# EFFECT OF CORPORATE GOVERNANCE PRINCIPLES ON PERFOMANCE OF PUBLIC TECHNICAL, VOCATIONAL AND ENTREPRENUERSHIP TRAINING (TVET) INSTITUTIONS IN NYANZA REGION, KENYA

**BY**

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# DECLARATION

## DECLARATION BY THE STUDENT

I certify that this thesis has not been previously presented for a degree in Maseno University or any other university. The work reported herein has been carried out by me and all sources of information have been acknowledged by means of references.

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In the Mighty name of Jesus Christ, Most Gracious, Most Merciful, My God, My All. Holy God, Holy Mighty one, Holy Immortal one.

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## DEDICATION

For Christine, Reagan, Charity and Ambrose

Angels given to me in this life

You have spiced my life and made it bearable

Love you all.

## ABSTRACT

Performance in TVET institutions increased by 7.5%, with a mean score of 5.803 in 2011. However Nyanza region did not keep pace with the increased performance. Prior studies reveal that the influence of structure of the board and performance of TVET Institutions is unknown. Studies on the effect of clarity of roles and responsibilities of the board on performance and the effect of safeguarding of integrity in financial reporting on performance have not been conclusive. Similarly, the influence of timely and balance of neither disclosure of institutional matters nor the relationship between effectiveness of the board of directors and performance of TVET institutions are known. The purpose of this study ~~therefore,~~ was to establish the effect of corporate governance on performance of TVET Institutions in Nyanza Region, Kenya. Specifically the study sought to: determine the influence of structure of the board; ascertain the effect of clarity of roles and responsibilities of the board; establish the effect of safeguarding of integrity in financial reporting; determine the influence of timely and balance of disclosure of institutional matters on performance; and finally to establish the relationship between effectiveness of the board of directors and performance, of public TVET Institutions in Nyanza region, Kenya. The study was guided by the agency, the stewardship and the managerial Hegemony theories. The study used correlation research design. The population of the study included 99 senior academic managers of TVET Institutions in Nyanza region Kenya. The study employed a census survey with response at 96 %. Reliability revealed 0.872 internal consistency. $R^2$ was .728 with a significance of $p < 0.001$ indicating that corporate governance principles accounted for 72.8% variations on performance. Correlation analysis revealed that as structure of board, clarity of roles, integrity of financial reporting, timely and balanced disclosure and effectiveness of the board changes by 1 unit, performance too changes by a magnitude of 0.370; 0.493; 0.778; 0.776 and 0.789 respectively. The regression analysis revealed that integrity of financial reporting, ($\beta_3$= 0.288; p=.002), timely and balanced disclosure ($\beta_4$= 0.324; p=0.006) and effectiveness of the board ($\beta_5$= 0.501; p=0.000), contribute significantly to performance. The study concludes that integrity of financial reporting, timely and balanced disclosure and effectiveness have a substantial positive effect on performance. Findings of this study may be used for policy formulation by policy makers to guide in appointment of the board of management to improve governance of TVET institutions and other stakeholders.

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## LIST OF ABBREVIATIONS AND ACRONYMS

| | |
|---|---|
| **ASX** | Australian Stock Exchange |
| **C.E.O** | Chief Executive Officer |
| **CACG** | Common Wealth Association for Corporate Governance |
| **D.E.O** | District Education Officer |
| **G.O.K** | Government of Kenya |
| **M.O.E** | Ministry of Education |
| **PRS** | Poverty Reduction Strategy |
| **RIAT** | Ramogi Institute of Advanced Technology |
| **T.S.C** | Teachers Service Commission |
| **TE** | Technical Education |
| **TIVET** | Technical, Industrial, Vocational and Entrepreneurship Training |
| **TVET** | Technical Vocational Entrepreneurship Training |
| **UK** | United Kingdom |
| **UNESCO** | United Nations Educational, Scientific and Cultural Organization |
| **US** | United States |
| **VE** | Vocational Education |

## OPERATIONAL DEFINITION OF TERMS

**Corporate Governance:** The system of rules, practices and processes by which an institution is directed and controlled. It is the way TVET Institutions are managed, organized and how they meet their responsibilities towards external stakeholders. It encompasses practically every sphere of management, from action plans and internal controls to performance measurement and corporate disclosure.

**Insiders:** An officer or director recognized or accepted as a member of a group, category, or organization who is in a position of power or has access to confidential information who is in a position to have special knowledge of the affairs of or to influence the decisions of an Institution.

**Performance**

An Institutions performance as compared to the Institutions goals and objectives Performance Indicators in TVET include: alignment between high quality TVET programs and labor market need, increased emphasis on innovations, collaborations, academic performance, customer and employee satisfaction.

**Principles of Corporate Governance:** Good corporate governance dictates that the Board of management governs the corporation in a way that maximizes shareholder value and in the best interest of society. The principles of Corporate Governance include structure of the board, clarity of roles and responsibilities, Integrity of financial reporting, timely and balance of disclosure of institutional matters and board effectiveness.

**Value Addition:** This refers to "extra" feature(s) of person that go beyond the standard expectations of the individual to provide something "more", to give a competitive advantage to an organization.

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# CHAPTER ONE
# INTRODUCTION

This chapter provides an overview of the background of the study, statement of the problem, objectives of the study, research hypotheses, scope of the study, justification of the study and the conceptual framework. The chapter introduces corporate governance principles and performance. It also highlights the context of the study which is public TVET Institutions in Nyanza region, Kenya.

## 1.1 Background of the Study

Corporate governance is the manner in which power is exercised in the management of economic and social resources for sustainable human development (Private sector corporate governance trust, 2012). It is a vital ingredient in the maintenance of a dynamic balance between the need for order and equality in society, the efficient production and delivery of goods and services, accountability in the use of power, the protection of human rights and freedoms, and the maintenance of an organized corporate framework within which each citizen can contribute fully towards finding innovative solutions to common problems. Corporate governance is now an international topic due to the globalization of businesses. Nevertheless, countries differ from each other in a wide variety of ways, such as politically, economically, culturally and technologically. This partially explains why corporate governance approaches in developing countries differ from those of developed economies (Rabelo and Vasconcelos, 2002).

The Global Corporate Governance forum notes in its mission statement that corporate governance has become an issue of worldwide importance. Corporate governance has a vital role in promoting economic development and social progress. It is the engine of growth internationally and increasingly responsible for providing employment, public and private goods and infrastructure. The efficiency and accountability of the corporation is now a matter of both public and private interest and governance has thereby come to head of the international agenda (Kashif, 2008). According to Sile (2009) corporate governance is concerned with ways in which all parties are interested in the well-being of the firm. The stakeholders attempt to ensure managers and other insiders take measures or adopt mechanisms that safeguard the interests of the stakeholders. Corporate governance is concerned with the way in which corporate

entities are governed, as distinct from the way in which businesses within those companies are managed. The public sector units with important social responsibilities to fulfill, other than make profits also come under the scanner because they use the taxpayer's money for their operations. Emphasizing on the importance of corporate governance, Sile (2009) says; "Just as a heart is to human being, so is governance to an organization. A faulty heart affects the functioning of the entire body and on the other hand, poor governance can lead to the demise of an organization".

Public sector governance focuses attention more discretely upon governance within the public sector generally, or a designated level of government in particular. Corporate governance in the public sector focuses upon the governance of organizations in that sector, as well as upon the governance of their relations and interactions with others, both within and beyond the sector (Barrett, 2003). According to Yizengaw (2003) higher education is one of the most effective instruments of political, economic, human resources and social development of a country. Moreover, a number of developing countries in Africa perceive education to equalize opportunities between social classes, distribute income more fairly and develop a more employable labour force (Carnoy, 1982). This leads to modernization and social transformation (Ogom, 2007). Several researchers have found strong links between organizational performance and corporate governance practices (Gregg, 2001; Hilmer, 1998; Kiel and Nicholson, 2003). The knowledge and practice of principles of corporate governance and government policy may be helpful in improving performance of TVET Institutions in Nyanza region, Kenya. Nevertheless, research on corporate governance practices in developing countries, especially countries in the African continent, is limited (Okeahalam, 2004; Shleifer and Vishny, 1997). This lack of research, as Yakasai (2001) explains, can be attributed to the culture of trust that prevailed in many African countries. Managers were trusted to run organizations in the best interests of all stakeholders with little emphasis being laid on principles of corporate governance.

### 1.1.1 Principles of Corporate governance

This study used the principles of corporate governance used in Kenya (Private Sector Corporate Governance Trust Kenya (2012), which outlines the following principles of corporate governance: structure of the board for value addition, clarity of roles and

responsibilities, integrity of financial reporting, timely and balance of disclosure of institutional matters, and board effectiveness. The same principles are used in Nyanza region. Each principle is discussed subsequently.

According to Raheja (2005) the structure of the board represents a difficult balance between diversity of views and skills, the size, and director competency. The smaller the board, the more likely that it will be able to perform its functions comprehensively, particularly as they relate to management. The larger the board, the more diverse its membership will be, but the less likely it will be to reach clear decisions quickly. While much attention has focused on the issue of optimal board size there is no consensus about what the actual ideal size it should have. Empirical evidence (Kiel and Nicholson 2003; Leblanc and Gillies 2004) on the relationship between structure of the board and performance, point out that results are mixed and inconclusive. Kiel and Nicholson (2003) suggest that there is an "inverted U" relationship between board size and performance in which adding directors can bring the board to optimal skills and experience mix level and hence improve performance. A comparative study of Australian and Japanese firms found that the conventionally large size of Japanese boards did correlate with poorer performance. However, board size in the Australian context, where boards are conventionally smaller, did not show an influence on firm performance (Bonn *et al*. 2004).

Kiel and Nicholson (2003) looked at the relationship between large boards and the capacity of the board to harness external links and attract external resources to an organization. Alwshah (2009) investigates the role of corporate governance and agency conflicts in determining corporate performance, foreign investment and corporate financial decisions. Wei Wu (2009) examines the correlation between board composition and firm performance of Chinese listed companies. On the other hand, Alwshah (2009) investigates the role of corporate governance and agency conflicts in determining corporate performance, foreign investment and corporate financial decisions. The studies reported look at only one variable of structure of the board. Kiel and Nicholson (2003) look at board size, Alwshah (2009) look at agency conflict and performance, Wei Wu (2009) looks at board composition. None of the studies look at all the variables of structure of the board which include board composition, board independence and director competency and experience which this

study looks at. The studies reported have mixed results which are inconclusive. A study should therefore be done to look at the influence of structure of the board on performance.

The studies are conducted in US, UK, Jordan and China. There are no studies to the best knowledge of the researcher on the influence of structure of the board on performance public TVET Institutions in Kenya. A study should therefore be conducted to determine the influence of structure of the board on performance of public TVET Institutions in Nyanza region, Kenya. This may in turn help in shading light on the effect of corporate governance principles on performance of TVET Institution Nyanza region, Kenya.

Clarity of roles enhances ethical and responsible decision making and helps in prevention of conflict of interest. It's therefore important that board members have a good understanding of their roles and responsibilities as it will have direct influence on the performance of the firm (Maitland, 2004; Ibarra-Colado *et al*. 2006) For effective corporate governance, a board member needs to be focused on concerns of the institution. They should not let their personal interests interfere with the decisions they make as directors (Boone, *et al*. 2007).

By acting in an open, professional and ethical manner in their dealings with people outside the organization, board members also raise the profile of the firm and enhance its reputation (Garvin and Geoffrey 2004). Therefore, clarity of roles and responsibility are seen as determinants to performance and success of an organization. Conceptual arguments suggest that clarity of roles leads to higher performance. However, the magnitude of the relationship seems to vary across studies.

Shuan (2012) report a study on the relationship between shared vision, cohesion, role clarity, mutual trust and transformational leadership within a team setting. Heng (2006) reports a study to look at relationship between team characteristics with team performance in Malaysia. Khan conducted a study on individual's ability to better understand how to perform the formal functions demanded by their role. None of the studies however look at the variables of clarity of roles this study looks at which include ethical and responsible decision making and conflict of interest. The studies

reviewed report mixed results which are inconclusive. A study should therefore be done to ascertain the effect of clarity of roles and responsibility of the board on performance. The studies are conducted in UK, US, and Malaysia. There are no studies on clarity of roles and performance in Kenya. There is need therefore to provide the relationship that may be used to ascertain the effect of corporate governance on performance.

Integrity in financial reporting, play a crucial role in overseeing financial management of the organization improving performance consequently (Mardjono, 2005; De Andres *et al*. 2005). The board should expect to receive from management regular financial reports comparing financial results with budgetary predictions and reporting on the status of assets. The board should also expect management to make financial disclosures consistent with the board's own reports to trustees, contributors and other stakeholders. This functional approach makes it easier for trustees to analyze and compare costs opinion of the public accounting firm (Roberts et al, 2005). It is widely accepted that there exists a conventional wisdom that integrity in financial reporting contributes to a higher quality level of audit which forms part of a good governance mechanism.

Most empirical works (Ho, 2005) carried out on the relationship between integrity in financial reporting and performance have revealed positive findings whilst some, like Brown and Caylor (2006), have concluded that although there is a link between audit quality, governance and financial performance, the significance of the relationship lies between audit quality and dividend yield and not with operating performance. None of the studies has looked at all the variables of integrity in financial reporting this study looks at which include, auditing and competency and independence of auditors.
The studies reviewed report mixed results which are inconclusive. A study should therefore be done to establish the effect of safeguarding of integrity in financial reporting on performance. It is noted that much of the published material on integrity of financial reporting is done on accounting firms. The almost total absence of an empirical investigation on the relationship of integrity of financial reporting and performance on public TVET, justifies this research. It is also noted that the studies were done in UK, Nigeria and China, and Tunisia. None of the studies was done in the Kenyan context.

Hope and Thomas (2008) argue that for timely and balanced disclosure of institutional material matters there should be: specific agenda for each meeting, advance distribution of as much material as possible; preferably material should reach each trustee at least one week before the meeting; greater disclosure and transparency enhance the reliability of financial information reported, closing the gap on information asymmetry and leading to higher quality of earnings forecasts by investors. Based on the premise that better corporate disclosure and transparency lead to better performance, (Loh, 2002) unraveled a list of potential benefits springing from higher level of transparency. This not only leads to better corporate performance but increases management trustworthiness, widens the investor's base and improves access to capital. For External communication to bear fruit and for everyone to understand what developments are taking place in the institution, timely and balanced disclosure should be made (Krambia*et al.* 2006).

Aburaya, (2012) reports a study done in the U.K. The main objective of the study was to empirically examine the relationship between corporate governance and each of the quantity and the quality of corporate environmental disclosures in the UK, Hajji and Ghazali (2013) investigate the quality of corporate voluntary disclosure practices by Shariah compliant companies (ShCCs) in Malaysia. Owuigbe, (2011) report a study of listed banks in Nigeria on Corporate governance and financial performance of banks. None of the studies looked at all the variables this study looks at which include, vetting and authorization, and monitoring. A study should therefore be done to determine the influence of timely and balance of disclosure of institutional matters on performance.

The reviewed studies have been done in UK, Malaysia, and Nigeria. None of the studies has been done in the Kenyan context. Theoretical literature shows a plausible relationship between Integrity in financial reporting and performance (Okpala Kenneth 2012). However the possible relationships are diverse and at best tentative or situational. It is therefore evident that the influence of timely and balance of disclosure of institutional matters on performance is not known.

Board effectiveness is about doing the right things to achieve the results (Triscott, 2004). Forbes and Daniel (1999) defined board effectiveness as the board's ability to

perform its control and service tasks effectively. From empirical perspective, Bardwaji and Vuyyuri (2003) found that overall judgments by respondents of board effectiveness were strongly related to how effectively the boards were judged to perform various functions. For boards to work effectively, Nicholson and Geoffrey (2004) emphasize that board members must possess necessary knowledge and skills, given the unique nature of their tasks. Similarly, for a board to effectively perform the supervisory role, it should be composed in a manner that enhances the presence of skills and knowledge (Namisi, (2002).

Based on an empirical study of twenty-one boards and committees 'in action', which included interviews with close to 200 directors, Leblanc and Gillies (2004), conclude that board effectiveness depends on the inter-workings of board structure, board composition and board process. The successful balance between these three elements will facilitate good decision-making for a board of directors to be effective at accomplishing the tasks assigned to it, it needs to have the right board structure, supported by the right board membership, and engaged in the right board processes. Without such a balance it is difficult, if not impossible, to have the effective interaction between and among fellow board members and management that is essential for overall effective decision-making. Board membership (the recruitment and removal of directors, and the, ideally, appropriate mix of competencies on the board and board process how decisions are made, including how board members interact) is key to understanding how effective a board will be.

Kruijs (2012) carried a study in Netherlands on New insights into the effectiveness of supervisory boards. Similarly, Wan Yusoff (2010) examines characteristics of boards of directors and board effectiveness in Malaysia. Kim-Lee Kercher (2013) explores Board Remuneration Committees: Structure and effectiveness in Nigeria. Ongore *et al*., (2011) carried out a Research in Nairobi from Nairobi stock exchange on the implications of ownership identity and managerial discretion to determine board effectiveness on firm performance. Reviewed literature show that variables studied under board effectiveness are different from the variables on board effectiveness this study wishes to undertake which include technical knowledge, induction and education and finally access to information. The studies reviewed report mixed results

which are inconclusive. A study should therefore be done to look at relationship between effectiveness of the board of directors and performance.

The studies were done in Netherlands, Malaysia, Nigeria and Nairobi, Kenya. None of the studies looked at Nyanza region, Kenya. Knowledge on board effectiveness and performance notwithstanding therefore is still unknown, creating the need to carry out this research.

### 1.1.2 TVET Institutions

Current status of TVET in Africa differ from country to country and are delivered at different levels in different types of institutions including Vocational and Technical Schools, Polytechnics, enterprises, and apprenticeship training centers. The duration of School based Technical and Vocational education is between three and six years depending on the country and model. Some countries like Ghana, Senegal and Swaziland in an attempt to expose young people to pre-employment skills have incorporated basic vocational skills into the lower or junior school curriculum. TVET is a major initiative by the government and it was envisaged, as an occupational field to provide the foundation for productive and satisfying careers and at the same time offer specialized preparations for initial employment, including self-employment. In addition, in line with Poverty Reduction Strategy (PRS) policy of the government, it is proposed that technological development and self- employment programmed be provided to enhance employment creation and hence reduce poverty in Kenya (Kenya Education Sector Support Programme, 2010).

Public TVET Institutions in Nyanza Counties have a mandate to offer courses at certificate and Diploma levels in various disciplines. They produce middle level human resources that are equipped with technical and business skills that are required in industry, informal sector and service sectors. The Institutions produce technicians and technologists who are expected to play a major role towards the attainment of the national objective of industrialization of Kenya by the year 2030. This sub sector however has several challenges that need to be addressed. Governance in TVET considers the extent to which TVET systems is characterized by participation, transparency, accountability, and quality assurance. Governance structures are largely dependent on institutional arrangement and the respective roles of key stakeholders.

Tertiary Educational Institutions like businesses require effective governance. As in other public bodies, a corporate governance system plays an important role in a tertiary institution to ensure smooth operations. The management and staff have a duty to conduct affairs responsibly and in a transparent manner and consider the requirements placed on them by the funding bodies. Their activities must be in compliance with relevant codes of practice insofar as they relate to the institutions. Under the corporate governance arrangement, the institutions should work to ensure the efficiency, effectiveness and economics that are embedded within the management culture. Sound internal control and robust risk management stem from the efficient and effective strategic planning and establishment of policies that in turn result in economic benefit to the institutions. Safeguarding of assets, accurate financial information and preparation of financial reporting on timely basis are elements of sound internal control system.

### 1.1.3 Performance Indicators in TVET

Key Performance Indicators are quantifiable measurements, agreed to beforehand, that reflect the critical success factors of an organization. They will differ depending on the organization. Performance indicators must reflect the organization's goals, they must be key to its success, and they must be quantifiable (measurable). Key Performance Indicators usually are long-term considerations. The definition of what they are and how they are measured do not change often. The goals for a particular Key Performance Indicator may change as the organization's goals change, or as it gets closer to achieving a goal. Performance indicators in TVET include: alignment between high-quality TVET programs and labor market needs to equip students with 21st-century skills and prepare them for in-demand occupations in high-growth industry sectors; Strong collaborations among employers, and industry partners to improve the quality of TVET programs; meaningful accountability for improving academic outcomes and building technical and employability skills in TVET programs for all students, based upon common definitions and clear metrics for performance; and increased emphasis on innovation supported by systemic reform of state policies and practices to support TVET implementation of effective practices at the local level (Kenya Education Sector Support Programme , 2010).

## 1.2 Statement of the Problem

The Bonn Resolution noted that TVET is the master key for alleviation of poverty, promotion of peace, creation of employment, food security and conservation of the environment, in order to improve the quality of Human Life and promote sustainable development. However, Kenya has continued to experience challenges of unemployment, poverty, food insecurity and environmental degradation. There is evidence that performance in TVET Institutions increased by 7.5%, however it is reported that Nyanza region did not keep pace with the increased performance. Nyanza region had a composite score of 2.9201 where the starting point was zero and the overall score was ten. While public TVET Institutions are run by a board of management, the effect of corporate governance on performance of public TVET Institutions is unknown.

Furthermore, the influence of structure of the board and performance of TVET Institutions is unknown since reviewed studies do not look at all the constructs of structure of the board whereas this study looks at all the three constructs of structure of the board. Studies on the effect of clarity of roles and responsibilities of the board on performance and the effect of safeguarding of integrity in financial reporting on performance have not been conclusive as they have revealed that corporate governance and performance are both positively and negatively linked. Similarly, the influence of timely and balance of neither disclosure of institutional matters nor the relationship between effectiveness of the board of directors and performance of TVET Institutions are known since the constructs looked at are different from what this study undertakes to study. The purpose of the study therefore, is to establish the effect of corporate governance on performance of TVET Institutions in Nyanza Region, Kenya.

## 1.3 Research Objectives

The main objective of this study is to examine the Influence of corporate governance principles on performance of public Institutions in Nyanza Region Kenya. The specific objectives are to:

i. Determine the influence of structure of the board on performance of public TVET Institutions in Nyanza region, Kenya

ii. Ascertain the effect of clarity of roles and responsibilities of the board on the performance of public TVET Institutions in Nyanza region, Kenya

iii. Establish the effect of safeguarding of integrity in financial reporting on performance of public TVET institutions in Nyanza region, Kenya.

iv. Determine the influence of timely and balance of disclosure of institutional matters on performance of public TVET Institutions in Nyanza region, Kenya.

v. Establish the relationship between effectiveness of the board of directors and the performance of public TVET Institutions in Nyanza region, Kenya.

### 1.4 Research Hypothesis

The following hypotheses will be tested in this study.

$H_{01:}$ There is no influence of structure of the board on performance of public TVET Institutions in Nyanza region, Kenya.

$H_{02:}$ There is no effect of clarity of roles and responsibilities of the board on performance of public TVET institutions in Nyanza region, Kenya.

$H_{03:}$ There no effect of safeguarding of integrity in financial reporting on performance of public TVET institutions in Nyanza region, Kenya

$H_{04:}$ There is no influence of timely and balance of disclosure of intuitional matters on performance of TVET institutions in Nyanza region, Kenya.

$H_{05:}$ There is no relationship between effectiveness of the board of directors and the performance of public TVET institutions in Nyanza region, Kenya.

### 1.5 Scope of the Study

The scope of this study is examined in terms of subject area, and geographical scopes. In terms of subject scope this study is limited to the broad field of Human resource management. According to Armstrong (2010) organization performance is the prime responsibility of top management who plan, organize, monitor and control activities and provide leadership to achieve strategic objectives and satisfy the needs and requirements of multiple stakeholders. The aim of managing organizational performance is to increase organizational capability the capacity of an organization to function effectively.

Area or geographical scope is the second aspect of scope in this study. This study is conducted in Nyanza region, Kenya which is one of Kenya's eight administrative

provinces. The region has six counties namely: Siaya; Kisumu; Homabay; Migori; Kisii and Nyamira.

### 1.6 Justification of the Study

TVET is a major initiative by the government that was envisaged as an occupational field to provide the foundation for productive and satisfying careers and offer specialized preparations for initial employment, including self-employment. In addition, in line with Poverty Reduction Strategy (PRS) policy of the government, it is proposed that technological development and self- employment programs be provided to enhance employment creation and hence reduce poverty in Kenya (Kenya Education Sector Support Programme 2005-2010). Research into corporate governance practices of public sector organizations in developing countries, especially those in Africa, is minimal (Okeahalam, 2004; Shleifer & Vishny, 1997). Therefore, this research addresses this gap in the existing literature.

The existing literature reveals that the studies done on principles of corporate governance do not capture exhaustively the constructs of structure of the board, clarity of roles, integrity of financial reporting, timely and balance of disclosure of institutional matters and board effectiveness. Secondly, the most important is that in spite of the importance of corporate governance in the success of an organization, little is known about how TVET Institutions are being governed. To add on to the reason given above, a third justification is the role played by TVET Institutions in the lives of numerous people in Kenya. TVET Institutions provide a wide range of services that not only contribute positively to the quality of life of many individuals but also enhance many sectors of the economy. Besides creating employment for thousands of people, these institutions benefit numerous suppliers, students and other stakeholders. Therefore, effective corporate governance of public TVET Institutions benefits many stakeholders hence there is a need to conduct the research.

### 1.7 Conceptual Framework of Study

Principles of corporate governance have been hailed as tools for improving organizational performance. The connection between principles of corporate governance on organizational performance is executed in anticipation of some type of expected outcome. This study examines the effect of corporate governance principles

on performance of public TVET institutions. The conceptual framework brings out a hypothesized relationship where the principles work together to affect performance which will be measured by academic performance, number of innovations, amount of sales from production units and the number of collaborations an institution has. First, a correlation of each independent variable is done on the dependent variable (performance). Secondly, the joint effect of principles of corporate governance was regressed against performance to find out the relationship and the level of contribution of each predictor variables on the dependent variable.

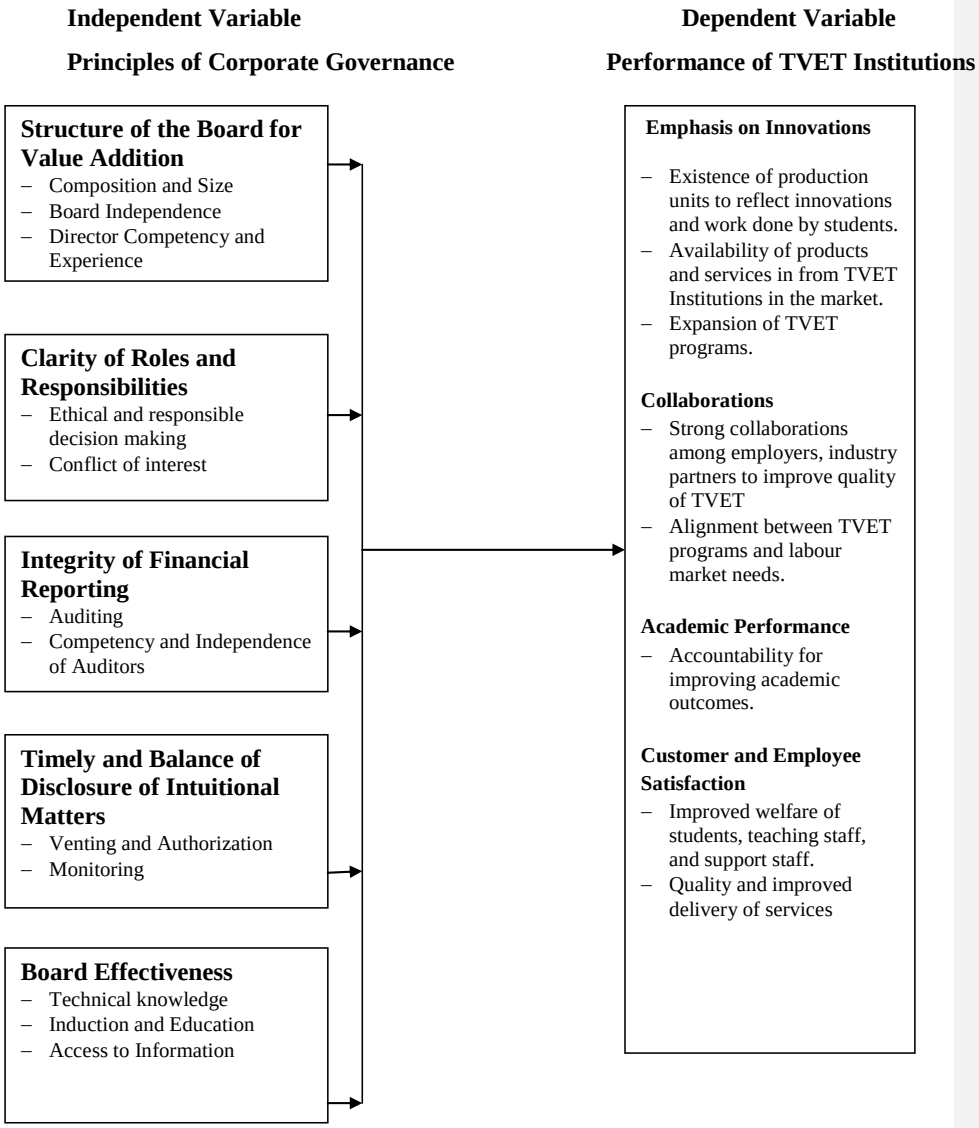


**Figure 1.7: Effect of Corporate governance principles on performance of TVET Institutions in Nyanza region, Kenya.**
**Source: Adapted and modified from Armstrong (2010).**

# CHAPTER TWO

# LITERATURE REVIEW

This chapter reviews theoretical literature and empirical studies. It focuses on theoretical foundations on which the study was built. It also explores comparative empirical literature**.** Empirical literature review presents results of past researches in an objective and discursive manner. It offers a critical evaluation of extensive research relating to each specific objective of the study (Coughlan et al. 2013). Cronin *et al.* (2008) say that the empirical literature review should offer a concise summary of the findings describing current knowledge and offering a rationale for conducting future research. They further show that any gaps in knowledge that have been identified should lead logically to the purpose of the study.

## 2.1Theories of Corporate Governance

One of the major changes in government since the 1980s has been the transfer of many public activities from direct government control to quasi-governmental organizations that operate with their own boards, many of whose members are not directly elected by the public (Skelcher, 1998). At the same time there has been a growing adoption of private sector practices in the public sector, and many governance reforms have borrowed from the private sector. It is therefore relevant to ask whether theories of corporate governance that developed in the private sector can help shed light on the challenges for corporate governance in the public sector and whether good governance can improve the performance of public sector organizations. Three sets of theories of corporate governance seem particularly relevant in trying to understand the relationship between corporate governance and performance. They include: agency theory, stewardship theory, and managerial hegemony theory. With the development and integration of theories of corporate governance such agency theory, managerial hegemony theory, and stewardship theory, the modern view is that the board of directors has to shoulder the dual supervision and strategic guidance role, namely: (1) the board's fiduciary duty of monitoring the managers to achieve the maximal interests of shareholders through the hiring and supervising the CEO to implement corporate strategies to maximize the realization of the interests of shareholders, and firing CEO when running a poor management; (2) responsibility to guide the development of major corporate strategic:

firm's mission, values and vision; make policy and strategic decisions that support mission, values and vision

### 2.1.1Agency Theory

The Agency theory has been the dominant theory of corporate governance arrangements in the economics, human resource management and finance literature. It is based on the assumption that the owners of an enterprise (the principal) and those that manage it (the agent) will have different interests. Hence the owners or shareholders of any enterprise face a problem and those managers are likely to act in their own interests rather than to benefit shareholders. While free markets are seen as the best restraint on managerial discretion, agency theory sees corporate governance arrangements as another means to ensure that management acts in the best interests of shareholders (Keasey *et al*., 1997). In this perspective the board is central to corporate governance arrangements and its main function is to act as a monitoring device to control management. This suggests that a majority of board members of companies should be independent of management, and that their primary role is to ensure managerial compliance, that is to monitor and if necessary control the behaviour of management to ensure it acts in the shareholders' best interests. One difficulty in applying agency theory to public service organizations is that there is much more potential ambiguity over who the principals are. Is it the general public, taxpayers, and users of the services or the government itself? Nevertheless, many aspects of this perspective still have relevance. It can still be argued that the mission and objectives of public service organizations are at risk from managers pursuing their own interests or not managing the organization efficiently and effectively, and so a key role of the governing body is again to monitor management and ensure their compliance in furthering the organization's objectives. Agency theory is used to expand the research in strategic human resource management. (SHRM) by viewing the construct underlying SHRM as control over all employees. The Agency theory is manifested in clarity of roles and responsibilities, conflict of interest and Integrity of financial reporting, which cover issues of auditing.

### 2.1.2 Stewardship Theory

Stewardship theory (Donaldson and Davis, 1991; Muth and Donaldson, 1998) is grounded in a human relations perspective and starts from opposite assumptions to

agency theory. It assumes that in general, managers are motivated by more than their own narrow economic self-interest. Managers want to do a good job and will act as effective stewards of an organization's resources. As a result executives and shareholders of the organization are better seen as partners. Hence, the main function of the board is not to ensure managerial compliance, but to improve organizational performance (Hung, 1998). Applying this perspective to the public sector the role of a governing body is primarily strategic, to work with top management, to set the direction of the organization, add value to top decisions and improve performance. It has been argued that the stewardship theory is a mirror of encouraged and enhanced performance of directors.

### 2.1.3 Managerial Hegemony Theory

One of the dominant theories of board power has been, Managerial Hegemony Theory which relates back to the thesis of Berle and Means (1932) that although shareholders may legally own large corporations, they no longer effectively control them, since control has been effectively ceded to a new professional managerial class. This theory suggests that managers, through their professional knowledge and control of key power sources such as information and other organizational resources, are able to exert most influence over key organizational decisions. Over time a variety of empirical studies have, with a few caveats, lent support to this theory. For example Mace (1971) in US concluded that boards did not get involved in strategy except in crises, and that control rested with the chief executive rather than the board. Herman (1981) came to similar conclusions but argued that managerial power was always in the context of various constraints and the latent power of stakeholders such as external board members. From this perspective the board ends up as little more than a 'rubber stamp' for management's decisions. Its function becomes essentially symbolic to give legitimacy to managerial decisions.

Although this theory was developed with respect to large business corporations, many of the processes it describes are just as relevant to public institutions: for example the separation of the public or users of public service organizations from those that control them, and the increasing growth and professionalization of public management. Indeed it can be argued that the largely voluntary and lay nature of board involvement in public sector may mean that board members power is even

more limited than in the private sector. Various empirical studies have lent at least some support to this theory (Peck, 1995; Steele and Parston, 2003). However, there has been a stream of thinking that whilst recognizing the considerable power that executives can often wield, has challenged the view that non-executive board members are powerless.

Zald (1996) supports a contingency approach to board power relations arguing that power relations will be shaped by contextual, situational and personal variables. The contingent nature of board power relations has been supported by a number of recent empirical studies. Most notably, Pettigrew and McNulty (1995) argue that board power is shaped by contextual and situational variables and the will and skill of board members in building up and mobilizing power resources. Like other studies (Lorsch and McIver, 1989) they recognize the influence of non-executives is likely to peak in times of transition and crisis. They also suggest it is easier for non-executives to exercise negative influence by refusing to sanction proposals than exercise positive influence. Stiles and Taylor (2001) in their research on private sector boards also conclude that non-executive board members are able to constrain managerial opportunism, by establishing organizational values, setting the boundaries for key decisions and proposals and using control mechanisms to keep a focus on organizational goals and performance. While agency theory and stewardship theory highlight some of the different ways in which boards may attempt to influence management and subsequently organizational performance, these theories of board power suggest this influence cannot be taken for granted, but will be dependent on a range of contextual, situational factors and the skill and will of board members to develop and use various power resources. Furthermore, and seemingly obvious, these sets of theories indicate at least the potential - if not the practice - for boards to exert considerable influence on the performance of the organization which they are there to govern (Cornforth *et al.*, 2010). Managerial Hegemony Theory specifies the principle of structure of the board for value addition.

**2.2 Concept of Corporate Governance**

Corporate governance in Tertiary Institutions refers to the way in which the Institutions are organized, managed and how they meet their responsibility towards external stakeholders and the relationship between these entities. Tertiary Institutions

are often described as colleges, universities and institutes of technology (Abdulla, 2005). Corporate governance in tertiary institutions involve: Internal Governance which include; Board of Management and the Principal; External Governance include: The government, general public other stakeholders.

As in other public bodies, a corporate governance system plays an important role in a Tertiary Institution to ensure smooth operations. The management and staff have a duty to conduct affairs responsibly and in a transparent manner and consider the requirements placed on them by the funding bodies. Their activities must be in compliance with relevant codes of practice insofar as they relate to the Institutions. The Institution should always practice proper conduct in strategic planning, daily operations, human resources management, equality and diversity, student welfare and health and safety issues, among others. Under the corporate governance arrangement, the institutions should work to ensure the efficiency, effectiveness and economics are embedded within the management culture. Sound internal control and robust risk management stem from the efficient and effective strategic planning and establishment of policies that in turn result in economic benefit to the institutions. Safeguarding of assets, accurate financial information and preparation of financial reporting on timely basis are elements of sound internal control system (ASX 2010).

Board members of the Institution, including academic staff, should practice professionalism and integrity. Part of the institution's objective is to achieve a high standard of education and the ability to produce excellent graduates upon completion of their studies. This is to conform to the Institution's function in providing education and knowledge through the teaching and research process to achieve professional development and skills among the students. To achieve this, the academic staff are obliged to demonstrate a professional and intelligent approach in dealing with students during the teaching process. Professional behavior and skills demonstrated during lectures helps to attract students' attention and interest in their studies, thus helping improve their knowledge.

Due to the influences of public sector reforms, several authors (Kezar and Eckel 2004; Lapworth 2004; Middlehurst 2004) point out that next to the concept of shared and participative governance, a new form of governance has emerged, which is the notion

of corporate governance of Institutions that has increasingly become a more dominant approach to Tertiary management. According to Lapworth (2004), the rise of the notion of corporate governance and the decline of the shared or consensual governance can be seen to be a result of the decline in academic participation, growing tendency towards managerialism and the new environment where the universities are operating.

The American Association of University Professors was the first organization to formulate a statement on the governance of higher education based on principles of democratic values and participation. With recent debates and trends in the governance of institutions of higher education in the United States, the Association of Governing Boards of Universities and Colleges (AGB) issued a statement on governance, most recently updated in 2010. The original statement was published with a correlating statement, "Governing in the Public Trust: External Influences on Colleges and Universities." In the first statement on governance, the advisory organization for Institutional governance discusses facts and perceptions concerning governance, including specific facts related to Institutional trends and perceptions that "internal governance arrangements have become so cumbersome that timely decisions are difficult to make" (AGB 2001).

The AGB statement then defines general principles upon which governing boards are to operate and the responsibilities of a governing board to the institution. The updated principles are: the ultimate responsibility for governance of the institution (or system) rests in its governing board; the board should establish effective ways to govern while respecting the culture of decision making in the institution; the board should approve a budget and establish guidelines for resource allocation using a process that reflects strategic priorities; boards should ensure open communication with campus constituencies; the governing board should manifest a commitment to accountability and transparency and should exemplify the behavior it expects of other participants in the governance process; governing boards have the ultimate responsibility to appoint and assess the performance of the president; system governing boards should clarify the authority and responsibilities of the system head, campus heads, and any institutional quasi-governing or advisory boards; boards of both public and

independent colleges and universities should play an important role in relating their institutions to the communities they serve.

In Denmark, the commission for the drafting of higher education arrangements was chaired by the same person who had earlier drafted corporate governance arrangements. These arrangements are mentioned as a reference for Danish universities within the guide for higher education institutions (Johansen *et al*., 2003). Furthermore, the arrangements claim to have - conducted a critical examination of the so-called corporate governance recommendations for boards in private companies and drawn on the ideas of corporate governance. A similar case is the Scottish guidelines, which refer to the Cadbury Code of corporate governance (SHEFC, 1999). In Britain, universities are legally independent corporate institutions and hence the United Kingdom guidelines state that for their fourth edition they incorporated the - latest review of current practice in corporate governance (CUC, 2004).

The Irish guidelines include a reference to the OECD principles of corporate governance (HEA/IUA, 2007) calling the process a – corporate governance movement. In Israel, the guidelines refer to company law and in Australia the National Governance Protocols mention the Australian Corporations Act (OECD, 2008). In October 2003, the Australian Vice-Chancellors' Committee (AVCC), the council of Australia's university presidents, put forward a "Chancellors and AVCC statement on university governance.

"Given national and institutional debates over the governance of tertiary education, the statement acknowledges the opportunities with developments in management and governing structures. The statement notes the role of the "business model" that has been advanced alongside the traditional models of governance in Australia. With reference to additional "third models" in introducing a discussion of the existing frameworks for the governance of tertiary education, the statement defines the legal autonomy of institutions and independence from external stakeholders. Acknowledging the diversity of governing structures and believing a balance is necessary between internal and external forces, the organization maintains: "No single way to achieve an effective governance arrangement" is possible", (AVCC 2003). In recognizing the differences in institutional structures and frames of reference, the

statement offers operational good practices as generic principles and recommendations, also identifying national protocols for the success of Australian higher education.

The recommendations address practices by which internal governing structures operate and how they can improve institutional governance for the Commonwealth of Australia. External relations, the role of faculty and students in governance are not approached except in as much as institutional board members should be appointed with their selection based on contributions "to the effective working of the governing body by having needed skills, knowledge and experience, an appreciation of the values of an institution and its core activities of teaching and research, its independence and academic freedom and the capacity to appreciate the university's external community needs from that university" (AVCC 2003). The committee defines the responsibilities of university governance, including legal obligations and legislative requirements for the internal governing boards of Australian institutions. Accordingly, governing bodies "should make available a programme of induction and professional development to ensure that all members are aware of the nature of their duties and responsibilities" (AVCC 2003). The report concludes with protocol for annual reports, including report of risk management and additional steps to ensure good governance.

According to Centre for Corporate Governance of Kenya (CCG, 2004) the subject of corporate governance in Kenya has been top of the agenda for many years. Despite tight regulatory framework, corporate governance continues to weaken in Kenya to some extent. In Kenya, concern was raised specifically on the way in which organizations were managed and controlled. Consultative Corporate Sector seminars held in November 1998 and March 1999 resolved that a Private Sector Initiative for Corporate Governance be established to:- Formulate and develop a code of best practice for corporate governance in Kenya; explore ways and means of facilitating the establishment of a national apex body (the National Corporate Sector Foundation) to promote corporate governance in Kenya; Co-ordinate developments in corporate governance in Kenya with other initiatives in East Africa, Africa, the Commonwealth and globally. On October 8, 1999 the Corporate Sector at a seminar organized by the Private Sector Initiative for Corporate Governance formally adopted a national code

of best practice for Corporate Governance to guide corporate governance in Kenya, and mandated the Private Sector Initiative to establish the Corporate Sector Foundation, and collaborate with the Global Corporate Governance Forum, the Commonwealth Association for Corporate Governance, the African Capital Markets Forum, Uganda and Tanzania in promoting good corporate governance.

### 2.3 Structure of the Board for Value Addition and Performance

Structure of the board for value addition includes the following constructs. Composition and size, board independence and director competency and experience. College Board members have a critical responsibility to direct the institution toward achieving its mission. As a trustee one has an opportunity to contribute their talent, expertise and dedication to a worthy cause. A trustee has to remain focused on providing good stewardship of the institutions mission reputation and resources (Grant, 2009). He further states that governing bodies of higher institutions are responsible for personnel decisions, institutional operation and corporate governance. Like coordinating boards, they plan and budget for the institutions subject to ultimate decisions by the government. According to Raheja (2005) the size of a board represents a difficult balance between diversity of views and skills, and the board's functional effectiveness. The smaller the board, the more likely that it will be able to perform its functions comprehensively particularly as they relate to management. The larger the board, the more diverse its membership will be, but the less likely it will be to reach clear decisions quickly. Larger boards typically rely on the committees to work through issues and to report to the full board, (Boone, et al 2007).

While much attention has focused on the issue of optimal board size there is no consensus about what the actual ideal size it should have. In Australia according to the ASX (2010), it is proposed that a not-too-large board will help in efficient decision-making by minimizing negative board dynamics. The ASX recommends, for example, that board size be limited so as to encourage efficient decision-making. Eight directors are cited as the upper limit and 6.6 as the mean board size in a study by Kiel and Nicholson 2003. In another study, eight is described as "typical" (Larcker*et al*., 2004), while Leblanc and Gillies (2004) note that eight to eleven is viewed as optimal. Uhrig (2003) reports that six to nine is current good practice in the private sector but goes on to suggest that optimal board size in the public sector may

differ from one organization to another. In summary, as Leblanc and Gillies (2004) point out, the board needs individuals with a strong commitment to the fundamental purpose and mission of the institution. Boards should consider performing an annual inventory of talent to assess whether the right professional capabilities are represented on the board. The board should also include individuals with the specific skills and know-how needed to examine issues through multiple lenses: legal, financial, public relations, communications, management, and professional development, among others. In conclusion, the board must be attentive to its internal processes, so that its meetings focus only on board-level matters and do so in a way that draws upon the combined knowledge and experience (Higher education board member handbook 2009).

In Europe, the two most important functions of the board of directors are those of advising and monitoring (Raheja, 2005). According to Adams and Ferriera, (2007) the advisory function involves the provision of expert advice to the CEO and access to critical information and resources. This is performed by both insiders and outsiders. Although Fama and Jensen (1983) note the importance of outside directors, who bring valuable expertise and potentially important connections, the advantage of larger board size is the greater collective information that the board subsequently possesses and hence larger boards will lead to higher performance (Dalton *et al.*, 2005). Secondly, the board has the responsibility to monitor, discipline, and remove ineffective management teams, to ensure that managers pursue the interests of shareholders.

Raheja (2005) argues that insiders are an important source of firm-specific information for the board, but may have distorted objectives due to private benefits and lack of independence from the CEO. Compared to insiders, outsiders are more independent, providing better monitoring, but are less informed about the firm's activities. Again, the advantage of larger board size and an increasing number of nonexecutive directors is the greater collective information possessed by the board which is also valuable for the monitoring function (Lehn *et al*., 2004). Therefore, both functions predict an initial improvement in board performance as board size increases; since increases in the number of non-executives are expected to have a more positive impact than increases in the number of executive directors. However, there are

eventually disadvantages of large boards in the form of coordination costs and free rider problems.

Firstly, coordination and communication problems arise because it is more difficult to arrange board meetings, reach consensus, leading to slower and less-efficient decision-making (Jensen 1993). Secondly, board cohesiveness is undermined because board members will be less likely to share a common purpose, communicate with each other clearly, and reach a consensus that builds on the directors' different points of view (Lipton and Lorsch, 1992). Thirdly, director free-riding increases because the cost to any individual director of not exercising diligence falls in proportion to board size (Lipton and Lorsch, 1992). Jensen (1993) and Lipton and Lorsch (1992) suggest that as board size increases beyond a certain point, these inefficiencies outweigh the initial advantages from having more directors to draw on, leading to a lower level of corporate performance.

Psaros and Seamer (2002) explain that board independence is critical to ensuring that the Board of Directors fulfills its objective oversight role and holds management accountable to shareholders. Agency theory underlies this rationale. Ensuring a majority of independent directors (outsiders) on the board will counterbalance the power of the CEO in decision-making and provide assurance to shareholders. Of course, in theory, all directors should exercise independent judgment in decision-making. Psaros and Seamer (2002) explain that independence should not be equated with non-executive.

As they point out, "some non-executive directors are independent, others are not". An independent outsider will not only be non-executive – that is, not on the existing management team – but also independent in other ways. These include: Not a former employer; not a major shareholder; not holding a significant contractual, supplier or advisory relationship with the company; does not have any other significant interest in the company, which could negatively impact on the director's ability to act in the interests of the company. An Independent board is one of the effective mechanisms in monitoring the accounting process (Klein 2002). Similarly, Gilson (2006) argues that the independence of directors are complementary developments. However, independence is equally intended to operate not just as a conduit, but also as a

counterbalance to shareholder demands as a more enlightened version of the shareholder value approach. Coleman (2007) concluded that the direction and extent of impact of governance is dependent on the performance measure being examined.

According to Hay group (2003), competencies are skills knowledge and behaviours that lead to performance. They further define competency as an underlying characteristic of a person which enables them deliver superior performance in a given job. In distinguishing competencies it's important to distinguish between the major categories. Threshold competencies are the characteristics that any major job holder needs to have to do the job effectively but that do not distinguish the average from the superior performer. Whereas differentiating competencies are characteristics that superior performers have but the average person lacks. An evaluation of the range of skills, experiences, and expertise of the board is therefore beneficial before a candidate is recommended for appointment. The Cadbury report (1992) emphasizes that non-executive directors' competency is an important factor for the board to be effective. Among others, directors should have knowledge on managing company and corporate governance processes (Chtourou *et al*., 2001). Managers without appropriate competency in accounting and finance field may be able to monitor business processes but they may not be able to understand management practices (Xie *et al*., 2003).

### 2.4 Empirical Studies on Structure of the board for Value Addition to Performance

It is worth noting that, as Kiel and Nicholson (2003), point out; from an agency perspective that it could be argued that a large board is better. The rather unconvincing logic is that the more people monitoring management action the better. They also note a possible positive relationship between large boards and the capacity of the board to harness external links and attract external resources to the organization. The authors draw a number of distinctions between the United States Context and the Norwegian context, for example: US firms and Norwegian firms operate within different legal regimes. Performance related pay is common in the US but not in Norway, and unlike the US, corporate boards in Norway have none or only one inside director. A comparative study of Australian and Japanese firms found that the conventionally large size of Japanese boards did correlate with poorer

performance. However, board size in the Australian context, where boards are conventionally smaller, did not show an influence on firm performance (Bonn *et al*., 2004).

Ghabayen (2012) who assessed the relationship between board mechanisms (audit committee size, audit committee composition, board size, and board composition) and firm performance had data collected from a sample of 102 non-financial listed companies. Regression analysis was utilized to examine the relationship between board characteristics and firm performance. The study reports that audit committee size, audit committee composition and board size have no effect on firm performance in the selected sample while board composition has a significant negative relationship with firm performance.

A study by Wei Wu (2009) examines the correlation between board composition and firm performance of Chinese listed companies. The sample is composed by Chinese local companies listed on Shanghai Stock Exchange. The sample includes companies from the manufacturing industry, other service industries and financial service industry. A quantitative approach was adopted to examine the correlation between board composition and firm performance for listed companies. Some other determinants that may have an impact on firm performance are also examined, such as the correlation between firm performance and ownership structure, firm performance and board size. Tobin's Q was used to measure performance while regression analysis model was used to analyze data. The results reveal no significant associations between the proportion of independent directors in the board and firm performance. But the ownership structure has some association with firm performance. The study findings indicate that a firm with higher concentrated ownership structure has a tendency to have a better firm performance and a negative correlation between board size and firm performance is found.

On the other hand, Alwshah (2009) investigates the role of corporate governance and agency conflicts in determining corporate performance, foreign investment and corporate financial decisions. The study uses firm-level corporate governance and ownership data from Jordan. The study provide a detailed and timely review of ownership and corporate governance structure characteristics for a unique database

which was hand-collected from a sample of 519 firms which were a whole year observations of financial and non-financial Jordanian listed firms between 2004 and 2006. The relationship between internal corporate governance structure and firm performance is also examined. (Tobin's q), is used to observe the relationship between corporate governance and performance. The determinants of corporate performance, is examined by utilizing pooled-OLS regression with lagged independent variables. The analysis reveals that traditional managerial agency explanations (i.e. conflict between managers and shareholders) do not appear to hold in the Jordanian context. The findings show that separation of the roles of CEO and COB, and CEO membership in the board may have positive impact on corporate performance. External governance by concentration ownership and large foreign investors may also be effective. However, large local institutional investors seem to play little role in corporate governance of Jordanian firms. The results imply that the monitoring function of foreign investors enhances firm performance and complements the relatively weak monitoring by domestic institutional investors. The presence of strong foreign equity ownership in firms enhances their firm performance and complements the relatively weak monitoring by domestic institutional investors. In summary, as Leblanc and Gillies (2004) point out, results on influence of structure of the board on performance are mixed and inconclusive

Kiel and Nicholson (2003) looked at the relationship between large boards and the capacity of the board to harness external links and attract external resources to an organization. Alwshah (2009) investigates the role of corporate governance and agency conflicts in determining corporate performance, foreign investment and corporate financial decisions. Wei Wu (2009) examines the correlation between board composition and firm performance of Chinese listed companies. On the other hand, Alwshah (2009) investigates the role of corporate governance and agency conflicts in determining corporate performance, foreign investment and corporate financial decisions. The studies reported look at only one variable of structure of the board. Kiel and Nicholson (2003) look at board size, Alwshah (2009) look at agency conflict and performance, Wei Wu (2009) looks at board composition. None of the studies look at all the variables of structure of the board which include board composition, board independence and director competency and experience. The studies reported

have mixed results which are inconclusive. A study should therefore be done to look at the influence of structure of the board on performance.

The studies are conducted in US, UK, Jordan and China. There are no studies to the best knowledge of the researcher on the influence of structure of the board on performance public TVET Institutions in Kenya. A study should therefore be conducted to determine the influence of structure of the board on performance of public TVET Institutions in Nyanza region, Kenya. This may in turn help in shading light on the effect of corporate governance principles on performance of TVET Institution Nyanza region, Kenya.

**2.5 Clarity of Roles and Responsibility**

The individuals who make up the management should have the ability to influence the direction, decision making and culture of an organization and should be equipped with the responsibility of setting and carrying out strategic priorities. It's therefore important that board members have a good understanding of their roles and responsibilities as it will have direct influence on the performance of the firm (Maitland, 2004).Good corporate governance requires people of integrity. Stakeholder interest can be enhanced if the institution articulates the practices by which it intends directors and key executives to abide (Torantino, 2006). According to Crane and Matten (2007).Clarity of roles involve ethics, where ethics is the study of business situation, activities, and decisions where issues of right and wrong are addressed. Clarity of roles is a form of applied ethics and it aims at inculcating a sense within a company's employee population of how to conduct business responsibly. Othman and Abdul Rahman (2011) define ethics as those values which are built in a person from a young age, and include honesty, integrity, responsibility and trust. Ibarra-Colado *et al*. (2006) puts more emphasis about this by quoting; "Beware of discourses and create a new ethical managerial subjectivity on the basis of freedom of choice that would interact with ethical environment". Boards can guard against unethical leadership by employing seven mechanisms. These mechanisms include: using values-based leadership; setting an example; establishing clear expectations of ethical conduct; providing feedback, coaching, and support regarding ethical behavior; recognizing and rewarding behaviors that support organizational values; being aware of individual differences among subordinates; and establishing leadership training and mentoring.

Leaders and the board members are appointed to improve standards of governance and the practice of risk management (Grojean, *et al.*2004). Appropriate leadership styles are critically important for developing values, ethical character in followers, culture, and organization-building which in turn help to inculcate clarity of roles. It is important for employees to know who is in charge of handling potential ethical violation and to clearly understand their roles. A compliance and ethics officer manages a company's ethics policies and ensures that every employee is well-informed of company values and standards and their roles. The officer should ensure that employees who violate the codes of conduct are held accountable and disciplined for unethical behavior. Corporate governance also requires that some information is treated with confidentiality. According to Armstrong (2010), confidential information is all non-public information entrusted to or obtained by a director by reason of their position. It may include but not limited to; non- public information about the institutions financial condition, non-public information concerning transactions made with others outside the institution, and non-public information about discussions and deliberations relating to decisions between and among employees. Confidentiality policies restricting the flow of at least certain kinds of confidential information to outsiders are common but hardly universal. Many confidentiality policies contain certain weaknesses regarding director misuse of confidential information (Ibarra-Colado *et al*., 2006). Some directors and their sponsors may think that it is permissible for the director to share material board information with the sponsor. As a result, boards may rightly worry about the privacy of their deliberations and become less effective. Companies and organizations should review and revise as appropriate their confidentiality policies so that they cover all material information including material board information. Policies should clearly state that, unless required by law or authorized by the board, directors may not disclose confidential information to anybody, including their sponsors, or otherwise misuse such information.

For effective corporate governance, a board member needs to be focused on concerns of the institution. They should not let their personal interests interfere with the decisions they make as directors (Boone, *et al.* 2007). The laws of most states require officers and directors of organizations to discharge their duties in accordance with their good faith belief that they are acting in the best interests of the organization. Doing so protects them from liability acts or omissions in connection

with their responsibilities. However, as a general rule, officers and directors that consent to distributions involving conflicts of interest are personally liable to the organization for the amount of the distribution. To mitigate this significant risk, officers and directors should be well-versed in the procedures for handling conflict-of-interest transactions. An officer or director could have a conflict-of-interest in any transaction with its organization if the director personally profits or has a personal interest.

Pollit (2005) states that directors, at all times have a duty and responsibility to act honestly and with due diligence and care, in their business dealings to ensure that the corporation epitomizes compliance with laws and regulation. Each director must comply with the law and associated regulations, and has a responsibility to ensure that the corporation and its employees do likewise. While the board is accountable to the shareholders of the corporation as the owners of its capital, society expects a corporation to act responsibly in regard to aspects concerning its broader constituency such as the environment, health and safety, employee relations, equal opportunity for all employees, the effect of anti-competitive practices, ethical consumer conduct, etc. According to Garvin and Geoffrey (2004) by acting in an open, professional and ethical manner in their dealings with people outside the organization, board members also raise the profile of the firm and enhance its reputation. For any institution to grow, whatever their size or nature of business, they need access to outside resources if their activities are to succeed. These resources vary enormously from institution to institution, but fall into main categories, as information and physical resources. Developing business networks and working to promote the reputation of the institution and clearly performing your duties important ways that a board can add value to the institution.

### 2.6 Empirical Studies on Clarity of Roles and Responsibilities and Performance

It is quite understandable that the lack of clarity on deliverables from one's work can lead to ambiguity. Having better clarity on responsibilities helps individuals perform better at work. Kahn *et al*., (2000) found that an individual's ability to better understand how to perform the formal functions demanded by his or her role helped the employee to perform better at work. Gaining an understanding of one's responsibilities and accountabilities helps gain more effectiveness in a given role.

Shuan (2012) report a study on the relationship between shared vision, cohesion, role clarity, mutual trust and transformational leadership within a team setting The study suggests four team characteristics that are necessary for team success, namely shared vision, cohesion, role clarity and mutual trust. The study uses a convenience sample of ($N$ = 73) consisting of various nursing wards within a large public sector hospital. The measurement model used in the study fitted the data satisfactorily. The study acknowledges that transformational leadership is the driving force behind establishing a shared vision, role clarity, mutual trust and cohesion within a team setting, which would thus effectively lead to enhanced team performance.

Heng (2006) reports a study to look at relationship between team characteristics with team performance in Malaysia. The objectives of the study include; exploring the relationship between team performance and behavioral characteristic such as role clarity, satisfaction liking, and leadership style. The second objective seeks to investigate the relationship between team structural factors and team behaviours and lastly to investigate the relationship between team members and demographic variables. Data was collected using self-complete questionnaires. A sample of 21 organizations was selected with a total of 600 sets of bilingual team member questionnaire. Validity of each scale was examined using reliability coefficient of less than .60. The findings suggest that behavioural characteristics such as role clarity role satisfaction and division of tasks into sub teams are critical aspects of team performance.

Though past studies have examined relationship of clarity of roles and responsibilities, to performance it is plausible that their effects vary across cultures. It is also evident that the constructs of clarity of roles looked at in each case are different. Shuan (2012) report a study on the relationship between shared vision, cohesion, role clarity, mutual trust and transformational leadership within a team setting. Heng (2006) reports a study to look at relationship between team characteristics with team performance in Malaysia. Khan conducted a study on individual's ability to better understand how to perform the formal functions demanded by their role.

None of the studies however look at the variables of clarity of roles this study looks at which include ethical and responsible decision making and conflict of interest. The studies reviewed report mixed results which are inconclusive. A study should therefore be done to ascertain the effect of clarity of roles and responsibility of the board on performance. The studies are conducted in UK, US, and Malaysia. There are no studies on clarity of roles and performance in Kenya. There is need therefore to provide the relationship that may be used to ascertain the effect of corporate governance on performance.

### 2.7 Integrity in Financial Reporting

To meet the board's need to evaluate the effectiveness of programs, many higher education institutions provide detailed internal statements that directly relate expenses shown on their financial statements to specific programs or functions. According to Roberts *et al.,* (2005) the board should expect to receive from management regular financial reports comparing financial results with budgetary predictions and reporting on the status of assets. The board should also expect management to make financial disclosures consistent with the board's own reports to trustees, contributors and other stakeholders. This functional approach makes it easier for trustees to analyze and compare costs opinion of the public accounting firm. De Andres *et al*.,(2005) argue that the board should appoint a respected public accounting firm to conduct an audit of the financial records and processes of the institution. The public accounting firm is responsible for providing the board with an independent opinion. Independence both from the board and from management is an essential feature of good practice with respect to the external audit. Neither management nor trustees should attempt to influence the opinion of the public accounting firm.

According to Mardjono (2005), auditors and audit committee play a crucial role in overseeing financial management of the organization improving performance consequently. The CCG (2003) guidelines states that the board needs individuals with a strong commitment to the fundamental purpose and mission of the institution. Boards should consider performing an annual inventory of talent to assess whether the right professional capabilities are represented on the board. The board should also include individuals with the specific skills and know-how needed to examine issues through multiple lenses: legal, financial, public relations and communications,

management, and professional development, among others. It is widely accepted that there exists a conventional wisdom that a higher quality level of audit forms part of a good governance mechanism.

**2.8 Empirical Review Relating Integrity of Financial Reporting to Performance**

Most empirical works (Ho 2005) carried out on the relationship between audit quality and performance have revealed positive findings whilst some, like Brown and Caylor (2004) have concluded that although there is a link between audit quality, governance and financial performance, the significance of the relationship lies between audit quality and dividend yield and not with operating performance. Murya (2010) conducted a study done in the U.K on the effect of corporate governance and external audit on constraining earnings management practice. In the study, earnings management is measured using the magnitude of discretionary accruals as estimated by the performance matched discretionary accruals (Kothari *et al*., 2005) model. A review of the corporate governance literature reveals sixteen attributes that can impact on shareholders perception of earnings quality due to their role in enhancing financial reporting integrity.

The corporate governance attributes are organized in four categories: 1) Board Composition; 2) Audit Committee Effectiveness; 3) Non-Executive Directors (NEDs) Commitment; and 4) Ownership Structures. The external audit factors include auditor independence and audit quality. Two models are constructed and a set of hypotheses are stated. These models are tested using a sample consisting of the top 350 companies listed on the London Stock Exchange. Firms in the financial, mining and regulated industries are excluded due to different accrual choices and valuation processes. The study covers the period of four financial years (2003, 2004, 2005 and 2006). Using agency theory, this study explores the effects of the corporate governance and external audit systems on helping to increase financial reporting quality and to reduce opportunistic behavior. The study computes discretionary accruals using aggregate accruals models as a method to measure earnings management. Discretionary accruals are estimated using the magnitude of discretionary accruals as estimated by the performance adjusted accruals model. The results reveal that board size and independence, audit committee independence and expertise, nomination committee independence, chairman independence, the level of

NED fees and an independent and specialized external auditor are negatively associated with earnings management at significant levels.

Krisnan and Lee (2009) examined the determinants of firms' choice of the "audit committee financial experts" for a sample of Fortune 1000 firms. They tested the relationship between the demand for accounting financial experts (AFEs), potential litigation risk, and corporate governance. They found that the firms they researched do not always appoint accounting financial experts (i.e. persons with specialized accounting/ auditing experience) to their audit committees. They found that firms with higher litigation risk are more likely to have accounting financial experts (AFEs) on their audit committee. The association between litigation risk and the likelihood of appointing accounting financial experts occurs for firms with relatively strong governance but not for those with weak governance. Thus, their findings indicated that (1) companies with demand for accounting financial experts, measured by potential litigation risk, seem to be able to secure accounting financial experts, but (2) such benefits only accrue in the presence of otherwise strong corporate governance (Krishnan & Lee 2009).

Farouk *et al*., (2014) report a research study designed to examine the impact of audit quality on financial performance of quoted firms in Nigeria. The study is descriptive in nature and the correlational and ex-post facto designs were adopted in carrying out this research. Data were obtained basically from the published annual reports and accounts, and notes to the financial statements of the four firms that represent the sample of the study. The data collected were quantified and presented in tables. Multiple regression analysis using the SPSS Version 15.0 was employed in analyzing the data and testing the stated hypotheses. The descriptive statistics for each of the variables were determined to show the minimum, maximum, mean and standard deviation values. Descriptive statistics is used in the study to help readers to understand the measures of central tendency and measures of variances associated with the variables of the study. The results of the findings show that the impact of audit quality on financial performance is positive and significant. The results reveal that “the greater the degree of an auditors independence, the greater the propensity of a firm making substantial net profit margins” The impact of auditor size is also positive and significant, although, its impact is lesser than that of auditor

independence. A positive relationship between auditor independence and financial performance implies that audit effort increases with the amount of audit fees paid and leads to more commitment and monitoring on the part of the of the auditors, thereby decreasing the propensity of an organization to incur losses through non-adherence to accounting principles and unnecessary waste of funds by management. Audit fees do not compromise auditor independence, which normally would be thought to decrease an auditor's willingness to oppose management attempts to take advantage of this information asymmetries in the principal agent relationship. On the contrary, the results imply that auditors' fees give auditors a sense of responsibility and the desire to ensure that the organization gets value for money by giving the firm the best audit service possible. The impact of auditor size is reported as an important factor for determining audit quality.

Ettredge *et al*., (2008) investigated client choice of industry auditors from among the Big 4 or 5 in an international setting. They investigated client-specific industry level and country-level factors. They found that international choice of home based Big 4 or 5 specialist auditors is positively associated with audit quality, capital intensity and membership in a regulated industry. Bouaziz (2012) examined the relationship between auditor size and financial performance on a sample of 26 Tunisian firms listed on the Tunis Stock Exchange. The result shows that auditor size has an important impact on the financial performance of firms in terms of return on assets and return on equity.

Miettinen (2011) examined the relationship between audit quality and financial performance. Audit quality was measured using auditor size and audit committee meeting frequency. The result shows that audit quality has both a direct effect as well as a mediated effect through audit size on financial performance. The results imply that measures of audit quality are not merely symbolic but that they contribute to financial performance.

Anderson and Verma (2012) examined the relationship between auditor size, auditor tenure and audit firm rotation using a probit model which they developed. The data they collected from 2,148 listed Asian companies shows that big audit firms provide high quality audit because big audit firms are more conservative than non-big audit

firms. They also discovered that national level factors have a strong influence on audit quality. Auditor tenure is associated with impaired audit quality and audit firm rotation can help promote audit quality.

Ho, (2005) carried out on the relationship between integrity in financial reporting and performance have revealed positive findings whilst some, like Brown and Caylor (2006), have concluded that although there is a link between audit quality, governance and financial performance, the significance of the relationship lies between audit quality and dividend yield and not with operating performance. None of the studies has looked at all the variables of integrity in financial reporting this study looks at which include, auditing and competency and independence of auditors.

The studies reviewed report mixed results which are inconclusive. A study should therefore be done to establish the effect of safeguarding of integrity in financial reporting on performance. It is noted that much of the published material on integrity of financial reporting is done on accounting firms. The almost total absence of an empirical investigation on the relationship of integrity of financial reporting and performance on public TVET, justifies this research. It is also noted that the studies were done in UK, Nigeria and China, and Tunisia. None of the studies was done in the Kenyan context.

### 2.9 Making Timely and Balanced Disclosure of Institutions' Material Matters

Timely and balance of disclosure of institutional matters are essential elements of a robust corporate governance framework as they provide the base for informed decision making by shareholders, stakeholders and potential investors in relation to capital allocation, corporate transactions and performance monitoring. Timely and balanced disclosure of corporate matters is a channel through which the existing and potential shareholders can obtain valuation information regarding the firm. If the board is to have a significant role in governing an institution, and if trustees are to minimize their exposure to legal liability, the information available to them about the institution's affairs is crucial. In this manner, low transparency weakens shareholders ability to discipline managers. Consequently, less governance transparency can be related to an insufficient allocation of resources and worse performance (Klapper and Love 2004).

According to Durnev and Kim (2006) an effective communication system has several components- making timely and balanced disclosure of issues. Hope and Thomas (2008) argue that for timely and balanced disclosure of institutional material matters there should be: specific agenda for each meeting, advance distribution of as much material as possible; preferably material should reach each trustee at least one week before the meeting; greater disclosure and transparency enhance the reliability of financial information reported, closing the gap on information asymmetry and leading to higher quality of earnings forecasts by investors. Based on the premise that better corporate disclosure and transparency lead to better performance, Loh (2002) unraveled a list of potential benefits springing from higher level of transparency. This not only leads to better corporate performance but increases management trustworthiness, widens the investors' base and improves access to capital.

The first role of the board to ensure this takes place is controlling and monitoring management, a role made necessary by the separation of ownership from control (Berle and Means1932). This role is normally subsumed under "advising" role. The strategizing role is included for three reasons; the increasing performance pressures being applied by institutional stakeholders (Black, 1992). In this case the board serves as what is sometimes called "a bridge and a buffer." Trustees advocate on behalf of the institution, helping to raise awareness of its mission. Hence, trustees are often involved in the solicitation of major donors. It is also important for the board to be sensitive to the environment in which the institution operates. In that capacity, the board should give the institution's staff important feedback about how policies, plans and programs need to change in response to a changing world (Krambia et al 2006). For External communication to bear fruit and for everyone to understand what developments are taking place in the institution, timely and balanced disclosure should be made.

### 2.10 Empirical Review Relating Timely and balance of Disclosure of Institutional Matters to Performance

Timely and balance of disclosure is the connection between corporate insiders and all the other stakeholders. Therefore, if there is new information; it cannot remain undisclosed as it should be disclosed either mandatory or voluntary (Alakra*et al*., 2010; Hassan, 2013). The content of disclosure reveals not only a firm's financial and

operational situation, but also its managers' incentives and discretions to disclose relevant information. Moreover, it reflects the power managers can exert on disclosure decision making, and the distribution of this power among managers and shareholders that is integrally linked to the firm's corporate governance. As information is distributed through different channels to different receivers, information asymmetry arises among all corporate participants.

Aburaya, (2012) reports a study done in the U.K. The main objective of the study was to empirically examine the relationship between corporate governance and each of the quantity and the quality of corporate environmental disclosures in the UK, while controlling for some corporate characteristics as well as an in-depth exploration of quality identification and assessment issues. In doing so, the study distinguishes between the different categories or areas of activity to which environmental disclosure relates as well as between the different types of environmental information content. Based on stakeholders-agency theory, the study states that the quantity and quality of corporate environmental disclosure directed to various stakeholders are enhanced when managers' opportunism is monitored by corporate governance mechanisms, thereby, reducing the information gap or asymmetry. Content analysis of a sample of UK companies' annual reports is undertaken to examine the quantity and quality of corporate environmental disclosure practices and their association with corporate governance mechanisms, over a period of four years. The study examines annual reports of FTSE-All share companies are for years 2004-2007, and develops a checklist of environmental disclosure items. The study suggests an extensive four-dimensional framework for assessing environmental disclosure quality. The metric developed attempts to capture the qualitative characteristics of information in a manner consistent with well- supported frameworks elaborated by professional accounting bodies and standard setting organizations.

The study concludes that although corporate environmental disclosure quantity in UK companies' annual reports is relatively low, corporate environmental disclosure quality is comparatively high. Results also revealed a significant association between environmental disclosure quantity and, to a lesser extent, environmental disclosure quality and most corporate governance mechanisms. In addition, it appears that other corporate governance mechanisms are significant at some categorical levels of

environmental disclosure. A similar study in UK found that lower transparency can potentially hide self-interested managerial decisions that may not be in the shareholders' best interest (Anderson, 2009) since managers tend to withhold information if it is bad news (Kothari*et al*. 2009; Khlif and Souissi, 2010).

Hajji and Ghazali (2013) investigate the quality of corporate voluntary disclosure practices by Shariah compliant companies (ShCCs) in Malaysia. They also examine factors influencing the quality of corporate voluntary disclosures. Using weighted disclosure analyses approach, a self-constructed disclosure checklist was developed to measure the quality of corporate voluntary disclosures (CVDs).They examine the annual reports of a sample of 76 ShCCs selected from various sectors listed on Bursa Malaysia in the year 2009.They indicate that the quality of voluntary disclosures by ShCCs is in overall low consistent with prior studies that gauged the quality of CVDs in Malaysia. The multivariate regression analyses reveal that board size is significant in explaining the quality of CVDs at the 5 per cent significance levels. Company size and leverage as control variables are also significant at the 1 and 10 per cent significance levels in determining the quality of CVDs by ShCCs. The reduced regression model further indicates that government ownership is highly significant at the 1 per cent significance level in explaining the quality of CVD by ShCCs while leverage is significant at the 5 per cent levels).

Owuigbe, (2011) report a study of listed banks in Nigeria on Corporate governance and financial performance of banks. The study also sought to find out if there is any significant relationship between the level of corporate governance disclosure index among Nigerian banks and their performance. The Pearson Correlation and the regression analysis were used to find out whether there is a relationship between the corporate governance variables and firm's performance. In examining the level of corporate governance disclosures of the sampled banks, a disclosure index was developed guided by the CBN code of governance and also on the basis of the papers prepared by the UN secretariat for the nineteenth session of ISAR (International Standards of Accounting and Reporting). The study observed that a negative but significant relationship exists between board size, board composition and the financial performance of these banks, while a positive and significant relationship was also noticed between director's equity interest, level of governance disclosure and

performance. Furthermore, the t- test result indicated that while a significant difference was observed in the profitability of the healthy banks and the rescued banks, no difference was seen in the profitability of banks with foreign directors and that of banks without foreign directors. The study therefore concludes that there is no uniformity in the disclosure of corporate governance practices by the banks. Likewise, the banks do not disclose in general how their debts are performing, by providing a statement that expresses outstanding debts in terms of their ages and due dates. The study suggests that efforts to improve corporate governance should focus on the value of the stock ownership of board members. Also, steps should be taken for mandatory compliance with the code of corporate governance while an effective legal framework should be developed that specifies the rights and obligations of a bank, its directors, shareholders, specific disclosure requirements and provide for effective enforcement of the law.

Dulacha *et al*., (2006) asses' relationship between corporate governance attributes, and voluntary disclosures in annual reports in Kenya. The study adopts an alternate hypothesis; H1: The higher the proportion of non-executive directors, the higher the level of voluntary disclosure. The study incorporates the agency theory and examines the association of corporate governance practices with the voluntary disclosures of selected information in the annual reports of Kenyan companies. A population of 54 used necessitating a census survey. The study use pooled Ordinary Least Square (OLS) with Panel-Corrected Standard Errors (PCSEs). The results of the study indicate that the presence of an audit committee is a significant factor associated with the level of voluntary disclosure, and the proportion of non-executive directors on the board is found to be significantly negatively associated with the extent of voluntary disclosure. In contrast, board leadership structure did not appear to have a significant influence on the level of voluntary disclosure by companies.

Aburaya, (2012) reports a study done in the U.K. The main objective of the study was to empirically examine the relationship between corporate governance and each of the quantity and the quality of corporate environmental disclosures in the UK, Hajji and Ghazali (2013) investigate the quality of corporate voluntary disclosure practices by Shariah compliant companies (ShCCs) in Malaysia. Owuigbe, (2011) report a study of listed banks in Nigeria on Corporate governance and financial performance of

banks. None of the studies looked at the variables this study looks at which include, vetting and authorization, and monitoring. A study should therefore be done to determine the influence of timely and balance of disclosure of institutional matters on performance.

The reviewed studies have been done in UK, Malaysia, and Nigeria. None of the studies has been done in the Kenyan context. Theoretical literature shows a plausible relationship between Integrity in financial reporting and performance (Okpala Kenneth 2012). However the possible relationships are diverse and at best tentative or situational. It is therefore evident that the influence of timely and balance of disclosure of institutional matters on performance is not known.

### 2.11 Board Effectiveness and Performance

Individuals perceive effectiveness partially or in different ways. The social constructionist's conception, for instance, holds that there only judgments of effectiveness, thus effectiveness are judgmental (Herman *et al*. 2000). According to Triscott, (2004) effectiveness is about doing the right things to achieve the results. In terms of measurement, Novick (1997) suggests that the current approaches measure elements associated with effectiveness rather than effectiveness itself. Board effectiveness can be conceptualized as a function of overall contribution of the board to the organization performance, standard of support provided by the organization, individual contribution of directors to organization performance, board dynamics, board performance evaluation and review (Vander Walt and Ingley, 2001). Close inspection of earlier literature revealed that board effectiveness is almost based on individual experience (Jackson and Holland, 1998). According to Higgs & Dulewicz (1998), the issue of measuring team outcomes is a difficult one and the literature abounds with debates around team performance, which mirror those surrounding organizational performance. However, while there are various definitions of group effectiveness, Huat and David (2001) argue that board performance has been measured along the dimension of the board's ability to perform its functions. Indeed, an earlier study by Forbes and Daniel, (1999) defined board effectiveness as the board's ability to perform its control and service tasks effectively.

Basing on the above literature, it fairly holds that board performance has been largely defined in terms of roles played by the BOMs. These roles have been identified from various perspectives including; agency, service, resource dependency, legal and strategic theories. However, some of these perspectives are interrelated, for instance resource dependency, service and strategy, agency and legal strategic theories. Using these perspectives, the following roles have been identified; -The board should determine a policy for the frequency, purpose, conduct and duration of its meetings and those of its committees. It should also adopt efficient and timely methods for informing and briefing board members prior to meetings. The information needs of the board should be well defined and regularly monitored. Each board member has a responsibility to be satisfied that, objectively, they have been furnished with all the material facts before making a decision (Skelcher 2004). According to Stiles *et al.*, (2001) the board should implement a formal internal audit function. An audit committee should be established to keep under review the scope and effectiveness of the audit both internal and external and its relative cost efficiencies. The board should make sure that access between itself and the corporation's internal and external auditors is open and constructive. It should be satisfied that the scope of the audit is adequate, and that management and the internal auditors have co-operated fully. This aspect, while perhaps erring more on the detail than the principle, is critical to assuring the board of the efficacy of a corporation's internal systems of control and financial reporting. However, for all practical purposes, the establishment of an internal audit process may not necessarily be capable of implementation in many of the Commonwealth countries. As with a number of the principles set out in these Guidelines, it is nonetheless an objective to which all business enterprises should aspire in the fullness of time and development of the corporation.

Barker (2007) further states that the presence and use of skills and knowledge has been identified as another important dimension of board effectiveness. Board members must have the right mix of skills and knowledge. For instance, they should possess both functional knowledge in traditional areas of business such as accounting, finance, legal or marketing as well as industry specific knowledge that will enable members to truly understand specific company issues and challenges. In addition, board members must have enough general knowledge to provide good input on all topics of discussion, ask questions of all special interest until they are comfortable

enough to cast votes (Espstein *et al*, 2002). Thus, for boards to work effectively, Nicholson and Geoffrey (2004) emphasize that board members must possess necessary knowledge and skills, given the unique nature of their tasks. Similarly, for a board to effectively perform the supervisory role, it should be composed in a manner that enhances the presence of skills and knowledge (Namisi, 2002).

According to Adams *et al*., (2005) the education of trustees should not be limited to their orientation. On a regular basis, time should be set aside to cover topics such as the predicted effects of pending legislation, tips for reading financial statements, or fundraising techniques for trustees. Periodically, the board should ask itself important questions like: Are we true to our mission? Is our mission well-defined? Boards should also have annual retreats to discuss the alignment of the institution's mission with its goals. Adams *et al*., (2007) argues that the board has the right to obtain all information from within the Company which it needs to effectively discharge its responsibilities. Senior executives are required on request from the Board to supply the Board with information in a form and timeframe, and of a quality that enables the Board to discharge its duties effectively. Directors are entitled to request additional information where they consider such information necessary to make informed decisions. For enhanced effectiveness, transparency is the corner stone. Disclosure and transparency are the partners of good governance. They demonstrate the quality and reliability of information Transparency regarding the firm's activities can be highly effective in encouraging high standards of behavior. Directors, managers, and employees are likely to give greater thought to their conduct if they perceive that they are being observed. This perspective is summarized by the maxim that "sunlight is the best of all disinfectants". A certain level of transparency in the firm's activities may be mandated by law and regulation for example in the publication and audit of financial statements. The nature of such statutory transparency is likely to be relatively tightly defined. Rather than making sudden changes, an appropriate strategy may involve increasing company transparency via a stepwise approach towards greater openness.

Hill (2005) explains that key stage in opening up the institution to external scrutiny is taken by the appointment of independent directors. This signals a firm's willingness to become more open and accountable in respect of its decision-making and

performance assessment. The replacing of the owner-manager or founding entrepreneur by external managers can also be perceived as an important step in this direction. At some stage, the public institutions must make choices about the extent of its disclosure to external stakeholders. This may also be crucial for building reputational capital. According to Felie, (2005) greater transparency is beneficial in establishing the legitimacy of the institution as a responsible enterprise in society. Increasingly, civil society views organizations that lack transparency with suspicion. The baseline assumption in the mind of the public is that opaque organizations have something to hide. This is a societal attitude that public institutions cannot afford to ignore, even if their regulatory obligations vis-à-vis transparency are less substantial than those of private institutions.

**2.12 Empirical Review Relating Board Effectiveness to Performance**

Empirical studies on board's effectiveness to a large extent have been driven by the question of how much the board can influence firm performance. Kruijs (2012) carried a study in Netherlands on New insights into the effectiveness of supervisory boards. The need for this research study was substantiated by the growing complexity of corporate governance driven by changes in the business environment. The objectives of the study were to find out; the main challenges in supervisory roles; the causes of problems concerning questioning the executive boards and possible solutions; causes of problems concerning information supply from executives and possible solutions; causes and problems concerning the social intercourse and possible solutions; causes and problems concerning role confusion between executives and non - executives and possible solutions. The study used a population of 3244. Selective sampling method was used to determine the population.

The study used a survey that was designed as an electronic questionnaire which was sent by email in an electronic newsletter format. The study used a questionnaire with 5-point Likert scale. The study found out that board positions held by respondents, their gender, and the board size has no relation to experiencing problems in the four areas. Respondents with more than 15 years' experience were reported to experience more problems concerning information supply and intercourse and working with the executive board. Questioning the executive board appeared to be more problematic in SME and listed companies. Respondents' supervisory boards that meet more than 10

times a year, experienced less problems in questioning, information supply, and intercourse and working with the executive board. Explicitly put, the research findings presented in this study show how next to the general contribution to the academic and business understands of supervisory board effectiveness, intended to be of further value to the Governance University whose service is to provide their clients with advice on improving their own and their board's performance.

Similarly, Wan Yusoff (2010) examines characteristics of boards of directors and board effectiveness in Malaysia. The underlying theme throughout this study is that characteristics of members of boards of directors are important components of board effectiveness. This study develops a theoretical framework and six research questions. The characteristics of boards of director members considered in this study include demographic characteristics, personality characteristics and values, and competencies. Concerning the characteristics of effective boards, this study used a range of boards of directors' attributes including board roles, structure, composition, board membership and board dynamics. The study utilizes a qualitative approach. Board effectiveness was assessed by reference to the participants' points of view of their overall boards. Data in this study relied on two key sources: in-depth interviews and publicly available data from 2007 annual reports of the top 100 Malaysia PLCs. In-depth interviews were conducted with 33 directors of the top 100 Malaysian PLCs and 8 representatives of Malaysian corporate governance organizations. The results of this study show that board members' demographic characteristics (age, tenure, multiple directorships), their personality characteristics and values (commitment, integrity, open mindedness, relationships with others) and their competencies (experience in corporate management, relevant knowledge and skills and relevant types of educational qualifications), as well as good networking with the government, are integral components of the effectiveness of Malaysian PLC boards. In addition, four components that have been found to be important for the effectiveness of Malaysian PLC boards include competence and diverse backgrounds of board members, a good culture, clear roles and responsibilities, and well-defined board structures'. More importantly, the results indicate that board membership is the most important component influencing board effectiveness for Malaysian PLCs.

Although the relationship between board characteristics and firm performance has not been addressed directly, this study contributes to the understanding of the important characteristics of board members and board effectiveness. More importantly, the results indicate that board membership is the most important component influencing board effectiveness for Malaysian PLCs.

Kim-Lee Kercher (2013) explores Board Remuneration Committees: Structure and effectiveness in Nigeria. The study examines the relationship between key board characteristics and board effectiveness. It also explored the impact of certain mediators on this relationship. Unlike most studies on board which focus on firm performance and mostly in developed markets, this study was conducted in an emerging market and the focus was on board effectiveness. The study developed a theoretical framework and a set of hypotheses to examine the relationship between board characteristics and board effectiveness and the impact of certain mediators on this relationship. Board characteristics considered in this research include board size, CEO duality, board independence, and board diversity. In addition, the impact of board human capital on board effectiveness was also considered. Additionally, the study examined if the relationships between board characteristics and board effectiveness will be affected by organization type, ownership, age and size. The study adopted both quantitative and qualitative approach. Content validity was done by a panel of experts. The precision measurement adopted for the study was a 5 point Likert scale. Study population was 1582 and a multiple regression analysis was used to analyze relationships. The empirical examination of the hypotheses developed from the theoretical framework presented in this study show that board characteristics, apart from professional human capital, do not have any significant impact on board effectiveness. Board professional human capital was found to have a positive relationship with board operations and board cohesiveness and also with board effectiveness. The results show that in Nigeria, board diversity and human capital are the most important board structural factors that impact board effectiveness. They also show that board processes of operations, cohesiveness and decision making have significant impact on board effectiveness. Finally the results show that board process factors are more important than board structural factors in determining board effectiveness. The study shows that these relationships were not significantly affected by organization type, ownership, age or size.

Ongore *et al*., (2011) carried out a Research in Nairobi from Nairobi stock exchange on the implications of ownership identity and managerial discretion to determine board effectiveness on firm performance. The study adopted both null and alternate hypothesis which include manager ownership has positive effect on firm performance; government ownership has negative effect on firm performance; ownership by corporations has a positive effect on firm performance; diverse ownership has negative effect on firm performance and foreign ownership has positive effect on firm performance. Stepwise regression was used and marginal changes in value R were monitored to confirm whether additional variables were significant or not. Census approach was used to determine the population. Cronchbachs Alpha coefficients were computerized for 18 items under board effectiveness and the overall assessment was 0.87. This findings of the study shows the interrelationships between ownership identity and managerial discretion, and their impact on financial performance as measured by ROA, ROE and DY. State ownership of firms is particularly indicted for poor stewardship, whereas foreign , insider, diverse and institutional ownership gave the best results. The results also show significant positive relationship between managerial discretion and performance.

Kruijs (2012) carried a study in Netherlands on New insights into the effectiveness of supervisory boards. Similarly, Wan Yusoff (2010) examines characteristics of boards of directors and board effectiveness in Malaysia. Kim-Lee Kercher (2013) explores Board Remuneration Committees: Structure and effectiveness in Nigeria. Ongore *et al*., (2011) carried out a Research in Nairobi from Nairobi stock exchange on the implications of ownership identity and managerial discretion to determine board effectiveness on firm performance. Reviewed literature show that variables studied under board effectiveness are different from the variables on board effectiveness this study wishes to undertake which include technical knowledge, induction and education and finally access to information. The studies reviewed report mixed results which are inconclusive. A study should therefore be done to look at relationship between effectiveness of the board of directors and performance.

The studies were done in Netherlands, Malaysia, Nigeria and Nairobi, Kenya. None of the studies looked at Nyanza region, Kenya. Knowledge on board effectiveness and

performance notwithstanding therefore is still unknown, creating the need to carry out this research.

### 2.13 Research Gap

Existing evidence show that plausible but mixed relationships exists between structure of the board and performance. Prior studies show that clarity of roles and responsibilities of the board can improve the performance of an Institution. However, the nature of the relationship between clarity of roles and responsibilities on performance is not clear. Previous studies have not related integrity of financial reporting to performance. Reviewed studies focus on audit quality and financial performance. There is no evidence on the relationship between timely and balance of disclosure of institutional matters and performance. The influence of board effectiveness on performance is not known since the variables reviewed do not cover all constructs of board effectiveness. Therefore the study analyzes the effect of corporate governance principles on performance of public TVET Institutions in Nyanza region, Kenya.

# CHAPTER THREE
# RESEARCH METHODOLOGY

This chapter presents the research methodology the study adopted. It highlights the overall research paradigm and design that guided the study. It begins with presenting the research paradigm, area of study, population, sample and sampling design, data and data collection procedure, data analysis and presentation.

## 3.1 Research Design

Robson (2011) indicates that research design begins with selection of the topic and a paradigm. Robson (2011) say that a paradigm provides the research with an idea of assumptions about the social world and how the study should be conducted. It suggests legitimate problems, solutions and criteria of proof. Paradigms therefore encompass both theories and methods. According to (Creswell 2014) a study can follow a qualitative and or a quantitative paradigm. The research uses a quantitative paradigm. Utilizing a quantitative paradigm, this study explores the effect of corporate governance principles on performance of public TVET Institutions. Methodologically the research follows the descriptive process. This is appropriate for ascertaining and describing the characteristics of the variables of interest in a specific situation. Sekaran (2000) and Zikmund (2010) states that the major purpose of descriptive research is to describe characteristics of a population or phenomenon

This study adopted a correlation design. The design was expected to test the hypotheses and meet objectives of the study. Correlational approach helped determine whether and to what degree a relationship exists between quantifiable variables (Mugenda and Mugenda, 2008)

## 3.2 Study Area

The study focused on the public TVET Institutions in Nyanza region, which comprise Siaya; Kisumu; Homabay; Migori; Kisii and Nyamira Counties. The map of the study area is indicated in Appendix IV.

### 3.3 Target Population, Sample Size and Sampling

When choosing the population to be studied, in other words, an identifiable total set of elements of interest being investigated by a researcher (Hair *et al*., 2000) the target population needs to be identified. The target population is the collection of elements or objects that possesses the information sought by the researcher and about which inferences are to be made (Malhotra 2004). The population of interest consisted of all the principals and H.O.Ds of TVET Institutions in Nyanza region. The total population was 99. The units of analysis are TVET Institutions in Nyanza Region. The study employed a census survey since the population of study is small. A census involves data obtained from every member of the population that is of interest (McDaniel and Gates 2001). The population is represented on Table 3.1.

**Table 3.1: TIVET Institutions in Nyanza Region, Kenya**

| | | H.O.Ds | D/ Principals | Principals | Total |
|---|---|---|---|---|---|
| Keroka Technical Training Institute | Kisii | 14 | 1 | 1 | |
| Kisumu Polytechnic | Kisumu | 15 | 2 | 1 | |
| Gusii Institute of Technology | Kisii | 14 | 1 | 1 | |
| Ramogi Institute of Advance Technology | Kisumu | 15 | 1 | 1 | |
| Siaya Institute of Technology | Siaya | 14 | 1 | 1 | |
| Mawego Technical Training Institute | Homabay | 14 | 1 | 1 | |
| **Total** | | **86** | **7** | **6** | **99** |

**Source:** Survey (2014).

#### 3.3.1 Return Rate

The researcher used data from 6 TVET Institutions in Nyanza region comprising of 99 school administrators (school heads of departments, deputy principals and principals). From this population, given the fact that the study was a survey, all of them were used in the study. Hence, there were 99 respondents (n=99). The return rate of the questionnaires from respondents was 90.9%, as indicated in Table 4.1. The demographic characteristics of the respondents were summarized below.

**Table 3.2 Questionnaire Return Rate**

| Questionnaire | Counts | Percentage |
|---|---|---|
| Returned | 90 | 96 |
| Unreturned | 4 | 4 |
| **Total** | **94** | **100** |

**Source:** Survey Data (2015)

### 3.4. Data type and Collection Method

#### 3.4.1 Sources of Data

The study used primary data from questionnaires and secondary data from the existing records. Questionnaires were instrumental in obtaining answers on key issues explored by the research (Armstrong 2010). The items tapping the theoretical constructs were developed based on literature review. They were scored on a Likert scale with a range of anchors in order to ensure high statistical variability among the survey responses. Lietz (2008) found that the 5-7 options are more generally used. David, (2008) report that the 5- and 7-point scales produced the same mean score as each other, once they were rescaled. However, the 10-point format tended to produce slightly lower relative means than either the 5- or 7-point scales. Bearing in mind the above, this thesis adopted five point scales from part 2 in the questionnaire. The independent intervening and dependent variables constructs were measured anchored on a range of strongly agree to strongly disagree The Likert scale measures attitudes or opinions by asking people to respond to a series of statements about a topic (McDaniel, 2001) . Descriptive statistics was used to summarize the data which include frequency, mean and mode.

#### 3.4.2 Data Collection Procedure

The researcher proceeded to obtain a letter of introduction from the university. This was followed by the issuance of questionnaires. Most forms were collected immediately while a few others collected the next day.

#### 3.4.3 Data Collection Instrument

Data collection instruments used structured and semi structured questionnaires designed to reflect the influence of corporate governance principles on performance.

Appendix II presents the research instrument. It has four sections each with several structure items. Part one seeks the respondent's demographic data. Part two assessed the respondent's opinions on the influence of corporate governance principles on performance of public TVET Institutions. This is done under five sub-headings: structure of the board for value addition, clarity of roles and responsibilities, integrity of financial reporting, timely and balance of disclosure of matters and effective performance of the board.

### 3.4.4 Reliability Test for Data Collection Instrument

Reliability refers to the extent to which an experiment, test or any measuring procedure yields the same results on repeated trials. The measurement is said to be reliable when the measure is without bias (Sekaran, 2000). Reliability issues were addressed in the drafting of the Questionnaire, checking for clearly written questions, and proper scale development. These were complemented by the sound administration of the Questionnaire including the drop-off and pick-up methodology in the distribution and collection of the Questionnaire. Reliability analysis was used to assess internal consistency (degree of homogeneity among the items) and stability of the instrument. Cronbach's Alpha coefficients were computed from7 main items of the questionnaire, and the overall assessment was 0.872. According to Reynaldo and Santos (1999), a data collection instrument with a good internal consistency should have Cronbach's Alpha coefficients that are higher than 0.7.

**Table 3.3: Reliability Statistics**

| Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | N of Items |
|---|---|---|
| .872 | .862 | 7 |

From table 3.3, the results indicate that the items in the questionnaire were 0.872 consistent. The items were therefore; found to be highly homogeneous. It was therefore concluded that the questionnaire items were consistent hence they were used for the purposes of data analysis.

To check the reliability of the instruments in this study Cronbach's Alpha was used. According to suggestions by Hair et al (2010), the study deemed acceptable a reliability coefficient above 0.6. Table 3.3 presents the results.

**Table 3.4: Cronbach's Alpha Reliability Test Results for Data Instrument**

| **Construct** | **Scale** | Number of Items | Cronbach's Alpha Reliability Coefficient |
|---|---|---|---|
| Structure of board | Composition and size Board independence Director competency and experience | 6 | 0.862 |
| Clarity of roles | Ethical and responsible decision making Conflict of interest | 4 | 0.851 |
| Integrity of financial reporting | Auditing Competency and independence of directors | 6 | 0.833 |
| Disclosure of matters | Vetting and authorization Monitoring | 7 | 0.822 |
| Effective performance of directors | Technical knowledge Induction and education Access to information | 10 | 0.837 |
| Performance | Innovation, collaborations Academic performance Customer and employee satisfaction. | 16 | 0.840 |
| Government policy | | 4 | 0.906 |

Source: Survey Data (2015)

### 3.4.5 Validity Test for Instrument

Validity is the degree to which an instrument measures what it purports to measure (Mugenda, 2008). For content validity, the instrument was tested with the help of expert researchers in this field who were asked to assess the extent to which the indicators sufficiently address the subject area based on theoretical and practical considerations (Dillman 1978). As part of the pretesting process the questionnaire was also submitted to four senior lecturers with extensive combined experience in survey research, who were able to provide critical assessment of the content validity of each item (Sudman and Bradburn 1982; Schilling and Steensma 2002).

### 3.4.6 Test for Multicollinearity

Variance inflation factor (VIF) was used to test for multicollinearity. The results are shown in table 3.5 below

**Table 3.5: Test for Multicollinearity**

| | Tolerance | VIF |
|---|---|---|
| (Constant) | | |
| Structure of board | .550 | 1.818 |
| Clarity of roles | .425 | 2.353 |
| Financial reporting | .334 | 2.996 |
| Timely, balance of disclosure | .243 | 4.112 |
| Performance of Directors | .311 | 3.213 |

**Source:** Survey Data (2015)

According to Rogerson (2001), VIF value of 5 or less indicates absence of multicollinearity. The results show VIF below 5. This confirmed absence of multicollinearity.

**Table: 3.6 Homoscedasticity**

**Levene's Test of Equality of Error Variances**

| | **Dependent** | | **Variable P** |
|---|---|---|---|
| F | df1 | df2 | Sig. |
| | 20 | 60 | 0 |
| 27.972 | | | |

Tests the null hypothesis that the error variance of the dependent variable is equal across groups.[a]

a. Design: Intercept + C + S + I + T + E

Looking at the Levine's test under the null hypothesis of Homoscedasticity, the probability of the f statistics indicates that the p value is significant at 0.000.

**Table: 3.7 Tests of Between-Subjects Effects**

| Dependent Variable: P | | | |
|---|---|---|---|
| **Source** | **Type III Sum of Squares** | **df** | **Mean Square** |
| Corrected Model | 32.180[a] | 13 | 2.475 |
| Intercept | 116.789 | 1 | 116.789 |
| C | 0.324 | 3 | 0.108 |
| S | 2.218 | 2 | 1.109 |
| I | 0.848 | 3 | 0.283 |
| T | 0.514 | 2 | 0.257 |
| E | 2.026 | 1 | 2.026 |
| Error | 1.481 | 67 | 0.022 |
| Total | 559.152 | 81 | |
| Corrected Total | 33.66 | 80 | |

a. R Squared = .956 (Adjusted R Squared = .947)

**Table: 3.8 Tests of Normality**

| | Kolmogorov-Smirnov[a] | | | Shapiro-Wilk | | |
|---|---|---|---|---|---|---|
| | Statistic | df | Sig. | Statistic | df | Sig. |
| Standardized Residual for P | 0.161 | 81 | 0 | 0.928 | 81 | 0 |

a. Lilliefors Significance Correction

Using the Kolmogorov-Smirnov test, under the null hypothesis of normality of the error term, the probability value of the standardized residuals was significant at 0.000. This indicated that the residual was normally distributed. As indicated in the table below, the normal Q-Q plot of standardized residual for P also showed that the distribution is evenly scattered.

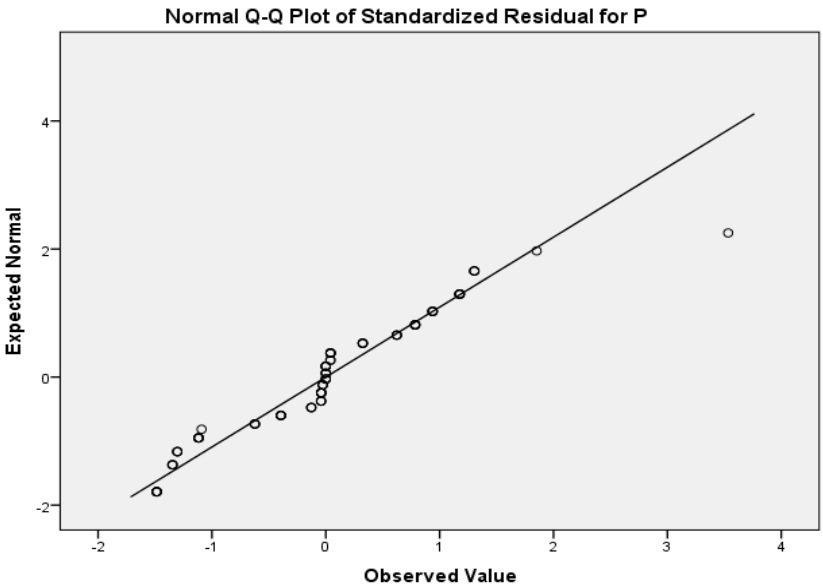


**Figure 3.1: Normal plot for standardization**

### 3.5 Data Analysis

The study used Pearson correlation coefficient since it is appropriate for interval scaled variables in order to find out how various principles of corporate governance variables correlate with performance of TVET institutions. The strength of the relationship between two interval-scaled or ration-scaled variables can assume any value from -1.00 to +1.00 inclusive. A correlation coefficient of -1.00 or +1.00 indicates perfect correlation. The P values of the correlation analysis were compared with 0.05. A P value of less than 0.05 was interpreted to mean that the correlation was significant. On the other hand, a P value greater than 0.05 was interpreted to mean that the correlation was insignificant. The correlation analysis was done using SPSS version 20. Data was analyzed in order of objectives as follows:

#### 3.5.1 Determine the relationship between structure of the board and performance of public TVET Institutions in Nyanza Region, Kenya

The relationship between structure of the board and performance of public TVET Institutions was assessed using a Pearson's correlation analysis at 5% level of significance. A negative correlation was interpreted to mean that there is an inverse relationship between structure of the board and performance of public TVET

Institutions i.e. as the board structure improves the performance of the TVET institution decrease. A positive correlation was interpreted to mean that there is a positive relationship between the board structures on performance.

### 3.5.2 The effect of clarity of roles and responsibilities of the board on the performance of public TVET Institutions in Nyanza Region, Kenya

The effect of clarity of roles and responsibilities on performance of TVET institutions was assessed using the coefficient of determination $r^2$. The coefficient of determination is used to assess the proportion of variation of the dependent variable that is explained variation of the independent variable. Basically it is worked out from a square of the Pearson correlation between the variables.

### 3.5.3 The effect of integrity in financial reporting on performance of public TVET institutions.

The effect of clarity of safeguarding of integrity in financial reporting on performance was assessed using the coefficient of determination $r^2$. The coefficient of determination was used to assess the proportion of variation of the dependent variable on independent variable. Basically it is worked out from a square of the Pearson correlation between the variables.

### 3.5.4 How timely and balance of disclosure of intuitional matters relate to performance of public TVET Institutions in Nyanza Region, Kenya.

The relationship between timely and balance of disclosure of intuitional matters and performance of public TVET Institutions was assessed using a person's correlation analysis at 5% level of significance. A negative correlation was interpreted to mean that there was an inverse relationship between timely and balance of disclosure of intuitional matters and performance of public TVET Institutions. A positive correlation will mean that there is a positive relationship between the timely and balance of disclosure of intuitional matters and performance.

### 3.5.5 The relationship between effective performances of the board of directors and the performance of public TVET Institutions

The relationship between effective performances of the board of directors and performance of public TVET Institutions was assessed using a person's correlation analysis at 5% level of significance using a 2-tailed test. The correlation analysis was done using SPSS version 20. Linear multiple regression model was used to establish the simultaneous influence of corporate governance principles on performance of public TVET institutions in Nyanza region Kenya. The multiple regression is based on the assumption that for any specific value of the independent variable, the value of the Y variable are normally distributed (normality assumption) and that the variances for the Y variables are the same for each of the independent variable (equal –variance assumption). The joint contribution of the five independent variable, on the dependent variable was explored using a multiple regression analysis represented as follows.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \varepsilon \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots 3.1$$

| | | |
|---|---|---|
| Where: | Y | Performance of TVET |
| | $X_1$ | Structure of the board |
| | $X_2$ | Clarity of roles |
| | $X_3$ | Integrity in financial reporting |
| | $X_4$ | Timely and balanced Disclosure of institutions |
| | $X_5$ | Board Effectiveness |

Source: Adapted and modified from Groebner, *et al*. (2008).

Assumption of the error term;-. The distribution of possible ε values, have equal variances for all values of x; the distribution of possible values of ε-values for any level of $X_i$ is normally distributed

### 3.6 Data Presentation

Data was presented using tables and figures (Zikmund *et al*,. 2010). These presentation strategies describe and summarize data sets into a meaningful and interpretable data. They are referred to in narrative, the discussions (Churchill and Iacobucci 2004; Zikmund *et al*., 2010).

### 3.7 Research Ethics

The study required participation of human respondents. As such the research processed duly observed ethical issues in order to ensure privacy and safety of respondents. Permission was obtained from the University authority and from the National commission for science, technology and innovation (NACOSTI). The researcher obtained informed consent from the subjects and ensured that all subjects participated voluntarily. Confidentiality was recognized at every stage of the research process (Mugenda, 2008). Respondents were not required to reveal their identity or the Institution in which they manage. The respondents were further assured that only requisite details that assisted in shedding light on the research questions were included.

# CHAPTER FOUR
# RESULTS AND DISCUSSION

## 4.1 Introduction

This chapter presents the findings and interpretation of the study. The chapter has been sub-divided into sections and subsections. The demographic information of the respondents such as gender, age, level of education the respondents have been presented first. After the demographic findings of the study have been discussed the researcher presented the research findings which were reported and discussed on the basis of the study objectives and hypotheses. The quantitative data was analyzed using both descriptive and inferential statistics. The descriptive statistics was used to describe and summarize the data inform of graphs, tables, charts, frequencies and percentages. The inferential statistics was used to help make inferences and draw conclusions. Statistical tests including Pearson correlation and regression analysis were used to test the hypotheses. The inferential statistics was mainly focused on the correlation analysis which was used to establish the relationship between the key elements corporate governance and performance of TVET. Multi-correlation regression was used to develop the model of performance and to explore the contribution of individual variables to the model. All tests of significance were computed at $\alpha = 0.05$.The Statistical Package for Social Sciences (SPSS) version 20 was used to analyze the data. For the qualitative data a thematic analysis approach was used.

## 4.2: Demographic Information of the Respondents

### 4.2.1 Respondents' Gender and Age Information

The findings of the study show that there was a remarkable disparity in terms of number of females who were in top management positions in TVET institutions in Nyanza region and their male counterparts. Majority (77.8%) of the respondents was males and only 22.2% of those who participated in the study were females. Table 4.2 below shows the percentage of frequency distribution of respondents in relationship to their gender and age distribution.

**Table 4.1 Respondents' Gender and Age**

| | ≤ 35 YRS | 36-40 YRS | 41-50 YRS | 51-60 YRS | ≥ 61 YRS |
|---|---|---|---|---|---|
| **Male** | 7(66.6%) | 14(100%) | 19(55.9%) | 26(96.3%) | 4(100%) |
| **Female** | 4(33.4%) | 0(0.0%) | 15(44.1%) | 1(3.7%) | 0(0.0%) |
| **Total** | 11(12.2%) | 14(15.6%) | 34(37.8%) | 27(30.0%) | 4(4.4%) |

**Source:** Survey Data (2015)

The findings revealed that ages of the respondents varied from 35 years and below to 61 years and above, with those respondents in the age group of 41-50 years taking the bulk share (37.8%) of the age distribution and those aged 61 years or more were the least at 4.4%.While those within the age bracket of 51-60 years, 36-40 years, and 35 years and below were represented by 30%, 15.6% and 12.2% respectively. From the table, males dominated all the age groups; 100% of the respondents in the age groups of 36-40 years and ≥ 61 years were males. In addition, 66.6%, 55.9% and 96.3% of the respondents in age groups≤ 35 years, 41-50 years and 51-60 years respectively were males.

**4.2.2: Respondents' Gender and Level of education**

**Table 4.2: Gender and Level of Education**

| | Diploma | Degree | Masters |
|---|---|---|---|
| **Male** | 14(100%) | 33(80.5%) | 23(65.7%) |
| **Female** | 0(0.0%) | 8(19.5%) | 12(34.3%) |
| **Total** | 14(15.6%) | 41(45.6%) | 35(38.9%) |

**Source:** Survey Data (2015)

From Table 4.2, majority (45.6%) of the respondents were degree holders. Those with masters' level of education comprised 38.9% of the TVET institutions' top administration and the rest (15.6%) held diploma certificates. It was demonstrated from the analysis that the male were highly educated than their female counterparts; almost two thirds (65.7%) of those who had masters were males. On the flip flop, it was also established that all the respondents who had diploma certificates were males, none of the females had less than degree in academics. Respondents' level of education and gender was summarized as in Figure 4.1.

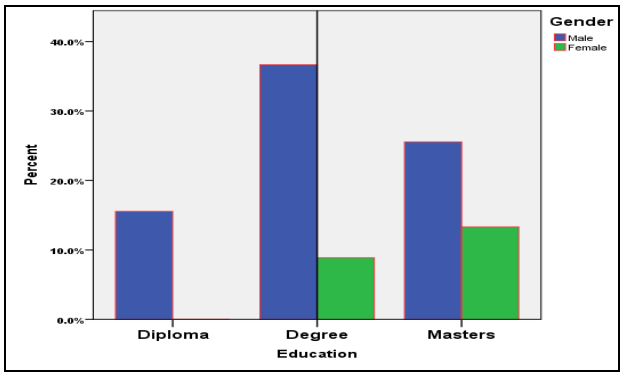


**Figure 4.1: Gender and level of education**

**Source:** Survey Data (2015)

### 4.2.3: Respondents' Age and Level of Education

**Table 4.3: Level of Education and Age Distribution**

| | ≤35 YEARS | 36-40 YEARS | 41-50 YEARS | 51-60 YEARS | ≥61 YEARS |
|---|---|---|---|---|---|
| Diploma | 0(0.0%) | 0(0.0%) | 0(0.0%) | 10(37.0%) | 4(100%) |
| Degree | 10(90.9%) | 8(57.1%) | 15(44.4%) | 8(29.6%) | 0(0.0%) |
| Masters | 1(9.1%) | 6(42.9%) | 19(55.6%) | 9(33.3%) | 0(0.0%) |
| **Total** | **11(12.2%)** | **14(15.6%)** | **34(37.8%)** | **27(30.0%)** | **4(4.4%)** |

**Source:** Survey Data (2015)

The age and level of education of a human resource manager has a great bearing on his/her effectiveness to provide sound and quality leadership for the success of TVET institutions. Hence, a look at the respondents' demographic information on age and level of education was necessary. Table 4.3 reveals that all diploma holders were those people aged 51 years and above, almost three quarters (74.3%) of those who were holders of masters were those 50 years or younger. 90.9% of those who were 35 years or younger had a degree and the remaining (9.1%) had masters. For those in the age group 36-40 years, majority (57.1%) of them held a degree, 42.9% of them had masters and none of them had diploma. It was also noted that more than half (55.6%) of the respondents in the age group 41-50 years were holders of masters and the rest (44.4%) of them had degree certificates. The respondents in the age group of 51-60

years had varied educational qualifications; 37% of them had diplomas, a third (33.3%) had masters and more than a quarter (29.6%) of them held degree certificates.

### 4.3 The Dependent Variable- Performance of Public TVET Institutions in Nyanza Region, Kenya.

The dependent variable of the study was performance of public TVET institutions in Nyanza region, Kenya. The effect of all the independent variables; structure of the board, clarity of roles and responsibilities of the board, safeguarding of integrity in financial reporting, timely and balance of disclosure of institutional matters, effectiveness of board of directors, and government policy, were measured on performance of public TVET institutions in Nyanza region. It was investigated through the use of 16 Likert-scaled statements rated as; strongly agree, agree, undecided, disagree and strongly disagree. The performance variable was measured using four main performance indicators. These indicators of performance were; increased emphasis on innovations, collaborations, academic performance, and customer and employee satisfaction. The statements were linked to the constructs of each indicator and the respondents were to rate each statement based on their perception, as a measure of performance.

#### 4.3.1 A Descriptive Statistics on Performance of TVET

The descriptive statistics' output presented in Table 4.5 shows summary of respondent responses on each item of performance indicator.

**Table 4.4: Descriptive Statistics on Performance Indicators**

| | N | Mean | | Std. Deviation |
|---|---|---|---|---|
| | Statistic | Statistic | Std. Error | Statistic |
| Units of production | 90 | 2.82 | .144 | 1.362 |
| Emphasis on innovation | 90 | 2.73 | .134 | 1.270 |
| Product availability in market | 90 | 3.06 | .141 | 1.335 |
| Expansion of TVET | 90 | 2.27 | .131 | 1.243 |
| Employers strong collaboration | 90 | 2.62 | .121 | 1.147 |
| Labour market alignment | 90 | 2.57 | .133 | 1.264 |
| Academic program accountability | 90 | 2.67 | .136 | 1.290 |
| Recognise good performance | 90 | 2.28 | .089 | .848 |
| Reward good performance | 90 | 2.78 | .132 | 1.252 |
| Regular feedback on performance | 90 | 2.83 | .128 | 1.211 |
| Performance definition | 90 | 2.23 | .100 | .949 |
| Participative appraisal process | 90 | 2.49 | .127 | 1.202 |
| Communicating performance | 90 | 2.71 | .120 | 1.134 |
| Welfare improvement | 90 | 2.91 | .116 | 1.098 |
| Delivery service quality | 90 | 2.71 | .117 | 1.114 |

**Source:** Survey Data (2015)

The table indicates that there were information's from 90 respondents, among other things. It revealed that the item "there is availability of products and services from the TVET institutions in the market" had the highest mean (mean=3.06, standard deviation=1.34 and standard error =.141), while the item with least mean was whether the respondents understand how performance was defined and measured at their institutions, at mean=2.23, standard deviation =. 949 and standard error =.100. This implied that, whereas the majority of respondents agree that products and services of TVET institutions were available in the market, only very small proportion of respondents accepted that they understood how performance was defined and measured in their institutions.

### 4.3.2 Frequency Responses on Performance of TVET

The respondents' responses on performance indicators were computed in percentage frequencies tabulated as indicated in Tables 4.5.

**Table 4.5 Percentage response on Performance Indicators (%)**

| | Strongly agree | Agree | Undecided | Disagree | Strongly disagree |
|---|---|---|---|---|---|
| **Increased emphasis on innovations** | | | | | |
| Existence of units of production | 20.0 | 31.1 | 6.7 | 31.1 | 11.1 |
| Emphasis on innovation | 17.8 | 33.3 | 16.7 | 22.2 | 10.0 |
| Product availability in market | 10.0 | 35.6 | 13.3 | 21.1 | 20.0 |
| Expansion of TVET | 26.7 | 50.0 | 3.3 | 10.0 | 10.0 |
| **Collaborations** | | | | | |
| Employers strong collaboration | 13.3 | 44.4 | 15.6 | 20.0 | 6.7 |
| Labor market alignment | 16.7 | 47.8 | 10.0 | 13.3 | 12.2 |
| Improving academic program | 24.4 | 25.6 | 14.4 | 30.0 | 5.6 |
| **Academic performance** | | | | | |
| Recognition of good performance | 14.4 | 54.4 | 20.0 | 11.1 | 0.0 |
| Reward of good performance | 21.1 | 22.2 | 20.0 | 31.1 | 5.6 |
| Regular feedback on performance | 8.9 | 43.3 | 15.6 | 20.0 | 12.2 |
| Performance definition | 21.1 | 46.7 | 22.2 | 7.8 | 2.2 |
| Participative appraisal process | 18.9 | 44.4 | 14.5 | 13.3 | 8.9 |
| Communicating performance | 12.2 | 41.2 | 14.4 | 27.8 | 4.4 |
| **Customer and employee satisfaction** | | | | | |
| Welfare improvement | 2.2 | 48.9 | 13.3 | 26.7 | 8.9 |
| Delivery service quality | 5.6 | 53.3 | 15.5 | 15.6 | 10.0 |

**Source:** Survey Data (2015)

#### 4.3.2.1 Increased Emphasis on Innovations

With regards to emphasis on innovations, the study focused on the existence of production units, emphasis on innovation and self-employment, availability of the institution's products and services in the market and lastly, the expansion of TVET programs in the institution. The findings of the study show that 76.6% of the respondents agreed that there was emphasis on innovations while only 20% disagreed

that there was emphasis on innovation whereas an insignificant 3.3% were undecided. From the responses, it was evident that 51.1% (20.0% strongly agreed and 31.1% agreed) of the respondents agreed that there exists production units that reflect innovations and work done by students. Whereas 42.2% disagreed, 6.7% were however undecided on whether there was existence of production units that reflect innovations.

On whether there was availability of products and services from the institution in the market, 45.6% agreed that the institutions had products and services available in the market but 41.1% of them disagreed. A sizeable number (21.1%) of the respondents were undecided. The study findings revealed that quite a significant effort was being made to expand TVET programmes in most of the institutions. For example, more than three quarters (76.7%) of the respondents acknowledged that their institutions were initiating expansion strategies, with only 20% disagreeing to this statement.

#### 4.3.2.2 Collaboration

The findings of the study established existence of collaboration programmes in many of the TVET institutions, as noted from the analysis of responses. From Table 4.6, it was indicated that 57.7% of the respondents admitted that there was a strong collaboration by the employer in their institutions. Whereas slightly over a quarter (26.7%) of the respondents disagreed, 15.6% of the respondents were undecided on the matter. On the issue of labour market alignment, 64.5% of the respondents indicated that their institutions were aligned to the labour market needs which equip students with 21$^{st}$ century skills and prepare them for in-demand occupations in high growth industry sectors. On the contrary, about a quarter (25.7%) of the respondents disagreed with this statement and another 10% were however undecided. On the same note, it emerged from the findings of the study that accountability for improving academic programs for students based on clear definitions and metrics in institutions were doing well. This was reflected by 50.0% of the respondents who acknowledged that there was accountability in academic programs compared to 35.6% of the respondents who disagreed with that point of view. However, 14.4% of those who participated in the study remained undecided on the matter.

#### 4.3.2.3 Academic Performance

The findings of the study reveal that there was average academic performance in TVET institutions, as indicated by the analysis of the respondents' views. There was a mixed reaction on whether the institutions recognize good performance or not. Whereas 68.8% of the respondents acknowledged that the institutions were recognizing good performance, 20% of them were undecided and another 11.1% disagreed. On the same note, the study found that although 43.3% of the respondents acknowledged that there was a reward for good performance among the TVET institutions, a significant proportion (36.7%) of the respondents disagreed with this statement and 20% of them were undecided. It was also established from the findings of the study that the institutions were doing fairly well in giving regular feedback. 52.2% of the respondents admitted that there was regular feedback within their institutions. Those who disagreed formed another significant proportion (32.2%) of the respondents. Those who were undecided formed 15.6% of the respondents. On whether the respondents understood how performance is defined and measured at their institution, the study established that more than a fifth (21.1%) the respondents strongly agreed, 46.7% agreed, 22.2% were undecided, 7.8% disagreed while 2.2% strongly disagreed that they fully understand how performance is defined and measured in their institution. It was established that participative appraisal was practiced to some extent in TVET institutions in Nyanza region. This was reflected by the response of the respondents. Although about a fifth (22.2%) of the respondents disagreed that participative appraisal was practiced in their institution, a significant majority (63.3%) of the respondents confirmed that in their institutions, appraisal method was participative. In addition, the findings of the study indicate that more than half (53.3%) of the respondents were convinced that performance expectations were communicated in terms of SMART. 32.2% of respondents negated the assertion, but 14.4 % were non-committal on the matter.

#### 4.3.2.4 Customer and Employee Satisfaction

It emerged from the findings of the study that just slightly more than half of the respondents believed the performance of their institution had improved as regards to satisfaction of both the teacher and students. It came out that 51.1% of the respondents agreed that there was improvement of the welfare of students, teaching staff, and support staff. However, 35.6% of them alluded that their institutions had not

significantly improved in the matters of the welfare of both students and staff. On the quality of service delivery, 58.9 % agreed that their institutions had made great strides in this area. They agreed that quality had improved considerably. On the flip flop, whereas 15.5% of the respondents remained undecided, 25.6 % of them insisted there wasn't any plausible improvement of quality in the delivery of service in their institution as purported by the majority of the respondents.

### 4.4: Findings on the Relationship between Structure of the Board and Performance of Public TVET Institutions in Nyanza Region, Kenya.

The first research objective was to determine the influence of the structure of the board on performance of public TVET Institutions in Nyanza region, Kenya. To establish this relationship, the researcher developed a questionnaire designed to determine the structure of the board for value addition. The scores on the structure of the board questionnaire were related to scores on performance of public TVET institutions questionnaire.

#### 4.4.1 Structure of the Board for Value Addition

In exploring the structure of the board constructs, a questionnaire used had items drawn linked to concepts which were regarded as important components of the structure of the board for value addition measurements. The questionnaire was to investigate on; the balanced mix of the board, whether the roles of the chairperson of the board and chief executive officer were separated, whether the appointed committees had a defined term of reference, whether the committees had been established and appointed in the light of the need to increase the effectiveness of the board, whether the board had established and appointed various committees and lastly, whether the terms of reference of each committee were restricted and defined. The items were Likert-scaled statements in which the respondents choose from 5-point score; strongly agree, agree, neutral, disagree and strongly disagree.

The descriptive statistics on responses on board of structure were computed and presented in Table 4.6

**Table 4.6: Descriptive statistics Structure of Board**

| | N | Mean | | Std. Deviation |
|---|---|---|---|---|
| | Statistic | Statistic | Std. Error | Statistic |
| Balanced mix | 90 | 2.09 | .109 | 1.035 |
| Power separation | 90 | 2.00 | .101 | .960 |
| Defined terms committee | 90 | 2.28 | .124 | 1.181 |
| Increased effectiveness | 90 | 2.19 | .080 | .763 |
| Appointed committee | 90 | 2.38 | .102 | .967 |
| Restricted terms of reference | 90 | 2.51 | .124 | 1.173 |

**Source:** Survey Data (2015)

Table 4.6 indicates that the corporate governance is enhanced more when the board has established and appointed an executive committee, an audit committee, and a remuneration committee. This was reflected by high mean posted by this item (mean=2.51, standard deviation=1.173 and standard error =.124). This implies that most of the respondents believed that a board with relevant committees has appropriate competencies to enable it discharge its mandate effectively. On the other hand, the item with least mean was whether the roles of chairperson of board and chief executive officer were separated and held by different persons, at mean=2.00, standard deviation =. 960 and standard error =.101.

### 4.4.2: Frequency Responses on the Structure of Board

The responses were computed into frequency percentages as reflected in Table 4.7.

**Table 4.7: Frequency on the structure of board**

| Statements | Strongly agree | Agree | Undecided | Disagree | strongly disagree |
|---|---|---|---|---|---|
| Balanced mix of the board | 29 (32.2) | 37 (41.1) | 13 (15.4) | 9 (10.0) | 2 (2.2) |
| Role separation | 25 (27.8) | 51(56.7) | 8 (8.9) | 1 (1.1) | 5 (5.6) |
| Committee's terms of reference | 28 (31.1) | 30 (33.3) | 15 (16.7) | 13 (14.4) | 4 (4.4) |
| Need to increase effectiveness | 15 (16.7) | 47(52.2) | 24(26.7) | 4(4.4) | 0(0.0) |
| Appointed committees | 12 (13.3) | 46(51.1) | 23(25.6) | 4(4.4) | 5(5.6) |
| Committees terms of reference | 16 (17.8) | 36(40.0) | 24(26.7) | 5(4.4) | 10(11.1) |

**Source:** Survey Data (2015)

### 4.4.3 Balance Mix of Board

The findings of study show that nearly three quarters (strongly agree:32.2%; agree:41.1%) of the respondents alluded that within their institutions there was indeed a balance mix executive, non-executive as well as independent non-executive directors. However, 10.0% and 2.2% of them disagreed and strongly disagreed respectively that there was any evident of reasonable balance mix in their institutions and another 15.4% of the respondents remained non-committal on whether their institutions embraced balance of mix of executive, non-executive and independent non-executive directors in the management board. This finding are in line with Leblanc and Gillies (2004) who point out that the board should also include individuals with the specific skills and know-how needed to examine issues through multiple lenses: legal, financial, public relations, communications, management, and professional development, among others. The findings are also in line with the Managerial Hegemony theory which suggests that board members should have professional knowledge so as to influence key power sources such as information and other organizational decisions.

### 4.4.4 Separation of Roles

On whether there was a clear separation of roles of chairperson of the board and chief executive officers, it was evident from the findings of the study that most TVET institutions in Nyanza region practiced separation of roles in their top management. Table 4.4 indicated that although 6.7% of the respondents refuted the assertion that there was separation of roles of the board chairperson and chief executive officers in

their institutions, more than a quarter (27.8%) of the respondents strongly agreed and another 56.7% agreed that it was evident that role separation existed among the top management in their institutions. However, 8.9% of the participants of the study were not sure whether or not roles of chairperson of the board and chief executive officer was separate and held by different people, hence they remained undecided.

### 4.4.5 Committees' Terms of Reference

It emerged from the findings of the study that most TVET institutions had committees that were appointed formally with clear defined terms of reference. Nearly two thirds (strongly agree: 31.1%; agree: 33.3%) of the respondents were in agreement that their institutions' board had formally established and appointed committees with defined terms of reference, composition and reporting requirements. This finding is in line with the argument. Raheja (2005) who point out that boards should typically rely on committees to work through issues and to report to the full board. The respondents who were undecided on the matter formed 16.7% of study participants'. However, 18.8% of them held the opinion that their boards did not keenly observe such formality.

### 4.4.6 Need to Increase Effectiveness

On the need to increase effectiveness of the board, the findings of the study show that despite a significant proportion (26.7%) of the respondents not being sure whether their boards had consciously established their committees with a view of increasing their effectiveness, quite a reasonable proportion of the respondents agree that their boards do that. More than two thirds (68.9%) of the respondents generally accepted that the committees in their institutions were established and appointed in light of the need to increase the effectiveness of the Board by utilizing the specialized skills of board members, to provide support and guidance to management, to ensure effective and independent professional consideration of issues e.g. audit reports and finance issues, among others. Only a near negligible proportion (4.4%) of the respondents refuted the claim that their committees had been established and appointed in light of increasing effectiveness of boards.

### 4.4.7 Appointed Committees

The findings of the study show that many of the management boards had put in place various committees to handle specific issues of the organization that arise in daily operations. For example, the analysis of the respondents responses indicate that more than half (51.1%) of the respondents agreed and 13.3% strongly agreed that there was appointment of committees such as an executive committee, audit committee, and appointment and remuneration committee in their institutions. Whereas those who were in disagreement (4.4% disagreed and 5.6% strongly disagreed) with that statement formed a tenth of the respondents, slightly more than a quarter (25.6%) of the respondents remained undecided on the matter.

### 4.4.8 Committees Terms of Reference

On whether terms of reference for each committee were restricted and defined, more than half of the respondents generally accepted that assertion. Those who strongly agreed were 17.8% and those who just agreed formed 40.0% of the respondents. However, more than a quarter (26.7%) of the respondents remained undecided on the matter, as the other 15.5% (4.4% disagreed and 11.1% strongly disagreed) of them differed with the rest of the respondents.

## 4.5: Hypothesis Testing of Objective 1: The Relationship between Structure of the Board and Performance

To answer the research objective, the researcher tested the hypothesis, “there is no relationship between the structure of the board and performance of public TVET Institutions in Nyanza region, Kenya”. The independent variable used was the scores from the structure of the board for value addition questionnaire computed by using the views of the respondents, while dependent variable was performance of TVET scores also generated from the views the respondents. Preliminary analyses were performed to ensure no violation of the assumptions of normality, linearity and homoscedasticity. The relationship between perceived structure of board and performance of TVET was investigated using Pearson Product-Moment correlation coefficient, as shown by Table 4.8 indicating the SSPS output of the correlation analysis.

**Table 4.8: Correlations between structure of board and performance**

| | | Structure of board | Performance |
|---|---|---|---|
| Structure of board | Pearson Correlation | 1 | .370** |
| | Sig. (2-tailed) | | .000 |
| | N | 90 | 90 |
| Performance | Pearson Correlation | .370** | 1 |
| | Sig. (2-tailed) | .000 | |
| | N | 90 | 90 |

**. Correlation is significant at the 0.01 level (2-tailed). **Source:** Survey Data (2015)

The results on table 4.8, show that there was a positive correlation between the two variables; structure of the board and performance [r= .370, p=.000]. This implies that there is a positive association between structure of the board and performance with high levels of significance. The value r, give us a weak uphill positive linear relationship. This means that structure of the board contributes up to 13.69% in terms of variability. [$R^2$=13.69].

Many studies have tried to understand the influence that the structure of the board have on organizations performance, because its presence is fundamental for an organization. In doing this, the study mainly used the agency theory approach which indicates that the board structure is usually defined according to the following characteristics: size and composition, board independence and director competency and experience (Bachiller *et al*., 2014). The findings in this study are consistent with previous studies (Kiel and Nicholson 2003; Raheja, 2003). Alwshah, (2009) who used (Tobin's q), to observe the relationship between corporate governance and performance and found that separation of the roles of CEO and COB, and CEO membership in the board have positive impact on corporate performance.

Coles *et al* (2008) also showed that the structure of the board had a positive relationship on performance in complex organizations, as a higher number of directors corresponded to a higher level of company performance. Likewise, Bozec and Dia (2007) supported this positive correlation, arguing that the structure of the board can

help a company to reduce environmental uncertainties through their different professional qualities.

On the contrary, Wei Wu (2009) found no significant associations between the proportion of independent directors in the board and firm performance using quantitative approach. Ghabayen (2012), likewise reported that board composition has a significant negative relationship.

This can be explained by the context of the studies that varied considerably. Ghabayen (2012) looks at profit making firms and uses size, audit committee composition as variables of structure of the board. This study looks at composition and size, board independence, director competency and experience as variables of structure of the board. Another possible explanation to the contradiction can be attributed to the method of analysis used to measure performance. Wei Wu (2009) uses Tobins Q to measure performance which has shortcomings because estimation of the ratio q is not always easy. This study uses composite score to measure performance by getting a mean of all the variables of performance.

### 4.6 Findings on Effect of Clarity of Roles and Responsibilities of the Board on Performance of Public TVET Institutions in Nyanza Region, Kenya.

The second objective of the study was to ascertain the effect of clarity of roles and responsibilities of the board on the performance of public TVET institutions in Nyanza region, Kenya. This was investigated by use of a pre-designed questionnaire tailored to collect the views of the respondents on clarity of roles and responsibilities of the board. The questionnaire was a Likert-scaled-itemed type, in which respondents choose from 5-point score; strongly agree, agree undecided, disagree and strongly disagree. The students' respondents were asked to score on the statements based on their perception on clarity of roles and responsibilities in relationship to performance of public TVET institution. The statements in which this construct was based included; whether the board clearly understand their roles, each director was reviewed to ensure no conflict of interest, directors act with due diligence to ensure that the institution meets its obligation or directors ensure protection and use of the institutions assets.

### 4.6.1 A Descriptive Statistics on Clarity of Roles and Responsibilities of the Board

**Table 4.9: Descriptive Statistics on Clarity of Roles**

| | N | Mean | | Std. Deviation |
|---|---|---|---|---|
| | Statistic | Statistic | Std. Error | Statistic |
| Understanding roles | 90 | 2.13 | .111 | 1.051 |
| No personal interest | 90 | 2.92 | .149 | 1.416 |
| Acting with due diligence | 90 | 2.29 | .114 | 1.084 |
| Protection of assets | 90 | 2.26 | .111 | 1.055 |

**Source:** Survey Data (2015)

Table 4.9 indicates that an aspect of clarity of roles and responsibility that most impact on performance of TVET was, 'the board of directors reviews each director to ensure that no one advances their personal interest'. This was revealed by high mean displayed by this item (mean=2.92, standard deviation=1.416 and standard error =.149). This denotes that many of the respondents were in agreement that their boards exhibit high level of independence without due influence from a particular director. However, the item with the lowest mean (mean=2.13, standard deviation =1.05 and standard error =.111) was whether the board understand clearly their roles and responsibility.

### 4.6.2 Frequency Percentage of Responses on Clarity of Roles and Responsibilities of the Board.

The researcher computed percentage frequencies of responses on each item and tabulated as shown in Table 4.10**.**

**Table 4.10 Frequency Percentage of Response on Clarity of Roles**

| | Strongly agree | Agree | Undecided | Disagree | Strongly disagree |
|---|---|---|---|---|---|
| Understanding roles | 25.6 | 54.4 | 5.6 | 10.0 | 4.4 |
| No personal interest | 12.2 | 41.1 | 14.4 | 6.7 | 25.6 |
| Acting with due diligence | 18.9 | 55.6 | 10.0 | 8.9 | 6.7 |
| Protection of assets | 16.7 | 61.1 | 11.1 | 2.2 | 8.9 |

**Source:** Survey Data (2015)

From Table 4.10, the findings of the study show that an overwhelming majority of the respondents held the perception that the board clearly understood their roles and responsibilities. This was reflected by over three quarters (strongly agreed: 25.6%; agreed: 54.4%) of the respondents who confirmed that the boards in their institution evidently understood their roles and duties. Whereas 14.4% of those who took part in the study negated the statement, 5.6% of them decided to remain non-committal on the matter. On the same note, it emerged from the findings of the study that most board members understand their duty towards acting with due diligence to ensure the institution meets its obligation. This fact was supported by a significant proportion of the respondents; 18.9% of them strongly agreed and another 55.6% agreed that their boards act with due diligence to ensure their institutions meet its obligation. Only less than a fifth (15.6%) of respondents held a divergent opinion, as 10% remained undecided on the assertion.

The findings of the study revealed that the respondents were divided on whether the board of directors reviewed each director to ensure that none of them advances their personal interests. Although slightly more than half (53.3%) of the respondents agreed that board of directors ensured that personal interests of a single member did not override others, nearly a third (32.3%) of them were in disagreement that their boards did anything to ensure that personal interests of individual member of the board was not given priority over the institutions interests. On the same point of view, it was established that most board of directors ensure protection and use of the institutions assets. This fact was reflected by over three quarters (77.8%) of the respondents who were in full agreement that protection and use of institution assets was a key duty of

board of directors. Just a paltry 11.1% had a belief that although this ought to have been the case, it was not true with most of the board members.

### 4.6.3 Hypothesis Testing of Objective 2: Effect of Clarity of roles and responsibilities of the Board on Performance.

To answer the research hypothesis of this objective, the researcher established whether there was any significant relationship between the clarity of roles and responsibilities, and performance of TVET institutions. This was investigated by computing the Pearson's Product-Moment Coefficient of correlation between the two variables. The SSPS output shown in table 4.11 shows the correlation analysis results.

**Table 4.11: Correlations**

| | | Performance | Clarity of roles |
|---|---|---|---|
| Performance | Pearson Correlation | 1 | .493** |
| | Sig. (2-tailed) | | .000 |
| | N | 90 | 90 |
| Clarity of roles | Pearson Correlation | .493** | 1 |
| | Sig. (2-tailed) | .000 | |
| | N | 90 | 90 |

**. Correlation is significant at the 0.01 level (2-tailed). **Source:** Survey Data (2015)

The study established, a plausible positive (r =.493) correlation between the two variables. The analysis indicated that there was significant ($p<0.05$) positive relationship between the clarity of roles and responsibility, and performance of TVET institutions. $R^2$ =24.3%. This implies that improved or better clarity of roles and responsibility, results in 24.3% of performance in TVET institutions in the Nyanza region. This is in line with Braxton, (2008) who point out that degree of clarity has also been linked to performance whereby a person who is clear about their role will be more apt in fulfilling that particular function. Thus, if a person needs to be clear about their role in order to perform, it is necessary to know whether particular types of roles need to be fulfilled to be successful within the world of work. Conflicting expectations regarding a team member's role can become a hindrance to success and can impact individual performance within the team because individual accountability is adversely impacted if individuals are unclear about their type of role (Grimshaw &

Baron, 2010). This also means that team members need to be aware of the types of roles of other members within the team. It then becomes clear that the success of various role types can be affected by ambiguity, conflicting expectations and overload, which can actually hamper team success. This finding is related to the agency theory which indicates that the board is central to corporate governance arrangements and its main function is to act as a monitoring device to control management therefore making it necessary for the board to understand their roles.

The findings are in line with (Khan, Wolfe, Quinn, Bray and Brawley, (2000) who found a significant relationship between clarity of roles and responsibility and performance. This study deviates from the studies by (Khan, 2001; Covin, Slevin, & Schultz, 1994) that were unable to find a significant relationship between clarity of roles and responsibility and performance. This study therefore makes a milestone in providing a model which indicates an optimal level of performance of TVET Institutions.

The different results can be explained by the context of the studies and the different variables looked at under clarity of roles that varied considerably. Khan look at vision, role clarity mutual trust and cohesion while this study looks at ethical and responsible decision making and conflict of interest as variables of clarity of roles. Another possible explanation to the type of organizations studied Braxton, (2008) look at listed companies whose primary motive is to earn profit while this study looks at public TVET institutions.

### 4.7. Findings on the Effect of Safeguarding of Integrity in Financial Reporting on Performance of Public TVET Institutions in Nyanza Region, Kenya.

This objective of the study was investigated by the use of a questionnaire designed to seek the respondents' views on the constructs of integrity in financial reporting. The key aspect of integrity in financial reporting include, departmental audit, independence of audit, regular report reviews, competency of personnel in accounts and finance departments, adequacy of financial management system, and preparation and planning of board meetings. True to the generally held opinion that there is a link between audit quality and financial performance, the findings of the study, as

reflected in Table 4.12, show that TVET institutions recognize this fact has adopted to safeguard sound financial reporting.

### 4.7.1 Frequency of response on safeguarding of integrity in financial reporting

**Table 4.12 Frequency percentages of response on integrity in financial reporting**

| | **Strongly Agree** | **Agree** | **Undecided** | **Disagree** | **Strongly Disagree** |
|---|---|---|---|---|---|
| Departmental audit | 5.6 | 44.4 | 12. 2 | 28.9 | 8.9 |
| Independent audit | 5.6 | 44.4 | 11.1 | 28.9 | 10.9 |
| Regular report review | 12. 2 | 40.0 | 14.4 | 32. 2 | 1.1 |
| Competent personnel | 13.3 | 52. 2 | 12. 2 | 17.8 | 4.4 |
| Adequate financial management system | 17.8 | 46.7 | 8.9 | 17.8 | 8.9 |
| Satisfactory board meetings | 11.1 | 57.8 | 14.4 | 12. 2 | 4.4 |

**Source:** Survey Data (2015)

The findings of the study show that there were some elements of departmental audit within the various TVET institutions that the study focused on. The analysis of the responses indicate that majority (51%) of the respondents expressed an agreement with the assertion that departmental audit were being undertaken regularly. Those who were undecided were 12.2% whereas those who were in disagreement were 37.8%. This revealed that despite the fact that majority of the respondents agreed that auditing was done in all departments in the institution, a significant proportion of them did not accept that fact. On the same note, there was evident of divided opinion on whether there was independence in audit. Although 50% of the respondents were in agreement that independent audit was being done within their institutions, 38.9% of them denied the allegation that audit was conducted by independent auditors and 11.1% decided not to divulge their view on the matter.

On the competency of the personnel in the financial department, the findings indicate that 52.2% of the respondents agreed that the institutions had competent personnel and 13.3% of the respondents strongly agreed to this statement. Those who agreed argued that the directors ensured that qualified and competent personnel were employed to undertake accounting and financial responsibility. Whereas 12.2% of the

respondents were undecided, those who generally disagreed were 22.2% of the respondents. When the respondents views was sought on adequacy of financial management system, the findings of the study indicate that nearly two thirds (64.4%) of the respondents agreed that the financial information management system was adequate. They held the view that the directors maintain adequate systems of financial management control over the institutions. The number of the respondents who accepted that financial system was adequate was overwhelmingly over and above those who disagreed (26.7%) that adequacy of financial management system existed. However, there were satisfactory board meetings in most TVET institutions as indicated by the over two thirds (68.9%) of the respondents who were in agreement that there were acceptable board meetings within the institutions. It was established that the board of directors regularly review reports from the executive committee, audit committee, other committees of the board, compliance personnel, and outside experts at board meetings. On the flip flop, 16.6% of respondents disagreed that there were satisfactory board meetings and another 14.4% of the remained undecided on the matter. Those who disagreed argued that preparation and planning of board meetings were not satisfactory.

### 4.7.2: Descriptive Statistics of Responses on safeguarding of Integrity in Financial Reporting

**Table 4.13: Descriptive Statistics of Responses on Integrity in Financial Reporting**

| | N | Mean | | Std. Deviation |
|---|---|---|---|---|
| | Statistic | Statistic | Std. Error | Statistic |
| Departmental audit | 90 | 2.91 | .121 | 1.148 |
| Independent audit | 90 | 2.93 | .123 | 1.169 |
| Regular report review | 90 | 2.70 | .114 | 1.086 |
| Competent personnel | 90 | 2.48 | .113 | 1.073 |
| Adequate financial system | 90 | 2.53 | .130 | 1.229 |
| Satisfactory board meetings | 90 | 2.41 | .105 | .993 |

**Source:** Survey Data (2015)

Table 4.13 shows that most respondents had comparatively more confidence with independence of the auditing department as an element of integrity of financial reporting. This was indicated by the highest mean (M=2.93, Std.Dev. =1.169 and Std. Error =.123). Preparation and planning of the board meetings had the poorest performance, with the mean of 2.41, standard deviation of .993 and standard error of .105.

### 4.7.3: Hypothesis testing of the Third Objective: The effect of Integrity in Financial Reporting on Performance.

To address the third objective of the study, the null hypothesis "there is no relationship between timely and integrity of financial reporting and performance of TVET institutions in Nyanza region, Kenya" was tested. To do this a correlation analysis was conducted. The set of scores on the integrity of financial reporting was used as the independent variable while scores from performance of TVET questionnaire was used as the explanatory variable (dependant variable).

**Table 4.14: Correlations of performance and integrity of financial reporting**

| | | Performance | Integrity of financial reporting |
|---|---|---|---|
| Performance | Pearson Correlation | 1 | .778** |
| | Sig. (2-tailed) | | .000 |
| | N | 90 | 90 |
| Integrity of financial reporting | Pearson Correlation | .778** | 1 |
| | Sig. (2-tailed) | .000 | |
| | N | 90 | 90 |

**. Correlation is significant at the 0.01 level (2-tailed). **Source:** Survey Data (2015)

The Pearson Product-Moment correlation coefficient (r = .778) computed indicated that there was high positive correlation between integrity of financial reporting and performance in TVET institutions from Nyanza region. The analysis revealed highly significant (p = 0.000) positive relationship between the two variables. (SSPS output is shown in Table 4.14). Hence it is acceptable to conclude that there was a

significant positive association between integrity of financial reporting and performance of TVET institutions. $R^2$ =60.52 indicating that integrity of financial reporting contributes up to 60.52% of performance in Nyanza TVET Institutions.
Hence it is acceptable to conclude that there was a significant positive association between integrity of financial reporting and performance of TVET institutions, and that integrity of financial reporting is very important in determining performance.

This finding is in line with (Krishnan and Lee 2009). Farouk et al., (2014); Bai et al., (2008) who explain how false financial statements, no matter if it is there by manipulation or error, will affect the whole report. Overstating revenue would mutually increase account receivables and/or cash, as well as the other way around. This higher income will raise the shareholders equity since shareholders equity is mostly based on income. If the companies on the other hand choose to underestimate expenses it would jointly raise cash or inventory accounts, this would lead to overstated total assets. The finding are also in line with Farouk *et al*., (2014) and Ettredge *et al*., (2008) who found a significant positive relationship between the two variables.

On the other hand, the study findings reveal contradiction Murya (2010). The results reveal that independence, audit committee independence and expertise, nomination committee independence, chairman independence, the level of NED fees and an independent and specialized external auditor are negatively associated with earnings management at significant levels.

This can be explained by the context of the studies that varied considerably. Another possible explanation to the contradiction is the period covered for study. Murya (2010) covers the period of four financial years while this study covers the period of two financial years.

**4.8 Findings on the Influence of Timely and Balance of Disclosure of Institutional** Matters on Performance of Public TVET Institutions in Nyanza Region, Kenya.
This objective of the study was to determine the influence of timely and balance of disclosure of institutional matters on performance of public TVET institutions in Nyanza region, Kenya. To address this objective, seven-itemed questionnaire was

used to collect the views of the respondents on timely and balance of disclosure of matters of institution on performance. The respondents were asked to score on the statements based on their perception on disclosure of institutional matters in relationship to performance of public TVET institution. The questionnaire was in form of Likert-scale. The respondents were to choose from 5-point score; strongly agree, agree, undecided, disagree and strongly disagree.

### 4.8.1 Frequency of Response on Timely and Balance of Disclosure

**Table 4.15: Percentage Response on Timely and Balance of Disclosure**

| Statements | Strongly Agree | Agree | Undecided | Disagree | Strongly Disagree |
|---|---|---|---|---|---|
| Legal document is supplied | 20.0 | 46.7 | 25.6 | 5.6 | 2.2 |
| Policy documents | 17.8 | 58.9 | 12.2 | 1.1 | 10.0 |
| Information receipt | 10.0 | 51.1 | 18.9 | 10.0 | 10.0 |
| Information communicated | 8.9 | 57.8 | 11.1 | 16.7 | 5.6 |
| Timely information receipt | 10.0 | 57.2 | 17.3 | 1.3 | 14.2 |
| Proactive communication strategy | 12.5 | 52.0 | 11.2 | 8.1 | 16.2 |
| Advice on governance | 15.6 | 55.6 | 9.2 | 10.7 | 8.9 |

**Source:** Survey Data (2015)

The findings of the study show that the majority of the respondents agreed that the board members were supplied with legal documents. Although slightly more than a quarter (25.6%) of the respondents declined to give their position regarding supply of legal documents, a significant majority (66.7%) generally agreed that every board member is supplied with all legal documents, mission statement, mission and strategic documents of the institution on first appointment. Only a negligible 7.8% of those who took part in the study rejected the claim that board members were supplied with legal documents. Regarding whether members of the board were given copies of all relevant documents, it was established that two thirds (66.7%) of the respondents confirmed that every board member receives copies of all policy documents, personnel and financial manuals regularly as deemed necessary. Only 12.2% and 11.1% of the respondents remained undecided and disagreed with the statement respectively.

It was found out that the boards receive sufficient information from management, this fact was supported by 61.1% (strongly agree: 10.0%, agree: 51.1%) of the respondents. Equal numbers of respondents, at 10.0% rejected or were undecided on the statement that boards receive sufficient information from management. On the same footings, it was established that the boards' information requirements are communicated to management. 8.9% and 57.8% of the respondents strongly agreed and agreed respectively that requirements of information by the boards are communicated to managements, 22.3% of them refuted the assertion, while 11.1% of them remained undecided. In addition, more than a third (67.2%) of the respondents alluded that the requested information are received in time. However, 17.3% of them remained non-committal as 15.5% of them disagreed with that assertion.

Regarding the issue of communication strategy, it was established that the board is proactive in developing an effective communication strategy for the institution. This was confirmed by the majority (12.5% strongly agreed and 52% agreed) of the respondents who acknowledged that the boards take the initiative in developing an effective communication strategy. On the other side, nearly a quarter (24.3%) of the respondents held a divergent opinion and 11.2% of them remained undecided on the matter. It emerged from the results of the study that the institution's secretary advices the board on matters of governance and the applicable law.

### 4.8.2 Descriptive Statistics of Frequency of Response on Timely and Balance of Disclosure

**Table 4.16: Descriptive Statistics on Response on Timely and Balance of Disclosure**

| | N | Mean | | Std. Deviation |
|---|---|---|---|---|
| | Statistic | Statistic | Std. Error | Statistic |
| Legal document supply | 90 | 2.23 | .096 | .912 |
| Policy documents | 90 | 2.27 | .115 | 1.089 |
| Information receipt | 90 | 2.59 | .118 | 1.121 |
| Information communicated | 90 | 2.52 | .111 | 1.052 |
| Timely information receipt | 90 | 2.41 | .096 | .911 |
| Proactive communication strategy | 90 | 2.47 | .129 | 1.220 |
| Advice on governance | 90 | 2.41 | .120 | 1.141 |

**Source:** Survey Data (2015)

From the Table 4.16, the item with the highest mean (M=2.59, Std. Dev.=1.121 and Std. Error=.118) was that every board member receives copies of all policy documents, personnel and financial manuals regularly as deemed necessary, while legal documents supply received least (M=2.23, Std. Dev.=.912 and Std. Error=.096) agreement from the respondents.

### 4.8.3 Hypothesis Testing on Objective 4: The Influence of Timely and Balanced Disclosure of Institutional Matters on Performance.

To respond to this objective of the study a test on the hypothesis; "there is no statistically significant relationship between timely and balance disclosure of matters, and performance of public TVET institutions in Nyanza region, Kenya" was conducted.The relationship between the two variables was investigated using Pearson product-moment correlation coefficient. Timely and balance disclosure was used as an independent variable, while level of performance was used as a dependent variable. Preliminary analyses were performed to ensure no violation of the assumptions of normality, linearity and homoscedasticity. Table 4.17 shows the correlation test SSPS output.

**Table 4.17: Correlations between performance and disclosure of matters**

| | | Performance | Disclosure of matters |
|---|---|---|---|
| Performance | Pearson Correlation | 1 | .776** |
| | Sig. (2-tailed) | | .000 |
| | N | 90 | 90 |
| Disclosure of matters | Pearson Correlation | .776** | 1 |
| | Sig. (2-tailed) | .000 | |
| | N | 90 | 90 |

**. Correlation is significant at the 0.01 level (2-tailed). **Source:** Survey Data (2015)

The fourth objective, timely and balance of disclosure of institutional matters is positively related to performance. The relationship shows a strong uphill positive linear relationship. [r=.776, p=0.000] .The relationship is significant. $R^2$=60.217. This means that timely and balanced disclosure of institutional matters contribute up to 60.52% of performance in TVET Institutions in Nyanza region Kenya.

The findings are in line with (Bassett, Koh and Tutticci, 2007;Kent and Zunker, 2010), who indicate that disclosures that are more comprehensive are likely to be more informative, therefore it is anticipated that there is a positive relationship between the level of voluntary employee disclosures and recognized measures of corporate governance. This finding are also in line with Aburaya (2012); Owuigbe (2011) who similarly find timely and balance of disclosure to be positively related to performance.

The study findings however also reveal contradiction. Dulacha *et al*., 2006 who found a significant negative association on voluntary disclosure and performance. This can be explained by the context of the studies that varied considerably. Another possible explanation to the contradiction can be attributed to the method of analysis used to measure performance. Dulacha *et al*., 2006) use pooled Ordinary Least Squares with panel corrected standard errors to measure performance while this study uses regression analysis to measure performance.

### 4.9 Findings on the Relationship between Effectiveness of the Board of Directors and the Performance of Public TVET Institutions in Nyanza Region, Kenya.

The fifth objective of the study was to establish the relationship between effectiveness of the board of directors and the performance of public TVET institutions in Nyanza region, Kenya. To explore the effectiveness of board directors an instrument used was an eleven-itemed Likert-scaled questionnaire of five options. The options of the effectiveness (strongly agree, agree, undecided, disagree and strongly disagree) were used to assess the respondents' views on various indicators of aspects of effectiveness of board of directors. Frequency percentages of the responses on the measuring scale was computed.

### 4.9.1 Percentage Response on Effectiveness of Board of Directors

**Table 4.18: Percentage Frequency of Response on Effectiveness of Board of Directors**

| | Strongly Agree | Agree | Undecided | Disagree | Strongly Disagree |
|---|---|---|---|---|---|
| Technical knowledge | 31.1 | 35.6 | 13.3 | 15.6 | 4.4 |
| Appropriate induction | 14.4 | 35.6 | 26.7 | 14.4 | 8.9 |
| Easy information access | 9.0 | 61.0 | 19.0 | 5.2 | 6.8 |
| Understanding socioeconomic | 6.7 | 62.2 | 16.7 | 8.9 | 5.6 |
| Meeting participation | 12.2 | 51.1 | 31.1 | 5.6 | 0.0 |
| Performance focus | 20.0 | 52.2 | 7.8 | 10.0 | 10.0 |
| Regular attendance | 17.5 | 57.5 | 18.2 | 0.0 | 5.8 |
| Day to day supervision | 13.3 | 41.1 | 24.4 | 6.7 | 14.4 |
| Directors commitment | 8.9 | 43.3 | 22.2 | 22.2 | 3.3 |
| Enough experience | 7.8 | 54.4 | 24.4 | 4.4 | 8.9 |
| Adequate competence | 12.2 | 41.1 | 20.0 | 18.9 | 7.8 |

**Source:** Survey Data (2015)

The findings of the study, as revealed by the analysis of respondents' responses, show that TVET boards ability to perform their functions effectively were above average in most cases. For example, although a fifth (20.0%) of respondents rated their boards' effectiveness as below average, a significant proportion (66.7%) of the respondents was satisfied with the level of their boards' effectiveness. They observed that their directors possess technical knowledge to help in running the institution by making decision that require skills and expertise to some extent. On the same note, it emerged from the findings of the study that the directors are given appropriate induction and education upon first appointment. This was confirmed by half (strongly agree: 14.4%; agree: 35.6%) of the respondents who observed that the directors are given relevant induction before they start their duties. This was quite sizeable proportion compared to the meager 8.9% of the respondents who strongly insisted that their directors were never inducted when they first join the organization. However, slightly more than a quarter (26.4%) of the study participants was undecided on the matter.

It was also established from the results of the study that the directors could easily access information from their institution, as indicated by 70.0% of the respondents who were in agreement. Whereas, 12% of the respondents openly indicated that they disagreed with the assertion that directors had full access to relevant information in the organization, nearly a fifth (19.0%) of them remained non-committal on the issue. On the issues facing the institution, the study findings indicates that most (68.9%) of the respondents had perception that the directors understand clearly socio economic issues facing the institution. On the contrary, 14.5% of them held the opinion that many of the directors did not comprehend clearly socio economic matters facing their institutions and another 16.7% declined to indicate their view on the matter.

Regarding the issue of meeting attendance, it was found out that the directors regularly attend meetings during the year. Although 5.8% of the respondents strongly disagreed and 18.2% of them were undecided on whether the directors in their institutions were really regular in the attending meetings, a significant majority (strongly agree: 17.5%; agree: 57.5%) of the respondents accepted that the directors were regular in attending meetings. In addition, 12.2% strongly agreed and 51.1% agreed that the directors fully participate in meetings and stay for full duration of meeting. However, a significant proportion (31.1%) of those who participated in the study remained undecided on the matter but the other 5.6% of them casted doubt on whether the directors fully participate in those meetings.

It emerged from the research findings that directors' understandings of the performance focus of the institutions were favourable to the performance of the said institutions. Despite the fact that there was open divided opinion among the respondents on directors understanding of their institutions performance focus, it was still clear that significant majority (72.2%) held the opinion that directors understood performance focus of their institutions. Less than a tenth (7.8%) of the respondents remained undecided on that matter, but those who were in disagreement formed 20% of the study participants. On the same note, it was revealed by the findings of the study that directors' commitment surpasses anticipations. This was reflected by more than half (52.2%) of the respondents who were in agreement with the assertion that directors' commitment meets or exceeds expectations, compared to a mere 25.5%

who had a divergent opinion. However, it was noted with a great concern that a significant proportion (22.2%) of the respondents remained undecided.

As regards supervision of daily activities, the study findings indicate that quite sizeable number (24.4%) of respondents was undecided. Nevertheless, it still stood out clearly, as reflected by the majority (54.4%) of the respondents who agreed that the board ensures that the executive officers appropriately manage and supervise day to day activities. Only 21.1% of the respondents were of different opinion, they claimed that the management and supervision of the day to day activities was done by the executive officers, not because they were supervised by the board but due to their own initiative. But on the other hand, those who believed that board supervised the executive officers for day to day activities argued that the board has enough depth of experience to constructively challenge management. This statement was supported by 62.2% of the respondents, but disagreed by 13.3% of the respondents. Again, nearly a quarter (24.4%) of them remained undecided on this matter.

Lastly, the findings of the study show that the TVET institutions have the right mix of skills and knowledge. This was proved by the majority (53.3%) of respondents who acknowledged that the mix of board competency is adequate and allows directors to engage effectively with business issues and changing conditions. They argued that their boards have adequate knowledge to provide good input on most issues of discussion; this was enhanced by variety of skills and knowledge possessed by board members. On the contrary, whereas 20% of the respondents decided to remain noncommittal on the matter, more than a quarter (26.7%) of the respondents had a divergent opinion. They said that the boards in their institution did not have the right mix of skills and knowledge.

### 4.9.2 Descriptive Statistics of Response frequency on Effectiveness of Board of Directors

**Table 4.19: Descriptive Statistics on Effectiveness of Board of Directors**

| | N | Mean | | Std. Deviation |
|---|---|---|---|---|
| | Statistic | Statistic | Std. Error | Statistic |
| Technical knowledge | 90 | 2.27 | .125 | 1.188 |
| Appropriate induction | 90 | 2.68 | .122 | 1.160 |
| Easy information access | 90 | 2.39 | .101 | .956 |
| Understanding socioeconomic | 90 | 2.44 | .100 | .949 |
| Meeting participation | 90 | 2.30 | .080 | .756 |
| Performance focus | 90 | 2.38 | .127 | 1.205 |
| Regular attendance | 90 | 2.20 | .101 | .962 |
| Day to day supervision | 90 | 2.68 | .129 | 1.225 |
| Meeting expectation | 90 | 2.68 | .108 | 1.026 |
| Enough experience | 90 | 2.52 | .107 | 1.019 |
| Adequate competence | 90 | 2.69 | .121 | 1.148 |

**Source:** Survey Data (2015)

The results in the descriptive table above reveal that the means of the indicators of board effectiveness were ranging between 2.20 and 2.69. The mix of board competency was found to be adequate and allowed directors to engage effectively with business issues and changing conditions, as indicated by respondents' responses. On the contrary, the TVET institutions seemed to suffer absenteeism of board members in board meetings; the item regular attendance had the least scores (M=2.20, Std. Dev. =.962 and Std. Error=.101).

### 4.9.3 Hypothesis Testing of the Objective 5: Relationship between Effectiveness of the Board of Directors and Performance

To establish the relationship between and performance of TVET institutions, the hypothesis was tested. A Pearson product-moment correlation coefficient was computed. Preliminary analyses were performed to ensure no violation of the assumptions of normality as indicated in Table 4.20

**Table 4.20: Correlations between performance and effective performance of directors**

| | | Performance | Effective performance of directors |
|---|---|---|---|
| Performance | Pearson Correlation | 1 | .789** |
| | Sig. (2-tailed) | | .000 |
| | N | 90 | 90 |
| Effective performance of directors | Pearson Correlation | .789** | 1 |
| | Sig. (2-tailed) | .000 | |
| | N | 90 | 90 |

**. Correlation is significant at the 0.01 level (2-tailed). **Source:** Survey Data (2015)

There were strong, positive significant correlation between the two variables [r =.789, p = 0.00]. [$R^2$=62.25] which implies that effectiveness of the board contribute up to 62.25% of performance in TVET Institutions. In conclusion, given the fact that a significant relationship was established, suffice the study confirmed the alternative hypothesis and consequently upheld the assertion that there is a strong positive uphill relationship between effectiveness of the board and the general performance of TVET institutions in Nyanza region.

This finding is in line with (Nicholson and Kiel 2004) who state that Board effectiveness is mainly concerned with outcomes and occurs by fulfilling a role set There are multiple approaches to determine the concept of board effectiveness, which depends on the scholar‘s background and research objectives (Kuo, 2004; and Van den Berghe and Levrau, 2004). Board effectiveness is determined by the technical knowledge of the board, induction and education of the board and the board’s ability to access information. In this study, the effectiveness of the board of directors is positively related to performance. The findings in this study is in line with Barker (2007) who states that the presence and use of skills and knowledge has been identified as another important dimension of board effectiveness which can in turn improve performance. The study findings are also in line with the study of Ongore, et al., (2011) and Wan Yusoff, (2010) that show a significant positive relationship between managerial discretion and performance. This necessitates therefore a model to find out the optimal level of performance in TVET Institutions.

On the contrary, Kim-Lee Kercher (2013) found no significant associations between board effectiveness is not significantly related to the organization type. This can be explained by the context of the studies that varied considerably. Another possible explanation to the contradiction can be attributed to the sample size which looked rather large compared to the sample size used by Kim Lecher that looked rather very high.

### 4.10: Summary of Hypothesis Testing.

Hypotheses were tested using inferential statistics mainly based on correlation and regression analysis. A bivariate correlation (zero-order correlation) was used to explore the relationship between the variables by computing a Pearson Product-Moment Correlation Coefficient.

#### 4.10.1: Product Moment Correlation Coefficients

Table 4.21 shows SSPS out of the Pearson product moment correlation for the variables put together. From the table, the findings of the study indicate that all the independent variables (structure of board, clarity of roles, and integrity of financial reporting, disclosure of information, effectiveness of board and government policy) were positively associated to performance in TVET institutions in Nyanza region. Government policy was the only independent variable which, though was positively correlated to performance, was not statistically significant (r=.013, P.V=.906, N= 90) at significant level, $\alpha = 0.05$ level.

**Table 4.21 Correlations on elements of corporate governance and performance in TVET institutions**

| | | Performance of TVET | Structure of board | Clarity of roles | Integrity | Disclosure of information | Effectiveness of board |
|---|---|---|---|---|---|---|---|
| Performance of TVET institutions | Pearson Correlation | 1 | .370** | .493** | .778** | .776** | .789** |
| | Sig. (2-tailed) | | .000 | .000 | .000 | .000 | .000 |
| | N | | 90 | 90 | 90 | 90 | 90 |
| Structure of board | Pearson Correlation | | 1 | .649** | .457** | .558** | .482** |
| | Sig. (2-tailed) | | | .000 | .000 | .000 | .000 |
| | N | | | 90 | 90 | 90 | 90 |
| Clarity of roles | Pearson Correlation | | | 1 | .509** | .673** | .603** |
| | Sig. (2-tailed) | | | | .000 | .000 | .000 |
| | N | | | | 90 | 90 | 90 |
| Integrity of financial reporting | Pearson Correlation | | | | 1 | .782** | .757** |
| | Sig. (2-tailed) | | | | | .000 | .000 |
| | N | | | | | 90 | 90 |
| Disclosure of information | Pearson Correlation | | | | | 1 | .794** |
| | Sig. (2-tailed) | | | | | | .000 |
| | N | | | | | | 90 |
| Effectiveness of board | Pearson Correlation | | | | | | 1 |
| | Sig. (2-tailed) | | | | | | |
| | N | | | | | | |

**. Correlation is significant at the 0.01 level (2-tailed). **Source:** Survey Data (2015)

All the variables were significantly positively (PV < .05) correlated to performance in TVET institutions. It was noted that, integrity of financial reporting, disclosure of information and effectiveness of the board had the highest positive correlation to performance in TVET institutions. The independent variable, effectiveness of performance of board of directors, had the highest Product-Moment of Correlation Coefficient (r = .789), integrity of financial reporting was at r=.778 and disclosure of the information had PMCC of r=.776. All the correlation coefficients associated with the performance of TVET institutions were all plausible and had statistical significance. From this analysis a conclusion can be reached that the research established that there was statistically significant relationship between the key principles (structure of board, clarity of roles, integrity of financial reporting, disclosure of information, effectiveness of board) of corporate governance and

performance of Technical, Vocational and Entrepreneurship Training institutions in Nyanza region.

### 4.11 Regression Analysis

Regression analysis is a statistical tool for the investigation of relationships between variables. It generates an equation to describe the statistical relationship between one or more predictor variables and the response variable. The p-value for each term tests the null hypothesis that the coefficient is equal to zero (no effect). A low p-value (< 0.05) indicates that you can reject the null hypothesis. In other words, a predictor that has a low p-value is meaningful addition to the model because changes in the predictor's value are related to changes in the response variable. Conversely, a larger (insignificant) p-value suggests that changes in the predictor are not associated with changes in the response. The results are on table 4.22. Predictors: (Constant), are represented by structure of board, clarity of roles, integrity of financial reporting, timely & balance disclosure , effective performance of directors. On the hand the Dependent Variable is performance. Table 4.22 indicates that R-squared is 0.728 meaning that the independent variables explain 72.8% of the dependent variable. F-statistics, which is a measure of the goodness of fit, is at 44.987 and has a significance of 0.000 meaning that the samples used can be used to make inferences on the entire population.

**Table 4.22 Regression Analysis Model Summary Output**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Change Statistics | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | R Square Change | F Change | df 1 | df 2 | Sig. F Change |
| 1 | .853[a] | .728 | .712 | .441 | .728 | 44.987 | 5 | 84 | .000 |

**Source:** Survey Data (2015)

In the Model Summary box Table 4.22, there is a strong correlation (r = 0.853) between performance of TVET and the five independent variables that were factored in the model as indicated above the value of R Square (.728) indicates how much of the variance in the dependent variable (performance in TVET institutions) was explained by the model (which includes the variables of structure of board, clarity of roles, integrity of financial reporting, disclosure of information, effectiveness of

board). This value expressed as a percentage means that the model explains 72.8 percentage of the variance in performance of TVET. To assess the statistical significance of the result it is necessary to look at the ANOVA results shown in Table 4.23

**Table 4.23 ANOVA Table**

| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 43.678 | 5 | 8.736 | 44.987 | .000[b] |
| | Residual | 16.311 | 84 | .194 | | |
| | Total | 59.990 | 89 | | | |

a. Dependent Variable: Performance

b. Predictors: (Constant), Effectiveness of board, Structure of the board, Clarity of roles, Integrity of Financial Reporting, Disclosure issues

**Source:** Survey Data (2015)

It tests the null hypothesis that multiple R in the population equals 0. In this case the model reaches statistical significance (Sig = .000, p<.05). This implies that the model was highly significant and adequate enough explain the goodness of fit.

### 4.11.1 Evaluating contribution of each of the independent variables

The next thing was to find out the level of contribution of the independent variables included in the model in the prediction of the dependent variable. From the output box of coefficients (Table 4.24), a look at the Beta values under unstandardized coefficients reveals that each independent variable contributes differently to the model.

**Table 4.24 Multiple Regression**

| Model | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. |
|---|---|---|---|---|---|
| | B | Std. Error | Beta | | |
| (Constant) | .053 | .320 | | .167 | .868 |
| Structure of the board | .125 | .089 | .108 | 1.404 | .164 |
| Clarity of roles | .033 | .078 | .037 | .420 | .676 |
| Integrity of Financial Reporting | .288 | .091 | .313 | 3.181 | .002 |
| Timely and balanced Disclosure of issues | .324 | .116 | .323 | 2.798 | .006 |
| Effectiveness of board | .501 | .138 | .370 | 3.626 | .000 |

### 4.11.2 The Regression Model

A regression model for the relationship between the independent variables and dependent variable is shown below. (Refer to table 4.24)

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \varepsilon$$

Where: Y Performance of TVET

$X_1$ Structure of the board

$X_2$ Clarity of roles

$X_3$ Integrity in financial reporting

$X_4$ Timely and balanced Disclosure of institutions

$X_5$ Board Effectiveness

Equation on level of performance in TVET institutions in Nyanza region Kenya can be summarized as below:

$$\text{Performance} = .053 + .125X_1 + .033X_2 + .288X_3 + .324X_4 + .501X_5$$

Where;

$X_1$ Structure of the board

$X_2$ Clarity of roles

$X_3$ Integrity in financial reporting

$X_4$ Timely and balanced Disclosure of institutions

$X_5$ Board Effectiveness

### 4.11.3 The model of the optimal level of performance in TVET Institutions

A model of optimal level of performance in TVET Institutions is shown below. For the optimal level of performance we only use the values which are significant, Refer to table 4.24

In this model: $Y = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \varepsilon$.

| | | |
|---|---|---|
| Where: | Y | Performance of TVET |
| | $X_1$ | Effectiveness of board of directors |
| | $X_2$ | Integrity in financial reporting |
| | $X_3$ | Disclosure of institutions |

Optimum level of performance in TVET institutions in Nyanza region

$= .053 units + .501 x_1 units + .288\ x_2 units + .324\ x_3 units + \varepsilon$ (Table 4.24).

The model is 72.8% explained by the independent variables. This means that only about 27.5% was explained by other external factors. That is, other factors (not covered in this regression model) could account for about 27.5% of the model. The ANOVA table shows a statistical significant difference (P.V <.05), meaning that there was a strong multi-correlation between the dependent variable and independent variables

# CHAPTER FIVE

# SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This chapter presents a summary of the study, conclusions and recommendations. It also presents the limitations and delimitations of the study. Finally, it suggests areas for further studies.

## 5.1 Summary of Findings.

Research objective one sought to determine the influence of structure of the board and performance of public TVET Institutions in Nyanza region, Kenya. Mean and standard deviation was used to establish this. Respondents reported a high means on the items used to measure structure of the board. Restricted terms of reference scored the highest mean (mean=2.51, standard deviation=1.173 and standard error =.124). This implies that most of the respondents believed that a board with relevant committees has appropriate competencies to enable it discharge its mandate effectively. On the other hand, the item with least mean was whether the roles of chairperson of board and chief executive officer were separated and held by different persons, at mean=2.00, standard deviation =. 960 and standard error =.101. The results show that there was a strong, positive correlation between the two variable; structure of the board and performance. [r= .370, n=90, p<.05]. Hypothesis for the objective was rejected.

When a regression was done, to find out the joint contribution of variables in the model of performance, a result of ($\beta_1$ =0.125; p =0.164), was found which implies that contribution of structure of the board was not significant in the model. This means that structure of the board has minimal effect on performance.

Research objective two sought to ascertain the effect of clarity of roles and responsibilities of the board on the performance of public TVET Institutions in Nyanza region, Kenya. Mean and standard deviation was used to establish this. Respondents indicated that an aspect of clarity of roles and responsibility that most impact on performance of TVET was ‘the board of directors reviews each director to ensure that no one advances their personal interest’. This was revealed by high mean displayed by this item (mean=2.92, standard deviation=1.416 and standard error =.149). This denotes that many of the respondents were in agreement that their boards

exhibit high level of independence without due influence from a particular director. However, the item with the lowest mean (mean=2.13, standard deviation =1.05 and standard error =.111) was whether the board understand clearly their roles and responsibility. The study established, a plausible positive (r =.493) correlation between the two variables. The analysis indicated that there was significant ($p<0.05$) positive relationship between the clarity of roles and responsibility, and performance of TVET institutions. The hypothesis was nullified.

When a regression analysis was done to find out the joint effect of the variables on the model, a result of ($\beta_2$ =0.033; p =0.676) was found. This implies that clarity of roles is not significant meaning that clarity of roles has minimal effect in determining performance

Research objective three sought to establish the effect of safeguarding of integrity in financial reporting on performance of public TVET institutions in Nyanza region, Kenya. Respondents had comparatively more confidence with independence of the auditing department as an element of integrity of financial reporting. This was indicated by the highest mean (M=2.93, Std.Dev. =1.169 and Std.Error =.123). Preparation and planning of the board meetings had the poorest performance, with the mean of 2.41, standard deviation of .993 and standard error of .105. The Pearson Product-Moment correlation coefficient (r = .778) computed indicated that there was high positive correlation between integrity of financial reporting and performance in TVET institutions from Nyanza region. The analysis revealed highly significant ($p < 0.05$) positive relationship between the two variables. Hypothesis for the objective was rejected. The regression analysis revealed a result of ($\beta_3$ =0.288; p =0.002) which implies that integrity in financial reporting is significant. This means that integrity in financial reporting has a substantial effect on performance.

Research objective four sought to determine the influence of timely and balance of disclosure of institutional matters on performance of public TVET Institutions in Nyanza region, Kenya. Respondents indicated that the item with the highest mean (M=2.59, Std. Dev.=1.121 and Std. Error=.118) was that “every board member receives copies of all policy documents, personnel and financial manuals regularly as deemed necessary,” while “legal documents supply” received least (M=2.23, Std.

Dev.=.912 and Std. Error=.096) agreement from the respondents. The fourth objective, timely and balance of disclosure of institutional matters is positively related to performance indicated that the coefficient of determination $R^2$= 60.2%. This means that influence of timely disclosure of matters alone would help to account for ≈60 per cent of the variance in respondents' scores on the performance scale in the questionnaire of the respondents. The hypothesis for this objective was rejected. The regression analysis revealed a result of ($\beta 4$ =0.324; p =0.006) which implies timely and balanced disclosure of Institutional matters is significant. This means that integrity in financial reporting has a substantial effect on performance.

Research objective five sought to establish the relationship between effectiveness of the board of directors and the performance of public TVET Institutions in Nyanza region, Kenya. The findings indicated that the means of the indicators of board effectiveness were ranging between 2.20 and 2.69. The mix of board competency was found to be adequate and allowed directors to engage effectively with business issues and changing conditions, as indicated by respondents' responses. On the contrary, the TVET institutions seemed to suffer absenteeism of board members in board meetings; the item regular attendance had the least scores (M=2.20, Std. Dev. =.962 and Std. Error=.101). There was a strong, positive correlation between the two variables [r =.789, n=90, p<.05]. Hypothesis for this objective was rejected. The regression analysis indicated ($\beta_5$ =0.501; p =0.000). This implies that effectiveness of the board is significant which means that effectiveness of the board has a substantial effect on performance

**5.2 Conclusions of the Study**

The first conclusion based on the first objective is that structure of the board has a minimal effect in predicting performance in TVET Institutions in Nyanza region, Kenya. Conclusion for the second objective is that clarity of roles has a minimal effect in predicting performance of TVET Institutions in Nyanza region Kenya. The third conclusion is that integrity of financial reporting, disclosure of information, and effectiveness of board have a substantial effect on performance.

### 5.3 Recommendations of the study

The finding in this study on structure of the board is that it has direct implications for board of governors since there was a positive correlation between the structure of the board and performance. Though contribution of structure of the board is seen to be minimal in the regression analysis, the positive correlation between structure of the board and performance indicates that a board with appropriate competencies is able to discharge its duties effectively. It is therefore recommended that the government and the key stakeholders should look at and embrace structure of the board when appointing board of directors. This will ensure that performance of TVET Institutions is improved on.

Clarity of roles and responsibilities was also found to be positively correlated to performance. Though the effect in the regression analysis shows a minimal effect, the positive correlation between clarity of roles and responsibilities on performance leads us to recommend that board of governors should be clear of their roles and in discharging their duties. They should be devoid of conflict of interest and also ensure that they make ethical and responsible decisions.

For objective three, the results reveal that integrity in financial reporting contributes up to 60.52 of performance. It is therefore recommended that the board should ensure that auditing is done regularly and that the auditors are competent and independent.

For timely and balanced disclosure of institutional matters, it is recommended that this should be done by venting, authorization and monitoring since timely and balanced disclosure of Institutional matters is a base for informed decision making by stakeholders and potential investors. If the board is to have a significant role in governing an institution, and minimize their exposure to legal liability, they should take and treat the institution affairs as crucial and understand what to disclose and when to disclose certain information. When this is done improved performance will be seen.

Effectiveness of the board was found to make the highest 62.25% contribution of performance. Effectiveness of the board looked at technical knowledge, induction and education and finally access to information. It is therefore recommended the

constructs of effectiveness of the board mentioned should be taken into account when appointing a board of management to ensure performance.

**5.4 Contribution of the Study.**

TVET is a major initiative by the government that was envisaged as an occupational field to provide the foundation for productive and satisfying careers and offer specialized preparations for initial employment, including self-employment. In addition, in line with Poverty Reduction Strategy (PRS) policy of the government, it is proposed that technological development and self- employment programs be provided to enhance employment creation and hence reduce poverty in Kenya. Policy makers therefore have a responsibility to ensure that the board of management of these institutions has the necessary knowledge and skills to enable these institutions achieve their objectives. The study found that integrity in financial reporting is important in determining performance in these institutions since it had a substantial effect on performance. The government should therefore put mechanisms in place to ensure auditing is done regularly in all department in the institution and that the auditors are competent and independent to realize integrity in financial reporting.

The study also reported that timely and balance of disclosure of institutional matters contribute substantially to the performance of TVET Institutions. Policy makers should therefore ensure that there is timely and balanced disclosure of institutional matters since they provide the base for informed decision making. In addition, for the board to be effective, they should have technical knowledge, they should be given induction and education and they should be allowed to access information about the Institution.

Finally, the study reports that effectiveness of the board contributes significantly to performance. For performance to be realized, the government should therefore ensure that the board of management possess relevant skills, and ensure that induction education and access of information is provided to the board of management.

## 5.5 Limitations of the Study

In the determination of the levels of performance, there are often many variables that influence it. In this study, only five factors were looked into and although the results showed some positivity, the coefficient of the constant suggested that despite the five variables considered, there are some variables that were left which the study did not incorporate. The results were based on primary data which, generally is determined by perceptions.

## 5.6 Suggestions for Further Study.

There is need to replicate the same study in other areas of the country to check whether the same results would hold. Such areas may be areas manufacturing sector and other service allied sectors. Since the study was conducted at one point in time, future researchers should do the same study in a longitudinal manner so as to observe the trends of effect of corporate governance on performance.

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# APPENDICES

## Appendix I: Research Authorization

NACOSTI

**NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY AND INNOVATION**

Telephone: +254-20-2213471, 2241349, 310571, 2219420
Fax: +254-20-318245, 318249
Email: secretary@nacosti.go.ke
Website: www.nacosti.go.ke
When replying please quote

9th Floor, Utalii House
Uhuru Highway
P.O. Box 30623-00100
NAIROBI-KENYA

Ref: No.

Date:

**2nd October, 2015**

**NACOSTI/P/15/97267/8223**

Mercy Florah Oluoch
Maseno University
Private Bag
**MASENO.**

**RE: RESEARCH AUTHORIZATION**

Following your application for authority to carry out research on ***"Effect of corporate governance principles on performance of TVET institutions Nyanza Region, Kenya,"*** I am pleased to inform you that you have been authorized to undertake research in **Kisii, Kisumu, Migori, Nyamira Homabay and Siaya Counties** for a period ending **2nd October, 2016.**

You are advised to report to **the Principals of selected TVET Institutions, the County Commissioners and the County Directors of Education, Selected Counties** before embarking on the research project.

On completion of the research, you are expected to submit **two hard copies and one soft copy in pdf** of the research report/thesis to our office.

**SAID HUSSEIN**
**FOR: DIRECTOR GENERAL/CEO**

Copy to:

The Principals
Selected TVET Institutions.

The County Commissioners
Selected Counties.

*National Commission for Science, Technology and Innovation is ISO 9001: 2008 Certified*

**Appendix II: Research Permit**

THIS IS TO CERTIFY THAT:
*MISS. MERCY FLORAH OLUOCH*
of MASENO UNIVERSITY, 0-40100
kisumu,has been permitted to conduct
research in *Kisii , Kisumu , Migori ,*
*Nyamira , Homabay, Siaya Counties*

on the topic: *EFFECT OF CORPORATE GOVERNANCE PRINCIPLES ON PERFORMANCE OF TVET INSTITUTIONS NYANZA REGION, KENYA*

for the period ending:
*2nd October,2016*

Permit No : NACOSTI/P/15/97267/8223
Date Of Issue : 2nd October,2015
Fee Recieved :Ksh 2000

.....
*Applicant's Signature*

.....
*Director General*
*National Commission for Science, Technology & Innovation*

CONDITIONS

1. You must report to the County Commissioner and the County Education Officer of the area before embarking on your research. Failure to do that may lead to the cancellation of your permit
2. Government Officers will not be interviewed without prior appointment.
3. No questionnaire will be used unless it has been approved.
4. Excavation, filming and collection of biological specimens are subject to further permission from the relevant Government Ministries.
5. You are required to submit at least two(2) hard copies and one(1) soft copy of your final report.
6. The Government of Kenya reserves the right to modify the conditions of this permit including its cancellation without notice

REPUBLIC OF KENYA

NACOSTI

National Commission for Science, Technology and Innovation

RESEARCH CLEARANCE PERMIT

Serial No. A 6758

CONDITIONS: see back page

**Appendix III: Research Questionnaire**

Kindly fill this questionnaire as instructed.

PART 1: DEMOGRAPHIC DATA.

Please tick (√) inside the box as appropriate.

| | | | | |
|---|---|---|---|---|
| 1. Gender | Male | ( ) | Female | ( ) |
| 2. Age | 25-35 | ( ) | 36-40 | ( ) |
| | 41-50 | ( ) | 51-60 | ( ) |
| | 61-70 | ( ) | 71-80 | ( ) |

3. Highest Level of Education:

| | | | |
|---|---|---|---|
| 0- Level | ( ) | Certificate | ( ) |
| Diploma | ( ) | Degree | ( ) |
| Masters | ( ) | P.H.D | ( ) |

4. Date first appointed…….……

5. Expected end of term……

6. Skill area on appointment……

PART 2: EFFECT OF CORPORATE GOVERNANCE PRINCIPLES ON PERFOMANCE. Please tick (√) inside the appropriate box

To what extent do you agree with the following statements with regard to staff performance?

Where, 1 = strongly agree; 2 = agree; 3 = undecided; 4= disagree; 5= strongly disagree

*Corporate governance is enhanced when there is a board with appropriate competencies to enable it discharges its mandate effectively. Please indicate the extent to which the following items describe your organization.*

| | STRUCTURE OF THE BOARD FOR VALUE ADDITION | Strongly Agree | Agree | Undecided | Disagree | Strongly Disagree |
|---|---|---|---|---|---|---|
| 1. | The Board has a balanced mix of Executive, Non-Executive and Independent Non-Executive Directors. | | | | | |
| 2. | The roles of Chairperson of the Board and Chief Executive Officer are separated and held by different persons | | | | | |
| 3. | The Board has established and appointed committees with defined terms of reference, composition and reporting requirements. These aspects are formally recorded. | | | | | |
| 4. | The committees have been established and appointed in light of:<br>- The need to increase the effectiveness of the Board by utilizing the specialized Skills of Board members.<br>Need to provide support and guidance to management<br>Need to ensure effective and independent professional consideration of issues e.g. audit reports, finance issues, etc. | | | | | |
| 5. | The Board has established and appointed:-<br>An Executive Committee<br>An audit committee | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| | A Board appointment and remuneration committee | | | | | |
| 6. | The terms of reference of each committee are restricted and defined | | | | | |

Please specify any other aspect (s) you feel your institution utilizes to practice Structure of the Board for Value Addition.

---

……

Please tick (√) inside the appropriate box

To what extent do you agree with the following statements with regard to staff performance?

Where, 1 = strongly agree; 2 = agree; 3 = undecided; 4= disagree; 5= strongly disagree

*It's important that board members have a good understanding of their roles and responsibilities as it will have direct influence on the performance of the institution. Please indicate the extent to which the following items describe your organization.*

| **CLARITY OF ROLES AND RESPONSIBILITY** | **Strongly Agree** | **Agree** | **Undecided** | **Disagree** | **Strongly Disagree** |
|---|---|---|---|---|---|
| 1. The board understand clearly their roles and responsibility | | | | | |
| 2. The board of directors review each director to ensure that no one advances their personal interests | | | | | |
| 3. The board members understand their duty towards acting with due diligence to ensure the institution meets its obligation | | | | | |
| 4. The directors ensure protection and use of the institutions assets | | | | | |

Please specify any other aspect (s) you feel your institution utilizes to practice Structure of the Board for Value Addition.

……

……

Please tick (√) inside the appropriate box

To what extent do you agree with the following statements with regard to staff performance?

Where, 1 = strongly agree; 2 = agree; 3 = undecided; 4= disagree; 5= strongly disagree

*It is widely accepted that there exist a conventional wisdom that a higher quality level of audit forms part of a good governance mechanism. Please indicate the extent to which the following items describe your organization.*

| **INTEGRITY OF FINANCIAL REPORTING** | **Strongly Agree** | **Agree** | **Undecided** | **Disagree** | **Strongly Disagree** |
|---|---|---|---|---|---|
| 5. Auditing is done in all departments in the institution | | | | | |
| 6. Auditing is done by independent auditors | | | | | |
| 7. The board of directors regularly review reports from the executive committee, audit committee, other committees of the board, compliance personnel, and outside experts at board meetings | | | | | |
| 8. The directors ensure that qualified and competent personnel are employed to undertake accounting and financial responsibility. | | | | | |
| 9. The directors maintain adequate systems of financial management control over the institution | | | | | |
| 10. Preparation and planning of board meetings is satisfactory | | | | | |

Please specify any other aspect (s) you feel your institution utilizes to practice Structure of the Board for Value Addition.

……

……

Please tick (√) inside the appropriate box

To what extent do you agree with the following statements with regard to staff performance?

Where, 1 = strongly agree; 2 = agree; 3 = undecided; 4= disagree; 5= strongly disagree

*Low transparency can potentially hide self-interested managerial decisions that may not be in the shareholder interest. Please indicate the extent to which the following items describe your organization.*

| **TIMELY AND BALANCE OF DISCLOSURE OF INSTITUTIONAL MATTERS** | **Strongly Agree** | **Agree** | **Undecided** | **Disagree** | **Strongly Disagree** |
|---|---|---|---|---|---|
| 11. Every board member is supplied with all legal documents, mission statement, mission and strategic documents of the institution on first appointment | | | | | |
| 12. Every board member receives copies of all policy documents, personnel and financial manuals regularly as deemed necessary. | | | | | |
| 13. The board receives sufficient information from management. | | | | | |
| 14. The boards information requirements are communicated to management | | | | | |
| 15. Requested information is received timely | | | | | |
| 16. The board is proactive in developing an effective communication strategy for the institution | | | | | |
| 17. The institution secretary advices the board on matters of governance and the applicable law | | | | | |

Please specify any other aspect (s) you feel your institution utilizes to practice Structure of the Board for Value Addition.

……

……

Please tick (√) inside the appropriate box

To what extent do you agree with the following statements with regard to staff performance?

Where, 1 = strongly agree; 2 = agree; 3 = undecided; 4= disagree; 5= strongly disagree

*Board effectiveness can be conceptualized as a function of overall contribution of the board to the institutions performance. Please indicate the extent to which the following items describe your institution*

| **EFFECTIVE PERFOMANCE OF DIRECTORS** | **Strongly Agree** | **Agree** | **Undecided** | **Disagree** | **Strongly Disagree** |
|---|---|---|---|---|---|
| 18. The directors possess technical knowledge to help in running the institution | | | | | |
| 19. The directors are given appropriate induction and education upon first appointment. | | | | | |
| 20. The directors can easily access information from the institution. | | | | | |
| 21. The directors understand clearly socio economic issues facing the institution | | | | | |
| 22. The directors fully participate in meetings and stay for full duration of meeting. | | | | | |
| 23. Directors understand the performance focus of the institution | | | | | |
| 24. Directors regularly attend meetings during the year | | | | | |
| 25. The board ensures that the executive officers appropriately manage and supervise day to day activities | | | | | |
| 26. Directors commitment meets or exceeds expectations | | | | | |
| 27. The board has enough depth of experience to constructively challenge management | | | | | |
| 28. The mix of board competency is adequate and allows directors to engage effectively with business issues and changing conditions | | | | | |

Please specify any other aspect (s) you feel your institution utilizes to practice Structure of the Board for Value Addition.

……

……

**PART 3: PERFORMANCE OF TVET INSTITUTIONS IN NYANZA REGION, KENYA**

| **Emphasis on innovations** | **Strongly Agree** | **Agree** | **Undecided** | **Disagree** | **Strongly Disagree** |
|---|---|---|---|---|---|
| 1. There is existence of production units that reflect innovations and work done by students | | | | | |
| 2. My Institution puts a great emphasis on innovation and self-employment at the local level | | | | | |
| 3. There is availability of products and services from the Institution in the market | | | | | |
| 4. The is evidence of expansion of TVET programs in the institution | | | | | |
| Collaborations | Strongly Agree | Agree | Undecided | Disagree | Strongly Disagree |
| 5. My institution has strong collaborations among employers and industry partners to improve the quality of TVET programs. | | | | | |
| 6. The institutions programs are aligned to labor market needs which equip students with 21st century skills and prepare them for in-demand occupations in high growth industry sectors | | | | | |
| 7. There is accountability for improving academic programs for students based on clear definitions and metrics in this Institution | | | | | |
| Academic Performance | | | | | |
| 8. My Institution recognizes good performance | | | | | |
| 9. My institution rewards good performance | | | | | |
| 10. My institution rewards good performance. | | | | | |
| 11. I am given regular feedback concerning my performance | | | | | |
| 12. I understand how performance is defined and measured at the institution for me | | | | | |
| 13. The appraisal process is | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| participative | | | | | |
| 14. Performance expectations are communicated in terms of SMART | | | | | |
| Customer and Employee Satisfaction | Strongly Agree | Agree | Undecided | Disagree | Strongly Disagree |
| 15. There is improvement of the welfare of students, teaching staff, and support staff every year. | | | | | |
| 16. There is quality in the delivery of service in my institution. | | | | | |

Please specify any other area (s) you feel your institution has better performance relative to other public TVET institutions in Nyanza region, Kenya

……
……

**Appendix IV: Location of Public TVET Institutions in Nyanza Region, Kenya**

**Appendix V: Distribution of TVET Institutions in Nyanza Region, Kenya**

| | |
|---|---|
| Keroka Technical Training institute | Kisii |
| Kisumu polytechnic | Kisumu |
| Gusii Institute of Technology | Migori |
| Ramogi institute of advance technology | Kisumu |
| Siaya institute of technology | Siaya |
| Mawego Technical Training Institute | Homabay |

## Appendix VI: Raw Data

| ID | Gender | Age | Education | Balanced mix | Power separation | defined term committee | increase effectiveness | appointed committee | restricted term of reference | Score1 | understanding roles | No personal interest | acting with due due diligence | protection of assets | SCORE 2 | departmental audit | independent audit | regular report review | competent personnel | adequate fm system | satisfactory board meetings |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 5 | 2 | 1 | 2 | 3 | 3 | 2 | 4 | 2 | 2 | 2 | 2 | 4 | 4 | 3 | 3 | 3 | 3 | 3 |
| 2 | 1 | 5 | 3 | 3 | 2 | 4 | 2 | 5 | 5 | 3 | 4 | 5 | 4 | 5 | 2 | 5 | 4 | 4 | 4 | 5 | 4 |
| 3 | 1 | 4 | 3 | 2 | 2 | 3 | 3 | 3 | 3 | 3 | 2 | 2 | 2 | 2 | 4 | 3 | 2 | 2 | 2 | 2 | 2 |
| 4 | 1 | 4 | 5 | 1 | 2 | 1 | 1 | 1 | 2 | 5 | 2 | 2 | 1 | 1 | 5 | 4 | 5 | 2 | 4 | 4 | 4 |
| 5 | 1 | 1 | 4 | 2 | 2 | 2 | 3 | 2 | 3 | 4 | 2 | 3 | 2 | 3 | 4 | 2 | 2 | 1 | 2 | 2 | 2 |
| 6 | 1 | 2 | 4 | 2 | 3 | 3 | 3 | 3 | 3 | 3 | 2 | 2 | 2 | 2 | 4 | 2 | 2 | 3 | 3 | 3 | 3 |
| 7 | 1 | 2 | 5 | 1 | 5 | 4 | 2 | 2 | 5 | 3 | 1 | 5 | 3 | 3 | 3 | 2 | 2 | 3 | 2 | 2 | 3 |
| 8 | 1 | 3 | 5 | 4 | 2 | 2 | 2 | 2 | 2 | 4 | 2 | 2 | 2 | 2 | 4 | 4 | 4 | 4 | 2 | 2 | 2 |
| 9 | 1 | 4 | 4 | 2 | 2 | 2 | 2 | 3 | 2 | 4 | 3 | 5 | 2 | 2 | 3 | 4 | 4 | 4 | 4 | 4 | 2 |
| 10 | 1 | 3 | 4 | 4 | 2 | 4 | 2 | 2 | 2 | 3 | 4 | 4 | 4 | 2 | 3 | 4 | 4 | 2 | 2 | 2 | 2 |
| 11 | 1 | 4 | 3 | 3 | 1 | 3 | 3 | 3 | 3 | 3 | 2 | 2 | 1 | 1 | 5 | 2 | 4 | 4 | 3 | 4 | 2 |
| 12 | 1 | 2 | 4 | 2 | 2 | 1 | 1 | 2 | 2 | 4 | 1 | 2 | 1 | 2 | 5 | 2 | 3 | 2 | 1 | 1 | 2 |
| 13 | 1 | 3 | 4 | 3 | 2 | 2 | 2 | 2 | 1 | 4 | 1 | 1 | 2 | 1 | 5 | 2 | 2 | 2 | 2 | 2 | 2 |
| 14 | 2 | 3 | 5 | 1 | 1 | 1 | 2 | 2 | 1 | 5 | 2 | 1 | 2 | 2 | 4 | 2 | 4 | 4 | 2 | 2 | 2 |
| 15 | 1 | 3 | 4 | 1 | 1 | 1 | 2 | 2 | 2 | 5 | 1 | 4 | 3 | 2 | 4 | 3 | 3 | 2 | 2 | 1 | 2 |
| 16 | 1 | 4 | 3 | 2 | 2 | 2 | 2 | 2 | 2 | 4 | 2 | 2 | 2 | 2 | 4 | 2 | 2 | 2 | 2 | 2 | 2 |
| 17 | 2 | 3 | 5 | 3 | 3 | 3 | 4 | 3 | 3 | 3 | 5 | 5 | 5 | 5 | 1 | 5 | 5 | 4 | 5 | 5 | 5 |
| 18 | 1 | 3 | 5 | 2 | 2 | 5 | 3 | 4 | 4 | 3 | 2 | 5 | 5 | 2 | 3 | 4 | 2 | 4 | 2 | 4 | 2 |
| 19 | 2 | 3 | 4 | 1 | 1 | 1 | 2 | 2 | 3 | 4 | 2 | 3 | 2 | 2 | 4 | 1 | 1 | 2 | 1 | 1 | 1 |
| 20 | 1 | 4 | 5 | 2 | 2 | 2 | 2 | 1 | 1 | 4 | 2 | 2 | 2 | 2 | 4 | 3 | 2 | 2 | 2 | 2 | 2 |
| 21 | 2 | 1 | 4 | 1 | 1 | 1 | 1 | 2 | 2 | 5 | 1 | 3 | 2 | 2 | 4 | 2 | 2 | 2 | 1 | 1 | 1 |
| 22 | 1 | 4 | 4 | 1 | 1 | 1 | 2 | 1 | 1 | 5 | 1 | 1 | 1 | 1 | 5 | 2 | 2 | 1 | 2 | 2 | 2 |
| 23 | 2 | 3 | 5 | 2 | 1 | 2 | 3 | 3 | 2 | 4 | 2 | 2 | 2 | 2 | 4 | 4 | 3 | 3 | 3 | 3 | 3 |
| 24 | 1 | 5 | 3 | 3 | 2 | 4 | 2 | 5 | 5 | 3 | 4 | 5 | 4 | 5 | 2 | 5 | 4 | 4 | 4 | 5 | 4 |
| 25 | 1 | 4 | 3 | 2 | 2 | 3 | 3 | 3 | 3 | 3 | 2 | 2 | 2 | 2 | 4 | 3 | 2 | 2 | 2 | 2 | 2 |
| 26 | 1 | 4 | 5 | 1 | 2 | 1 | 1 | 1 | 2 | 5 | 2 | 2 | 1 | 1 | 5 | 4 | 5 | 2 | 4 | 4 | 4 |
| 27 | 1 | 1 | 4 | 2 | 2 | 2 | 3 | 2 | 3 | 4 | 2 | 3 | 2 | 3 | 4 | 2 | 2 | 1 | 2 | 2 | 2 |
| 28 | 1 | 2 | 4 | 2 | 3 | 3 | 3 | 3 | 3 | 3 | 2 | 2 | 2 | 2 | 4 | 2 | 2 | 3 | 3 | 3 | 3 |
| 29 | 1 | 2 | 5 | 1 | 5 | 4 | 2 | 2 | 5 | 3 | 1 | 5 | 3 | 3 | 3 | 2 | 2 | 3 | 2 | 2 | 3 |
| 30 | 1 | 3 | 5 | 4 | 2 | 2 | 2 | 2 | 2 | 4 | 2 | 2 | 2 | 2 | 4 | 4 | 4 | 4 | 2 | 2 | 2 |
| 31 | 1 | 4 | 4 | 2 | 2 | 2 | 2 | 3 | 2 | 4 | 3 | 5 | 2 | 2 | 3 | 4 | 4 | 4 | 4 | 4 | 2 |
| 32 | 1 | 3 | 4 | 1 | 1 | 1 | 2 | 2 | 2 | 5 | 1 | 4 | 3 | 2 | 4 | 3 | 3 | 2 | 2 | 1 | 2 |
| 33 | 1 | 4 | 3 | 2 | 2 | 2 | 2 | 2 | 2 | 4 | 2 | 2 | 2 | 2 | 4 | 2 | 2 | 2 | 2 | 2 | 2 |
| 34 | 2 | 3 | 5 | 3 | 3 | 3 | 4 | 3 | 3 | 3 | 5 | 5 | 5 | 5 | 1 | 5 | 5 | 4 | 5 | 5 | 5 |
| 35 | 1 | 3 | 5 | 2 | 2 | 5 | 3 | 4 | 4 | 3 | 2 | 5 | 5 | 2 | 3 | 4 | 2 | 4 | 2 | 4 | 2 |
| 36 | 2 | 3 | 4 | 1 | 1 | 1 | 2 | 2 | 3 | 4 | 2 | 3 | 2 | 2 | 4 | 1 | 1 | 2 | 1 | 1 | 1 |
| 37 | 1 | 4 | 5 | 2 | 2 | 2 | 2 | 1 | 1 | 4 | 2 | 2 | 2 | 2 | 4 | 3 | 2 | 2 | 2 | 2 | 2 |
| 38 | 2 | 1 | 4 | 1 | 1 | 1 | 1 | 2 | 2 | 5 | 1 | 3 | 2 | 2 | 4 | 2 | 2 | 2 | 1 | 1 | 1 |
| 39 | 1 | 4 | 4 | 1 | 1 | 1 | 2 | 1 | 1 | 5 | 1 | 1 | 1 | 1 | 5 | 2 | 2 | 1 | 2 | 2 | 2 |
| 40 | 1 | 4 | 5 | 1 | 2 | 1 | 1 | 1 | 2 | 5 | 2 | 2 | 1 | 1 | 5 | 4 | 5 | 2 | 4 | 4 | 4 |
| 41 | 1 | 1 | 4 | 2 | 2 | 2 | 3 | 2 | 3 | 4 | 2 | 3 | 2 | 3 | 4 | 2 | 2 | 1 | 2 | 2 | 2 |

| | | | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 42 | 1 | 2 | 4 | 2 | 3 | 3 | 3 | 3 | 3 | 3 | 2 | 2 | 2 | 2 | 4 | 2 | 2 | 3 | 3 | 3 | 3 |
| 43 | 1 | 2 | 5 | 1 | 5 | 4 | 2 | 2 | 5 | 3 | 1 | 5 | 3 | 3 | 3 | 2 | 2 | 3 | 2 | 2 | 3 |
| 44 | 1 | 3 | 5 | 4 | 2 | 2 | 2 | 2 | 2 | 4 | 2 | 2 | 2 | 2 | 4 | 4 | 4 | 4 | 2 | 2 | 2 |
| 45 | 1 | 4 | 4 | 2 | 2 | 2 | 2 | 3 | 2 | 4 | 3 | 5 | 2 | 2 | 3 | 4 | 4 | 4 | 4 | 4 | 2 |
| 46 | 1 | 3 | 4 | 4 | 2 | 4 | 2 | 2 | 2 | 3 | 4 | 4 | 4 | 2 | 3 | 4 | 4 | 2 | 2 | 2 | 2 |
| 47 | 1 | 4 | 3 | 3 | 1 | 3 | 3 | 3 | 3 | 3 | 2 | 2 | 1 | 1 | 5 | 2 | 4 | 4 | 3 | 4 | 2 |
| 48 | 1 | 2 | 4 | 2 | 2 | 1 | 1 | 2 | 2 | 4 | 1 | 2 | 1 | 2 | 5 | 2 | 3 | 2 | 1 | 1 | 2 |
| 49 | 1 | 3 | 4 | 3 | 2 | 2 | 2 | 2 | 1 | 4 | 1 | 1 | 2 | 1 | 5 | 2 | 2 | 2 | 2 | 2 | 2 |
| 50 | 2 | 3 | 5 | 1 | 1 | 1 | 2 | 2 | 1 | 5 | 2 | 1 | 2 | 2 | 4 | 2 | 4 | 4 | 2 | 2 | 2 |
| 51 | 2 | 3 | 5 | 2 | 1 | 2 | 3 | 3 | 2 | 4 | 2 | 2 | 2 | 2 | 4 | 4 | 3 | 3 | 3 | 3 | 3 |
| 52 | 1 | 5 | 3 | 3 | 2 | 4 | 2 | 5 | 5 | 3 | 4 | 5 | 4 | 5 | 2 | 5 | 4 | 4 | 4 | 5 | 4 |
| 53 | 1 | 4 | 3 | 2 | 2 | 3 | 3 | 3 | 3 | 3 | 2 | 2 | 2 | 2 | 4 | 3 | 2 | 2 | 2 | 2 | 2 |
| 54 | 1 | 4 | 5 | 1 | 2 | 1 | 1 | 1 | 2 | 5 | 2 | 2 | 1 | 1 | 5 | 4 | 5 | 2 | 4 | 4 | 4 |
| 55 | 1 | 1 | 4 | 2 | 2 | 2 | 3 | 2 | 3 | 4 | 2 | 3 | 2 | 3 | 4 | 2 | 2 | 1 | 2 | 2 | 2 |
| 56 | 1 | 2 | 4 | 2 | 3 | 3 | 3 | 3 | 3 | 3 | 2 | 2 | 2 | 2 | 4 | 2 | 2 | 3 | 3 | 3 | 3 |
| 57 | 1 | 2 | 5 | 1 | 5 | 4 | 2 | 2 | 5 | 3 | 1 | 5 | 3 | 3 | 3 | 2 | 2 | 3 | 2 | 2 | 3 |
| 58 | 1 | 3 | 5 | 4 | 2 | 2 | 2 | 2 | 2 | 4 | 2 | 2 | 2 | 2 | 4 | 4 | 4 | 4 | 2 | 2 | 2 |
| 59 | 1 | 4 | 4 | 2 | 2 | 2 | 2 | 3 | 2 | 4 | 3 | 5 | 2 | 2 | 3 | 4 | 4 | 4 | 4 | 4 | 2 |
| 60 | 1 | 3 | 4 | 1 | 1 | 1 | 2 | 2 | 2 | 5 | 1 | 4 | 3 | 2 | 4 | 3 | 3 | 2 | 2 | 1 | 2 |
| 61 | 1 | 4 | 3 | 2 | 2 | 2 | 2 | 2 | 2 | 4 | 2 | 2 | 2 | 2 | 4 | 2 | 2 | 2 | 2 | 2 | 2 |
| 62 | 2 | 3 | 5 | 3 | 3 | 3 | 4 | 3 | 3 | 3 | 5 | 5 | 5 | 5 | 1 | 5 | 5 | 4 | 5 | 5 | 5 |
| 63 | 1 | 3 | 5 | 2 | 2 | 5 | 3 | 4 | 4 | 3 | 2 | 5 | 5 | 2 | 3 | 4 | 2 | 4 | 2 | 4 | 2 |
| 64 | 2 | 3 | 4 | 1 | 1 | 1 | 2 | 2 | 3 | 4 | 2 | 3 | 2 | 2 | 4 | 1 | 1 | 2 | 1 | 1 | 1 |
| 65 | 1 | 4 | 5 | 2 | 2 | 2 | 2 | 1 | 1 | 4 | 2 | 2 | 2 | 2 | 4 | 3 | 2 | 2 | 2 | 2 | 2 |
| 66 | 2 | 1 | 4 | 1 | 1 | 1 | 1 | 2 | 2 | 5 | 1 | 3 | 2 | 2 | 4 | 2 | 2 | 2 | 1 | 1 | 1 |
| 67 | 1 | 5 | 3 | 3 | 2 | 4 | 2 | 5 | 5 | 3 | 4 | 5 | 4 | 5 | 2 | 5 | 4 | 4 | 4 | 5 | 4 |
| 68 | 1 | 4 | 3 | 2 | 2 | 3 | 3 | 3 | 3 | 3 | 2 | 2 | 2 | 2 | 4 | 3 | 2 | 2 | 2 | 2 | 2 |
| 69 | 1 | 4 | 5 | 1 | 2 | 1 | 1 | 1 | 2 | 5 | 2 | 2 | 1 | 1 | 5 | 4 | 5 | 2 | 4 | 4 | 4 |
| 70 | 1 | 1 | 4 | 2 | 2 | 2 | 3 | 2 | 3 | 4 | 2 | 3 | 2 | 3 | 4 | 2 | 2 | 1 | 2 | 2 | 2 |
| 71 | 1 | 2 | 4 | 2 | 3 | 3 | 3 | 3 | 3 | 3 | 2 | 2 | 2 | 2 | 4 | 2 | 2 | 3 | 3 | 3 | 3 |
| 72 | 1 | 2 | 5 | 1 | 5 | 4 | 2 | 2 | 5 | 3 | 1 | 5 | 3 | 3 | 3 | 2 | 2 | 3 | 2 | 2 | 3 |
| 73 | 1 | 3 | 5 | 4 | 2 | 2 | 2 | 2 | 2 | 4 | 2 | 2 | 2 | 2 | 4 | 4 | 4 | 4 | 2 | 2 | 2 |
| 74 | 1 | 4 | 4 | 2 | 2 | 2 | 2 | 3 | 2 | 4 | 3 | 5 | 2 | 2 | 3 | 4 | 4 | 4 | 4 | 4 | 2 |
| 75 | 1 | 3 | 4 | 4 | 2 | 4 | 2 | 2 | 2 | 3 | 4 | 4 | 4 | 2 | 3 | 4 | 4 | 2 | 2 | 2 | 2 |
| 76 | 1 | 4 | 3 | 3 | 1 | 3 | 3 | 3 | 3 | 3 | 2 | 2 | 1 | 1 | 5 | 2 | 4 | 4 | 3 | 4 | 2 |
| 77 | 1 | 2 | 4 | 2 | 2 | 1 | 1 | 2 | 2 | 4 | 1 | 2 | 1 | 2 | 5 | 2 | 3 | 2 | 1 | 1 | 2 |
| 78 | 1 | 3 | 4 | 3 | 2 | 2 | 2 | 2 | 1 | 4 | 1 | 1 | 2 | 1 | 5 | 2 | 2 | 2 | 2 | 2 | 2 |
| 79 | 2 | 3 | 5 | 1 | 1 | 1 | 2 | 2 | 1 | 5 | 2 | 1 | 2 | 2 | 4 | 2 | 4 | 4 | 2 | 2 | 2 |
| 80 | 2 | 1 | 4 | 1 | 1 | 1 | 1 | 2 | 2 | 5 | 1 | 3 | 2 | 2 | 4 | 2 | 2 | 2 | 1 | 1 | 1 |
| 81 | 2 | 3 | 5 | 1 | 1 | 1 | 2 | 2 | 1 | 5 | 2 | 1 | 2 | 2 | 4 | 2 | 4 | 4 | 2 | 2 | 2 |
| 82 | 2 | 3 | 4 | 5 | 2 | 1 | 2 | 2 | 1 | 4 | 2 | 5 | 1 | 2 | 4 | 2 | 2 | 1 | 2 | 2 | 2 |
| 83 | 2 | 4 | 5 | 1 | 2 | 1 | 2 | 2 | 1 | 5 | 2 | 5 | 1 | 2 | 4 | 2 | 2 | 1 | 2 | 2 | 2 |
| 84 | 1 | 1 | 4 | 1 | 1 | 1 | 1 | 2 | 1 | 5 | 4 | 5 | 1 | 2 | 3 | 1 | 1 | 1 | 2 | 2 | 5 |
| 85 | 1 | 2 | 5 | 1 | 2 | 2 | 1 | 1 | 1 | 5 | 5 | 2 | 2 | 1 | 4 | 1 | 1 | 1 | 1 | 2 | 1 |
| 86 | 1 | 4 | 4 | 2 | 1 | 2 | 1 | 1 | 2 | 5 | 1 | 2 | 2 | 1 | 5 | 4 | 2 | 2 | 1 | 2 | 1 |
| 87 | 1 | 3 | 4 | 2 | 4 | 5 | 2 | 4 | 2 | 3 | 4 | 1 | 2 | 4 | 3 | 4 | 4 | 2 | 4 | 1 | 1 |
| 88 | 1 | 3 | 4 | 2 | 1 | 4 | 2 | 5 | 4 | 3 | 1 | 1 | 1 | 4 | 4 | 5 | 4 | 5 | 4 | 1 | 2 |
| 89 | 1 | 1 | 5 | 5 | 2 | 2 | 4 | 2 | 5 | 3 | 1 | 3 | 4 | 5 | 3 | 3 | 3 | 4 | 5 | 1 | 4 |
| 90 | 2 | 3 | 5 | 4 | 2 | 1 | 3 | 2 | 3 | 4 | 2 | 2 | 3 | 2 | 4 | 2 | 5 | 4 | 2 | 5 | 4 |

| SCORE 3 | legal doc. supply | policy docs. | information receipt | information comm. | timely info. Receipt | proactive comm. strategy | advice On gov. | SCORE4 | technical knowledge | appropriate induction | easy info. Access | understanding soci economic | meeting participation | performance focus | regular attendance | day to day supervision | meeting expectation | enough experience | adequate comp. | SCORE5 | units of prod. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 4 | 5 | 5 | 2 | 2 | 1 | 3 | 5 | 4 | 1 | 4 | 3 | 3 |
| 2 | 4 | 5 | 5 | 5 | 4 | 5 | 5 | 1 | 3 | 5 | 5 | 3 | 2 | 4 | 2 | 4 | 3 | 5 | 3 | 2 | 5 |
| 4 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 4 | 2 | 3 | 2 | 2 | 3 | 2 | 2 | 3 | 3 | 2 | 2 | 4 | 4 |
| 2 | 1 | 2 | 4 | 2 | 4 | 2 | 4 | 3 | 4 | 4 | 2 | 4 | 4 | 1 | 2 | 5 | 2 | 2 | 4 | 3 | 5 |
| 4 | 2 | 2 | 2 | 2 | 3 | 1 | 2 | 4 | 1 | 2 | 2 | 2 | 3 | 2 | 2 | 3 | 3 | 3 | 1 | 4 | 1 |
| 3 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 4 | 2 | 3 | 3 | 2 | 2 | 2 | 3 | 2 | 2 | 2 | 3 | 4 | 2 |
| 4 | 2 | 2 | 3 | 4 | 2 | 1 | 2 | 4 | 1 | 2 | 2 | 2 | 3 | 5 | 5 | 5 | 4 | 3 | 2 | 3 | 2 |
| 3 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 4 | 1 | 1 | 2 | 2 | 2 | 2 | 2 | 2 | 1 | 2 | 2 | 4 | 2 |
| 2 | 3 | 3 | 3 | 4 | 2 | 5 | 3 | 3 | 2 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 5 | 3 | 4 |
| 3 | 2 | 2 | 2 | 2 | 2 | 4 | 2 | 4 | 2 | 2 | 2 | 4 | 2 | 4 | 2 | 2 | 4 | 4 | 4 | 3 | 4 |
| 3 | 3 | 2 | 2 | 2 | 3 | 2 | 2 | 4 | 3 | 3 | 1 | 1 | 2 | 2 | 3 | 3 | 2 | 2 | 3 | 4 | 1 |
| 4 | 1 | 1 | 2 | 2 | 2 | 1 | 1 | 5 | 1 | 1 | 2 | 2 | 3 | 2 | 1 | 2 | 2 | 1 | 1 | 4 | 4 |
| 4 | 3 | 2 | 2 | 1 | 1 | 2 | 2 | 4 | 3 | 1 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 4 | 3 |
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| Respondents | government policy | financing | institutional framework | quality | equity and employability | relevant skills | Performance | delivery service quality | welfare improvement | communicating performance | participative appraisal process | performance definition | regular feedback on perf. | reward good performance | recognize good performance. | academic prog. Account. | labor mrkt alignment | employers strong collaboration | expansion of TVET | product availability in mrt | emphasis on innovation |
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