
**EFFECTS OF ETHIC BASED CULTURE ON CORPORATE GOVERNANCE IN KIKIMA COOPERATIVE SOCIETY IN MAKUENI COUNTY, KENYA**

**Matee, L., Muhoho, J., & Kahuthia, J.**

The Strategic JOURNAL of Business & Change MANAGEMENT
ISSN: 2312-9492 www.strategicjournals.com
*Vol. 6, Iss. 3, pp 716 - 719 September 9, 2019. www.strategicjournals.com, ©Strategic Journals*

# EFFECTS OF ETHIC BASED CULTURE ON CORPORATE GOVERNANCE IN KIKIMA COOPERATIVE SOCIETY IN MAKUENI COUNTY, KENYA

**Matee, L.,[1*] Muhoho, J.,[2] & Kahuthia, J.[3]**

[1*]MBA Candidate, Faculty of Business and Communication Studies, St. Paul's University [SPU], Kenya
[2,3] Ph.D, Lecturer, Faculty of Business and Communication Studies, St. Paul's University [SPU], Kenya

**Accepted: September 5, 2019**

**ABSTRACT**

*This study sought to determine the influence of ethics-based culture on performance of Kikima Co-operative Society. This research employed a descriptive research approach. The target population was 28 management staffs, four (4) executive committee members, six (6) members of board and five (5) supervisory committee members. The study carried out a census of the entire target population, 43 respondents. This study made use of fresh primarily gathered data as well as ready published information techniques. For primary data, the researcher used research questionnaires. The data collected was quantitative data and was sorted and entered into Statistical Package for Social Sciences (SPSS) analysis software. The data was analyzed in accordance with the objectives of the study. The Likert scales were used to analyze the mean score and standard deviation. The organized findings were presented using tables and figures for ease of comparison and understanding. As such, tables, pie charts, bar charts and histograms were utilized in showing the trends of the results obtained in this study. The study established that ethics based culture is among the major aspects of corporate governance practices that affect the performance of Kikima Cooperative Society. In general there is a moderate effect of corporate governance practices on the performance of Kikima. Corporate governance practices affect growth in membership, customer satisfaction and growth in members' deposits.*

***Key Words:*** *Ethics Based Culture, Corporate Governance*

**CITATION:** Matee, L., (2019). Effects of ethic based culture on corporate governance in Kikima Cooperative Society in Makueni County, Kenya. *The Strategic Journal of Business & Change Management,* 6 (3), 716 – 619.

## INTRODUCTION

Corporate Governance is the system of laws, strategies, traditions, procedures and establishments influencing the manner in which a company is controlled, managed and coordinated (Knell, 2006). Corporate governance was utilized in this research to mean procedures used to run a Sacco. Corporate Governance Practices are practices that are applied to protect the interests of all these stakeholders. In order for corporate governance to be viable, it's essential that autonomous, non-official executives are not all that free that they don't comprehend the business (Bharadwaj, 2013). Corporate Governance practices were used in this study to mean the deeds of a cooperative society that ensured optimum performance.

**Corporate Governance Practices:** Corporate governance includes customs, laws, policies and processes and institutions that affect how a firm is managed. It includes the objectives with which an enterprise is managed and the different relations among stakeholders. The shareholders, board of directors and management are termed as the main stakeholders. Other stakeholders include customers, financial institutions, workers, contractors, the government and its agencies. These practices are applied to protect the interests of all these stakeholders. The firm's competitive advantage is affected by how the firm controls and manages its resources. It also determines the accessibility to outside finance and improves investors' confidence. Corporate governance is multifaceted in co-operative organizations compared with conventional organizations, because the ownership structure is different or varied as a result of the democratic way in which decision making has to be done.

For many organizations, corporate governance is a major issue since it represents chances that have value addition benefits and how to cope with threats or risks. Hence, the corporate governance practices improve a firm's performance. This gives it a competitive edge, attracts investors and increases lender confidence. Efficiently managed enterprises perform better and are highly valued on global rankings than inadequately governed organizations. Corporate governance practices center on the board's role, rights of shareholders, ethics-based culture and full information disclosure by firms. This makes corporate governance a sensitive subject especially for development and performance subtleties of credit unions which are referred to as savings and credit co-operatives in Kenya.

The organization should encourage joint workforce between the firm and its stakeholders in jobs creation, sustainable competition and creation of wealth. Every organization, through the assistance of board members should be guided by an ethics code that outlines concepts, operating standards and corporate values that manage its strategic conduct and defines the principles and standards applicable to the organization and all its stakeholders. The behavior and activities of a firm towards stakeholders are critical in ensuring it successfully implements a strategy.

Full disclosure of information relating to rules and steps set up to deal with conflict of interest or connected relations. It also includes salaries or remuneration, distinguishing the sums payable to top management and members of board including other reimbursements and bonuses. The organization should also publish officially qualified auditor reports of the past five years. Additionally, accessibility of annual reports by publishing them on the organization's website helps ameliorate investor relations. The presentation during corporate meeting should also be presented digitally on a firm's website and annual report which contains specific segment committed to corporate governance.

**Ethic Based Culture and Performance:** Moral models can be distinguished as the augmentation of personal responsibility (pride), boosting the enthusiasm of numerous individuals (kind) and the disciple to an all-inclusive standard of conviction (rule). The top managerial staff is required to do approaches in accordance with a company's veritable advantages and great business practices, for example, reasonable work arrangements, condition insurance and societal advantages. Corporate administration inventive methodology states straightforwardness and exposure in each business step been taken and annihilation of misrepresentation and defilement from each dimension inside the association. Corporate administration sets least benchmark that will be trailed by working together and executed by the individuals who work the business. Corporate administration revelation is basic and basic in present day saving money the board. It envelops giving data by the banks or organizations to general society and administrative specialists.

Strife in corporate governance rehearses emerges when more consideration in given to the requirements and interests of larger part investors so minority investors can get their rights too. This convention gives more delegation of power to managers and chances of ruinous activities increases. Governance is seen as a strategic matter involving people's expectation. For an organization, its most important expectation is apprehensive of which direction to take, who to follow and determination of purposes of the organization. The function of corporate governance practice and the supervisory structure where firms main role links not only to the power to affect objectives, but the supervision process, activities, choices, and accountability related matters. All directors sitting on boards are expected to disclose at least annually during their first appointment year to external auditors any interests, may it be personal or business based on the fact that it may cause conflict of interest. More disclosure may lead to increased value of a firm which may lead to overall improvement of corporate governance activities.

**METHODOLOGY**

The study examined top, middle and lower level management staff of this Dairy Cooperative Society for the initial general study. These included the executive committee members, members of board and supervisory committee members in the societies. According to Kikima Cooperative Society Human Resource Manual (2018) there were 28 management staffs, four (4) executive committee members, six (6) members of board and five (5) supervisory committee members. Accordingly, the target population was 43. The researcher handed questionnaires to the four members of the executive committee and the five supervisory committee members. All nine of them were available thus they were able to avail themselves for the research, making the study to be successful. The researcher also handed questionnaires to the six board members who were all present for the research. The researcher assured the respondents of confidential. According to the test results, the reliability of their responses according to Cronbach's alpha was acceptable.

The researcher divided the management staff into two groups of fourteen each. Each group was handed the questionnaire and encouraged to practice honesty. The researcher encouraged the first groups to desist from discussing the questionnaire with members of the groups that followed. This generally was to curb against dishonesty from the respondents and also to encourage ethics while performing the study.

**RESULTS**

The study found that ethics based culture affect the performance of Kikima Cooperative to a great extent based on the results from obtained from 16 respondents. As such, ethics based culture was crucial in the performance of Kikima Cooperative. The results also indicated that ethical behaviors affected the performance of Kikima Cooperative Society to a great extent and financial reporting and disclosure affected the performance of Kikima Cooperative Society to a great extent. Rules and regulations affected the performance of Kikima Cooperative Society to a moderate extent. There was affirmation that the Society adhered to rules and regulations set by the industry regulators. The annual report included a specific section dedicated to the implementation of corporate governance practices and procedures were put in place to ensure ethical behavior in the Organization. However, there was impartiality on that adequate accounting systems and records supported financial performance and governance reports.

The study further sought to establish the nature of ethics based culture in Kikima Cooperative Society. From the results, Kikima dairy cooperative society had a morally upright culture that embraced transparency and accountability. Further, the stakeholders were effectively involved in enhancing integrity and ethical dealing as well as making principled decisions.

Ethical behaviors, rules and regulations and financial reporting and disclosure were major determinants of the performance Kikima Cooperative Society. As a result, it was deduced that procedures put in place to ensure ethical behavior in the organization, the annual report included a specific section dedicated to the implementation of corporate governance practices, adequate accounting systems and records supported financial performance and governance reports and the society adhered to rules and regulations set by the industry regulators which influenced the performance of the Cooperative Society.

**RECOMMENDATION**

The study recommended that ethics-based culture should be enhanced to increase the performance of Kikima Dairy. Accordingly, there is need to focus on cultivating integrity, transparency, accountability and other relevant matters of the Organization should be factual and balanced to ensure that all investors have access to clear information. Appropriate ethical procedures ought to be implemented to independently review and protect the integrity of the Organization's corporate image. Disclosure and transparency would improve the image of Kikima Cooperative Society and reduce risk to the stakeholders hence improves the financial soundness of the Organization.

**REFERENCES**

Bharadwaj, F. (2013). *Strategic management: Cases and concepts.* Upper Saddle River: Prentice Hall.

Leal, R. P., Carvalhal, A., & Iervolino, A. P. (2013). *One decade of evolution of corporate governance practices in Brazil*. Rio de Janeiro: Brazilian Institute of Corporate Governance.

Zhang, H., Robin, A., & Wu, Q. (2016). Auditor quality and debt covenants. *Contemporary Accounting Research* 34 (1): 154–185