questionnaire was treated with strict confidentiality and will not be linked to you in any way. Besides, such information was used for the academic purposes of this study only. In case you encounter any difficult in the course of filling in this questionnaire, to not hesitate to conduct the researcher on cell no +254…… for an instant clarification.

Section A: Demographic Information

Respondent Characteristics	***Respondent Characteristic Definition***	***Response***	***Further information***
Gender of respondent	**1.**Male		
	2.Female		
Age of respondent	**1.**18-25		
	2.26-35		
	3.36-45		
	4.46-55		
	5.Above 55		

Education level of respondent	**1.** Primary level & below		
	2. Secondary		
	3. Diploma & below		
	4. Bachelor's Degree & above		
	5. Post-graduate		
	6. Other (specify)		
Indicate duration of service on the board	**1** below 1 Year		
	2. Between 2-4 Years		
	3. Between 5-7 Years		
	4. Between 8-10 Years		
	5. Over 10 Years		
Indicate your designation (position) on the board	**1**. Chairperson of the Executive Committee		
	2. Secretary		
	3. Treasurer		
	4. Member of the Supervisory Committee		
	7. Any other (specify)		

Section B: Board Structure

As a member of the board of directors, to what extent do you agree with the following characteristics of the organization's board structure? Kindly rate the statements below by indicating your preferred answer based on a 5-point Likert scale where: 5= Strongly Agree, 4=Agree, 3= Not Sure, 2=Disagree and 1=Strongly Disagree. Use a tick (√), **X**, the value (1, 2, 3…..) or the word (Disagree) in the applicable box).

	Dimensions/Characteristics of Board Structure	**1**	**2**	**3**	**4**	**5**
1	Large boards are prone to conflicts due to difficulty in reaching compromise agreement					
2	Large boards bring more expertise and experience					
3	Large boards offer a broader array of perspectives and can distribute the work load across various committees					
4	Small boards are more cohesive and easier to reach consensus					
5	Small boards can be easily manipulated by CEO/COB especially in					

	dual CEO model					
6	Large boards are less involved in strategic decision making and make it difficult to make strategic changes					
7	The combination of positions of CEO and COB causes conflict of interest, weakens the board hence threatens independence					
8	Women on corporate boards add new perspective and inspire workforce diversity leading to stronger performance					
9	Large boards reduce CEO/COB dominance					
10	Older boards members' experience, greater independence, and long-term connections lead to stronger corporate performance					
11	Younger board members offer superior technical knowledge, more amenable to change, greater receptivity to risk-taking, more innovative, and more efficient in governance oversight					

Section C: Board Composition

As a member of the board of directors, to what extent do you agree with the following dimensions of the organization's board composition? Kindly rate the statements below by indicating your preferred answer based on a 5-point Likert scale where: 5= Strongly Agree, 4=Agree, 3= Not Sure, 2=Disagree and 1=Strongly Disagree. Use a tick (√), X, the value (1, 2, 3…..) or the word (Disagree) in the applicable box).

	Dimensions/Characteristics of Board Composition	**1**	**2**	**3**	**4**	**5**
1	External directors form a higher proportion of the board					
2	Non-executive members, as observers, offer independent opinion as they have no conflict of interest					
3	Inside directors less able to resist the will of the COB and benefit from increasing risk by pursuing more speculative opportunities for growth					
4	Inside executives are competent and reliable advocates for shareholders' interests					
5	Non-executive directors are more effective monitors of management and financial reporting, better corporate credit ratings, and antitakeover					

	amendments					
6	Recent members make tentative decisions, incomplete analysis, and susceptible to social pressures					
7	Competency and expertise are considered requisites for board membership					
8	Longer-tenure members are insulated against social isolation and develop a sense of camaraderie, hence better able to evaluate top management proposals					

Section D: Board Compensation

As a member of the board of directors, to what extent do you agree with the following characteristics of the organization's board compensation? Kindly rate the statements below by indicating your preferred answer based on a 5-point Likert scale where: 5= Strongly Agree, 4=Agree, 3= Not Sure, 2=Disagree and 1=Strongly Disagree. Use a tick (√), X, the value (1, 2, 3…..) or the word (Disagree) in the applicable box).

	Dimensions/Characteristics of Board Compensation	**1**	**2**	**3**	**4**	**5**
1	Bonuses and allowances are timely delivered to board members					
2	Board members are entitled to market rate bonuses and allowances					
3	Board members are not owed any bonuses and allowances arrears					
4	There exists provision for periodical upward adjustment of compensations					
5	Board compensations are inclusive of all standard categories provided by labour regulations and laws					
6	Remuneration is based on qualification, skill, competence and experience of board members					

Section E: Organization Performance

As a member of the board of directors, kindly rate the applicability level of organization performance dimensions tabulated below. Kindly rate the performance indicators below by indicating your preferred answer based on a 5-point Likert scale where: 5= Strongly Agree, 4=Agree, 3= Not Sure, 2=Disagree and 1=Strongly Disagree. Use a tick (√), X, the value (1, 2, 3…..) or the word (Disagree) in the applicable box).

	Dimensions of Organization Performance	1	2	3	4	5
1	Return on investment among farmers has been					
2	Coffee productivity keeps increasing					
3	Customer satisfaction is always on the high scale					
4	Increased sale is witnessed					
5	Very few coffee societies have collapsed					
6	Organizational value has been enhanced					

Appendix 2:NARCOSTI letter

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

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Date of Issue: **28/March/2020**

RESEARCH LICENSE



This is to Certify that Ms. Catherine Nyambua Kiilu of St. Paul's University, has been licensed to conduct research in Machakos on the topic: EFFECT OF CORPORATE GOVERNANCE PRACTICES ON ORGANIZATIONAL PERFORMANCE: A CASE OF COFFEE COOPERATIVE SOCIETIES IN MACHAKOS COUNTY for the period ending : 28/March/2021.

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THE SCIENCE, TECHNOLOGY AND INNOVATION ACT, 2013

Appendix 2:Approval letter

ST. PAUL'S UNIVERSITY

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10th April 2018

Catherine Kiilu

Student number: 454517

BOARD OF POSTGRADUATE STUDIES

Dear Catherine,

RE: **DISSERTATION SUPERVISION, 2017/2018 ACADEMIC YEAR**

Congratulations for completing the first year of coursework in your postgraduate studies. The Board of Postgraduate studies has approved your dissertation concept which is entitled *'Corporate governance strategies and organizational performance'*. **Dr. Julius Kahuthia** has been appointed as the lead supervisor, and **Mr. William Sang** as the co-supervisor for your research and they shall guide you as you write your dissertation. The supervision is to commence on **10th April 2018.** Kindly note the following as you carry out your research:

(i) You will first contact the lead supervisor who will then forward the work to the co-supervisor for additional input/ advice.
(ii) The role of the supervisors is to guide you in writing the proposal, doing the research, and writing the whole dissertation in accordance with the terms laid down in the dissertation handbook
(iii) You should agree with your supervisors on the most appropriate supervision schedule and process
(iv) Ensure that your supervisors fill in the supervisor's form and submit a copy to the postgraduate office
(v) You are expected to follow the procedures laid down in the dissertation handbook if you are dissatisfied with the supervision process.
(vi) Supervision meetings should not take place in private premises
(vii) It is your responsibility to ensure that you defend your research proposal in your department. Consult the HOD for the appropriate date to do so.
(viii) Constantly refer to the dissertation handbook in all matters pertaining to the dissertation.
(ix) Your proposal and final dissertation must be processed through turn it in. Open an account with the help of the ICT department in your campus then get log in details from your supervisor.
(x) The deadline for submitting your proposals for 2018 graduation elapsed on **28th February 2018**. The deadline for submitting for 2019 graduation will be **28th February 2019.**

The complete dissertation should be handed in on or before **31st May 2019**. the postgraduate studies office will send you a softcopy of the dissertation handbook for use. (update the office of your current email and telephone address).

We wish you all the best as you do your research.

Regards.

Dr. Sammy Githuku

Director, Postgraduate Studies

copy: DVC- Academics
Supervisor
Dean, FOBCS
Head of Department