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**THE INFLUENCE OF CORPORATE GOVERNANCE ON THE ORGANISATION
CULTURE IN THE AUTOMOTIVE COMPANIES IN KENYA**

LINDA NZEMBA MCGAW

MASTER OF COMMERCE

2018

**THE INFLUENCE OF CORPORATE GOVERNANCE ON ORGANISATION
CULTURE IN THE AUTOMOTIVE COMPANIES IN KENYA**

LINDA NZEMBA MCGAW

**SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE
AWARD OF THE DEGREE OF MASTER OF COMMERCE AT STRATHMORE
UNIVERSITY**

**SCHOOL OF MANAGEMENT AND COMMERCE
STRATHMORE UNIVERSITY
NAIROBI, KENYA.**

JUNE, 2018

DECLARATION

I declare that this work has not been previously submitted and approved for the award of a degree by this or any other University. To the best of my knowledge and belief, the thesis contains no material previously published or written by another person except where due reference is made in the thesis itself.

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ABSTRACT

Good corporate governance mechanisms are important for the success of any business. However, with the rising cases of corporate failures, reduction of shareholder value and misappropriation, corporate governance has emerged to be an issue of great concern to potential investors and other stakeholders. The fundamental arguments among the various stakeholders is on the board's ability to discharge its delegated mandate and steer the company in the right direction. This research study largely contributes to the business literature with the primary objective being to analyze the influence of corporate governance on the organization culture in the Kenyan automotive companies. The specific objectives were to establish the extent which ownership structure, board behavior, CEO tenure influenced organization culture.

The target population was 32 companies within the automotive sector in Kenya, focusing on the Board members and senior executives who formed part of the board. The research study adopted descriptive research design, with descriptive statistics, multiple regression analysis and univariate analysis being used for data analysis. Three important corporate governance variables such as ownership structure, board behavior and Chief executive officer's tenure were examined. Organization culture was also analyzed using the glue that holds the organization together. From the respondents who formed part of the research study, it was established that corporate governance had an influence on the organization culture of the various companies in the automotive sector in Kenya. However, ownership structure as a corporate governance mechanism had a major influence on organization culture compared to board behavior and CEO tenure. It was also identified that the automotive companies in Kenya strongly agreed that productivity and results was the glue that held the organization together; this was largely influenced by their governance structures and the business environment.

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LIST OF ABBREVIATIONS

ACCA	Association of Chartered Certified Accountants
ACGN	Africa Corporate Governance Network
ACLN	Audit Committee Leadership Network
APRM	Africa Peer Review Mechanism
CACG	The Commonwealth Association for Corporate Governance
CMA	Capital Markets Authority
CMC	Cooper Motor Corporation
EACLN	Europe Audit Committee Leadership Network
EY	Ernst & Young
FDI	Foreign Direct Investment
FRC	Financial Reporting Council
GLOBE	Global Leadership and Organizational Behavior Effectiveness
ICPSK	Institute of Certified Public Secretaries of Kenya
IFC	International Finance Corporation
IOD SA	Institute of Directors South Africa
KMI	Kenya Motor Industry
NGO	Non- Governmental Organizations
OECD	Organization for Economic Co-operation and Development
ROE	Return on Assets
SACCOS	Savings and Credit Cooperative Societies
TICAD	Tokyo International Conferences for Africa Development
UNCTAD	United Nations Conference on Trade and Development

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CHAPTER ONE

INTRODUCTION

1.1. Background of the study

Corporate governance has generated much debate from different scholars as a result of increase in potential conflict between investors, stakeholders and managers (Wells 2010). There are rising concerns and conflicting arguments among governance experts regarding the ability of board members to effectively monitor management of these companies, as a result of their role in the reduction of shareholders' wealth and corporate failures (Mandala, 2017). In order to minimize agency costs, it is crucial to align managerial behavior to the goals of the shareholders. It is also important for boards to practice good governance through; transparency, independence, responsibility, fairness, social responsibility and accountability which highlights the multi-faceted approach of corporate governance (Powell,2009).

Due to globalization of firms, corporate governance has fast become an international topic of importance and is vital in the management of firms in both developed and developing economies (Bebchuk & Hamdani, 2009; OECD, 1998). Different countries have different governance codes which is reflected by the diverse surrounding environment's history, economic development and culture (Markkanen, 2015). Davies and Schlitzer (2008) further noted the lack of uniformity in the application of corporate governance practices across nations, since there is inherently no right kind of corporate governance; what works well in one firm may not necessarily work well in another firm even within one country. Global companies understand too well that culture counts and largely impacts the business relationships, affects the way business is run and provides an environment which analyzes organizational climate and behavior (Zellner & Drucker, 1997). According to Cheung & Chan, (2008), understanding cultural differences among different nations is significantly important as different nationalities solve their problems, interact with each other and run their businesses differently. The quality of corporate governance depends highly on the effective interaction and negotiation among concerned parties.

Today, the business environment has become multidimensional and globalized, products have become knowledge-based and the workforce has become culturally varied (Panchanatham, 2014). With increased focus on market forces as a result of globalization, there is greater emphasis on corporations to become highly effective with world-class standards of governance

(UNCTAD, 2003). On the other hand, culture in organizations has evolved from diverse backgrounds such as the organization's history, pattern of successes and failures, founder, policies and practices and the leaders who are key determinants of culture in the various organizations (Griffin,2006). In the global market, most executives barely survived because of challenging business characteristics (Bolboli & Reiche, 2014), and most importantly in implementing an effective organizational culture (Kenny, 2012). Corporate culture is becoming a major area of concern among boards and audit committees. "Culture touches every aspect of the organization: strategy, business processes and employees. Furthermore, developing and reinforcing a single corporate culture brings unique challenges, particularly for large and diversified companies (EY report, 2015).

The formal vehicle business in Kenya has been hit by perpetual decline with tailing sales and its 'graveyard' is awash with prominent casualties, among them Lonrho Motors E.A. Ltd. It was once the region's biggest motor dealership but was driven into receivership by huge debts, a situation worsened by declining sales. Another recent casualty has been Hyundai Motors. Others have been forced to shut down, merge or scale down their operations to skeleton structures, choosing to retain only appointed distributors while others have relocated to other East African countries in search of better operating environment (Macuvi, 2002). As the automotive industry starts its second century, it is dominated by a handful of large players. While mergers, spin-offs, consolidations and record sales volumes have over the last five years created unprecedented size, they have not created a sustainable model for long-term shareholder value. Today's automotive leaders face new and pressing challenges, including rising customer expectations, disruptive new technologies, and intensifying competitive pressure. Competitive advantage will not be attained by size alone. What is required is a new model for the industry; one that is based on collaborative relationships with suppliers and other stakeholders. To unlock the full potential of collaboration, traditional behaviours and attitudes must change. When things go wrong, a culture of blame instead of collective responsibility tends to dominate (Blake, *et al* 2003).

1.1.1. Corporate governance

Corporate governance provides structures intended to ensure that the right questions are asked, with checks and balances put in place to reflect what is best for the creation of long-term sustainable value of the firm (Monks; Minow, 2004). Good corporate governance is crucial for every business success, as a well governed company is more lucrative for potential investors (Krivogorsky, 2006; Chen, Chen & Wei, 2009). Good governance is also known to lower the

cost of capital for firms by mitigating agency problems (Chen et al., 2009). In the wake of various corporate scandals, debate on business ethics has been on the rise; more so with the historic failures of giant corporations such as Enron, WorldCom and Parmalat, largely due to corporate governance issues (West, 2009). The aim of corporate governance is to enhance board commitment in the management of firms and sustainable long-term value for all shareholders. However continuous debates among corporate governance researchers since inception has brought conflicting arguments on how to best define measures of good governance mechanisms that will lead to financial efficiency, social legitimacy and goal attainment of the firm (Judge, 2010).

Various corporate governance researchers have applied different theories which have brought about different arguments and interpretations (Keasey et al, 2005), hence the multi-theoretical characteristic of corporate governance. Modern corporate governance research has however concentrated on some key theoretical frameworks in management studies such as; the agency theory (Jensen & Meckling 1976), stakeholder theory (Freeman 1984), new institutional theory (Meyer & Rowan 1977, Zucker 1977, Meyer & Scott 1983), resource dependency theory (Pfeffer & Salancik 1978), transaction costs theory (Williamson 1981) and stewardship theory (Donaldson & Davis 1991). While the virtue ethics theory, feminist ethics theory, discourse ethics theory, postmodern ethics theory, and business ethics theory are other theories closely associated to corporate governance from ethical research (Valentine et al,2009).

Corporate governance has attracted diverse scholarly interest and its multi-disciplinary characteristic has seen various studies originating from different cultural context and intellectual backgrounds (Turnbull, 1997). There are a lot of definitions of corporate governance, most of which are confusing and contradicting. Corporate governance has attracted a lot of dissenting views from advocates, auditors, accountants among others. The business columns have further extended the debate on corporate governance which cuts across all sectors from banking, schools, hospital, NGO and state corporations (Makubwa, 2016). While the Code of Corporate Governance Practices for Issuers of Securities to The Public (2015) defined corporate governance as the process and structure used to direct and manage the business and affairs of the company towards enhancing business prosperity and corporate accountability, with the ultimate objective of long term shareholder value while taking care of the interests of other stakeholders. The (Mwongozo code: Code of governance for state corporations; (IFC) International Finance Corporation ,2015) on the other hand defined corporate governance as the structure and systems of rules, practices and processes by which an

organization is directed, controlled and held accountable; which encompasses authority, accountability, stewardship and leadership. According to (APRM, 2003), corporate governance is concerned with the ethical principles, values and practices that facilitate holding the balance between economic and social goals, and between individual and communal goals. For the purpose of this study, corporate governance is defined as a set of mechanisms that outline the powers, influence of management decisions that “govern” the behavior and limit the discretionary space of managers (Charreaux, 1996). This study analyzed ownership structure, board behavior and CEO’s tenure as the independent variables.

Ownership structure is the identity of company ownership (Thomsen, 2000) and is considered the hard core of corporate governance; which consists of a firm’s owners’ who share two formal rights: the right to control the firm and the right to appropriate the firm’s profits. Ownership structure was further defined along two dimensions: ownership concentration and ownership mix (Gursoy & Aydogan, 2002). Ownership concentration refers to the share of the largest owner and is influenced by absolute risk and monitoring costs and refers to the amount of stock owned by individual investors and large-block shareholders who hold at least 5% of ownership equity within the firm (Pedersen and Thomsen 1999), while ownership mix is related to the identity of the major shareholder. Higher shareholder value could be achieved when outside shareholders monitored management to prevent opportunistic behavior by management (Donker et al., 2009).

The behavioral studies of corporate governance focused on actors, processes, and decision making (Pettigrew, 1992) which is an analysis of internal governance mechanisms. Every country has a list of governance codes provided by European Corporate Governance Institute, that gives directions on the behavioral typologies and stakeholder expectations on the boards (Thomsen et al, 2012) and from the various national codes of corporate governance that were analyzed, standards of good governance are intimately intertwined with high standards of business ethics. However, Rossouw, (2005) highlighted the challenge that faces African enterprises in translating the commitment to high standards of ethics into organizational practice. It is on this score that most codes of corporate governance in Africa fall short as they provide very little guidance on how business ethics should be institutionalized in enterprises. According to APRM guidelines (2003), the single most important objective of corporate governance is to ensure corporations treat all their stakeholders are treated equitably and accountability is enhanced by the directors of the various firms.

Chief Executive Officer tenure is defined as Chief Executive Officer's longevity in office and is an important attribute to managers and management scholars due to its impact on a firm's performance. In recent years, a strong argument between the management and legal scholars has emerged, over the importance of term limits for the Chief Executive Officers (Whitehead, 2011). At the heart of this debate is the question whether an optimal tenure for the Chief Executive Officer exists. To answer this question requires an understanding of the costs and benefits that arise over a Chief Executive Officer's time in office as well as the determinants of this cost-benefit relation (Scholz *et al*, 2016). While the monitoring function is a key internal governance mechanism set up by the boards, recruitment and termination of the executive team determines the boards effectiveness. Chief Executive Officer turnover is one possible measure of gauging board effectiveness (Senbet *et al*, 1998) furthermore, Wiersema (1995) found that companies with a history of having short-tenured Chief Executive Officers experienced worse performance than those that replaced their Chief Executive Officers in a routine succession process.

1.1.2. Organization culture

Culture on the other hand has been described as a vague concept with multiple meanings and a construct that is difficult to define (Triandis *et al*, 1986). The uniting elements of culture among several scholars is the common value systems, beliefs and behavior that is anchored towards specific philosophical arguments and psychological predispositions (Schein, 1984). Culture however can be defined from different contexts which include; group, firm, national and regional based on economic blocs (Steenkamp,2001). However, this study focused on the organizational context of culture. Organisation culture as defined by (Schein, 1984) was based on the behavioural patterns, life experiences and actions that receive different interpretations and reactions in form of coping mechanisms that is consistent to one's institutional and value systems. This study therefore defines organisation culture as shared systems and mutual beliefs, which determines how people behave, how things get done, and distinguishes one organisation from the other (Deal and Kennedy 2000:4; Martins & Martins ,2003, p 380; Harrison, 1993).

Culture is multifaceted and various researchers have viewed culture from various social concepts and applied different characteristics to their studies such as; diversity, dynamism, learned and complex. Organizations adopt structures and systems, technological infrastructure, manage people's skills and competencies suitable to their internal environment and in response

to the external environmental forces (Cooke and Szumal, 2000). Environmental constraints however have largely limited the organization to very few options which have contributed in the shaping of the culture; options which were highly influenced by the organization's philosophy, top executives' values, the "assumptions" of founding principals and succeeding generations of organizational leaders (Schein, 1983; Sathe, 1985). Consequently, organizational culture is viewed as the great "cure-all" for most organizational problems (Wilson, 1997) and has also referred to as the organization glue (Goffee & Jones, 1996). According to Cameron & Quinn (2011), the glue that holds the organization together consists of; standardized processes and procedures, common shared values, productivity and results and lastly, commitment to experimentation and innovation.

1.1.3. Automotive sector in Kenya

Kenya recorded the fastest rise in FDI rates at 47% as at 2015 across Africa and Middle East, worth 102 billion Kenya shillings across different sectors. Kenya's top investors are from USA, UK, Israel, Japan, China, Netherlands, Belgium, India, Mauritius and South Africa; who for the first time in Africa, were hosted by Kenya in the UNCTAD and TICAD – VI global summits in the year 2016. This was a major economic booster for Africa and especially Kenya as foreign investors expressed their interest in setting up businesses in Kenya. Such classic examples were Volkswagen from Germany, Isuzu from Japan, Iveco from Italy and Peugeot from France; at least from the automotive industry. Globalisation and rapid technology transfer in Kenya contributed to the growth of the industry and enabled setting up of more assembly plants such as Volkswagen and Peugeot. The entry of global companies has contributed largely to the use of different governance models, adoption of different ownership structures in the automotive sector; whose countries of origin include; Germany, South Africa, Japan, China, USA, Italy, India, France and Kenya.

The automotive sector in Kenya is largely owned by foreign investors in partnership with local owners therefore bringing convergence of governance and cultural practices. Corporate governance challenges at CMC motors came to the limelight in 2011, based on allegations of fraud and fund diversion to offshore accounts by the Directors, which led to the suspension of the firm's traded shares at the NSE by the (CMA) Capital Markets Authority. Infighting among the Board of Directors rendered the Board dysfunctional and unable to discharge its duties contributing to poor performance by the firm. Dominant shareholders also intended to forcefully dismiss the Chief Executive Officer and some executives from the firm which was

however stopped by a court order. Marshalls East Africa faced similar challenges where the dominant shareholder pulled out of the ownership contributing largely to the firm's struggle for survival. Marshalls Est Africa also had challenges retaining their CEOs', where four managing directors left the company in a span of 3 years, which eventually led to the collapse of the Company. Nissan Kenya being a startup and only 3 years in the market, has had short-tenured Chief Executive Officers, with three incumbents leaving office in less than 3 years of operations.

1.2. Statement of the research problem

Corporate governance exhibits remarkable diversity on how companies operate (Lubetsky,2008), which is based on the historical, cultural and institutional differences (Clarke,2009). This is however more challenging for the global companies, as they are yet to determine sound governance practices to transfer to their foreign subsidiaries because of differences in business regulations, employment, and other operating conditions (Deloitte,2015). While Lewis (2006) noted existence of different corporate governance mechanisms between countries which used different systems to control and direct firms, Porter (1990) further identified the institutional differences of corporate governance within the same country. Otieno (2012) further asserted that a global standard of corporate governance cannot be applied due to lack of responsiveness to local economies.

There is little research conducted on corporate governance and culture in Africa, with previous researchers predominantly analyzing the influence of culture and corporate governance. Thanetsunthorn, & Wuthisatian, (2016) further asserted that little theoretical attention has been paid to understand how the informal institutional conditions particularly culture, affect the degree to which corporations engage in corporate governance practices and behave in corporate governance ways. Furthermore, such studies have largely been conducted in the developed countries with similar institutional framework (Licht, 2001; Bauer Et Al., 2004; Cremers & Nair, 2005; Bebchuk *et al.*, 2009; Chen Et Al., 2010; Chan & Chueng (2012).

Cultural studies are largely multi-dimensional, where the main bone of contention among different researchers of cultural studies being the lack of consensus on the dimensions of measuring culture. While the Hofstede's five dimensions made cross cultural comparisons easier, it has continuously received substantial criticism over gaps. GLOBE's 18 dimensions on the other hand is widely criticized for having too many and difficult dimensions to measure (Ng, Lee & Soutar, 2007; Minkov & Blagoev, 2012). Inconsistencies in the findings from all

cultural research has led researchers to question the validity of research findings from different studies that draw similar conclusions (Ng, Lee & Soutar, 2007).

The governance debate is no different here in Kenya and it has become an issue to contend with in modern day management with many stakeholders arguing that organizations have become extortionists, ripping the economy off. According to the corporate governance advocates, managers of business organizations should incorporate all stakeholder interests in their decision-making, several research studies have been carried out in the recent past in the field of corporate governance with different findings (Macuvi, 2002). Consequently, this study established a research gap by analyzing the influence of corporate governance on the organization culture of the companies in the automotive sector in Kenya. This study seeks to further extend the debate on corporate governance research and literature in the following ways; First, it contributed to the literature on corporate governance and culture in Africa and developing economies which is still limited. Most studies on corporate governance in Africa focused on the firm's performance and strategy. This study was also anchored on the behavioral theory of the firm departing from previous studies which have mostly been anchored on agency theory or path-dependency theory.

1.3. Objectives of the study

1.3.1. General objective

The research study sought to analyse the influence of corporate governance on the organisation culture in the automotive companies in Kenya. This formed the general objective of the study.

1.3.2. Specific objectives

The following were the specific objectives of the research study;

- i. To analyze the extent to which ownership structure influences organization culture in the automotive companies in Kenya.
- ii. To examine the extent to which board behaviour influences organization culture in the automotive companies in Kenya.
- iii. To analyse the extent to which Chief Executive Officer tenure influences organization culture in the automotive companies in Kenya.
- iv. To analyse the joint influence of ownership structure, board behaviour and CEO tenure on the organisation culture in the automotive companies in Kenya.

1.4. Research questions

- i. To what extent did ownership structure influence organization culture in the automotive companies in Kenya?
- ii. To what extent did board behaviour influence the culture of the various automotive companies in Kenya?
- iii. To what extent did Chief Executive Officer tenure influence organization culture in the automotive companies in Kenya?
- iv. To what extent do ownership structure, board behaviour and CEO tenure jointly influence the organisation culture in the automotive companies in Kenya?

1.5. Significance of the study

This study was important to future scholars and researchers because it sought to further extend the debate on the influence of corporate governance on organisation culture in developing economies.

The industry stakeholder will find the research study beneficial as it sought to address the relevance of organization culture on the corporate governance practices, which will assist in developing and implementing cultures that contribute to good governance. The industry regulators and primary stakeholders include; the Kenya automotive industry (KMI), industry investors, industry players, financial institutions, stock markets, Government of Kenya, Suppliers, Board of Directors, employees and customers. The findings will also help industry players to critically analyze corporate governance challenges facing the industry from a cultural perspective and the overall contribution towards a firm's effectiveness.

1.6. Scope of the study

This study seeks to to analyse the corporate governance influence on organisation culture in the automotive companies in Kenya. The study will focus on all the industry players; local firms, foreign companies, joint ventures, assembly plants and conglomerates. These companies' business focus was mainly in the manufacture, assembly, distribution and retailing of new light passenger vehicles, heavy commercial vehicles, armoured vehicles and construction and heavy machinery.

CHAPTER TWO

LITERATURE REVIEW

2.1. Introduction

This chapter reviewed the existing literature on the influence of corporate governance on organization culture. It examined the different literature from various scholars with a focus on the study research objectives. The key areas covered in this chapter include; theoretical review, empirical review, conceptual framework and the research gap.

2.2. Theoretical Framework

This study was anchored on the behavioral theory of the firm. It is however important to take note of other theories that contributed to the research study such as the agency theory and stakeholder theory as explained in the below paragraphs.

2.2.1. Behavioural theory of the firm

The behavioral theory of the firm studies was pioneered and developed by Simon (1945, 1955), March & Simon (1958) and Cyert & March (1963) which provided insights into understanding the decision-making process in an organization. This theory attempt to link the abstract principles of the rational decision making model in the economic discipline to concrete decision making model in the actual business setting (Huse,2009). This theory describes how people within their organisation act individually or in groups and how organisations function in terms of their structure, processes and culture (Armstrong, 2012). In an effective room, there is room for division of labour between team roles (Belbin, 1993; Hayes, 2000). This theory is pegged on group psychology which matters to board behaviour since boards are in essence small groups. This means, that board work is highly influenced by social roles and subject to pathologies such as group think (Thomsen & Canyon, 2012 and Janis, 1972) argued that group think is a pathological uniformity of group behaviour which prevents the group from understanding its environment and invite bad decisions. It consists of defending and rationalising the group's own decisions, brushing away criticism by stereotyping critics, preserving an illusion of moral superiority, pressuring members to conformity and suppressing disagreements.

The strength of the theory is that it provides a complementary perspective towards understanding board behaviour, away from the economic research theories that have

dominated corporate governance studies. However, the weakness of the theory is that the behavioural framework in understanding boards and governance does not provide a rational or independent alternative to mainstream economic research on corporate governance (Huse, 2009). The importance of this theory to the study is to help analyse board behaviour and effectiveness in the multi-cultural state of the firms within the automotive sector in Kenya.

2.2.2. Agency theory

Agency theory has its origin on economic theory and was first developed by Alchian & Demsetz (1972) and further developed by Jensen and Meckling (1976). Agency theory defined the principal-agent relationship whereas the shareholders are the principals while the management is the agent who is hired to run the business on behalf of the principal (Clarke, 2004). This theory implied that agents were driven by self-interest rather than willingness to maximize the shareholders' profits. To solve this problem an independent board of director is expected to solve this problem (Shleifer & Vishny, 1996). Markkanen, (2015) also noted that the agency theory is concerned with the principal-agent conflict arising when there is diffused ownership and lack of direct control over the management by the owners. However, markets with concentrated ownership, the principal -agent conflict may not be severe, but instead principal-principal conflicts may arise as different owners have different interests and different levels of control and power over the company.

The strength of the agency theory is that it was introduced to separate the owners from the management to help reduce the individual interests through the introduction of an independent oversight board. The weakness of agency theory is that it only reduces the corporation to two participants; that is the management and shareholders (Clarke, 2004; Markkanen, 2015). This theory is vital to the research study as it helped to analyze both the Chief Executive Officer tenure and the ownership structure in the developing economies.

2.2.3. Stakeholder theory

Stakeholder theory was developed by Freeman (1984) and focused on the corporate responsibility's view related to various categories of stakeholders. This theory emphasizes that the sole responsibility of firms is value creation for all its stakeholders, i.e. suppliers, customers, employees and not just its stockholders. Stakeholder theory is normative, instrumental and descriptive (Donaldson and Preston, 1995; Starik & Rands, 1995; Dunphy et al., 2003). Stakeholder theories advocate for some form of corporate social responsibility,

which is a duty to operate in ethical ways, even if that means a reduction of long-term profit for a company (Jones, Freeman, & Wicks, 2002).

The strength of this theory unlike the agency theory, is that the needs of all stakeholders are put into consideration with a view to enhance market efficiency. The theory suggests that the performance of corporate cannot be measured only in term of gain to its shareholders but also through other key issues such as information flow, interpersonal relations and working environment. The weakness of the theory is that most researchers find it to be fundamentally flawed and in violation of every organizations proposition of focusing on a single valued objective which is wealth creation or profit maximization for survival. With emphasis on several stakeholders, the managers are tasked with focusing on objectives of the several stakeholders which may lead to confusion and lack of purpose which will eventually affect the company's competitiveness and survival (Jensen 2001). This theory is important to the research study in analyzing the ownership structure and the relationship between the Board and the various stakeholders.

2.3. Empirical Review

This research section focused on the influence of corporate governance on the organisation culture in the Automotive industry in Kenya. The four major areas of focus include; ownership structure, board behaviour and Chief Executive Officer tenure and are as analysed in the below paragraphs;

2.3.1. Ownership structure and organisation culture

Cadbury (1999) pointed out the challenges faced in the implementation of corporate governance principles; which are mainly due to complexity of ownership structure. Ben-Nasr et al. (2015) stated that a growing number of studies established that multiple large shareholders can limit the expropriation behavior of the controlling shareholder. In addition, Maury & Pajuste (2005) found empirical evidence that contestability of the largest shareholder by a second largest shareholder limits the expropriation of minority shareholders. Therefore, multiple large shareholders are assumed to serve as a powerful control mechanism. Although multiple large shareholders are less common in large corporations, where it has been found that 34% of European firms have at least two large shareholders (Laeven & Levine, 2008).

The U.S. global corporation Coca-Cola is known to have more than 250 subsidiaries all over the world. Using firm-level data, it was established that Coca-Cola owns more than 90 percent of equity stake in its subsidiaries from Great Britain, New Zealand, and Italy, whereas the ownership share in subsidiaries from Japan, Pakistan, and Albania is smaller than 50 percent, on average. It is clearly that countries within the two groups widely differ in terms of their institutional environment and economic development. The relevant question, however, is whether the fact that the U.S. is culturally closer to the countries from the first group as measured, for instance, by Hofstede's well-known individualism vs. collectivism index, might have played a role in Coca-Cola's ownership decisions, beyond institutional or economic differences across countries (Gorodnichenko, 2017).

A multi-country study was done on corporate governance and culture at country level by Harrison (2008) using the agency and institutional theories, with a focus of the influence of ownership structures on the national culture of 399 global firms based in 15 industrial countries. Hofstede's national culture dimensions were used to measure culture. The findings demonstrated that global companies' home country's cultures have powerful influence on their ownership structures and further recommended cross national organization research. Greater concentrated ownership in parent global companies could cause the subsidiaries to become more attuned to shareholders' interests and reduce the information asymmetry between the principal and agent; hence better control and monitoring of a company's international operations (Dharwadkar, George & Brandes, 2000).

A study conducted by (Claessens, Djankov, Fan, & Lang, 1999) in developing markets in East Asia; who have similar issues as Africa, concentrated ownership was seen to cause problems in terms of organization's competitiveness and credibility hence lowering the organization's value as far as investors are concerned. However, Tsegba & Ezi-Herbert (2011) found that ownership structures such as concentrated ownership or dominant shareholders do not have significant effect on firm performance in Nigeria, and therefore their use as corporate governance control mechanisms to improve performance should be reconsidered, however it remains controversial based on the individual market's corruption levels.

Concentrated ownership was established to increase governance problems in Africa due to persisted crony capitalism, as close relationships to governments and businesses are vital to business success and large block holders can exploit their power through rent seeking the same way as managers would (Ayogu, 2001). Other characteristics that are dominant in African

economy are the predominance of closely-held family owned businesses, high level of government ownership, and the informal nature in many businesses (Okeahalam, 2004; Rafiee, V. & Sarabdeen, J. 2012).

Mbaabu (2010) focused on a research study that sought to analyze the relationship between ownership structures and the organization's performance in the Insurance industry in Kenya between 2005 and 2009. The study revealed a negative Return on Assets (ROA) when ownership was concentrated. Another study conducted by Mawira (2017) analyzed the influence of cross cultural management practices on organization performance with a focus of global companies in Nairobi. The research findings indicated that 27% of companies are foreign owned, 28% are locally owned, and 45% are multinational companies with both local and foreign owners. The study highlighted that the adoption of cross-cultural management practices was critical in improving organization performance of global companies.

2.3.2. Board behaviour and organisation culture

The manner in which behavior is defined and measured lies at the heart of controversy over additive and interactive models. Behavior categories are abstractions rather than tangible attributes of the real world and are derived from observed behavior but the categories do not exist in any objective sense. Since there is no absolute set of behavior categories, the classifications that differ in purpose can be expected to have somewhat different constructs (Yukl, 1989). Schein (1990) stated that values and norms form the basis of culture and one of the way culture is formed in an organisation is when people identify with a visionary leader based on their behaviour and overall expectations. Abe and Jung, (2004); Abe and Iwasak, (2009:2010) stated that the diverse leadership practices such as accountability behavior could be explained by the global differences in the culture of the various organizations. As with any relationship, board or individual behaviour within the board will project when it is not business as usual. This is mostly witnessed when corporations are experiencing economic downturns, public criticism or scandals (Marlow, 2017).

The search for a better understanding of board effectiveness by studying actual behavior in and around boards was fueled by empirical research that is opening up the so-called 'black-box' of the board to shed light on the roles, behavior and relationships in and around boards (Pettigrew 1992). Some of these studies serve to explain further the inability of boards to exercise influence and be effective, hence confirming conditions of managerial hegemony whereby

boards are weak, minimalist and ineffectual entities vis-à-vis executive management (Pettigrew & McNulty 1995). Others indicted that the limited rationality of boards is rooted in social psychological dynamics of boards and decision-making failures. Westphal & Bednar (2005) observe ‘pluralistic ignorance’ to be a characteristic of board dynamics and decision making, whereby members fail to express concerns and opinions. By contrast with group-think, another form of group decision-making failure rooted in highly cohesive groups, pluralistic ignorance lies in a misperception by directors which serves to prevent them voicing concerns about strategic matters for fear of marginalization (ACCA report, 2012).

The FRC Report, (2016) stated that culture starts with their behavior in the boardroom, as far as the boards are concerned where employees need to see that the leadership is held to account and to the same standards as the rest of the organization. The board is expected to act as a role model for the desired culture of the company. The way the board challenges management and handles discussion and dissent should reflect the company’s desired values and behaviors (EY Audit committee leadership summit report, 2015). A study conducted in the UK firms in 2016 which targeted those holding chairman positions, established the need to lead by example and emphasized on the board’s influence on culture. There was also emphasis on evaluating board behavior by the management as important and findings indicated that 58% paid attention to board behavior while 36% indicated more could be done.

The relationship between board behavior and organization culture remains controversial with different scholars having expressed different school of thought. Cultural research conducted by Evans (2013) established a controversial relationship indicating that individual behaviors and practices in an organization does have an impact on culture and vice-versa. Cultural values and norms were also found to strongly influence individual’s perspective and actions hence those in leadership across the various sectors were known to draw their cultural values to select, evaluate and justify their actions which are taken within an environmental context of morals, social norms and expectations (Huang & Van De Vliert, 2003; Amir et al., 2005). On the contrary, studies conducted by (Haan & Jansen, 2011; Islam et al., 2011; Banuri & Eckel, 2012) established contrary findings where individual behavior did not have any impact on the culture of the organization.

Okpara (2011) conducted corporate governance research studies in emerging markets in Africa. The study findings revealed weak governance mechanisms attributed by abuse of shareholder’s rights, lack of adherence to the regulatory framework and lack of commitment by the board of

directors, weak enforcement and monitoring systems and lastly, lack of transparency and disclosure. Behavioral studies in corporate governance in developing economies have not been exhausted which is why this study is anchored on behavioral theory of the firm departing from previous studies which have mostly been anchored on agency theory or path-dependency theory.

2.3.3. CEO tenure and organisation culture

The tenure of the Chief Executive Officers is one of the controversial governance questions faced by boards especially in identifying the right time to change the Chief Executive Officer. One study from Temple university found that the optimal tenure for the Chief Executive Officer was 4.8 years, a figure backed up by Fortune magazine's findings, that the 500 largest US companies have a median tenure of 4.9 years. A wider-ranging sample of companies in another study showed variances in median Chief Executive Officer tenure from year to year, possibly linked to economic cycles. A key factor to be borne in mind is the rapid change in the business environment and based on the research and accumulated experience, boards should be on the lookout for undesirable corporate culture. Board members should find ways to interact spontaneously with employees to assess how the quality of leadership is perceived and affecting the company as a whole (IODSA, 2016). However, according to Mwongozo and Principles of Corporate Governance (2015), a tenure limit shall be set for the all board members.

An empirical research study was still conducted at Temple University and the University of Missouri, which examined 365 US companies between 2000 and 2010, with the primary focus to examine how the length of Chief Executive Officer tenure affected both firm-employee and firm-customer relationships. The study highlighted that long tenures by Chief Executive Officers helps to build solid relationships between the company and its employees. Given the well-demonstrated link between employee satisfaction and engagement with company performance, this finding supports continuity within the Chief Executive Officer position. However, the researchers also found a negative correlation between a Chief Executive Officer's tenure and relations between the company and its customers. The research found that the optimal term for Chief Executive Officers in respect of firm-customer relations is 4.8 years (IODSA, 2014).

A study conducted by ACCA report (2012) highlighted the tenure of non-executive directors and the Chief Executive Officer seem to matter the most and ‘expertise hypothesis’ (Vafeas, 2003) argued that a long-term tenure improves the quality of the board because it is associated with greater experience, commitment and knowledge about the firm and its business environment. Fiegener et al. (1996) demonstrated that firms whose non-executive directors have longer average tenures outperformed other firms. It is also found in this study that non-executive director tenure heterogeneity is positively related to financial performance. Extended tenures, however, may reduce intra-group communication (Katz 1982; Vafeas (2003) suggesting that the relationship between director tenure and the performance of a group is not necessarily linear; tenure is beneficial because of the initial learning effect, but may be harmful thereafter (ACCA report, 2012).

The Ernst & Young Leadership summit report (2015) highlighted the issues relating to organization culture as discussed by members of the Audit Committee Leadership Networks in North America (ACLN) and Europe (EACLN). The selection of new Chief Executive Officers played a role in cultural change, with members stating the need for boards to remain vigilant in organizations with long-tenured Chief Executive Officers to avoid complacency about the culture. In order to steer culture in the right direction, boards used executive compensation to influence the expected management behavior. Organization culture is largely driven by the Chief Executive Officer and starts with the board in the selection of the Chief Executive Officer, however when to change the Chief Executive Officer remains the biggest challenge for the boards. While a change in Chief Executive Officer was seen to alter the culture, several members also said having long-tenured leadership can present its own set of culture-related problems. For culture to evolve over time, executive changes were deemed necessary.

There are limited research studies on the influence of chief executive officer’s tenure in Kenya, and in most cases performance is the key dependent variable. While Taracha (2014) conducted a study examining governance practices and performance, as evidenced from deposit taking SACCOs in Nairobi and Central Kenya. The key variables being women on board, Chief executive officer’s gender and compliance with the governance guidelines and minimal capital requirements. The research findings were consistent with prior studies which indicated a positive relationship between women on board, chief executive gender and age on return on assets (ROA). A study conducted by Gecheru (2011) analyzed the relationship between the tenure of the Chief executive officer and the firm’s performance; for the

companies listed at the Nairobi stock exchange, the findings established that there was no significant effect of the CEO's tenure on the firm's performance.

2.4. Research gap

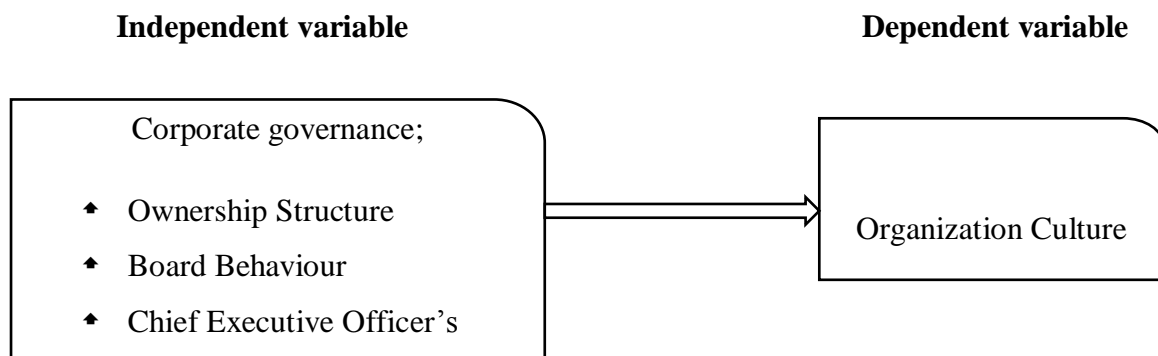
From the literature review, empirical studies on corporate governance in Kenya have largely focused on performance, quality governance, ethics, innovation across different sectors. Mathenge (2013) conducted a study on corporate governance and organizational management from an ethical perspective, analyzing the challenges facing effective corporate management in Kenyan state owned enterprises. Rotich and Gachohi, (2013) conducted a study on the influence of corporate governance on the performance of public organizations in Kenya; a case study of Kenya Ports Authority. Corporate governance and cultural research studies in Kenya are limited; previous studies have largely focused on performance, profitability, consumer purchasing decisions among others. Mehta (2015) analysed the factors affecting consumer purchasing decisions in the auto industry; a case of Toyota Kenya customers. Maungu (2014) examined the factors affecting profitability of new motor vehicles sales in Kenya: a case study of Ryce Motors East Africa Limited. Mbaraka (2011) focused on the quality management paradigm and performance in the auto industry, while Ogolla (2005) examined the operations strategy and performance among motor vehicle assemblers in Kenya.

There has been continued debate among researchers regarding the different models of measuring and analyzing culture; where, no one model has been found to have all the answers (Haan and Jansen, 2011; Banuri and Eckel, 2012). Evans (2013) highlighted that the existing cultural dimensions as reflected in the Denison, Hofstede, Trompenaars, and GLOBE models have not been comprehensively used to conduct boardroom studies, hence the study on the appearance of various dimensions is still not exhausted.

2.5. Conceptual framework

From the empirical review above, corporate governance was identified to be the independent variable while organization culture was the dependent variable. Figure 2.1 below provided the summary.

Figure 2.1. Conceptual framework



Researcher (2018)

The independent variable had more dimensions which include; ownership structure, board behavior and Chief executive officer's tenure. On the other hand, the dependent variable was the organization culture

2.6. Operationalization of study variables

Operationalization of study variables entailed analyzing the measurements of the study variables. The independent variables include the Ownership structure, board behavior and chief executive tenure, while the dependent variable is the organization culture as indicated in table 2.1. below.

Table 2.1. Operationalization of the research study variables

Variables	Measurements	Sources
Independent		
Ownership structure	<p>- Ownership structure is the actual identity of the owners and their shareholding rights which determines the right to control and appropriate a firm's profits.</p> <p>- Concentration of ownership was measured by the percentage of share equity held by the top five shareholders.</p> <p>-Owner identity (mix) is measured by the type of the largest shareholder; whether foreign, domestic or state owner.</p>	<p>Ongore (2011)</p> <p>La Porta, <i>et al.</i> (2002).</p>

	Board behavior	-Board behavior analyses the internal governance mechanisms by focusing on the processes, actors and decision making at board level. -Board behavior was measured through board effectiveness.	ACCA report, (2012)
	CEO tenure	- The tenure of the Chief Executive Officer was measured by the length of time that the incumbent occupied the office before exiting the organization.	ACCA report, (2012)
Dependent Organization culture	<p>- Organization culture was defined by the common values, beliefs and behaviors of people in a given organization; which is considered as a unique element identifying one organization from the other.</p> <p>- Organization culture was measured based on the glue that holds the organization together. The various dimensions include;</p> <ul style="list-style-type: none"> ◆ standardized processes and procedures ◆ common shared values, ◆ productivity and results ◆ commitment to experimentation and innovation. 		Cameron & Quinn (2011)

Researcher (2018)

2.7. Summary

This chapter starts by analyzing the theoretical framework on corporate governance. It also further analyses the literature review by focusing on the Corporate governance models, ownership structures, board behavior and Chief Executive Officer's tenure and the relative influence on the organization culture in the automotive companies in Kenya. Finally, on analysis of the empirical literature, the study identified research gaps, developed a conceptual framework and operationalized the study variables.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Introduction

This chapter of the research study focused on the description of methods used to carry out research and methods used to analyze the research questions and objectives. This chapter discussed the research design, target population and sampling design, data collection methods and analysis, research quality and ethics in research.

3.2. Research Design

According to Cooper (2007) a research design states either the research problem structure, organization or the relationship patterns among the variables of a study and the research plan used to obtain empirical evidence on those relationships.

This study adopted the descriptive research design which is applicable in qualitative research, it involved collecting information by interviewing or administering questionnaires to a sample of individuals. It could be used when collecting information about people's attitude, opinions, habits or any other variety or social issues (Orodho & Kombo, 2002). Descriptive research design is deemed important for this study as it often answers the why, how, what and when of a phenomenon (Saunders et al, 2009; Yin, 2009). It involved collecting of information without altering the environment and are not only restricted to fact finding, but formation of important principles of knowledge. The descriptive research design involved measurement, classification, analysis, comparison and interpretation of data.

3.3. Research target population

Population refers to a group of people or respondents that the research intends to incorporate, with an aim of providing information to the research questions. The study population was the automotive companies in Kenya, whose line of business mainly focuses on the manufacture, retail and distribution and assembly plant. This comprised of 32 companies in the new vehicles segment category for the period between 2013 to 2017. The 32 companies were identified as target population for the study because of their affiliation to global brands and being retail distributors on new cars segment. The period between 2013 to 2017 was chosen because it is the period where the automotive industry experienced fluctuations in the number of industry players through exit and entry of both local and foreign owned companies in Kenya.

3.4. Sampling design

Sampling design is that part of the research plan that indicated how cases were selected for observations. This research study made use of the purposive sampling design; which is a form of non-probability sampling involving a deliberate selection of particular unit of a population to constitute a sample representative of the population (Kombo and Tromp, 2006). The researcher purposely targeted a group of people believed to be reliable for the study. This study targeted 112 respondents which comprised of senior executives, non-executive directors and executive directors of the various companies within the automotive sector. These respondents were important to the study because they were considered the key drivers of corporate governance and culture in their respective organizations and had valuable input to the area of study based on their knowledge.

3.5. Data collection methods

Data collection consists of gathering of specific information to further provide or challenge some facts (Kombo & Tromp, 2006). The study collected primary data through administering of questionnaires. The questionnaire was split in two main sections, the first was made up of questions seeking background information of the various organizations within the automotive industry in Kenya. The second part of the questionnaire had questions regarding the three research objectives and the description of the organization culture. The questionnaires comprised of both the open and closed ended questions, with some questions designed on Likert scales.

Primary data was collected to respond to all research objectives. Primary data may have its weaknesses in terms of ambiguity or lack of completeness. Consequently, pilot testing was conducted to enhance understanding of the questions by the respondents and to address any shortcomings associated with research questions such as ambiguity. A random group of 10 respondents from different sectors were identified, however the information gathered from these respondents was not included in the analysis of data. According to Saunders et al. (2009), a pilot study test is normally carried out to enhance the validity of the research instrument with a view to remove errors of omission and commission and check the general structure.

3.6. Analysis of data

Data analysis is the examination of data gathered in relation to a particular research study with the aim of making inferences by extracting important variables, detecting any inconsistencies

and testing any underlying assumptions (Orodho & Kombo, 2002). Descriptive statistics were used to present the findings to enable the researcher reduce, summarize, and describe quantitative data obtained from the research. The study also used inferential statistics specifically regression analysis, using the Statistical Package for Social Sciences (SSPS) 21.0 and Microsoft office packages. Various analysts were engaged to analyze and code the data to minimize subjectivity and bias.

The three objectives sought to analyze the influence of ownership structure, board behavior and Chief executive officer’s tenure on organization culture respectively. The findings of these objectives were analyzed using both the descriptive statistics and multiple regression analysis. Descriptive statistics helps to provide simple summaries about a population or sample (Schindler, 2014), which includes deriving the mean, mode, median, variance and standard deviations. The multiple regression analysis established the nature of the relationship between corporate governance and organization culture which are the independent and dependent research variables respectively. Multiple regression analysis was used on qualitative variables to distinguish between populations; and helps in exploring the forms of relationships between the various variables. If Y is the dependent variable and X_1 through X_k are independent variables, then a typical multiple linear regression equation has the model as shown below;

$$Y = \alpha_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \dots + \beta_k X_k + \varepsilon$$

Where; Y = Organization culture

α_0 = Coefficient

β_1 through β_k are the slopes (ownership structure, board behavior and Chief executive officer’s tenure)

X_1 = Ownership structure

X_2 = Board behaviour

X_3 = Chief executive officer’s tenure

ε = Stochastic/disturbance term or error term.

On the other hand, univariate regression analysis was used to analyse the fourth objective, which sought to establish the joint interaction of the independent variables which in this study was ownership structure, board behaviour and CEO tenure. According to (Altaman et al 2003), univariate analysis is the examination of the distribution of cases on only one variable at a time and describes a single variable distribution in one sample. Schneider (2010) stated that univariate regression analysis studies the linear relationship between the dependent and

independent variables and describes the dependent variable in a straight line as defined by the equation below;

$$y = a + b (x)$$

Where;

a = Y - intersect of the line

b = Slope

y = Dependent variable (organisation culture)

x = Independent variable (corporate governance)

3.7. Research quality

Findings from a qualitative research are more likely to be scrutinized due to its subjective nature, it was therefore important to ensure that the research is credible, applicable and consistent to be useful to other scholars and researchers in order to enhance research quality. Research quality is measured using validity and reliability.

3.7.1. Validity

Research validity assesses both internal and external accuracy to ensures correctness and future use of the research study. Internal validity was enhanced using a higher Likert scale questionnaires as a source of primary data. To ensure validity, the questionnaire which is the research instrument was subjected to a pilot test to analyze its completeness, strength and areas to improve on (Page, 2007). The study used various theories, models and empirical references from other scholars as a way of enhancing internal research validity. To ensure transferability, the study adequately sought to measure the key dimensions of the research by use of instruments that have been validated by previous scholars and which are currently in use in the various research studies. The study also explained the application and generalization of the research findings beyond the industry, business form and market type perspective with different cultural and governance practices.

3.7.2. Reliability

Research reliability entails analyzing the degree of consistency and stability in an instrument (Kumar, 2010). Reliability of the research was done using various tools such as the Cronbach alpha test through the SPSS statistical software, which measures internal consistency of the research. Table 3.2 indicates that Cronbach alpha for all the variables under study were more than 0.7 and thus they were reliable.

Table 3.2: Cronbach's Alpha Values

VARIABLE	CRONBACH'S ALPHA
Ownership structure	0.769
Board behaviour	0.848
Chief executive officer's tenure	0.797
Organization Culture	0.824

It is not a statistical test but a measure of scale reliability and dimensionality of the scale using factor analysis. The closer the Cronbach alpha coefficient is to 1, the greater the internal consistency and 0.70 and above is an indication of reliable measures (Anderson and Tatham,1995).

3.8. Research Ethics

The researcher sought informed consent from the respondents, informed the respondents of their voluntary participation and the freedom to withdraw from the research study without any consequences. The researcher also enhanced confidentiality of the data by storing the data collection instruments in a safe place, ensured information was not shared or accessible by others, coding of data during analysis and encrypting of information provided in soft copies. The researcher also maintained privacy and protected the identity of the respondents by personally administering the data collection instruments.

CHAPTER FOUR

DATA ANALYSIS AND INTEPRETATION

4.1 Introduction

In this chapter, the data analysis findings were presented and interpreted to answer the research questions. The main data collecting tool used was questionnaires. The findings presented in this chapter demonstrated the relationship between ownership structure, board behavior, CEO tenure and the culture of the various automotive companies established in Kenya. Data was presented inform of tables, smart charts, percentages, mean and standard deviation.

4.2 Response Rate

The research was conducted using a study population of 32 companies and a target sample of 112 respondents. 80 questionnaires were duly filled and this represents a response rate of 71.42%. This response rate is considered satisfactory to make conclusions for the study. According to Mugenda & Mugenda (2003), a 50% response rate is adequate, 60% good and above 70% rated very good. This also collaborates Bailey (2000) assertion that a response rate of 50% is adequate, while a response rate greater than 70% is very good.

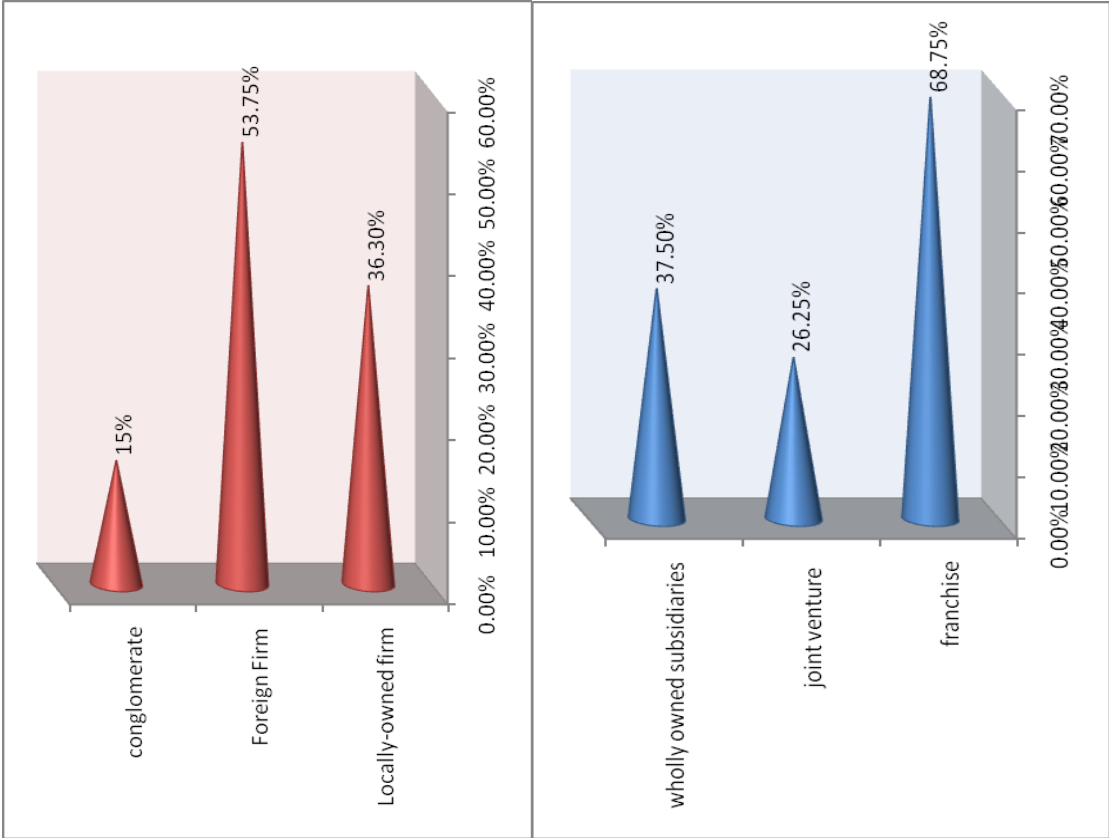
4.3 Organization Profile

The study analyzed the profiles of the various automotive companies in Kenya. Below are sub sections analyzing the characteristics of the various organizations in terms of formation, entry strategy, size, age, market share, line of business, company origin and the business goals.

4.3.1 Type of Business Formation and market entry strategy

The study established the types of business formation in the automotive companies in Kenya. The results showed that majority of the automotive companies in Kenya had Franchise business formation (68.75%), foreign firms are 53.75%, wholly owned subsidiaries are 37.5, locally owned firms are 36.3% with 26.25% being joint venture business formation and 15% were Conglomerate business formation. This implies that majority of Automotive Companies in Kenya have adopted the franchise business formation as an entry strategy and are largely foreign firms. Figure 4.2 below illustrates the study findings.

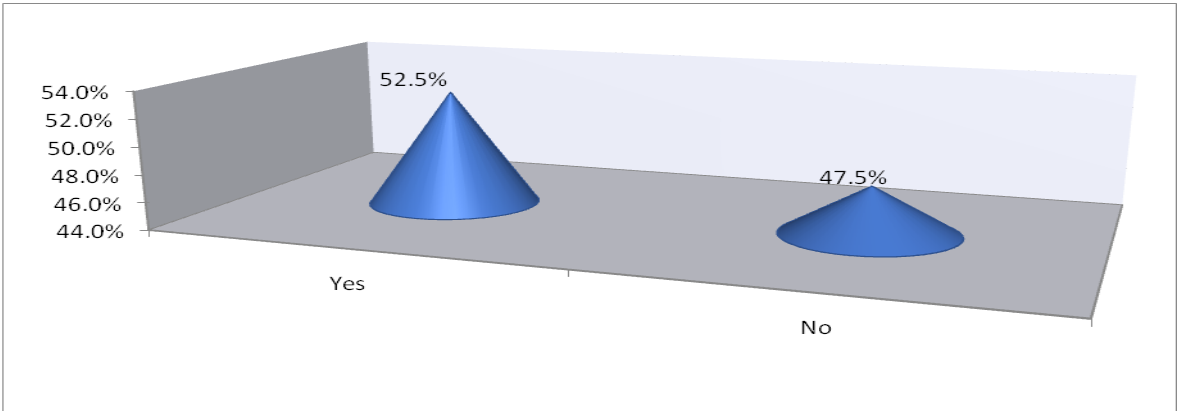
Figure 4.1: Type of Business Formation and market entry strategy



4.3.2 Company’s headquarters and the country of origin

Respondents were requested to indicate whether the company’s headquarters is different from the country of origin. Based on the study, majority of the respondents as indicated by 52.5% agreed that the company’s headquarters is different from the country of origin while 47.5% indicated that the company’s headquarters is different from the country of origin. This is an indication that majority of automotive companies in Kenya headquarters is different from the country of origin. Study findings are as shown in Figure 4.2 below.

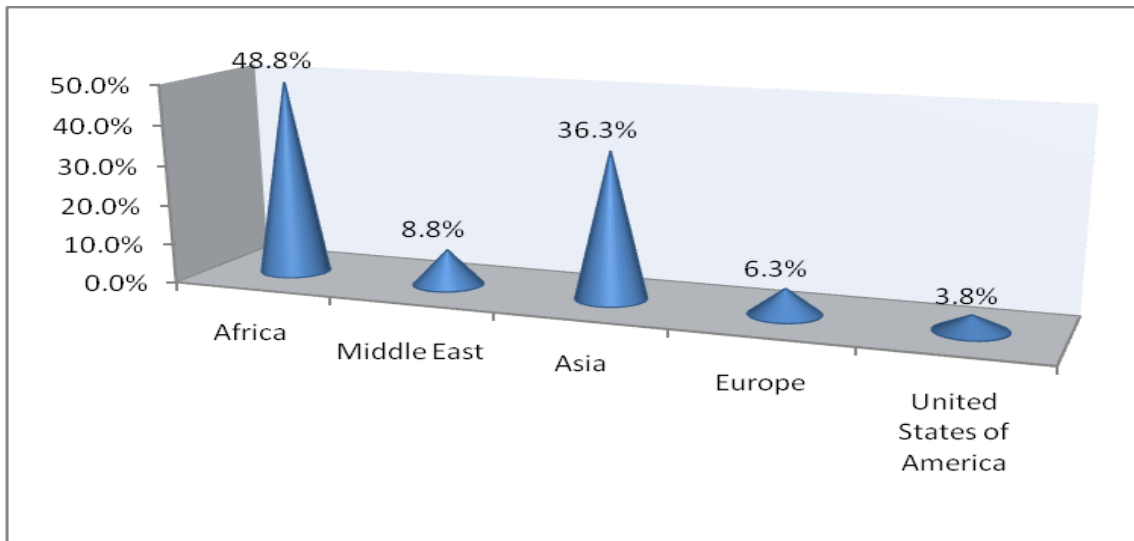
Figure 4.2: Company’s headquarters different from the country of origin



4.3.3 Company's origin

Respondents were requested to indicate their company's origin. Through analysis of the study findings, a majority of the respondents indicated that automotive companies in Kenya, (44.8%) originate from Africa, 36.3% originate from Asia, 8.8% originate from Middle East while 6.3% indicated Europe with 3.8% from United States of America. This is an implication that most of the automotive companies in Kenya were founded in Africa. Below is a summary of the study findings.

Figure 4.3: Company's origin



4.3.4 Years of Operations

The study sought to identify the years that the organization has been operating. The study findings are as highlighted below.

Table 4.1: Years of Operations

No. of years	Frequency	Percent
Below 5	18	22.5%
6-10	3	3.8%
11-15	8	10%
16-20	7	8.8%
Over 21	44	55%
Total	80	100%

While 55% of the respondents highlighted that their firm have been operating for over 21 years, 22.5% indicated below 5 years, 10% indicated between 11-15 years, 8.8% indicated between

16-20 years, while only 3.8% indicated between 6-10 years. This is an implication that majority of the automotive companies in Kenya have been in operation for over 21 years and thus higher chances of getting reliable information with regard to the influence of corporate governance on organisation culture in the automotive companies in Kenya.

4.3.5 Size of the Organization

The study sought to identify the size of automotive companies in Kenya in terms of employees. From the findings, 67.5% of the respondents indicated that their firms have over 201 employees, 18.8% indicated between 101 -200 employees, while 13.8% indicated less than 100 employees. This is an indication that majority of the automotive companies in Kenya have over 201 employees an indicating the size of the companies in the automotive industry are large enterprises. Below is a summary of the findings.

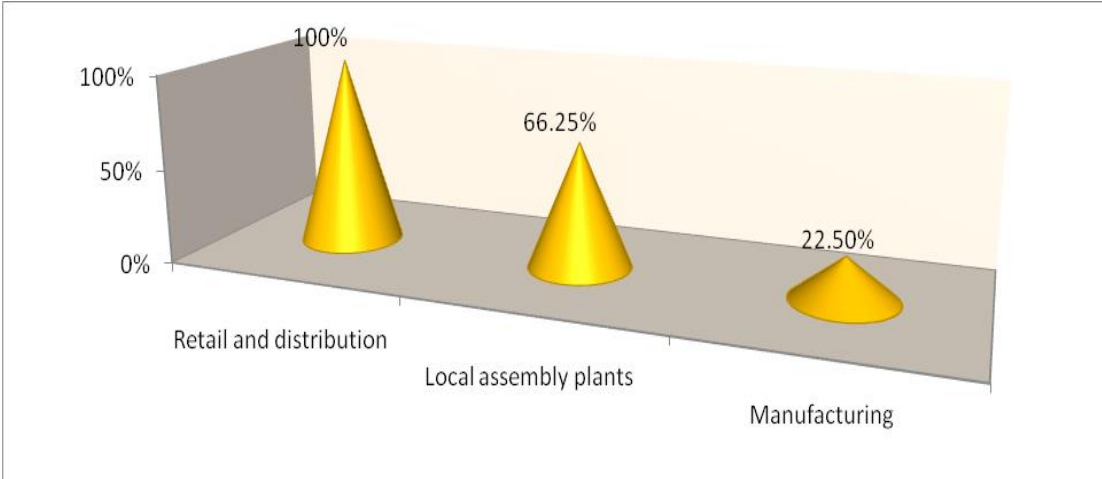
Table 4.2: Organization size

Size of the organization	Frequency	Percent
Less than 100 employees (small)	11	13.8%
101 -200 employees (medium)	15	18.8%
Over 201 employees (large)	54	67.5%
Total	80	100%

4.3.6 Line of Business

Respondents were requested to indicate their company’s business focus of operation. Based on the study finding, all the respondents (100%) indicated their company’s line of business is in retail and distribution, 66.25% indicated their line of business to be local assembly plants, while 22.5% indicated manufacturing. This is an implication that in most cases automotive companies in Kenya line of business is retail and distribution with less than a quarter of the industry players engaging in local manufacturing. Study findings are as summarized below.

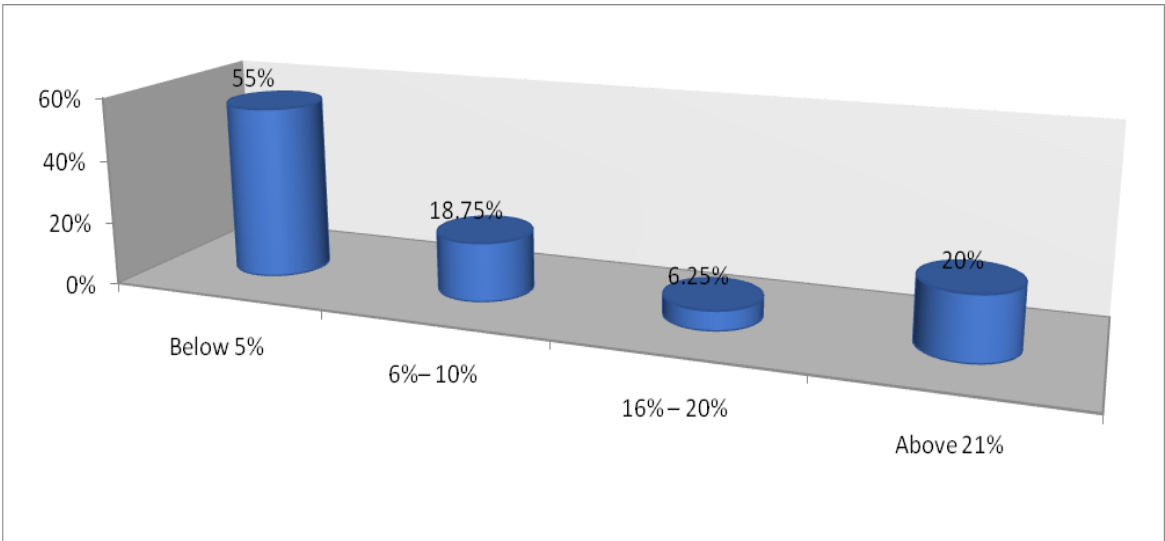
Figure 4.4: Line of Business



4.3.7 Market share of the organizations

The study analysed the market share of the various organisations for the new vehicles segment. Results were analyzed as shown below.

Figure 4.5: Market share of Organisation for the new Vehicles Segment



The findings from the study revealed that majority of the respondents (55%) indicated the percentage market share of their organization for the new vehicles segment to be below 5%, while 18.75% indicated between 6%– 10%, 20% indicated above 21%, and 6.25% indicated between 16% – 20%. This implies that majority of the companies in the automotive industry have a market share of below 5%, in the new vehicles segment.

4.4. Ownership structure and organization culture

The study objective sought to analyze the extent to which ownership structure influences organization culture in the automotive companies in Kenya and the study findings are as shown in the following subsections.

4.4.1 Structure of the board within the organization

Respondents were requested to indicate the structure of the board within their organisation. Study findings are as highlighted below.

Table 4.3: Structure of the board within the organization

Board structure	Frequency	Percent
Two tired board (consists of a supervisory board and management board)	23	28.75%
One tired board (CEO, executive committee and the management team)	57	71.25%
Total	80	100%

The study findings revealed that most of the respondents (71.25%) indicated that the structure of the board within the organization is one tired board (CEO, executive committee and the management team), while 28.75% indicated that it is composed of Two tired board (consists of a supervisory board and management board). This portrays that the structure of the board within most of automotive companies in Kenya is one tired board (CEO, executive committee and the management team)

4.4.2 Ownership percentage held by the top 5 shareholders

The research sought to find out the ownership percentage held by the top 5 shareholders. From the responses 38.8% of the respondents indicated that majority of the shareholders held between 60-80% of the shares of the firm, 20.0% indicated ownership percentage of 20-40%, 16.3% indicated ownership percentage of 80-100%, 15.0% indicated ownership percentage of 40-60%, while 10.0% indicated ownership percentage of 0%-20%. This is an indication that in most of the automotive companies, the majority shareholders owned 60-80% of the firm and thus the ownership was concentrated among few shareholders. The responses are as shown below.

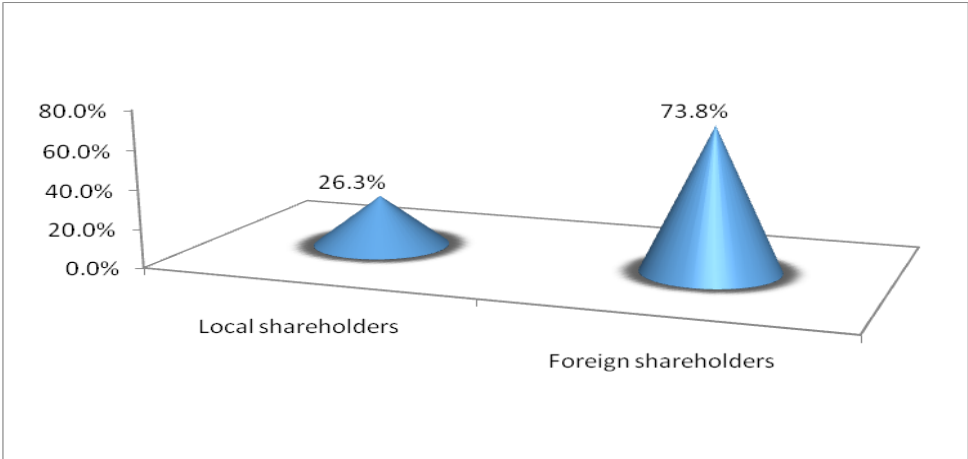
Table 4.5: Ownership percentage held by the top 5 shareholders

Ownership %	Frequency	Percent
0%-20%	8	10.0%
20-40%	16	20.0%
40-60%	12	15.0%
60-80%	31	38.8%
80-100%	13	16.3%
Total	80	100.0%

4.4.3. Foreign Shareholders in the ownership structure

Respondents were asked to indicate whether foreign shareholders formed part of the ownership structure in their organization. Based on the study findings, majority of the respondents as indicated by 74% agreed that there are foreign shareholders who form part of the ownership while 26 % disagreed that there are foreign shareholders who form part of the ownership. This is an indication that in most of the automotive companies in Kenya there are foreign shareholders who form part of the ownership.

Figure 4.6: Ownership Percentage by foreign shareholders



While the bulk of the respondents (73.8%) indicated that their organization were owned by foreign shareholders, 26.3% indicated ownership by local shareholders. This implies that most of the automotive companies in Kenya are largely owned by the foreign shareholders

4.4.4 Ownership identity within the organisation

The respondents were asked to identify the ownership types within their respective organisations. The table below gives the summary of the owner's identity within the various organisations.

Table 4.6: Ownership identity in terms percentage within their organisation

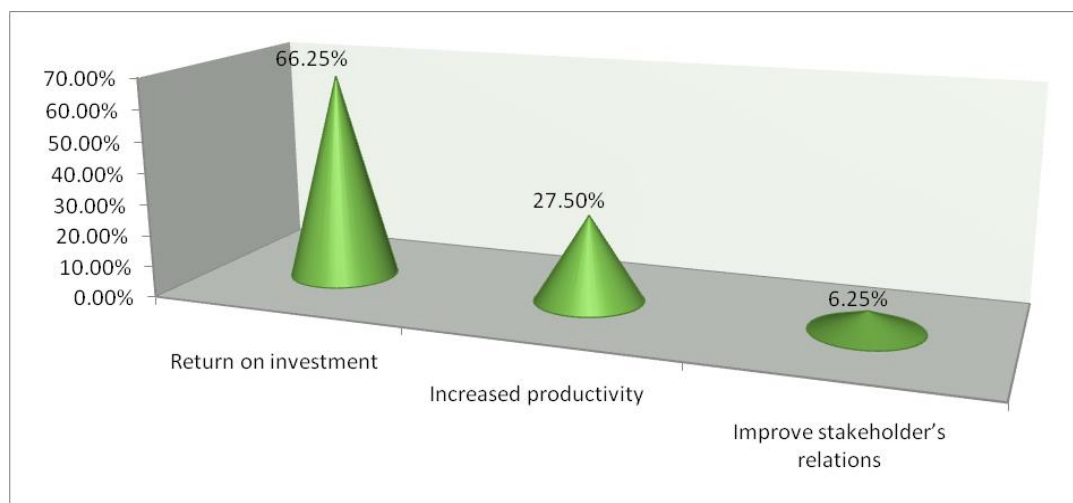
Owner's identity	Frequency	Percent
Private individuals	39	48.8%
Family members	29	36.3%
State corporation	5	6.3%
Corporates	7	8.8%
Total	80	100%

48.8% of the respondents from the research study indicated that automotive companies in Kenya were owned by private individuals, with 36.3% indicating family members, 8.8% indicating corporates, while 6.3% indicated State corporation. This implies that the dominant ownership type is private individuals and family members for most of the automotive companies in Kenya.

4.4.5. Main organizational goal

The study sought to establish the main goal of the organisation and below is a summary as provided by the respondents. Figure 4.7 shows the study findings.

Figure 4.7: Main organisational goal



The findings revealed that majority of the respondents (66.25%) indicated return on investment as the main goal of their organization, 27.5% indicated increased productivity, while 6.25% indicated to improve stakeholder’s relations. It is imperative to note that in most of automotive companies in Kenya, their ultimate goal is to increase return on investment.

4.4.5. Ownership structure influence on the culture of the organization

The respondents were tasked to analyze the extent to which ownership structure is a contributing factor of culture of the organization. The status of this variable was rated on a 5 point Likert scale ranging from; strongly agree (5), Agree (4), neutral (3), disagree (2), strongly disagree (1). The result findings are as highlighted below.

Table 4.7: Ownership structure influence on the culture of the organization

Ownership structure and organization culture	Mean	Std. Deviation
The top shareholders have an influence on the strategic emphasis of the organisation	4.1125	0.841845
The type of shareholders has an impact on the organization behavior, norms, beliefs, philosophies and how people are managed in the organization	3.075	0.910904
Overall	3.594	0.8793745

A majority of the respondents strongly agreed that the top shareholders have an influence on strategic emphasis of the organization (mean=4.1125). However, respondents were neutral on the statement that the owner’s identity had an impact on the organizational behavior, norms, beliefs and philosophies and how people are managed in the organization (mean=3.075). This indicates that top shareholders have an influence on the decisions made at the board level. Based on the study findings, the respondents agreed that the ownership structure influences the culture of the organization in their respective automotive companies in Kenya (mean=3.594).

4.5. Board Behavior and Organization Culture

This particular study objective sought to examine the extent to which board behaviour influences organization culture in the automotive companies in Kenya. The study findings are as presented in the sub-sections below.

4.5.1. Board engagement with the various stakeholders within the organization

The respondents were asked to indicate how often the board engaged the various stakeholders within the organization. The status of this variable was rated on a 4 point Likert scale ranging from; 1= Monthly; 2= Quarterly; 3= Bi-annually; 4 = Annually. Majority of the respondents felt that board engage the competitors within the organization annually (mean=3.892), Regulatory agencies annually (mean=3.712) as well as Employees who are engaged annually (mean=2. 3.689). Sub-dealers and distributors are engaged bi-annually (mean=2.900). However, it was identified that the board engaged the management team on the quarterly basis (mean=2.375). The result findings are as shown in table 4.8 below.

Table 4.8: Board engagement with the various stakeholders within the organisation

Stakeholder engagement	Mean	Std. Deviation
Management team	2.375	0.624
Employees	3.689	0.265
Sub-dealers and distributors	2.900	0.866
Regulatory agencies	3.712	0.325
Competitors	3.892	0.432

4.5.2. Level of using different mechanisms and tools to monitor board behavior

The respondents who were part of the study were requested to indicate the extent to which board make use of different mechanisms and tools used to monitor board behaviour. The status of this variable was rated on a 5 point Likert scale ranging from; 1 = Never; 2 = Seldom; 3 = Sometimes; 4 = Often; 5 = Always. The study established that the boards in the automotive companies in Kenya sometimes conduct governance audits at-least once a year (mean=3.188), some having clear governance structures with a nominated committee that highlights the behavioral expectations of board members (mean=2.975), sometimes use selective hiring (recruit for character) as a tool for monitoring board behavior, with a focus on optimizing talent and the right behavior (mean=2.975). The result findings are as shown below.

Table 4.9: Level of using different mechanisms and tools to monitor board behaviour

Tools to monitor board behavior	Mean	Std. Deviation
Capacity building on leadership skills for the board members and key management team	2.663	0.913
Board members' tenure limitations	2.888	1.441
Clear governance structures with a nominated committee that highlights the behavioral expectations of board members	2.975	0.886
Selective hiring (recruit for character) with a focus on optimizing talent and the right behavior	2.975	1.222
The board conducts governance audits at-least once a year	3.188	1.170

In addition, the study found out that automotive companies in Kenya seldom have board tenure limitations (mean=2.888) and seldom use capacity building on leadership skills for the board members and key management team (mean=2.663). This implies that in most of automotive companies in Kenya the board rarely makes use of different mechanisms and tools implemented to monitor board behavior.

4.5.3. Board behaviour on organization culture

The respondents were requested to indicate the extent to which board behavior influenced the culture of their organizations. The status of this variable was rated on a 5 point Likert scale ranging from; strongly agree (5), Agree (4), neutral (3), disagree (2), strongly disagree (1). Most of the respondents agreed that the board had similar visions and strategic focus which was reflected in the decision-making process (mean=4.012), board behavior influenced was reflected on how employees were managed within the organization (mean=3.950), the behavior of the board largely influenced the leadership characteristics of the executives (mean=3.713) and that the board members are guided by common value systems and norms in the management of your business operations (mean=3.663). However, respondents disagreed that the behavior of individual members of the board impacts the company values and philosophies (mean=2.613). The result findings are as shown in table 4.9 below.

Table 4.10: Board behaviour on organization culture

Board behavior and organization culture	Mean	Std. Deviation
The board members often have similar visions and strategic emphasis which is reflected in the decision-making process.	4.012	1.265
Board behavior is reflected on how the employees are managed within your organization.	3.950	0.967
The behaviour of the board largely influences the leadership characteristics of the executives.	3.713	1.070
Board members are guided by common value systems and norms in the management of your business operations.	3.663	0.941
The behavior of individual members of the board has an influence on the company values and philosophies.	2.613	0.921
Overall	3.5902	1.0328

This implies that the board consists of a highly cohesive group, board behavior is reflected on the organizational behavior, norms and practices, the behavior of the board largely influences the management style of the executives and that the board members are guided by common value systems and norms in the management of their business operations. In general, the study revealed that the influence of board behavior on the culture of the various organizations in the automotive companies in Kenya is neutral (mean=3.5902).

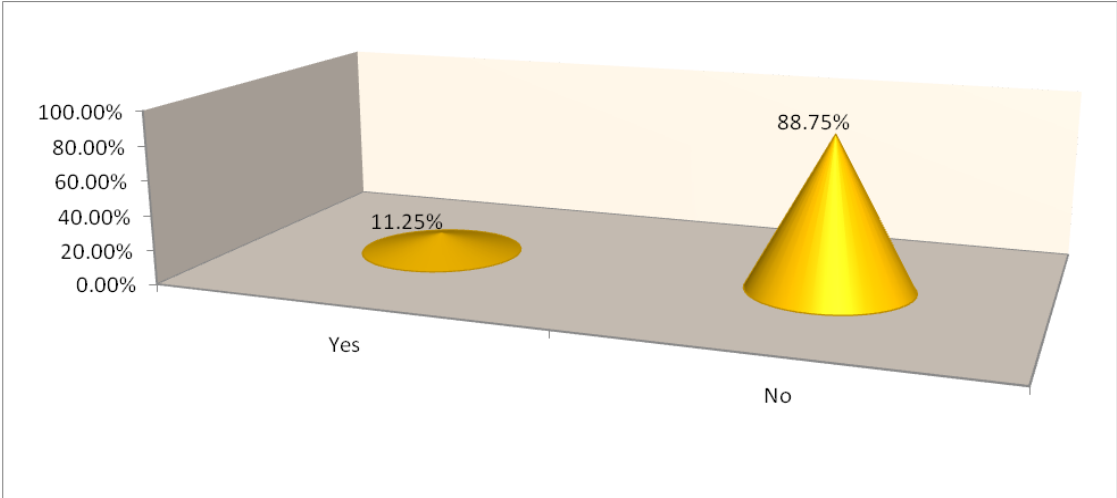
4.6. Chief Executive Officer tenure and Organization Culture

The final objective of the study sought to analyse influence of Chief Executive Officer tenure on organization culture in the automotive companies established in Kenya. Below are sub-headings highlighting the various findings from the study.

4.6.1 Tenure of Chief Executive Officer's position

Respondents were requested to state whether the Chief Executive Officer's position is tenured within their companies. Their responses are as indicated in the Figure 4.8 below.

Figure 4.8: Tenure of Chief Executive Officer’s position

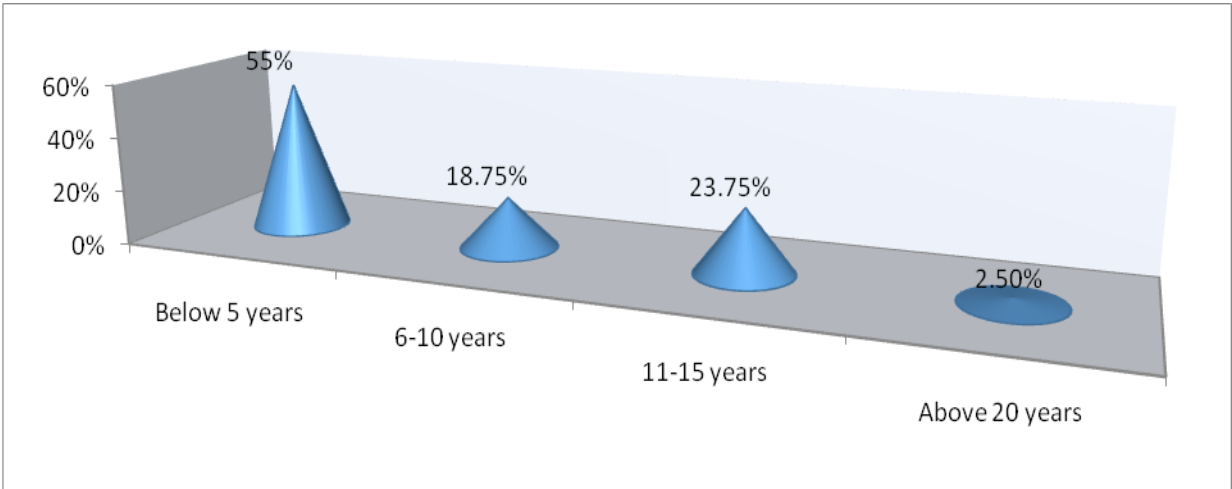


While a majority of the respondents indicated that the chief executive Officer’s position was not tenured by 88.75%, on the other hand 11.25% of the respondents indicated that the chief Executive Officer’s position was tenured within their respective organizations. This means that in most of automotive companies in Kenya the position of the chief executive Officer’s does not have tenure limits.

4.6.2 Years in office by the current CEO

The research study requested the respondents to indicate the number of years the current chief executive officer been in office within the organization. Their responses are as highlighted in the Figure 4.9 below.

Figure 4.9: Years in office by the current CEO



Majority of the respondents as indicated by the highest percent of 55% indicated that the current chief executive officer been in office within the organization for less than 5 years,

23.75% indicated between 11-15 years, 18.75% indicated between 6-10 years, while 2.5% indicated above 20 years. This implies that in most of automotive companies in Kenya chief executive officer does not hold office for long.

4.6.3 Chief executive officers’ tenure and organization culture

The respondents were requested to assess the extent of the contribution of the Chief executive officers towards organization culture. The status of this variable was rated on a 5 point Likert scale ranging from; strongly agree (5), Agree (4), Neutral (3), Disagree (2), Strongly disagree (1). Based on the study findings, respondents agreed that the chief Executive Officers tenure influences the establishment of leadership characteristics and strategic focus of the organization (mean=3.975), change in the Chief Executive Officer contributes to change in organization behavior, policies, systems, and beliefs and how employees are managed in the organization (mean=3.725), and neutral that board members in most cases knew when to change the CEO through a defined criteria for success of the organization (mean=3.575). The research findings are as indicated in the table below.

Table 4.11: Chief executive officers’ and organization culture

CEO tenure and organization culture	Mean	Std. Deviation
The CEO’s longevity in office mostly establishes the leadership characteristic and the strategic focus of the organisation.	3.975	1.018
Change in the Chief Executive Officer contributes to change in organization behavior, policies, systems, beliefs and how employees are managed in your organization	3.725	1.273
Board members in most cases know when to change the CEO through a defined criteria for success of the organisation	3.575	0.839
Overall	3.758	1.043

This implied that in most of automotive companies in Kenya, the chief Executive Officers longevity in office established the leadership characteristics and strategic focus of the organization. Change in the Chief Executive Officer contributes to change in organization

behavior, policies, systems, beliefs and how employees are managed in the organization. However, the board members were neutral when it comes to know when to change the CEO.

4.7. Organization Culture

The study dependent variable was organization culture which was analyzed using four dimensions which include; standardized processes and procedures, common shared values, commitment to experimentation and innovation and productivity and results. The findings are as shown below.

4.7.1. Organisation culture of the companies

The respondents were asked to indicate aspects considered important in holding the organization together based on their governance structures. The status of this variable was rated on a 5 point Likert scale ranging from; 1=not important at all; 2= of least importance; 3= somewhat important; 4= important; 5= most important. Respondents rated productivity and results to be important (mean=4.088), commitment to experimentation and innovation was also rated important (mean=4.050). However, standardized processes and procedures (mean=3.513) and common shared values (mean=3.200) were considered to be somehow important. In general, the study revealed that in relation to their respective governance practices, culture was considered important (mean=3.713). The study findings were as summarized below.

Table 4.12: Organisation culture of the companies

Organization culture	Mean	Std. Deviation
Productivity and results	4.088	1.398
Commitment to experimentation and innovation	4.050	1.135
Standardized processes and procedures	3.513	1.102
Common shared values	3.200	0.947
Overall	3.713	1.146

It is therefore imperative to note that most of automotive companies in Kenya view productivity and results and commitment to experimentation and innovation with more importance than common shared values and standardization of processes and procedures.

4.8. Regression analysis

The researcher conducted a multiple regression analysis so as to test the extent of the relationship between independent and dependent variables which is corporate governance and

organisation culture respectively. The researcher used the statistical package for social sciences (SPSS V 21.0) software to input and compute the study's measurements of the multiple regressions. Coefficient of determination explains the extent to which changes in the independent variables (Ownership structure, board behaviour, and Chief executive officer's tenure) explained the variations in the dependent variable (organisation culture). Below is a summary of how the various independent variables relate to the dependent variable.

4.8.1. Ownership structure and organisation culture

The regression model below indicates that when ownership structure changes by one unit the organisation culture will increase by 0.712. The model further showed that organisation culture is a function of a constant value of 7.232 and ownership structure (0.712).

$$Y_{bt} = f(7.232 + 0.712X_1)$$

Where;

Predictors: (Constant) and Ownership structure

Y_{bt} = Organisation culture

4.8.2. Board behaviour and organisation culture

On the influence of board behaviour and organization culture, the study further revealed that in most of the automotive companies in Kenya, the board rarely made use of different mechanisms and tools implemented to monitor board behavior. In addition, when board behaviour changed by one unit the organisation culture increased by 0.611. The model further showed that organisation culture is a function of a constant value of 7.232 and board behaviour (0.611). The model is as shown below;

$$Y_{bt} = f(7.232 + 0.611X_2)$$

Where;

Predictors: (Constant) and board behaviour

Y_{bt} = Organisation culture

4.8.3. CEO tenure and organisation culture

Further, the study analysed the influence of CEO tenure on the organisation culture in the automotive companies in Kenya. The study revealed that when the Chief executive officer's tenure value changed by one unit the organisation culture increased by 0.593. The model further showed that organisation culture is a function of a constant value of 7.232 and CEO tenure (0.712). The model is as shown below;

$$Y_{bt} = f(7.232 + 0.593X_3)$$

Where;

Predictors: (Constant) and CEO tenure

Y_{bt} = Organisation culture

4.8.4. Ownership structure, board behaviour and CEO tenure on the organisation culture

Finally, the general regression model showed that at any given time, the organisation culture will be 7.232 when all the predictor values are zero. The model indicated that when ownership concentration changed by one unit the organisation culture increased by 0.712. In addition, when board behaviour changed by one unit the organisation culture increased by 0.611. Further, the study findings revealed that when the Chief executive officer's tenure value changed by one unit the organisation culture increased by 0.593. The general regression model showed that organisation culture is a function of a constant value of 7.232, ownership structure (0.712), board behaviour (0.611) and CEO tenure (0.593). It is as summarised below.

$$Y_{bt} = 7.232 + 0.712X_1 + 0.611 X_2 + 0.593 X_3$$

a. Predictors: (Constant), Ownership structure, board behaviour, and Chief executive officer's tenure

b. Dependent Variable: Organisation culture

The study findings revealed that corporate governance influenced organisation culture in the automotive companies in Kenya. However, ownership structure had more influence on the organisation culture compared to CEO tenure, which had the least influence on the culture of the automotive companies in Kenya.

4.9. Model summary

Table 4.13 below shows model summary of regressed variable of the study. The correlation coefficient (R) value represents the degree and strength of relationship between dependent variable and the independent variables. Coefficient of correlation ranges between -1 and 1 and in this model the coefficient of correlation is 0.896 which indicates a positive correlation between organisation culture, Ownership structure, board behaviour, and Chief executive officer's tenure. The R Squared is the coefficient of determination which indicates how much of the total variation in the dependent variable. From the above the R squared statistic indicated that the model was a good fit based on the real data.

Table 4.13: Model summary

Model	R	R Square	Adjusted Square	R Std. Error of the Estimate
1	.896 ^a	.802	.775	0.0131

a. Predictors: (Constant), Ownership structure, board behaviour, and Chief executive officer's tenure

b. Dependent Variable: Organisation culture

The R squared of this model is 0.802 which shows that the model is a good fit of the actual data. The coefficient of determination of 0.802 implies that 80.2% of the variance in dependent variable is explained by changes in the independent variables.

4.9.1 ANOVA (Analysis of Variance)

The model summary as summarised in table 4.14 below also indicated that the dependent variable (organisation culture) is significantly accurately predicted by the regression model.

Table 4.14: Analysis of variance

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	6.942	3	2.314	6.51	.001 ^a
	Residual	26.98	76	0.355		
	Total	33.992	79			

a. Predictors: (Constant), Ownership structure, board behaviour, and Chief executive officer's tenure

b. Dependent Variable: organisation culture

The statistical significance of the regression model that was run is shown by the F test. The P=0.001, which is less than 0.05 designates that, generally the regression model statistically and significantly predicts the outcome variable that is good fit for the data.

4.9.2 Correlation coefficient

To test the significance of each individual variable which was based at 0.05 the t-test was carried out. The result indicates the board behaviour and Chief executive officer's tenure have a value of 0.0012 and 0.0233 against the organisation culture in the model respectively. This shows that the relationship between organisation culture, board behaviour and Chief executive officer's tenure is significant. The relationship between ownership structure and organisation culture recorded at rate of 0.0006 which is significant since it's less than p-value (P.0.05). The summary is as shown in the table below.

Table 4.15: Correlation coefficient

	Unstandardized Coefficients			Standardized Coefficients	
	B	Std. Error	Beta	T	Sig.
(Constant)	7.232	0.643		11.240	0.0000
Ownership structure	0.712	0.976	0.230	0.822	0.0006
Board behaviour	0.611	0.946	0.460	0.813	0.0012
Chief executive officer's tenure	0.593	1.050	0.310	0.565	0.0233

4.9.3. Univariate Linear Regression Model

Univariate Linear Regression analysis was conducted to analyze the joint interaction of ownership structure, board behavior and CEO tenure as the independent variables. The study findings are as revealed in the table below.

Table 4.4: Univariate Linear Regression Model

	Un-standardized		Standardized	t	Sig.
	Coefficients		Coefficients		
	B	Std. Error	Beta		
(Constant)	3.77	0.451		8.359202	0.004
corporate governance	0.782	0.121	0.146	6.46281	0.003

Based on the study findings, a unit increase of corporate governance would lead to an increase organization culture by 0.782. Corporate governance has a significant positive influence on organization culture as indicated by a significance level of 0.003 which is less than 0.05. The univariate regression model showed that organisation culture is a function of a constant value of 3.77 and corporate governance (0.782). It was as summarised below;

$$Y_{bt} = 3.77 + 0.782 X_1$$

Where;

Y = organisation culture

X_t = Corporate governance

4.10. Summary of Findings

The study analyzed the influence of corporate governance on the organization culture in the automotive companies in Kenya. Three of the most vital governance dimensions including; ownership structure, board behavior and Chief executive officer's tenure were examined. From the respondents, that is; the Directors, Chief executive officers and senior managers, it was agreed that three pillars of corporate governance influenced the culture of the automotive companies in Kenya. However, ownership structure played a major role than the other two.

CHAPTER FIVE

DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter highlighted the major findings which contains the discussions of research findings, conclusions and recommendations for further research. This was derived from the analysis and interpretation of the data collected where the questions and responses were based on the objectives of the study. The summary captured the essence of the study, while the conclusion captured the lessons from the study. At the end, areas of further study were also given.

5.2. Discussions of the findings

This section discussed the major findings of the study in line with the research objectives.

5.2.1. Ownership structures and organization culture

The study further highlighted that the automotive companies in Kenya were mostly owned by foreign shareholders which affirms the study conducted by Mucuvi (2002), who noted that the automotive industry was predominantly owned by foreign shareholders at 53.8%. In addition, the study concluded that most of the automotive companies in Kenya were largely owned by private individuals, who influenced the management control and culture. La Porta et al. (1998) established that at 10% cut-off ownership rate, the sample of world's 27 richest countries show that 52% of medium firms were owned by individuals or families, as opposed to 10% dispersed ownership. Okeahalam (2004) and Rafiee. & Sarabdeen, (2012) also established that the dominant characteristics with the African economy was predominantly family owned businesses, private individuals and high level of government ownership. This study however, noted low state ownership of the automotive companies in Kenya.

The study highlighted that the ownership structure was highly concentrated with the top 5 shareholders' holders owning more than 60-80% of the company's shares. La Porta et al. (1998:99) found that in a sample of 49 countries, the mean ownership of the three largest shareholders was 46%. According to Ntongho (2015) ownership structure is also concentrated, whereas family ownership is very common in both medium and large firms. Cross-shareholding of non-financial firms is prevalent as is interlocking directorships (Windolf, 2002). Large national banks hold substantial shares in corporations, and banks also exercise voting rights for smaller shareholders (Juegens et al., 2000).

The study also revealed that the automotive companies in Kenya were not faced with regulations limiting ownership restrictions, despite not being listed in the Nairobi Stock Exchange. While World Bank's Investing across Borders Report (2010), established that Kenya restricted foreign ownership in more sectors than most other economies in sub-Saharan Africa. Foreign brokerage companies and fund management firms must have been locally registered and have Kenyan ownership of at least 30% and 51%, respectively. Foreign ownership of equity in insurance and telecommunications companies was restricted to 66.7% and 80% respectively (Mokaya, 2015). However, as at June 2016 foreign companies were required to cede at least 30% of their shareholding to persons who are of Kenyan citizenship, which was not applicable to already existing foreign companies (Companies Act, 2015). The law was later repealed and only required foreigners to have Kenyan directors with no limits on ownership and instead allowed 100% foreign ownership of companies listed in the Nairobi Stock Exchange (Investment Climate statement, 2017).

Lastly, the research study revealed that ownership structure greatly influenced organization culture in the automotive companies in Kenya. This is in agreement with a study conducted by Thi Quy Vo (2011) which indicated that changes in ownership and market conditions led to significant changes in the organizational cultures of newly-privatized companies because it is essential to develop more market-oriented cultures. Change in ownership structure created a new culture that supported the achievement of new organizational goals that emphasize profitability and efficiency. These findings also identified that differences in ownership identity greatly influenced the type of organization culture to be implemented.

5.2.2. Board behavior and organization culture

The study also highlighted that the board groups were highly cohesive in the decision-making process which was interpreted to high levels of group-think. Which is consistent with findings of Janis (1972), where group think tendencies was linked to high cohesiveness of groups. While the study established that the top shareholders had an influence on the board behavior, values and decisions made, board behavior of individuals at the board had a neutral effect on the decision-making process.

The study identified that the various boards did not engage much with the various stakeholders mostly the employees and competitors, however the management team was engaged on a quarterly basis. The EY report (2015) revealed that for the Directors who are not involved in

the daily operations of the company, overseeing organization behavior and culture can be difficult. However, suggestions were made to boards to conduct regular site visits to company locations and talk directly with employees and for management to create a culture dashboard that captures data such as employee feedback and management reviews as culture indicators. External sources of information, such as customer complaints, could also feed into the dashboard. Internal and external audit teams could help manage and collect information for the board to monitor the behavior of the board and the organization.

Also, the study revealed that board behavior was reflected on the organizational behavior, norms and practices and that the behavior of the board largely influenced the dominant characteristics of the executives. Lastly, it was identified that the board members were guided by common value systems and norms in the management of their business operations. The FRC report (2016) established that one of the key roles for the board includes establishing the culture, values and ethics of the company. It is important that the board sets the correct “tone from the top”. The directors should lead by example and ensure that good standards of behaviour permeate throughout all levels of the organization. This will help prevent misconduct, unethical practices and support the delivery of long-term success. The report further stated that indicators and measures used should be aligned to desired outcomes and material to the business. The boards have the mandate to understand behaviour throughout the company and to challenge where they find misalignment with values or need better information. Boards should devote sufficient resource to evaluating culture and consider how they report on it. Furthermore, board behaviour codes in the developed countries have been written to demonstrate the concern to have effective means to monitor and improve the firms value creation (Lopez et al, 2005).

The study findings further gave an indication that most boards in the automotive companies in Kenya had not fully implemented governance practices aimed at monitoring board behavior as an internal governance mechanism. However, The Mwongozo code and Principles of Corporate Governance (2015) provided that boards shall set standards of behaviour required for its members, senior executives and all employees and ensure observance of these standards. Also, the boards are required to establish a formal process to resolve both internal and external disputes and that governance audits are to be conducted at least annually. Private Sector Initiative for Governance (2012) further stated that boards should define, promote and protect

the corporate ethos, ethics and beliefs in which a corporation premises its policies, actions and behavior in its relationship with all who deal with it.

5.2.3. Chief Executive Officer's tenure and organization culture

The CEO positions in majority of the automotive companies were not tenured; however, the average CEO tenure was identified to be below 5 years and did not hold office for long. This corroborates with a study conducted at Temple university in 2015, which noted that the average tenure of the CEO was 4.9 years. The study highlighted that organization culture was mostly driven by the CEO and board members and change in CEO often led to cultural change within an organization. This is also in agreement with the Ernst & Young Leadership summit report (2015). However, according to Dectech (2016), the typical CEO tenure lasts 8 years and during their fifth year, the chance of a CEO exit is 11.4% overall, with 2.3% getting fired outright, 4.5% ousted as part of a takeover and 4.6% leaving voluntarily. Only a quarter of CEOs get fired and half of them survive to resign. Moreover, the risk of getting fired is constant over tenure whereas the risk from takeovers peaks at about four years and then drops. However, it was noted that CEO longevity is also heavily influenced by corporate culture.

Further it was revealed from the study that that in most of automotive companies in Kenya, chief Executive Officers mostly sets the tone of managerial practices and philosophies, change in the Chief Executive Officer contributes to change in organization behavior, policies, systems, and beliefs. However, board members were conflicted when it comes to knowing when to change the CEO. While a change in CEO may alter the culture, several members also said having long-tenured leadership can present its own set of culture-related problems. One said, "How does the culture evolve where the same people have been in charge for a long time? That leads to a culture of complacency (EY report, 2015). This is further emphasized by the FRC report (2016), where leaders were expected to embody the desired culture, embedding this at all levels and in every aspect of the business and the mandate of the boards was to act where leaders failed to deliver. Baron *et al* (2001) further argued that the destabilizing effects of fundamental organizational changes have been assumed more than tested in organizational research. Numerous studies have documented that some type of organizational change (in strategy, top leadership) as deleterious consequences for organizational performance or survival (Carroll and Hannan, 2000), which are often attributed to the internal disruption, rancor, and turnover of personnel brought by changes in values, routines, working relationships, and culture.

5.3 Conclusion

The study presented the empirical literature review of the influence of corporate governance on organization culture. For this study, the research objectives focused on the extent to which ownership structure, board behavior and CEO tenure influenced organization culture. The intended purpose was to provide insight on the organizations' formation and its linkage to the corporate governance practices and culture of the various organizations. The study concluded that the automotive companies were largely foreign firms with a majority adopting the franchise as a form of entry strategy into the market. Most of these companies were large and have been in operation for over 21 years. The main line of business was retail and distribution for all the companies, however setting up of assembly plants in the automotive companies in Kenya is on the rise. With the fast growth and globalization of the automotive industry, good governance and cultural practices were becoming more important for potential investors, which sets a good business environment for businesses to thrive.

Regression statistics and descriptive statistics was used to analyses the extent to which organization culture was influenced by corporate governance. The study concluded that there was positive relationship between corporate governance as the independent variables and organization culture as the dependent variable, hence corporate governance practices influenced organization culture in the automotive companies in Kenya. The study concluded that ownership structure had more influence on organization culture than board behavior and CEO tenure and that the glue that held the organizations together was productivity and results. Overall, the study revealed that corporate governance influenced organization culture in the automotive companies established in Kenya.

5.4 Recommendations

Results of the study revealed that there is great need for automotive companies in Kenya to put more emphasis on the application of good corporate governance practices and especially on monitoring board behavior and improving the tenure of the Chief executive officers. Ignoring the role played by the board of directors in shaping organization culture could jeopardize all the other tenets of corporate governance in the automotive companies in Kenya, since it is the oversight and strategic body for the companies. The board of directors of automotive companies in Kenya needs to be further educated on their role and mechanisms of monitoring board behavior aimed at promoting good corporate governance. Members of automotive companies in Kenya should also be educated on how to appoint able members of the board so

that those appointed are persons who practice good governance practices with values that translates to the overall success of the companies, enhance financial soundness in the automotive companies with establishments or subsidiaries in Kenya.

The study recommended that the number of non-executive board of directors to remain as minimal as possible in order to enhance efficiency in decision making. It was also recommended that diversity in board appointments to be considered, especially with Directors from diverse backgrounds to encourage independent decision making hence effectiveness. On the same breath, the study findings recommended on the need for organizations to set tenure limits for directors and CEOs with the requisite knowledge and business affiliations, to serve the organization with the aim of enhancing good governance hence culture.

5.5. Limitations of the Study

While the study focused on the automotive companies, the researcher faced challenges in securing the executives' and senior managers' precious time considering their busy working schedules. Some also declined to participate in the study as their organizations were going through mergers, acquisitions while some were exiting the market hence the study did not see any value addition to the study.

Another limitation of the study was time constraints associated with collecting the data. There was limited time that the researcher could not reach out a wider target population for participation into the study.

5.6. Recommendation for further studies

This study analyzed the influence of corporate governance on organisation culture in the automotive companies in Kenya. The research study made recommendations on the need to investigate other internal or external corporate governance mechanisms which may have an effect on organization culture in the automotive companies in Kenya. The study also suggested further research to be conducted analyzing the influence of corporate governance on organization culture with a focus on other sectors other than the automotive, in order to depict reliable information that illustrates the real situation in all sector.

The study suggested that further research to be conducted to establish causes of short-tenure with the CEO positions within the automotive companies in Kenya and its effect on governance and cultural practices. There is need to further analyze board behavior and other monitoring mechanisms put in place in the board structures. It was further recommended to analyze

whether the governance models adopted by the various African countries have any influence on the governance practices of individual firms. Lastly, there is need to examine if there is any direct relationship between a specific governance model and a certain type of organization culture.

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APPENDIX II:
RESEARCH QUESTIONNAIRE

This study seeks to analyse the influence of corporate governance on organisation culture in the automotive companies in Kenya. This information shall be useful in writing of this thesis which is a requirement for the award of Master in Commerce at Strathmore University. You are requested to participate in this study which is voluntary and there will be no consequences whatsoever in case you chose not to participate further. The information obtained shall remain confidential and only used for academic purposes. The questions will only take 20 minutes to complete. Please take a few moments of your time to give us your feedback. Your contribution is greatly appreciated.

SECTION A: ORGANISATION PROFILE

1. What is the type of business **(please tick one)** :

Local firm

Foreign firm

2. If foreign , what was the entry strategy into the Kenyan market? **(please tick the applicable)** :

Wholly-owned Subsidiary

Joint ventutre

Franchise

Conglomerete

Any other (specify) -----

3. Is the company's headquarters different from the country of origin? Yes / No-----

4. What is your company's origin **(Please tick the applicable)**

Africa

Middle East

Asia

Europe

United States of America

Any other (please specify) -----

5. The organisation has been operating for how many years ? **(Please tick one)**

Below 5

6-10

11-15

16-20

Above 21

6. What is the size of your organisation in terms of employees in Kenya?

Less than 100 employees (small) Over 201 employees (large)

101 -200 employees (medium)

7. What is your line of business? **(Please tick the applicable)**

Retail and distribution Local assembly plants Manufacturing

8. What is the percentage market share of your organisation for the new vehicles segment?

Below 5% 6%– 10% 11%-15% 16% – 20% Above 21%

SECTION B: OWNERSHIP STRUCTURE AND ORGANISATION CULTURE

9. What is the structure of the board within the organisation? **(Please tick one)**

Two tiered board (consists of a supervisory board and management board)

One tiered board (CEO, executive committee and the management team)

10. What ownership percentage is held by the top 5 shareholders?

Shareholder 1 ----- Shareholder 2 ----- -Shareholder 3-----
Shareholder 4 ----- Shareholder 5 -----

11. Are there foreign shareholders who form part of the ownership? Yes / No -----

If yes, what is the ownership percentage of?

Local shareholders ----- Foreign shareholders -----

12. What are the type of owners in terms percentage within your organisation?

Private individuals ----- Family members -----

State corporation ----- Corporates -----

13. Shareholders influence on the culture of the organisation vary from one entity to another. On a Likert scale of 1 – 5, to what extent do the following statements relate to the

ownership structure and culture of your organisation? **Where (1 = strongly disagree; 2= disagree; 3 = neutral; 4 = agree; 5 = strongly agree)**

Ownership structure and culture	1	2	3	4	5
The top shareholders have an influence on the strategic emphasis of the organisation					
The type of shareholders has an impact on the organization behavior, norms, beliefs, philosophies and how people are managed in the organization					

14. What is the organisation’s criteria for success in relation to corporate governance. **(Please tick one)**

- Return on investment Increased productivity
- Improve stakeholder’s relations Value systems in which the firm operates

SECTION C: BOARD BEHAVIOUR AND ORGANISATION CULTURE

15. How often does the board engage the various stakeholders within the organisation? **(Where 1= Monthly; 2= Quarterly; 3= Bi-annually; 4 = Annually)**

Board - stakeholder engagement	1	2	3	4
Management team				
Employees				
Sub-dealers and distributors				
Regulatory agencies				
Competitors				

16. Board behaviour varies in different organisations based on the various cultures. On a Likert scale of 1 – 5, to what extent do the following statements relate to your organisation? **Where (1 = strongly disagree; 2= disagree; 3 = neutral; 4 = agree; 5 = strongly agree).**

Board behaviour and culture	1	2	3	4	5
The board members often have a common ground in decision making and have similar visions and strategic emphasis					
The behaviour of the board largely influences the leadership charectaristics of the executives					

Board members are guided by common value systems and norms in the management of your business operations					
The behavior of individual members of the board has an influence on the company values and philosophies					
Board behavior is reflected on how the employees are managed within your organization					
Any other (specify)					

17. Boards have implemented different mechanisms and tools used to monitor board behaviour. On a Likert scael of 1 -5, how often does the board make use of these mechanisms in relation to your organisation? **Where (1 = Never; 2 = Seldom; 3 = Sometimes; 4 = Often; 5 = Always)**

Tools to monitor and evaluate board behaviour	1	2	3	4	5
Selective hiring (recruit for character) with a focus on optimising talent and the right behaviour					
The board conducts governance audits atleast once a year					
Clear governance structures with a nominated committee that highlights the behavioral expectations of board members					
Capacity building on leadership skills for the board members and key management team					
Board members tenure limitations					
Any other (specify)					

SECTION D: CHIEF EXECUTIVE OFFICER TENURE AND ORGANISATION CULTURE

22. Is the Chief Executive Officer’s position tenured within your organisation? (Yes / No)

23. If yes, on avearge how many years is the Chief Executive Officer’s tenure -----

24. If tenured, how many times can it be renewed? -----

25. How many years has the current Chief Executive Officer been in office in your organisation? Below 5 years 6-10 years 11-15 years 16 -20 years
Above 20 years

26. The Chief executive officers' contribute largely to business operations. On a Likert scale of 1-5, to what extent do the following statements relate to your organisation? **Where (1 = strongly disagree; 2= disagree; 3 = neutral; 4 = agree; 5 = strongly agree)**

Chief Executive Officer's contribution to culture	1	2	3	4	5
The CEO's lonevity in office mostly establishes the leadership charectaristic and the strategic focus of the organisation					
Board members in most cases know when to change the CEO through a defined criteria for success of the organisation					
Change in the Chief Executive Officer contributes to change in organization behavior, policies, systems, beliefs and how employees are managed in your organization					

SECTION E: ORGANISATION CULTURE

27. Good corporate governance practices are key drivers in determining the culture of the organisation. On a Likert scale of 1-5, what importance is attached to the following aspects in relation to your organisation? **Where (1=not important at all ; 2= of least importance; 3= somewhat important; 4= important; 5= most important).**

The glue that holds the organisations together	1	2	3	4	5
Standardised processes and procedures					
Common shared values					
Productivity and results					
Commitment to experimentation and innovation					
Any other (specify)					

ADDITIONAL COMMENTS

Any additonal information or comment.

Please ensure you complete the questions.THANK YOU for completing the questionnaire

APPENDIX 111: List of companies in the Automotive industry in Kenya between 2013 to 2017

1	Toyota East Africa	19	Pewin Motors Limited
2	General Motors East Africa	20	ECTA Kenya Ltd / Subaru Kenya
3	NISSAN Kenya	21	Car and General Limited
4	CFAO Motors	22	RMA Motors Kenya Limited
5	CMC Motors Ltd	23	DT Dobie
6	Simba Corporation	24	Amazon Motors
7	Marshalls East Africa	25	Auto Sueco Kenya
8	Mobius Motors	26	Associated Motors Ltd
9	Minerva Special Purpose Vehicles	27	Multiple Houliers Group
10	Transafrica Motors	28	Bavaria Auto Ltd (BMW)
11	Ashok Leyland Ltd	29	Foton Motor Kenya Ltd
12	TATA motors	30	Thika Motor Dealers Kenya Ltd
13	Kenya Vehicles Manufacturers Ltd	31	Urysia Limited
14	NECST Motors – Volvo	32	Rift Motors Company Ltd
15	Armomax Kenya		
16	Chery Automobile / Stantech Motors		
17	Sameer Africa Limited		
18	Scania East Africa Ltd		