

**AN INVESTIGATION ON THE EXTENT TO WHICH STATE-OWNED
CORPORATIONS COMPLY WITH THE MWONGOZO CODE OF GOVERNANCE**

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REQUIREMENTS FOR THE AWARD OF THE DEGREE OF BACHELOR OF
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DECEMBER, 2019.

DECLARATION

I declare that this project 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.

Vesha Okello

~~Vesha~~..... [Signature]

17th / 12 / 2019..... [date]

Approval

The thesis of Okello Vesha was reviewed and approved by the following:

Name of supervisor; Mr. Albert Ochieng.....

17/12/2019..... [Signature]

Albert..... [date]

DEDICATION

This work is dedicated to my family members and friends who have provided me with a lot of support and love throughout the process of conceptualizing, compiling and completing it. May God bless you Exceedingly and abundantly.

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ABSTRACT

This study examines the extent by which Kenya's State Corporations comply with the Mwongozo code of governance that was introduced by the presidential taskforce in 2015. It recognizes that most of the SOEs have had numerous corporate scandals and thus led to the government to re-evaluate their governance practices leading to implementation of the code of governance. The study focused on the following objectives; to establish the level of compliance of the SOEs, to determine the key drivers of compliance and finally to identify the reasons for non-compliance if there are any. The objectives of this study were derived from the guidelines clearly stated in the Mwongozo code of governance as a governance code index was also derived with a biasness on the; Board size, board independence, transparency and disclosure, audit size and committee, corporate citizenship and separation of roles. These... The data collected targeted a majority of State Corporations who had published their reports and were aware of the new code of governance. The study is enlightening on the fact that though some of the mwongozo codes have not been fully embraced by the State Corporations there is a positive move towards the adoption of these principles .The motivation for this was the promulgation of the Mwongozo code of governance which is aligned to the Kenya constitution 2010 which is itself a good corporate governance document.

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ABBREVIATIONS AND ACRONYMS

SOE; State Owned Enterprises

OECD; Organization for Economic Cooperation and Development

CG; Corporate Governance

SPSS: Statistical Package of Social Science.

CGI; Corporate Governance Index

CHAPTER ONE: INTRODUCTION

1.1 Background of the study

This initial chapter focuses on introducing the study on the extent to which parastatals comply with the Mwongozo code of governance. This chapter will encompass the statement of the problem, the purpose of the study, for instance what is the incremental contribution of the study is stated. Research objective will be stated and it will be broken down to the general objective and specific objective. Scope of the study will be focused on; significance of study will also be highlighted where those who will benefit from the study will be stated and finally organization of the proposal.

Over the years there has been a growing interest in the line of corporate governance (Boyd 2009). Deutsche bank (2002), states that the failures and scandals of state-owned enterprises was mainly due to poor governance. Due to the global crisis it led to the reformation of corporate governance. Numerous guidelines have been formed to tackle the problems faced by SOEs. They include combined code (2003), Organization Economic Corporations and Development (OECD) guidelines, South African King Report (1994,2002,2009).Their main aim is to encourage good practices such as accountability, transparency and responsibility (Aguilera 2009)

However, in order to achieve good governance, companies must comply with the rules and regulations stated (Core, 2001). Studies have been done globally to determine the level of compliance in different countries. Bhuiya (2010) states that in the case of New Zealand, SOEs that had high performance also emulated high level of compliance. Ferdous (2013) also found that in South Asia there was a high level of compliance among selected companies. However, studies done in the African context have shown low level of compliance (Matsiliza 2017; Zakaria 2019) came to this conclusion.

Therefore, this paper aims to examine the level of compliance of parastatals in Kenya with the Mwongozo code of governance. Due to the need for more effective and efficient use of public resources the Government of Kenya has made an effort to reform the parastatals (Waweru, 2017).This code of governance was formed in line with the Constitution 2010 under article 10,73 and 232.It emphasizes on important matters such as board effectiveness, transparency and disclosure.

According to Manduca (2015), the essence of the establishment of this code is a call to parastatals to embrace good governance since it is at the heart of the constitution. This code was

then introduced as a building block for entrenching and incorporating principles and values of public service and best corporate governance practices(Ochieng, 2014). The code emphasizes that the success of a parastatal depends majorly on the independence of the board and this is simply because of their competence and their insulation from political influence. The political autonomy hence can only be achieved by a board that is professional and independent.

The code emphasizes on various matters, Chapter one expounds on the matters of the board. It states the importance and need of having a board that is both competitive and effective the code addresses(Simpson, 2014). A state corporation that is compliant to the code will ensure that its board of directors is made up competent board members, who are independent and diverse in order to discharge their responsibilities effectively (Manduku, 2015). The chapter then expands on the matters of composition, size of the board as well. The role of the board is clearly stated including the duties of individual members of the Board. The corporations are also required to induct the board members and their skills to be aligned.

Chapter two deals with transparency and disclosure issues. As a caution of measure, the code states that State owned parastatals should file quarterly and annually their financial reports and hand them to the Corporation Advisory committee for evaluation. This ensures that the board facilitates transparency, accurate information about the operations of the organization and performance in the financial reports (Nyaiera, 2018).It also emphasizes that on the organization's website, code of ethical conduct should be well laid out.

Risk management and accountability is captured in chapter three of the code. It states that the board is charged with a responsibility to ensure that there are proper systems set aside to enable proper accountability and risk management. In addition, it advocates for procurement processes, risk management systems and how internal and external audit activities should be carried out. Chapter four focuses on matters of ethical leadership and corporate citizenship. It emphasizes that the organization should have ethical standards that are well written and clearly understood by each member of the organization. It also calls for the board members to uphold qualities of good conduct. Chapter five and six deals with shareholders proper and tasks and stakeholder relationships respectively. Under shareholders rights and responsibilities, the code acknowledges the shareholders rights and in accordance with good governance ensuring their fair treatment. The code declares the shareholders' rights of ownership and the concern held there in. The code similarly recognizes the minority shareholders. Chapter six, provides for the safety of the

stakeholders concerns and as a precept two that promotes goodwill and correct picture of the entity(Mulili& Wong, 2011).

Chapter seven and eight of the code deals with sustainable and performance management and compliance with laws and regulations respectively. Under sustainable development the policies adopted by the entity should be able to meet the need of the present without compromising the future development needs. As a principle therefore the organization should focus on the long term sustainable of the organization. Chapter eight expound on legal compliance that the entity should conduct its affairs in line with the existing laws. Finally to enhance clarity the code provides a sample board charter(Mbo& Adjasi, 2017)(Nyaiera, 2018). The code also calls for the disclosure of the Code of Ethics and Conduct of the organization on the website of the organizations

1.2 Problem Statement

Corporate governance is a subject that has captured the eyes of many scholars due to the poor performance of these organizations. Therefore, in the need to look for appropriate ways to reform state owned enterprises or parastatals, countries have come up with guidelines to enable them to do so. The one which is quite popular is the OECD guideline. This is a forum that was officially launched in 2007 and the main objective was to improve performance of SOEs. It provides a forum where different governments can meet and compare notes and find solutions for common problems.

However, it was noted that some countries found it hard to comply with the rules and regulations formed. Authors such as Milhaupt (2017) argues that these guidelines are not certain to enable reformation. Even so, Bhuiya (2010) states otherwise in regards to the New Zealand. It found that there is a positive relationship between compliance and performance of SOEs Ferdous (2013) agrees to the claim as he conducted a study on various companies in South Asia to determine the level of compliance and it was found that companies that were in full compliance had better performance than non-compliant. Kowo (2012) took a study in Liberia and found out that there was a good percentage of compliance within the SOEs. However, In South Africa Matsiliza (2017) conducted a study on compliance with the King's report it was found that there was a low level of compliance among the SOEs. This was due to the inefficiencies such as lack of transparency and accountability Zakaria (2019), who did a case study in Ghana found that there was a low level of compliance due to lack of active mechanisms of enforcement. Locally

there has been limited study done on the level of compliance with the Mwongozo code of governance. Even so, authors such as Benjamin (2010) who conducted a study on the corporate governance with biasness to Kenya have found that there is need for reformation of the parastatals.

Kamau (2013) also found the need for reformation. Despite the support for reformation, some authors such as Ochieng (2013) have a negative perception on the reformation and thus criticize the Mwongozo code of governance stating that it is weak and was formed due to the change of constitution 2010 and not to tackle the problems faced by parastatals. Thus, from the arguments above its very evident that for any developing country governance is essential to its growth. The backbone of good governance is compliance with law and codes of conduct. Therefore, this study aims at clearly investigating on the extent to which parastatals comply with the Mwongozo code of governance.

1.3 Research Objectives

1.3.1 General Research Objectives

The main objective of this study was to investigate on the extent to which parastatals comply with the Mwongozo Code of Governance

1.3.2 Specific Research Objectives

The specific objectives of the study are as indicated below;

- i. To establish the level of compliance by the parastatals
- ii. To determine the key drivers of compliance with the Mwongozo Code of Governance
- iii. To identify the main reasons for non-compliance.

1.4 Research Questions

- i. What are the key indicators of compliance with the Mwongozo Code of Governance?
- ii. What is the main reason behind non-compliance?
- iii. To what level have parastatals complied with the Mwongozo Code of Governance

1.5 Scope of the Study

This research was conducted on the 187 parastatals that were identified by the parastatal reform 2013. The major focus was to establish the level of compliance with the mwongozo code of governance. The area of study was restricted to Nairobi because that was where most of the parastatals headquarters were located. The study was conducted for a period of three years that is from end of 2015 to 2018.

1.6 Significance of the Study

Good corporate governance is at the heart of corporate success and has significant influence on the economic development of a country. The study was of benefit to;

1.6.1 Government of Kenya

The government is a shareholder in the parastatals, thus the research will enable them to be more insightful of the parastatals and evaluate, formulate strategies necessary for growth and prosperity of parastatals and boost the level of compliance with the Mwongozo code of governance thus strengthening the economic revitalization program of the country.

1.6.2 Management

The research may serve as a reference point for managers in charge of the parastatals to enable them to tackle the main problem facing parastatals i.e. mismanagement and lack of accountability. This is because the code emphasizes majorly on those two factors and also highlights on the qualities to be upheld by those in charge.

1.6.3 Scholars

To other researchers, the study may be used to trigger more investigations on the overall growth of parastatals in Kenya who adhere to code practices of governance as stated in the Mwongozo code of governance.

1.7 Organization of the project

The project included three exclusive chapters which ranged from the introductory chapter that introduced the study clearly depicting the general and the specific objectives including the scope of the study. Introductory chapter was followed by the Literature review chapter clearly depicting the theoretical framework and addressing the sentiments of previously related studies by other authors. The final chapter of the project included the research methodology that was applied throughout the study and the data collection and analysis processes.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This section of the study encompasses a detailed review scope relevant to this study ranging from the theoretical review to the empirical review. The core objective of this study was to investigate on the extent to which parastatals comply with the Mwongozo Code of Governance. A conceptual framework had been mapped out identifying the dependent and independent variables of this Study. This chapter is organized as follows ;2.2 explains theories relevant to the study,2.3 contains literature review that summaries past studies carried out in the area,2.4 gives a tabular summary of the literature review,2.5 summaries the research gap that helps define the problem in the study,2.6 gives a conceptual framework and finally 2.7 gives the operationalization and measurement of variables.

2.2 Theoretical Review

2.2.1 Resource Dependency Theory

Pfeffer and Salancik (1978) defined resource dependency theory stating that; Organizations must obtain resources to survive, and that to get these resources, they must engage in exchange with other organizations in their environment. Different scholars have also defined the theory in accordance to Pfeffer and Salancik stating that due to scarcity of resources, smaller organizations be inclined to give up their right of self-governance and develop formal types of collaborative activities to gain better access to important resources while organizations with greater resource availability as indicated by their large budget sizes are less inclined to collaborate formally (Guo&Acar, 2005). The theory views the board as a resource provider for the firms. It argues that a larger board of directors improve the performance of the firm because with the large number comes along with expertise and resources thus leads to high performance (Zahra & Pearce 1989).However scholars such as Yermack (1996) state otherwise that there is indirect relationship between the size of the board and the firm's performance that in turn large boards lead to inefficient communication and indecisiveness.

2.2.2 Stakeholder Theory

According to this theory, better organizational outcomes are achieved if interests of all stakeholder groups are considered in deciding business and operational strategies (Freeman, 1994; Wood and Jones, 1995). However, SOEs are faced with the challenge that there are numerous stakeholders with different interests making it difficult to reconcile (Heath and

Norman, 2004). The concept of stakeholder approach has been largely motivated by a perceived moral deficiency of a purely shareholder approach (Boatright, 2006). It imposes a social obligation on SOEs which, however, can be difficult to effectively institutionalize as it suggests broadened managerial responsibilities over a variety of secondary stakeholder groups, despite the critiques the theory faces it has been used by numerous scholars to understand corporate governance such as Ayishatua (2019), Waweru (2017) and Ochieng (2013). Thus the study incorporated this theory in order to understand if the variability of stakeholders led to higher or no level of compliance.

2.2.3 Stewardship Theory

The theory describes the relationship between the principle and the manager who is known as the steward (Davis et al., 1997). It describes the relationship from a behavioral and leadership perspective. It differs from the agency theory because the theory views man from an economic point of view while stewardship views man from a more humanistic point of view i.e. other things influence his being such as need for success and achievement and respect and authority. Thus it portrays managers as stewards, whose behavior is based on inner desire to serve the firm and will thus align his or her principles naturally with the principal's interest (Corbetta & Salvato, 2004b; Hernandez, 2008; Zahra et al., 2008). The assumption that managers always put the company's needs first enables the theory to insist that reallocation of corporate control to professional managers may lead to high performance because having control helps managers to maximize profits (Donaldson, 2008).

2.3 Empirical Review

2.3.1 Global Scope

To evaluate the relationship between performance of state-owned enterprises and board structure, Abidin & Kamal (2009) redefined the meaning of performance and defined it as a value-added efficiency of the firm. The value-added variable was measured by Value Added Intellectual Coefficient method. The authors evaluated the four characteristics of boards that is the composition, size, responsibility and ownership. It was found that the size and composition of the board had a direct positive influence on performance in Malaysia. And thus, the Malaysian code of governance should be enacted as it advocates for independent board of directors for SOEs. However, the case was not similar in Thai SOEs. It was found that board of directors have a direct negative influence on the SOEs performance and it was suggested that an appropriate

management system should be made in order to be deployed in all areas of the organization so as to be able to measure the performance of SOEs all round (Orapan Khongmalai, 2017).

In addition, another study was done by Yavas (2017) to evaluate the relationship between the board structure and performance of SOEs in Turkey. Yavas (2017) argues that using descriptive method to support the argument above, SOEs in turkey came into existence because private sectors were unable to facilitate themselves financially and thus through SOEs they came into existence better institutional framework for both parties. However, the results were not as positive as it was expected because the practices needed the following readjustments; implementation of the active shareholder policy, mixture of the board composition and training of the key players in the SOEs.

Another relevant study was done to critic the OECD guidelines by Milhaupt in the year 2017. The study was done to evaluate governance challenges associated with mixed ownership of the listed SOEs in the world. The paper shows that OECD guidelines states that ownership structure is a key determinant to success or failure of SOEs and gives certain guidelines of how it should be done that is the use of "Control minority". This guideline has been illustrated as the main driver of the agency problem in the SOEs, because it has given power to shareholders and the government who in turn put their self-interests before that of the firm. Through theoretical findings it is recommended that the ownership given to the key players should be down played in order to reduce the agency problem. Nevertheless, the board composition has also been mentioned and it was found that Brazil banned the involvement of politicians in SOEs boards and thus the writer concludes that there is no certain roadmap to be adopted in order to lead SOEs into success (Milhaupt, 2017).

Bhuiya,(2010) took a study to evaluate the association between compliance of corporate governance and managerial opportunistic behavior and firm value. Sample companies comprised of SOEs listed in the New Zealand stock market and the level of compliance was measured using governance index. It was thus concluded that there is a positive relationship between level of compliance and firm performance because due to the regulations the managers were able to be more productive. Ferdous, (2013) evaluated the overall compliance and acceptance of the code of government in Bangladesh in South Asia. A sample of companies were evaluated using questionnaires and it was found that the level of compliance among companies was moderate due

to the restrictions however the code of governance was yet to be accepted across the other companies.

2.3.2 Regional Review

A study was done to determine corporate governance practices in state owned enterprises and challenges that faced these SOEs in Liberia by (KOWO, 2012). The author took a sample of ten SOEs and analyzed those critically using statistical tools of analysis. The findings showed that to some extent most SOEs were putting into practice corporate governance and they were of mean of 3.61 and that challenges faced due to the practices had a mean of 3.40. Thus it concludes that although there are challenges in implementing corporate governance to some percentage most SOEs in the country try their level best (KOWO, 2012).

Corporate governance codes were recommended by the third king of South Africa. Thus, a study was done to evaluate to what extent do SOEs in South Africa comply with the code of governance that was developed with a biasness to risk management and other related issues. Using qualitative approach, the study found that SOEs in South Africa are majorly challenged by accountability and transparency of the organizations. Furthermore it was found that some SOEs did not comply with the code of governance which may or may have not led to their downfall. Due to these problems it put the SOEs in a risky place that called for government intervention to rescue their financial crises and thus the author argues that due to that intervention to some extent it contributed to the downfall of the SOEs. In conclusion the study recommends that the government should develop a framework to monitor the performance of SOEs and instead of reactive systems they should be proactive to prevent risky management (Matsiliza, 2017).

Mbako Mbo & Charles (2017) analyzed the effect of key performance drivers in the SOEs from an organizational theory perspective in regards to Botswana telecommunication sector. The paper argues that positive driving factors can restore SOEs profitability. Through agency and resource-based theory Botswana was able to be successful in the telecommunication sector. Hence its findings indicate that for SOEs to be efficient there must be a compatible framework that combines both the interest of the shareholders and political guidelines.

In another study carried out by Mbako and Charles in the year 2017, examining the factors that influence performance of SOEs, with focus on power utilities, the study uses liquidity, board strength stakeholder representative and government intervention in terms of setting prices as variables for resource-based theory and performance was classified as a dependent variable. It

finds that strong boards and good liquidity leads to high performance while the government intervention in regards to price setting leads to weak performance. Just like the Botswana case study, the author advocates for a compatible framework (Mbako& Charles, 2017).

In addition, a recent study was done to examine the level of compliance with the code of governance and factors that were affecting it in Ghana (Zakaria, 2019). It was found that although Ghana had an effective code of governance the major challenge that faced it was lack of active mechanism for enforcement which led to non-compliance and also the fact that major shareholders made all the decisions ignoring the needs of the minor shareholders thus it was recommended that the code of governance had to be amended in order for it to be effective (Zakaria, 2019).

2.3.3 Local Review

A study was done on corporate governance practices in developing countries. The focus of the study was on public Kenyan universities. Through the use of secondary data, the study found that public universities were faced by numerous problems such as ;rapid expansion of university education that leads to many graduates with no employment and poor teaching method due to enrollment of many students, Gender inequality, reduced government funding, poor living standards and spread of HIV/AIDS. This study concludes that public universities should consider governance as an important issue and train its management on importance of its applicability. For corporate governance models to prosper in developing countries the conditions in the developing countries should be considered before directly borrowing principles from well developed countries as the living and economic conditions can't be compared to developing countries (Benjamin, 2010).

Miring'u & Esther, (2011) using descriptive survey design, was able to conduct a study to evaluate how corporate governance affects the performance in state corporations in Kenya. The sample population used was 41 state corporations that gave the following findings; the size of the board mattered and was more effective by the virtue that three of them were outsiders thus completely independent. Thus, the study concludes that there is a positive or linear relationship between ROE and board size.

Kamau (2013) also did a study on corporate governance but mainly focused on the appointment and dismissal of directors of the boards of the corporations. It was evident that the appointment has been based on; political consideration, ethnicity, patronage and kinship. Throughout the

study, it's evident that appointment and dismissal of directors was based on feelings and not on a checklist of skills and professionalism. Thus, the author recommends that if corporate adhere to the guidelines stated in the 2010 constitution then there can choose better managers.

While looking at the Kenyan state-owned enterprises a study was done to critique the Mwongozo code of conduct. The researcher, Ochieng (2013) used an analytical approach to analyze the code of governance that led to the birth of Mwongozo code of governance. Through out of the study one thing that is very clear is the fact that Mwongozo came to be as a result of the change of the constitution 2010. Thus the study argues that the code of Mwongozo is very weak because it was issued as an executive order and an executive order can be withdrawn any time. Hence for Mwongozo code of governance to be effective it needs to be able to incorporate the following; Public participation in policy making, it should be a binding law and multiplicity of regulations should be avoided. (Ochieng, 2013).

2.4 Summary of literature

JTHOR d year	(s) Title	THEORY USED	Findings
apan ongmalai, ryanitha stanont, 017)	Corporate governance model in Thai state-owned enterprises: structural equation modeling approach	Corporate governance theory; Agency theory	Board of directors has a direct negative influence on Thai SOE performance. Corporate governance should be implemented at all levels of operations.
muel Nana w Simpson	Board and governance of state-owned enterprises	Agency theory; comprised of both stewardship and stakeholder theory	Results show that state-owned enterprises have boards and comply with the minimal governance issues outlined the legal frameworks establishing them. However, they exhibit significant weaknesses in the areas of board performance evaluation, criteria for board appointment, the balance of executive directors and non-executive directors, and other board characteristics, indicating a departure from general practices
bakoMbo, arles Adjasi, 017)	Performance of SOEs: evidence on Botswana Telecommunications Corporation	Agency theory, resource based, stakeholder, public choice theory	The paper supports the widely held view that agency and resource-based theories explain good performance, but challenges the popular view that political influence is always self-interest driven. A concept of positive public choice, under which such influence is driven by stakeholder interests and sustainability emerges.
bakoMbo, arles Adjasi	"Drivers of organizational performance in state	Agency theory, resource-based theory, stakeholder theory,	The paper finds that good SOE performance could be explained in terms of the agency and resource-based theories, where the authors found strong boards and good liquidity profiles to be positively related to good performance.

	owned enterprises	public choice theory	
Benjamin Wanzia Mulili (2011)	Corporate Governance Practices in Developing Countries: The Case for Kenya	Agency theory, stakeholder theory and stewardship theory	Developing countries differ from developed countries in a wide variety of ways. Therefore, there is need for developing countries to develop their own corporate governance models that consider the cultural, political and technological conditions found in each country.
de R. Ochieng (2013)	Incorporating principles of corporate governance in the management of state corporations in Kenya; A critique of the mwongozo	Agency and Stakeholder theory.	The paper illustrates that Mwongozo code of governance was formed as a result of the change of the constitution and not due to change needed in the parastatals and hence the code is portrayed as weak and thus leads to low level of compliance.
Matsiliza (2017)	Corporate governance of the state owned enterprises in an emerging country.	Agency and Privatization theory	Privatization in SOEs has decreased state control in South Africa and thus enables involvement of non-state actors in the decision making process. Most SOEs in South Africa are struggling with compliance To third King report principles because it lacks practicability.

ishatu Ahmed (2019)	Compliance with codes of governance in developing countries;Ghana	Stakeholder theory	Most of the developed countries have a high level of compliance while developing countries such as Ghana have a low level of compliance
Wick, Rading et al (2016)	Corporate governance guidelines compliance and firm financial performance	Agency and Stakeholder theory	Compliance with corporate governance index is positively related to firm performance and firm value.
Adesina Kowo (2012)	Corporate governance practices in State Owned Enterprises in Liberia	Stakeholder theory and Stewardship theory	Moderate extend of SOEs in Liberia comply with corporate governance Practices with a mean of 3.61 and that mean of 3.40 faces A lot of challenges with regards to compliance.
Mwangi (2013)	Corporate governance in Kenya's State Corporations;A critique on the appointment and dismissal of directors of the board	Stakeholder theory	Directors are the main influencers of implementation of COG practices. The appointment and dismissal of directors is based on non-objective criteria and thus needs to be done on the basis of the guidelines provided by the constitution

2.5 Research Gap

A lot of studies have been done on the effect of the compliance to the Mwongozo Code of Governance to the performance of state-owned enterprises both regionally and internationally however an agreement was never arrived at. Even so little study has been done locally and due to the fact that there was a reform in the corporate governance, the new and improved Mwongozo code of governance has emphasized on effective boards and management and in accordance to the article 10, 73 and 232 of the 2010 constitution the roles and values of the officers of state parastatals have been clearly stated. Thus, due to the limited study, my focus was to determine the level of compliance with a biasness to key indicators such as board size, board independences, board separation of roles, audit committee and audit size. The paper therefore relied on the above theories.

2.6 Conceptual Review

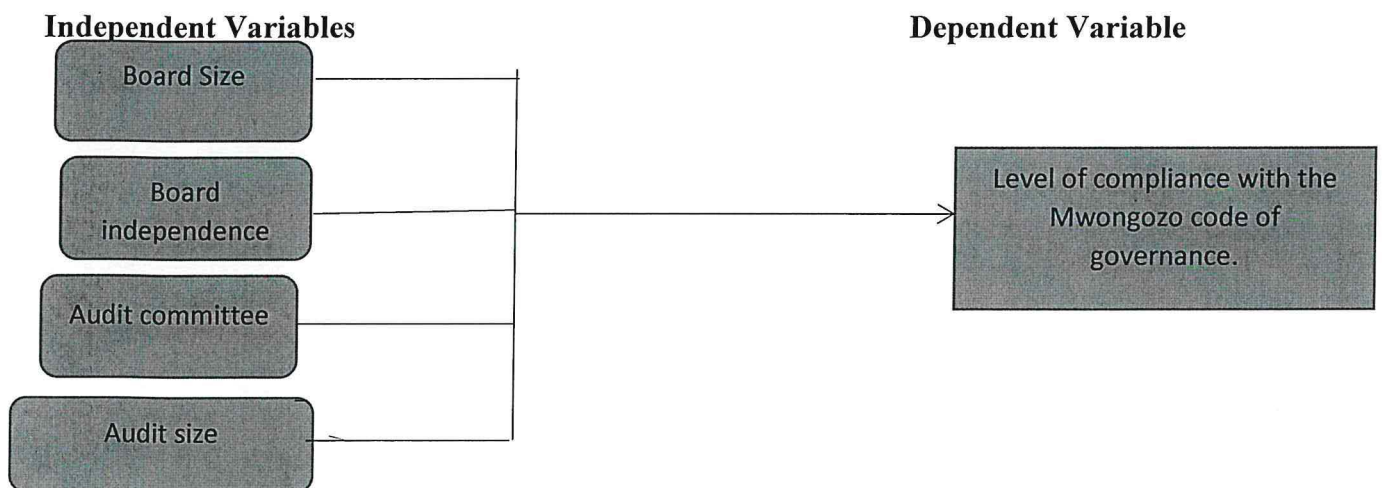


Figure 1.conceptual Framework

2.7 Operationalization of variables

Variable	Measurement	Source
Board independence	Independence includes number of non-executive directors and disclosure of all conflicts of interest. A dummy of 1 is used where board independence	The annual report of a concerned entity

	compliance exists and 0 otherwise.	
Board size	Measures the effectiveness of the board as whole in terms of size whether too large or too small but between 7-9. A dummy of 1 is used where disclosure compliance exists and 0 otherwise.	The annual report of a concerned entity.
Audit evaluation	Measures the audit committee as a whole and the size which should be of a minimum of three and maximum of four. A dummy of 1 is used where disclosure compliance exists and 0 otherwise.	The annual report of a concerned entity.

Figure 2. Operationalization

2.6.1 Hypothesis Statement

A hypothesis can be defined as an uncertain and explanation of the research problem, a possible outcome of the research, or an educated guess about the research outcome (Sarantakos, 1993: 1991).

2.6.2 Null Hypothesis

The Kenyan State-Owned Corporations do not comply with the Established Mwongozo Code of Governance.

2.6.3. Alternative Hypothesis

The Kenyan State-Owned Corporations comply with the Established Mwongozo Code of Governance.

The guidelines of compliance with the Mwongozo Code of Governance;

- i. The Board of Directors
- ii. Transparency and disclosure
- iii. Accountability, Risk Management and Internal Control
- iv. Ethical Leadership and Corporate Citizenship
- v. Shareholder Rights and Obligations
- vi. Stakeholder Relationships

vii. Sustainability and Performance Management

1. Board Independence

Previous empirical studies have established a positive relationship between compliance of code of governance and board independence. This is because the boards of directors are charged with the responsibility of guiding the parastatals in adhering to the rules and regulations of corporate governance. Ehsan,(2012) states that there is need for an independent board of directors who are free from any manipulation in order for effective performance. Boyd (2003),(Abidin & Kamal, 2009) and (Dahawy, 2009) have given the same conclusion in their studies. Furthermore,(Gul, 2004) adds that the higher the level of board independence the more effective. However scholars such as (Orapan,2017) and (Haitash & Bedard, 2009) state otherwise that the level of board independence doesn't significantly affect the level of compliance in an organization. Due to the argument above it leads to the first hypothesis formulation.

H1; There is a positive relationship between compliance with the Mwongozo code of governance and board independence.

2. Board size

The Mwongozo code of governance emphasizes on the size of the board. It states that the board should comprise of 7 to 9 members which is relatively a huge number. Many scholars have argued that the bigger the number of board members the more variety of skills and knowledge which leads to better compliance (Coles et al., 2008). (Abidin 2009), Kamau(2013) also support the above statement and adds that due to the variety of skills the level of compliance is high. Thus leads to the formation of the second hypothesis;

H2; There is a positive relationship between the size of the board and compliance with the Mwongozo code of governance.

3. Compliance with Audit committee

Most parastatals have gone down due to issues that relate to transparency and disclosure and inappropriate financial reporting. Thus numerous countries have come with improved ways to promote independence of auditors to their shareholders. Although limited studies have been done on this indicator, authors such as (Zakaria, 2018) agree with the above even so Matsiliza 2017, also adds that for adequate transparency and accountability there must be effective auditing this was in regards to the king's third report of South Africa. Due to the above positive reaction it leads to the second hypothesis;

H3;There is a positive relationship between audit committee and compliance with Mwongozo code of governance.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The main purpose of the study is to determine the extent to which SOEs comply with the mwongozo code of governance, this is because good corporate governance is at the heart of corporate success and has a big impact on the economic growth of the country. To be able to measure the level of compliance this chapter elaborates the methodology that was used. This chapter is organized as follows; 3.2 discusses the research design, 3.3 discusses the population of the study, 3.4 discusses the data collection methods, 3.5 elaborates on data analysis, 3.6 shows the corporate governance index constructions, 3.7 discusses on the reliability and validity of the study and 3.8 elaborates on ethical consideration.

3.2 Research Design

Cooper and Schindler (2008) defined a research design to be a strategy that is adopted by a researcher in order to clearly meet the objective and find a way to establish how the data will be collected, measured and evaluated. For this study, Qualitative and Quantitative research methods were employed for the success of the study. The quantitative data was analyzed through qualitative analysis an exploratory study has been defined as a valuable means of finding out what is happening because of the existence of a knowledge gap with regards to the level of compliance with the Mwongozo Code of Governance in Kenya being a new concept there is limited data that is already available. Data for this study was obtained from secondary sources.

3.3 Population of the study

Population is a total summation of elements upon which a researcher intends to obtain a sample from to study and obtain certain inferences to reach a conclusion about the study (Coopers and Schinder, 2008). The population of this study is based on the 187 parastatals that were recognized by the parastatals reform 2013

3.4 Data Collection and methods

Denscombe (2011) identified that there are several data collection tools available to researchers; this depends on the type of data that would be collected namely primary or secondary data. The additional data source came from secondary data. Secondary data can include both raw data and published summary and can provide a useful source from which to answer or partially

answer your research question (Saunders et al. 2009). Secondary data means that data that is already available. The main purpose of using secondary data is to compare the findings as well as fill in any gaps in terms of explanations in the primary data. Secondary data was to be collected from the various institutions that deal with entrepreneurship in the country as well as searches online on previous data collected that is relevant to this research.

3.5 Data Analysis

The data was analyzed using statistical product and service solutions (SPSS) software. The analysis also included the use of descriptive statistics that according to Cooper and Schindler (2008) are statistics that provide basic information and measures of central tendencies of variables in a data set. The first step in content analysis involved construction of the corporate index that acted as a benchmark for the parastatals and also enabled the fulfillment of the objective of determining the key drivers of governance and also to be able to measure the level of compliance among the SOEs a dummy of one was awarded where the parastatal showed compliance with each of the following variables; Board size, Board independence, Audit size and committee as the main variables while in case of non-compliance a dummy of zero was awarded. After which the data was ran through the SPSS software. The regression model that was used for the study was as follows;

$$Y = \alpha_0 + \alpha_1 BS + \alpha_2 BI + \alpha_3 SIZE + \alpha_4 LEV + \alpha_5 AE$$

Where;

Y= dependent variable, that is level of compliance with the mwongozo code of governance.

BS= Board size

BI=Board independence

AE=Audit evaluation

LEV= leverage

3.5.1 Diagnostic test

This research study used the following diagnostic tests to test the assumptions of regression analysis:

3.5.1.1 Autocorrelation test

Autocorrelation is the degree of correlation between the values of the same variables across different observations in the data. Durbin-Watson test is the commonly used tool used to test for

autocorrelation. This test produces a test statistic that ranges from 0-4. Values close to 2 suggest less autocorrelation and values closer to 0 or 4 indicate greater autocorrelation

3.6. Corporate governance Index (CGI) Construction

To be able to evaluate the level of compliance, the researcher used corporate governance index to provide a comprehensive description of compliance by the parastatals. The corporate governance index was constructed from the guidelines stated in the Mwongozo code of governance 2015, issued and approved by the presidential taskforce. The index was not based on survey but used all the information publicized by the parastatals and annual reports of the organizations. The index acted as an extensive evaluator of firm specific corporate governance values. Thus any parastatal that adhered to the qualities was defined as one that practiced “good corporate governance”.

It entailed seven main categories; Board size, Board independence, Audit size and audit committee, separation of roles and transparency and disclosure and corporate citizenship. Each of the categories was supported by a series of questions and whenever a firm complied with the requirement was given a value of ‘1’ and where the answer was no was given a value of ‘0’.

3.7 Reliability and Validity

Golafshani (2003) stated that validity and reliability are conceptualized as trustworthiness, rigor and quality and that validity would determine whether the research truly measures that which it was intended to measure or how truthful the research results are.

For this study, the development of a content valid instrument was achieved by a rational analysis of the data collection instrument by raters familiar with the variable of interest.

The researcher reviewed all the items for readability, clarity and comprehensiveness and came to some level of agreement as to which items were included in the final instrument

3.8 Ethical Consideration

Burgess (1989) identifies ethics as norms and standards for conduct that distinguish that which is right and that which is wrong. During this study, there wasn’t any fabrication or falsifying of any data to foster the pursuit of knowledge and truth, which was the primary goal of this research. The researcher held on to the confidentiality and copyright guidelines. The research was also carried in an environment of trust and accountability.

CHAPTER FOUR: DATA PRESENTATION AND ANALYSIS

4.1 Introduction.

This chapter presents a discussion on the research findings. It discusses the results of secondary data analysis: descriptive statistics, inferential statistics (Multiple regression analysis) and diagnostic tests of the multiple regression model.

4.2 Descriptive statistics

This study began with descriptive statistics in order to know the basic characteristics of the study variables. The Table 4.1 below provides a summary result for each variable that was considered in this study.

The findings showed that the average compliance level of the SOEs was 0.72 which indicates that compliance with the Mwongozo code of governance is above average with a minimum of 0 and a maximum of 1. The board independence and size has a mean of 0.5 which is quite average in terms of compliance while the audit size and committee had a mean of 0.43 which is considered low, transparency and disclosure had an average of 0.35 which is very low, separation of roles had an average of 0.87 which is very high and corporate responsibility had an average of 0.95 which is very high in terms of compliance.

Table 1.Descriptive statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Compliance with M.C.G	117	0	1	0.719658	0.123344
B.O.D and Size	117	0	1	0.5	0.502
AUDIT SIZE AND COMMITTEE	120	0	1	0.43	0.498
Separation of roles	121	0	1	0.87	0.34
Transparency and disclosure	127	0	1	0.35	0.478
Corporate citizenship	120	0	1	0.95	0.219
Valid N (list wise)	117				

Source: Researcher (2019)

4.3. Diagnostic tests

4.3.1 Autocorrelation test

Autocorrelation is the degree of correlation between the values of the same variables across different observations in the data. Durbin-Watson test is the commonly used tool used to test for autocorrelation. This test produces a test statistic that ranges from 0-4. Values close to 2 suggest less autocorrelation and values closer to 0 or 4 indicate greater autocorrelation.

For this model, the Durbin-Watson statistic was 2.204, as shown in the table below, which indicated absence of autocorrelation issues.

Table 2. Autocorrelation

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.735	0.541	0.52	0.085468	2.204

Source: Researcher(2019)

4.4 Regression Analysis

This study used multiple regression analysis as a statistical tool to examine the extent to which SOEs comply with the Mwongozo code of governance (regressand) and the independent variables the relationship between firm value and the independent variables (regressors). It used adjusted R-Squared and P-value as a criterion for decision making. The adjusted R-Squared as shown in the Table below was 0.52 which implies that variations in the regressors can explain variations in the regressand (compliance) by 52%. This certainly means that 48% of the variations in firm value are accounted for by other factors not captured by the study model.

Table 3. Regression

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.735a	0.541	0.52	0.085468

Source: Researcher(2019)

a Predictors: (Constant), Corporate citizenship, Separation of roles, Transparency and disclosure, B.O.D and Size, Audit size and committee

P-value was used in this study for estimating the degree of significance of the relationships between the dependent (compliance) and each of independent variables. The following variables

were found to have a statistically significant impact on compliance of the SOEs; The board independence and size, auditors size and committee, transparency and disclosure and corporate citizenship were found to have a P – value of 0.0000 and separation of roles had a P-value of 0.001.

Table 4.P-Value

Model	Unstandardized Coefficients		Standardized	t	Sig.
	B	Std. Error	Coefficients Beta		
1 (Constant)	0.368	0.042		8.823	0.000
B.O.D and Size	0.068	0.016	0.277	4.252	0.000
AUDIT SIZE AND COMMITTEE	0.074	0.016	0.299	4.581	0.000
Separation of roles	0.083	0.023	0.232	3.566	0.001
Transparency and disclosure	0.121	0.017	0.474	7.242	0.000
Corporate citizenship	0.180	0.036	0.323	4.993	0.000

Researcher(2019)

4.5. Research objectives analysis

4.5.1 Level of compliance and board independence and size

In accordance to H1 & H2 that stated that there is a positive relationship between compliance and board independence and size, the results of the study revealed that the above assumption is true as there is a 50% (mean) level of compliance in board evaluation (i.e. size and board independence) among the SOEs. It revealed that there is a positive significant relationship between compliance and board size and independence with a Beta of 0.277 and P-value of 0.000 this implied that board evaluation has a big impact in terms of compliance. This finding is consistent with Boyd (2003), (Abidin & Kamal, 2009) & (Dahawy 2009) that concluded that there is need for an independent board of directors who are free from any manipulation in order for effective performance. In terms of size, (Coles...et...al.2008),(Abidin 2009), also agree with the findings of this study that board members of high numbers leads to variety of skills and expertise that enables the organization to reach great potential, however the mwongozo code of governance restricts this size between 7-9 while most of the SOEs had board members ranging between 10-14 .Thus renders the board size insignificantly negative in terms of determining the level of compliance while leaving more room for research in this variable. The other variable that was evaluated under the umbrella of this main independent variable was disclosure of conflict of interest; throughout the period it was very evident that most parsatals complied with this guidelines while in the same measure most of them did not on a perfect scale the level of compliance and non-compliance to this variable would be an equal 0.5 thus leading to the 50% mean in the board evaluation.

4.5.2 Level of compliance and audit committee and size

The research study also sought to examine the relationship between compliance and audit committee and size. The results of the regression showed that the committee and size is a significant tool in determining the compliance with a Beta of 0.299 and P-value of 0.00. The two variables combined had a mean of 43% in terms of compliance which is considered quite low because 57% of the SOEs seem not to comply with the two variables. In order to evaluate the audit committee a few variables were added to enrich the findings they included; term limit of serving in which most of the organizations complied with as most of the directors retired after a maximum of two terms, terms of reference of the audit committee was fully complied with

,mixture of skills and expertise among members was also one of the variables that was complied with fully however in variables such as indication of number of meetings held and audit size of 3-4 the level of compliance was very low thus may have contributed to the low mean level of compliance as most parastatals had an audit committee between 5-6. Thus the study finds a positive relationship between compliance and audit committee as supported by authors such as (Matsiliza,2017) and (Zakaria,2018).

4.5.3 Level of compliance and separation of roles

The study also sought to examine the level of compliance with regards to separation of roles. The Mwongozo code of governance calls for separation of roles between the CEO and the chairman and also between the CEO and CS of the SOEs. This is to enable efficiency in the work place. The variable had a mean of 87% in terms of compliance and a Beta of 0.023 with P-value of 0.001. This finding showed that the variable had a positive insignificant relationship with compliance.

4.5.4 Level of compliance and transparency and disclosure

The downfall of most parastatals has been due to lack of transparency and accountability thus the need for audit committee in accordance to (Zakaria,2018) and (Matsiliza,2017). This variable has enabled the study to critically understand the low level of compliance in audit committee and size. Transparency and disclosure had a mean of 35% thus the level of non-compliance was 65%. With a Beta of 0.474 and P-value of 0.00. Thus the variable has a very high positive significant relationship with compliance.

4.5.5 Level of compliance and corporate citizenship

Disclosure of CSR is one of the rules in the Mwongozo code of governance. Throughout the period SOEs were very compliant with these guidelines as the policy was clearly stated in their annual reports. The variable had a mean of 95% in terms of compliance and a Beta of 0.323 with a P-value of 0.000. Thus leads to the conclusion that there is a positive significant relationship between compliance and corporate citizenship.

CHAPTER 5: SUMMARY CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The main objective of this study was to examine the extent to which state owned corporations comply with the Mwongozo code of governance. The factors were: Board Independence and size, Audit committee and size, Separation of roles and Transparency in disclosure. The data analysis was carried out on 117 state owned corporations from the period of end of 2015-2018 inclusive. The secondary data was obtained from the Auditors general report. The SPSS software was used to carry out the data analysis in order to provide basic information and measure of central tendencies of variables in a data set.

This chapter presents the summary of the findings, conclusions and recommendations from the study. The research findings were summarized as per research objectives outlined in chapter one of the study. This chapter also provides recommendations and suggestions on areas of further study in regards to determining the level of compliance among SOEs.

5.2 Research purpose and methodology

The main purpose of the study was to determine the level of compliance among SOEs. The study used a corporate governance index to act as a benchmark for the SOEs. The key indicators were; Board independence, Board size, Audit committee and size, Separation of roles, Transparency and disclosure and corporate citizenship. For this purpose, 117 SOEs were analyzed out of the possible 187 SOEs this was due to availability of consistent data. Correspondent to the study period end of 2015-2018. Secondary data was mainly collected from general auditors' report of the selected SOEs. Descriptive and inferential statistics were used to analyze the data and the data was fitted in the regression model to generate an output, on a yearly basis, on the degree of relationship between variables of the study. In addition various tests were carried out to test the assumptions of regression model. The findings showed that board size and independence, audit size and committee, transparency and disclosure and corporate citizenship were all significant in explaining the level of compliance. Hence, these factors were considered main determinants of level of compliance. Separation of roles, on the other hand was found to be insignificant in determining the level of compliance among the SOEs.

5.3 Discussion of Findings

Based on the research objectives, the research study sought to investigate the level of compliance with the Mwongozo code of governance among the SOEs. It was very evident that among the 117 parastatals out of the possible 187 the level of compliance was very high with an average of 71.97% with the variable of corporate citizenship being the highest with a mean of 95% this was because most of the parastatals had clearly indicated their CSR policy either on their annual reports or on the website as recommended by mwongozo code of governance. It was followed by separation of roles with a mean of 87% it was backed up by the fact that the office of the CEO and that of the Chairman were held by two different individuals and this was clearly stated in the reports. However the 13% non-compliance would have been attributed to the non-compliance with the separation of the office of the CEO and CS as most of the SOEs had the office occupied by the same individual contrary to the mwongozo. The third variable was the board size and independence with a mean of 50% this was considered low due to the fact that it was a critical variable. The low mean was attributed to the fact that despite compliance with the 1/3 board independence threshold there was a very low level of compliance in terms of the board size. This is because the mwongozo gives the number to be between 7-9 while practically board members in the SOEs varied between 10-14. The other minor factor that also led to the averagely low level of compliance was the disclosure of conflict of interest as most of the SOEs did not clearly indicate their conflict of interest in their annual reports. In every group of ten parastatals the level of disclosure was 2/10. Audit size and committee equally had a low mean of 43%. Throughout the study it was very evident that most of the SOEs had an audit committee or an audit firm clearly indicated however compliance with the size of the audit committee seemed to be a challenge this is because the mwongozo code of governance states that the audit committee should be between 3-4 but SOEs had a number ranging between 5-6. Authors such as (zakaria,2018) and (Matsiliza,2017) have clearly stated that a large number of audit committee leads to better transparency and accountability in the SOEs. Thus this counter argument leaves room for further research on the effectiveness of the audit size on compliance and SOEs performance.

5.4 Conclusion

The study's broad objective was to examine the level of compliance with the mwongozo code of governance among state owned corporation. Based on our findings, despite the high level of

compliance, important variables such as audit size , board size and disclosure of conflict of interest had very low level of compliance while variables such as separation of roles and corporate citizenship, had a high level of compliance even though they are considered support factors to the main variables. Thus there is need for SOEs to re-evaluate their board structures in terms of size this will enable them to improve the quality of corporate governance and avoid the notorious corporate scandals.

5.5 Recommendations

While this study findings show a positive and significant relationship between CGI and compliance, we also noted trends that showed that the mwongozo code of governance has not been fully embraced, thus there is need for the government to look for ways to encourage compliance among SOEs to avoid the mwongozo code being a mere formality but an effective standard of governance.

5.4.1 Limitations of the study

The main limitations of this study included inconsistency in the data available in the auditors general report this is because most of the parastatals had not updated their auditors general report and hence made it difficult to know their true level of compliance.

5.4.2 Suggestions for future research

Further studies can be done to examine other variables of the mwongozo code of governance to determine the level of compliance among SOEs. This study only focused on certain variables but the code of governance has many details that influence compliance.

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APPENDIX

Appendix 1 : Code of Governance Index.

NO	STATEMENT	CODE PROVISION	VALUE Y=1 N=0
1	Board independence and size	1.16	
	Are all conflicts of interest disclosed whether real or perceived and managed within an agreed framework?	1.16 b	
	Are the board members new employees and have no record of serving in the same organization for the last five years?	1.16 d	
	Is the size of the board between seven to nine?		
2	Audit committee and size	1.7	
	Does the company have an audit committee?	1.7b	
	The committee should have terms of reference which should set out as minimum, objectives, delegated authority and reporting mechanisms.	1.7 c	
	Are the reviews done periodically?	1.7 d	
	How many committee meetings are held in an year?	1.7 e	
	Do the members of the committee portray different set of skills?	1.7.3	
	Is the Chairperson excluded from the committee?	1.7.2	
	Is there at least one member of the committee who has financial expertise?	3.4 a	
	Does the size of the audit committee fall between three to four?	1.7 a	
3	Term limits for the board members	1.5	
	Are the board members released after six years	1.5a	

	or after 2 terms of 3 years each		
4	Separation of roles	1.22	
	Is the office of the CEO and Chairman held by different people	1.22.3	
	Is the Ceo and CS different individuals		
5	Transparency and disclosure	2.9	
	Codes of conduct and whistleblowing policy clearly stated in the website	2.9.1	
6	Corporate Citizenship	4.6	
	Disclosure of the policy on CSR	4.6.1	

Appendix 2.LIST OF PARASTATALS

Jomo Kenyatta foundation
Kenya university & colleges central placement
Higher Education Loans
Kenyatta tourist development
Bomas of kenya
Communications Authority of Kenya
Council of legal education
Ewaso nyiro South River
Geothermal Development
Kenyatta University
Maseno University
Moi University
JKUAT
Nairobi University
Muranga University
Multi media University
Masinde Muliro University
Machakos University
University Of eldoret
NACADA
Insurance Regulatory Authority
Information and technology
Export processing zones Authority
Kenyatta Hospital
Kenya Revenue Authority
Kenya Veterinary Vaccine
National cereals produce brand
National environment management Authority
Kenya Ports Authority
Kenya Water towers A gency

Kenya Wildlife service
Medical council of kenya
Kenya Agriculture and livestock
National Aids control
National council for persons with disabilities
Tourism Fund
Rural Electrification Authority
Sacco Societies Regulatory Authority
Kenya copyright Brand
Kenya law reform Commission
Lake basin development
Kenya Dairy Board
National commission secretariat
National Drought management authority
National Housing corporation
National Housing fund
National Industry Training Authority
National Irrigation Board
National quality control Lab
Nzoia sugar company
Nyeri water and sewage
Retirement benefit authority
National commission for science and technology
Kenya Plant Health inspectorate service
Agricultural Development Corporation
Commodities Fund
Kenya Development council
Coast Water services
Busia water and sewage
Tavevo water and sewage
IDB capital limited

Sunset hotel ltd
Tanathi service Board
Kenya Airports Authority
Kenya Animal Genetic
Kenya Nuclear Electricity board
Kenya Education Management
Kenya Film classification
KASNEB
Kenya Accreditation
kenya civil aviation
Consolidated bank of kenya
Development bank of kenya
Embu water sanitation
Imetha water sanitation
Centre for mathematics and technology
Jaramogi oginga odinga
Taita taveta uni
Kenya medical supplies Authority
Kenya National Examinations
Kenya National Library service
Kenya National Trading corporation
Kenya Pipeline company
Privatization Commission
Deposit Protection Fund
Public procurement oversight
Kenya Literature Bureau
Kenya ferry services
National Construction Authority
Coffee Development Fund
School equipment production
Kenya citizens & National management

Kenya Academy of sports
Kenya Roads authority
Kenya Institute of mass communication
Small & micro enterprises
Kenya National Shipping
Kpchapo tea
Kitui water and company
Konza Technopolis
Kwale water and sewage
Mathitra waters sewage
Menengai geothermal
Mt elgon lodge
Mwea rice mills ltd
National biosafety
Rivatex
Samburu water
Simlaw seeds co ltd
South nyanza sugar ltd
Uwezo Fund oversight
Transition Authority
Unclaimed Financial asset
Water Gatanga community
Water Kahuti
Water Kenya tower



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AN INVESTIGATION ON THE EXTENT TO WHICH STATE-OWNED
CORPORATIONS COMPLY WITH THE MWONGOZO CODE OF GOVERNANCE

OKELLO, VESHA
ADM NO.094926

A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF THE
REQUIREMENTS FOR THE AWARD OF THE DEGREE OF BACHELOR OF
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