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CORPORATE GOVERNANCE AND PERFORMANCE OF UNIVERSITIES IN KENYA

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***Abstract**: Although strategic management literature strongly acknowledge the existence of a relationship between corporate governance and the overall organizational performance, some studies have reported mixed results about the relationship between the variables. The inconsistency in findings point to the need for further investigations on the ongoing debate about this relationship. This study therefore sought to establish the effect of corporate governance on performance of universities in Kenya. We adopted an explanatory survey research design with 248 respondents formed of universities' management board members and senior management academic staff (deans/directors/HoDs). Structured questionnaire was used to collect data analyzed using both descriptive and inferential statistics. Findings revealed that corporate governance significantly influences organizational performance at $R^2 = 0.213$, $F = 43.410$, p-value<0.05. We, thus, concluded that putting in place an effective corporate governance framework enhances corporate performance. The results present important implications to managers of higher learning institutions, other corporate entities, policy makers, and stakeholders in the higher education sector in Kenya and beyond.*

***Keywords**: corporate governance, organizational performance*

1. Introduction

Recognition of the need for good corporate governance in university education globally has risen over the years as a result of the emerging trends and challenges that have impacted directly or indirectly on performance of universities. According to Fielden (2008), internalization and rapid expansion of university education are major challenges that have attracted the attention of governments to put in place corporate governance frameworks that would ensure efficiency and effectiveness in both public and private universities. Salmi (2009) observes that high-ranking universities in the world for example had acquired their statuses as a result of appropriate corporate governance they had practiced over time.

Corporate governance is a system by which companies are managed, objectives are set and achieved, risk is monitored and assessed and performance is optimized (Hamilton, 2003). It provides a framework through which companies set objectives and the means for achieving those objectives and their implications to performance are put in place (OECD) (2004). This is therefore an important indication of an existing relationship between corporate governance and organizational performance. McCann (2004) argues that organizational performance is the efficiency and effectiveness of the firm in converting inputs into outputs. It is an organization's capability to attain its aims and objectives (Daft, 2000). The Capital Markets Authority (CMA), (2015) and OECD, (2004) indicate that best corporate governance practices entail board operations such as appointment, functioning, compensation, conflict management, formalizing governance policies, codes and guidelines, strengthening shareholder rights, improving control environment, diversity, ownership structure, improving accountability, transparency, ethics and sustainability.

Over the years, the world has experienced unprecedented expansion in university education both in terms of student enrolment and number of emerging universities. Currently, there are approximately 1,730 universities in the United States of America and Britain alone (Webometrics, 2019; Universities UK, 2018). India whose education sector is ranked among the fastest growing globally has about 819 Universities offering various degree programmes (Universities Grant Commission, 2018). There are about 200 million university students in the world today up from approximately 90 million in the year 2000 (World Bank, 2017). This expansion has equally occurred in Sub-Sharan Africa where "massification" of university education has taken root partly due to increased demand for university education among the region's youth (Sifuna & Sawamura, 2010; Nyangau, 2014; World Bank, 2017). Kenya has particularly recorded a 21% increase in the number of universities and university colleges between the year 2012 and 2018 (CUE, 2018), attributable to the advances made in primary and secondary school enrolments around the country (World Bank, 2017).

Although the call for global competitiveness among institutions of higher learning continues to grow louder by day, success stories with regard to performance of universities in Kenya in the recent years have been few and far between. Many challenges including unchecked expansion, reduced government funding, gender inequality, low research capability, maladministration of teaching and university examinations, corruption, unethical behavior among university staff and students, poor management of student and staff records, inadequate stakeholder involvement in the management of universities' affairs, communication breakdown, misappropriation and embezzlement of university funds, weak control systems, poor human resource management practices, poor living conditions for students, the spread of HIV/AIDS, crumbled infrastructure, poorly equipped laboratories and libraries and shortage of quality faculty, all which have been associated with questionable corporate governance practices have substantially undermined the performance standards of universities in the country (Wanzala, 2013; Ongong'a & Akaranga, 2013; Nyangau, 2014; Marwa, 2014; Monyoncho, 2015; Munene, 2016; Asesa-Aluoch, Wanzare & Sika, 2016 Okeyo, 2017; Taaliu, 2017; CUE, 2017).

While strategic management literature strongly acknowledge the existence of a relationship between corporate governance and the overall organizational performance (Gregg, 2001; Kiel & Nicholson, 2002; Daily, et al., 2003; Gompers et al., 2003; OECD, 2004; Letting, 2011; Babu, 2013; Latif et al., 2013; CMA, 2015; Okeyo et al., 2016; Kamau, 2018; Ndwiga, 2018), some studies have reported mixed results about the relationship between the variables. Some studies have recorded positive, others negative while others point to no relationship between corporate governance and firm performance. This inconsistency among studies point to the need for further investigations on the ongoing debate about the relationship between the two variables. Additionally, while studies investigating the effect of corporate governance on performance of corporate entities appear to have dominated corporate governance literature, the relationship between the two variables among institutions of higher learning is still underexplored.

In this study, corporate governance was conceived using the code of governance which included accountability, transparency and ethics while performance was assessed using eight indicators comprising; capability in research and innovation, number of market driven academic programmes, growth in number of students, growth and expansion of learning faculties and schools, growth and expansion of teaching and support facilities, efficiency of teaching and examination systems, efficiency of student disciplinary systems and financial surplus/deficits.

2. Theoretical Review

The agency and stakeholder theories were adopted for conceptualizing the relationship between corporate governance and organizational performance. The agency theory was found appropriate for this study because of its philosophy of separation of ownership and control between owners (shareholders) of a firm and professional managers (directors) as suggested Bhimani (2008) and Eisenhardt (1989). According to Shabbir & Padget (2005), the agency theory emphasizes that reduction of agency costs resulting from internal corporate governance structures should help improve firm performance. It holds that there is need for the setting up of rules and incentives to align the behavior of managers to the desires of owners (Hawley & Williams, 1996), thus it determines the governance mechanisms to be adhered through formulation of codes of corporate governance in order to reduce firm conflicts and attain wealth maximization through enhanced performance. The agency theory therefore enriched the study by creating an understanding of the role of the board of directors and its equivalents in protecting the interest of shareholders and safeguarding superior firm performance.

The stakeholder theory acknowledges that organizations do not only exist to merely maximize shareholder wealth, but has a responsibility to serve a wider social purpose and interests (Donaldson & Preston, 1995). Thus, there is need to take all their interests into consideration while making corporate strategic decisions (Freeman, 1984; Freeman, 2010; Lawal, 2012). It argues that firms are expected to extend their fiduciary duty and social responsibility to the local community and the environment in which they operate (Freeman, 1984) hence providing a mechanism for linking ethics and strategy in organizations. As such, corporations that conscientiously strive to serve the interests of a broad group of stakeholders build more value overtime translating to high performance (Freeman, 1984; Harrison & Wicks, 2013). The stakeholder theory therefore is useful in the study for promoting an understanding of the relationship between stakeholder interest and the overall organizational performance.

3. Review of Empirical Literature

Studies examining the association between corporate governance and firm performance so far point to a lack of consensus on the effect of corporate governance on firm performance majorly attributable to the existing conceptual, empirical and theoretical gaps inherent in the studies, thus making it hard to form a conclusive opinion as to whether there truly exists a reliable linear relationships between the two variables. Evidence in the empirical literature is largely contradictory and debatable.

A study by Waduge (2011) among 37 Australian public universities to examine the relationship between governance structures, practices and the performance of the university sector using data from annual reports of the universities and other university education sector bodies found mixed results on the relationship between various aspects of corporate governance and performance of the universities. Establishment of council committees was found to have a strong positive relationship with overall research and financial performance of the universities. Nonetheless, council size and the number of council meetings were found not to have any statistically significant relationship with the overall performance of the universities. Council independence was also reported to have a negative correlation with performance. Moreover, the relationship between transparency in reporting and performance was found to be statistically insignificant during the period of the study.

Paramitha, Agustia & Soewarno (2017) reported a conceptual relationship between good corporate governance and performance of universities in a literature review research in Indonesia. The study recommended that further research on the relationship between corporate governance and performance needed to be conducted based on the author's conceptualization to prove whether such a relationship was significant or not. Garaika, Siswoyo & Zainal (2018), however, in a quantitative study among 240 lecturers found no effect of corporate governance on performance of private universities in the same country. In the study, corporate governance was conceived based on transparency, accountability, credibility and fairness. Performance was measured based on financial, customer satisfaction, internal processes and innovation and growth perspectives borrowed from Kaplan and Norton (1996) balance scorecard theory.

In Singapore, an inverse association between board size and firm performance was reported by Hong Vu & Nguyen (2017) in a quantitative study using panel data from 137 listed Singaporean companies. A non-significant relationship between board independence, CEO duality and company financial performance was also reported by the study. In the study, corporate governance was measured by the dual role CEO, board size and board independence while financial performance was used as the basis for measuring firm performance whose indicators included return on assets and equity and Tobin's Q.

In a quantitative study to examine the impact of various aspects of corporate governance; board size, composition, and CEO/Chairman duality on firm performance measured by return on asset (ROA) using panel data among 12 listed sugar milling companies in Pakistan, Latif, Shahid, Ul Haq, Waqas & Arshad (2013) found that overall, corporate governance had a significant impact on firm performance. The study revealed that board size, board composition and CEO/Chairman duality had a significant impact on ROA of sugar milling companies.

A related quantitative study to examine the relationship between corporate governance and firm performance in Vietnam by Duc Vo & Nguyen (2014) found mixed results on the impact of various components of corporate governance on firm performance using panel data from 177 listed companies. For example, CEO duality was found to be positively correlated with firm performance while board independence was reported to have negative impacts on firm performance. Furthermore, board size was found not to have any statistically significant relationship with firm performance. Corporate governance was proxied by CEO duality, board's size, board independence and ownership concentration while firm performance was measured based on return on asset (ROA), return on equity (ROE), Z-score and Tobin's Q.

In Nigeria, Udeh, Abiahu & Tambou (2017) carried out an ex-post facto research study to examine the impact of board composition on firm performance among 7 quoted Nigerian banks covering the period 2003 to 2014. Using secondary data, analysis revealed that board composition as a component of corporate governance had negative and insignificant impacts on the banks' financial performance measured by return on capital employed (ROCE). Okoye, Evbuomwan, Achugamonu & Araghan (2016) had reported in a related study on profitability of the Nigerian banking sector that generally, corporate governance had a significant effect on the profitability of banks in Nigeria.

Sarpong, Gyimah, Afriyie & Asiamah, A. (2018) investigated the effect of board gender diversity, board independence and size on performance of listed manufacturing firms in Ghana using panel data between the period 2009-2013. The study revealed that both board gender diversity and independence had a significant positive effect on the firms' return on asset (ROA) and return on equity (ROE). Board size was however found to have no significant relationship with firm performance as measured in terms of ROA and ROE.

A cross sectional descriptive survey by Tusubira & Nkote (2013) to examine the relationship between corporate governance and financial performance among private universities in Uganda revealed that council and senate size negatively affected the financial performance of private universities while policy and decision making were found to significantly affect the financial performance of the universities measured by actual revenue/budget revenue ratio and actual expenditure/budget expenditure ratio. A related study by Ndiwalana, Ssekakubo & Lwanga (2014) among 59 savings, credit and cooperative societies in the same country found that corporate governance did not have any effect on the financial performance of savings, credit and cooperative societies in Uganda and therefore the study concluded that there is no relationship between corporate governance and firm performance, effectively demonstrating inconsistency with the conclusions made by Tusubira & Nkote (2013) among other researchers.

To establish the impact of corporate governance on firm competitiveness and performance among SMEs in South Africa, Hove-Sibanda, Sibanda & Pooe (2017) conducted a cross sectional research study that revealed that implementation of corporate governance among SMEs positively and significantly affected their performance. Also conducted in South Africa is a study by Mashonganyika (2015) to examine the impact of corporate governance on performance of publicly listed firms on the Johannesburg Stock Exchange (JSE) in South Africa between 2009 and 2013. Using return on asset (ROA), return on equity (ROE) and Tobin's Q as proxies for firm performance, the study found that board size as an aspect of corporate governance did not have any impact on firm performance. Frequency of board meetings, board gender and age diversity, board independence and CEO non duality were however found to have significant effect on performance of publicly listed firms on the Johannesburg Stoke Exchange.

Ndwiga (2018) conducted a cross sectional research study in Kenya among 56 companies listed on the Nairobi Securities Exchange to investigate the relationship between corporate governance and firm performance among the listed companies. Using board size, board gender diversity and CEO duality, board Leadership, board ethics and operations as proxies of corporate governance, regression analysis results revealed that corporate governance had positive relationship with firm performance. Firm performance was measured by Tobin's Q, return on assets (ROA), return on equity (ROE), equity per share (EPS) and other non financial performance indicators such as customer satisfaction, learning and growth and internal processes.

Another study by Kamau (2018) using both descriptive and explanatory research designs among 162 financial institutions in Kenya to establish the influence of corporate governance on firm performance revealed that corporate governance overall, corporate governance had a significant influence on firm performance. Individual components of corporate governance however produced mixed results regarding their influence on firm performance. Board skills and committees were found to have significant and positive influence on performance of the financial institutions while board independence, board size, board diversity and codes of corporate governance (accountability, transparency, ethics, and fairness) were found to have no significant influence on firm performance among the financial institutions, thus demonstrating inconsistencies and similarities with other studies in equal measure. Firm performance was conceptualized in terms of financial soundness, customer focus, internal business processes, social equity, learning and growth and environmental consciousness.

Also producing mixed results is a cross-sectional study conducted among 47 companies listed on the Nairobi Stock Exchange to establish the relationship between board of directors' attributes, strategic decision-making and corporate performance by Letting (2011) where the effect of various board attributes on corporate performance was assessed. The board attributes analyzed included board size, non-executive directorship and

CEO duality whereas return on assets (ROA), return on equity (ROE) and price earnings ratio (P/E) were used as proxies for firm performance. Board size was found to have a statistically significant influence on ROA and ROE, but no statistically significant relationship with P/E. CEO duality was reported to have a negative statistically significant influence on ROE only as a measure of firm performance. It did not show any statistically significant effect on both ROA and P/E. Non-executive directorship nonetheless was found to have a statically significant relationship with price-earning (P/E) ratio.

Another study by Okoko (2017) to investigate the relationship between corporate governance and firm performance among 40 insurance companies in Kenya revealed using panel data that overall, there exists a relationship between corporate governance and firm performance. Various attributes of the board however produced varying nature of relationships with firm return on assets used as the measure of performance. Board composition and frequency of board meetings were found to have positive relationship with performance while board size showed a negative relationship with firm performance among the insurance companies.

A synopsis of these prior studies suggests that the debate on the relationship between corporate governance and organizational performance remain inconclusive. General consensus is yet to be reached as to the influence of corporate governance on organizational performance, pointing to the need to carry out further research on the relationship between the two variables. Hence, the objective of this study was to establish the effect of corporate governance on the performance of universities in Kenya, presented in the hypothesis below;

H_1*: Corporate governance has no significant effect on performance of universities in Kenya.*

4. Methodology

The study adopted a pragmatic paradigm with a focus on eight purposively selected universities based on 2019 webometric rankings. The first four public and four private universities ranked in positions one to four were selected in each category. Among public universities, The University of Nairobi (UoN), Kenyatta University (KU), Egerton University (EU) and Moi University are ranked in position one to four respectively and were therefore picked to represent public universities. For private universities, Strathmore University (SU), Catholic University of Eastern Africa (CUEA), United States International University (USIU) and Daystar University (DU) were ranked in position one to four respectively and were thus picked to represent private universities. It adopted an explanatory survey research design which is highly recommended for studies involving testing of research hypotheses that specify the nature and direction of the relationships between or among variables being studied and allows statistical analysis of data, which are inherent characteristics of this study. The sample size was 248 respondents drawn from a target population of 653 formed of universities' management board members and deans/director/HoDs defined as senior management academic staff using Yamane's (1967) formula stated as $n = \frac{N}{1+N(e)^2}$ where; **n**= the required sample size, **N-** population size and **e-** the precision level at a precision level of 95 % with a ±5 margin of error.

Structured questionnaire segregated along five main sections was used to collect primary data analyzed using both descriptive and inferential statistics. Simple regression analysis using Ordinary Least Squares (OLS) regression model for testing hypothesis was conducted. Results are presented in tables. To obtain data for the analysis, the respondents were asked to react to various statements that sought to establish the extent to which in their opinion the universities for which they worked practiced various aspects of corporate governance relating to accountability, transparency and ethics, and demonstrated some key indicators of performance on a scale of 1 to 5 using a likert-type scale where 1=Not at all; 2= To a small extent; 3= To a moderate extent; 4= To a large extent; 5= To a very large extent.

5. Results

The objective of the study was to establish the effect of corporate governance on the performance of universities in Kenya. To achieve this, the respondents' knowledge, experience, opinion, perception about whether some statements contained in the questionnaire applied to their universities was assessed.

Response Return Rate

Out of the two hundred and forty eight (248) questionnaires administered, one hundred and sixty two (162) dully filled were returned, realizing a return rate of 65.3% which compares well with similar previous studies; Cook *et al*. (2000) 55.6%, Ballantyne (2005) 55%, Ogier (2005) 65%, Nair *et al*. (2005) 56% and Kamau (2018) 67%. Data was collected within a period of three weeks. Two telephone call reminders were also made to the respondents within the collection period. Although there is no consensus among scholars on response return rate, Richardson (2005) and Baruch & Holtom (2008) posit that a response rate of 60% and 52.7% or more in social research respectively is acceptable for analysis. Saunders *et al*. (2009) argue that response rates vary depending on the attributes of the chosen questionnaire. The researcher, therefore, found the study response return rate acceptable for analysis and presentation of results based on Richardson (2005) and Baruch & Holtom (2008). Some respondents did not participate in the study citing lack of time to fill the questionnaires while others refused to participate without giving any reasons.

We found that data collected met the regression assumptions for further analysis and reliable with a Cronbach's alpha index being 0.821 (corporate governance) and 0.836 (performance of universities). Validity was confirmed by calculating scale validity index at 0.88. The respondents' academic qualification oscillated around only two levels; Doctorate or PhD and Masters. 78.4% of the respondents had attained Doctorate or PhD while 21.6% had attained Masters as highest level of academic qualification. Majority, 35.8% of the respondents had served in their universities for between 6-10 years. Only 26.5% had worked for less than 5 years in their universities. Regarding the years of service in their current administrative positions, majority, 46.9% of the respondents had served in their current positions for between 3 to 5 years. Only 16.1% had served in their current position for less than 2 years. Another 22.2% and 12.3% had served for between 6-8 years and 9-11 years respectively. One respondent representing 0.6% had served in their current position for over 15 years. This means that majority of the respondents had covered strategic planning period while serving in their current positions and therefore had most likely undertaken strategic decision making roles within the framework of corporate governance and organizational performance.

6. Correlation Results

The broad objective of the study was to establish whether corporate governance has effect on the performance of universities in Kenya. Correlation analysis aimed at identifying the direction and strength of the relationship among the main variables in the study. In order to examine the relationship, Pearson Product Moment Coefficient technique was applied to establish whether the two variables of the study were highly correlated as to inflate outcomes. Inflated outcomes should be avoided to improve credibility of research findings. According to Hair *et al.*, (2006), assessment of correlation is guided by the following sequence; very strong (values of 0.81 to 1.0); strong (values of 0.61 to 0.80); moderate (values of 0.41 to 0.60); weak (values of 0.21 to 0.40); nil (values of 0.00 to 0.20). Table 1 presents summary results of correlation analysis.

Table 1: Correlation Matrix of Study Variables

Item		[1]	[2]
[1] Corporate governance	Pearson Correlation	1	
	Sig. (2-tailed)	0.000	
	N	162	
[2] Performance of universities	Pearson Correlation	.462**	1
	Sig. (2-tailed)	0.000	
	N	162	162

Source: Research Data (2019)

Correlation analysis results in table 1 reveal significant and positive correlation between corporate governance and performance of universities. The table shows a significant relationship between corporate governance and performance of universities (r =0.462, p- value< 0.05). The strength and direction of the relationship is moderate and positive respectively. Overall, the results demonstrate that the practice of good corporate governance is an effective way of improving performance outcomes in universities.

7. **Results for test of hypothesis**

Data composite indices from indicators for both corporate governance and performance of universities were obtained and subjected to simple regression analysis. This was preceded with analysis of individual corporate governance indicator effect on performance of universities where the individual effect of accountability, transparency and ethics on performance of universities was analyzed. Results are presented in tables 2.0 to 5.0.

Table 2: Regression Results for the Effect of Accountability on Performance of Universities.

Model Summary

Model	R	R^2	Adj. R^2	Std. Error of Estimate
	.103	.131	.125	7.00246

ANOVA

Model	Sum of Squares	Df	Mean Squares	F	Sig.
Regression	1180	1	1180.28	24.07	0.000
Residual	7648	160	49.03		
Total	9026	161			

Coefficients

Model	Unstandardized Coefficient	Standard Error	t	Sig.	Model Equation
Constant	24.470	1.880	13.010	0.000	Y = 24.470 + 0.367AC
Accountability (AC)	.367	.075	4.910	0.000	

Predictors: Accountability (AC)
Dependent Variable: Performance of universities (PU)
Source: Research Data (2019)

Results in table 2 indicate that accountability has a statistically significant effect on performance of universities at $R^2 = 0.131$, F=24.070, p-value<0.05, demonstrating goodness of fit for the regression model and producing a statistically significant beta coefficient of β=.367, t= 4.910, p-value<0.05. The results thus reveal that accountability explains 13.1% variation in performance of universities and that for every unit change in accountability, there is a corresponding increase or improvement in performance of universities by 36.7%.

The results are consistent with observations by Monyoncho (2015) that lack of accountability in Kenyan universities had created fertile grounds for corrupt and unethical tendencies and inefficiencies in the appointment and selection of university leaders and delivery of academic programmes which in turn negatively impacted on performance of the institutions in general. Rockoff & Turner (2010) found that an accountability system that evaluated schools based on a set of continuous metrics with focus on mathematics and English subjects significantly increased student achievement in Math and English. A study by Muralidharan & Sundararaman (2011) further reported that linking student test performance to teacher pay significantly improved learning outcomes for students in rural government schools in Andhra Pradesh, India.

In his analysis of the effect of accountability in higher education based on an annual mandatory exam policy (ENC) for every senior college student from a certain list of disciplines in Brazil, Rezende (2007) observed that the ENC policy had improved university and college quality, increased the ratio of applicants for admissions and further increased the number of faculty members in institutions of higher learning. Universities and colleges were rewarded and penalized depending on their students' performance in the ENC. Nguyen & Lassibille (2008) found that an accountability system implemented among district and sub-district schools in Madagascar caused an improvement in various observable performance measures among schools where monitoring was implemented.

Hiring contract teachers along with community monitoring also had a generally positive effect on learning, as measured by test scores according to a study by Duflo & Kremer (2007). Training school committees to monitor teachers increased learning program effectiveness. Inconsistent results were however reported by Ndwiga (2018) who found that the effect of accountability as an aspect of corporate governance on organizational performance was statistically insignificant among companies listed in the Nairobi Securities Exchange, signifying a lack of consensus among studies about the relationship and effect of accountability on organizational performance.

Table 3: Regression Results for the Effect of Transparency on Performance of Universities.

Model Summary

Model	R	R^2	Adj. R^2	Std. Error of Estimate
	.135	.159	.154	6.88827

ANOVA

Model	Sum of Squares	Df	Mean Squares	F	Sig.
Regression	1434	1	1434.06	30.22	0.000
Residual	7592	160	47.45		
Total	9026	161			

Coefficients

Model	Unstandardized Coefficient	Standard Error	t	Sig.	Model Equation
Constant	21.940	2.140	10.280	0.000	Y = 21.940 + 0.840TR
Transparency (TR)	.840	.153	5.500	0.000	

Predictors: Transparency (TR)
Dependent Variable: Performance of universities (PU)
Source: Research Data (2019)

Results in table 3 show that transparency has a statistically significant effect on performance of universities at $R^2 = 0.159$, F= 30.220, p-value<0.05, revealing goodness of best fit for the regression model and producing a statistically significant beta coefficient of β= .840, t=5.500, p-value<0.05. The results indicate that transparency explains 15.9% variation in performance of universities and that for every unit change in transparency, there is a corresponding increase or improvement in performance of universities by 84.0%.

Findings from the analysis support those in previous studies. Andrabi *et al.*, (2017) for example found that transparency had caused an improvement in learning in public and private schools in Pakistan while an investigation by Sabas & Mokaya (2016) on the influence of transparency on students' performance in public secondary schools in Tanzania revealed that transparency contributed significantly to student's academic performance which consequently improved school performance ratings. Achoki, Kule & Shukla (2016) found that voluntary disclosure of financial information to stakeholders had a positive effect on performance among commercial banks. The study reported a positive relationship between financial, board and social disclosure and return on equity (ROI).

An earlier study by Makanyeza, Kwandayi & Ikobe (2013) also reported that lack of transparency and inadequate citizen participation were among the major causes of poor service delivery in County Councils in Kenya. In an intervention that disclosed test scores and admission rates for schools, Hastings & Weinstein (2008) reported that parents were significantly more likely to select high-performing schools against low-performing ones, and that their children's test scores increased as a result. Waduge (2011) however found a statistically insignificant relationship between transparency in reporting and performance of among Australian universities, indicating inconsistency of findings regarding the relationship and effect of transparency on organizational performance.

Table 4: Regression Results for the Effect of Ethics on Performance of Universities.

Model Summary

Model	R	R^2	Adj. R^2	Std. Error of Estimate
	.246	.253	.249	6.48963

ANOVA

Model	Sum of Squares	Df	Mean Squares	F	Sig.
Regression	2287.3	1	2287.33	54.31	0.000
Residual	6738.7	160	42.12		
Total	9026	161			

Coefficients

Model	Unstandardized Coefficient	Standard Error	t	Sig.	Model Equation
Constant	20.460	1.820	11.270	0.000	Y = 20.460 + 0.949ET
Ethics (ET)	.949	.129	7.370	0.000	

Predictors: Ethics (ET)
Dependent Variable: Performance of universities (PU)
Source: Research Data (2019)

Results in table 4 indicate that ethics has a statistically significant effect on performance of universities at $R^2 = 0.253$, F= 54.31, p-value<0.05, revealing goodness of fit for the regression model and producing a statistically significant beta coefficient of β= .949, t=7.370, p-value<0.05. The results therefore demonstrate that ethics explains 25.3% variation in performance of universities and that for every unit change in ethics, there is a corresponding increase or improvement in performance of universities by 94.9%.

The results are consistent with observations by Taaliu, (2017) that cases of admission of students into universities in Kenya without meeting the minimum entry requirements and contracting fellow students to help them do their academic work like writing research theses and projects were as a result of poor work ethics in the universities. His findings are reinforced by sentiments from Ongong'a & Akaranga (2013) that poor work ethics had caused some students in universities to miss graduation because some academic staff failed to mark their assignments or scripts on time or lost student marks altogether. The social workplace ethics of a lecturer is key in helping students on how to judge, evaluate and to relate to their environment (Ongong'a & Akaranga (2013).

The Code of Conduct and Ethics for Public Universities 2003, Cap 193, Part II, 6:1-2 for example states that: "An officer who is a member of the academic staff of a University shall organize his/ her instruction, assessment and examination in a manner that complies with all institutional requirements and expectations. And, an officer who is a member of the academic staff of a university shall ensure that the examinations are delivered to the students as scheduled and that the result thereof is processed without undue delay". Msanze (2013) also observed that unethical conduct was significantly related to poor performance of an organization whereas not having a code of ethics was found by Persons (2009) to increase the likelihood of poorer financial performance among firms in America.

Table 5: Regression Results for the Effect of Corporate Governance on Performance of Universities.

Model Summary

Model	R	R^2	Adj. R^2	Std. Error of Estimate
	.193	.213	.209	.66612

ANOVA

Model	Sum of Squares	Df	Mean Squares	F	Sig.
Regression	1926	1	1926.310	43.410	0.000
Residual	7099	160	44.37		
Total	9025	161			

Coefficients

Model	Unstandardized Coefficient	Standard Error	t	Sig.	Model Equation
Constant	19.880	2.100	9.450	0.000	Y = 19.880 + 0.263CG
Corporate governance(CG)	.263	.039	6.590	0.000	

Predictors: Corporate governance (CG)
Dependent Variable: Performance of universities (PU)
Source: Research Data (2019)

Regression results presented in table 5 show that the regression model for composite index of corporate governance as computed from accountability, transparency and ethics has a statistically significant effect on the performance of universities at R^2= 0.213, F= 43.410, p-value<0.05. Thus, the results reveal a goodness of fit for the regression model. Consequently, the results reveal that corporate governance explains 21.3% variation in performance of universities. The table further reveals a statistically significant beta coefficient at β= .263, t=6.590, p-value<0.05, demonstrating that for every unit change in corporate governance, there is a 26.3% corresponding increase in performance of universities in Kenya. Therefore, from the results, the hypothesis that corporate governance has no significant effect on performance of universities in Kenya is rejected. Corporate governance has significant effect on performance of universities in Kenya.

This finding is consistent with those of earlier studies (Ndwiga, 2018; Kamau, 2018; Gregg, 2001; Letting, 2011; Gompers *et al.*, 2003; OECD, 2004; Kiel & Nicholson, 2002) that have reported a positive and significant relationship between corporate governance and organizational performance and found a significant effect of corporate governance on organizational performance. Paramitha, Agustia & Soewarno (2017) also reported a conceptual relationship between corporate governance on performance of Indonesian universities but recommended that a study to establish whether such a relationship was significant or not needed to be carried out. Nonetheless, the results contradict that of a study by Garaika, Siswoyo & Zainal (2018) who found that corporate governance did not have any effect on performance of private universities in Indonesia, although performance was measured based on the balanced score card theory which was not adopted by the current study.

8. Conclusion

Based on the findings of the study, it is concluded that first, universities in Kenya have put in place various accountability, transparency and ethics mechanisms meant to institutionalize corporate governance to propel effective performance of the institutions. Secondly, it is concluded that the practice of corporate governance among Kenyan universities is still generally weak and therefore require strengthening. Lastly, the study concludes that corporate governance is positively and significantly related to organizational performance and that corporate governance significantly affects performance of universities in Kenya. Overall in this objective, the researcher concludes that corporate governance is a vital framework for effective performance of organizations and therefore universities that practice effective corporate governance have the advantage of improving their performance significantly.

9. Recommendations

Based on the findings in objective one, the study strongly recommends that both the government and the individual university managers in Kenya should seek to improve corporate governance practices through effective implementation of the various governance mechanisms established in the institutions of higher learning. In particular, the government through the Commission for University Education should enhance surveillance on university managers to ensure compliance with the Universities Act, 2012 and the Universities Standards and Guidelines, 2014 which provide governance framework for all universities in Kenya. Questions have been raised in recent times pointing to noncompliance with both the Act and the guidelines, effectively compromising the quality of university education in Kenya.

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