EFFECTS OF CORPORATE GOVERNANCE ACTIVITIES ON ORGANISATIONAL PERFORMANCE OF SELECTED OCCUPATIONAL RETIREMENT SCHEMES IN KENYA

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The Strategic JOURNAL of Business & Change MANAGEMENT
ISSN: 2312-9492 www.strategicjournals.com

Vol. 2 (13), pp 237-255, Oct 17, 2014, www.strategicjournals.com, ©strategic Journals

EFFECTS OF CORPORATE GOVERNANCE ACTIVITIES ON ORGANISATIONAL PERFORMANCE OF SELECTED OCCUPATIONAL RETIREMENT SCHEMES IN KENYA

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Accepted Oct 17, 2014

ABSTRACT

Corporate governance is a concept that involves practices that entail the organization of management and control of companies. This study sought to establish the effects of corporate governance structures instituted by occupational retirement benefit schemes in Kenya in a bid to surmount the agency challenges inherent in the management of these schemes and their effects on organizational performance. This study used descriptive survey to explore the effects of corporate governance structures prevalent in occupational retirement schemes in Kenya. A sample of the 27occupational retirement schemes were selected on the basis of their asset value as at 31st December or 30th June 2012 depending on their financial year end. The primary quantitative data on scheme corporate governance structures and practices was collected using self administered questionnaires with closed and open ended questions. The researcher will select a pilot group of 10schemes from the target sample of the Retirement Benefits Scheme to test the reliability of the research instrument. In the literature review, apart from the empirical review, a number of theories that touches on the governance and organisational performance have been considered which also include; Shareholder theory, Stakeholders theory and Agency theory. The data will be analysed using descriptive statistics. Statistical tools such as the mean, proportions, graphs, tables, percentages and frequency distributions will be computed using SPSS software. The findings will be presented using tables and charts, percentages, means and other central tendencies. Tables will be used to summarize responses for further analysis and facilitate comparison. This will generate quantitative reports through tabulations, percentages, and measure of central tendency.

Key Words: Corporate Governance, Retirement Benefit Schemes

INTRODUCTION

Corporate governance is a combination of corporate policies and best practices adopted by corporate bodies to achieve its objectives in relation to their stakeholders (Mallin, 2007). Shleifer&Vishny, (2010) explains that it refers to the ways in which suppliers of finance to corporations assure themselves of getting a return on their investments. The OECD, (2004) takes a wider view and defines corporate governance as a "set of relationships between company's management, its board, its shareholders and other stakeholders". This definition by OECD recognises the presence of many stakeholders to the resources of the firm. The interests of these stakeholders are not always in harmony. Corporate governance therefore seeks to promote the harmonious relationships among these stakeholders.

Generally, corporate governance is a set of process of an entity's culture, policies, laws and institutional value that affect the way a corporation is directed, administered or controlled(Denis & McConnell 2003). Corporate governance issues emanates from high profile corporate scandals, globalization and increased investor activism.

Corporate governance enhances performance of corporations by motivating manager to maximise returns on investment, raising operational efficiencies and ensuring long term productive growth (Keitany Obadiah 2009). Good corporate governance strongly contribute to market development and corporate stability. It should also provide proper incentives for the board and management to pursue objectives in the interest of the company and shareholders and should facilitate effective monitoring (Blair 1995).

In Kenya the corporate governance agenda has been spearheaded by the centre for corporate governance (formerly the private sector corporate governance trust) which issued the principles "for corporate governance in Kenya and a sample code of best practices for corporate governance" its advocates for voluntary adoption of best practice corporate governance by organizations. The Capital Market Authority has also issued the "guidelines on corporate governance practices by public listed companies in Kenya ,2002" that requires companies quoted in the Nairobi Stock exchange to abide by them.

An international corporate governance survey showed that investors are prepared to pay more for corporations with more effective governance structures and practices. This resulted in lower share premiums for Asian, Latin American and other emerging economies; a comparatively higher premium for those in continental Europe where there are still pressures for better US capital markets where information disclosure to shareholders is enhanced either through strict securities laws or codes of best practices (McKinsey & Co., 2005).

Poor corporate governance practices in Asia led to poor economic growth and fall of companies such as Enron (Reuters 2002). The Enron scandal discovered in 2001 led to reduction of its market value to less than 1 billion US dollars from 0ver 70 billion US dollars in 2000**.** This shows the value investors place on corporate governance in making investment decisions. Good governance minimizes the possibility of poor organizational performance (Meredith & Robyn, 2005). Generally, many European countries are adapting their legislative environments by working towards ensuring minority shareholder protection by controlling their systems of corporate governance (Jenkinson& Mayer 2000).

Recently, the issue of pension fund management has attracted considerable attention by policy makers, practitioners, and development agencies. One of the main motivations is that, in general, public pension funds have been mismanaged and performance, as measured by most reasonable

standards, has been poor (Iglesias and Palacios 2000). Around the world, reserves in partially funded public schemes have been used to subsidize housing, state enterprises, and various types of economically targeted investments. They have been used to prop up stock markets andas a captive source of credit, and they probably have allowed governments to run larger deficits than they would have otherwise. Investment decisions typically occur in a regulatory vacuum, with little public accountability, limited access to information, and obscure management processes. The growth in significance of corporate governance in the occupational retirement benefits sector has been driven by similar factors as in companies. Misappropriation of pension assets of Mirror group of companies by Robert Maxwell in the UK, led to the enactment of the UK Pension Reform Act (1995). A similar enactment was made in the US in 1974 (Clark 2003). These enactments prescribe governance standards geared towards protecting employee's retirement benefits. The Enron employees had invested in excess of 60% of its assets in Enron stocks and therefore when Enron failed, its employees lost not only their jobs but also most of their pension assets,(Besley&Prat,2003). All these highlight the importance of corporate governance in the pensions sector globally.

According to (CCG, 2004) Corporate governance is increasingly gaining attention in Kenya due to governance issues in many entities. The growth of funded pension systems has led to the increase in domestic savings in Africa. Dovi (2008) documents that between 1998 and 2007 the savings increased from 17.8% to 22.1% of the GDP in Sub-Saharan Africa and from 21% to 30% of the GDP in Northern Africa as a result of embracement of the funded pension systems. The pension system has further reduced the poverty trap ratio by 13% in South Africa and increased the income of the poorest 5% by 50% (Stewart and Yermo, 2009). In Kenya, the pension system contributes to an estimated 68% of the total income of retirees (Kakwani&Hinz 2006) and controls wealth estimated at Ksh. 397 billion, the equivalent of 30% of the country's GDP (RBA,2010).

Statement of the Problem

Most people depend on their pension funds as a source of income when they retire. Retirement income accounts for 68% of the total income of retirees in Kenya (Kakwani, Sun and Hinz 2006), 45% in Australia, 44% in Austria and 80% in France, while in South Africa 75% of the elderly population rely on pension income (Alliance Global Investors 2007). In the United States of America 82% of retirees depend on pension income (EBRI 2007a). Pension funds should therefore be managed efficiently to ensure higher retirement income for pensioners. In Kenya even with a regulator Retirement Benefit Authority (RBA) there are challenges such as lack of transparency and misappropriation of scheme funds (Muriithi, 2008), this points to a presence of a governance lacuna that perhaps may be unravelled by establishing whether these schemes have adequate corporate governance structures.

Another aspect is the presence of many players in management of funds in occupational retirement schemes that brings in conflict of interest among the players. The players may not necessarily always work for the best interests of the members and beneficiaries of these schemes. This endangers management of funds of occupational retirement benefit schemes and to ensure that all these parties are operating in the best interest of members and beneficiaries is corporate governance challenge which needs to be addressed. Although corporate governance has attracted much attention in the recent past, focus has not shifted to pension fund governance and the credibility of the pension systems as important determinants of pension funds (Besley

and Prat 2005; Carmichael and Palacious 2003; Ambatchsheer 2001). Furthermore, different authors (Asebedo and Grable 2004; Markese, 2000; Stanko, 2002) relate the investment strategy to the mix that an investor makes in the investment portfolio.

While previous empirical reports (Besley and Prat 2009; Carmichael and Palacious 2005) emphasize on the reasons for low pension performance, they do not suggest corporate governance structures to ensure pension fund performance. This study sheds more light on the necessary governance mechanisms required to align the interest of these players and ensure that the members and beneficiaries interests are always served and hence financial performance of pension funds and provides policy recommendations on the steps that can be taken to address the challenges to the implementation of such structures. This study aims to fill this research gap by exploring the effect of corporate governance structures on performance of occupational retirement benefits schemes in Kenya.

Objectives of the Study

The main objective of this study is to investigate the effects of corporate governance structures on organizational performance of occupational retirement schemes in Kenya. The study seeks to achieve the following specific objectives; to determine how board composition and board size influence the organizational performance of occupational retirement benefits scheme in Kenya.

Research Questions

From the specific objectives the following research questions will be answered:

1. How does the board composition affect the organizational performance of occupational retirement scheme in Kenya?
2. In what ways does board size affects organisational performance of occupational schemes in Kenya

Scope of the study

The scope of the study is limited to a study of effects of corporate governance on organizational performanceof occupational retirement benefits schemein Kenya. It will target the top 27 schemes as measured by the total assets as at 30th December 2012or 30th June 2012 depending on schemes financial period. This study also utilises secondary data sources and qualitative data analysis which will be obtained from structured questionnaires.

Theoretical Review

a) Agency Theory

Corporate governance is based on agency theory, which is the relationship between agents and principals. Agency theory explains how best the relationship between agents and principals can be tapped for purposes of governing a corporation to realize its goals. Interest on agency relationships became more prominent with the emergence of the large corporation. There are entrepreneurs who have a knack for accumulation of capital, and managers who had a surplus of ideas to effectively use that capital. Since the owners of capital (principals) have neither the requisite expertise nor time to effectively run their enterprises, they hand them over to agents (managers) for control and day-to-day operations, hence, the separation of ownership from control, and the attendant agency problems.

In an agency relationship, principals and agents have clearly defined responsibilities: Principals are select and put in place governors (directors and auditors to ensure effective governance system is implemented, while agents are responsible for the day-to-day operations of the enterprise. Historically, definitions of corporate governance also took into consideration the relationship

between the shareholder and the company, as per "agency theory", i.e. director-agents acting on behalf of shareholder-principles in overseeing self-serving behaviours of management.

However, broader definitions of corporate governance are now attracting greater attention (Solomon and Solomon, 2004). Indeed, effective corporate governance is currently understood as involving a wide number of participants. The primary participants are management, shareholders and the boards of directors, but other key players whose interests are affected by the corporation are employees, suppliers, customers, partners and the general community.

b) Stakeholders 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 (Hutton, 1995). Supporters of such a view argue that the current institutional restraints on managerial behaviour, such as non-executive directors, the audit process, the threat of takeover, are simply inadequate to prevent managers abusing corporate power. Shareholders protected by liquid asset markets are uninterested in all but the most substantial of abuses. Incentive mechanisms, such as share options, are means through which managers can legitimise their abnormal overpayment (viewed by some as a symptom of the breakdown of governance (Keasey et al., 1997). The abuse of executive power is particularly embedded in the problem of executive overpay since executive remuneration has risen far faster than average earnings and there is at best a very weak link between compensation and management performance (Conyon et al., 1995; Gregg et al., 1993).

The only restraint on executive pay seems to be the modesty of executives themselves, and the creation of so-called independent remuneration committees by large companies is not effective. What is worse is that it legitimises self-serving managerial behaviours. The independence is generally a sham, not for restraining excess of pay, but for justifying it (Kay and Silberston, 1995, p. 85, 94). The supporters of this model do not believe that the main lines of corporate governance reform, such as non-executive directors, shareholder involvement in major decisions and fuller information about corporate affairs, are suitable monitoring mechanisms (Kay and Silberston, 1995).

Conceptual Framework

A conceptual framework is a structure of the research idea or concept and how it is put together which elaborates the research problem in relation to relevant literature. It's summarized in a schematic diagram that represents the major variables and their hypothesized relationships(Cross, Bazron, Dennis, & Isaac, 1989).

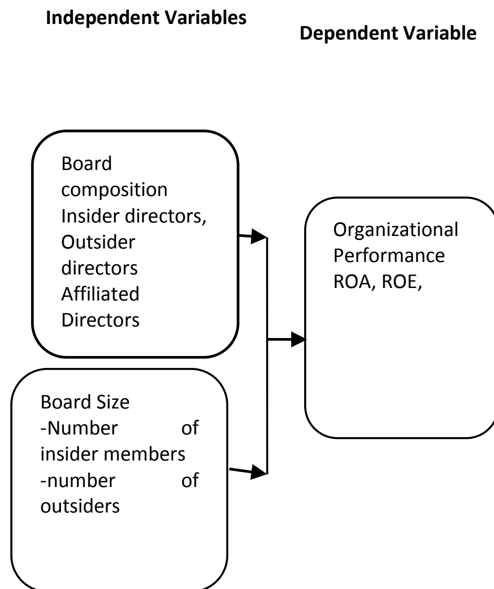


Fig 2.1: Conceptual Framework

Empirical Review

This section presents past empirical studies focused on corporate governance. Empirical studies have provided the relationship between corporate governance and firm performance and other scholars like (Bebchuk ,Cohen, & Ferrell,2004) finds that well governed firms have higher firm performance.Agrawal and Kroeber (1996) suggest that boards expanded for political reasons often result in too many outsiders on the board, which does not help financial performance. Some recent empirical papers appear to focuses on the relationship between corporate governance ratings and firm financial performance: (Gompers,Ishii, Metrick,2003). Brown and Caylor (2004), for the USA; (Drobetz, Eisenberg,Sundgren,& Wells, 2003*)*and Bauer,Guenster,& Otten,2004).for Europe; Foerster and Huen (2004) for Canada.

Empirical evidence on the association between outside independent directors and firm organisational performance is mixed. Studies have found that having more outside independent directors on the board improves financial performance (Daily and Dalton, 1994).Muriithi, (2004) studied the relationship between corporate governance mechanisms and performance of firms quoted on the NSE and found that the size and the composition of the board of directors together with the separation of the control and the management have the greatest effect on the performance. Ngugi (2007) did a study on the relationship between corporate governance structures and the performance of insurance companies in Kenya and found that inside directors are more familiar with the firm's activities and they can act as monitors to top management especially if they perceive the opportunity to advance into positions held by incompetent executives. The study also found that the effectiveness of a board depends on the optimal mix of inside and outside directors concluding that an optimal board composition lead to better performance of the companies. Gatauwa (2008) studies the relationship between corporate governance practices and stock market liquidity for firms listed on the Nairobi Stock Exchange. The study found that greater disclosure enhances stock market liquidity, thereby reducing the cost of capital. The commitment of management teams to increase the level of disclosure also lower the information asymmetry between managers and shareholders and lower the cost of capital. Matengo (2008) also conducted a study on the relationship between corporate governance practices and performance the case of banking industries in Kenya. The study found that good corporate governance will lead to lower firm risk and subsequently to a lower cost of capital.

Critique of the Literature

The literature has little precise comparisons among the organizations. Policy recommendations should attempt to account for

the interactions between corporate governance and the institutional framework in the particular organizational setting. The search for good practice should be based on an identification of what works are well defined in other organizations with an attempt to discern what broad principles can be derived from these experiences, and to examine the conditions for transferability of these practices to other organizations. As this literature has demonstrated, there is little attempt for example, to address forces that hinder good governance and how some systems and circumstances may call for policy adjustments in other areas such as strengthening product market competition or removing distortions in corporate governance mechanisms created by other regulations (e.g. rules regarding the use of fixed or variable price stock options). Continued work in this area, therefore, will continue to build on the work developed by other researchers.

The literature provided little specifications on the crucial improvements needed in different systems and in different situations because there is little workthat wasundertaken in any specific surveys or country specific reviews. It was based on a thematic approach and it continued to draw on empirical work already done within the Organization while omitting what was done outside. Wherever possible, it is ideal if work undertaken by other Directorates particularly as regards outreach activities on corporate governance was observed.

Research Gap

This literature has reviewed the effects of corporate governance activities on the performance of the most of the organizations in the world and in Kenya. Although corporate governance has attracted much attention in the recent past, little focus has shifted to pension fund governance and the credibility of the pension systems as important determinants of pension funds (Besley and Prat 2005; Carmichael and Palacious 2003; Ambatchsheer 2001). Furthermore, different authors (Asebedo and Grable 2004; Markese, 2000; Stanko, 2002) relate the investment strategy to the mix that an investor makes in the investment portfolio. A research gap has been identified as the empirical literature has little insight relating the performance of retirement schemes to corporate governance structures. The present study investigates the appropriate corporate governance structures to maximise financial efficiency and hence pension fund performance.

Moreover, a study should also be carried out to establish the challenges that these organizations face. The same study should be carried out in other broad corporate sectors for example banks and microfinance institutions to find if the same results will be obtained.

RESEARCH METHODOLOGY

Research Design

The study adopted cross sectional survey design. This design has been used by World Bank in follow up assessments of pension reforms in foreign countries such as Sweden, Ontario Canada, (Mikula, 2000). A survey research attempts to collect data from members of a population and describes existing phenomena by asking individuals about their perception, attitudes behavior or values. Moreover, it explores the existing status of two or more variables at a given point in time. Primary data collected from such a population is more reliable and up-to-date (Mugenda&Mugenda, 1999). A research design refers to the plan that shows the procedures that are followed in the collection, collation, arranging, categorization and analysis of data (Field, 2005). Mathoko, J., Mathoko, F. &Mathoko, P. (2007)

describe a research design as a set of decisions that make up the master plan specifying the methods and procedures for collecting and analyzing the needed information.

Qualitative and Quantitative data was used. Quantitative data will beanalyzed using descriptive statistics. Qualitative data will be edited and categorized with themes and relationships being established. According to Field (2005), qualitative statistics are known to be strong on validity though weak in reliability.

Target Population

Target population in statistics is the specific population about which information is desired. According to Bryman and Bell, (2003) a population is a well defined or set of people, services, elements, events, group of things or households that are being investigated. This definition ensures that population of interest is homogeneous. Cooper and Schindler (2003) describe a population as the total collection of elements whereby references have been made. The target population of the study comprised of trust employees of 1,352 occupational pension schemes registered with the Retirement Benefits Authority. The researcher selected top management staff, middle level management staff.

Sampling Procedure and Sample Size

Ngechu (2004) underscores the importance of selecting a representative sample through making a sampling frame. A population frame is a systematic list of subjects, elements, traits, firms or objects to be studied. From the population frame the required number of subjects, respondents, elements, firms will be selected in order to make a sample.

Stratified random sampling technique will be used to select the sample. According to Kerry and Bland (1998) the technique produce estimates of overall population parameters with greater precision and ensures a more representative sample is derived from a relatively homogeneous population. Stratification will aim at reducing standard error by providing some control over variance. The 1,352 registered occupational pension schemes will constitute the sampling frame for the respondents for the study. Purposive sampling will be used to select a sample of 27 registered occupational pension schemes. The trust executives, managers and supervisors of the sampled registered pension schemes will be the respondents. The questionnaires office mailing and follow up by physical drop and pick by research assistants to pension schemes located within a radius of 50km from Nairobi Central Business District.

Data collection Instruments

Both primary and secondary data were used to collect data. According to Mugenda and Mugenda (1999), primary data is data the researcher collects while secondary data refers to data from other sources. Primary data is considered more reliable and up to date. The main instrument for data collection was structured questionnaires that allowed for uniformity of responses to questions.

Data collection Procedures

This study will utilize both primary and secondary data. Primary data will be obtained through the use of structured questionnaires. The researcher will approach the heads of departments in the sampled population and seek authority to collect data. Pre-tested questionnaires will be hand delivered by the researcher and handed over to the respondents for filling in. They will be collected back after two weeks. Secondary data will be obtained through published and unpublished material media reports, and annual reports and statements fromretirement benefits schemes.

Data analysis

This study is going to use inferential analysis and distribution which includes some of the following methods, Chi-square, T test Correlation regression and General linear model. The chi-square tests for independence used in situations where you have two categorical variables. The test is a useful technique for comparing mean values of two sets of numbers. T test can be used either to compare two independent groups or to compare observations from two measurement occasions for the same group. Correlation is a measure of the linear relationship between two variables. A correlation coefficient has a value ranging from -1 to 1. The sign of a correlation coefficient describes the type of relationship between the variables being correlated. Regression is a technique that can be used to investigate the effect of one or more predictor variables on an outcome variable. Regression allows you to make statements about how well one or more independent variables predicted the value of a dependent variable. Qualitative data will be collected from the researcher's observations and field notes will be edited and cleaned up on identification of various categories and themes and relationship established. The themes will be used to answer research questions. The results of the analysis will be organized, summarized and presented using tables, pie charts, bar graphs, and bar charts clearly showing the frequency and percentages involved.

FINDINGS AND DISCUSSION

Response rate

The study targeted a sample size of 108 employees from 27 occupational retirement schemes out of which 97 filled in and returned the questionnaires making a response rate of 89.8%. This response rate was satisfactory to make conclusions for the study as indicated by Cooper & Schindler (2003), who states that a response rate of between 30 to 80% of the total sample size can be used to represent the opinion of the entire population. The high response rate was attributed to the efficiency in data collection, where the researcher personally administered questionnaires, the respondents completed and these were picked shortly after and made follow up calls to clarify queries as well as prompt the respondents to fill the questionnaires.

Reliability Analysis

A pilot test was conducted using a sample of five respondent schemes from the staff of the occupational retirement schemes in Kenya who were not included in the actual study; the aim of the pilot test was to test the reliability of the research instrument. Reliability analysis was done using SPSS to establish the Cronbachs Alpha of the researcher instrument; Cronbachs Alpha measures the internal consistency by establishing if certain item within a scale measures the same construct. Gliem and Gliem (2003) established the alpha value threshold at 0.7, thus forming the study's benchmark. Cronbach Alpha was established for every objective which formed a scale. The table shows that risk management and internal controls had the highest reliability followed by board composition, executive compensation and trustee learning and understanding. This illustrates that all the four variables were reliable since they had a reliabity threshold of more than 0.7.

Table 1 Reliability Analysis

Scale	Cronbach's Alpha	Number Of Items
Risk management and internal controls	0.841	**4**
Board composition	0.8326	**4**

Background Information

The study sought to establish the background information of the respondents including respondents gender, age, and respondent level of education and duration of work in the organization.

Gender

According to the results of the findings on gender, majority of the respondents were male with a 62.9% while the female respondents were represented by 37.1% . this is an implication that there are more men working in the schemes. The same information has been presented in the figure below

Highest level of education

The study also required the respondents to indicate the highest level of education achieved. According to the research findings, majority of the respondents as shown by 44.8% had degree certificates, 32.8% had diploma certificates respectively. This indicates that the target population of the study was well conversant with corporate governance and how it would influence the performance of the organization.

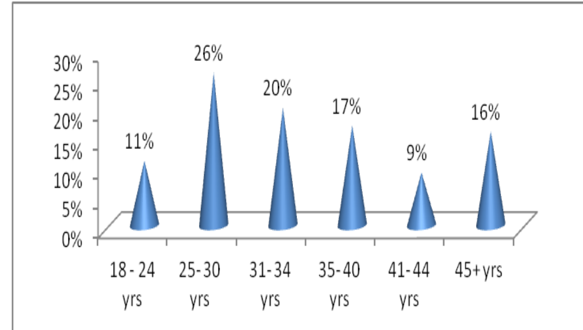
Length of Service

The study required to establish the number of years that the respondent had worked in their scheme. Nzuve (1999) found out that respondent period of service in an organization is necessary for him or her to have better understanding of the organization.

Age of the respondents

The study sought to determine the respondent age category, the findings are as indicated by the figure below. According to Kothari (2006) , there is need to represent all ages in the study to have the view of all generations at work place.

Figure 2 Age of the respondents



Influence of Corporate governance on Performance of Occupational Schemes

In this section, the study presents findings on the influence of corporate governance on performance of occupational schemes in Kenya

Board Composition

The study sought to establish the extent to which board composition influence the performance of occupational retirement schemes in Kenya. The board composition is the insiders and outsiders represented in the board. It also defines the political and professionals in the board of an organization. This is represented in table below.

Table 2 Board Composition

	Statement about board composition	Strongly Disagree	disagree	neutral	Agree	Strongly agree	Mean	Standard Deviation
1	Board control by outsiders is sufficient to support performance	83	9	6	3	0	4.75	0.35
2	Insiders are well represented in the board to ensure performance	74	11	9	3	3	4.5	0.31
3	Number of occupational scheme professional s in the board are adequate to ensure performance of the scheme	23	63	9	6	0	4.06	0.25
4	Government officials in the board are controlled to ensure performance	29	66	6	0	0	4.27	0.28

The results above indicate that the respondents felt that the board control by outsiders is sufficient to support performance of the scheme.

A score of 4.4 shown that the respondents agree that good board should compose of outsiders and a score of 4.1 on insiders shows that the insider directors are well represented. These results are found to be in agreement with other studies like that of whom argue that boards of directors are more independent as the proportion of their outside directors increases. This enables them to run their issues without any undue optimistic influence from the inside directors. In the existing theoretical literature outside directors are undifferentiated group opposed to insiders.

The results also show a mean of 3.6 that the political influence is minimal. Herman and weisbach also consider politically connected directors to have a negative effect on the profitability of organizations and the same applies to independent directors. By bringing in politically connected directors and outsiders declared as independent we introduce a further differentiation and investigate the objectives pursued by directors within the board of the scheme.

Board Size

The study geared to establish whether the board size of the scheme supports its performance. Board size was largely referring to the number of members in the board. The respondents were asked whether the board present is sufficient to support performance.

Table 3 Board Size

	Statement	Strongly agree	agree	neutral	DisAgree	Strongly Disagree	Mean	SD
1	Number of members in the board are sufficient to support performance	54	43	3	0	0	4.56	0.266
2	Number of independent members in the board are sufficient to support performance	11	71	9	6	3	3.81	0.29
3	Board members retire by rotation to support good performance of the scheme	63	20	9	6	3	4.37	0.25
4	Professional members are adequate in the board to support the schemes performance	74	11	9	3	3	4.50	0.31

The findings above shown that the respondents agreed the board members were sufficient to support performance of the occupational schemes in Kenya. This sentiments are also supported by a study by Miringu &Muoria (2011) that found out that the board should neither be too large like 14 members and above nor too small like below 5 so as not to compromise the inter-active discussion during board meetings or to limit inclusion of a wider expertise and skills that are necessary for the board to be effective.

The table above further illustrates that the board independent had a score of 4.50 suggesting that the scheme board is deemed to be independent enough to support the performance of occupational schemes in Kenya. This concurs with Nicholson & Kiel (2004) study which points out that there are other reasons for appointing independent directors to the board: to ensure an appropriate mix of skills and expertise to govern effectively-in particular, to facilitate good decision making-if they are not available in house; to help ensure board diversity, in turn minimizing 'group think' and to gain access to external business and other contacts, information and resources. Therefore the independent of occupational schemes in Kenya places it at a better edge to confront their challenges.

Regression Analysis

The study conducted multiple regression analysis to determine the relationship between the independent and dependent variable as depicted in the conceptual framework.

The resulting regression equation was of the form

$Y= 0.878+0.305X1+0.245X2+0.158X3+0.071X4$

Where Y is Performance of occupational schemes

X1 Is board Composition
X2 is the board size
X3 is executive compensation
X4 is Risk management and internal controls in predicting the influence of corporate governance on the performance of occupational schemes in Kenya.

From the findings from the data, the following results were established by use of SPSS and are presented in the table.

Model Summary

Table 4.5: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	.875(a)	.76625	.766232	.12225
Source: The study, 2014				

From the findings on the Adjusted R squared, which is the coefficient of determination which shows the change in the dependent variable due to changes in the independent variable, the study found that there was a variation of 76.6% on the performance of occupational schemes due to change in board composition, board size, executive compensation and the risk management and internal control structures in place at a 95% confidence interval. This shows that 76.6% changes in performance of occupational schemes could be accounted to changes in board size, board composition, executive compensation and risk management and internal controls. The study found that there was strong positive relationship between the variables as shown by strong correlation coefficient of 0.875.

Table 4.6: ANOVA (b)

Model		Sum of squares	df	Mean square	F	Sig
1	Regression	2.232	6	0.372	3.131	0.43
	Residual	9.212	29	0.329		

Source: The study, 2014

From the ANOVA statistics, the study established the regression model had a significance level of 4.3% which is an indication that the data was ideal for making a conclusion on the population parameters as the value of significance (p-value) was less than 5%. The calculated value was greater than the critical value (3.131-1.9861) an indication that board composition. Board size, executive compensation and risk management and internal controls significantly influence performance of occupational schemes. The significance value was less than 0.05 indicating that the model was significant.

Table 4.6: Coefficients

	Unstandardized Coefficients		Sig.
Model	**Coefficients**	**beta**	
(Constant)	0.878	2.459	0.016
Board composition	0.305	3.145	0.002
Board size	0.245	4.664	0.010

The established regression equation was

Y= 0.878+0.305X1+0.245X2+0.158X3+0.071X4

From the regression equation, it was revealed that holding board composition, board size, executive compensation and risk management and internal controls to a constant Zero, performance of occupational schemes would be 0.878, the study revealed that a unit increase in board composition, board size, executive compensation and risk management and internal controls would lead to increase inn performance of occupational schemes by a factor of 0.305, 0.245, 0.158 and 0.071. This means the most important factor is board composition. The study also found that there was a positive relationship between performance of occupational schemes and board composition, board size, executive compensation and risk management and internal controls.

At 5% level of significance and 95% level of confidence, risk management and internal controls had a 0.019 level of significance;

executive compensation showed a 0.017 level of significance, board size had a 0.010 level of significance and board composition showed 0.002 level of significance hence the most significant factor is board composition. Overall board composition had the greatest effect on performance of occupational schemes in Kenya, followed by board size, then executive compensation while risk management and internal controls had the leas effect on performance of occupational schemes in Kenya. All variables were significant (pless than 0.05).

Summary of Findings

The study sought to establish the influence of corporate governance on performance of occupational schemes in Kenya. Specifically the study assessed the influence of board composition, board size, executive compensation and risk management and internal controls. While empirical studies on corporate governance have been extensive although attention to corporate governance indicators is minimal. This study addresses this open question of corporate governance and the influence it has on performance of occupational schemes. A pilot study was undertaken in the occupational retirement schemes to pre-test the reliability and validity of the research instrument. This helped in correcting inconsistencies found thereby ensuring measurement of what was intended.

To what extent does board composition influence performance of occupational schemes in Kenya.

The findings of the study established that board composition was a significant factor that influences the performance of occupational schemes. Laura & Alexander (2011) asserts that beyond their status independent directors might hide an indirect affiliation to the sponsoring company or politicians or even aim to the same objectives, without necessarily enjoying any political connection, provided that the absence of incentives gives them the chance to follow their own goals.

How does board size influence the performance of occupational schemes in Kenya?

The study established that board size affects the performance of occupational schemes in Kenya. It also found out that big boards might present coordination problems just like theorized by Jensen (2003) and confirmed by Hermalin &Weisbach (2010). Findings of board size however concur with other empirical studies such as which concluded that;

The overall effect of the variables

The study showed all the four variables greatly influence the performance of occupational schemes in Kenya. The study found out that 76.6% of corresponding change in performance of occupational schemes in Kenya for every change in all the four independent variables jointly. Board composition, board size, executive compensation and risk management and internal controls using ANOVA , at 5$% level of significance found the model to be significant

5.3 Conclusion

Board composition

From the findings the study established that board composition has positive impact on organizational performance of occupational schemes in Kenya. In this research, it was found out that Boards dominated by insiders do not play their role well as effective monitors and supervisors of management. This is particularly so when the board chairperson is also the firm's CEO. Therefore it is concluded that there should be a greater level of independence that will allow outside Directors to fulfill their monitoring duties

more effectively, which in turn will bring about an improvement on firm performance.

Board size

From the research conducted it was realized that board size has a number of implications. On one hand, a smaller board is manageable from the Managing Director's (MD) view. A smaller board size is viewed as an indicator of the CEO's profound influence on proceedings in board meetings. On the other hand, a larger board, although potentially unmanageable, may be valuable for the breadth of its services. A larger board has been shown to provide an increased pool of expertise and resources for the organization. Therefore it was observed that for occupational schemes in Kenya, the first step in structuring effective board is to shrink it, probably because a larger board is more difficult to coordinate. It was further observed that a larger board is less likely to become involved effectively in the strategic decision making process. A smaller board seems to be more effective than larger board in the sense that it allows the board to support the strategic decisions of Managers without frequent interruptions and to take decisive governance actions in a coordinated fashion.

Recommendations

The board of directors is the link between the people who provide capital and the people who use that capital to create value. Their primary role is to monitor and influence the performance of management on behalf of shareholders in an informed way. Efficient schemes can only be established and d3eveloped by responsible, creative, innovative boards and more appropriately elected and governed boards

The RBA should therefore be very keen in the supervisory role through the relevant committees to ensure that all regulations are enforced as required e.g. the board elected is independent. RBA should also specify the minimum criteria for one to be a trustee and realise the proposal to certify those to be trustees. The study also recommends that RBA should discourage the domination of scheme affairs by the sponsors because the study has shown that there is increased conflict of interest where sponsors influence the running of the schemes.

Areas for further study

Further research should be undertaken on the following areas:

1. The effect of RBA guidelines on investment performance of pension funds in Kenya
2. Study of the agency conflicts in pension funds in Kenya
3. A study to establish the relationship between corporate governance and pension scheme funding level

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