Available online at www.elixirpublishers.com (Elixir International Journal)

Organizational Behaviour

Elixir Org. Behaviour 94 (2016) 40212-40221

ISSN: 2229-712X

Effect of corporate governance on organizational performance

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ARTICLE INFO

Article history:
Received: 20 April 2016;
Received in revised form: 4 May 2016;
Accepted: 9 May 2016;

Keywords
Corporate, Governance, Autonomy, Accountability, leadership.

ABSTRACT

The study was based on the premise that the business environment is influenced by different factors that affect corporate governance on the performance of the organization. The research is carried out in Mombasa County; the main objective is to analyze the effects of corporate governance on the performance of an organization. The site of the study is at Wartsila eastern Africa limited which is located outside the Town center of Mombasa. The study used a descriptive, explanatory, comparative, and associational and cross-sectional research designs data. A sample of 75 respondents was to provide the data, the proportion of the respondents was, 5 from top level executive, 20 from middle level managers and 50 from low level employees. Findings on the relationship between Corporate Governance variables and board roles indicated significant positive relationship.

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1.Introduction

Corporate governance refers to the system of structures, rights, duties, and obligations by which corporations are directed and controlled. The governance structure specifies the distribution of rights and responsibilities among different participants in the corporation (such as the board of directors, managers, shareholders, creditors, auditors, regulators, and other stakeholders) and specifies the rules and procedures for making decisions in corporate affairs. Governance was a mechanism for monitoring the actions, policies and decisions of corporations. Governance involves the alignment of interests among the stakeholders (Bebchuck, 2004).

There has been renewed interest in the corporate governance practices of modern corporations, particularly in relation to accountability, since the high-profile collapses of a number of large corporations during 2001–2002, most of which involved accounting fraud; and then again after the recent financial crisis in 2008. Corporate scandals of various forms have maintained public and political interest in the regulation of corporate governance. In the U.S., these include Enron and MCI Inc. (formerly WorldCom, HIH, One.Tel)

Corporate governance is a key area of interest to all stakeholders in ensuring good performance and smooth operations of organizations. This study will focus on Wartsila Eastern Africa Ltd with a special emphasis to the Kipevu II, Power Plant in Mombasa, Kenya. Corporate governance was most often viewed as both the structure and the relationships which determine corporate direction and performance. Corporate governance is “accountability to provide better service.” There has been renewed interest in the corporate governance practices of modern corporations, particularly in relation to accountability, since the high-profile collapses of a number of large corporations as a result of conflicts of interest which is led by the recruitment agency that is recruiting employees of the same tribe.

Despite Wartsila being a multinational organization reputed globally for its good governance structures and operating frameworks in its various business units, this was not translated to the Kenyan venture in some aspects especially at the Kipevu II Power Plant, where there occurred some element of poor governance through engagement or contracting a staff recruitment firm, MAER & Associates at the time of the inception of the company but continues to cripple the organization to date in some aspects. The staff recruiting consultant as a stakeholder or supplier charged with the responsibility by way of contract to provide staff to fill in the vacant positions in the organization did not exercise professionalism to the fullest but instead practiced nepotism and favoritism, and opted to employ unethical conducts by selecting candidates by considering their tribal inclinations or backgrounds. This resulted in about 55% of the local employee population being of the same tribe which over the years hasn’t gone down well with the team spirit of the organizational workforce, thus affecting the overall performance of the organization. Employees being a major stakeholder to a company in its governance process with a direct impact on its performance ought to be comfortable with one another and not view one another with suspicion so as to ensure a good work environment for maximum productivity.

Another issue or problem that is also experienced as a result of centralization of some decision making aspects such as capital expenditure and others not pre-approved in the budget for the financial year in question, due to the location of where the board sits and the availability of the board members, is slowness in decision making, due to the bureaucracy involved. This affects those crucial and emergency decisions that need to be taken so as to have a turn-around effect on performance of the organization.

While several studies have been undertaken on corporate governance in public and private sectors, little has been done on the effects of corporate governance on organizational performance. For instance, the study by Mute (2008) focused on benefits of good governance of organization in water sector. Others who have undertaken studies on corporate governance in various industries include Muhia (2008), whose

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study focused on change on corporate governance adopted by the City Council of Nairobi, and Oganda (2007), whose study focused on the impacts of poor governance to the employees at Wrigley Company East Africa. The study aimed at pointing out the effects of poor governance on the employees at Wrigley's E. Africa and therefore it's equally important for this research to also identify the various effects that various governance practices affect the performance of the organization as a whole at Wartsila Eastern Africa Ltd, Kipevu II.

2.Related Literature

2.1 Agency Theory

In agency theory, the owners/directors set the central objectives of the corporation. Managers, in turn, are responsible for executing these objectives in the corporation's day-to-day operations. Corporate governance consists of designing structures and procedures to control management, i.e., to keep their actions in line with director-established objectives. Managers cannot be trusted to remain faithful agents, i.e., to stay faithful to the interests and goals of the owners/directors. This presupposes a particular view of human nature. Humans are rational, egoists. They have desires and use reason to devise means to realize them. Since one desire can be checked only by another desire, this egoism is potentially without limit. Agency theory assumes that managers will divert corporate resources to pursue their own selfish ends unless checked by some system of external controls. Thus, another key element of corporate governance under agency theory is to find the most efficient systems of controls to keep manager egoism in check, (Klausner, 2008).

The owners/directors play the role of principal in agency theory. The principal originates the action and bears primary moral and legal responsibility for it. Most of the time the principal of an action is also its executor, but there are times when the principal lacks the knowledge and skill necessary for executing the objectives he or she originates. In this case, the principal contracts with an agent. The principal authorizes the agent to act on his or her behalf. This requires that the agent remain faithful to the goals and interests of the principal. See Hobbes's Leviathan, Chapter 16 for an important historical account of the agent-principal relation. Managers are agents. Their primary responsibility is to serve as faithful executors of the goals and interests of the principals. (Vishny , 2010).

How do ethics enter into corporate governance under agency theory? Primary emphasis is placed on compliance, i.e., enforced conformity to rules that constitute minimum thresholds of acceptable behavior. Compliance approaches develop; rule based codes, systems of monitoring to detect violations, and punishments and rewards to deter non-compliance and reward compliance. Trevino and Weaver provide an empirical analysis to the goals achieved through compliance ethics: "The perception that better decisions are made because of the ethics program ethical advice seeking, decreased unethical behavior in the organization, ethical awareness." (Weaver &Trevino, 1999)

2.2 Stakeholder Theory

Owners drop out of the center of attention in this approach to become one of several, equal stakeholders. A stakeholder is any group or individual that had a vital interest, right, good, or value in play or at risk. (A gambler's stake is the money on the table in play as the roulette wheel turns. Depending on the outcome of the situation, the gambler either keeps or loses the stake.) Examples of corporate stakeholders include stockholders, employees, customers, suppliers, local community, and government. The corporation on this view exists for the sake of its stakeholders, not stockholders, (Oliver, 2002).

The stakeholder view can be closely tied to egoism if it was assumed that the different stakeholder groups exist to maximize their selfish interests. But the stakeholder approach to corporate governance goes beyond the egoistic account of human nature. The corporation (and its managers) becomes responsible for mediating between these different, often conflicting, stakeholder interests, always keeping in mind that all stakeholders deserve equal respect. If stakeholders have any solidarity with one another, it was because the interest set of each includes the interests of the others. (This is how Feinberg defines solidarity.)

The ability to envision the interests of each stakeholder and to work toward integrating these must be built on a view of human nature that was as altruistic as egoistic. While not embracing the social view of human nature outlined above, the stakeholder view assumes that stakeholders are capable and willing to negotiate and bargain with one another. It begins, in other words, with enlightened and long term self-interest, (Oliver, 2002)

Stakeholder approaches combine compliance and value-based approaches. In compliance, corporate officers define a moral and legal minimum; this consists of the minimum set of rules necessary for stakeholder coexistence. Beyond this, value-based approaches seek to create common, broader objectives, aspirations that can unite the different stakeholders in the pursuit of excellence. Stakeholder approaches need both; the compliance approach gets things started and the values-based approach sets them on the path to excellence, (Oliver, 2002)

2.3 Conceptual frame work

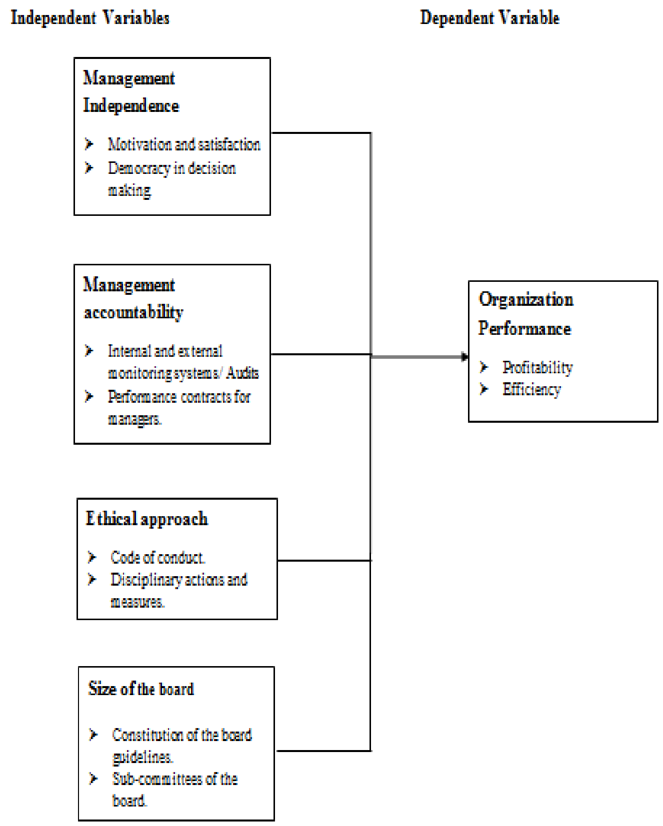

Figure 2.1. Relationship between the variables in the study.

2.4 Management accountability

All parties to corporate governance have an interest, whether direct or indirect, in the financial performance of the corporation. Directors, workers and management receive salaries, benefits and reputation, while investors expect to receive financial returns. For lenders, it was specified interest payments, while returns to equity investors arise from dividend distributions or capital gains on their stock. Customers are concerned with the certainty of the provision of goods and services of an appropriate quality; suppliers are concerned with compensation for their goods or services, and possible continued trading relationships. These parties provide value to the corporation in the form of financial, physical, human and other forms of capital. Many parties may also be concerned with corporate social performance, (Bebchuck, 2004).

Control and ownership structure refers to the types and composition of shareholders in a corporation. In some countries such as most of Continental Europe, ownership was not necessarily equivalent to control due to the existence of e.g. dual-class shares, ownership pyramids, voting coalitions, proxy votes and clauses in the articles of association that confer additional voting rights to long-term shareholders. Ownership is typically defined as the ownership of cash flow rights whereas control refers to ownership of control or voting rights. Researchers often "measure" control and ownership structures by using some observable measures of control and ownership concentration or the extent of inside control and ownership. Some features or types of control and ownership structure involving corporate groups include pyramids, cross-shareholdings, rings, and webs. German "concerns" (Konzern) was legally recognized corporate groups with complex structures. Japanese keiretsu and South Korean Chaebol (which tend to be family-controlled) are corporate groups which consist of complex interlocking business relationships and shareholdings. Cross-shareholding was an essential feature of keiretsu and chaebol groups. Corporate engagement with shareholders and other stakeholders can differ substantially across different control and ownership structures, (Bebchuck , 2004).

Family control-Family interests dominate ownership and control structures of some corporations, and it has been sugested the oversight of family controlled corporation was superior to that of corporations "controlled" by institutional investors (or with such diverse share ownership that they are controlled by management). A recent study by Credit Suisse found that companies in which "founding families retain a stake of more than 10% of the company's capital enjoyed a superior performance over their respective sectoral peers." Since 1996, this superior performance amounts to 8% per year. Forget the celebrity CEO. "Look beyond Six Sigma and the latest technology fad. One of the biggest strategic advantages a company can have blood ties," according to a Business Week study.

Diffuse shareholders-The significance of institutional investors varies substantially across countries. In developed Anglo-American countries (Australia, Canada, New Zealand, U.K., U.S.), institutional investors dominate the market for stocks in larger corporations. While the majority of the shares in the Japanese market are held by financial companies and industrial corporations, these are not institutional investors if their holdings are largely with-on group, (Bebchuck , 2004).

The largest pools of invested money (such as the mutual fund 'Vanguard 500', or the largest investment management firm for corporations, State Street Corp.) are designed to maximize the benefits of diversified investment by investing in a very large number of different corporations with sufficient liquidity. The idea was this strategy will largely eliminate individual firm financial or other risk and. A consequence of this approach is that these investors have relatively little interest in the governance of a particular corporation. It was often assumed that, if institutional investors pressing for will likely be costly because of "golden handshakes" or the effort required, they will simply sell out their interest, (Klausner , 2008).

Internal corporate governance controls monitor activities and then take corrective action to accomplish organizational goals. Examples include: Monitoring by the board of directors: The board of directors with its legal authority to hire, fire and compensate top management, safeguards invested capital. Regular board meetings allow potential problems to be identified, discussed and avoided. Whilst non-executive directors are thought to be more independent, they may not always result in more effective corporate governance and may not increase performance. Different board structures are optimal for different firms. Moreover, the ability of the board to monitor the firm's executives was a function of its access to information. Executive directors possess superior knowledge of the decision-making process and therefore evaluate top management on the basis of the quality of its decisions that lead to financial performance outcomes, ex ante. It could be argued, therefore, that executive directors look beyond the financial criteria, (Pacy, 2012).

Balance of power: The simplest balance of power was very common; require that the President be a different person from the Treasurer. This application of separation of power was further developed in companies where separate divisions check and balance each other's actions. One group may propose company-wide administrative changes, another group review and can veto the changes, and a third group check that the interests of people (customers, shareholders, employees) outside the three groups are being met, (Schreuder , 2013)

Remuneration: Performance-based remuneration is designed to relate some proportion of salary to individual performance. It may be in the form of cash or non-cash payments such as shares and share options, superannuation or other benefits. Such incentive schemes, however, are reactive in the sense that they provide no mechanism for preventing mistakes or opportunistic behavior, and can elicit myopic behavior.

Monitoring by large shareholders and/or monitoring by banks and other large creditors: Given their large investment in the firm, these stakeholders have the incentives, combined with the right degree of control and power, to monitor the management. In publicly traded U.S. corporations, boards of directors are largely chosen by the President/CEO and the President/CEO often takes the Chair of the Board position for his/herself (which makes it much more difficult for the institutional owners to "fire" him/her). The practice of the CEO also being the Chair of the Board was fairly common in large American corporations. While this practice is common in the U.S., it was relatively rare elsewhere. In the U.K., successive codes of best practice have recommended against duality, (Klausner, 2008).

2.5 Ethical approach

Sound corporate governance and ethical business practices are critical to a company's long-term success. Corporate governance refers to how a company was structured including its by-laws, code of ethics, and board of directors as well as the incentives and culture established at the top. Business ethics refers to the morality and integrity of how a company conducts its operations around the world, including its policies for suppliers and vendors. A well-governed company has strong, transparent policies in both areas with accountability and rigorous board oversight and operates in the best interests of its shareholders, employees, customers, community, and the environment, (Curtis, 2007).

Over the past decade, we have witnessed numerous corporate governance and ethics scandals, from accounting irregularities, to rogue stock traders costing investors billions of dollars, to allegations of bribery and illicit corporate payments to foreign governments. But the most devastating example of all was the lack of adequate governance and oversight by many financial organizations including rating agencies and regulators that led to the 2008 financial crisis. Clearly, a company's governance and ethical business practices affect not only its reputation, brand, employees, and bottom line; they can impact an entire industry, as well as investors, governments, and consumers. The Board was committed to acting with the utmost integrity and expects the same of every employee at every level of the Company, (Klausner, 2008).

Business ethics are good for company performance, but the tone has to be set from the top. Much was written about the role, indeed duty, of the board in setting the ethical values of the organization. A board was responsible for determining, articulating and communicating the values and standards of the business, and for ensuring that the policies, procedures and controls in place act to embed, rather than hinder, ethical values throughout the business. But can boards demonstrate that they are committed to ethical standards and their application to the way they govern and conduct themselves, (Curtis, 2007).

The business case for business ethics has been well demonstrated through the costs and impacts of the repeated high profile cases of corporate greed and misconduct. Often those integrity failures are a result of senior individuals crossing ethical boundaries as well as ignoring or circumventing the rules set out in law. In today's environment, stakeholders have high expectations that companies should be run in accordance with good corporate governance practices – it was the directors which bear ultimate responsibility for the business. So if corporate governance lies at the very heart of the way businesses are run, it was imperative that ethical values should be part of what makes those hearts beat, (Kaplan, 2009)

Questions of ethics, or the "right way to run a business", are inherent in all aspects of corporate governance and in every board decision and action. These include the discretionary decisions a board takes to deliver on its duties as set down in law, and demanded by shareholders and other stakeholders. And the choices a board makes within the core business strategies that they pursue and the way they direct the business as a whole. Boards take decisions which have far-reaching consequences and directly affect the lives of their employees and other stakeholders, a recent example being tax avoidance. But business ethics also includes the way the board conducts itself and the way board members choose to behave in carrying out their role. The culture of an organization will be strongly influenced by the nature as well as the quality of the leadership shown by the board. It should go without saying that members of boards should have personal integrity, as well as being champions of the company's values, (Curtis, 2007).

Although the research found similarities in general corporate governance principles and requirements, a comparison of explicit ethics drivers was not actually possible as they were not evident. This lack of explicit engagement and encouragement, if not requirement, for ethical standards would seem to undermine the imperative for integrity, honesty and accountability in the boardroom. The continual expression, communication and demonstration of ethical values and practice are essential if a board wishes its organization to operate in line with its core values, and to enjoy the benefits which doing business ethically can bring. At every opportunity, all directors should be encouraged to communicate the values and the importance of their application to the company, (Bebchuck, 2004).

Communication is not just about words: "walking the talk" was important too. It means applying the code of ethics to directors' behavior, as well as staff conduct. How does the board handle conflicts of interests? Was there diversity in the board? Was remuneration and recruitment fair and transparent? Attention to corporate ethics was increasingly a core feature of boardroom agendas in practice. Leading edge companies recognize business ethics, sustainability and social responsibility as characterizing the right way to run a business as well as being essential for long term success. But boards are still lagging behind when it comes to examining their own ethics. The apparent lack of explicit engagement at EU level with ethical principles in corporate governance guidance means there was limited requirement, or indeed encouragement, for boards to operate with high ethical standards. For some key governance issues that boards have been expected to address, the driver was most often given in terms of what was "good for business" rather than engagement with any moral imperative, (Bebchuck, 2004).

The following four areas are especially important in assessing governance and business ethics practices: Sustainability Reporting- The regularity and degree of transparency in a company's sustainability reports was a key barometer of its governance standards. As they say, "What isn't measured isn't managed." Therefore, annually published reports, with audited and independently verified data, was considered a corporate governance best practice. Momentum was growing for companies to follow the Global Reporting Initiative (GRI) guidelines the most widely used, standardized sustainability reporting framework in the world. The guidelines were created by an international, independent group of businesses, investment firms, and non-governmental agencies, in which Calvert participated. The GRI seeks to make sustainability reporting as common and as comprehensive as financial reporting. Calvert gives high marks to companies that use the GRI sustainability reporting guidelines, (Zingales, 2008).

Board Diversity- For years, Calvert has regarded board diversity as a critical governance goal. A company's board membership should broadly reflect its customer base and employees. The array of viewpoints, skills, background, and experience provided by boards whose members have diverse backgrounds gives the company a broader foundation to draw

upon for strategic decision-making especially in today's highly competitive, global marketplace. Unfortunately, while progress has been made over the years, women still hold just 18% of corporate board of director seats, yet comprise nearly 50% of the workforce.
We believe that to be marketplace leaders, companies must actively seek women and minority candidates for their boardrooms. In fact, a McKinsey & Company study found that companies with the highest share of women on executive committees outperformed those with all-male executive committees, earning a 41% higher return on equity and 56% better operating results, (Christine, 2009).

Executive Compensation- Since the onset of the financial crisis, reports of multi-million dollar compensation and severance packages received for executives of companies that have suffered losses, foreclosed on homeowners, or laid off employees have sparked a public outcry. Doling out excessive payments to executives at the expense of other employees was in direct contrast to shareholders' interests and often increases employee turnover. We also have found that excessive executive compensation during a period of lackluster business performance may be an early indication of bigger trouble at a company. Poorly designed compensation programs that encourage executives to manage for short-term performance at the expense of long-term profitability are another concern, potentially compromising the governance goals of a corporation, (Schreuder, 2013).

2.6 Size of the board

According to Klaus, (2009) the Board of Directors is comprised of such number of directors as the Board deems appropriate to function efficiently as a body, subject to the Company's Articles of Association. Standards currently in effect for determining the independence of individual directors are attached to the Corporate Governance Guidelines. Under the Articles of Association, the Board of Directors has authority to fill vacancies in the Board and appoint additional directors (in each case subject to their re-election at the next annual general meeting) and to nominate candidates for election by the shareholders.

The Corporate Governance and Nominating Committee considers the entirety of each candidate's credentials and believes that at a minimum each nominee should satisfy the following criteria: highest character and integrity, experience and understanding of strategy and policy-setting, sufficient time to devote to Board matters, and no conflict of interest that would interfere with performance as a director. (Klausner, 2008).

The Board of Directors has the following committees: Audit, Compensation, Corporate Governance and Nominating, and Finance. All committees have written, Board-approved charters detailing their responsibilities and the extent to which they have been delegated powers of the Board of Directors. Only non-employee directors serve on these committees. Chairpersons and members of these four committees are rotated periodically, as appropriate. At each meeting of the Audit Committee, committee members meet privately with representatives of the Company's independent auditors, and with the Company vice president responsible for the internal audit function. At least once a year, the Audit Committee meets privately with the Company's chief compliance office, (Zabihollah, 2002).

The Audit Committee meets at least eight times each year, and the Compensation, Finance and Corporate Governance and Nominating Committees each meet at least four times each year. Additional committee meetings are called as required. The Chairman establishes the agendas for the Board meetings in conjunction with the Lead Director. Each director is free to suggest items for inclusion in the agenda, and each director was free to rise at any Board meeting subjects that are not on the agenda for that meeting. Board materials relating to agenda items are provided to Board members in advance of meetings to allow the directors to prepare for discussion of matters at the meeting. The Board reviews and approves the Company's yearly operating plan and specific financial goals at the start of each year, and the Board monitors performance throughout the year. At an expanded Board meeting once a year, the Board reviews in depth the Company's long-range strategic plan. At the expanded meeting, it also reviews senior management development and succession planning, (Vishny, 2010).

Management presentations are made to the Board and its committees regularly on various aspects of the Company's operations. The directors have unrestricted access to management and corporate staff. The non-employee directors meet privately in executive sessions to review the performance of the CEO and to review recommendations of the Compensation Committee concerning compensation for the employee directors. The non-employee directors also meet as necessary, but at least twice a year, in executive session to consider such matters as they deem appropriate without management being present, (Zabihollah, 2002).

The Corporate Governance and Nominating Committee periodically reviews the Board of Directors' compensation and benefits and compares them with director compensation and benefits at peer companies. It was the Board of Directors' policy that directors be required to acquire shares of Company stock worth four times the annual cash retainer paid to the directors within five years of joining the Board of Directors. Once attaining the ownership level of Company stock worth four times the annual cash retainer, directors are then required to retain this minimum level of Company stock ownership until their resignation or retirement from the Board. It was also the policy of the Board that directors' fees be the sole compensation received from the Company by any non-employee director, (Zabihollah, 2002).

3.Research Methodology

This research was descriptive in nature. Sampling of respondents was drawn from 77 staff working in Wartsila Eastern Africa limited at Kipevu II in Mombasa. Systematic sampling techniques are used such that from the list of names of employees of particular categories, every fourth name was picked out for the study thus eliminating any bias. On this basis a sample ratio of twenty five percent sufficed. The sample characteristic was summarized in the table. (Cooper & Schindler, 2003,Mugenda 2005)

Table 1. Sample size

Category	Population	Sample size	Sample ratio
Top executives	5	3	0.60
Middle level managers	12	8	0.67
Supervisors and employees	60	30	0.50
Total	77	41	

4.Research Findings Conclusions And Recommendations

The data establishes to what extend the respondents agree that the external environment has an influence on the effects of corporate governance on organizational performance at

Warstila Eastern Africa. Majority of the respondents (85 percent) returned the questionnaires and about 15 percent of the respondents they did not return their questionnaires. This was an indication that the respondents are highly corporate and the response rate was as shown below.

Table 2. Effects of Size of the board.

Statement	SA	A	N	D	SD
	%	%	%	%	%
They make quality decisions in the organization	69	28	0	3	0
The board helps the organization to grow	31	49	8	19	0
The board helps the organization to be more competitive in the industry	15	19	15	54	9

Source; Primary data

NB (SA- Strongly Agreed, A- Agreed, NS- Not Sure, D- Disagree, SD- Strongly Disagreed)

69% of the respondents strongly agreed that the size of the board in the organization make quality decisions, 28% of the respondents agreed that board size helps in making quality decisions in the organization while 3% of them disagreed that the size helps in making quality decisions. This shows that the organization board of governance has clear objectives which make them make quality decisions in the organization.

31% of the respondents strongly agreed that the board helps the organization to grow, 49% of the respondents agreed as 6% of the respondents were not sure while 14% of the respondents disagreed that the board helps the organization to grow in greater height.

11% of the respondents strongly agreed that the board helps the organization to be more competitive in the industry, 14% of the respondents agreed as 11% of the respondents were not sure, 54% disagreed while 9% of the respondents strongly disagreed that the board helps the organization to be more competitive in the industry.

Table 3. The effects of composition of the board in Wartsila Eastern Africa Limited.

Statement	SA	A	N	D	SD
	%	%	%	%	%
Opinions from different members helps organization to develop	60	29	11	0	0
Composition of the board greatly helps the organization in solving different issues since they are experts from different fields.	20	49	14	11	6
Composition of the board makes employees feel represented i.e. both females and males employees don't feel discriminated in the organization	37	26	6	20	11

Source primary data

NB (SA- Strongly Agreed, A- Agreed, NS- Not Sure, D- Disagree, SD- Strongly Disagreed)

From the above table, 60% of the respondents strongly agreed that opinions from different board members help organization to develop; 29% of the respondents agreed that opinions from different members leads to organization development while 11% of them were not sure. This indicates that the composition of the board in organization should be encouraged since by doing so the organization will grow and achieve its objectives. 20% of the respondents strongly agreed that composition of the board greatly helps the organization in solving different issues in the organization, 49% of them agreed, 14% were not sure of whether composition of the board greatly helps the organization, 11% disagreed that the composition of the board helps the organization while 6% of the respondents indicated that composition of the board greatly helps the organization in solving different issues since they are experts from different fields. According to 37% of the respondents, composition of the board makes employees feel represented, 26% of the respondents agreed that composition of the board makes employees feel represented, 6% of the employees indicated that they were not sure, 20% disagreed while 11% of the total respondents strongly disagreed that composition of the board makes employees feel represented in the board. This indicates that composition of the board of governance is very vital in the organization since it makes the organization to be more competitive and stable in the market.

Table 4. Effects of accountability of board of governance

Statement	SA	A	NS	D	SD
	%	%	%	%	%
Accountable board of governance increase efficiency of the organization.	20	57	17	6	0
The board ensures that there is provision of goods and services of an appropriate quality in the organization	57	20	6	0	17
The board make sure that suppliers are compensated for their goods or services	31	57	0	11	0

NB (SA- Strongly Agreed, A- Agreed, NS- Not Sure, D- Disagree, SD- Strongly Disagreed)

20% of the respondents strongly agreed that accountable board of governance increase efficiency of the organization, 57% of the respondents agreed as 17% of the respondents were not sure whether accountability of the board increase efficiency or not while 6% of the respondents disagreed that accountable board of governance increase efficiency of the organization.

57% of the respondents strongly agreed that the board of governance ensures that there is provision of goods and services of an appropriate quality in the organization as 20% of the respondents agreed. 6% of the respondents were not sure, while 17% of the respondents strongly disagreed that board of governance ensures that there is provision of goods and services of an appropriate quality in the organization.

31% of the respondents strongly agreed that the board of governance make sure that suppliers are compensated for their goods or services, 57% of the respondents agreed, while 11% of the respondents disagreed that the board of governance make sure that suppliers are compensated for their goods or services. This shows that accountability of board of governance in the organization is very imperative and has a great influence in enhancing positive performance of the organization.

Table 5. Effects of ethical approach of corporate governance.

Statemennt	SD	A	NS	D	SD
	%	%	%	%	%
There is regularity and degree of transparency in a company's sustainability reports.	29	46	23	3	0

Board diversity gives the company a broader foundation to draw upon for strategic decision-making.	46	26	8	19	12
Ethical business practices affect not only its reputation, brand, employees; they can impact an entire industry, as well as investors and governments.	35	20	0	43	0

Source: Primary Data

NB (SA- Strongly Agreed, A- Agreed, NS- Not Sure, D- Disagree, SD- Strongly Disagreed)

From the table above, 29% of the respondents strongly agreed that there is regularity and degree of transparency in a company's sustainability reports. 46% of the respondents agreed that there is regularity and degree of transparency, 23% of the respondents were not sure whereas 3% of the respondents disagreed while no respondents strongly disagreed that there is regularity and degree of transparency in a company's reports.

46% of the respondents strongly agreed that the board diversity gives the company a broader foundation to draw upon for stratengic decision making, 29% of the respondents agreed that the board diversity gives the company a broader foundation, 6% of the respondents were not sure whereas 14% of the respondents disagreed while 9% of the respondents strongly disagreed that the board diversitygives the company a broader foundation to draw upon for stratengic decision making.

37% of the respondents strongly agreed that ethical business practices affect not only its reputation, brand, employees; they can impact an entire industry, as well as investors and governments, 20% ofthe respondents agreed that ethical business practices affect the employees and the reputation of the organization, whereas 43% of the respondents disagreed that ethical business practices affect not only its reputation, brand, employees; they can impact an entire industry, as well as investors and governments while no respondent stongly disagreed or was not sure about the ethical business practices.

Table 6. Effects of competency of the board of governance.

Statement	SA	A	NS	D	SD
	%	%	%	%	%
Competent board improves organization efficiency	49	37	0	14	0
Competent board increase the shareholders wealth in an organization	29	54	0	9	9
Competent board of governance improves organization reputation	37	20	29	0	14

Source primary data

NB (SA- Strongly Agreed, A- Agreed, NS- Not Sure, D- Disagree, SD- Strongly Disagreed)

49% of the respondents strongly agreed that competent board of governance improves organization efficiency, 37% of the respondents agreed whereas 14% of the respondents disagreed that the board improves efficiency while no respondents indicated that they were not sure or strongly disagreed.

29% of the respondents strongly agreed that competent board of governance increases the shareholders wealth in an organization as 54% of the respondents agreed. 9% of the respondents disagreed that the board increase the shareholders wealth in an organization, while 9% of the respondents strongly disagreed that the competent board increase the shareholders wealth in an organization.

37% of the respondents strongly agreed that the competent board of governance improves organization reputation, 20% of the respondents agreed, while 29% of the respondents were not sure whether the board of governance improves organization reputation or not while 14% of the respondents strongly disagreed that the competent board of governance improves organization reputation. This shows that a competent board of board of governance in the organization is very productive and has a great influence in enhancing positive performance of the organization.

Table 7. Regression Analysis

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df 1	df 2	Sig. F Change
1	.652 (a)	.425	.871	3.221	.0025	.0025	1	1	.915

The adjusted R^2 is called the coefficient of determination. This value tells us how the success of Corporate governance on organizational performance effects of management independence, management accountability, ethical approach and size of the board on enhancing organizational performance at Wartsila Eastern Africa. According to the above table, the value of adjusted R^2 is 0.871. This implies that, there was a variation of 87.1 % of effects on the success of corporate governance at Wartsila Eastern Africa due to higher management accountability, management independence, ethical approach and size of the board in determination of the performance when it comes to organization performance.

Table 8. Model Summary

Model		Un-standardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.431	3.125		1.725	.305
	Management accountability	0.374	.059	.098	.094	.935
	Management independence	0.141	.048	.089	.091	.891
	Ethical approach	0.354	.495	.094	.092	.912
	Size of the board	0.426	.416	.097	.096	.953

Table 4.8: Coefficient of Determination

As per the SPSS generated, the results established the below regression equation which was utilized: the regression equation.

$Y = a + \beta 1(X_1) + \beta 2(X_2) + \beta 3(X_3) + \beta 4(X_4) + \acute{\varepsilon}$. When $\beta 5 = 0$……Equation 1

Where:-

Y = Corporate governance on organizational performance at Wartsila Eastern Africa

A = constant

X1 = Management independence

X2 = Management accountability

X3= Ethical approach

X4= Size of the board

Incorporating the values of the Beta values into equation 1 we have:

$Y = 1.431 + 0.374 X_1 + 3.141 X_2 + 0.354 X_3 + 0.426 X_4$

Equation 2: regression equation with beta values

The researcher conducted a multiple regression analysis and from the above regression model, the factors corporate governance, management independence, management accountability, ethical approach and size of the board in enhancing organizational performance, have effects on the success of corporate governance at Wartsila Eastern Africa to a level of 1.431. It was established that a unit increase in corporate governance at Wartsila Eastern Africa would cause an impact on the level of organizational performance at Wartsila Eastern Africa by a factor of 0.374, a unit increase in management independence at Wartsila Eastern Africa would cause an impact on organizational performance by a factor of 3.141, also a unit increase in management accountability would cause an impact on organizational performance at Wartisila Eastern Africa by a factor of 0.354. Also a unit increase in Ethical approach to corporate governance and the size of the board would have an impact on the success of the performance of the organization by a factor of 0.426. This shows that there is a positive relationship between success of corporate governance at Wartsila Eastern Africa, management independence, management accountability, ethical approach and size of the board in enhancing smooth management practices and also in improving the performance of the organization.

5.Summary of Findings

Corporate governance is important because it promotes good leadership within the corporate sector. Corporate governance has the following attributes; leadership for accountability and transparency, leadership for efficiency, leadership for integrity and leadership that respect the rights of all stakeholders. Lack of sound corporate governance has enabled bribery, acquaintance and corruption to flourish and has suppressed sound and sustainable economic decisions. Some key pillars on which good governance is framed include; the organization must be governed with a framework which should provide an enabling environment within which its human resources can contribute and bring to bear their full creative powers towards finding solutions to shared problems.

The governance structure specifies the distribution of rights and responsibilities among different participants in the corporation such as the board of directors, managers, shareholders, creditors, auditors, regulators, and other stakeholders and specifies the rules and procedures for making decisions in corporate affairs. Governance provides the structure through which corporations set and pursue their objectives, while reflecting the context of the social, regulatory and market environment. Governance is a mechanism for monitoring the actions, policies and decisions of corporations. It involves the alignment of interests among the stakeholders. There has been renewed interest in the corporate governance practices of modern corporations, particularly in relation to accountability, since the high-profile collapses of a number of large corporations during 2001–2002, most of which involved accounting fraud; and then again after the recent financial crisis in 2008. Corporate scandals of various forms have maintained public and political interest in the regulation of corporate governance.

About the effects of the board of governance size, the study revealed that 58% of the respondents strongly agreed that board size in the organization make quality decisions, 38% of the respondents agreed that board size helps in making quality decisions in the organization while 4% of them disagreed that the size helps in making quality decisions. This shows that the organization board of governance has clear objectives which make them make quality decisions in the organization. 27% of the respondents strongly agreed that the board helps the organization to grow, 46% of the respondents agreed as 8% of the respondents were not sure while 19% of the respondents disagreed that the board helps the organization to grow in greater height.15% of the respondents strongly agreed that the board helps the organization to be more competitive in the industry, 19% of the respondents agreed as 15% of the respondents were not sure, 38% disagreed while 12% of the respondents strongly disagreed that the board helps the organization to be more competitive in the industry. While all boards are required to undertake activities within the spectrum of the roles set, they contend that each organization will need a different emphasis among these roles. Thus, there is need to explicitly incorporate a contingency perspective. Since a particular board composition or behavior that is advantageous for one corporation may prove "inappropriate or even detrimental in another". There is need to identify the control variables and gaps in understanding how the board can impact on firm performance.

6.Conclusion

Good corporate governance means having structures and processes in place to make sure that the company's decisions and actions are in the best interests of the stockholders. It also means being transparent with and responsive to stockholders. The board should engage their stockholders transparently and responsively through reports, press releases, the company's website and meetings to discuss governance, financial, environmental, social and policy issues. Effective corporate governance includes an independent board where all directors stand for election every year, which is very critical to the organization long-term success. The board is responsible for the successful perpetuation of the corporation. Board roles significantly influenced board effectiveness and this meant that board roles were important in determining the effectiveness of boards. This means that for the board of governance to be effective, they must pay attention to their roles. Contingency in terms of management experience, institutional turbulence and institutional lifecycle significantly and positively influenced the impact on board roles and board effectiveness. The organization therefore requires using contingency measures to improve on the effectiveness of the board.

The conclusion drawn from the findings between board effectiveness and organizational performance is that, the board does contribute to performance of the organization they direct and control. This is possible through performing board roles and managing contingence. Lastly Corporate Governance positively contributes to financial performance of the organization through board roles, contingence and board effectiveness.

7.Recommendation

Findings on the relationship between Corporate Governance variables and board roles indicated significant positive relationship. Board size, policy and decision making as aspects of Corporate Governance had a positive effect on the board role. Corporate governance is most often viewed as both the structure and the relationships which determine corporate direction and performance. The board of directors is typically central to corporate governance. Its relationship to the other primary participants, typically shareholders and management, is critical. Additional participants include employees, customers, suppliers, and creditors. The board should be constituted by members with required skills and knowledge in order to provide technical expertise and also be able to direct and control the organization. Performance appraisal tools should be designed to evaluate annually the performance of the board members. For effective performance of the board, there is need to delegate to its sub committees some duties for instance appointments of employees to appointments committee, disciplinary to disciplinary subcommittee and issues of benefits to staff welfare committee. The board should have in place risk management procedures that encompass financial, operational and environmental risk. Boards should be given improved facilitation in form of retainer and sitting and mileage allowances.

They should provide frequent advices and counsel to the top management of the organization. The board should be involved at strategic planning process of the organization to improve on their roles as board members which are in line with the mission and vision of the organization. The board must ensure that the organization meet their legal obligations like remittance of staff benefits to NSSF and NHIF. The board should provide advice and counsel to top management of the organization on critical issues from an informed point of view if they are to perform their roles effectively in order to have a significant impact on the organization performance. The organization should consider formation of advisory boards independent of council to complement on the role of advice and counsel.

8.Suggestions for Further Research

The researcher recommends that further studies be done on the effects of corporate governance on organizational performance in other organizations and institutes including the private sector so as to have a better insight into the real issues concerning the topic.

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