Scientific Research Publishing

Open Journal of Business and Management, 2022, 10, 2191-2208
https://www.scirp.org/journal/ojbm
ISSN Online: 2329-3292
ISSN Print: 2329-3284

Effect of Corporate Governance Structures on Organizational Performance of State Corporations in Education Sector in Kenya

Anthony Charles Mwangi, Wycliffe Misuko Nyaribo

KCA University, Nairobi, Kenya
Email: amwangi@kise.ac.ke, wycliffenyaribo24@gmail.com

How to cite this paper: Mwangi, A. C., & Nyaribo, W. M. (2022). Effect of Corporate Governance Structures on Organizational Performance of State Corporations in Education Sector in Kenya. *Open Journal of Business and Management, 10,* 2191-2208.
https://doi.org/10.4236/ojbm.2022.104111

Received: June 4, 2022
Accepted: July 26, 2022
Published: July 29, 2022

Abstract

Corporate governance structures are the systems and regulations created within an organization, to help guide the decision-making processes. This help in determining the respective roles to be played by various stakeholders in the organization. Corporate governance has been shown to have an impact on the performance of state corporations. However, most of these studies concentrate on the board structures and how they affect the financial performance of the organization in respect to Return on Equity, Return on Assets and Tobin's Q. This research 4.2 Corporations in the education sector in Kenya. This area is least studied especially being a service-oriented and largely non-commercial sector. The objectives of the study are to establish the influence of CEOs attributes on performance, examine the influence of board structure on performance and find out the impact of the audit committee on performance of state corporations in Kenya. The study targets 171 respondents across 27 sampled state corporations under the education sector in Kenya. The respondents are drawn from senior and middle level managers, finance and account officers and internal audit staff. The 27 state corporations were selected using a stratified random sampling technique from the target population of 45 state corporations. The data was collected for the three objectives with specific questions on Board diversity, attributes of the CEO, Independence of the Audit Committee. The data collection tool used a close-ended questionnaire, there were 134 questionnaires returned out of the targeted 162, through a drop and pick method. The data collected was cleaned, coded and posted to SPSS Ver 23 for analysis. A regression model was applied to analyze the existing relationship between the variables; independent variables: CEO Attributes, Board Diversity and Audit Committee effect on the organizational performance being the dependent variable. Diagnostic tests were conducted to check for normality and multicollinearity. The study found that CEOs attributes, Board of directors' diversity and audit committee had significant effect at $\alpha = 0.05$ and contribute 27.7% of variations of performance in state corporations in education sector in Kenya. The study therefore recommends that, for enhanced performance of state corporations in the education sector in Kenya, stakeholders should appoint CEOs with rich experience, boards with diversity including gender and audit committee members who have higher qualifications especially, professional qualifications.

Keywords

Corporate Governance, Diversity, Independence, Attributes, Performance

1. Introduction

The business place has become a continuously changing arena, from the way it is conducted to the way it is managed. With growth of expanding impersonal medium of communication and logistics, for instance, the emergence of online business has eliminated the national boundaries, creating a global marketplace. There is need for more transparency to sustain the trust of consumers, customers and suppliers, as well as that of the other stakeholders, including the government. This has also expanded the capital-raising catchment and effectively grew the number of shareholders for respective corporations. This has seemingly, made the management less aware of whom they really should account to, in regard to the stewardship of the corporations.

Governance being exercise of power in management of both economic and social resources for human development that is sustainable has become a critical area of concern for countries and economies. At the corporate level, it is more about providing certainty in leadership through processes and systems, towards harnessing the relationship between various stakeholders. It is evident in the set of rules and regulations that create such systems and processes. The main objective of this is to provide transparency to all stakeholders and accountability for various players especially management. State corporations as well must fit the same bill. However, there seems to exist a phenomenon where the management ignores their accountability to the public. The CEOs normally report to Boards appointed by political offices and play deaf to the public behind these political offices. The level of accountability has therefore seemed diluted given the mega scandals that are reported in some state corporations in recent years (Onyango, 2018). This leaves the question begging in respect to the performance of these State Corporations, do they deliver on their respective mandates, and do they effectively disclose their undertakings and financial performance in a manner satisfactory enough to deter such scandals. It is also of concern how the management of the State Corporations addresses the stewardship of the assets as well as financial resources placed under their charge.

Good Corporate Governance in State corporations is expected to help stem many of these challenges. The practice of corporate governance in these entities has strengthened with the government issuing guidelines on conduct and the constitution of the boards. This was meant to enhance the accountability of management. To enhance transparency, the IPSAS Board also issued standards on disclosures of corporate government structures put in place as well as board and management expenses in the respective State Corporations. It has also guided minimum disclosures on financial matters in reports. These concepts have been faced with challenges with various boards being dismissed or expired without replacement, as well as appointments with heavy political influence. The reports of the Auditor General on some failures to comply with proper stewardship of the state corporations have not placed as heavy burdens on the CEOs as should have been the case. This study therefore is designed with a perspective of understanding the impact on performance of these entities given such gaps.

1.1. Corporate Governance Structures

Corporate governance is the system of rules, practices and processes by which a firm is directed and controlled. It essentially involves balancing the interests of a company's many stakeholders, such as shareholders, management, customers, suppliers, financiers, government and the community. Since corporate governance also provides the framework for attaining a company's objectives, it encompasses practically every sphere of management, from action plans and internal controls to performance measurement and corporate disclosure.

Corporate governance structures represent the systems set in place to help guide the decision makers of an organization and monitor activities in light of respective and diverse interests. It is deemed as anything that affects the decision-making process of a company that can impact any of the stakeholders (Jordan, 2013). It is a relevant factor across many fields including finance, accounting, strategic planning and management (Larcker, Richardson, & Tuna, 2007). Good corporate governance in a business may determine its success or failure. It is the best indicator of well-managed, progressive and strategic businesses.

Corporate governance gained focus as an emerging issue initially in the United Kingdom. In 1992, the infamous Cadbury Committee was formed to help address situations where companies trampled down the interest of other stakeholders in a sequence of corporate scandals that happened. The Cadbury report was received as a code of practice for companies quoted in the London Stock Exchange. It was kept as matter of advisory that one was to explain if they did not feel a certain component of the code affected them. The American attempt was viewed as having been impaired by participation of those who felt such regulations would hit back at them (Jordan, 2013). However, their report elicited a global movement to provide structures to guide corporate governance spearheaded by Organization for Economic Cooperation and Development (OECD).

This was supported in America, the United Kingdom, Germany, and France among other key economic movers in 1999. The heads of the American and the UK endeavor, Millstein and Cadbury, served a major role to advocate for implementation of the structures across the world.

With the onset of the financial crisis that happened in 1997 and 1998, the World Bank and the International Monetary Fund (IMF) fronted the OECD structures as among the standards to be adopted in all countries. This was however met by the diversity in interpretation of various terms. The other challenge was that most Multinationals in Asia were state-owned and the structures were not apparently designed with such organizations in focus. As it appeared that companies adopting the structures were able to inspire favorable responses at the stock exchange, the Chinese adopted them in order to benefit both locally and internationally. Corporate governance affects the development and functioning of capital markets and exerts a strong influence on resource allocation. In an era of increasing capital mobility and globalization, it has demanded principles and structures to help achieve enhanced industrial competitiveness across countries and economies (Maher & Andersson, 1999).

In the region, Uganda has faced disruption of business through corruption and related corporate governance failures. These included banks as well as major entities. The society sought increased transparency in organizations and their conduct of business. The Central Bank of Uganda also made it compulsory to have the key corporate governance structures disclosed by banks in their annual reporting (Musaali, 2012). Equally in Tanzania, there have been failure corporate governance structures with reported collapse of a number of corporations. Fraud and lack of social responsibility have characterized such organizations. The exploratory study on corporate governance in Tanzania noted lapse in Audit committee lapses, and skewed constitution of boards as key areas that needed to be addressed (Mzenzi, Mori, & Kurt, 2020).

Corporate Governance structures that have been developed and embraced have varied across different parts of the world (Kiratu & Moronge, 2016). These seemed to have had an influence from Country's legal orientation, vis, those that followed civil law focused on stakeholders, while those that had a common law orientation focused on shareholders returns or interests (Mulili & Wong, 2011). Generally, the approach to corporate governance has been domesticated in every country to fit their beliefs, especially the independence of board members in view of whether they should be executives or not. Worldwide, corporate governance has become a crucial topic because the level of development of a nation is attributed to the level of good Corporate Governance practices. The absence of good Corporate Governance is a major cause of failure of many well performing companies (Kiratu & Moronge, 2016).

In Kenya, Corporate governance issues started to arise significantly around year 2000 (Barako, Hancock, & Izan, 2006). The Capital Markets Authority issued initial guidance to help spread of best practice amongst listed companies.

Challenges were however noted when various stock brokerage firms experienced problems that could be attributed to the conduct of their boards in 2008 (Mukabi, 2017). At a later date, this crept to the banking industry as well, leading to closure of a number of banks. This underscores the need for strengthening observance of the structures of corporate governance in the country.

Whilst the many countries have endeavored to make laws on matters corporate governance, the structures demand that it is driven by the ethical duty to comply with moral standard and conduct (Aggarwal, 2013). It is the express intent by the leadership of a firm to conduct its business in an open way. This is only possible where they are certain they are not compromising any one's interest. The key players in corporate governance are the first shareholders, who are the owners, the board of directors who formulate the strategies of the firm and the management, who as led by the CEO execute the strategies.

The structures are largely meant to provide openness in the business operations (Aggarwal, 2013). It has to be in a manner that allows all stakeholders to weigh how their interest is affected by every step that the organization takes. Where certain intents are hidden from any party, it starts to defeat the spirit of corporate governance. The accounting and other related scandals that has faced many firms have been facilitated by weak structures, which allow underhand dealings within the firm (Le Quang et al, 2014). In Kenyan context, some supermarkets have had working capital withdrawn fraudulently leading to collapse as it was the case of Nakumatt (Kisero, 2020). These and similar practices serve to undermine the rest of stakeholders who are not part of the day to day decision making of the organization. This is especially important for companies whose ownership leaves a glaring level of minority shareholders (Shikha & Mishra, 2019). There exist state corporations where the government owns a significant shareholding. In such corporations, the government representative can easily trample under the interest of the minority. The corporate governance structures help attain a balance for all stakeholders. This structures act as the *mode operandi* for setting objectives of the organizations and the road map towards their fulfillment. However, the investors and regulators should not assume that the executive is only pursuing self-interest motives. Indeed, they should also see the board as an important and critical resource for the company with which value addition can be achieved.

State corporations being key players in socio-economic development of Kenya, and critical service delivery organs have also been required to observe the structures of Corporate Governance. In this endeavor, the State Corporations Advisory council developed the Mwongozo Code to help entrench good governance in these institutions. The Code was launched for implementation in January 2015. Over the years, there has been an improvement in the level of corporate governance disclosures amongst state corporations in Kenya (Wahogo, 2016). Available empirical evidence also suggests that corporate governance does affect performance and is thus an important framework condition for the industrial competitiveness of OECD countries (Maher & Andersson, 1999). These assertions are further supported by the agency theory holds that managers will not act to maximize returns to shareholders unless appropriate corporate governance structures are implemented in the large corporation to safeguard the interest of the shareholders. The stewardship theory suggests that the problem of governance may lie not in the self-interest of the executive but rather in the assumptions that distant others. The governance issues therefore, are not about managing the agency roles but rather, how the board can help the organization in dealing with external factors (Desender, 2009). The expertise and links held by the directors can make an organization thrive in adverse circumstances where others sink. The resource dependence theory by (Aldrich & Pfeffer, 1976) sees the non-executive directors primarily as a context specific resource to support the performance of both the executives and the company.

The government of Kenya has in the recent past sought to accelerate accountability and transparency in State Corporations through the Mwongozo code. However, the outcomes have not been assessed to inform the benefits reaped. State corporations have continued to reel under the heavy and irrational interference by the political class, denying the boards of such entities their independence. In the recent past, mega scandals have also been reported touching on State Corporations featuring adversely in reports of Office of the Auditor General. The internal audit units that report to the Audit committee are expected to nub in the bud such questionable transactions and practices. The question here being, do the audit committees play their role effectively as expected by structures of corporate governance. This study aims to explore the effect of corporate governance structures on performance of State Corporations in the education sector in Kenya to narrow this gap.

1.2. Organizational Performance

Corporate governance affects the development and functioning of capital markets and exerts a strong influence on resource allocation. In an era of increasing capital mobility and globalization, it has also become an important framework condition affecting the industrial competitiveness and economies of OECD Member countries (Maher & Andersson, 1999). In their study, they point out that one of the most striking differences between countries' corporate governance structures is the difference in the ownership and control of firms that exist across countries. There are tradeoffs between ownership concentration and voting power concentration. There is no single model of good corporate governance, and both inside and outside systems have their strengths, weaknesses, and different economic implications. Furthermore, the effectiveness of different corporate governance structures are influenced by differences in countries' legal and regulatory frameworks, and historical and cultural factors, in addition to the structure of product and factor markets. Policy recommendations should therefore attempt to account for the interactions between corporate governance structures and the institutional framework in the particular country. The search for good practice should be based on an identification of what works in defined countries, to discern what broad principles can be derived from these experiences, and to examine the conditions for transferability of these practices to other countries.

The structures instituted and policies practiced within an organization ought to be disclosed for it to achieve its meaningful end. The stakeholders can only make informed decisions based on information the organization provides through its reports. Disclosure has also been reported to have a significant influence on performance of deposit taking organizations as it creates investor confidence (Muiruri, 2014). In his study, Jouri (2016) sought to find out if there existed a relationship between the practice of good corporate governance and the type of audit opinion issued to organizations. It was noted in the findings that though there was no evidence that good corporate governance influenced the audit opinion, poor corporate governance did show a strong influence towards an adverse audit opinion. This was deemed so as where disclosure is compromised, a higher level of accountability is also abandoned and independent monitoring curtailed (Kyondu, 2014).

In providing standards of accountability, the Financial Reporting Standards provide for disclosure of structures set in place for corporate governance in any organization. The Public Sector Accounting Standards as well have a similar requirement to be observed. It has been observed that regulations put in place play a big role in how well organizations are governed (Mutisya, 2015). It is however noted that most of the provisions of good corporate governance are not stated as mandatory but as recommendations. Organizations are meant to either comply or explain why they did not observe such recommendations (Financial Reporting Council, 2014). This therefore creates a big room for subjectivity and the option to comply or explain therefore is dependent on the party providing the advisory.

2. Literature Review

2.1. Board Diversity on Organizational Performance

The composition of the board to include financial professionals has been found to influence the nature of financial commitments the organization engages in (Xie, Davidson, & DaDalt, 2003). It also helps in constraining the managers from engaging in matters that create personal gains contrary to the organizational interest.

Ahmed & Hamdan (2015) argued that promoting good corporate governance standards was considered to be very important in attracting capital investment, reducing risk and developing firms' performance, including return on equity. Further Mudashiru, Yusuf, Bakare, & Ishmael (2014) showed that large board size, board skill, management skill, foreign ownership, institutional ownership, dividend policy and annual general meeting were positively associated with the performance of organizations.

2.2. Audit Committee on Organizational Performance

Corporate Governance is a mandate bestowed upon the audit committee in many organizations and it is charged with the role of mitigating the conflict of interest between owners and management. Further, the understanding of the principles of corporate governance may influence its appreciation and practice in the organization. The composition of the committee may therefore determine if the meetings are effective or not, or even whether the members may see the need to meet as required of them.

Kyondu (2014) sought to examine how Corporate Governance affects performance of state Corporations in Kenya. The study focused on the relationship between performance and corporate governance vis a vis the size of state corporations. The findings indicated that corporations with a high score in corporate governance also ranked better in the annual State Corporation's performance ranking. It is therefore important that the board should conduct monitoring of financial performance as well as conduct Corporate Governance Audits and Evaluations as a routine if overall performance for this industry was to be guaranteed. Their ability to effectively engage with external auditors enhances the independence of the auditors from management and was found to enhance the quality of audits (O'Neill et al., 2013). It has also been established that if there instituted quality charters for audit committees, it enhanced the quality of financial reporting of organizations (Mbobo & Umoren, 2016).

There has been a growing demand that the financial expertise of the audit committee be enhanced. This has been entrenched further through regulation in some instances (Badolato, Donelson, & Ege, 2014). Qualification of the members has also received market. A study on whether the market responds to the financial expertise of Audit committee members, this was found to have a strong influence on firms performance and hence the market responded every time new directors with expertise were appointed (Defond, Hann, & Hu, 2005). Their ability to shape operational and risk management strategies require that they be of highest possible qualifications (Kyondu, 2014). The qualifications are a factor that determines their independence as reported in a study by Dezoort et al. (2002).

The independence of members of the board relates to how they are able to make decisions without undue influence of any other party. It is how they are able to make resolutions with the best interest of all stakeholders. The board and its committees should comprise of independent members to allow them carry out their mandate effectively (Financial Reporting Council, 2014). Whilst the amount of desirable independence has not been stated (Bronson, Carcello, Hollingsworth, & Neal, 2009), it has been found to be a key factor towards transparency and accountability.

The audit committee is the organ that enhances the protection of shareholders by creating the space for independence of external audits (Mudashiru et al., 2014). This can only be tenable if they themselves have a level of independence.

O'Neill et al. (2013) realized that some countries, such as Canada and the USA, had picked the audit committee as a structure for corporate governance to be very significant. There has been laid in place regulation on how they ought to be constituted, their authority as well as their responsibilities. They are expected to receive audit reports and raise issues of qualification to the full board. The chairman of the committee was therefore recommended not to be the same as the chair of the full board (Mbobo & Umoren, 2016). They also noted that the committee well instituted is capable of reducing the chances of fraud and related practices.

3. Methodology

This study adopted a descriptive research design. This is informed by the fact that the study is intended for fact finding on the state of a phenomenon, Quantitative data was collected and analyzed. It also helps expand the knowledge on the phenomenon and provide specific variable for additional quantitative research. The population was the entire 47 state corporation in Kenya.

The study targeted the state corporations in the education sector in Kenya. There are 47 state corporations in education sector, 45 of which are non-commercial corporations (Source, National Treasury Consolidated Accounts Report, 2018). These 45 corporations that are fully owned by the Government of Kenya and other two are commercial state corporations which were excluded from the study. Data was collected from the respondents which included the 3 senior/middle level Managers, 2 in finance and accounts officers, and 1 Internal Audit staff making a total of 162 respondents.

A questionnaire was the instrumentation of Data Collection. To test reliability Cronbach alpha was utilized to determine internal consistency. The study employed the use of multiple regression to evaluate the relationships existing between the independent variable (organizational performance (Y) and a set of dependent variables (Qualities of CEO (X_1), Board diversity (X_2) and Audit committee (X_3)) in the study. the multiple regression model was

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

where

Y = Independent variable in the regression model.

X_i = The i^{th} independent variable, i = 1, 2, 3.

β_0 = Regression Constant.

β_i = Regression coefficient corresponding to the i^{th} independent variable.

ε = Error Term.

The diagnostic tests that were employed were normality and multocolliearity to determine normal distribution and relationship between variables.

4. Data Analysis and Interpretation

The study targeted 162 respondents. A total of 150 of the questionnaires were successfully issued through a drop and pick method, where 134 were returned. This represented 82% of the total respondents.

As part of respondents' general information, the study assessed areas of service, level of service. This information provides basic understanding on the nature of persons involved in filling the questionnaires. Their profile is also important aspect as their opinion in other questions can be assessed based on this basic information.

4.1. Reliability Test

The study used Cronbach's alpha in examining the reliability of the questionnaire and an alpha value of 0.778 was obtained for pilot data, indicating high internal consistency. The Cronbach's alpha values obtained for respective variables were found to be consistent, therefore concluding that the tool was reliable in assessing the influence of governance structure on the performance of State Corporations in Education Sector in Kenya as shown in **Table 1** below:

The collected data was tested using the Cronbach's Alpha to assess the internal consistency in relation to assessed variable. This confirmed that the data is reliable for the study on threshold of 0.7 for this study.

4.2. Normality Test

This test sought to find out the normal distribution for the organizational performance, which was tested for Gaussian distribution using numerical and graphical methods. According to Indiana (2011) many data analysis methods such as t-test, ANOVA and regression analysis relies on the assumption that data were sampled from a Gaussian distribution as shown in **Table 2** below.

4.3. Autocorrelation

The *Durbin Watson* statistic is a number that tests for autocorrelation in the residuals from a statistical regression analysis. The *Durbin-Watson* statistic is always between 0 and 4 the value of 0.435 shows there is no autocorrelation (**Table 3**).

Table 1. Reliability.

	Factor	Cronbach's alpha
1	Attributes of the CEO	0.813
2	Board Diversity	0.886
3	Audit Committee	0.795
4	Organizational Performance	0.867

Table 2. Kolmogorov-Smirnov and Shapiro-Wilk tests for organizational performance.

Tests of Normality						
	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
perform	0.067	121	0.200*	0.975	121	0.021

*This is a lower bound of the true significance. [a]Lilliefors Significance Correction.

Table 3. Autocorrelation test.

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.527[a]	0.277	0.261	0.84409	0.435

[a]Predictors: (Constant), Audit committee, CEO attributes, Board diversity; [b]Dependent Variable: Performance.

4.4. Multicollinearity

Variance inflation factors (VIF) is used to explain how much amount multicollinearity (correlation between predictors) exists in a regression analysis. Any A value of VIF > 5 indicates presence of multicollinearity. Therefore, in our case we conclude there is no multicollinearity between the study variables (**Table 4**).

4.5. Relationship between Corporate Governance Structures and Performance of State Corporations

The study assessed the influence of corporate governance structures on performance. Data was collected on structures considered in this study being CEO attributes, Board diversity and Audit Committee and their influence on performance as follows (**Table 5**).

The study found CEO attributes and performance of state corporations in education sector in Kenya had a strong positive and significant correlation coefficient of $r = 0.282$. The value of coefficient implies a positive significant relationship between CEO attributes (x) and performance of state corporations in education sector (y) at $\alpha = 0.05$. This suggests that for every unit increase in CEO attributes, performance of the firm would increase by 0.282 (**Table 6**).

The study found board diversity and performance of state corporations in education sector in Kenya had a strong positive and significant correlation coefficient of $r = 0.455$. The value of coefficient implies a positive significant relationship between board diversity (x) and performance of state corporations in education sector (y) at $\alpha = 0.05$. This suggests that for every unit increase in board diversity, performance of the firm would increase by 0.455 (**Table 7**).

The study found audit committee and performance of state corporations in education sector in Kenya had a strong positive and significant correlation coefficient of $r = 0.369$. The value of coefficient implies a positive significant relationship between audit committee (x) and performance of state corporations in education sector (y) at α = 0.05. This suggests that for every unit increase in audit committee, performance of the firm would increase by 0.369.

Table 4. Multicollinearity test.

Coefficients[a]							
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	−1.039	0.565		−1.838	0.068		
CEO attributes	0.329	0.146	0.174	2.254	0.026	0.938	1.066
Board diversity	0.593	0.151	0.326	3.927	0.000	0.806	1.241
Audit	0.543	0.203	0.217	2.679	0.008	0.844	1.185

[a]Dependent Variable: Performance.

Table 5. Association between CEO attributes and the performance of state corporations in education sector in Kenya.

Correlations			
		Performance	CEO attributes
Performance	Pearson Correlation	1	0.282**
	Sig. (2-tailed)		0.001
	N	134	134
CEO attributes	Pearson Correlation	0.282**	1
	Sig. (2-tailed)	0.001	
	N	134	134

**Correlation is significant at the 0.01 level (2-tailed).

Table 6. Association between Board diversity and the performance of state corporations in education sector in Kenya.

Correlations			
		Performance	Board diversity
Performance	Pearson Correlation	1	0.455**
	Sig. (2-tailed)		0.000
	N	134	134
Board diversity	Pearson Correlation	0.455**	1
	Sig. (2-tailed)	0.000	
	N	134	134

**Correlation is significant at the 0.01 level (2-tailed).

Table 7. Association between audit committee and the performance of state corporations in education sector in Kenya.

Correlations			
		Performance	Audit committee
Performance	Pearson Correlation	1	0.369**
	Sig. (2-tailed)		0.000
	N	134	134
Audit committee	Pearson Correlation	0.369**	1
	Sig. (2-tailed)	0.000	
	N	134	134

**Correlation is significant at the 0.01 level (2-tailed).

4.6. Regression Analysis

Regression is a statistical technique to determine the linear relationship between two or more variables. The R square in a regression output shows how well the values fit the data. Regression analysis is an analysis that shows how variation in one variable predicts the variation in another.

Table 8 show that CEOs attributes, Board of directors' diversity and audit committee explain 27.7% of variations of performance in state corporations in education sector in Kenya.

The value of F (3, 133) = 16.635, P-value < 0.05 shows that governance structure significantly predicts performance of state corporations in education sector in Kenya (Table 9).

Multiple regression analysis was conducted to determine the contribution of Board of directors' diversity and audit committee on the performance of state corporations in education sector in Kenya. The findings show that CEOs attributes, Board of directors' diversity and audit committee had significant effect on performance of state corporations in education sector in Kenya at $\alpha = 0.05$ as shown in Table 10.

The regression model is given by the following equation;

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

Performance = 0.593 (Board diversity) + 0.543 (Audit Committee). These findings imply that state corporate performance would increase by 0.593 units when board diversity increase by one unit. The findings also imply that when audit committee increase by one-unit performance will increase by 0.543.

5. Conclusion and Recommendations

5.1. Influence CEO Attributes on the Performance of State Corporations in Education Sector in Kenya

Respondent felt that appointment of CEO through competitive process, sufficient communication by CEO to the staff, independence of CEO from appointing

Table 8. Effects of governance structure on performance of state corporations in education sector in Kenya.

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.527[a]	0.277	0.261	0.84409

[a]Predictors: (Constant), Audit Committee, CEO attributes, Board diversity.

Table 9. Governance structure on performance prediction test.

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	35.557	3	11.852	16.635	0.000[b]
	Residual	92.624	130	0.712		
	Total	128.181	133			

[a]Dependent Variable: Performance; [b]Predictors: (Constant), Audit Committee, CEO attributes, Board diversity.

Table 10. Contribution of CEOs attributes, Board of directors' diversity and audit committee on performance of state corporations in education sector in Kenya.

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	−1.039	0.565		−1.838	0.068
	CEO attributes	0.329	0.146	0.174	2.254	0.026
	Board diversity	0.593	0.151	0.326	3.927	0.000
	Audit	0.543	0.203	0.217	2.679	0.008

authority, CEO prior experience, having specific training in the area of management and disclosure and reporting of the institution had critical impact on Institutional Performance. The study further found CEOs attributes and performance of state corporations in education sector in Kenya had a strong positive and significant correlation coefficient at $\alpha = 0.05$

5.2. Influence of Board of Directors Diversity on Performance of State Corporations in Education Sector in Kenya

The collective experience of the Board members was considered to affect the Performance of the organizations. It was also noted that most respondents were not sure on the effect of gender diversity in board members, age disparity in board members and age of the board members on performance of state corporations in education sector in Kenya. However, the board benefits from experience were considered important in resolving stewardship issues. Study also found board diversity had significant effect on the performance of state corporations in education sector in Kenya at α = 0.05. The finding was coherent with study on corporate governance and their influence on performance, with particular emphasis on Board effectiveness. This evaluated their network as per resource dependence theory, cultivation adequate disclosure as stewards of the processes of business (Kabai et al., 2017). Their study found a strong positive coleration between these factors and performance of organizations.

5.3. Influence of Audit Committee on Performance of State Corporations in Education Sector in Kenya

It was noted that most audit committees held sufficient number of meetings with satisfactory attendants in most institution. Majority argued that audit committee discussed financial statements before audit, management letters and gave directions for management and the corporate governance issues. The study further observed the contribution of audit had impact on final audit opinion and exhibited sufficient independence from the management in most institutions. "Qualified" was the most common audit opinion in most institution. The study found a positive significant relationship between audit committee and performance of state corporations in education sector at α = 0.05. These findings are consistent with Mudashiru, Yusuf, Bakare, & Ishmael (2014) who found size of audit committee, audit committee independence, as being positively associated with the performance of organizations.

5.4. Performance of the State Corporation in Education Sector in Kenya

Most institutions observed the service delivery charter in state corporations in education sector in Kenya. A reasonable number of state corporations in education sector reported that there were instances where their institution ware denied supply of service or goods over relationship breakdown. The study found 53% to 100% of allocated fund was utilized with an average of 86.18%, 85.18% and 88.74% for the financial years 2015/2016, 2016/2017 and 2017/2018 respectively. On pending bills, an average of 22.74%, 22.29% and 18.56% were paid by state corporations in education sector in Kenya in 2015/2016, 2016/2017 and 2017/2018 financial years respectively. Finally, on consumer satisfaction, an average of 82.82%, 85.28% and 86.17% customer satisfaction rate was attained by state corporations in education sector in Kenya in 2015/2016, 2016/2017 and 2017/2018 financial years respectively.

Generally, the study found that CEOs attributes, Board of directors' diversity and audit committee explain 27.7% of variations of performance in state corporations in education sector in Kenya. CEOs attributes, Board of directors' diversity and audit committee had significant effect on performance of state corporations in education sector in Kenya at α = 0.05.

6. Conclusion

From the findings of this study, we conclude CEO attributes that include, experience, experience in the state corporation, experience in sector and experience in management level, level of education and management course in management significantly influenced the performance of the organization.

Further, the study determines that number of board members based on experience, and age affected the performance of state corporations in education sector in Kenya.

Lastly, the number of audit committees with the highest level of education and professional qualifications affected the performance of state corporations in the education sector in Kenya.

7. Recommendations

The study recommends the following on the governance structure of state corporations in education sector in Kenya.

1) The institutions stakeholders should strive to acquire CEOs with wide experience in the state corporation, experience in sector and experience in management level, level of education and management course in management significantly influenced the performance of the organisation.

2) The institutions stakeholders should also strive to acquire board members with diverse characteristics in terms of gender, age and education qualification.

3) The study also concludes stakeholders in the state corporation to emphasize on having more members of audit team with high education and professional qualification.

Recommendations for Future Research

This study had its scope limited within the education sector. It would be valuable to have similar studies conducted on state corporations across other sectors. The same could be evaluated in private and mission educational organizations to help evaluate the impact or corporate governance structures on such entities vis avis their impact on government institutions. Further, research should be done into why there is significant level of customer satisfaction, in spite of the high level of qualified audit opinions across state corporations.

Conflicts of Interest

The authors declare no conflicts of interest regarding the publication of this paper.

References

Aggarwal, P. (2013). Impact of Corporate Governance on Corporate Financial Performance. *IOSR Journal of Business and Management, 13,* 1-5. https://doi.org/10.9790/487X-1330105

Ahmed, E., & Hamdan, A. (2015). The Impact of Corporate Governance on Firm Performance: Evidence from Bahrain Stock Exchange. *European Journal of Business and Innovation Research, 3,* 25-48.

Aldrich, H. E., & Pfeffer, J. (1976). Environments of Organizations. *Annual Review of Sociology, 2,* 79-105. https://doi.org/10.1146/annurev.so.02.080176.000455

Badolato, P. G., Donelson, D. C., & Ege, M. (2014). Audit Committee Financial Expertise and Earnings Management: The Role of Status. *Journal of Accounting and Economics, 58,* 208-230. https://doi.org/10.1016/j.jacceco.2014.08.006

Barako, D. G., Hancock, P., & Izan, H. Y. (2006). Relationship between Corporate Governance Attributes and Volutanry Disclosures in Annual Reports: The Kenyan Experience. *Financial Reporting, Regulation and Governance, 5,* 1-26.

Bronson, S. N., Carcello, J. V., Hollingsworth, C. W., & Neal, T. L. (2009). Are Fully Independent Audit Committees Really Necessary? *Journal of Accounting and Public Policy, 28,* 265-280. https://doi.org/10.1016/j.jaccpubpol.2009.06.001

Defond, M. L., Hann, R. N., & Hu, X. (2005). Does the Market Value Financial Expertise on Audit Committees of Boards of Directors? *Journal of Accounting Research, 43,* 153-193. https://doi.org/10.1111/j.1475-679x.2005.00166.x

Desender, K. A. (2009). *The Relationship between the Ownership Structure and the Role of the Board* (Working Papers 09-0105). University of Illinois at Urbana-Champaign, College of Business. https://doi.org/10.2139/ssrn.1440750

Dezoort, F. T., Hermanson, D. R., & Reed, S. A. (2002). Audit Committee Effectiveness: A Synthesis of the Empirical Audit Committee Literature. *Journal of Accounting Literature, 21,* 38-75.

Financial Reporting Council (2014, September). The UK Corporate Governance Code (pp. 1-36). *Financial Reporting Council.*

Jordan, C. (2013). Cadbury Twenty Years On. *Villanova Law Review, 58,* 1-24. https://doi.org/10.2139/ssrn.2099820

Jouri, A. (2016). The Relationship between Auditor's Opinions. *International Journal of Advanced Biotechnology and Research, 7,* 404-408.

Kabai, J. K., Baimwera, B., & Waithaka, M. (2017). Effect of Corporate Governance on Financial Performance of State Funded Entities in Kenya. *International Journal of Business Management & Finance, 1,* 500-518.

Kiratu, A. M., & Moronge, M. (2016). Influence of Corporate Governance on Organizational Performance in Kenya: a Case of Agricultural State Corporations. *Journal of Business & Change Management, 3,* 724-751. http://strategicjournals.com/index.php/journal/article/view/266

Kisero, J. (2020, Jun 28). *Nakumatt's Fall Linked to Money Laundering, Poor Corporate Governance—Daily Nation*. Nation Media Group. https://www.nation.co.ke/kenya/news/nakumatt-s-fall-linked-to-money-laundering-poor-corporate-governance-239390

Kyondu, C. N. (2014). The Effect of Corporate Governance on the Performance of State Corporations in Kenya. *Journal of Business and Management, 2,* 95-103.

Larcker, D. F., Richardson, S. A., & Tuna, I. (2007). Corporate Governance, Accounting Outcomes, and Organizational Performance. *The Accounting Review, 82,* 963-1008. https://doi.org/10.2308/accr.2007.82.4.963

Le Quang, C., Kim, K. S., & Lee, Y. (2014). Effects of Corporate Governance on the Performance of Private Economic Groups in Vietnam. *The Journal of International Trade & Commerce, 10,* 39-56. https://doi.org/10.16980/jitc.10.6.201412.39

Maher, M., & Andersson, T. (1999). Corporate Governance: Effects on Firm Performance and Economic Growth. *SSRN Electronic Journal*. https://doi.org/10.2139/ssrn.218490

Mbobo, M. E., & Umoren, A. O. (2016). The Influence of Audit Committee Attributes on the Quality of Financial Reporting. *International Journal of Economics, Commerce and Management, United Kingdom, 4,* 116-141.

Mudashiru, A., Yusuf, B., Bakare, I., & Ishmael, O. (2014). Good Corporate Governance and Organisational Performance: An Empirical Analysis Adebayo, Mudashiru Department of Accounting and Finance Faculty of Management Sciences Lagos State University Nigeria Ibrahim, A.O. Bakare Department of Economics Facult. *International Journal of Humanities and Social Science, 4,* 170-178.

Muiruri, T. (2014). The Effect of Corporate Governance Practices on the Financial Performance of Commercial Banks in Kenya. *IOSR Journal of Business and Management Ver. I, 1,* 37-39.

Mukabi, R. A. (2017). *Influence of Corporate Governance on Risk Management in the Horticultural Sector in Kenya*. Doctoral Dissertation, KCA University.

Mulili, B. M., & Wong, P. (2011). Corporate Governance Practices in Developing Countries: The Case for Kenya. *International Journal of Business Administration, 2,* 14-27. https://doi.org/10.5430/ijba.v2n1p14

Musaali, M. E. (2012). Corporate Governance in Uganda. *SSRN Electronic Journal, (March),* 1-12.

Mutisya, J. M. (2015). *The Role of Law in Promoting Efficient and Effective Corporate* (Vol. 2014). Doctoral Dissertation, University of Nairobi.

Mzenzi, S. I., Mori, N., & Kurt, A. (2020). An Exploratory Study on Corporate Governance Practices of the Selected Oil and Gas Companies in Tanzania. *Business Management Review, 22,* 150-167.

O'Neill, T., Bolton, H., Goodfellow, J., Kirton, N., Scullion, R., Smieliauskas, W., & Thomas, H. (2013, January). *Enhancing Audit Quality: The Role of the Audit Committee in External Auditor Oversight*.

Onyango, J. (2018). 15 Mega Corruption Scandals in Kenya Which Have Never Been Resolved. *Tuko Kenya*. https://www.tuko.co.ke/274539-15-mega-corruption-scandals-kenya-resolved.html#274539

Shikha, N., & Mishra, R. (2019). Corporate Governance in India—Battle of Stakes. *International Journal of Corporate Governance, 10,* 20-41. https://doi.org/10.1504/IJCG.2019.098041

Wahogo, B. (2016). *Key Highlights for fy 2014/15—Technical Assistance*.

Xie, B., Davidson, W. N., & DaDalt, P. J. (2003). Earnings Management and Corporate Governance: The Role of the Board and the Audit Committee. *Journal of Corporate Finance, 9,* 295-316. https://doi.org/10.1016/S0929-1199(02)00006-8