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CORPORATE GOVERNANCE PRACTICES AND PERFORMANCE OF COMMERCIAL STATE CORPORATIONS IN NAIROBI CITY COUNTY, KENYA

[1] Nyamwaro Lorna Kerubo, [2] Dr. Mungai Anne Marie Wairimu

Master Degree in Leadership and Governance, Jomo Kenyatta University of Agriculture and Technology, Kenya

[2] Lecturer, Jomo Kenyatta University of Agriculture and Technology, Kenya

ABSTRACT

Commercial State Corporations in Kenya have been performing abysmally due to ineffective leadership, governance, and management practices. While most of these corporations have gone for restructuring as a remedy to salvage their performance, their performance has continued to decline. This study therefore sought to assess the effects of corporate governance practices on performance of commercial state corporations in Nairobi City County, Kenya. Specifically, the study sought to assess the effect of independence of directors on performance of commercial state corporations in Nairobi city County, Kenya, and to assess the effect of social responsibility on performance of commercial state corporations in Nairobi City County, Kenya. The study employed a descriptive research design. The study targeted a total of 276 respondents comprising of 46 top managers, 92 middle level managers and 138 lower level managers. The sample for this study was arrived at using the Slovin's sample size. This study used simple random sampling to select 163 respondents. This study also used questionnaire to collect data relevant to this study. Quantitative data collected was analyzed using descriptive statistical techniques which are frequencies, mean, standard deviation. Inferential statistics which include Pearson correlation and the Regression Analysis Model was used to test the relationship between study variables. The significance of the model was tested at 5% level of significance. Data was analysed using Statistical Package for Social Sciences (SPSS) software. The study results were presented through use of tables and figures. The study concludes that independence of directors has a positive and significant effect on performance of commercial state corporations in Nairobi City County, Kenya. The study also concludes that social responsibility has a positive and significant effect on performance of commercial state corporations in Nairobi City County, Kenya. This study therefore recommends that the management of commercial state corporations in Nairobi City County, Kenya should give priority to independence of directors, and social responsibility.

Key Words: Corporate governance practices, Independence of directors, Social responsibility, Performance of commercial state corporations

Background of the Study

State Corporations are legal entities created by a government to undertake business on behalf of the government. They are established under Section 2 of the State Corporation Act (1987), which defines a state corporation as a body corporate established by or under an Act of Parliament or other written law; a bank or other financial institution or other company whose shares or a majority of whose shares are owned by government or by another State Corporation, and; a subsidiary of a state corporation (Dworkin & Schipani, 2018). Good corporate governance and a competent board of directors are required for enhanced organizational performance. According to Martín and Herrero (2018), corporate governance is the collection of interactions between an organization's management, board of directors, shareholders, and other stakeholders. This study conceptualizes that corporate governance characterized by the independence of directors and public relations could influence performance in an organization.

The board's independence is necessary to ensure that it performs its duties honestly and keeps management accountable. Across jurisdictions, the Independent Director role is considered as a solution to issues like governance failure, corporate fraud, and so on (Jill & Simone, 2019). Independent directors are a key aspect of modern corporate law, and courts and legislators all over the world are increasingly relying on them to protect investors from dominating shareholder opportunism. In this context, studies on the nexus between corporate governance and performance have attracted the interest of scholars.

In order to do their duty of monitoring, independent directors must be held accountable to public investors. This can be achieved by allowing investors to elect or retain these directors, or at the very least to have a considerable influence on their election or retention (Bebchuk & Hamdani, 2017). Increased board independence would considerably improve public investor protection without jeopardizing the controller's ability to choose the company's course. Experience, on the other hand, hasn't always been on our side. Despite having a substantial number of independent directors on their boards, companies have failed in the past. This calls for studies aimed at explaining this phenomenon.

A diverse board is one of the most effective strategies to improve corporate governance. It has been discovered that the participation of women on boards of directors correlates with the firm's performance (Sarhan & Ntim, 2018). According to one study, having a high representation of women in a company is linked to a higher return on sales and return on invested capital (Dworkin & Schipani, 2018). Increasing demands for diversity from regulators and stakeholders, on the other hand, demonstrate that many corporations are slow to diversify their top management ranks (Mehmood, Hunjra, & Chani, 2019). According to Lamberti (2018) companies with higher levels of gender diversity do not obviously outperform other companies with lower levels, in terms of several markets and accounting measures. However, the link between inclusivity in government agencies and performance has eluded the attention of scholars. This calls for studies in this direction.

Transparency is another important aspect of corporate governance that could affect the performance of an organization (Agyei-Mensah, 2016). Issues of corporate governance and commercial ethics can be found all over the world. The degree to which a corporate governance system is transparent to market forces is a frequent feature affecting its performance (Millar et al., 2005). Such transparency can be based on elements such as governmental, banking, and other sorts of institutional transparency mechanisms, in addition to pure financial transparency. In instances when required corporate disclosure is not created, companies may opt for voluntary corporate disclosure. Integrating a solid foundation of ethical business practices will help a company stay successful in the long run. Investor trust will be reaffirmed if corporate governance standards are followed and the highest standard of leadership and ethical decision-making processes are maintained.

Executives must manage positive interactions between the organization and its constituents. According to Garcia (2018), the concept of organization is a social institution that generates value, not merely in economic terms but also a social sense. As a result, executives must cultivate a management culture centered on a vocation of service to the public, or more precisely, to various stakeholders (Llano, 2017); that is, executives must decide how to respond to stakeholders' expectations and needs in order to gain a competitive advantage and adapt to a challenging environment (Fombrun & Van Riel, 2017).

In this sense, the company's public component, particularly its relational nature, must be handled. As a result, executives must consider how to cope with distinct and diverse stakeholder expectations, as well as how to incorporate them into managerial decision-making and strategic formulation (Post et al., 2016). Corporate governance is thus an important component of increasing economic efficiency and growth while also boosting investor trust. This study examines the nexus between corporate governance and performance among state agencies in Kenya. This emanates from the fact that elaborate governance frameworks have often born the expected fruits.

Statement of the Problem

Commercial state corporations in Nairobi County, Kenya, have faced a notable decline in performance over recent years, as evidenced by various reports and studies. According to the 2013 Presidential Parastatal Reforms Report, there were significant decreases in performance, with declines of 21%, 23%, and 24% observed in the years 2011/2012, 2010/2011, and 2008/2009, respectively. Studies by Mose (2017) and Murithi (2016) further corroborate these findings, attributing the poor performance to ineffective leadership, governance, and management practices. Furthermore, there is a concerning trend of high turnover rates among civil servants, with more than 38% leaving their jobs annually to pursue opportunities in the private sector or self-employment. Njoroge (2016) highlights that challenges in managing careers contribute to recruitment and reward issues within these organizations. The loss of talented workers exacerbates the performance decline in commercial state corporations.

Corporate governance practices are fundamental components that influence the operational efficiency and performance of commercial state corporations, particularly within Nairobi County, Kenya. Despite their acknowledged significance, there exists a gap in understanding the specific impact of governance frameworks on these entities' functioning. According to the World Bank's Worldwide Governance Indicators, Kenya exhibited a mixed governance landscape in 2018, with moderate levels of corruption control and government effectiveness, necessitating a deeper examination of governance practices within state-owned enterprises (World Bank, 2018).

A study conducted by the Institute of Economic Affairs (IEA) Kenya in 2019 revealed that only 20% of state-owned enterprises in Kenya adhered to best corporate governance practices. This discrepancy underscores a potential challenge that may impede the optimal performance of commercial state corporations (IEA Kenya, 2019). Data from the Capital Markets Authority (CMA) Kenya's 2020 annual report highlighted financial challenges and inefficiencies experienced by several state-owned enterprises, suggesting a possible correlation with governance deficiencies (CMA Kenya, 2020). The significance of effective governance structures is further emphasized by a survey conducted by the Kenya Institute of Management (KIM) in 2018, which found that 60% of Kenyan organizations, including state-owned enterprises, faced governance-related challenges such as inadequate structures and lack of transparency (KIM, 2018). Additionally, state corporations contribute substantially to Kenya's economy, as indicated by the country's GDP growth rate of 6.3% in 2018 (KNBS, 2018).

Despite existing empirical literature on corporate governance and firm performance in Kenya, there remains a gap in research specifically targeting state-owned enterprises in Nairobi County. Studies by Kibati and Murungi (2017), Ongore and Kusa (2013), and Okibo et al. (2018) have primarily focused on firms listed on the Nairobi Securities Exchange and the banking sector. Therefore, conducting a comprehensive study to assess the effects of corporate governance practices on the performance of commercial state corporations in Nairobi City County is essential to provide context-specific insights into governance challenges faced by these entities.

Objectives of the Study

1. To assess the effect of independence of directors on performance of commercial state corporations in Nairobi City County, Kenya
2. To assess the effect of social responsibility on performance of commercial state corporations in Nairobi City County, Kenya

LITERATURE REVIEW

Theoretical Literature

Stewardship Theory

The theory was pioneered by David and Donaldson, (1993) and further advanced in explain management in organizations. The theory postulates it's the core aim of managers in maximizing the performance of organizations in attempts of ensuring prosperity and growth. The interests of the managers are therefore purely oriented in accomplishment of the organizational goals and not their self-interests. The importance of the theory is that it incorporates the concept of accountability among the stakeholders (Otieno et al, 2015).

The stewardship theory has its roots from psychology and sociology. Stewards are company executives and managers working for the shareholders. The stewards protect and profits for shareholders and they are satisfied and motivated when organizational success is attained (Abdulla & Valentine, 2019). The theory argues that the effective control held by external (independent directors) professional managers empower them to maximize firm performance and corporate profits. Regarding the leadership structure, stewards maximize their utility because they achieve organizational rather than self- serving objectives (Balta, 2018). Stewardship theorists argue that superior corporate performance is associated with the majority of inside directors because; firstly, they ensure more effective and efficient decision – making and secondly, they contribute greatly to maximize profits for shareholders (Kiel & Nicholson, 2017). Consequently, insider- dominated boards are favored more for their depth of knowledge, access to current operational information, technical expertise and commitment to the firm

A key assumption made by the theory is that there is harmonization between the stakeholders, managers and owners. The proposition of the theory to the study is that stewards constitute a crucial component of performance of entities. A main focus of the theory is that decisions made by the corporate board take into consideration the intrinsic interests of the stewards. The stewards' interests are also assumed to over-ride all other interest that may deter profit maximization and improvement of performance. The theory will be utilized in describing the influence of independence of directors on performance of commercial state corporations in Nairobi County, Kenya.

Institutional Performance Theory

Cameron's (2005) institutional performance theory claims that high-performing institutions are those that take seriously the task of defining and pursuing their guiding visions and goals. Institutions, like social structures, should have strongly held rules that are backed up by more entrenched resources in order to achieve their objectives (Scott, 2001). For public institutions to function effectively, they must have a vision and implement useful change using both human and non-human resources. The purpose of county governments is to provide inhabitants with essential living services (UN, 2015). As a result, their missions and aims in terms of providing high-quality county services are crystal apparent. As a result, their visions, missions, and governance structures should all point them in the direction of improved service delivery (Asiimwe, 2015). This is only possible if the County leadership adheres to its missions and standards.

Institutional performance is defined as socially generated concepts of organizational performance that become firmly institutionalized as legitimate characteristics of institutional achievement. The institutional theory explains not just why and how organizations' structures and practices become entrenched, but also how and why they change. Two types of institutional pressure are useful in achieving change (Jennings & Hoffman, 2017). Coercive pressures can encourage organizational change either directly or indirectly via institutional dependencies when new regulations are imposed and enforced.

Mimetic pressures to mimic successful forms, for example, might encourage change during periods of (economic or political) change or high uncertainty. New standards or practices gain legitimacy in the environment as they become more generally recognized and followed. Finally, these norms and/or procedures gain enough legitimacy that refusing to follow them is considered unreasonable. A rule requiring women employees to resign upon marriage, for example, was historically prevalent in some industries but is today considered discriminatory and outdated, as is a dress code prohibiting women employees from wearing trousers (Modell, 2019).

Nebojsa (2015) distinguishes between institutional myths and accepted and entrenched institutional practice or standard on the one hand. Institutional myths are rules or procedures that are only ceremonially accepted for an organization to attain or maintain legitimacy in the institutional environment. Structure vocabularies, such as specific job names, organizational responsibilities, processes, and rules, are adopted by organizations in their context. The adoption and prominent display of these institutionally approved trappings of legitimacy contribute to the preservation of an aura of good faith in organizational conduct. Legitimacy in the institutional environment is important for the survival of an organization. This theory will be used to assess the effect of social responsibility on performance of commercial state corporations in Nairobi County, Kenya

Conceptual Framework

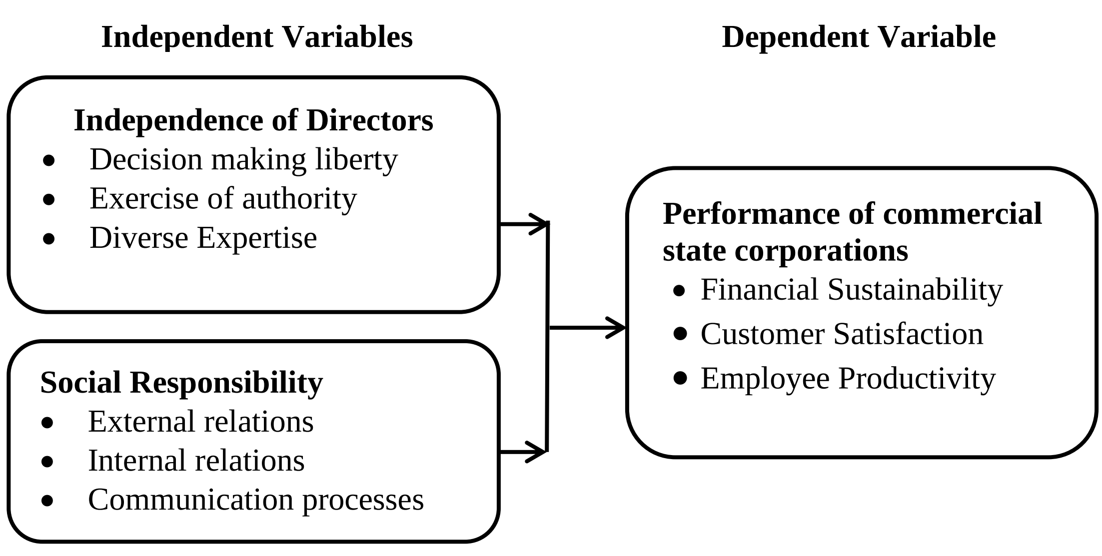

Figure 1: Conceptual Framework

Independence of Directors

Independence of directors, often referred to as independent directors or non-executive directors, is a fundamental concept in corporate governance. Independent directors are members of a company's board who are not affiliated with the company's management or significant shareholders. They are selected for their impartiality and ability to provide objective oversight and governance (Zinkin, 2019). Independent directors could contribute their independent views and actively participate in board discussion. They will represent shareholders on the company's board. As independence person, they must ensure their presence and performance free from any influence of insiders or management. The company appoints independent directors to monitor the performance of executive directors and top managements. Therefore, they would pursue the interest of shareholders by maximizing shareholders' value.

Zinkin (2019) stated that several areas should be addressed by independent directors that would contribute to the effective formulation of the company strategy. They should ask questions pertaining to the businesses that the company ventures in, product market segmentation, and the valuable customers within the market segmentation (Fuzi, Rahim & Tan, 2018). Independent directors with relevant industry background and wide expertise would be more willing to challenge Chief Executive Officers (CEOs) and the management team in board discussion.

The independent directors are required by state corporations in the composition of board member and board committees. For instance, all members of the audit committee must be non-executive directors by the majority of them are independent. These to ensure the independent directors would protect the interest of shareholders from management controlled. Further, if the chairman of the company is not independent, the majority members of the board must be independence and board should review the independence of its independent directors annually. The purpose of this paper is to explore the effect of independence of directors on performance of state agencies in Kenya.

Social Responsibility

Social responsibility, often referred to as corporate social responsibility (CSR), is a concept that encapsulates a company's commitment to contribute positively to society and the environment. It goes beyond profit maximization and underscores the ethical, moral, and responsible behavior of businesses toward various stakeholders. Social responsibility involves actions and initiatives aimed at addressing environmental, social, and ethical concerns, ultimately benefiting not only the company but also its employees, customers, communities, and the planet (Hanafizadeh, Shafia, & Bohlin, 2021).

One aspect of social responsibility relates to environmental sustainability. Businesses are increasingly recognizing their environmental impact and the importance of reducing their carbon footprint. They adopt eco-friendly practices, invest in renewable energy, and implement waste reduction strategies. Sustainable sourcing, responsible supply chain management, and reducing energy consumption are common initiatives that contribute to a healthier planet and address the global climate crisis (Amodu *et al*. 2019).

Another facet of social responsibility focuses on ethical business conduct. This entails adhering to ethical and legal standards, maintaining transparency in financial reporting, and ensuring fair and ethical treatment of employees. Companies embrace diversity and inclusion, fight against discrimination, and promote equitable compensation practices, acknowledging the importance of a diverse and inclusive workforce in fostering innovation and driving business success (Cohen, 2019).

Social responsibility also extends to community engagement. Companies actively participate in philanthropic endeavors, support local communities, and invest in social causes. They contribute to education, healthcare, poverty alleviation, and disaster relief efforts. These actions not only create a positive image for the company but also directly benefit the communities in which they operate (Harrison, 2020). Furthermore, social responsibility encompasses responsible governance and adherence to a robust ethical framework. It involves implementing strong corporate governance practices, including the inclusion of independent directors and transparency in decision-making. Companies that prioritize ethical governance demonstrate their commitment to accountability and fairness (Ombara, 2016).

Empirical Literature

Independence of Directors and Organization Performance

Government agencies can carry out their legally assigned functions and provide excellent public service delivery through good governance. In the field of public administration, governance has become a reoccurring issue. According to Asiimwe (2015), "Good Corporate Governance ensures that the working environment is fair and transparent and that devolved units may be held accountable for their activities." Furthermore, the alternative state will result in corruption, waste, and resource misuse. While Corporate Control began as a means of managing modern enterprises, it has since grown in importance in the governance of public organizations.

Hendriarto and Susanty (2018) sort to test whether there is an influence of organizational structure and position analysis on work motivation and its impact on the performance of the Office of Cooperatives for Small and Medium Enterprises, Industry and Trade, Mentawai Islands Regency. The study used a quantitative approach with the path analysis method. Questionnaires were used to collect data. Respondents of this study were 50 employees from the Office of Cooperatives for Small and Medium Enterprises Industry and Trade. The results of the study found that organization structure had a significant influence on work motivation and performance.

Nuria and Francisc (2017) analyzed how the tenure and the number of directorships of independent directors may influence the relationship between board independence and firm performance in the US. The sample consisted of listed firms for the period 2008–2012. The findings show that the board's independence positively influences the firm's performance. The findings show that these variables determine the effectiveness of independent directors. Therefore, this study highlights the need for a more specific approach, based on the organization characteristics, in order to determine the effect of the independence of directors on performance among state agencies in Kenya.

García and Begoña (2018) looked into whether current board structures are more effective than in the past. Also, to see if increasing the number of independent directors in a company with a high managerial entrenchment has a greater influence on shareholder value. The findings back up the idea that when management is deeply entrenched, bringing in more outsiders reduces the detrimental impact of a large number of independent directors on the firm's value.

Armstrong, Core, and Guay (2014) investigated a regulatory shock that significantly boosted board independence for some firms and found that information asymmetry, as well as management disclosure and financial intermediation, changed at these firms. The researchers also looked at whether these effects differed depending on managerial entrenchment, information processing costs, and audit committee independence requirements. The findings show that companies can tailor their corporate openness to the needs of a specific board structure.

Eugenio, Eduardo, and Igor (2019) looked into the performance of independent directors and organizations. The study took a meta-analytic approach. The results reveal that boardroom independence has a favorable and negative impact on accounting and market-based financial performance indicators, respectively. Further research reveals that while the link between board independence and financial performance is higher in non-communitarian societies, it is weaker in countries with more developed systems to protect minority investors' interests. Different model specifications and the existence of a set of methodological control variables had no effect on the results. They are relevant to board composition processes because they suggest how organizations should actively rebalance the proportion of independent directors across various social and institutional environments to achieve financial performance.

Social Responsibility and Organization Performance

According to Cohen (2019), public relations is the development, distribution, and diffusion of message and communication with the goal of developing and fostering favorable awareness, associations, and perceptions of a person, place, or thing within a specific target audience. It is a management function that establishes and maintains a two-way mutual relationship and communication between an organization and its public and stakeholders (i.e., those who have a stake in the organization, such as employees, shareholders, and others), which often determines its success or failure.

Amodu et al. (2019) investigated how professionals evaluated public relations in the context of IoT adoption. The findings show that independent public relations businesses or agencies were found to be more likely than in-house departments to utilize IoT for their activities. Because of the increased competitiveness in business brought on by globalization and technical innovation, relationship-building has become essential to business survival. The emergence of Internet-based communication has raised the intelligence of public relations' target audience, necessitating a corresponding upgrade in practitioners' technological adaptability. Customer satisfaction decisions are becoming increasingly data-driven, and the finest sources of data are the customers themselves. As a result, the Internet of Things provides an unparalleled opportunity for data collection through the "help" of customers.

Hanafizadeh, Shafia, and Bohlin (2021) carried out a study to “determine the impact of social media usage on corporate performance.” The findings suggest that achieving the first level of maturity benefits the organization by allowing it to access and share knowledge. The second stage is expected to establish more client ties, and the third stage will be followed by the development of new products and procedures. It is predicted that when the organization progresses to the fourth stage, it would use social media to communicate with its stakeholders. In the fifth stage, social media will assist in the creation of value. As a result, managers and professionals can forecast what performance benefits they will reap if each stage of maturity is achieved.

Shouvik and Mohammed (2018) investigated the impact of cooperation on employee performance. The findings show a strong and significant link between the independent variables of teamwork, trust atmosphere, leadership and structure, performance evaluation and rewards, and employee performance. Interestingly, the value of teamwork as a crucial tool in the workplace appears to be overlooked by both employers and employees, resulting in low performance and productivity.

Raweh and Otieno (2015) investigated the impact of strategic public relations on organizational performance in Kenya. The study relied on primary data gathered from Red Cross Kenya personnel via questionnaires. The effects of strategic public relations on organizational performance were researched using a variety of sources. The findings suggest that strategic public relations have a major impact on organizational success. Public relations is particularly important in today's organizations since it has become the most potent weapon for expressing an organization's image to the general public.

RESEARCH METHODOLOGY

The study employed a descriptive research design. This design is pertinent in “developing the profile of a situation and a community of people by getting complete and accurate information through an interaction between the researcher and the respondent via data collection tools” (Kothari & Garg, 2004). To gather the information required, the target population comprised of 46 commercial state corporations. The study therefore targeted a total of 276 respondents comprising of 46 top managers, 92 middle level managers and 138 lower-level managers.

The sample for this study was arrived at using the Slovin's sample size determination formula for categorical data. Sampling is used when it is not possible to include the whole population in a study (Cooper & Schindler, 2017). This study used simple random sampling to select 163 respondents. This study collected primary and secondary data. Primary data was collected using semi-structured questionnaires. This study employed a self-administered questionnaire approach, enabling broad reach across multiple locations and potential respondents (Cooper & Schindler, 2017).

Population of the pilot was 16 individuals which represent 10% of the study sample size. The pilot group was selected randomly from study target population and excluded in the final study. Data preparation was done on the completed questionnaire by editing, coding, entering and cleaning the data. The study generated both qualitative and quantitative data. Qualitative data from open-ended questions were analyzed using content analysis and presented in prose form. Quantitative data was coded and entered into statistical packages for social scientists (SPSS version 26) which were analyzed using descriptive statistics. Further, quantitative data was analyzed using inferential analysis which included correlation and regression analysis.

PRESENTATION, ANALYSIS AND INTERPRETATION OF DATA

The researcher sampled 163 respondents who were each administered with the questionnaires. From the 163 questionnaires 146 were completely filled and returned hence a response rate of 89.5%. The response rate was considered as suitable for making inferences from the data collected.

Descriptive Statistics

Descriptive statistics are brief descriptive coefficients that summarize a given data set, which can be either a representation of the entire or a sample of a population. Descriptive statistics are broken down into measures of central tendency (mean), measures of dispersion (standard deviation), frequencies and percentage (Baggio & Klobas., 2017). This study used descriptive statistics with the help of Statistical Package for Social Sciences to analyze the study variables.

Independence of Directors and Organization Performance

The first specific objective of the study was to determine the effect of independence of directors on performance of commercial state corporations in Nairobi City County, Kenya. The respondents were requested to indicate their level of agreement on statements relating to independence of directors and performance of commercial state corporations in Nairobi City County, Kenya. A 5 point Likert scale was used where 1 symbolized strongly disagree, 2 symbolized disagree, 3 symbolized neutral, 4 symbolized agree and 5 symbolized strongly agree. The results were as presented in Table 1.

From the results, the respondents agreed that independent directors significantly enhance the governance and oversight capabilities of commercial state corporations (M= 3.781, SD= 0.648). In addition, the respondents agreed that the presence of independent directors fosters greater transparency and accountability within commercial state corporations (M= 3.744, SD= 0.644). Furthermore, the respondents agreed that independent directors contribute valuable insights and perspectives, leading to more informed decision-making (M= 3.732, SD= 0.568). The respondents also agreed that independent directors play a critical role in safeguarding the interests of stakeholders and ensuring ethical conduct within commercial state corporations (M= 3.683, SD= 0.606).

From the results, the respondents agreed that the independence of directors serves as a key driver for maintaining public trust and confidence in the governance of commercial state corporations

(M= 3.634, SD= 0.599). The respondents further agreed that commercial state corporations with a higher proportion of independent directors tend to demonstrate stronger financial performance and resilience (M= 3.610, SD= 0.561). Also, the respondents agreed that the independence of directors positively influences the overall operational efficiency and strategic direction of commercial state corporations (M= 3.585, SD= 0.543).

Table 1: Independence of Directors and Organization Performance

	Mean	**Std. Deviation**
Independent directors significantly enhance the governance and oversight capabilities of commercial state corporations.	3.781	0.648
The presence of independent directors fosters greater transparency and accountability within commercial state corporations	3.744	0.644
Independent directors contribute valuable insights and perspectives, leading to more informed decision-making	3.732	0.568
Independent directors play a critical role in safeguarding the interests of stakeholders and ensuring ethical conduct within commercial state corporations.	3.683	0.606
The independence of directors serves as a key driver for maintaining public trust and confidence in the governance of commercial state corporations.	3.634	0.599
Commercial state corporations with a higher proportion of independent directors tend to demonstrate stronger financial performance and resilience..	3.610	0.561
The independence of directors positively influences the overall operational efficiency and strategic direction of commercial state corporations..	3.585	0.543
Aggregate Score	**3.681**	**0.596**

Social Responsibility and Organization Performance

The second specific objective of the study was to determine effect of social responsibility on performance of commercial state corporations in Nairobi City County, Kenya. The respondents were requested to indicate their level of agreement on statements relating to social responsibility and performance of commercial state corporations in Nairobi City County, Kenya. A 5 point Likert scale was used where 1 symbolized strongly disagree, 2 symbolized disagree, 3 symbolized neutral, 4 symbolized agree and 5 symbolized strongly agree. The results were as presented in Table 2.

From the results, the respondents agreed that commercial state corporations that actively engage in social responsibility contribute positively to societal well-being and community development (M= 3.915, SD= 0.740). The respondents further agreed that socially responsible initiatives strengthen relationships with local communities and stakeholders (M= 3.890, SD= 0.786). Moreover, the respondents agreed that socially responsible practices positively contribute to the reputation and brand image of commercial state corporations (M= 3.878, SD= 0.760). In addition, the respondents agreed that integrating social responsibility into business strategies enhances the overall organizational performance of state corporations (M= 3.842, SD= 0.745).

From the results, the respondents agreed that corporations that prioritize social responsibility are more likely to attract and retain top talent (M= 3.805, SD= 0.761). The respondents also agreed that socially responsible practices reflect a commitment to ethical business conduct and corporate citizenship (M= 3.744, SD= 0.699).Further, the respondents agreed that embracing social responsibility is integral to the long-term sustainability and resilience of state corporations (M= 3.610, SD= 0.857).

Table 2: Social Responsibility and Organization Performance

	Mean	**Std. Deviation**
Commercial state corporations that actively engage in social responsibility contribute positively to societal well-being and community development.	3.915	0.740
Socially responsible initiatives strengthen relationships with local communities and stakeholders.	3.890	0.786
Socially responsible practices positively contribute to the reputation and brand image of commercial state corporations.	3.878	0.760
Integrating social responsibility into business strategies enhances the overall organizational performance of state corporations.	3.842	0.745
Corporations that prioritize social responsibility are more likely to attract and retain top talent	3.805	0.761
Socially responsible practices reflect a commitment to ethical business conduct and corporate citizenship	3.744	0.699
Embracing social responsibility is integral to the long-term sustainability and resilience of state corporations.	3.610	0.857
Aggregate Score	**3.812**	**0.764**

Performance of Commercial State Corporations

The respondents were requested to indicate their level of agreement on statements relating to performance of commercial state corporations in Nairobi City County, Kenya. A 5 point Likert scale was used where 1 symbolized strongly disagree, 2 symbolized disagree, 3 symbolized neutral, 4 symbolized agree and 5 symbolized strongly agree. The results were as presented in Table 3**.**

From the results, the respondents agreed that commercial state corporations play a vital role in contributing to the well-being and progress of the local community (M= 3.805, SD= 0.728). The respondents further agreed that their state corporation demonstrate exceptional efficiency and effectiveness in delivering their services (M= 3.732, SD= 0.754). Moreover, the respondents agreed that their state corporations consistently achieve their organizational objectives and goals (M= 3.695, SD = 0.697).

From the results, the respondents agreed that commercial state corporations significantly impacts the local economy, fostering community development (M= 3.683, SD= 0.701). In addition, the respondents agreed that strong governance practices contribute to the overall performance of commercial state corporations (M= 3.585, SD= 0.684).

Table 3: Performance of Commercial State Corporations

	Mean	Std. Deviation
Commercial state corporations play a vital role in contributing to the well-being and progress of the local community.	3.805	0.728
Our state corporation demonstrate exceptional efficiency and effectiveness in delivering their services	3.732	0.754
Our state corporations consistently achieve their organizational objectives and goals.	3.695	0.697
Commercial state corporations significantly impacts the local economy, fostering community development	3.683	0.701
Strong governance practices contribute to the overall performance of commercial state corporations.	3.585	0.684
Aggregate Score	**3.700**	**0.713**

Inferential Statistics

Correlation Analysis

The present study used Pearson correlation analysis to determine the strength of association between independent variables (independence of directors, and social responsibility) and the dependent variable (performance of commercial state corporations in Nairobi City County, Kenya) dependent variable. Pearson correlation coefficient range between zero and one, where by the strength of association increase with increase in the value of the correlation coefficients. The current study employed Taylor (2018) correlation coefficient ratings where by 0.80 to 1.00 depicts a very strong relationship, 0.60 to 0.79 depicts strong, 0.40 to 0.59 depicts moderate, 0.20 to 0.39 depicts weak.

Table 4: Correlation Coefficients

		Organization Performance	Independence of Directors	Social Responsibility
Organization Performance	Pearson Correlation	1		
	Sig. (2-tailed)			
	N	146		
Independence of Directors	Pearson Correlation	.836**	1	
	Sig. (2-tailed)	.002		
	N	146	146	
Social Responsibility	Pearson Correlation	.856**	.185	1
	Sig. (2-tailed)	.000	.078	
	N	146	146	146

From the results, there was a very strong relationship between independence of directors and performance of commercial state corporations in Nairobi City County, Kenya ($r = 0.836$, p value $=0.002$). The relationship was significant since the p value 0.002 was less than 0.05 (significant level). The findings are in line with the findings of Nuria and Francisc (2017), who indicated that there is a very strong relationship between independence of directors and organizational performance.

The results also revealed that social responsibility there was a very strong relationship between social responsibility and performance of commercial state corporations in Nairobi City County, Kenya ($r = 0.856$, p value $=0.000$). The relationship was significant since the p value 0.000 was less than 0.05 (significant level). The findings are in line with the results of Amodu et al. (2019) who revealed that there is a very strong relationship between social responsibility and organizational performance.

Regression Analysis

Multivariate regression analysis was used to assess the relationship between independent variables (independence of directors and social responsibility) and the dependent variable performance of commercial state corporations in Nairobi City County, Kenya).

Table 5: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.940	.884	.885	.582

a. Predictors: (Constant), independence of directors and social responsibility

The model summary was used to explain the variation in the dependent variable that could be explained by the independent variables. The r-squared for the relationship between the independent variables and the dependent variable was 0.884. This implied that 88.4% of the variation in the dependent variable (performance of commercial state corporations in Nairobi City County, Kenya) could be explained by independent variables (independence of directors and social responsibility).

Table 6: Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	12.027	4	3.018	64.21	.000b
1	Residual	6.568	141	.047		
	Total	18.595	145			

a. Dependent Variable: Performance of commercial state corporations

b. Predictors: (Constant), Independence of directors and social responsibility

The ANOVA was used to determine whether the model was a good fit for the data. F calculated was 64.21 while the F critical was 2.436. The p value was 0.000. Since the F-calculated was greater than the F-critical and the p value 0.000 was less than 0.05, the model was considered as a good fit for the data. Therefore, the model can be used to predict the influence of independence of directors, and social responsibility on performance of commercial state corporations in Nairobi City County, Kenya

Table 7: Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.312	0.082		3.805	0.003
	Independence of Directors	0.387	0.091	0.388	3.593	0.003
	Social Responsibility	0.392	0.102	0.393	3.843	0.001

a Dependent Variable: Performance of commercial state corporations in Nairobi City County, Kenya

The regression model was as follows:

$Y = 0.312 + 0.387X_1 + 0.392X_2 + \varepsilon$

According to the results, independence of directors have a significant effect performance of commercial state corporations in Nairobi City County, Kenya β_1=0.387, p value= 0.003). The relationship was considered significant since the p value 0.003 was less than the significant level of 0.05. The findings are in line with the findings of Nuria and Francisc (2017) who indicated that there is a very strong relationship between independence of directors and organization performance.

In addition, the results revealed that social responsibility has significant effect on performance of commercial state corporations in Nairobi City County, Kenya $\beta 1=0.392$, p value= 0.001). The relationship was considered significant since the p value 0.001 was less than the significant level of 0.05. The findings are in line with the results Amodu et al. (2019) who revealed that there is a very strong relationship between social responsibility and organizational performance.

Conclusions

The study concludes that independence of directors has a positive and significant effect on performance of commercial state corporations in Nairobi City County, Kenya. Findings revealed that assisting employees with family problems, co-worker support and ensuring healthy physical working conditions liberty in decision making, allowing the directors room to exercise liberty and having diverse expertise influences performance of commercial state corporations in Nairobi City County, Kenya.

The study also concludes that social responsibility has a positive and significant effect on performance of commercial state corporations in Nairobi City County, Kenya. Findings revealed that positive external relations, internal relations and good communication processes influences performance of commercial state corporations in Nairobi City County, Kenya.

Recommendations

The study found that independence of directors has a positive and significant effect on performance of commercial state corporations in Nairobi City County, Kenya. This study therefore recommends that the management should develop and implement strong corporate governance policies that emphasize the importance of director independence. In addition, clearly define criteria for independence, such as the absence of significant financial or personal ties with the corporation, to ensure unbiased decision-making.

The study also found that social responsibility has a positive and significant effect on performance of commercial state corporations in Nairobi City County, Kenya. This study therefore recommends that the management should integrate sustainable and environmentally friendly practices into the corporation's operations. This may include adopting green technologies, reducing carbon footprint, and implementing eco-friendly policies.

Suggestions for Further Studies

The study focussed on the state corporations within the county of Nairobi, hence the study findings cannot be generalized to private firms. This study therefore recommends further studies on effects of corporate governance practices on performance of private firms in Kenya.

The study further found that the independent variables (independence of directors and social responsibility) could only explain 88.4% performance of commercial state corporations in Nairobi City County, Kenya. This study therefore suggests research on other factors affecting performance of commercial state corporations in Nairobi City County, Kenya.

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