AN ANALYSIS OF CORPORATE GOVERNANCE AS A STRATEGY TO ADDRESS THE PERFORMANCE OF SUGAR MANUFACTURERS IN KENYA

(A CASE STUDY OF MUMIAS SUGAR COMPANY LIMITED)

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DECLARATION

I declare that this dissertation is my original work and has not been previously published or submitted elsewhere for award of a degree. I also declare that this contains no material written or published by other people except where due reference is made and author duly acknowledged.

Student Name: ____________________ Reg. No. __________

Sign: ____________________ Date: _________________

I do hereby confirm that I have examined the master's dissertation of

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And have certified that all revisions that the dissertation panel and examiners recommended have been adequately addressed.

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ABSTRACT

Currently, a talk around the planet is whether there is proper stewardship geared towards organizational performance. Any outcomes of decisions made by the leaders in those organizations are supposed to benefit environment, the stakeholders and the communities in which they operate.This therefore underscores the need to improve the use of resources, which in turn increases the effectiveness and efficiency of firms.Sugar firms use various strategies for employing existing resources optimally so that a responsible and beneficial balance can be achieved over the longer term.The recent corporate governance erosion in Mumias Sugar Company which contributes more than half sugar production in Kenya warrants this study. It is therefore, against the status of affairs that the present study was conducted to fill this knowledge. The study analyzed corporate governance as a strategy to address the performance of sugar firms in Kenya. The study target population was the 113 officers of Mumias Sugar Company. Since the sample population was manageable and readily accessible, the study used census to collect data. The primary data collection method was through administration of structured questionnaire. The collected data was analyzed using descriptive statistics and inferential statistics. Narratives were used for interpretations of the results and findings and thereafter multiple regressions was then carried to establish the relationship between the Independent Variables (IVs) and the Dependent Variable (DV). Descriptive data was analyzed with assistance of SPSS ver. 20.0 statistical tool. The study concludes that firm performance of sugar companies in Kenya is moderate and that it is influenced by corporate governance, since the indicators of corporate governance; board characteristics, top management characteristics; and stakeholders' communication characteristics are established to predictors of firm performance of sugar companies in Kenya. The study established that board characteristics highly affects the performance of Sugar Companies, top management characteristics highly influenced the performance of sugar companies, and revealed that stakeholders' communication characteristics highly affected performance of sugar companies in Kenya.The study recommends that the sugar companies in Kenya should address the issues of board characteristics in their firm through establishment of effective policies and strategies, establish systems and policies to audit and trail the top management performance of sugar companies to ensure transparency and accountability of the directors and the CEO and the sugar companies in Kenya should significantly review the Stakeholders' Communication polices to ensure that the stakeholders are also informed beforehand of any happenings in their investments.

Keywords: Board Characteristics, Corporate Governance, Firm Performance, Performance of Sugar Companies, Stakeholders' Communication Polices, Top Management Characteristics

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DEDICATION

This Dissertation is devoted to my Spouse, Emily for reassuring me every time I was not able to raise my crown just because of fatigue. My children Clint and Magrita who have always prayed and dedicated me to God and constantly whispered dad is the best for them. I also bestow to my mum Repa who toiled when I was a toddler up to where I am as an intellectual.

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ACRONYMS AND ABBREVIATIONS

ACCA	Association of Chartered Certified Accountants
CEO	Chief Executive Officer
COMESA	Common Market for Eastern and Southern Africa
CPA	Certified Public Accounts
CISA	Certified Information Systems Auditor
CSR	Corporate Social Responsibility
DV	Dependent Variable
EU	European Union
EPAs	Economic Partnership Agreements
EEPAs	Europe on Economic Partnership Agreements
EAC	East African Community
GDP	Gross Domestic Product
IDC	Industrial Development Corporation
IVs	Independent Variables
KSB	Kenya Sugar Board
MIGA	Multilateral Investment Guarantee Agency
NEDS	Non-Executive Directors
ROE	Return on Equity
ROA	Return on Assets
SCA	State Corporation Act
SACCO	Savings and Credit Co-operative
SADC	Southern African Development Community

SOE	State Owned Enterprises
USD	United States Dollar
VAT	Value Added Tax

OPERATIONAL TERMS AND DEFINITION

Accountability is an obligation or willingness to accept responsibility or to account for one's actions (Duke & Kankpang, 2011).

Audit Committee is a committee encompassed of independent directors and at least an expert as each is defined in applicable statutes and exchange listing standards. Audit committees are required as oversight committee for good corporate governance (Ertugrul & Hedge, 2009).

Board of Directors is the group of individuals elected by the shareholders to represent them in overseeing management of the company (Young *et al*., 2008).

Character This refers to individuality; personality refers to the sum of the features possessed by a person. Character refers especially to moral qualities, ethical standards, principles, and the like. This segregates or distinguishes a person from others. This can be a combination of outer and inner characteristics that determine the impression that a person makes upon others (Mbalwa *et al*., 2014).

Corporate Governance is the system of policies and procedures put in place by a company to provide checks and balances on the agency costs which arise as a result of the separation of direct oversight of the enterprise from those who invest in the enterprise (Duke & Kankpang, 2011).

Independent Directors are directors who meet the definition of independence as set forth by the appropriate listing standards of the relevant stock exchange upon which the shares trade. They represent the minority interests and serve on audit committees Nank & Bruce, 2009).

Performance is the results generated by using available resources to achieve set goals (Ireri, 2013).

Strategy is a careful plan or method of achieving a particular goal usually over a long period of time. The skill of making or carrying out plans to achieve a goal (Welsh, 2007).

Sustainability is a practice that helps build a vibrant better future of a high quality life without compromising natural resources and the environment. It is having future generation endowed in a world the present generation will enjoy without the risk of diminishing (Clough *et al*... 2006).

Transparency means clear, unhindered honesty in the way things are done. It is full, accurate, and timely disclosure of information with no hidden agendas or conditions in the execution of information (Nwadioke, 2009).

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Kenya is endowed with good climatic conditions which are favourable to sugar cane farming, especially Western and Coastal regions. The sugar industry in Kenya is key to the economy because it brings about balance of payment, self-sufficiency, generate gainful employment, create wealth and supply raw material for sugar related industries. The industry also stimulates economic development in the rural economy and beyond through activities linked to the sugar industry and encourage competitiveness (IFAC, 2008). The sugar industry ensures food security in rural lives and provides sustainable livelihoods for millions of Kenyans.

However, since inception of Sugar industries there had been constant threats of crumpling due to perennial challenges (Mbalwa *et al.*, 2014). The major crisis the industry is currently undergoing includes bungling, liberalization and growing competition from cheap sugar imports. Meager industry policies and structures have failed to address basic problems that would assist in reclamation and government mediations that has continued in the industry attrition (Mwakio, 2009), thus threatening its performance for growth. This is attributable to poor corporate governance as it remains to be a problem in the sugar industry (Mbalwa *et al.*, 2014). The sugar industry in Kenya has had its dilemma in corporate deceptions and scandals. Recently, the government has taken strides to reduce such abuses and their effects on corporate atmosphere (Atieno, 2009).

Internationally, the reasons for poor corporate governance are mostly coupled with deceitful acts and other major malpractices (Mbalwa *et al*., 2014). They include irregularities in accounts, non-compliance with law, nepotism, non-merit based system and exploitation of minority shareholders (Love, 2011). For productivity and viability of the industry, the reform process should be geared towards developing and implementing policies that will ensure that the principles of good corporate governance are inculcated and maintained. This will ensure competitiveness and high performance of the sugar industry business enterprises and attract investment (Kenya Sugar Board [KSB], 2009).

Literature has shown that for performance to thrive, it is important to promote ethical responsibility and sound corporate governance practices (Atieno, 2009). According to IFAC (2008), the corporate governance should be geared towards providing opportunities for high performance, which enhances economic development within the communities they operate. Across the globe, good corporate governance has been seen as a pillar to firms' performance, growth and development (Duke & Kankpang, 2011). Mbalwa *et al.* (2014), asserts that corporate governance is emerging as one of the most important approaches of improving organisation performance and economic sustainability. The activities connected with corporate governance have wide implications, especially for profit-oriented business organizations. Therefore, it is of great prominence to clearly understand the pointers, drivers and vindicating mechanisms of corporate governance (Duke & Kankpang, 2011).

Studies done by Mbalwa *et al*. (2014) and Waswa and Netondo (2014) approve that corporate governance is all about cheering the corporate sector to be accountable, fair, transparent and responsible hence achieving preferred performance. The dimensions of corporate governance focus on various mechanisms, Board characteristics, Top management characteristics, and Stakeholder Communication Characteristics. Board characteristics comprises of Board of Directors (BOD), board size, board composition and independence of the board (Vitez, 2011). Top Management characteristics in this study focused on Audit committee, Independence of Chief Executive Officer, Director's Professional Qualification, Transparency and Accountability (Mbalwa *et al*., 2014). Stakeholder Communication Characteristics forms part of Corporate Governance Principles and Best Practices framework (Nwadioke, 2009).

1.1.1 Global Sugar Sector Perspective

The key players in the world sugar markets are Brazil, India, EU, China, Thailand, Australia, Southern African Development Community (SADC), Russian Federation, USA, and Mexico. Brazil is the largest producer of sugar in the world. Statistic of 2008-2009 shows that it produced over 35 million tonnes. The smallest producer among the top ten countries is Russian Federation, with an annual production of as little above 4 million tonnes (2008-2009). According to survey of 2008-2009, the biggest exporters are Brazil, Thailand, China, Australia, SADC, EU and India (Gani, 2012).

The world sugar market is bound in a complicated mesh of quotas, tariffs, and subsidies that significantly twists production decisions and export balances. This has resulted into sugar prices in the world market to be very volatile and difficult to envisage. The world indicator price for raw sugar witnessed a sequence of peaks and downward adjustments in 2010 before rising to a 30-year high of USD 36.08 (Gani, 2012).

1.1.2 African Sugar Industry Perspective

In Africa Sugar performance is dismal and therefore the continent is a regular sugar importer. The region has only a share of about 6 percent of the global sugar production with only South Africa being competitive on the global sugar market. This will probably continue to thrive despite the changing sugar policy scenery in the world. On the other hand, countries that have relied on privileged access, notably, Mauritius and Swaziland are likely to have enormous difficult with the changing policies and partisan behaviours (Gani, 2012). Other countries with Sugar production potential are Malawi, Sudan, Zambia and Zimbabwe.

1.1.3 Kenya Sugar Sector Perspective

The History of Sugar industry in Kenya dates back to 1902 when sugar cane was introduced in the country. The first assembly of sugar mill industry was in 1922 in Miwani in Nyanza province. This company was owned by the Hindocha family. The second Company was Ramisi Sugar Company in 1927 in the Coast province which was owned by Madhavani group international of India. Before independence, the sugar industry in Kenya was controlled by the private sector (Malaba, Ogolla & Mburu, 2014). After independence, six additional companies were established namely: Muhoroni (1966), Chemelil (1968), Mumias (1973), Nzoia (1978), South Nyanza (1979) and West Kenya-Sugar (1981) (Maina *et al*, 2011; Malaba, *et al*., 2014), to boost the sugar industry with the aim of making Kenya a self-sufficient in sugar production.

The other up-coming sugar factory includes Busia Sugar Company, Soin Sugar Company, Transmara Sugar Project, Ramisi Sugar Project, Siaya Sugar Project and Kamulamba Sugar Projects.

Lastly, Kibos Sugar Allied was established in 2007 together with the Industrial Development Corporation (IDC) of South Africa Limited. A UK-based businessman and Multilateral Investment Guarantee Agency (MIGA) stepped in to guarantee up to ninety per cent of the equity and about ninety-five per cent of the investors' non-shareholder loan to Kibos Sugar & Allied Industries Limited by issuing $6.7 million in political risk insurance (Atieno, 2009). Since sugar consumption continues to outstrip supply in Kenya, it is possible that the increase in millers is meant to successfully bridge this gap and be competitive in East Africa and COMESA regions. This has been a horrendous due to poor corporate governance.

Between 1981 and 2004, total sugar production grew from 368,970 tonnes to 517,000 tonnes. On the other hand, domestic sugar consumption increased even faster, rising from 324,054 tonnes to 669,914 tonnes over the same period (Maina *et al*., 2011). As such Kenya has remained a net importer of sugar, with mean annual imports of 200,000 tonnes (KSB, 2004a, KSB, 2004b; Waswa & Netondo, 2014)).The industry is a major contributor to the agricultural sector which is the pillar of the economy and supports incomes of at least 25% of the Kenyan population. The subsector accounts for about 15% of the Kenyan GDP, the dominant employer and source of occupation for most households in Western regions of Kenya. For instance, in 2008/2009, the industry produced close to 520,000 tonnes of sugar operating at about 56 percent of the installed capacities.

In this kind of setting, the industry will have to enhance its attractiveness along the entire value chain and reduce production costs by at least 39% to be in line with EAC partner states and COMESA sugar producing countries (KSISP, 2010-2014). The Kenyan sugarcane industry is a major employer and higher contributor to the national economy. It is one of the most important cash crops alongside tea, coffee, horticulture and maize (KSB, 2010). Currently, the industry directly supports approximately 250,000 small-scale farmers who supply almost 90 per-cent of the cane crushed by sugar companies.

In 2010, the industry employed about 500,000 people directly or indirectly in the sugarcane business chain from production to consumption (KSB, 2010). In addition, the industry saves Kenya in excess of USD 250 million (about Ksh. 20 billion) in foreign exchange annually and contributes tax revenues to the exchequer in terms of VAT, Corporate Tax and personal income taxes (KSB, 2010). The performance of the sugar industry has continued to be relatively bleak and therefore remains to live off its sweetening heritage of being self-sufficient and performance. For example, sources from the Mumias Sugar Company intimates current production stands at about 520,000 metric tons which cannot tie intake which has increased steadily over the last couple of years at about 740,000 metric tons parting the country with a clear deficit of 220,000 metric tons (Atieno, 2009).

Atieno (2009) indicates that in the case of the sugar industry, the chair of the board is appointed by the president in line with State Corporation Act (SCA), the CEO who holds executive powers is appointed by the parent ministry in consultation with state advisory committee (SCAC). It is common practice that the CEO is the secretary to the board. Seven non-executive directors are appointed by the parent minister in this case, the Ministry of Agriculture. Out of the seven, three are public officials and the four are usually from the private sector and are non-employees of the corporation. The permanent Secretaries of the ministry of finance and agricultural are ex-officio board members. According to Musikali (2007), sugar industry boards typically have a total of eleven members. The current status of Sugar Companies like Chemelil, Nzoia, Muhoroni, Sony and Mumias is critical intensive care unit administered by the government with huge debts stunning into Billions of shillings. Technically, the Industry is ruined, insolvent, pitiable performance with no competitive edge and sustainability over time. The redeemer, government through treasury continues to pump in money to bail out the sector in the form of capital. Ideally the governments should lend to parastatals at arm's length by imposing the same repayment terms as private lenders. A perhaps better option would be that parastatals borrow from private lenders.

The Swedish government adopted this approach and the results are quite impressive given that the SOE pays dividend to the Swedish government. By borrowing from private lenders, government influence on parastatals is reduced hence ensuring proper performance, good corporate governance and contractual engagement of regularly paying the principal and interest which would streamline and discipline state owned enterprises in terms of performance (Wong *et al.,* 2004). Perhaps the Swedish government reasoned that the benefits of market-discipline would outweigh the potentially higher costs of borrowing.

1.1.4 Corporate Governance and Performance of Sugar Companies

Governance is concerned with structures and processes for decision making, accountability, control and behavior at the top of organizations (Knell, 2006). It is a concept that involves practices that entail the organization of management and control of companies. Corporate Governance encompasses authority, accountability, stewardship, leadership, direction and control exercised in corporations (Brownbridge, 2007). Corporate Governance is linked to performance since the way management and control are organized affects the Company's performance and its long term survival. Therefore, corporate governance determines the conditions for access to capital markets and the degree of investors, confidence (Knell 2006, Brownbridge, 2007).

Good corporate governance, whose principal actors are the shareholders, management and the board of directors (Knell, 2006) shields a firm from vulnerability to future financial distress (Bhagat & Jefferis, 2002) and should affect the firm's ability to respond to external factors that have some bearing on its financial performance (Donaldson, 2003; Banerjee *et al*., 2009). Corporate governance should ensure that the organization is managed in the long term interest of the shareholders (Joe, 2007); by maximising the shareholder wealth (Rashid, 2008; Moshe, 2006; Fama, 1980) through high returns (Jensen & Meckling, 1976).

The corporate governance structure spells out the rules and procedures and also decision making support on corporate affairs (Duke & Kankpang, 2011) as it strengthens the foundation for the long term sustainable performance of countries and corporations (Kyereboah, 2007; Cremers & Nair 2005). It is widely acclaimed that good corporate governance enhances Performance of Sugar Companies performance (Eichholtz & Kok, 2011; Braga-Alves & Shastri, 2011). Companies with better corporate governance have better operating performance than those companies with poor corporate governance (Black, Jang, & Kan, 2002). The ultimate outcomes of these corporate governance benefits are generally higher cash flows, competitive and superior performance for the firm (Love, 2011).

The Board governance is one of the significant controls in managing the firms operations (Fama & Jensen, 1983). The dimensions of corporate governance focus on various mechanisms, board characteristics, top management characteristics, and stakeholder Communication characteristics. Board characteristics comprises of Board of Directors (BOD), board size, board composition and independence of the board (Vitez, 2011). Top Management characteristics in this study focused on Audit committee, Independence of Chief Executive Officer, Director's Professional Qualification, Transparency and Accountability (Mbalwa *et al*., 2014). Stakeholder Communication characteristics forms part of Corporate Governance Ideologies and Best Practices structure (Nwadioke, 2009). Companies today have established the model of corporate governance which is characterized by major components that include company polices, rules and regulations, board of directors, role of Chief Executive Officer (CEO), chairman, stock holders, creditors, institutional investors and regulators reporting and maintaining overall transparency, fairness and accountability about the business operations (Nwadioke, 2009).

1.1.5 Performance of Sugar Companies

The study on growth done by Hansen and Hamilton, (2011) and Casillas *et al.,* (2008), suggest that internal factors of corporate governance and firm strategies are important in determination of firm growth and hence performance. Macpherson and Holt (2007) further underscored that growth and performance of firms can only be achieved with good corporate governance experiences, which provide professional functions and processes designed to support and exploit commercial actions (Dutta & Thornhill, 2008). So, the corporate governance of these firms plays a major role in nurturing their strategic intention to performance.

More precisely, performance is a strategy of the process of justifiable development. It acquires special importance when the process helps a firm to progress toward economic sustainability or may, on the contrary, dissuade them from engaging in the process. It is therefore the ability to maintain excellence and needs to continue to build from the effectiveness and efficiency (Thova, 2010). Performance has three key dimensions of sustainability concerning the environment, the economy, and the humanity.

According to Toudas *et al.*, (2007), corporate governance is supposed to add value of the firm, since the policies sets the foundation for performance of such firms. So sugar firms should practice corporate governance so that they get better returns, which support the performance of these firms. Performance of Sugar Companies is a complex and multidimensional phenomenon (Ress & Robinson, 2004) and such corporate governance practices of this industry uses book-keeping-based performance measures, such as return on equity (ROE) return on assets (ROA), and market-based measures as proxies for firm performance (Abdullah, 2004; Epps & Cereola, 2008).

1.2 Statement of the Problem

Since its introduction, commercial sugarcane industry has not significantly improved a situation attributable to poor corporate governance (Mbalwa, *et al*, 2014). This has severely impoverished the living standards of farmers in the Kenya sugar belts. This has left them languishing in poverty which seriously depresses farmers from expanding sugarcane development in Kenya. In fact, the industry has been constantly under threat of collapsing possibly a situation perceived to be as a result of corporate governance's poor industry policies and structures that fail to address basic problems that would assist performance of sugar companies (Waswa & Netondo, 2014). As a result the Sugar sector has landed into a pathetic decay and dilapidation situation, even after Government's efforts of continuous bail out of the sugar industries. For instance, Mumias, Chemelil, Sony and Nzoia Sugar Companies are technically at intensive care unit.

Previously, Companies like Miwani and Ramisi Sugar factories which should have been the hot bed of Sugar production in Kenya warped because of dismal performance (KSB, 2014). As a result, there is low sugarcane production, low quality due to poor sugar yields (Atieno, 2009), capacity underutilization, poor returns for farmers an indication of miserable performance. Specifically, there is unstained performance in outputs from one year to the next with a downward drip. According to the Institute Of Economic Affairs (2005), there has been gross mismanagement in the sugar factories at all levels of production and the decision making process which has contributed to inefficiencies leading to meager performance. Lack of sound corporate governance would lead to poor performance of organizations throughout the world hence suppressing sound and sustainability of economic decisions. Some studies have argued for a positive relationship between corporate governance and Performance of Sugar Companies while others contended that there was a negative relationship. However, there exists no sufficient literature on the performance of sugar companies in Kenya as being influenced by corporate governance. Suffice is to say that there was scanty information on the performance of sugar companies in Kenya as being attributable to, board characteristics , top management characteristics, and stakeholders' communication characteristics hence a knowledge a gap. It is against this status of affairs the study analyzed corporate governance as a strategy to address the performance of sugar firms in Kenya as it filled the prevailing knowledge gap.

1.3 Objectives of the Study

The general objective was to analyze corporate governance as a strategy to address the performance of Sugar Companies in Kenya in an effort to recommend for safeguarding good organization performance of sugar industries.

The specific objectives of the study were:

i) To establish the influence of board characteristics on performance of sugar companies in Kenya.

ii) To determine the influence of top management characteristics on performance of sugar companies in Kenya.

iii) To establish the influence of stakeholders' communication characteristics on performance of sugar companies in Kenya.

1.4 Research questions

The study answered the following questions:

i. What is the influence of board characteristics on performance of Sugar Companies in Kenya?

ii. To determine the influence of top management characteristics on performance of sugar companies in Kenya?

iii. What is the influence of stakeholders' communication characteristics on performance of Sugar Companies in Kenya?

1.5 Significance of the Study

The study findings and recommendation would be beneficial to various stakeholders:

The study would significantly benefit the sugar industry in Kenya. The industry would use the information to formulate policies that help govern their organizations. The study would benefit the Sugar Industry Policy Makers. Policy makers are the key decision makers in organizations; consequently, policy makers in the sugar industry would utilize the information to build up strong strategies used to govern the institutions. The Farmers and Stakeholders would also benefit from the study findings and recommendations. Sugar industries depend on cane farmers as the source of the raw materials. When policies would be made in consideration to their experiences and demand, organizations develops a strong ground for raw materials.

The study would be useful to Academicians and Scholars since the study added knowledge in making it useful to academicians and scholars who would contribute knowledge for the development of the sugar industry in Kenya. Researcher and Scientists would also benefit the study since it was a window opener for more research in the areas of corporate governance in relation to performance of the sugar companies hence making it useful to researchers and scientists.

1.6 Limitation and Delimitation of the Study

This study was limited in a number of ways. First, it relied on behavior where some respondents might have felt that they were being disturbed and therefore might have opted to refuse to participate or supply wrong information. The study overcame this limitation by conducting an orientation before the administration of the research tools to the respondents to create a free environment. Secondly, the respondents would have resisted to provide the requested data and thereby opted to avoid giving appropriate responses to the questions. The study therefore told the truth about the research to allay any fears that would have resulted in such resistance. Thirdly, the respondents might have decided to take longer time to respond to the data collection by taking long time to fill the questionnaire, which would have delayed the entire study. The study therefore offered to assist respondents fill the questionnaire and make frequent follow-ups. The last limitation was the study time, which was too short. The researcher therefore worked extra time and sought the services of a research assistant where necessary to avoid time limitations.

1.7 Scope of the Study

The study aimed at analyzing corporate governance as a strategy to address the performance of sugar companies in Kenya. Data was collected from 93 staffs of Mumias Sugar Company Limited, although the target population was 113 staffs. The rationale of choosing the Company was because Mumias Sugar Company Limited is regarded as contributing over 50% of sugar in Kenya and one of the sugar companies currently facing challenges.

1.8 Basic Assumptions of the Study

The study made following assumptions:

i. That respondents provided adequate necessary assistance in identifying respondents

ii. The respondents gave the correct and accurate information

iii. The respondents freely gave information

iv. The status quo of the sugar industry in Kenya would not change.

1.9 Chapter summary

This section was structured into segments; it contains the background of the study that covers the global, national, and local perspectives. It also contains statement of the problems which formed the basis of the study, furthermore the chapter highlighted study objectives and the questions that was addressed. Significantly, justification and the study hypotheses or assumption are also captured in the chapter. Finally the chapter addressed the limitations and the appropriate ways used to address them.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents a review of literature pertinent to the study as presented by various researchers, scholars, analysts and authors. This chapter summarizes literature that has been reviewed and was reviewed for the purpose of the study**.** The literature covers an overview of the literature of previous studies, findings and recommendation showing the research gap to be filled and theoretical framework. The theoretical literature helped the study to develop a conceptual framework. The chapter concluded with the operationalization of conceptual framework.

2.2 Theoretical Frame work

The present study reviewed various theories on Agency theory and stewardship theory. Through the evaluation and understanding of these theories it is possible to ensure the performance of sugar companies through corporate governance.

2.2.1 Agency Theory

The agency theory explains how best the relationships the principal, the shareholders, and the agent, corporate governance, determines the performance of the firm (Wicaksono, 2008). The agent performs some tasks that are in the principal's interest but not necessarily in the agent's interest, where the principal can achieve these affects either through moral suasion or through the provision of incentives (Jensen & Meckling, 1976). An agency relationship arises whenever one individual relies on another and that, in such a case, the person undertaking the duties is the agent and the affected party is the principal.

Adverse selection describes a condition under which the principal cannot ascertain whether the agent had accurately represented his ability to do the work for which he/she is paid for. Moral hazard on the other hand depicts the condition under which the principal unsure whether the agent has applied his best effort optimally (Wicaksono, 2008). It arises when the agent's action is not being observed or supervised by the principal.

According to Berle and Means (1982), as firms grow, it becomes increasingly difficult for the original owners to maintain their majority shareholdings, thus shares become dispersed among a large number of small shareholders (Mark *et al*., 2011). The consequence of dispersion is the usurpation, by default, of power by the firm's managers which raises the agency costs. The managers are viewed as having an interest that is not necessarily in line with those of the shareholders. However, Jensen and Meckling (1996) defined an agency relationship as a contract under which the principals engage their agent to perform some service on their behalf which involves delegating some decision making authority to the agent.

Trivedi (2011) posts that there are arguments to agency problems in State Owned Entities (SOEs) which are more acute than in the private sector due to the peculiar character of the State as the owner. For example, SOEs cannot give their managers an ownership stake in the operations they run. This is largely because they are governed by multiple agents, namely managers and the State or public officials. Voters who elect public officials are considered to be the principals of the state (Gicheru, 2001).

According to Gicheru (2001), the multiplicity of agents results into poor performance by SOEs because the management is accountable to and monitored by politicians, bureaucrats, labour unions and other stakeholders (Vagliasindi, 2008). The ambiguity of objectives provides the managers further discretion to pursue their own interests. The corporate governance can always claim that the reason they are losing money is not that they are inefficient or incompetent, but that they have been pursuing other goals. And it is virtually impossible for an outsider to judge the validity of those claims.

2.3.2 Stewardship Theory

According to Davis *et al*. (1997), a steward protects and maximizes shareholders wealth through firm performance, because by so doing, the steward's utility functions are maximized. In this perspective, stewards are managers working to protect and make profits for the shareholders. Therefore, stewardship theory accentuates on the role of management being as stewards, integrating their goals as part of the organization (Davis *et al*., 1997). The stewardship perspective suggests that stewards are satisfied and motivated when organizational performance is successful. The theory recognizes the importance of governance structures that empower the steward and offers maximum autonomy built on trust (Donaldson & Davis, 1991).

It stresses on the position of employee to act more autonomously so that the shareholders' returns are maximized. Indeed, this can minimize the costs aimed at monitoring and controlling employee behavior (Davis *et al*., 1997). Daily *et al*. (2003) assert that in order to protect their reputations as decision makers in organizations, managers are inclined to operate the firm to maximize financial performance as well as shareholders' profits. In this sense, it is believed that the firm's performance can directly impact perceptions of their individual performance.

Steward theorists argue that even when the interests of the principal and agent are not aligned, the steward will still place high value in cooperation than in defection, an argument which is underpinned by game theoretical models (Schoorman & Donaldon 1997) because cooperation rather than defection gives higher payoffs in the long run. SOE heads do not find much approval in the event that they perform well and again, to serve as stewards, some level of empowerment is required. For this reason, the stewardship theory posits empowerment rather than control. The preference for empowerment rather than control ordinates steward theorists to unite the position of board chairman and the CEO.

2.3 Empirical Studies

The present study reviewed various global, regional, and local studies on effects of corporate governance on the firm performance, which were found useful in explain firm performance of sugar factories in Kenya in terms of corporate governance.

2.3.1 Board characteristics and performance of Sugar Companies in Kenya

Globally empirical evidence on the relationship between corporate governance and performance of firms is mixed. For instance, the studies done by Yoshikawa and McGuire (2008), Cheng (2008), Jenson (2010) provided evidence that larger boards reduced the domination by the CEO and the size of the board reflect high firm performance and there is a positive connotation between board size and performance (Kyereboah-Coleman, 2007, Kajola, 2008). This study also indicated that large boards enhanced shareholders' wealth more positively than the case of smaller ones. The argument in this study was that separation of office of the chair of the board from that of CEO generally seemed to reduce agency costs for a firm.

Kyereboah-Coleman (2007) revealed that large and independent boards enhanced firm value, and the failure to separate the two offices negatively affected a firm's performance, simply because the firm had less access to debt finance. The study by Kajola (2008) found a positive and statistically significant relationship between performance and separation of the office of the chair of the board and CEO. The findings in the studies reviewed earlier revealed that a bigger board has a representation of people with diverse backgrounds, diversified knowledge and expertise to the board. These studies found that increasing the number of directors increase expertise available to the firm and larger boards are likely to have more knowledge and skills at their disposal as compared to smaller boards. The studies indicated that a value relevant attribute of corporate boards is its size.

However, study by Sanda *et al*. (2005) has shown that limiting board size to a particular level significantly improves the performance of a firm. According to the study, the board size is associated with firm performance. Other Studies by Mak and Kusnadi (2005), and Jiang *et al*. (2006) found that small boards were more positively associated with high firm performance. The study by Sanda *et al*., (2003) indicated that firm performance was positively correlated with small, as opposed to large boards. The study by Jiang *et al.* (2006) established that large boards had problems of coordination, control, and flexibility in decision making. The study showed that boards with many members gave excessive control to the CEO, which in end leads to harming efficiency of the firm. Empirical studies on the effect of board membership and structure on firm performance generally showed results either mixed or opposite to what was expected from the agency cost argument. Studies by Cornett *et al*. (2008); Ravina and Sapienza (2009) found better performances for firms with boards of directors dominated by outsiders.

The findings in the studies was affirmed by Jensen (2009) which established that as board size increases, its ability to monitor management decreases due to a greater ability to avoid an increase in decision-making time (Hermalin & Weisbach, 2007). They also found that the larger board could weaken firm performance. Similarly, Mak and Yuanto (2003) found that firm valuation is highest when board size is small. They further reported that small size boards were positively related to high firm performance. Their overall findings in the studies were consistent with the perception that a large board was characterized by weak corporate governance and limiting board size to a particular level was believed to improve the performance of the firm.

2.3.2 Top management characteristics and performance of Sugar Companies

Findings on the antecedents of growth in small firms suggest that internal factors such as entrepreneurial motivation and firm strategies are important determinants of growth (Casillas and Moreno, 2008, Hansen and Hamilton, 2011). In a review of a company's growth, Macpherson and Holt (2007), argues that performance cannot be achieved without managerial capabilities to provide specialist functions and processes designed to support and exploit innovative actions. These findings and arguments are important for the performance of firms and not simply an evolutionary process. It requires strategic motivations and decisions which we label growth intentions (Dutta and Thornhill, 2008). Furthermore, it is believed that the management of these firms plays a major role in fostering their strategic intention to growth.

Studies by Klein (2002) and Anderson, Mansi and Reeb (2004) found that there was a strong association between internal audit committee and firm performance, whereas Kajola (2008) found no significant relationship between these variables. However, Gompers and Metrick (2003) submitted that the evidence of a positive association between corporate governance and firm performance had little to do with the agency explanation. Further, study by Adams *et al.* (2010) and that by Bhagat and Black (2006) found there was no significant relationship between the degree of management independence and the firm performance. Bhagat and Black (2006) found that poorly performing firms were more likely to increase the independence of their board and that of the management.

Thus, the relation between the proportion of outside directors and firm performance is mixed. However, study by Sanda *et al*. (2003) indicated that firms with higher number of outside directors bring about low financial leverage with a high market value. Brownbridge (2007) study indicated that boards should be ready to increase meetings frequency if the situation requires a high supervision and control. Bebchuk and Weisbach (2009), Ravina and Sapienza, (2009) Corroborated that the higher ratio of independent directors led to better firm performance. From the study by Alon Brava *et al*. (2006), corporate governance is a necessary ingredient for the firm performance.

Fosberg (2004) found that firms that separated the functions of the chair of the board and CEO had smaller debt ratios (financial debt/equity capital). The amount of debt in a firms' capital structure had an inverse relationship with the percentage of the firm's common stock held by the CEO and other officers and directors. This finding was corroborated by Abor and Biekpe (2005), who demonstrated that duality of the both functions constituted a factor that influenced the financing decisions of the firm. They found that firms with a structure separating these two functions were more able to maintain the optimal amount of debt in their capital structure than firms with duality. Accordingly, the studies argued that there exist a positive relationship between the top management characteristics and financial performance of the firm. The studies by Mangena and Chamisa (2008) challenged the separation of these offices of the CEO and board, which found that shareholders' returns were maximized when there was duality. The study by Berube (2005) found that firms seek qualified directors together with their expertise as the study by Hartvigsen, 2007) showed that there is a tough competition for recruiting qualified outside directors.

Locally, the study by Ireri (2013) established that there are no clear guidelines on academic and professional qualifications of the corporate governance. This undermines the efficiency of the management as the requisite expertise and experience is never taken into account while appointing persons to some organizations. The study by Ongore and K'Obonyo (2011) revealed that relationship between ownership concentration and government, and performance was significantly negative. The results also show significant positive relationship between managerial discretion and performance. Collectively, these results are consistent with pertinent literature with regard to the implications of government and institutional ownership forms, but significantly differ concerning the effects of ownership concentration and diverse ownership on m performance.

2.3.3 Stakeholders' characteristics and performance of Sugar Company

Good corporate governance, whose principal actors are the shareholders, management and the board of directors (Knell, 2006) shields a firm from vulnerability to future financial distress (Bhagat & Jefferis, 2002) and should affect the firm's ability to respond to external factors that have some bearing on its financial performance (Donaldson, 2003; Banerjee *et al*., 2009). Corporate governance should ensure that the organization is managed in the long term interest of the shareholders (Joe, 2007); by maximising the shareholder wealth (Rashid, 2008; Moshe, 2006; Fama, 1980) through high returns (Jensen & Meckling, 1976).

Stakeholders' communication characteristics are formed within the corporate governance principles and best practices framework. The policy promotes effective communication with shareholders. Stakeholders' communication policy is based on; board support and cooperation, continuous disclosure policy, and provision of current and relevant information. The board should give full support and cooperation to ensure successful implementation and enforcement of the policy and hence gears the whole process towards the economic performance of the company. The management should communicate with shareholders through, continuous disclosures in relevant stock markets of all material information and periodic disclosures of annual report, half year financial report and quarterly reports, notices of meetings and explanatory material, annual general meeting, and periodic newsletters or letters from the Chairman or CEO.

2.4 Summary of Literature Review

Studies reviewed on board size provided a similar conclusion that there was a fairly clear relationship existed between board size and firm value. Some indicated that large boards are likely to be more effective (Jenson, 2010) as other showed they likely to be less effective (Jensen, 2009). Other studies found that found that there was a strong association between internal audit committee and firm performance (Anderson, *et al.,* 2004) and other showed otherwise (Kajola (2008). Regarding board size, there was a convergence of agreement of its association with firm performance. This lack of consensus creates a platform for deeper research on the impact of board characteristics and firm performance.

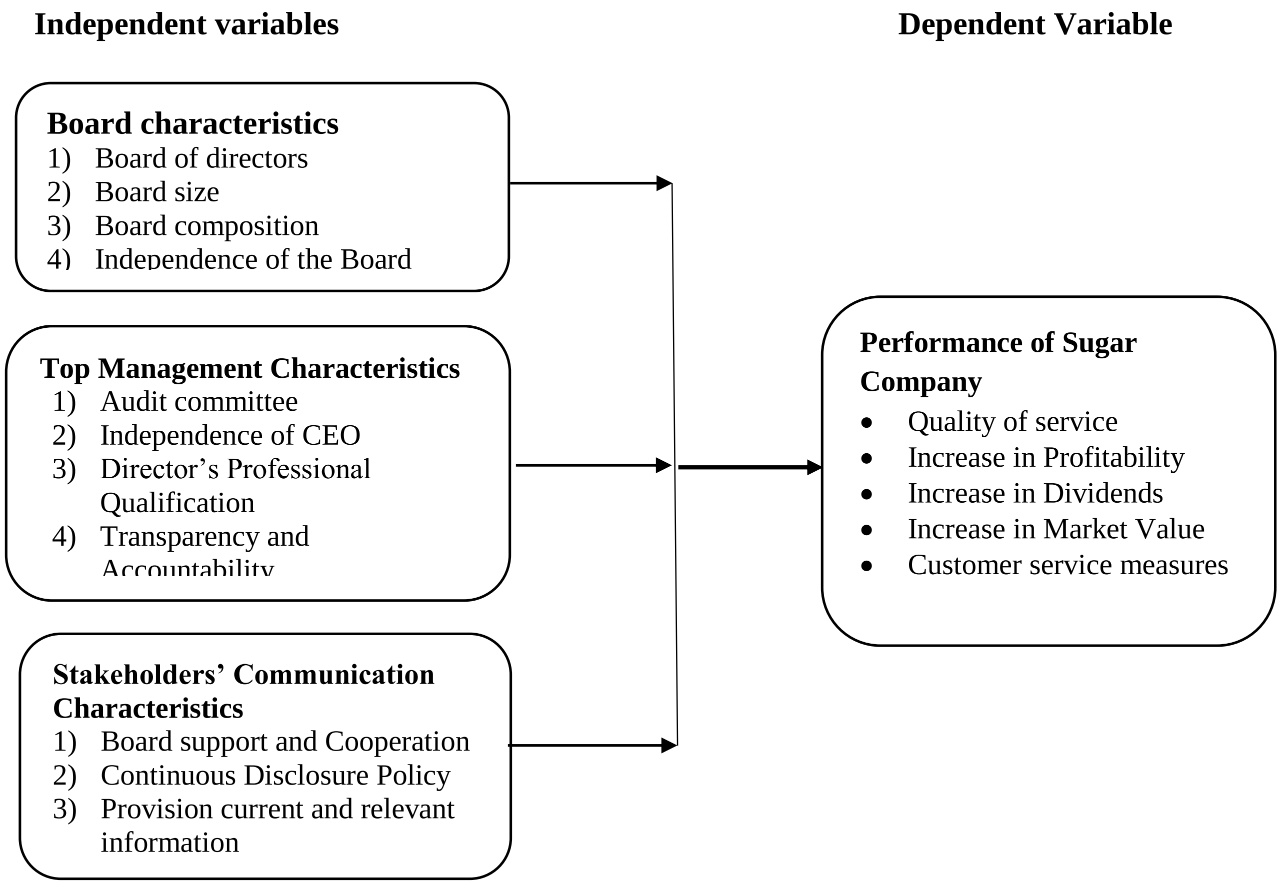
Some studies showed that the top management characteristics significantly influenced the firm performance (Klein, 2002; Anderson *et al.*, 2004). The study by Kyereboah-Coleman (2007) the fusion of the CEO and board offices negatively affected a firm's performance, as the firm had less access to debt finance. However, the study by Fosberg (2004) found that firms that separated the functions of the board and CEO had smaller debt ratios (Abor & Biekpe, 2005). So, there was lack of consensus on the relationship between board characteristics, top management characteristics, and stakeholder policy and firm performance, which presented scope for research on the effect of corporate governance on organizational performance to fill this gap.

2.4 Conceptual Framework

The framework for this study considered corporate governance as an independent variable a key component influencing the firm performance of sugar manufacturing industry. The conceptual framework for this study is illustrated in Figure 2.1. According to this framework, the corporate governance of sugar manufacturing industries is the independent variable whereas organizational performance is the dependent variable. Elements of corporate governance as shown in figure 1 include board characteristics, Top management characteristics, and Stakeholder communication characteristics.

FIGURE 1

Conceptual Framework



Source: Researcher (2015)

2.4.1 Explanation of the Conceptual Framework

The study proposed that the performance of sugar manufacturing industry is influenced by the corporate governance of the firms. The poor corporate governance in the sugar company has been a problem in the sugar industry thereby reducing the expected performance of these firms. The study therefore proposes that to ensure competitiveness and performance of the industry, new strategy based on good corporate governance should be instilled and maintained for enhancing business enterprises and attract investment hence efficiency and profitability. Performance indicators include; quality, teamwork and customer service measures this is based on; board characteristics, Top Management characteristics and Stakeholders' Communication Characteristics.

Board characteristics comprises of board of directors, board size, board composition and independence of the board. Top management characteristics in this study focused on audit committee, independence of CEO, director's professional qualification, transparency and accountability. Stakeholders' communication characteristics are formed within the corporate governance principles and best practices framework. The policy promotes effective communication with shareholders. Stakeholders' communication policy is based on; board support and cooperation, continuous disclosure policy, and provision of current and relevant information.

2.5 Operationalization of Variables

FIGURE 2

Operationalization of Variables

Research objective	Variable	Type of variable	Indicators	Scale of Measurement	Tool of Analysis
	Performance of Sugar companies	Dependent Variable	- Quality of service - Increase in Profitability - Increase in Dividends - Increase in Market Value - Customer service measures	Ordinal	Descriptive Regression Analysis
To analyze of board characteristics on performance of sugar companies in Kenya.	Board characteristics	Independent Variable	- Board of directors - Board size, - Board composition - Independence of the Board.	Ordinal	Descriptive Regression Analysis
To determine the influence of top management characteristics on performance of sugar companies in Kenya.	Top Management characteristics	Independent Variable	- Audit committee, - Independence of Chief Executive Officer, - Director's Professional Qualification, - Transparency and Accountability	Ordinal	Descriptive Regression Analysis
To establish the influence of stakeholders' communication characteristics on performance of sugar companies in Kenya.	Stakeholders' Communication characteristics	Independent Variable	- Board support and Cooperation - Continuous Disclosure Policy - provision current and relevant information	Ordinal	Descriptive Regression Analysis

Source: Author (2015)

2.6 Hypotheses of the study

Hypothesis 1

H_0: Board characteristics does not significantly influence performance of sugar companies in Kenya.

H_1: Board characteristics significantly influences performance of sugar companies in Kenya.

Hypothesis 2

H_0: Top management characteristics does not significantly influence performance of sugar companies in Kenya.

H_1: Top management characteristics significantly influences performance of sugar companies in Kenya.

Hypothesis 3

H_0: Stakeholders' communication characteristic does not significantly influence performance of sugar companies in Kenya.

H_0: Stakeholders' communication characteristic significantly influences performance of sugar companies in Kenya.

CHAPTER THREE

RESEARCH DESIGN METHODOLOGY

3.1 Introduction

This chapter is for the research methodology, which contains the research design, the target population, sampling, tools and techniques of data collection, pre-testing, validity, reliability, data analysis and ethical consideration.

3.2 Research Design

This study will used a descriptive research in soliciting information in the area of research on performance of Sugar companies in Kenya using corporate governance. The descriptive survey was used in describing the characteristics of existing phenomenon. Descriptive survey design was used since it provided insights into the research problem by describing the variables of interest. This was used for defining, estimating, predicting and examining associative relationships. This helped in providing useful and accurate information to answer the questions based on who, what, when, and how. (Kombo &Tromp, 2006).

3.3 The Target Population and Sampling

According to the definitions of target population, the universe is the entire group of persons or elements from which samples are taken (Kombo & Tromp, 2006). The target population was the 113 officers of Mumias Sugar Company as shown in Table 1.

TABLE 1
List of Respondents

Department	Officers
Agriculture	15
Commercial and supply chain	15
Executive	23
Marketing	15
Engineering	12
Others	33
Total	**113**

Source: Mumias Sugar (2015)

Since the target was small and easily manageable, the entire target population waste participate in the study as the sample population (all the officers located in Mumias), using census (a non-probability method). According to Mugenda and Mugenda (2003), census is the most appropriate when the target population is less than 100.

3.4 Data collection

The study collected data from primary sources. The Primary data was collected using structured questionnaires, which was closed ended questions. The structured questions allowed the respondents to reply to the same questions in a defined manner and the respondents had complete freedom of response. During data collection, the researcher provided guidance and clarifications on how to answer the questions. After receiving the questionnaire, the researcher confirmed and clarified issues arising during data collection, by conducting interviews (McNamara, 2009).

The researcher was then to seek audience with the respondents before starting to collect the data. The first step was to seek for permission to conduct research at Mumias Sugar Company from their Learning and development Manager before conducting the respondents.

Arrangements were then made on when and how to conduct the data collection. When collecting the primary data, the researcher assisted the respondents to fill the questionnaire and at the end they confirmed any issues arising out of the data supplied.

3.5 Instrumentation

3.5.1 Reliability and Validity

The study conducted a pilot test of the research instrument before administering it, in an attempt to test the reliability and validity of the research tool. The exercise was to enable the study to identify possible problems; clarify on the instrument and appropriateness of the language during the main study. The pilot also assessed the relevance of the research objectives; tested the respondents' understanding of the research questionnaires and any potential problems. It was also possible to establish how long it will take to complete the questionnaires.

The pilot testing also aimed at determining the validity of the research tools including the wording, structure and sequence of the questions. According to Kvale (2007) the pilot test is conducted to detect flaws and weakness in design and instrumentation and to provide data for selection of a probability sample. The pilot study was conducted on ten staffs of the government institutions, who did not participate in the data collection. The research tool was administered to the respondents who were allowed three days to respond.

Validity, which is the degree to which result obtained from analysis of the data actually represents the phenomenon under study, was done to test the tool for accuracy and meaningfulness using content validity test. This measured the degree to which data collected using a particular tool represents the specific domain of indicators or content of financial performance of sugar companies. The assessment of content validity was carried by two professional experts; corporate governance and finance experts. The corporate governance expert established what concept the instrument was trying to measure. The finance expert determined whether the sets of items can accurately measure the efficiency of characteristics. The Experts was requested to comment on the representativeness and suitability of questions and give suggestions on the structure of the tools. This helped to improve the content validity of the data that was collected.

Reliability was conducted to measure the degree to which research instruments yield consistent results (Mugenda and Mugenda, 2003; Cooper and Schindler, 2008). The data was tested for reliability to establish issues such as data sources, methods of data collection, time of collection, presence of any biasness and the level of accuracy. The test for reliability was established for the extent to which results was consistent over time. The researcher improved the instrument by reviewing or deleting inconsistent items from the instrument. The study tested reliability in the study using the internal consistency techniques the Cronbach Alpha method (Cronabch, 1979).Internal consistency of data is determined by correlating the scores obtained from one time with scores obtained from other times in the research instrument. The result of correlation is the Cronbach coefficient Alpha which is value between -1 and 1. The coefficient is high when its absolute value greater than or equal 0.5 otherwise it is low. A high coefficient implies high correlation between these items which means there is high consistency among the items and such items should retained in the tools. This study will correlate items in the instruments to determine how best they relate. Where the coefficient is very low, then the item will be reviewed by either removing it from the tool or correcting.

3.6 Data Analysis and Presentation

The collected data was first checked for errors of omission and commission. Then it was classified and coded accordingly. Descriptive analysis was carried out first for each variable to describe that variable and how it relates to corporate governance. This analysis was achieved using descriptive statistics. Descriptive statistics especially, frequencies, was applied to help establish patterns, trends and relationships, and to make it easier for the researcher to understand and interpret implications of the study. Secondly, Regression was then carried out to establish the association between the Independent Variables (IVs) and the Dependent Variable (DV).

3.7 Ethical Issues

To ensure that the research was done in an ethical manner, a letter from the university was obtained. The researcher first obtained an introductory letter from the university to collect data from Mumias Sugar Company. The researcher had a moral obligation to treat the sensitive information with utmost decorum. The researcher informed the respondents that the instruments being administered were for research purposes only and the respondent's identity would be kept confidential. For those respondents who were reluctant to disclose some information, the researcher reassured them of the use of the information and the confidentiality of identity of the informants.

CHAPTER FOUR

RESEARCH FINDINGS

4.1 Introduction

This chapter presents an analysis and presentation of the results obtained from the analysis of the study data. These results were represented pictorially, using of tables, charts, bar graphs for ease of understanding and were interpreted in form of narrative, with reference to the study objectives. These results are from data analyzed using quantitative analysis (originating from quantitative data). The data was analyzed by use of the Statistical Package for Social Science (SPSS) version 20.0.

4.2 Response Rate

The questionnaire (the data collection tool) was distributed to 113 respondents out of which 92 responded representing a 81.42% response rate. Only 18.58% failed to respond to the study. The analysis is shown in Table 2.

TABLE 2

Analysis by Response Rate

Respondent Category	Sample Size	Response	Response Rate
Agriculture	15	14	93.33
Commercial and supply chain	15	15	100.00
Executive	23	11	47.83
Marketing	15	13	86.67
Engineering	12	10	83.33
Others	33	29	87.88
Total	**113**	**92**	**81.42**

Source: Research Data (2015)

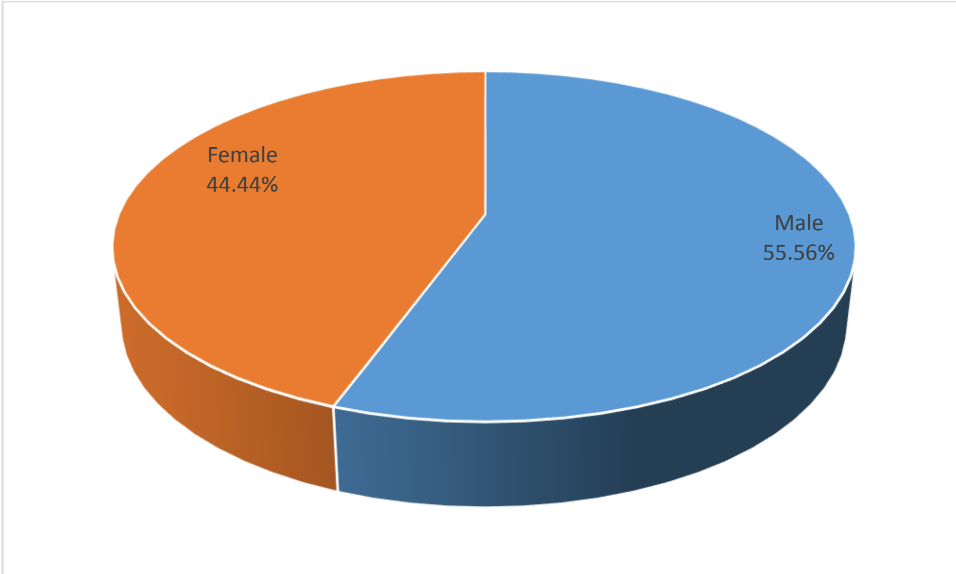
According to Mugenda and Mugenda (2003), a 50% response rate is adequate, 60% good and above 69% rated very high. Based on this assertion the response rate for this study can be said to be very good at 81.42%, which was high above 69%. Although the results were interpreted to indicate a very good response rate, a failure of 18.58% to respond might have been explained by some of the respondents being out of office by the time the study was being conducted. From these results, 93.33% of the agricultural officers responded while all the officers from the Commercial and supply chain department responded. As 87.88% of the officer from other departments responded, 86.67% of the officers from the marketing department responded and 83.33% of the engineering department officer responded. However, only 47.83% of the executives responded.

All those who responded to the study data collection, answered all the questions in the questionnaire quite well, providing adequate information that would assist in analysis. The answers were given by the right source and were accurate. The researcher highly appreciated this response and was very thankful to the subjects. In addition, the subjects responded positively to the interviews conducted to verify the questionnaire. Although the pilot testing took one week, the entire data collection exercise took two weeks.

4.3 Background Information

The respondents were requested to provide information the gender, by giving the number for each (female and male) and the results obtained were captured in figure 3.

FIGURE 3
Analysis by Respondents Sex

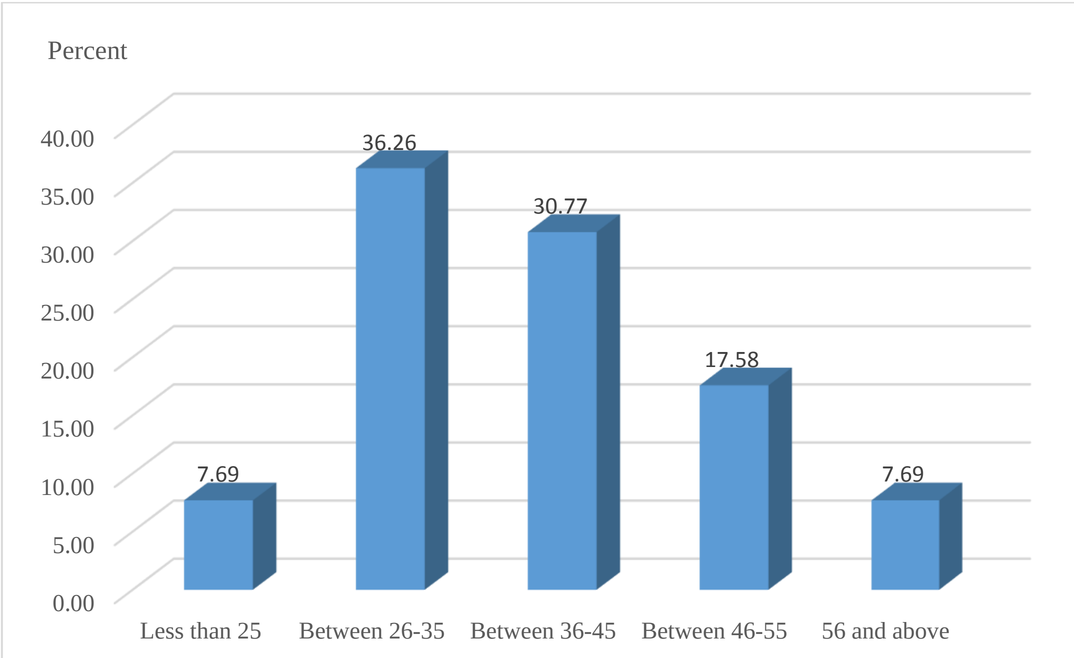


Source: Research Data (2015)

From the resuilts in figure III, it was shown that on average, the number of male were 55.56% and female were 44.44%. This is to say that the ration of male to female was almost the same, with a small margin. Neitherof gender was more than 2/3rd of the total population of the employees nor was it less than 1/3rd, a showing of gender diversity.

The respondents were requested to provide their age brackets, which were classified in the following categories; less than 25 years, between 26-35 years, between 36-45 years, between 46-55 years, and 56 and above years. The results obtained were capture figure 3.

FIGURE 4
Analysis by Respondents' Age



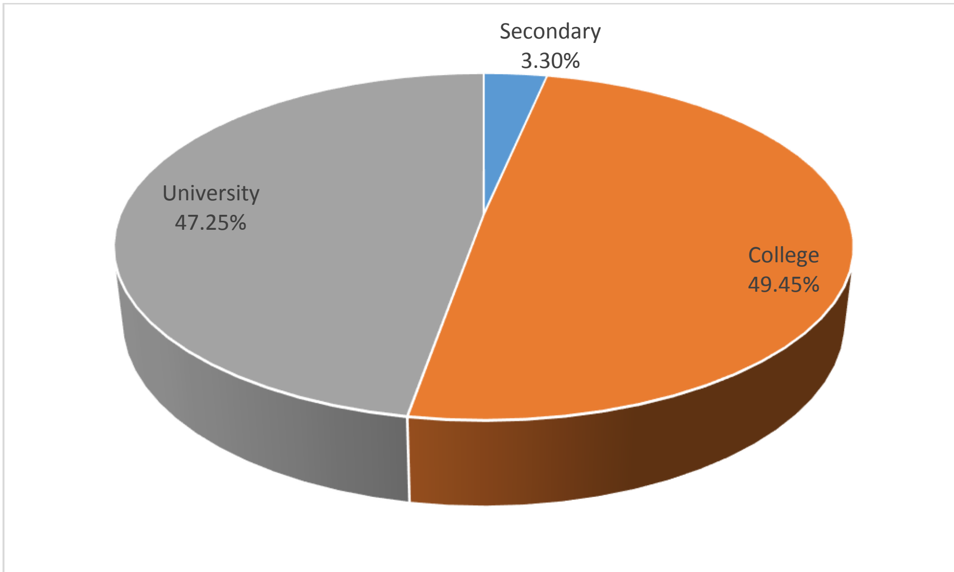
Source: Research Data (2015)

From the results obtained it was shown that most of the respodenst wereof tha ages between 26 and 35 years (36.26%), followed by those who were between 36 and 45 years (30.77%) and then those who were beween 46 and 56 years (17.56%). Those who were above 56 years formed 7.69%as another 7.69% showed that they were less than 25 years.

The repodents were requested to specify their highest level of academic qualifactions which was classifed as; secondary, college, university and others. The respodenst showed that they had secondary, college and university level ofeducation as their highest academic qualifactions. None of the respodents showed they had any other form ofqualifications. The results on academic qualifications was captured on figure 5.

FIGURE 5

Analysis by Highest Academic Qualification

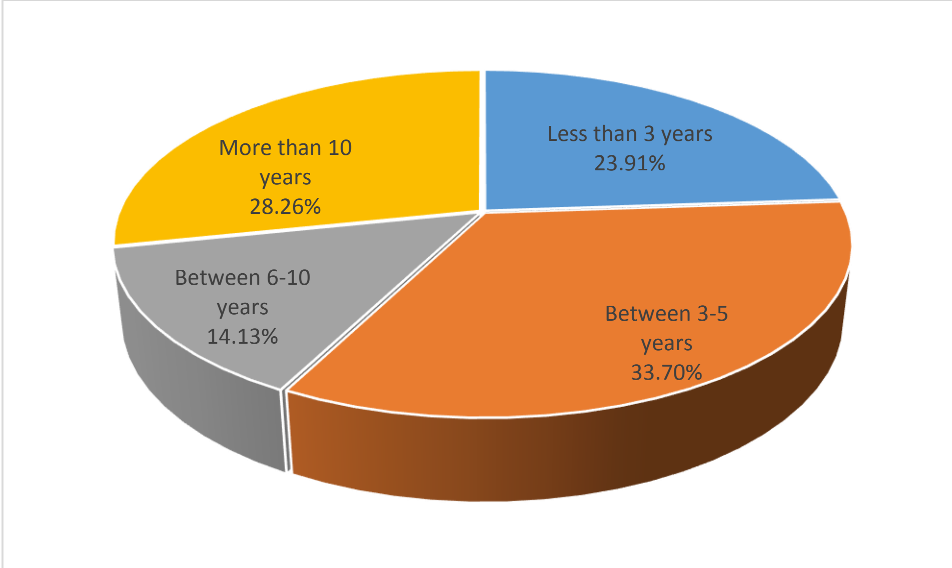


Source: Research Data (2015)

The results in figure 5 showed that most of respodents indicated that they have college certificates and diplomas (49.45%). They were followed by those who showed that they were university graduates (47.25%). The rest showed that they hadsecondary qualifications (3.30%) as their highest qualifications.

As regards respodents demographics, the respondents were requested to specify the time they had worked with the current employer based on the categories; less than 3 years, between 3-5 year, between 6-10 years, and more than 10 years. The results were represented in figure 6.

FIGURE 6
Number of years worked at the current Place



Source: Research data (2015).

The results in figure VI shows that most of the respondents (33.70%) indicated that they had been in the current employment for between three (3) and five (5) years. Those who had been in the current employment for more than 10 years were next (28.26%) and were followed by those who had been in that place for less than 3 years (23.91%). Lastly, those who had been in the current employment for between six (6) and 10 years were 14.13%.

4.3 Results on Descriptive Analysis

The study analyzed the data collected, based on the objectives, using descriptive to describe the study variables, which helped to establish the effects of the independent variable (IV) on the dependent variable (DV). The study carried out the analysis with respect to the study objectives. The analysis was based on the results obtained using a questionnaire, where all the questions used in the questionnaire, addressing the objectives, was measured on a 5 point Likert Scale (0,1,2,3 and 4). The study obtained the mean for each indicator, which was measuring an IV or the DV. Thereafter a mean for the DV and each IV was obtained using the mean of its indicators. Since the mean would have fraction, the study moderated the mean of these results to obtain the Statistics; 0 to 0.8 to represent “Strongly Disagree or Not at All”; above 0.8 – 1.6 to represent “Disagree or Low”, above 1.6 to 2.4to represent “Neutral or Moderate”; above 2.4 – 3.2to represent “Agree or High” and above 3.2 – 4.0to represent “Strongly Agree or Very High”.

4.3.1 Assessment of the Status of Firm Performance

In evaluating the dependent variables the study sought to assess the firm performance, using results obtained from the questions data. The results obtained were captured in table 3.

TABLE 3
Analysis by Status of firm Performance

Statement	Mean	Std Dev
The corporate governance in our company is in the front line to ensure that the company has quality of service	2.78	**0.99**
Our company corporate governance has always enhance high performance through increase in profitability	2.15	0.95
The corporate governance has always been ensuring the company has an increase in market value	2.26	0.90
The corporate governance performance have been ensuring Relevance in firm performance	2.22	0.78
Our corporate governance has always been ensuring that the company has increase in dividends	1.28	0.93
Our corporate governance have been ensuring Financial Viability on performance of the company	1.79	0.86
Corporate Governance	**2.08**	**0.90**

Source: Research Data (2015)

The results in table 3 showed that on overall, the status of firm performance moderate (Mean = 2.08, Std. Dev. = 0.90). The respondents strongly agreed that the corporate governance in their company was in the front line to ensure that the company had quality of service (Mean

= 2.78, Std. Dev.= 0.996). The respondents showed that their company corporate governance somehow enhanced high performance through increase in profitability (mean = 2.15, Std. Dev. = 0.95) and that sometimes the corporate governance ensured the company had an increase in market value (mean = 2.26, Std. Dev.= 0.90). It was also shown that the corporate governance performance sometimes had been ensuring relevance in firm performance (mean = 2.22, Std. Dev. 0.78).

The respondents further showed that the corporate governance had not been ensuring that the company increased the dividends (Mean = 1.28, Std. Dev. 0.93). On the last indicator of corporate governance, the respondents indicated that the corporate governance were sometimes ensuring financial viability on performance of the company (Mean = 1.79, Std. Dev. = 0.86). In a nutshell, status of company firm performance was moderate, which mean that it was neutral (Mean = 2.08, Std . Dev. 0.90), that is between high and low.

4.3.2 Board Characteristics and Performance of Sugar Companies

The study sought to establish the effect of board characteristics on performance of sugar companies in Kenya, using the study data, and the results obtained were captured in table 4.

TABLE 4
Effects of Board Characteristics on Performance of Sugar Companies

Indicator	Mean	Std Dev
The Board fully supports vision, mission and strategies of the Company	2.32	1.00
The Board has established strong systems of Internal controls	1.08	1.04
The Board size is adequate for the Company	2.89	0.79
The board composition is balanced and good for the Company	2.84	0.76
The CEO has control over the Board of Directors	2.14	0.60
Board Characteristics	**2.25**	**0.84**

Source: Research Data (2015)

The results on Board Characteristics, in table IV showed that in general, the respondents had indicated that board characteristics moderately affected the performance of sugar company(mean 2.25, Std Dev. = 0.84). According to the respondents, the Board of directors moderately supported the vision, mission and strategies of the company (mean 2.32, Std Dev. = 1.00) and the Board had established weak systems of internal controls(Mean = 1.08, Std. Dev. = 1.04). They also showed that the Board size was adequate for the Company(mean = 2.89, Std. Dev. 0.79). It was further shown that the board composition was balanced and good for the Company (mean = 2.84, Std. Dev. = 0.76) and CEO had moderate control over the Board of Directors(mean = 2.14, Std. Dev. = 0.60).

4.3.3 Top Management Characteristics and Performance of Sugar Companies

The study also sought to determine the influence of top management characteristics on performance of sugar companies in Kenya and the results recorded in Table 5.

TABLE 5
Top Management Characteristics and Performance

Indicator	Mean	Std Dev
There is Quality Audit committee engagement	1.35	1.06
The CEO is Independent when making decisions	1.65	0.41
There is high professional qualification of the directors	2.90	0.59
Transparency and accountability of the directors is upheld	1.36	0.94
Top Management Characteristics	**1.82**	**0.75**

Source: Research Data (2015)

The results in table V show that on overall top management characteristics moderately influenced the performance of sugar companies (Mean = 1.82, Std. Dev. 0.75). This was to say that top management characteristics were moderate when the performance of sugar companies was moderate too. The respondents showed that there was low quality audit committee engagement (mean 1.35, Std. Dev. 1.06) and the CEO was not always independent when making decisions(Mean = 1.65, Std. Dev. 0.41), which means that the CEO was moderately independent when making decisions. They further strongly showed there were high professional qualification of the directors (Mean = 2.90, Std. Dev. 0.59). It was shown that transparency and accountability of the directors was lowly upheld(Mean = 1.36, Std. Dev. 0.94), indicating low level of transparency and accountability of the BOD.

4.3.4 Stakeholders' Communication Characteristics and Performance

The study sought to establish the influence of stakeholders' communication characteristics on performance of sugar companies in Kenya and the results recorded in table 6.

TABLE 6
Stakeholders' Communication Characteristics on Performance

Indicator	Mean	Std Dev
The Board supports and Cooperates with the stakeholders	2.38	.98
There is a Continuous Disclosure Policy to the stakeholders	1.88	.81
The board Provides current and relevant information to stakeholders	1.35	.94
Stakeholders' Communication Characteristics	**1.87**	**.91**

Source: Research Data (2015)

The results obtained in table VI showed that Stakeholders' Communication Characteristics moderately affected performance of sugar companies in Kenya (Mean = 1.87, Std. Dev. = 0.91). From the results, the respondents showed that the board moderately supported and cooperated with the stakeholders(Mean = 2.38, Std. Dev. = 0.98) and there was moderate continuous disclosure policy to the stakeholders(Mean = 1.88, Std. Dev. = 0.81). It was also shown that the board rarely provided current and relevant information to stakeholders (Mean = 1.35, Std. Dev. = .94).

4.4 Inferential Analysis

The study sought to establish whether the independent variables; board characteristics, top management characteristics, and stakeholders' communication characteristics were predictors of dependent variable, performance of sugar company in Kenya. The study therefore tested for existence of significant relationship between the independent variable and the dependent variable. Multiple regressions was carried out to estimate a model that explained performance of sugar companies in Kenya in terms of board characteristics, top management characteristics, and stakeholders' communication characteristics. In order to achieve this, the study used the mean of mean to obtain indices for all the variables. A mean of means was obtained from all the indicator of each variables to get the index for that variable.

4.4.1 Diagnostic Tests on Study Variables

Before estimating the model, the study first tested the data for normality. The study tested for normality using the sample population size of greater than 50. The results obtained are in Table 7.

TABLE 7
Results of Normality tests on Study variables

Study Variables	p-value
Performance Of Sugar Companies	0.379
Board Characteristics	0.686
Top Management Characteristics	0.364
Stakeholders' Communication Characteristics	0.281

Source: Research data (2015)

The results in table 7 showed that the p-value for; Board Characteristics was 0.686; Top Management Characteristics was 0.364; Stakeholders' Communication Characteristics was 0.281; and Performance of Sugar Companies was 0.379. From the results it was found that the p-value for each respective variable was greater than 0.05, indicating that the data were normally distributed. Data is normally distributed, when each p-value of the study variables is greater than 0.05.

The study then tested existence of multi-collinearity in the independent variables to ensure that no variable in the model that was measuring the same relationship as was measured by another variable or group of variables. Mutli-collinearity exists when Variance Inflation Factor (VIF) is greater than 10 and Tolerance is greater than 1. The results obtained were captured in Table 8.

TABLE 8
Results of Multi-collinearity Tests on Independent variables

Study Variable	**Collinearity Statistics**	
	Tolerance	VIF
Board Characteristics	0.558	1.793
Top Management Characteristics	0.671	1.490
Stakeholders' Communication Characteristics	0.618	1.617

Source: Research Data (2015)

The results in table VIII showed that the tolerance for; Board Characteristicswas 0. 558; Top Management Characteristics was 0.671; and Stakeholders' Communication Characteristicswas 0.618. The tolerance for all predictor variables were greater than 0.1 or 10%, so the study concluded that there were no multi-collinearity among them. So the estimators computed were considered reliable to estimate the model.

4.4.2 Regression Model

The study first carried out correlation analysis, using Pearson correlation to establish whether there was any relationship between the IVs and the DV. The results were recorded in Table 9.

TABLE 9

Correlation Analysis

Correlations

		Firm Performance	Board Characteristics	Top Management Characteristics	Stakeholders' Communication Characteristics
Firm Performance	Pearson Correlation	1	.619**	.550**	.571**
	Sig. (2-tailed)		.000	.000	.000
	N	92	92	92	92
Board Characteristics	Pearson Correlation	.619**	1	.544**	.593**
	Sig. (2-tailed)	.000		.000	.000
	N	92	92	92	92
Top Management Characteristics	Pearson Correlation	.550**	.544**	1	.468**
	Sig. (2-tailed)	.000	.000		.000
	N	92	92	92	92
Stakeholders' Communication Characteristics	Pearson Correlation	.571**	.593**	.468**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	92	92	92	92

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Research Data (2015)

The results in table 10 show that the relationship between each IV and DV was high since the correlation coefficient (r) for each comparison between an IV and DV was greater 0.5. The result show that board characteristics had the highest relationship (r = .619), followed by stakeholders' communication characteristics (r = .571), and lastly internal top management characteristics (r = .550).

The results of correlation analysis in table 9 also show that all the IV; board characteristics, top management characteristics, and stakeholders' communication characteristics, were significantly related to performance of sugar companies, since the p-value for each was less than 0.05. From the results; board characteristics (r = .619, p-value = .000), stakeholders' communication characteristics influence ($r = .571$ $p = .000$), and internal top management characteristics($r = .550$, p-value = .000) were significantly related to performance of sugar companies.

Multiple regression was then carried out on the IV (board characteristics, top management characteristics, and stakeholders' communication characteristics) against the dependent variable (performance of sugar companies) to estimate the model, since they had shown to have a significant relationship.

The IVs and DV were then regressed to estimate the study model. The analysis used the model was

$SW = \beta_0 + \beta_1 X1 + \beta_2 X2 + \beta_3 X3 + \varepsilon$………………………………………………………... (i)

Where;

β_0 is a constant

$\beta_{1-}\beta_3$ are coefficients of SP, CI, LF, and MP

Y - Firm Performance of Sugar Companies

X1 - Board Characteristics

X2 - Top Management Characteristic

X3 - Stakeholders' Communication

The study obtained result shown in Table 10.

TABLE 10

Results of Regression of Firm Performance and its determinants

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	T	Sig.
(Constant)	.346	.246		1.406	.163
Board Characteristics	.450	.139	.329	3.226	.002
Top Management Characteristics	.132	.049	.250	2.690	.009
Stakeholders' Communication Characteristics	.242	.090	.259	2.671	.009

Source: Research data (2015)

From table 10, the estimated equation is;

Y = .346 + .450X1 + .132X2 + .242X3 ……………………………………….... (ii)

The table showed that all the variables; board characteristics, top management characteristics, and stakeholders' communication characteristics had positive coefficients, which showed that they were directly proportional to firm performance of sugar companies. This means that an increase in any of IVs; board characteristics, top management characteristics, and stakeholders' communication characteristics lead to increase in performance of sugar companies and any decrease in any of IVs; board characteristics, top management characteristics, and stakeholders' communication characteristics would lead to decrease in performance of sugar companies.

The study used the following hypotheses to test for board characteristics;

H_0: A Board characteristic does not significantly influence performance of sugar companies in Kenya.

H_1: Board characteristics significantly influence performance of sugar companies in Kenya.

From these results, T= 3.226 p-value= .002. Since $p < .05$ then the null hypothesis is rejected and the alternative hypothesis accepted. At the $\alpha = 0.05$ level of significance, there exists enough evidence to conclude that the board characteristics is not zero and, hence, that board characteristics is useful as a predictor of performance of sugar companies in Kenya.

The top management characteristics was tested using the hypotheses;

H_0: A top management characteristic does not significantly influence performance of sugar companies in Kenya.

H_1: Top management characteristics significantly influences performance of sugar companies in Kenya.

From these results, T= 3.690 p-value= .009. Since $p < .05$ then the null hypothesis is rejected and the alternative hypothesis accepted. At the $\alpha = 0.05$ level of significance, there exists enough evidence to conclude that the top management characteristic is not zero and, hence, that top management characteristic is useful as a predictor of performance of sugar companies in Kenya.

Lastly, stakeholders' communication characteristics was tested using the hypotheses;

H_0: Stakeholders' communication characteristic does not significantly influence performance of sugar companies in Kenya.

H_1: Stakeholders' communication characteristic significantly influences performance of sugar companies in Kenya.

From these results, T= 2.671, p-value= .009. Since $p < .05$ then the null hypothesis is rejected and the alternative hypothesis accepted. At the $\alpha = 0.05$ level of significance, there exists enough evidence to conclude that the stakeholders' communication characteristics is not zero and, hence, that stakeholders' communication characteristics is useful as a predictor of performance of sugar companies in Kenya.

The study then analyzed the study model for the performance of sugar companies in terms of board characteristics, top management characteristics, and stakeholders' communication characteristics. The results were recorded in table 11.

TABLE 11
Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
				R Square Change	F Change	df1	df2	Sig. F Change
.699a	0.489	0.472	0.5362	0.489	28.087	3	88	0.000

a. Predictors: (Constant), Stakeholders' Communication Characteristics, Top Management Characteristics, Board Characteristics

Source: Research data (2015)

The results in table 11 indicated that 47.20% of variation in performance of sugar companies is explained by board characteristics, top management characteristics, and stakeholders' communication characteristics. In conclusion, all the three IVs (board characteristics, top management characteristics, and stakeholders' communication characteristics) could significantly predict the DV (performance of sugar companies) and any increase in any of the IVs would lead to an increase in performance of sugar companies.

The study then obtained an Analysis of Variance (ANOVA) and these results are captured in Table 12.

TABLE 12
Analysis of Variance (ANOVA)

	Sum of Squares	Df	Mean Square	F	Sig.
Regression	24.226	3	8.075	28.087	.000[b]
Residual	25.301	88	.288		
Total	49.527	91			

a. Dependent Variable: Firm Performance
b. Predictors: (Constant), Stakeholders' Communication Characteristics, Top Management Characteristics, Board Characteristics

Source: Research Data (2015)

The study interpreted the ANOVA analysis to test the study model by using an hypothesizing that H_0: $\beta_1=\beta_2= \beta_3 = 0$ (i.e. the coefficient of stakeholders' communication characteristics, top management characteristics, board characteristics respectively are all zero)

H_α: At least one $\beta_i \neq 0$

H_0 is accepted if p-value >.05 (at 5% level of significance)

H_0 is reject if p-value <=.05 (at 5% level of significance) and H_α: is accepted

From Table 12, it can be observed that p-value = .000, since p-value <.001< .05 (F=28.087, P-value=.000), then we reject then null hypothesis and accepted the alternative hypothesis. So, at the 5% significance level (i.e. α=0.05, level of significance), there exists enough evidence to conclude that at least one of the predictors; board characteristics, top management characteristics, and stakeholders' communication characteristics, is useful explaining performance of sugar companies. The results on hypothesis testing were summarized in table 13 based on the study objectives

TABLE 13
Summary of Inferential Results Related Objectives

Objective	**Results**
Objective 1 To establish the influence of board characteristics on performance of sugar companies in Kenya.	p=0.002 which is less than 0.05.
Objective 2 To determine the influence of top management characteristics on performance of sugar companies in Kenya.	p=.009 which is less than 0.05
Objective 3 To establish the influence of stakeholders' communication characteristics on performance of sugar companies in Kenya.	p=0.009 which is less than 0.05.

Source: Research data (2015)

From Table 13 the following conclusions are made:

i. On objective 1 the study concludes that board characteristics influences performance of sugar companies in Kenya.

ii. On objective 2 the study concludes that top management characteristics influences performance of sugar companies in Kenya.

iii. On objective 3 the study concludes that stakeholders' communication characteristics influences performance of sugar companies in Kenya.

CHAPTER FIVE

SUMMARY, DISCUSSIONS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides the summary of findings, discussions on the findings based literature reviewed and conclusions reached from the study findings as well as the recommendations based on the findings. It further highlights the research gaps the researcher felt should be filled by further research as well the limitations of the study.

5.2 Summary of Findings

The results were summarized based on the study objective to; establish the effect of board characteristics on performance of Sugar Companies in Kenya, determine the influence of top management characteristics on performance of Sugar Companies in Kenya, and establish the influence of stakeholders' communication characteristics on performance of Sugar Companies in Kenya.

5.2.1 Summary of Background Information

The study response rate was high (81.42%) and according to Mugenda and Mugenda (2003), a response rate above 70% was very high and impressive. Although there was a very good response rate, the failure of 18.58% to respond might have been explained by some of the respondents being out of office by the time the study was being conducted. All those who responded answered all the questions in the questionnaire quite well without leaving any questions unanswered. The answers were given by the right source and were accurate. The researcher highly appreciated this response and was very thankful to the subjects. In addition, the subjects responded positively to the interviews conducted to verify the questionnaire. Although the pilot testing took one week, the entire data collection exercise took two weeks.

The ratio of male to female was very impressive. This to say that the male were less than 2/3rd of the the total population and the female were more than 1/3rd of the total number of employees. The compostion were in agreement to the 2/3rd rule enshrined in the constitution of Kenya (RoK, 2010) to ensure gender equality.The study found that most of the respodenst were of tha ages between 26 and 35 years (36.26%). Most of the respodents were college graduates (49.45%), followed by university graduates (47.25%) and most of the respondents (33.70%) had been in the current employment for between three 3 and 5 years.

5.2.2 Findings on Status of Firm Performance

The study found that the status of firm performance was moderate (Mean = 2.09, Std. Dev. = 0.90), which was between high and low. The indicators of firm performance were found to range between high and low. For instance, the corporate governance was found to be always in the front line to ensure that the company had quality of service (Mean = 2.78, Std. Dev.= 0.996) and it somehow enhanced high performance through increase in profitability (mean = 2.15, Std. Dev. = 0.95). The study found that sometimes the corporate governance ensured the company had an increase in market value (mean = 2.26, Std. Dev.= 0.90) and its performance sometimes had been ensuring relevance in firm performance (mean = 2.22, Std. Dev. 0.78). However, the study found that the corporate governance had not been ensuring that the company increased the dividends (Mean = 1.28, Std. Dev. 0.93) and it was sometimes ensuring financial viability on performance of the company (Mean = 1.79, Std. Dev. = 0.86).

5.2.3 Findings on Board Characteristics

It was found that the board characteristics moderately affected the firm performance of sugar companies in Kenya. The indicators of the board characteristics were found to be high, moderate or low. The study found that the board of directors moderately supported the vision, mission and strategies of the companies and the BOD had established weak systems of internal controls. The study further found that board size was adequate for the Companies and that the board composition was balanced and good for the Companies. It was found that the CEO did not have significant control over the Board of Director.

5.2.4 Findings on Top Management Characteristics

The study found that the top management characteristics moderately influenced the performance of sugar companies. This was to say that top management characteristics was moderate when the performance of sugar companies was moderate too. Its indicators were also found to have been moderate or low. For instance, the study found that there was low quality audit committee engagement and the CEO was not always independent when making decisions. Although the study found that there were high professional qualification of the directors it found that transparency and accountability of the directors was lowly upheld, indicating low level of transparency and accountability of the academically endowed BOD.

5.2.5 Findings on Stakeholders' Communication Characteristics

The study found that stakeholders' communication characteristics moderately affected performance of sugar companies in Kenya. The indicators of stakeholders' communication characteristics moderately were either moderate of low. The study found that board moderately supported and cooperated with the stakeholders and there was moderate continuous disclosure policy to the stakeholders. However, the study found that the board rarely provided current and relevant information to stakeholders.

5.2.5 Findings Relationship between the IVs and the DV

Lastly the study found that all the three variables; board characteristics, top management characteristics, and stakeholders' communication characteristics would significantly predict the firm performance of sugar companies in Kenya. In fact, 47.20% of change in performance of sugar companies is explained by board characteristics, top management characteristics, and stakeholders' communication characteristics. Further it was found that an increase in any of the variables would lead to an increase in performance of sugar companies.

5.3 Discussions of Study Findings

The study carried out discussions on the findings, based on the research objective, and relating it to the literature reviewed. The study used the empirical review to justify the findings and indicating the gaps filled.

5.3.1 Discussions on Firm Performance

The study found that the status of firm performance was moderate. This was confirmed by the study of Atieno (2009), which found that there is low sugarcane production, low quality due to poor sugar yields (capacity underutilization, poor returns for farmers an indication of miserable performance). This means that there is unstained performance in outputs from one year to the next with a downward drip. Further Waswa and Netondo (2014) study found that the industry has been constantly under threat of collapsing possibly a situation perceived to be as a result of corporate governance's poor industry policies and structures that fail to address basic problems that would assist performance of sugar companies. As a result the Sugar sector has landed into a pathetic decay and dilapidation situation, even after Government of Kenya's continuous bail out of the sugar industries. KSB (2014) has also shown that the sugar production in Kenya collapsed because of dismal performance.

The status is evidenced by low quality of service, lack of substantial profitability, low market value and lack of dividend declarations. This means low financial viability on performance of the companies. The study by Mbalwa, *et al*. (2014) found that lack of sound corporate governance would lead to poor performance of organizations throughout the world as well as suppressing sound and sustainable economic decisions. This was exactly what the present study found.

5.3.2 Discussions on Board Characteristics

The study found that board characteristics affected the firm performance of sugar companies in Kenya. The indicators of the board characteristics were found to be either high, moderate or low. The study found that the board of directors moderately supported the vision, mission and strategies of the companies and the BOD had established weak systems of internal controls.

The study further found that board size was adequate for the Companies, which would have enhanced performance as found by the studies carried out by Yoshikawa and McGuire (2008), Cheng (2008), Jenson (2010) which showed that larger boards reduced the domination by the CEO and the size of the board reflects high firm performance and there is a positive association between board size and performance (Kyereboah-Coleman, 2007; Kajola, 2008). The study of Kyereboah-Coleman (2007) also indicated that large boards enhanced shareholders' wealth more positively than the case was in smaller ones.

It was found that the CEO did not have significant control over the Board of Director, which would have affected the performance as found in the study by Kajola (2008), which found a positive and statistically significant relationship between performance and separation of the office of the chair of the board and CEO. The study found that board composition was balanced and good for the Companies. The findings in the studies was affirmed by Jensen (2009) which established that as board size increases, its ability to monitor management decreases due to a greater ability to avoid an increase in decision-making time (Hermalin & Weisbach, 2007).

5.3.3 Discussions on Top Management Characteristics

It was found that the top management characteristics also influenced the performance of sugar companies. There was low quality audit committee engagement and the CEO was not always independent when making decisions and transparency and accountability of the directors was lowly upheld, indicating low level of transparency and accountability of the scholastically intelligent BOD. This agrees to the studies by Klein (2002) and Anderson, Mansi and Reeb (2004) which found that there was a strong association between internal audit committee and firm performance. the study by Gompers and Metrick (2003) submitted that the evidence of a positive association between corporate governance and firm performance had little to do with the agency explanation. Studies by Cornett et al. (2008); Ravina and Sapienza (2009) found better performances for firms with boards of directors dominated by outsiders.

Further, Bhagat and Black (2006) found that poorly performing firms were more likely to increase the independence of their board. Thus, the relationship between the proportion of outside directors and firm performance is mixed. However, study by Sanda *et al*. (2003) indicated that firms with higher number of outside directors bring about low financial leverage with a high market value. Brownbridge (2007) study indicated that boards should be ready to increase meetings frequency if the situation requires a high supervision and control. Bebchuk and Weisbach (2009), Ravina and Sapienza, (2009) Corroborated that the higher ratio of independent directors led to better firm performance. From the study by Alon Brava *et al*. (2006), corporate governance is a necessary ingredient for the firm performance.

These findings are important for the performance of firms as the study by Macpherson and Holt (2007) argues that performance cannot be achieved without managerial capabilities to provide specialist functions and processes designed to support and exploit innovative actions. It requires strategic motivations and decisions which we label growth intentions (Dutta and Thornhill, 2008). Furthermore, it is believed that the management of these firms plays a major role in fostering their strategic intention to growth.

5.2.4 Discussions on Stakeholders' Communication Characteristics

The study found that stakeholders' communication characteristics also affected performance of sugar companies in Kenya. The study found that board moderately supported and cooperated with the stakeholders and there was moderate continuous disclosure policy to the stakeholders. These study n confirm findings in the study by Ongore and K'Obonyo (2011) which revealed that relationship between ownership concentration and performance was significant. The results in the study by Ongore and K'Obonyo (2011) also show significant positive relationship between managerial discretion and performance. Collectively, these results are consistent with pertinent literature with regard to the implications of government and institutional ownership forms, but pointedly differ concerning the effects of ownership concentration and diverse ownership on performance.

5.3 Conclusions

The study concludes that firm performance of sugar companies in Kenya is moderate as is characterized by the average moderate performance of its indicators; moderate quality of service, moderate increase in profitability, moderate increase in market value, moderate relevance in firm performance, low increase in the dividends and moderate financial viability on performance of the company .

The study concludes that firm performance of sugar companies in Kenya is influenced by corporate governance, since the indicators of corporate governance; board characteristics, top management characteristics; and stakeholders' communication characteristics are established to predictors of firm performance of sugar companies in Kenya. All the p-values of; board characteristics, top management characteristics; and stakeholders' communication characteristics are all below .05 significance level.

The study established that board characteristics highly affects the performance of Sugar Companies, since when the board characteristics is moderate, the firm performance is moderate too. Further; board characteristics is a predictors of firm performance of sugar companies in Kenya. It was established that board characteristics was indicated by; board of directors, board size, board composition, independence of the board. The study established that top management characteristics highly influenced the performance of sugar companies, since when the firm performance was moderate the top management characteristics was also moderate and top management characteristics was a predictors of firm performance of sugar companies in Kenya. Audit committee, independence of CEO, director's professional qualification, and transparency and accountability are suitable indicators of top management characteristics.

The study revealed that stakeholders' communication characteristics highly affected performance of sugar companies in Kenya owing to the finding that when stakeholders' communication characteristics is moderate the firm performance of sugar companies in Kenya too. Further stakeholders' communication characteristics is found to be a predictor of firm performance of sugar companies in Kenya. Board support and cooperation, continuous disclosure policy, and provision current and relevant information were established to be good predictors of stakeholders' communication characteristics.

5.4 Policy Recommendations

The study made policy recommendation based on the findings and study objectives. First, the sugar companies in Kenya should address the issues of board characteristics in their firm through establishment of effective policies and strategies. Although the board size might be adequate and that the board composition is balanced and good for the Companies as stated in the government regulations, the companies should go further to include more supervisory regulations that would ensure performance contracting of the BOD and the CEO. This should be directed to ensure that the board of directors fully supports the vision, mission and strategies of the companies. The issues pertaining persistence of weak systems of internal controls should be addressed by establishing proper accountability structures.

Secondly, the sugar companies in Kenya should establish systems and policies to audit and trail the top management performance of sugar companies. New polices should be established to ensure that the internal and external audits are effective and thereby ensure that there is quality audit committee engagement in the company mattes. The decisions of the CEO should be independent and verifiable by external processes. Additional systems should be established to audit and verify such decisions. The companies should set regulation and policies on the transparency and accountability of the directors and the CEO. These should trim the powers and behaviors of the agents so that they uphold high levels of transparency and accountability in orders for the sugar industries to be on the forefront in the achievement of sustainable millennium goals.

Thirdly, the sugar companies in Kenya should significantly review the Stakeholders' Communication polices to pave the stakeholders at the lead as regards availability of all information relating to performance of these companies. The companies should ensure that the stakeholders are also informed beforehand of any happenings in their investments. The policies should be directed to ensuring that the stakeholders are supported and there is cooperation between the corporate governance and the stakeholders. The reviewed policies should significantly address the continuous disclosure policy to the stakeholders and thereby ensure that the most current and relevant information to stakeholders is always made available as and when appropriate, hence realizing the vision 2030.

5.5 Recommendations for further study

The present study established that performance of these companies is influenced by corporate governance factors; board characteristics, top management characteristics; and stakeholders' communication characteristics. It was established that 47.20% of change in performance of sugar companies is explained by board characteristics, top management characteristics, and stakeholders' communication characteristics. However, this study did not explain what influences the remaining 52.80%. So another study needs to be done to explain others factors that influence the performance of these companies in Kenya.

Secondly, the study was done in Mumias Sugar Company only, which represents about 50% of sugar production in Kenya. This does not representation the entire sugar industry. There is therefore a need to conduct comprehensive study on the entire sugar industries in Kenya.

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APPENDICES

APPENDIX II

INTRODUCTION LETTER

Date: September 2015.

Dear Participant,

My name is Ben Simiyu and I am a Masters student at KCA University. For my final project, I am analyzing corporate governance as a strategy to address the performance of sugar Manufacturers in Kenya. Because you are a key person in the Sugar Industry, I am inviting you to participate in this research study by completing the attached surveys.

The following questionnaire will require approximately fifteen to twenty minutes completing. There is no compensation for responding nor is there any known risk. In order to ensure that all information will remain confidential, please do not include your name. If you choose to participate in this project, please answer all questions as honestly as possible and return the completed questionnaires promptly to my enclosed stamped envelope.

Thank you for taking the time to assist me in my educational endeavors. The data collected will provide useful information regarding Good Corporate Governance as a strategy for addressing Sugar Industry performance in Kenya.

Copies of the project will be provided to the University Library. If you would like a summary copy of this study, please complete and detach the Request for Information Form and return it to me in a separate envelope.

If you are not satisfied with the manner in which this study is being conducted, please, report (anonymously if you so choose) any complaints to the dean KCA School of Business, P. O Box 23604 00100, Nairobi.

Sincerely,

Ben Simiyu

O720658072, bsnyongesa@hotmail.com

APPENDIX 11

QUESTIONNAIRE

SECTION A: BACKGROUND INFORMATION

Tick (√) as appropriate

1. Please indicate your gender
   Male ( )   Female ( )

2. Please indicate your age category
   Less than 25 ( )   Between 26-35 ( )
   Between 36-45 ( )   Between 46-55 ( )
   56 and above ( )

3. Please indicate your highest level of Education

   Secondary ( )   College ( )   University ( )

   Others ( ) Specify…………………………………………………….

4. Please indicate your area of operations

   Agriculture ( )   Commercial and supply chain ( )

   Executive ( )   Marketing ( )   Engineering ( )

   Others ( ) Specify …………………………………………………….

5. Please indicate the number of years you have worked

   Less than 3 years ( )   Between 3-5years ( )

   Between 6-10 years ( )   More than 10 years ( )

SECTION B: FIRM PERFORMANCE

6. Please indicate your level of agreement or disagreement with the following statements in regards to firm performance at your place of work. Please tick (√) the space corresponding to the correct answer in each question below.

Scale: Strongly Disagree = 0: Disagree= 1: Neutral = 2: Agree =3: Strongly Agree = 4

	Performance Statement	0	1	2	3	4
a	The corporate governance in our company is in the front line to ensure that the company has quality of service					
b	Our company corporate governance has always enhanced high performance through increase in profitability					
c	The corporate governance has always been ensuring the company has an increase in market value					
d	The corporate governance performance have been ensuring Relevance in firm performance					
e	Our corporate governance has always been ensuring that the company has increase in dividends					
f	Our corporate governance have been ensuring financial viability on performance of the company					

SECTION C: BOARD CHARACTERISTICS

7. Board characteristics play a crucial role in the practice of good corporate governance on ensuring performance. Please indicate in your own opinion how each of the following indicators of board characteristics would influence performance of your company. For each indicator indicate the level of influence by ticking (√) on the space corresponding to the correct answer in each question below.

Scale: Strongly disagree= 0; Disagree = 1; Neutral = 2; Agree= 3; strongly agree = 4

	Board Characteristics Indicator	0	1	2	3	4
a	The Board of directors fully supports the vision, mission and strategies of the Company					
b	The Board has established strong systems of Internal controls					
c	The Board size is adequate for the Company					
d	The board composition is balanced and good for the Company					
e	The CEO has control over the Board of Directors					

SECTION D: TOP MANAGEMENT CHARACTERISTICS

8. Managers improve an organization's corporate governance and help on ensuring performance of the firm. Please indicate in your own opinion how each of the following indicators of top management characteristics would influence performance of your Company. For each indicator indicate the level of influence by ticking (√) on the space corresponding to the correct answer in each question below.

Scale: Strongly disagree= 0; Disagree = 1; Neutral = 2; Agree= 3; strongly agree = 4

	Top Management Characteristics Indicator	0	1	2	3	4
(a)	There is Quality Audit committee engagement					
(b)	The CEO is Independent when making decisions					
(c)	There is high professional qualification of the director's					
(d)	Transparency and accountability of the directors is upheld					

SECTION E: STAKEHOLDERS' COMMUNICATION CHARACTERISTICS

9. A company can have good corporate governance through active participation by the stakeholders in its affairs which assist the performance of the firm. Please indicate in your own opinion how each of the following indicators of stakeholders' communication characteristics would influence performance of your company. For each indicator indicate the level of influence by ticking (√) on the space corresponding to the correct answer in each question below.

Scale: Strongly disagree= 0; Disagree = 1; Neutral = 2; Agree= 3; strongly agree = 4

	Stakeholders' Communication Policy Indicator	0	1	2	3	4
(a)	The Board supports and Cooperates with the stakeholders					
(b)	There is a Continuous Disclosure Policy to the stakeholders					
(c)	The board Provides current and relevant information to the stakeholders					
(d)	Audit consultancy is adequate in the company					

Thank you for your cooperation