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EFFECT OF CORPORATE GOVERNANCE ON ORGANIZATIONAL PERFORMANCE: A CASE STUDY OF WORLD VISION KENYA

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ABSTRACT

The purpose of this study was to investigate the effect of corporate governance on organizational performance. The study determined the impact of board size, frequency of board meetings and board composition on the organization performance. The study adopted the descriptive research design. The population constituted all the 80 employees of the World Vision Kenya headquarters based in Nairobi–Kenya. Stratified sampling technique was used to sample employees. The study used questionnaires to collect data from the organization. Pilot study was carried out at the national office, with questionnaires administered to 10 respondents. Cronbach's Coefficient Alpha was used to measure the internal consistency of the data. Regression model was also developed to check the relationship between corporate governance and organizational performance. The study established that board members were given an orientation and training before attending the board meetings and sufficient time was provided during the board meetings for discussion before making board decision. Further, the study established that smaller boards enhance firm performance and a gender balanced board was found effective in boosting the performance of the organization. The study also established that during AGM meetings decision making was given priority to ensure that for the next financial year everything run smoothly. The study also established that a unit increase in Board size, Board composition and frequency of Board meetings increases organizational performance of World Vision Kenya. From the findings of the study, executives and policy makers should focus on improving corporate governance practices in world vision and any other non-profit making organization whose main objective is alleviating social and economic problems in the society. CMA guidelines on corporate governance practices advices that the size of the board should not be too large to extent that fruitful discussions during meeting cannot be realized. The study would be useful to policy makers during the development of governance policies. The study created critical and crucial knowledge to the stakeholders and management in the public as well as private institutions which may help them in decision making. The study findings benefited scholars/researchers who may wish to undertake further studies aimed at improving corporate governance structures and for theory building.

Key Words: *Board Size, Board Meetings, Board Composition, Organization Performance*

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INTRODUCTION

Corporate governance has become a popular discussion topic in developed and developing countries. The widely held view that corporate governance determines firm performance and protects the interests of shareholders has led to increasing global attention. According to Beiner *et.al*, (2016) information resource and strategic linkages with other organizations through the Board are considered to be critical resources for a firm's good performance. Further Adebayo *et al.,* (2014), states that the importance of governance is diminished in the eyes of managers and shareholders if the level of corporate governance does not affect organizational performance. Cuervo (2012) indicated that investor and manager perceptions of firm performance are highly related to financial success. The enquiry into the impact of boards of directors on the performance of organizations has been studied for more years and primarily applying the agency theory. Due to the primary use of the agency theory, the most favored pathways to explain the impact of boards on organizational performance are those that mitigate conflicts between agents and principals (Cromme 2015).

Several theories have emerged expounding on corporate governance. The agency theory advanced by Clarkson (2014), characterizes the relationship between the agent and the principal to be that of mistrust and competing interests. Conversely, the Stewardship theory replaces mistrust with goal congruence. It suggests that managers' need for achievement and success can only be realized when the organization performs well. The Stakeholders theory recognizes existence of other stakeholders including suppliers, customers, other organizations, employees and the community (Charkham, 2016). Therefore, performance is judged by a wider constituency interested in employment, market share, and growth in trading relations with suppliers and purchasers, as well as financial performance.

In Kenya, NGOs are continually required to find innovative ways to raise funds, as such, evidence on the effects of corporate on performance is critical for the many struggling NGOs. In the past years, many organizations have been caught of getting involved in unethical practices, for example the looting of Mumias sugar company by the executives as well as the scandal that led to the collapse of the Webuye paper mill which puts the credibility of their corporate image under suspicion and this further lowers the investor's confidence (Odeber & Simala, 2019). Although corporate governance has been associated with better organizational performance, exactly how it affects performance and how to measure it has not been as easy (Ouma & Webi, 2017). It is against this background that this study views the subject matter, corporate governance and its impact on the management of World Vision Kenya as an issue worthy of being investigated.

Corporate social responsibility (CSR) is a fairly a new concept, many scholars have examined the relationship between CSR and firm performance. Oyejide and Soyibo (2017) state CSR is referred to in the Financial Times as a business policy that would create new market opportunities, competitive advantage and customer satisfaction, which supports the argument that CSR is compatible with profit maximization.

Firm performance is affected by corporate governance practices of firms in Kenya, because their success or failure is dependent on the extent to which they are managed efficiently (Mobius, 2012). Good corporate governance practices enhance firm performance through better management and prudent allocation of firms' resources. Earnings resulting from increased performance, contributes significantly to share prices. Therefore good corporate governance practices can increase the demand for shares as well as increase the price of shares of a company

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Firm performance in developing countries is also affected by corporate reporting practices of the firm. Studies in Nigeria by Ahunwan (2012) reveal that better management practices of firms is translated into better performance leading to higher share prices and enhanced returns as a result of timely and accurate disclosure of information which is provided through corporate reporting practices of firms. For example, both accounting and market definitions have been used to study relationships between corporate governance, corporate social responsibility and firm performance. Conversely, stakeholder views regard firm performance as being the total wealth generated by the firm before distribution to the various stakeholders rather than the accounting profit allocated to the shareholders (Riahi-Belkaoui, 2013).

According to Carman (2007), the most utilized performance indicators by NGOs incorporate efficiency, effectiveness, fundraising, costs, audits and beneficiaries' satisfaction. That means measuring performance of projects will involve assessing the method that evaluates efficiency and effectiveness of a project and its impact. This current study use the effectiveness and efficiency indicators such as operational costs, response time, project completion period, and number of humanitarian aid beneficiaries. This is because the indicators are more tailored to the humanitarian aid context.

Statement of the Problem

Organizational performance is a key concern for stakeholders in both the profit and non-profit sectors. However, more attention has been focused on profit-making organizations with little emphasis on performance of NGOs (Kinyua-Njuguna, 2013). In recent years, NGOs in the developed countries have come into the light with respect to mobilizing, defending their work and thinking of self-regulation, creating standards of proper conduct and essentially reforming the sector (Adegbite, 2015). However in developing countries NGOs are lagging behind especially in the area of governance. Delima & Ragel (2017) notes that effective recruitment strategies are instrumental to identifying and securing qualified board members. However most

David (2017) notes that good governance enables NGOs to be more effective, efficient, productive, and transparent, have integrity and, above all, accountable to the various stakeholders. Poor governance practices led to the collapse of so many institutions in Kenya, an example is the Chase Bank (Wambui, 2017). Therefore a lot of challenges have been experienced in the NGO sector in terms of good corporate governance. Some NGOs do not have governing boards and where such boards are in place, do not provide the required strategic leadership important for proper utilization of available resources.

Delima and Ragel (2017) conducted a study to examine the association between Corporate Governance and Financial Institution’s Performance in Batticaloa district. The study established a strong positive relationship between Corporate Governance and Organizational Performance. Hassan Al-Tamimi (2012) also conducted a study on UAE national banks to establish the effects of corporate governance on performance and financial distress and the results revealed that there is a positive relationship between corporate governance practices of UAE national banks and performance level, and that there was a significant positive relationship between financial distress and corporate governance practices of UAE national banks.

Outa and Waweru (2016) did a study on corporate governance guidelines compliance and firm financial performance of the Kenya listed companies. The findings indicated that Compliance with corporate governance Index which is an aggregate of all the corporate governance guidelines is positively and significantly related to firm performance and firm value. Board evaluation is also positively and

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significantly related to firm performance. The findings suggest that corporate governance guidelines are associated with firm financial performance and firm value.

It is with regard to the above studies that it was apparent that not many studies had focused on corporate governance on performance of non-governmental organizations. Therefore, this research sought to fill the existing knowledge gap and add to the existing literature by investigating the effect of corporate governance on performance of world vision Kenya.

Research Objectives

The main objective of the study was to establish the effect of corporate governance on organizational performance of World Vision Kenya. The specific objectives were;

- To determine the effect of board size on the organization performance of World Vision Kenya
- To examine the effect of board composition on the organizational performance of World Vision Kenya
- To investigate the effect of frequency of board meetings on organizational performance of World Vision Kenya.

LITERATURE REVIEW

Stewardship Theory

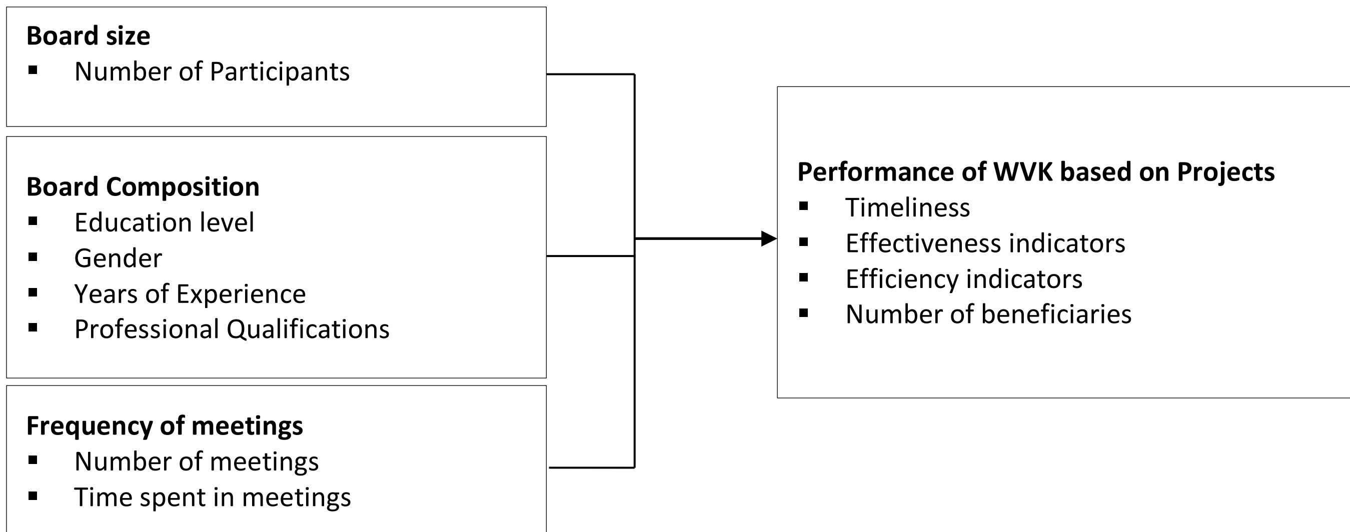
Stewardship theory has its roots from sociology and psychology and is defined by Davis, Schoorman and Donaldson (1997) as “a steward protects and maximizes shareholders wealth through firm performance because by so doing, the steward’s utility functions are maximized”. The theory assumes that managers are stewards whose behaviors are aligned with the objectives of their principals (Donaldson and Davis, 1991). The theory argues and looks at a different form of motivation for managers drawn from organizational theory. Managers are viewed as loyal to the company and interested in achieving high performance. This theory holds that there is no inherent general problem of executive motivation. The firm should thus have structures that facilitate the executive to formulate and implement plans that will enhance performance as variation in supportive structures that might influence performance (Parker, 2007). Structures will be facilitative of this goal to the extent that they provide clear, consistent role expectations with authority and empowerment of senior management.

Stakeholder Theory

There are two main theories of stakeholder governance: the abuse of executive power model and the stakeholder model. Current Anglo-American corporate governance arrangements vest excessive power in the hands of management who may abuse it to serve their own interest at the expense of shareholders and society as a whole (Abdullah, 2004).

Stakeholder theory was embedded in the management discipline in 1970 and gradually developed by Freeman (1984) incorporating corporate accountability to a broad range of stakeholders. Wheeler et al (2002) argued that stakeholder theory derived from a combination of sociological and organizational disciplines. The theory can be defined as “any group or individual who can affect or is affected by the achievement of the organization’s objectives”. It argues that there are other practices involved, including employees, customers, suppliers, financiers, communities, governmental bodies, political groups, trade associations and trade unions (Maher and Anderson, 1999). Competitors are sometimes counted as stakeholders- their status being derived from their capacity to affect the firm and its stakeholders. The stakeholder view of strategy integrates both resource based view and market based view, and adding a socio political level. This view of the firm is used to define the specific stakeholders of a corporation as

well as examine the conditions under which these parties should be treated as stakeholders.



Independent Variable **Dependent Variable**

Figure 1: Conceptual Framework

Source: Author 2019

Board size and Organizational Performance

The Kenya Companies Act does give guidelines on the maximum number of company directors but rather gives a node to a minimum of two directors. However, the CMA guidelines on corporate governance practices states that the size of the board should not be too large to extent that fruitful discussions during meeting cannot be realized. It also cautions on very small boards of directors because such boards may not have the necessary experience and expertise to run on the affairs of that particular organization. Research on the effect of body size on organization's performance has documented mixed views from various scholars. Most of the scholars found out that there is a negative relationship between the financial performance of an entity and its board size (Lipton and Lorch, 1992; Yermack, 1996; Sundgren and Wells, 1998). These scholars argue that too many members on a board may create agency problem, and some members may be considered free rider without corresponding impact to relevant decision making. They hold the notion that larger boards are disadvantageous and expensive to the organization. Dalton and Dalton (2005) however concluded that smaller board may lack the expertise, experience and wise decision that would have otherwise been available around a table of more board members.

It is widely a claimed that good corporate governance enhances a firm's performance (Brickley et al, 1994; Brickley and James, 1987; Byrd and Hickman, 1992; Chung et al, 2003; Hossain et al, 2000; Lee et al, 1992; Rosenstein and Wyatt, 1990; Weisbach, 1988). In spite of the generally accepted notion that effective corporate governance enhances firm performance, other studies have reported negative relationship between corporate governance and firm performance (Hutchinson, 2002) or have not found any relationship (Prevost et al. 2002; Young, 2003). Yermack (1996) examines the relation between board size and firm performance, concluding that the smaller the board sizes the better the performance,

and proposing an optimal board size of ten or fewer. John and Senbet (1998) maintains that the findings of Yermack have important implications, not least because they may call for the need to depend on forces outside the market system in order to determine the size of the board. Hence, as board size increases, board activity is expected to increase to compensate for increasing process losses.

Board composition and Organizational performance

According to the CMA corporate governance guidelines (2002) an effective board should at least contain one third independent and non-executive directors of diverse skills and expertise to achieve independence and objectivity in the boards' decision making process. The CMA guidelines are based on the fact that executive directors can easily be influenced by the CEO. According to Hermalin and Weisbach (1996), increasing in the number of Non-executive directors in the board increases the boards' independency. Hutchinson (2002), found out that proportion of insider to outsider directors negatively affects the Return on Equity (ROE) of fund managers in Kenya. Keong (2002), argued that non-executive directors increases the flexibility of the board towards external environmental changes a major reason to corporate decline. Non-executive directors mostly will act towards maximization of shareholders interest thus shielding the owners from managers' self-interests (Ezzamel and Watson, 1993).

Empirical evidence regarding the relationship between firm performance and board composition is mixed. Baysinger and Butler (1985) found that firms with higher numbers of outside directors on the board had a greater return on equity than the board with inside directors. Ezzamel and Watson (1993) also found that outside directors were positively associated with profitability among a sample of UK firms. Hermalin and Weisbach(1996) and Bhagat and Black (2002) find no correlation between the degree of board independence and four measures of firm performance, controlling for a variety of other governance variables, including ownership characteristics, firm and board size and industry. They find that poorly performing firms were more likely to increase the independence of their board. Kumi Heenetigala and Anona Fern Armstrong (2011), Suggest a positive relationship between governance practices (separate leadership, board composition, board committee and firm performance) based on return on equity, and board composition, board committees and performance measured by Tobin's Q. These relationships indicate that firms have implemented corporate governance strategies, which have resulted in higher profitability and share price performance. Shleifer and Vishny (1997) also indicated that better-governed firms are more likely to invest in profitable projects, resulting in more efficient operations and higher expected future cash flows.

Corporate Governance and Organizational Performance

Decision making by the board is critical as it provides the goals and objectives of an organization as well as the means of achieving them to enable success. Nickell, (2016) went on to state that more recent definitions of good governance emphasize the contribution good governance can make to improve organizational performance by highlighting the strategic role of the board. Legal compliance, ongoing financial scrutiny and control and fulfilling accountability requirements are fundamental features of good corporate governance.

In a study by Abdi (2015), findings revealed that there exists a relationship between CG and performance with observance of such principles as improved accountability and transparency. Therefore CG is meant to reinforce these principles that influence performance for example: Conflicted CEO; independent non-executive directors; appointment and re-election of directors; availability of

information for directors; remuneration of directors; financial reporting; internal controls; audit committee and the relationship with stakeholders (Mallin,2004). Accountability, transparency, fairness and responsibility provide the assurance to the shareholders that their interests are safe. However, in other instances, researchers had found negative relationship between some aspects of CG practices and organization performance for example (Ferreira & Lux, 2007, Pham, Surchard and Zein, 2007). Nevertheless, majority of scholars agree that, good governance enhance firm value where values and principles are adhered to (Black 2001, Eichholtz & Kok, 2011, Gakam, Banerjee, Pathanyak & Simba .2009)

Empirical Review

Siddiqui (2010), did a research on the Development of corporate governance regulations and concluded that, corporate governance provides a direction for strategic action, administration and operation. Further, the research revealed that, corporate governance is the platform through which strategic objectives are pursued since it is the bond that holds the various stakeholders together including the management and board.

Consequently, Delima and Ragel (2017) in their research on impact of Corporate Governance on Organizational Performance particularly on the measure linkages between Corporate Governance and Institution's Performance i.e. Board Size, Corporate Governance Mechanism, Communication Strategies, and Code of Conduct considering them as the measurement variables of Corporate Governance and concluded that, Corporate Governance and Organizational Performance are at high level.

Further, Adebayo et al (2014) studied the relationship between good corporate governance and organizational performance concluded that, corporate governance structure is the basis for specifying rights and responsibilities to the various Organizations and Stakeholders. According to the study, a system of corporate governance avails the standards for decision making with respect to the management of affairs of the Organization. Further, it avails a framework for objective setting, strategic choice, strategy implementation and monitoring.

METHODOLOGY

The study adopted explanatory cross-sectional survey design (census approach) to achieve the objectives of the study. This design was used because the focus of the study was to establish 'how' the various aspects of corporate governance influence organizational performance of humanitarian non-governmental organizations.

The target population of the study comprised all employees from World Vision Kenya. According to statistics from World Vision Kenya headquarters based in Nairobi Kenya, there were 80 employees. Because the study. The researcher used well designed questionnaires to collect primary data for the study which permitted collection of both qualitative and quantitative information. These were administered to the respondents through drop and pick method. The data gathered was analysed using descriptive and inferential statistics through the using of Statistical Package for Social Sciences (SPSS) version 23. The results were then presented by use of tables, frequencies and rates for better understanding.

RESULTS

A total of 80 questionnaires were administered to the respondents and only 72 questionnaires were returned duly filled for analysis. This represented a 90% response rate which according to Mugenda and Mugenda (2003) is excellent and sufficient for analysis.

Descriptive analysis on Board size

Table 1: Opinions relating to statements on board size

Board Size	SD	D	N	A	SA	Mean	SD
Smaller boards reduces bureaucratic tendencies while making organization decision hence improving firm performance.	2.2	5.3	14.7	51.4	26.4	3.94	0.906
A large number of board of directors poses difficulties when dealing with conflicts among board members, hence having difficulties reaching consensus	2.5	8.1	18.3	48.6	22.5	3.81	0.959
A larger board size is more adept at providing resources because they possess diverse professional backgrounds, experiences and networks.	4.2	11.4	18.9	41.4	24.2	3.70	1.084
A larger board size benefits a firms by providing effective oversight of management and necessary resources hence improving performance of an organization	0.6	9.7	11.4	49.2	29.2	3.97	0.920
A large board size improve board performance by reducing CEO domination of the board	4.3	14.9	20.6	44.0	16.3	3.53	1.064
A larger board size will bring more expertise and experience to the board	0.6	8.7	13.4	41.9	35.5	4.03	0.942
Average						**3.80**	**0.302**

The researcher sought to find out whether larger boards benefitted firms by providing effective oversight of management and available necessary resources so that larger boards may help in improving performance of an organization, if large boards improve board performance by reducing CEO domination of the board and lastly whether a larger board will bring more expertise and experience to the board.

From the results, the participants indicated that smaller boards enhance firm performance (m=3.94, sd = 0.906) with majority (51.4%) agreeing to the same. The respondents went ahead and indicated that board of directors that is larger in size may need to deal with more conflicts among board members and, thereby, have difficulty reaching consensus (m=3.81, sd = 0.959) where most of them agreed and strongly agreed (48.6% and 22.5% respectively). Most of the respondents, 41.4%, agreed that larger size boards are more adept at providing resources. The respondents agreed on average (m=3.70, sd = 1.084).

The participants agreed that larger boards benefit firms by providing effective oversight of management and available necessary resources so that larger boards may help in improving performance of an organization (m=3.97, sd = 0.920) indicating that majority agreed. The respondents on average agreed that large boards improve board performance by reducing CEO domination of the board (m=3.53, sd = 1.064). Their response varied narrowly as most respondents' agreed (44.0%) and 16.3% strongly agreed. Lastly, from the results, the respondents agreed that a larger board will bring more expertise and experience to the board (M=4.03, 0.942) with most of them agreeing (41.9%) and strongly agreeing (35.5%).

Based on the aggregated value the study established that the respondents agreed to corporate governance practices in their organization. This was so as the respondents agreed and their responses varied narrowly (M= 3.80, SD = 0.302).

Descriptive analysis on Board Composition

Table 2: Descriptive analysis on board composition

	SD %	D %	N %	A %	SA %	Mean	Std.Dev
Gender balance is considered in the board members selection and composition	2.2	7.5	19.6	45.8	24.9	3.84	0.960
Some of the board members are employees of the organization or affiliates of the organization	4.5	3.1	13.7	41.2	37.5	4.04	1.020
The organization has two-third or more of board members as completely independent non-executive directors	2.5	13.9	15.6	44.7	23.3	3.72	1.047
Current board members have the required qualification and skills necessary to improve the organization's performance	1.4	10.3	14.2	48.6	25.6	3.87	0.958
New board members are nominated by independent board nomination committee	4.2	12.4	14.6	49.9	18.9	3.67	1.051
When selecting board members their level of professional qualifications and experience is important	1.1	8.9	24.2	46.9	18.9	3.74	0.905
The company has a predetermined plan secession of each board member and executive director	6.9	25.1	18.3	33.7	16.0	3.27	1.198
The age and duration of each board member affects the financial performance of the firm	1.1	14.0	8.0	61.4	15.4	3.76	0.918
Aggregated score						**3.75**	**0.307**

Board composition was one indicator of organizational performance. Eight aspects were investigated. The first aspect sought to find out if gender balance is considered in the board members selection and composition. From the results, most agreed (45.8%) followed by 24.9% who strongly agreed, 19.6% remained neutral, 7.5% disagreed while 2.2 of the respondents disagreed strongly. On average the respondents agreed that in world vision gender balance was considered in the board members selection and composition.

The second aspect sought to find out whether some of the board members are employees of the organization or affiliates of the organization. Most of them, 41.2% agreed followed by 37.5% who strongly agreed. Few disagreed (7.6%) and remained neutral (13.7%). On average, the respondents indicated that some of the board members are employees of the organization or affiliates of the organization (M= 4.04, SD = 1.020).

The third aspect sought to find out if organization has two-third or more of board members as completely independent non-executive directors in which most of the respondents agreed (44.7%) followed by 23.3% who strongly agreed, 15.6% remained neutral, 13.9% disagreed while the least 2.5% disagreed strongly. On average, the respondents indicated that their organization had two-third or more of board members as completely independent non-executive directors (M= 3.72, SD = 1.047).

The fourth aspect investigated whether the current board members have the required qualification and skills necessary to improve the organization's performance. From the results, majority of the respondents agreed (48.6%) followed by 25.6% who strongly agreed, 14.2% remained neutral, 10.3% disagreed while the least 1.4% disagreed strongly. On average, the respondents agreed (M= 3.87, SD = 1.323) indicating that the current board members have the required qualification and skills necessary to improve the organization's performance.

The fifth aspect investigated whether new board members are nominated by independent board nomination committee. From the results, majority of the respondents agreed (49.9%) agreed. On average, the respondents agreed (M= 3.67, SD = 1.051) indicating that new board members are nominated by independent board nomination committee.

The sixth item sought to find out the level of professional qualifications is an important aspect considered when selecting board members and whether the deficiencies in the skills of current board members are considered. The respondents agreed as indicated by a mean value of 3.74 and a standard deviation of 0.905 with majority, 46.9% agreeing and 18.9% strongly agreeing.

The seventh item sought to find out whether the company had a predetermined plan secession of each board member and executive director. From the results, most agreed (33.7%) while 16% strongly agreed. 18.3% remained neutral, 25.1% disagreed while 6.9% disagreed strongly. On average the respondents remained neutral (M= 3.27, SD = 1.198) suggesting that the respondents neither agreed nor disagreed.

Lastly, the last aspect sought to find out whether the age and duration that each board member serves in the board affects the financial performance of the firm. The respondents agreed on average (M= 3.76, SD = 0.918) with most of them (61.4%) agreeing followed by 15.4% who strongly agreed.

Based on the aggregated score, the study established that the respondents agreed to board composition and their responses did not vary widely (M= 3.75, SD = 0.307).

Descriptive analysis of the organizational performance

Table 3: Descriptive analysis for organizational performance

Performance Items	SA %	A %	N %	D %	SD %	Mean	Std. Dev
Operational Costs							
Our organization has experienced operational cost reduction due to strategic changes over the last one year	41.0	42.6	6.6	9.8	0.0	4.15	.928
Our organization is operational cost sensitive	32.8	39.3	9.8	18.0	0.0	3.87	1.072
Our organization is keen on reducing cost of operations going forward	41.0	49.2	9.8	0.0	0.0	4.31	.647
Response Time							
Our organization has reduced humanitarian response time in the recent past	34.4	41.0	9.8	14.8	0.0	3.95	1.023
Our organization hopes to further reduce humanitarian response time in future	32.8	42.6	8.2	14.8	1.6	3.90	1.076
Project Completion Period							
Our organization has reduced the completion time for most projects recently	27.9	50.8	16.4	4.9	0.0	4.02	.806
Our organization looks forward to reduce further project completion time in future	16.4	54.1	13.1	13.1	3.3	3.67	1.012
Number of Beneficiaries							
Our organization has increased the number of beneficiaries to humanitarian aid in the recent past	24.6	41.0	8.2	16.4	9.8	3.86	1.298

Our organization intends to increase the number of beneficiaries to humanitarian aid in the near future	29.5	39.3	19.7	8.2	3.3	3.84	1.052

Operational cost was one indicator of performance. Three items were used to measure it and the results revealed that on average, the respondents agreed that their organization had experienced operational cost reduction due to strategic changes over the last one year as indicated by the mean value of 4.15 and standard deviation of 0.928. 42.6% of the respondents agreed and 41.0% strongly agreed. On whether their organization was operational cost sensitive, the respondents agreed as indicated by mean value of 3.87 and a standard deviation of 1.072. 39.3% of respondents agreed and 32.8% strongly agreed. Lastly, the respondents agreed that their organization is keen on reducing cost of operations going forward as indicated by the mean value of 4.31 and standard deviation of 0.647. 49.2% of the respondents agreed and 41.0% strongly agreed.

Response time was the second indicator of performance and was measured using two aspects. These aspects were whether their organization had reduced humanitarian response time in the recent past and if their organization hoped to further reduce humanitarian response time in future. The results in indicated that majority of respondents agreed to the two aspects as indicated by mean value of 3.95 and 3.90 respectively and standard deviations of 1.023 and 1.076 respectively.

The third indicator of performance was project completion period which was measured using two aspects. From the results, the respondents agreed that their organization has reduced the completion time for most projects recently as indicated by the mean value 4.02 and the standard deviation 0.806. They also indicated that their organization looked forward to reduce further project completion time in future as indicated by the mean value 3.67 and the standard deviation 1.012. 54.1% of the respondents agreed and 16.4% strongly agreed.

Lastly, performance was indicated by the number of beneficiaries in which this was measured using two aspects. The results revealed that world vision has increased the number of beneficiaries to humanitarian aid in the recent past (M = 3.86, SD = 1.298) and that they intend to increase the number of beneficiaries to humanitarian aid in the near future (M = 3.84, SD = 1.052)

Table 4: Correlation Analysis

		Board size	Board Composition	Board Frequency of meetings	Organizational performance
Board size	Pearson Correlation		.878**	.543**	.725**
	Sig. (2-tailed)		.000	.000	.000
	N	61	61	61	61
Board Composition	Pearson Correlation	.878**	1	.628**	.647**
	Sig. (2-tailed)	.000		.000	.000
	N	61	61	61	61
Frequency of Board meetings	Pearson Correlation	.543**	.628**	1	.705**
	Sig. (2-tailed)	.000	.000		.000
	N	61	61	61	61

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Organizational performance	Pearson Correlation	.725**	.647**	.705**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	61	61	61	61

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

The results in Table 4 indicated that there was a strong positive significant linear relationship between board size and organizational performance, *r* = 0.725; *p* = < 0.0001, board composition and organizational performance, *r* = 0.647; *p* = < 0.0001, and finally board frequency of meetings and organizational performance, *r* = 0.705; *p* = < 0.0001. This was indicated by significant p-values less than 0.05 at 95% confidence level.

Regression analysis

A multiple linear regression analysis was performed with organizational performance as the dependent variable, and board size, board composition and board frequency of meetings acted as the independent variables. This aimed at establishing a linear relationship between the dependent variable and the independent variables. Table 5 showed a model summary table which was used to test for the goodness of fit of the model.

Table 5: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.824[a]	0.679	0.662	0.18526

a. Predictors: (Constant), Board Frequency of meetings, Board size, Board Composition

The results in Table 5 showed that the independent variables explained 66.2% of the variation in organizational performance as indicated by a coefficient of determination (R^2) value of 0.662.

An ANOVA was also performed to test for the significance of the whole model. The results were presented in Table 6.

Table 6: Analysis of variance (ANOVA)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4.142	3	1.381	40.233	.000[b]
	Residual	1.956	57	.034		
	Total	6.099	60			

a. Dependent Variable: Organizational performance
b. Predictors: (Constant), Board Frequency of meetings, Board size, Board Composition

The results in Table 6 revealed that the model significantly predicted organizational performance in world vision Kenya, *F*=40233; *p*= <0.0001.

Table 7: Model Coefficients

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	.180	.387		.466	.643
	Board size	.741	.166	.703	4.473	.000
	Board Composition	.297	.176	.286	1.688	.047
	Board Frequency of meetings	.626	.120	.504	5.226	.000

a. Dependent Variable: Organizational performance

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The results in Table 7 revealed that board size, board composition and board frequency of meetings significantly predicted organizational performance in world vision Kenya at 5% level of significance. This was indicated by significant p-values (*p*= < 0.001, 0.047 and 0.001 respectively).

The model from Table 7 was as follows:

$$\mathbf{Y = 0.180 + 0.741\ X_1 + 0.297\ X_2 + 0.626\ X_3}$$

Where **Y** = Organizational performance, $\mathbf{X_1}$ = Board size, $\mathbf{X_2}$ = Board composition, $\mathbf{X_3}$ = Board frequency of meetings

The model indicated that a unit increase in Board size increased organizational performance of World Vision Kenya by 0.741 units; a unit increase in Board composition increased organizational performance of World Vision Kenya by 0.297 units while a unit increase in Board frequency of meetings increased organizational performance of World Vision Kenya by 0.574 units.

CONCLUSION

A simple linear regression model was performed with performance as the dependent variable and board size as the independent variable. This aimed to establish a linear relationship between them. According to the findings board size was found to positively explain a more than fifty percent of the variation that occurred in financial performance of world vision. Dalton and Dalton (2005) in their study observed that smaller board may lack the expertise, experience and wise decision that would have otherwise been available around a table of more board members.

Form the second variable, board composition was significant in explaining the performance of world vision but the influence was less than fifty percent suggesting that despite the fact that the organization had a balanced board it didn't count much on influencing performance of the organization. This result was in agreement with findings of Kumi Heenetigala and Anona Fern Armstrong (2011), who observed that there was a positive relationship between governance practices (separate leadership, board composition, board committee and firm performance) despite the strength of this influence. An effective board should at least contain one third independent and non-executive directors of diverse skills and expertise to achieve independence and objectivity in the boards' decision making process.

RECOMMENDATIONS

From the findings of the study, executives and policy makers should focus on improving corporate governance practices in world vision and any other non-profit making organization whose main objective is alleviating social and economic problems in the society. According to the CMA corporate governance guidelines (2002) an effective board should at least contain one third independent and non-executive directors of diverse skills and expertise to achieve independence and objectivity in the boards' decision making process.

Suggestions for Further Studies

The main purpose of the study was to determine effect of corporate governance on organizational performance: a case study of world vision Kenya. The study variables accounted for 66.2% of the variation in organizational performance, the study therefore recommends that other variables accounting for 33.8% % should be established and their effects assessed as well.

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