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EFFECT OF BOARD CHARACTERISTICS ON THE FINANCIAL PERFORMANCE OF STATE CORPORATIONS IN KENYA

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ABSTRACT

The purpose of the study was to assess the effect of board characteristics on the financial performance of commercial state corporations in Kenya. The study specifically sought to assess the effect of board transparency, board mode of communication, board disclosures and board independence on the financial performance of commercial state corporations in Kenya. This study was guided by the stewardship theory, stakeholder's theory, managerial hegemony theory and signaling theory. This study adopted a descriptive survey design. The population comprised of the all the 31 commercial state corporations in Kenya. Primary data was gathered by use of structured questionnaires and captured through a 5-point likert scale type. Secondary data on the other hand was collected from the financial records of the all the commercial state corporations. The study collected data using drop and pick method. Questionnaires were dropped and picked later to enable the respondents have enough time to respond to the questionnaires which enhanced reliability. Inferential statistics; regression coefficient and bivariate correlation were used to analyze the relationship of the dependent variable and the independent variables. The study used tables and charts to present output from data analysis. Both correlation and regression analysis revealed that there was positive and significant relationship between board characteristic (board transparency, board communication, board disclosures and board independence) and financial performance of state corporations. The study concluded that state corporations in Kenya were transparent, had good communication channels, disclosed there operations and finally had highly independent boards which enhance the financial performance. The study recommended that few of the state corporations that have not adopted the above board characteristic should do so to boost their financial performance.

Keywords: *Board Transparency, Communication, Disclosures Independence Financial, Performance*

INTRODUCTION

Kenya's recently developed public sector performance contracting system is supposed to improve efficiency and accountability within the state-owned corporations. The first medium term 2008 – 2012 of vision 2030, which articulates government's commitment to facilitating public sector growth through enhanced good governance, makes the study of the board within the state corporations in Kenya important (Nyamita & Wekesa, 2015).

The adoption of performance standards within the state-owned corporations in Kenya, aimed at integrating and aligning their performance to vision 2030, has not yet achieved the traction required (Nyamita, Garbharran & Dorasamy, 2014). Therefore, there should be clearly developed and enforceable strategic plans, such as good corporate governance and management plans for the state-owned corporations in Kenya. These strategic plans would facilitate alignment of corporate mandates of state-owned corporations in Kenya with national development projects, which are linked to the Kenyan vision 2030 (Atandi, 2010).

In Kenya, the first phase of the reform agenda of state corporations, under the umbrella of public sector reforms' programme in Kenya, has witnessed state-owned corporations being privatized, and several more, from hotels to banks, have been scheduled to be privatized (McSherry, Brass & Leonard, 2008). However, many of Kenya's state-owned corporations are in considerable debt, which reduce their value in the process of privatization. Phase two of the reforms, which was launched in 2006 and still in progress, witnessed a series of ministerial and segmental initiatives that led to the introduction of governance reforms, especially on public sector financial management, including performance-based management (Marwa & Zairi 2009).

State owned enterprises account for 20% and 5% of global investments and total employment respectively and up to 40% of total output in some countries (Dunning & Lundan, 2008). There exist a good number of examples of SOEs that have, and continue to bring desired results to their economies. In many OECD countries SOEs have for some time represented a substantial part of GDP, employment and market capitalization, such entities have been prevalent in key sectors such as energy, transport and telecommunications whose performance is critical to broad segments of the population and other parts of the business sector (OECD, 2015).

The debate on the relevance of State Owned Enterprises (SOEs) in Africa has been around for some time, dating as far back as early 1950s and gaining momentum throughout sub-Saharan Africa by the 1980s (Tõnurist, 2015). The quest in the academic literature as well as in policy endeavors to explain SOE performance has not yielded much consensus, given the inability of certain theories to adequately explain SOE performance (Boko & Qin, 2011). A number of empirical studies have been performed in Africa in the subject of SOE performance, but more often focusing on how privatization affects organizational performance as opposed to what fundamentally drives such performance.

In that regard, Mbo and Adjasi (2013) examines how privatization affects SOE performance in Dar-es-Salaam and finds no significant improvement on firm performance purely attributable to privatization. Okasmaa (2009) using a 10-year data to investigate performance trends before and after privatization also fails to establish any material positive impact privatization has on firm performance, the same goes for a Ghana based study by Ntiri and Stewart (2010). Other similar studies conducted in this area Mosoke, (2008), Omran, 2009, also does not really assist in defining factors to consider if SOE performance is to be improved and how performance could be explained and predicted in terms of existing organizational theory.

Kenyan State Corporations are established and regulated under the State Corporation's Act of the laws of Kenya (Ireri, 2013). They are a body corporate established by an Act of parliament, or other written law, whose whole or controlling majority share is owned by the government or another state corporation (Njiru, 2008). Kenyan State Corporations are classified into eight core functional categories, namely: financial, commercial /manufacturing, regulatory, public universities, training and research, service, regional development and tertiary education and training. State Corporations seek to meet the country's increasing economic and social goals (Omosa & Josiah, 2014).

Despite their important socio-economic roles, most of the state corporations are characterized by inefficiency, losses, provision of poor and unreliable products and services, and lack of accountability, transparency and financial probity. Examples include National Social Security Fund (NSSF), the Kenya Meat Commission (KMC), Kenya Cooperative Creameries (KCC) and more recently Kenya airways almost collapsed due to due to poor profitability (Ogoro & Simiyu, 2015). This poor performance has been as results of perceived inefficiency and ineffectiveness, and resource mismanagement attributed to lack of best performance management practices (Kamoche, 2011); perceived bad corporate governance and political patronage by managers and board members whose appointment was based on political considerations (Njiru, 2008). Over the time, state corporations have been perceived to be more important for political patronage rather than industrial development. Other causes of ineffectiveness include: appointment of board members along ethnic and/or political lines, no prosecution of politically correct chief executive officers (CEOs), who misappropriated resources and/or enhanced impunity (Njiru, 2008).

LITERATURE REVIEW

Theoretical Background

The Stewardship theory (Donaldson and Davies, 1989; Barney, 1990) postulates that managers are good stewards of the firm, want to perform well and cooperate with all stakeholders for a common goal of attaining the firm overall firm objectives (Wicaksono, 2009), the stewardship theory therefore proposes that trustworthy and cooperative relationships between principals and stewards are positively correlated with firm performance. This view is supported by Yang et al, (2011) who find that in the modern world, the relationship between the board and the CEO is no longer a supervisor and supervisee one but rather a cooperative engagement.

The stewardship theory views managers as good wardens of the principals who will always act in the best interest of such principals, the agency problem (under the agency theory) has been proven in a good number of cases (Liang *et al*, 2013) and Qian (1996), with managers acting not in the best interest of the enterprise owners but rather on that of their own, or worse even in the interest of powerful politicians. This theory informs the effect of board transparency on performance of the organisation. This theory argues that high transparency between all stakeholders in state corporations will lead to high financial performance. This theory link the relationship between board transparency and performance.

The stakeholder theory popularized by Freeman (1994) is underpinned by the assumption that values are necessarily and explicitly part of doing business and put pressure on management to articulate the manner in which they want to conduct business with what brings core stakeholders together in mind. Under this theory organizational behavior and performance is said to be predicted and explained on the basis of its stakeholders, their values, their relative influence on decisions and the organizational situation,

(Brenner & Cochran, 1991). The emergence of stakeholder theory, according to Gay (2002) was prompted by the growing recognition by boards of the need to take account of the wider interest of the society.

The theory of managerial hegemony in line with Wolfsan (1984) outlines that the board is a legal fiction, which is a co-opted attachment organization that albeit its formal governing authority over management, is indeed subjugated by corporate management. Institutional force exerted on a governing board from within the organization can be explained in terms of managerial hegemony. Modern organizations are now run by a class of professional managers. Managerial hegemony refers to the situation when the governing board of an organization serves simply as a rubber stamp and all its strategic decisions are dominated and preempted by the professional managers. Proponents of managerial hegemony argue that organizations will inevitably resist increased board involvement in strategic decisions. Whisler (1984) reports that one of the universal ``rules of the game'' is that boards do not get too involved in setting strategies.

The concept of signaling was first developed into signal equilibrium theory by Spence (1973). The Signaling theory, originally developed and used to explain information asymmetry in labour markets, shows how this asymmetry can be reduced by the party with additional information signaling it to others. The theory provides a unique, practical, and empirically testable perspective on problems of social selection under conditions of imperfect information (Connelly, Certo, Ireland, & Reutzel, 2011). According to Alvarez, Sanchez, and Domınguez (2008) a signal can be a visible action or structure used to indicate the sign of quality

Empirical Literature Review

Martínez-Ferrero (2014) conducted a study on the consequences of board reporting quality on corporate performance. The use of simultaneous equations for the panel data, via the GMM estimator proposed by Arellano and Bond (1991), highlights the positive effect of board reporting quality on financial performance. Razek (2014) conducted a study on the relationship between corporate transparency and company performance in the Istanbul stock exchange. It was concluded that there is significant relationship between corporate transparency and company performance. The findings of the study were in conformance with the prior studies examining relationship between corporate governance and firm performance.

Nakhaima (2016) conducted a cross-sectional survey to identify different governance structures between companies facing decline in value, those with appreciating values and those with stable values over the period 2001-2005.The study found out that firms that are outsider-dominated (where the ratio of non-executive directors is greater than 60%) exhibited improved performance than firms with mixed boards (40-60% domination) and insider-dominated boards (up to 40% domination).

Ifeoma, Ngozi and Scholarstica (2015) also conducted on the role of effective communication between the board and management on organizational performance at Nnamdi Azikiwe University. The findings from the study show that effective communication between the board and management is the remedy to effective and efficient management performance of employees in an organization. Hayase (2009) study focused on internal communication in organizations and employee engagement. The study focused on the communication between committees and full board of directors. Results indicated that there is a positive relationship between factors of internal communication and factors of employee engagement

Rajula (2016) study was conducted on the effects of board diversity disclosures on financial performance of commercial banks in Kenya. This study clearly proved to be that disclosures of

directors' age, average period of experience, gender and education level have a positive relationship with the banks financial performance. Aduda (2011) in his study adopted a causal research design by examining the relationship between executive compensation and financial performance among the nine commercial banks listed at the NSE as at December 2008 study found a negative non-significant relationship between executive compensation and performance of commercial banks in Kenya. He indicated that in the large commercial banks, size is a key criterion in determining executive compensation and noted that there is need to reign in the executive compensation tendencies in smaller banks to favor bigger shareholders who double up as bank directors to the detriment of returns and smaller owners of the bank.

RESEARCH METHODOLOGY

This study adopted a descriptive survey design. Descriptive survey was appropriate for this study since it intended to find out what people currently believe in and the situation at the moment and so forth. The study targeted all the board members in 31 commercial state corporations. A census ensured that all elements of the population are targeted and interviewed and as such is highly representative of the Kenyan commercial state corporation.The study adopted a census technique with respect to the unit of analysis which is the commercial state corporations in Kenya. The study used a census since the population of 31 is small and the study aimed to reach all the commercial state corporations in Kenya. Primary data was gathered by use of structured questionnaires and captured through a 5-point likert scale type. Likert scale with close-ended questions guide was distributed to respondents, after approval to collect data from the management of the university administration

The study collected data using drop and pick method. Questionnaires was dropped and picked later to enable the respondents have enough time to respond to the questionnaires which enhanced reliability. Descriptive statistics including the mean and standard deviation was used to capture the characteristics of the variables under study. Inferential statistics; regression coefficient and bivariate correlation were used to analyze the relationship of the dependent variable and the independent variables. Regression analysis was used to test the relationship between the independent variables and the dependent variable. The study used tables and charts to present output from data analysis.

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$$

Where;

Y = Financial Performance

X_1 = Board Transparency

X_2= Board Mode of Communication

X_3= Board Disclosures

X_4 = Board Independence

ε = Error Term

In the model, $\beta 0$ = the constant term while the coefficient β_ii= 1….4 measure the sensitivity of the dependent variable (Y) to unit change in the predictor variables. ε is the error term which captures the unexplained variations in the model.

ANALYSIS, FINDINGS AND DISCUSSIONS

A total of 62 questionnaires were administered to the selected respondents from the state corporations. The finding presented in table 1 showed that 54 questionnaires were dully filled and returned which represented a response rate of 87%. On the other hand only 13% failed to completely fill the return the questionnaires. This response rate was adequate according to the prepositions of Babbie (2004).

Respondents Background Information

Table 1: Respondents Background Information

	Categories	Percentage (%)
Gender	Female	25.9
	Male	74.1
	Total	**100**
Education	PhD	5.6
	Masters	40.7
	Graduate	44.4
	Diploma	3.7
	Certificate	5.6
	Total	**100**
Experience	Less than 2 years	16.7
	2 to 5 years	46.3
	Over 5 years	37
	Total	**100**

Descriptive Results of the Study Variables

Board Transparency and Financial Performance

The first objective of the study was to assess the effect of board transparency on the performance of financial state corporations in Kenya. The results presented in Table 2 provide the statements used to measure the influence of board transparency on financial performance of state corporations and how respondents responded to each of the statement. The study sought to determine whether the board was open in their reporting, the results showed that 46.3% of the respondents agreed, 31.5% strongly agreed, on the other hand 13% disagreed and 1.9% strongly disagreed. The statement had a mean of 3.93 which confirmed that majority of the respondents agreed. The standard deviation of 1.04 indicated that the response slightly varied form the mean.

The results further showed that the statement on whether the board of directors complied with the set transparency rules had a mean response of 4.00 indicating that majority of the respondents agreed and strongly agreed. Similarly the findings showed as indicated by the mean of 4.02 that respondents agreed and strongly agreed that the board is usually open in gathering information used for decision making in this corporations. On whether State Corporations experience a case of citizen demanding more accountability in our corporations was rare, 38.9% and 37.0% agreed and strongly agreed respectively.

The study finally sought to find out from the respondents whether transparency of the board in our corporations has enhanced the financial performance. The findings showed that 37.0% and 35.2% of the respondents agreed and strongly agreed with the statements. Generally, the findings implied that state corporations had transparency boards which led to enhanced financial performance. The findings of this study were in conformance with the prior studies examining relationship between corporate governance and firm performance. For instance, Martínez-Ferrero (2014) also highlighted the positive effect of board reporting quality on financial performance. Razek (2014) also concluded that there is significant relationship between corporate transparency and company performance.

Table 2: Descriptive Results on Board Transparency

	SD	D	N	A	SA	Mean	Std Dev
The board is open in their reporting	1.9%	13.0%	7.4%	46.3%	31.5%	3.93	1.04
The board of directors comply with the set transparency rules	3.7%	9.3%	3.7%	50.0%	33.3%	4.00	1.05
The board is usually open in gathering information used for decision making in this corporations	1.9%	5.6%	14.8%	44.4%	33.3%	4.02	0.94
Case of citizens demanding more accountability in our corporations are rare	5.6%	7.4%	11.1%	38.9%	37.0%	3.94	1.14
Transparency of the board in our corporations has enhanced the financial performance	1.9%	11.1%	14.8%	37.0%	35.2%	3.93	1.06

Board Mode of Communication and Financial Performance

The second specific objective of the study was to determine the effect of board mode of communication on the financial performance of state corporations in Kenya. The study sought to find out whether there were good communication channels between management and the board among the state corporations. The results showed that 40.7% and 35.2% of the respondents agreed and strongly agreed respectively. These findings were further confirmed by the mean of 3.98 and standard deviation of 1.04.

On whether, board members frequently met to discuss issues affecting the corporations, the findings showed that 46.3% and 33.3% of the respondents agreed and strongly agreed. The statement had a mean of 4.02 which confirmed that majority of the respondents agreed and strongly agreed. The mean of 4.19 further confirmed that the respondents agreed and strongly agreed that there is a good working relationship between all the board members in the institution.

The study also sought to find out whether there were good communication channels between management and the board and others committees in the state corporations. The findings revealed that 50.0% and 25.9% of the respondents strongly agreed and agreed respectively. On the other hand, 9.3% and 7.4% of the respondents strongly disagreed and disagreed respectively. The study finally sought to determine whether effective communication by the board to other stakeholders affects financial performance of state corporations. The findings revealed that 37.0% and 29.6% of the respondents strongly agreed and agreed respectively. Those who disagreed and strongly disagreed were 3.7% and 9.3% respectively.

These findings implied that state corporations had appropriate communication channels in place and that the channels enhanced the financial performance of State Corporation. Ifeoma, Ngozi and Scholarstica (2015) also asserted that effective communication between the board and management is the remedy to effective and efficient management performance of employees in an organization. Asamu (2014) study also revealed that a relationship existed between effective board members communication and workers' performance, productivity and commitment.

Table 3: Descriptive Results on Board Mode of Communication

	SD	D	N	A	SA	Mean	Std Dev

There are good communication channels between management and the board	3.7%	5.6%	14.8%	40.7%	35.2 %	3.98	1.04
Board members frequently meet to discuss issues affecting our corporation	3.7%	3.7%	13.0%	46.3%	33.3 %	4.02	0.98
There is a good working relationship between all the board members in this institutions	3.7%	1.9%	13.0%	35.2%	46.3 %	4.19	0.99
There are good communication channels between management and the board and others committees	9.3%	7.4%	7.4%	25.9%	50.0 %	4.00	1.32
Effective communication by the board to other stakeholders affects financial performance of our institution	9.3%	3.7%	20.4%	29.6%	37.0 %	3.81	1.24

Board Disclosures and Financial Performance

The third objective of the study was to determine the effect of board disclosures on the financial performance of state corporations in Kenya. This section provides the results on descriptive analysis. The study sought to determine whether information on the board diversity is frequently disclosed to all the stakeholders. The results showed that 44.4% and 33.3% of the respondents strongly agreed and agreed with the statement respectively. The statement had a mean of 4.19 which confirmed that majority of the respondents agreed.

On whether, the board in state corporations discloses information on size of the institution management, the findings showed that 50% of the respondents strongly agreed and 22.2% agreed, 7.4% strongly agreed while 5.6% agreed. The statement on whether the board in State Corporation discloses information on remuneration of the senior management had a mean of 4.07 which showed that majority of the respondents agreed and strongly agreed with the statement.

On whether board reviews an evaluation of the institutions is disclosed to the management, the finding showed that 40.7% and 38.9% strongly agreed and agreed respectively. The mean of 3.96 confirmed that majority of the respondent agreed and strongly agreed with the statement. The findings finally showed that 40.7% and 38.9% of the respondents agreed and strongly agreed that board voluntarily discloses necessary information that is directed at enhancing the financial performance of the state corporations.

The finding of this study implied that board disclosures among state corporations enhanced the financial performance. The findings of this study conform to that of Naran (2013) study found that a strong relationship exists between the voluntary disclosure, firm size and financial performance. Financial disclosure, board disclosure and forward looking disclosure was found to positively affect the financial performance while general and strategic disclosures was found to negatively affect financial performance of commercial banks in Kenya.

Table 4: Descriptive Results on Board Disclosures

	SD	D	N	A	SA	Mean	Std Dev
Information on the board diversity is frequently disclosed to all the stakeholders	0.0%	3.7%	18.5%	33.3%	44.4%	4.19	0.87
The board in our institution discloses information on size of the institution management	7.4%	5.6%	14.8%	22.2%	50.0%	4.02	1.25
The board in our institution discloses information on remuneration of the senior management	1.9%	7.4%	11.1%	40.7%	38.9%	4.07	0.99
Board reviews and evaluation of the institutions is disclosed to the management	11.1%	1.9%	7.4%	38.9%	40.7%	3.96	1.26
Board voluntarily discloses necessary information that is directed at enhancing the financial performance of the institutions	5.6%	5.6%	9.3%	40.7%	38.9%	4.02	1.11

Board Independence and Financial Performance

The last specific objective of the study was to establish the effect of board independence on the financial performance of state corporations in Kenya. The study sought to determine whether state corporations had a highly independent board. The results showed that 38.9% and 37.0% of the respondents strongly agreed and agreed respectively. The findings further showed that majority of the respondents agreed and strongly agreed that the board was composed of both executive and non-executive directors. This was shown by the mean of 3.98 and standard deviation of 1.09.

The study further sought to establish whether the ratio of executive and non-executive directors in board is adequate. The finding showed that 53.7% of the respondent agreed while 27.8% of the respondent strongly agreed. Those who disagreed and strongly disagreed were 1.9% and 3.7% respectively. On whether, there was high turnover of executive directors in the board of our institution, the results showed that majority of the respondents agreed and strongly agreed as shown by the mean of 4.17.

The findings further showed that 51.9% and 33.3% of the respondents strongly agreed and agreed that state corporations appoints independent directors to monitor the performance of executive directors and top managements. The findings implied that majority of the boards in state corporations were independent which helped to enhance the performance. The findings of this study concurs with those of Altuwaijri and Kalyanaraman (2016) who found that board independence, ratio of independent directors to board size, has a positive link with firm performance while excess board independence, defined as a dummy variable measuring the number of independent directors in excess of regulatory minimum, is found to have no statistically significant relationship with firm performance. Similarly, Sanda, Garba and Mikailu (2011) study further found that Independent boards perform better than their non-independent.

Table 5: Descriptive Results on Board Independence

	SD	D	N	A	SA	Mean	Std Dev
Our institutions has a highly independent board	0.0%	3.7%	20.4%	37.0%	38.9%	4.11	0.86
The board is composed of both executive and non-executive directors	5.6%	5.6%	9.3%	44.4%	35.2%	3.98	1.09
The ratio of executive and non-executive directors in board is adequate	3.7%	1.9%	13.0%	53.7%	27.8%	4.00	0.91
There is high turnover of executive directors in the board of our institution	1.9%	7.4%	11.1%	31.5%	48.1%	4.17	1.02
The institution appoints independent directors to monitor the performance of executive directors and top managements	5.6%	3.7%	5.6%	33.3%	51.9%	4.22	1.09

Financial Performance

The study adopted average net revenue as a measure of financial performance. The finding presented in figure 1 contains the trends in financial performance of State Corporations between 2011 and 2015.

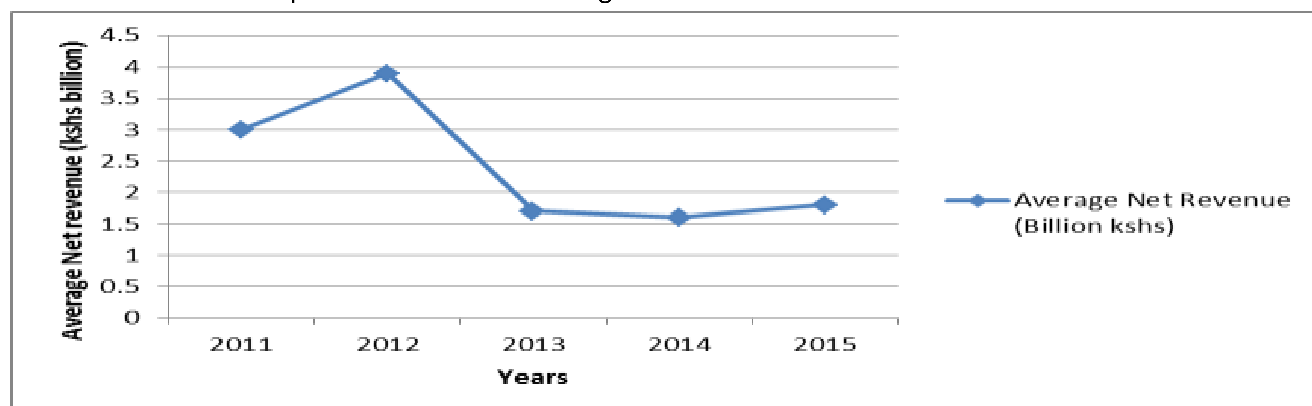

Figure 1: Trend in Financial Performance of State Corporations in Kenya

The finding indicated that there had been a reducing trend in the average net revenue for state corporations. The results showed that net revenue increased between 2011 and 2012 to about an average of 4 billion annually. The results further showed that annual net revenue decreased between 2012 and 2015.

Table 6: Descriptive Results on Financial Performance

	SD	D	N	A	SA	Mean	Std Dev
Our institution has experienced continuous growth in products and services sales	5.6%	7.4%	9.3%	46.3%	31.5%	3.91	1.10

Our institution has experienced continuous growth in revenue generated from the assets owned by the institution	11.1%	3.7%	9.3%	35.2%	40.7%	3.91	1.29
Our institution has experienced steady increase in profitability	7.4%	0.0%	14.8%	42.6%	35.2%	3.98	1.09
There has been an increased in both gross and net income	1.9%	7.4%	16.7%	37.0%	37.0%	4.00	1.01

The study further sought out find the opinion of the respondents on the financial performance of state corporations in Kenya. On whether, State Corporation had experienced continuous growth in products and services sales, the finding showed that 46.3% and 31.5% of the respondents agreed and strongly agreed with the statement. Similarly, the findings also showed 40.7% and 35.2% of the respondents strongly agreed and agreed with the findings. The study further sought to establish whether state corporations had experienced continuous growth in revenue generated from the assets owned by the institution. The results showed 40.7% and 35.2% of the respondents strongly agreed and agreed respectively. The findings further revealed that the respondent agreed and strongly agreed that their state corporation had experience increase in profitability and net income.

Inferential Statistics Results

The study employed correlation and regression analysis to the test the relationship between study variables. Correlation analysis was used to test the association while regression analysis was adopted to establish the relationship between the study variables.

Correlation Analysis Results

Table 7: Correlation Matrix

		Board Transparency	Board Mode of Communication	Board Disclosure	Board Independence
Board Transparency	Pearson Correlation	1			
	Sig. (2-tailed)				
Board Mode of Communication	Pearson Correlation	0.402	1		
	Sig. (2-tailed)	0.003			
Board Disclosure	Pearson Correlation	0.272	0.503	1	
	Sig. (2-tailed)	0.047	0.000		
Board Independence	Pearson Correlation	0.261	0.298	0.403	1
	Sig. (2-tailed)	0.057	0.028	0.002	

Performance	Pearson Correlation	0.509	0.600	0.635	0.623
	Sig. (2-tailed)	0.000	0.000	0.000	0.000
	N	**54**	**54**	**54**	**54**

The study used correlation analysis to test the association between board transparency and financial performance of state corporations in Kenya. The results findings showed that board transparency, board mode of communication, board disclosure, board independence had a strong positive and significant relationship with financial performance of state corporations in Kenya. The findings of this study were in conformance with the prior studies examining relationship between corporate governance and firm performance. For instance, Martínez-Ferrero (2014) also highlighted the positive effect of board reporting quality on financial performance. Razek (2014) also concluded that there is significant relationship between corporate transparency and company performance. Ifeoma, Ngozi and Scholarstica (2015) also asserted that effective communication between the board and management is the remedy to effective and efficient management performance of employees in an organization. Asamu (2014) study also revealed that a relationship existed between effective board members communication and workers' performance, productivity and commitment.

Multivariate Regression Analysis

Table 8: Regression Analysis Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.828	0.686	0.660	0.44804

a. Predictors: (Constant), Board Independence, Board Transparency, Board Disclosure, Board Mode of Communication

The results revealed that board independence, board transparency, board disclosure, and board mode of communication jointly accounted for 68.6% of the variation in financial performance of state corporations in Kenya.

Table 9: Regression Analysis of Variance (ANOVA)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	21.461	4	5.365	26.728	.000[b]
	Residual	9.836	49	.201		
	Total	31.297	53			

a. Dependent Variable: Performance Mean

b. Predictors: (Constant), Board Independence, Board Transparency, Board Disclosure, Board Mode of Communication

The results of ANOVA in table 10 indicate that board independence, board transparency, board disclosure and board mode of communication were significant predictor variables of financial performance of state corporations in Kenya. This was indicated by the F-statistics results (F=26.728, p=0.000) indicating that the model used to link the independent variables and dependent variable was statistically significant.

Table 10: Regression Analysis Coefficient Results

	β	Std. Error	Beta	t	Sig.
(Constant)	0.256	0.366		0.701	0.487
Board Transparency	0.193	0.074	0.232	2.618	0.012

Board Mode of Communication	0.206	0.082	0.246	2.511	0.015
Board Disclosure	0.238	0.077	0.3	3.08	0.003
Board Independence	0.317	0.077	0.368	4.132	0.000

a Dependent Variable: Financial Performance

Optimal Model

Financial Performance = **0.256+0.317** (*Board Independence*) + **0.238** (*Board Disclosure*) + **0.206** (*Board Mode of Communication*) +**0.193** (*Board Transparency*) + ε

The findings revealed that there was a statistically significant and positive relationship between board transparency (β=0.193, p=0.012, <0.05), board mode of communication (β=0.206, p=0.015, <0.05) board disclosures (β=0.238, p=0.003, <0.05) board independence (β=0.317, p=0.000, <0.05) and financial performance of state corporations in Kenya. The study findings concluded that increase in board transparency, board mode of communication, board disclosures and board independence enhances financial performance of state corporations. The findings of this study concur with Martínez-Ferrero (2014) who also established a positive effect of board characteristics on financial performance. Nakhaima (2016) also concluded that there is significant relationship between corporate transparency and company performance. Similalry, Razek (2014) also concluded that there is significant relationship between corporate transparency and company performance. The findings of this study were agreement with those of Ifeoma, Ngozi and Scholarstica (2015) that showed that effective communication between the board and management is the remedy to effective and efficient management performance of employees in an organization. Similarly, Sanda, Garba and Mikailu (2011) study further found that Independent boards perform better than their non-independent. Nakhaima (2016) found out that firms that are outsider-dominated (where the ratio of non-executive directors is greater than 60%) exhibited improved performance than firms with mixed boards (40-60% domination) and insider-dominated boards (up to 40% domination). Kizito (2011) also argued that most firms surveyed tended to have outside dominated boards with the prevalence of outside directors found to be twice as much as for inside directorship.

Conclusion

The study concluded that board transparency influenced the financial performance of State Corporation in Kenya. The study also concluded board members in state corporations frequently meet to discuss issues affecting their corporation in bid to ensure there is high transparency. The study further concluded that having right communication channels with the board and management enhances the performance of state corporations. A good communication channel ensures that there is a good working relationship between all the board members and also between management and the board and others committees.

The study also concluded that board disclosures significantly influence the performance of the corporation. Disclosures such as board diversity, board size when frequently disclosed to all the stakeholder enhances confident among stakeholders and management. Therefore, state corporations that disclosures information regarding the operation of the board performs better than those that withhold critical information regarding the board operation. On the relationship between board independence and financial performance of state corporations, the study concluded that state corporations in Kenya were had highly independent boards. The study also concluded that the ratio of executive and non-executive directors in board among State Corporation was adequate in ensuring the independence required. The study also concluded

that state corporations in Kenya appointed independent directors to monitor the performance of executive directors and top managements.

Recommendations

This study established that a few of the board in State Corporations in Kenya were not open in their reporting. Therefore, this study recommended that the government of Kenya under relevant authorities should formulate policies or enforce existing policy to make sure that all the state corporations have boards that are very transparency in all their undertaking and operations to ensure high performance. The study further recommended that policy makers in State Corporation should ensure that they have policies in place to ensure formulation of balanced boards in terms of both executive and non-executive directors. The study recommends that all state corporation board in collaboration with the management should structure communication systems that will ensure free flow of information between the board, management and all other stakeholders to enhance the overall performance of the corporation. This study recommended that all the boards in state corporations in Kenya should disclose their reviews and evaluation to their management to help them identify areas of weakness that needs improvement and further improve in their strength areas to boost the overall performance.

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