International Journal of Leadership and Governance (IJLG)

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International Journal of Leadership and Governance

ISSN 2789-2476

Vol.5, Issue 3, No.1 pp 1 - 34, 2025

www.iprjb.org

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Article History

Received 5th April 2025

Received in Revised Form 8th May 2025

Accepted 10th June 2025

How to cite in APA format:

Owalo, E. (2025). Evaluation of State Corporations' Implementation of Corporate Governance Guidelines in Kenya. *International Journal of Leadership and Governance*, *5*(3), 1–34. https://doi.org/10.47604/ijlg.3378

Abstract

Purpose: The study evaluates the implementation of corporate governance guidelines by State Corporations in Kenya.

Methodology: A cross-sectional descriptive design was adopted owing to the need to describe characteristics of situations and association with others. The study targeted a sample of 93 corporations, with 68 filling-in and returning the questionnaires utilizing primary data, while a structured questionnaire with closed -ended questions was used to gather the primary data. The variables for analysis included the board of directors; transparency and disclosure; stakeholder rights, obligations and relationship; accountability, risk management and internal controls; ethical leadership and corporate citizenship; sustainability and performance management; and compliance with laws and regulations. Analysis of Variance (ANOVA) was deployed to determine whether implementation of corporate governance guidelines differ across the different categories of State Corporations.

Findings: The study determined that State Corporations were compliant with the laws and regulations and recognize transparency and disclosure as important aspects of corporate leadership because they enhance the confidence levels of investors, stakeholders and the wider society. The results also revealed that the state corporations were facing challenges when it comes to stakeholder rights, obligations and relationships. Thus, while the implementation of corporate governance guidelines has not been fully realized, regulatory agencies, public fund management and revenue collection corporations are the most compliant to corporate governance guidelines. The most evident good practices were compliance with laws and regulations, alongside transparency and disclosure, implying the organizations have internal policies and procedures that detect and inhibit violations of applicable law, regulations, and ethical standards. However, major areas of weakness included limited stakeholder rights, obligations and relationship together with the board of directors and ensuring of accountability, risk management and internal controls.

Unique Contributions to Theory, Practice and Policy: This study reinforces the stakeholder theory by applying the Mwongozo[1] and OECD governance principles, to test its robustness with respect to policy and practice by advancing the argument that managers must serve the interests of their variant stakeholders. Key confirmatory findings included compliance with laws and regulations, transparency, and disclosure as some of the good corporate governance practices in Kenyan State-Owned Enterprises. In terms of practice, accountability, risk management and internal control were highlighted as areas that needed improvement. Therefore, the implication of this study is that full implementation of the corporate governance guidelines has not been realized by most State Corporations in Kenya. Hence, how can the implementation of corporate governance guidelines be fully realized by State Corporations in Kenya? Finally, this study strengthens the policy and regulatory framework to facilitate implementation of corporate governance guidelines, enriching policies and operational procedures, and informing theory on corporate governance.

Keywords: *Corporate Governance Guidelines, Kenyan State Corporations, Mwongozo Code, Governance, Principles of Corporate Governance, Stakeholder Theory, Stewardship Theory, Strategic Management*

[1] Code of Governance for State Corporations and a policy document by the Government of Kenya that seeks to incorporate the principles of corporate governance in the management and governance of State Corporations in Kenya.

INTRODUCTION

To what extent has the implementation of corporate governance guidelines been realized by State Corporations in Kenya? Governance involves oversight and processes for governing implementation, and management of policy to guide organizational operations (Bevir, 2012; Rabin, Hildreth, Miller, 1989; Mendoza, 2014; and Richard Eells.1960). Others have stated that governance denotes to systems of rules, procedures and activities by which organizations are organized and directed (Chen, 2020); or the style in which authority is disseminated while managing economic development (World Bank, 1991).

Therefore corporate governance refers to a set of structures and processes for the direction and control of companies (World Bank, 2021a; and Khumalo, M., and Mazenda, A., 2021); an implementation of a comprehensive system of regulatory mechanisms (Kruhlov V., 2024); constitutes systems and regulations created within an organization, to help guide the decision making processes (Mwangi, A.C., 2020); ensures compliance with the legal and regulatory framework (Kenya CMA Report, 2025); encompasses not only SOEs themselves but also actively involving representatives of private businesses and various state institutions (Hromov, S., 2024 , and Yeyati, L.E., & Negri, J., 2022). Price (2017) and Muriagoro (1999) argued that corporate governance is imperative and provides structures and procedures for ensuring proper culpability, integrity and openness; it stipulates the association and dissemination of privileges and tasks among four main groups: the Board, Administration, employees and shareholders or investors (Kihumba (1999); or shareholder engagement and value (Kimunya, Njuguna and Wambalaba, 2019b); and is interested in procedures, systems, practices and processes (Kigundu, 1989; and Roe 1994).,

Historically, corporate governance emerged from the possibility of conflict between investors and managers (Agency Theory) where in the late 1980s, there used to be a clear distinction, and a division of labor, between corporate law and corporate finance. However, corporate governance emerged as an integrated concept and an interdisciplinary field of knowledge (Bett and Kihara, 2022). The concept is also said to have been mentioned for the first time in 1962 by Richard Eells in his book, *The Government of Corporations* (Khumalo, M., and Mazenda, A., (2021). For example, Lakshna (2018) determined that compliant organizations to the UK Corporate Governance Code, realized improved corporate outcomes than those that did not. Similarly, Kruhlov (2024) argued that successful strategies were identified, including the implementation of best corporate governance practices, stimulating innovation, and ensuring financial stability through the diversification of funding sources. Hence, the need for widely recognized governing codes or principles.

From a worldwide perspective, the central corporate governance guidelines are the OECD (2015) guidelines that require policy makers to improve regulatory, permissible, and institutional outline that boosts corporate governance, including accountability, transparency, oversight and respect to shareholders. The six OECD ideologies guiding proper governance administration include: shareholder rights and key rights for ownership of functions; shareholder roles; equal treatment of all shareholders; transparency and total disclosure; and other crucial roles of the board (OECD, 2015). In Kenya, the Mwongozo Code of Governance for State Corporations provides eight focus areas, eight governance statements and thirteen governance principles including: Board of Directors**;** Transparency and Disclosure; Accountability, Risk Management and Internal Control; Ethical Leadership and Corporate Citizenship; Shareholder Rights and Obligations; Stakeholder Relationships; Sustainability and Performance Management; and Compliance with Laws and Regulations (GoK, 2015).

Informed by these guidelines, this study was guided by the Stakeholder Theory, which states that administrators must serve the interests of all stakeholders (Madison, 2014), and viewed corporate governance as a linkage between stewards and stakeholders. However, although the Kenya State Corporations Advisory Committee (SCAC) has been undertaking governance audits for State corporations based on the national Mwongozo guidelines, several issues on practice and policy still need to be addressed.

With respect to the Kenyan State Corporations, guided by Sessional Paper No. 10 of 1965, there has been an explosion of State-owned enterprises in Kenya covering many sectors of the economy since independence. This proliferation calls for effective guidelines due to wastefulness, low levels of culpability, and corruption. In fact, the 2010 Constitution of Kenya champions leadership, integrity and principles which public officers should pledge to in their management of public resources (chapter 6 on leadership and integrity; Article 232 on ethics and public service philosophies and efficient use of communal resources; Article 10 on nationwide standards and doctrines of governance; and Article 73 on accountabilities of governance). Hence, in 2013, to spearhead state corporations' reforms and examine existing policies on management of State Corporations, the President appointed a taskforce whose report recommended that state corporations be reduced from 262 to 187 of which 42, mostly in agricultural sector were to be dissolved, 28 merged, and the roles of 22 others transferred to other institutions, with 21 reclassified as professional bodies. Subsequently, in 2015, the government through the Public Service Commission (PSC) and the State Corporations Advisory Committee (SCAC) developed the Mwongozo Code of Governance for State Corporations which was benchmarked with global-best practices in corporate governance as outlined by OECD.

However, while Kyondu (2014) investigated the influence of corporate administration on accomplishment of state establishments, the study did not evaluate the implementation of these governance guidelines. Also, in a span of 17 months, several local news media covered stories of corruption and billions of embezzled funds from State Corporations (Daily Nation 2019, The Standard 2019, The Star 2019). Therefore, to what extent has the implementation of corporate governance guidelines been realized by State Corporations in Kenya?

Problem Statement

In his philosophical foundations of theories of corporate governance, Clarke (2004) analyzed three key theories: Agency theory, stewardship theory, and stakeholder theory. The Stakeholder theory emphasizes building and maintenance of sustainable stakeholder relationships as key to firm performance (Freeman et al., 2021). However, the theory heavily relies on the nature of human beings, failing to differentiate from other factors (Kivistö, 2007); that in capitalism, governments are given less priority (Buchholz and Rosenthal, 2004); hence need for a public interest perspective.

Some of the recent research studies on public sector corporate governance include Kruhlov (2024) on implementation of a comprehensive system of regulatory mechanisms; Hromov, (2024) and Yeyati & Negri (2022) on involving representatives of private business; Khumalo and Mazenda (2021) on processes for controlling and directing organizations; Kenya CMA Report, (2025) on compliance with the legal and regulatory framework; Chigudu (2020) on corporate governance problems of strategic management in Zimbabwe; Freeman, Wicks and Parmar (2020) on stakeholder model and the corporation objectives; and Munteanuet al (2020) on corporate leadership in Romanian civic units. However, despite these studies, theoretical models, and the existence of corporate leadership guidelines in Kenya, there still existed the problem of massive corruption in State corporations as reported in a span of 17 months, including: the Kenya Power Billing system scandal (*Daily Nation*, December 24th 2019), Kenya Ports Authority Ksh. 2.7B project at Makongeni (*The Standard*, Nov. 23rd 2019), the puzzle of Ksh. 1B "spilt" fuel at Kenya Pipeline Co. Ltd. (*Daily Nation*, 23rd Nov. 2018); the Ksh. 50B medical cover premium scandal at the National Hospital Insurance Fund (*Daily Nation*, Dec. 11th 2018); and the Ksh. 1.8B Maize Scandal at National Cereals and Produce Board (*The Star*, May 25th 2018).

In addition, the Performance Evaluation of State Corporations and Tertiary Institutions (PESCT 2022) revealed that out of the 236 State Corporations whose performance was evaluated, 7.6% attained "EXCELLENT", 43.2% attained "VERY GOOD", while 49.2%, achieved "GOOD" or "FAIR" which meant they did not attain the agreed performance targets. Further, the World Bank Report (2021) pointed out that the government has only partially implemented reforms outlined in the Presidential Taskforce Report (2013) for moving SOEs management and monitoring toward global best practice, with significant unmet targets and recommended: strengthening the legal framework and institutional structure; improving performance monitoring; and enhancing controls and transparency of SCs' operational performance and relations with the government.

The foregoing presents contextual gaps in policy and practice in the Kenya context. For example, a study in Finland focused on Government-University relation, (Kivistö, 2007), and in US on Ethics and Social Justice in Public Administration (Karaca, Bakiev, Allaf, and Campbell, 2009). In Kenya, Otieno (2019) assessed the outcome of performance of corporate governance practices in secondary schools; Machuki (2018) focused on corporate governance of sugar companies; Nyarige (2012) researched on the influence of structures of corporate governance in commercial banks; Wambua (1999) studied corporate governance practices within the banking industry; Mwangi (2001) focused on the insurance industry; and Mucuvi (2002) focused on the motor industry. However, none of these studies assessed governance challenges in State corporations, except for the private sector whose findings cannot fully represent the public sector practices.

In addition, despite the Mwongozo guidelines, their implementation within State corporations remains an issue of concern. Ochieng (2017) argued that Mwongozo does not address the central concern that bedevils State Corporations; Manduku (2016) questioned the legal status of the code indicating that it is not a law; and Kuria (2015), indicated that the challenge faced in implementation of corporate governance is the existing legal and policy environment, hence the need for further legal and policy development.

The closest research concerning the impact of corporate leadership on accomplishment of state establishments in Kenya was Kyondu (2014) who focused on performance of State establishments in the then Ministry of Devolution. However, the study aimed at determining the correlation between corporate leadership and performance of establishments in general instead of evaluating the implementation of governance guidelines. Moreover, the study was undertaken before development of the Mwongozo code of governance and therefore did not evaluate or determine the employment of its corporate governance guidelines. In addition, the dynamic environment of State Corporations keeps evolving. Finally, although SCAC has been undertaking governance audits for individual State corporations based on the Mwongozo guidelines, it has not involved an assessment of guidelines to execute corporate governance.

Hence the question, how are State corporations in Kenya implementing guidelines of corporate governance?

This study focuses on evaluating the extent to which State Corporations in Kenya have implemented the Mwongozo Code across eight governance dimensions, including: Board of Directors; Transparency and Disclosure; Accountability, Risk Management and Internal Control; Ethical Leadership and Corporate Citizenship; Shareholder Rights and Obligations; Stakeholder Relationships; Sustainability and Performance Management; and Compliance with Laws and Regulations.

LITERATURE REVIEW

Literature Examination

The foundational public sector scholarship landmarks in management theory include: the 1911 Taylor's Principles of Scientific Management and the Hawthorn studies on worker productivity; the 1937 Gulick's framework for applying scientific management in government; the 1938 Chester Barnard acceptance theory of authority; the 1950's - 1970's management theories testing middle-range theories; the 1960's Theory X and Theory Y; and then the 1970's, 1980's, and 1990's doctrine based theories that became referred to as New Public Management (NPM) or new managerialism (Public Policy Blog, 2013) . The NPM theory was a critique of the traditional public administration and argued for a more market-oriented framework for public services delivery (Osborne, Radnor and Nasi, 2013) based on public-choice theory and managerialism (Gruening, 2001); and relies on institutional economics to demonstrate how public management can use private sector solutions (Ferris, and Graddy, 1998). However, this theory too was criticized by Young, Wiley, and Searing (2020) who pointed out two major public management failures, the U.S. State of Illinois Budget Impasse during 2015–2017, and the COVID-19 Pandemic, as examples where their assumptions about political neutrality in times of crises were challenged. Since the NPM theory minimized political influences, the stakeholder theory was preferred since it considers stakeholder's choices, such as the politically mandated Mwongozo guidelines.

Principles of Corporate Governance

This study combined guidelines defined in the global OECD and the local Mwongozo corporate governance principles, which formed the basis for the theoretical framework. While the OECD principles now form an international benchmark on corporate governance and are adopted as a standard for financial stability (OECD, 2015), the Private Sector Corporate Governance Trust (PSCGT) argues that it is not enforceable, since this implies predictability and participation where clear laws, protocols, rules and procedures are known earlier, and homogenously and effectively imposed (PSCGT, 1999). Hence locally, the Mwongozo "Code of Governance for State Corporations" (GoK 2015) provides for such clear laws, protocols, rules and procedures involving eight areas of focus, along with eight respective governance statements, and thirteen governing principles. Accordingly, the board of directors should adhere to guidelines on the size and composition, gender sensitivity, relevant skills and competence for effective management of the organization; remain in control and accountable to each and every shareholder; ensure board members are well-inducted and their skills developed continuously to promote efficiency and effectiveness in the organization; undertake annual performance review to enhance accountability and transparency; for internal control, risk management, and accountability, oversee preparation of annual financial statements and make sure that all internal processes for measuring risk are in position; and ensure the process of procurement is

International Journal of Leadership and Governance
ISSN 2789-2476
Vol.5, Issue 3, No.1 pp 1 - 34, 2025
www.iprjb.org

less costly to deliver value for money. In fact, a compilation of the OECD, PSCGT and Mwongozo guidelines reveal overlaps across the three on Rights of Stakeholders, Responsibility of Shareholders and Disclosure and Openness, while Ethical and Responsible Decision-making, Corporate Leadership Framework, and Fair Treatment of Stakeholders are mentioned in two documents (appendix 1).

Ultimately, proper corporate governance is significant to ensure the positive contribution of state-owned enterprises to the efficiency of the economy and its competitiveness (Miazek, 2021). Corporate governance and sustainability practices foster long-term growth, transparency and enhanced stakeholder confidence in the capital markets sector (Kenya CMA Report, 2025). For example, in the Kenyan context, the World Bank (2021b) reported that fiscal exposure and risks for the GoK from commercial and non-commercial SOEs had consistently and significantly increased in the last five years, and the government has only partially implemented reforms outlined in the 2013 Presidential Taskforce Report for moving SOEs management and monitoring towards global best practice. Bett and Kihara (2022) assert that more transparency allowed for greater accountability and contributed to better performance by state-owned enterprises, and countries that improved their corporate governance standards and practices improved the business environment for and performance of both private and state-owned companies. Similarly, analysis of the performance of the State Corporations indicates that there was improvement in performance in the FY 2021/2022 compared to that of FY 2020/2021 since the average composite score improved from 3.1191 to 3.0036 with public universities performing at the top (twice in a row) while commercial and manufacturing at the bottom (GoK NT & EP (2022). And according to the Kenya CMA Report (2025), an outstanding achievement was the significant improvement in the annual weighted overall governance score of issuers (listed companies) from a Fair Rating (55% in the financial year 2017/2018) to Good Rating (73.56% in 2023/2024), thus underscoring collective effort to refine and implement governance frameworks, elevating corporate transparency, accountability, investor confidence and market integrity.

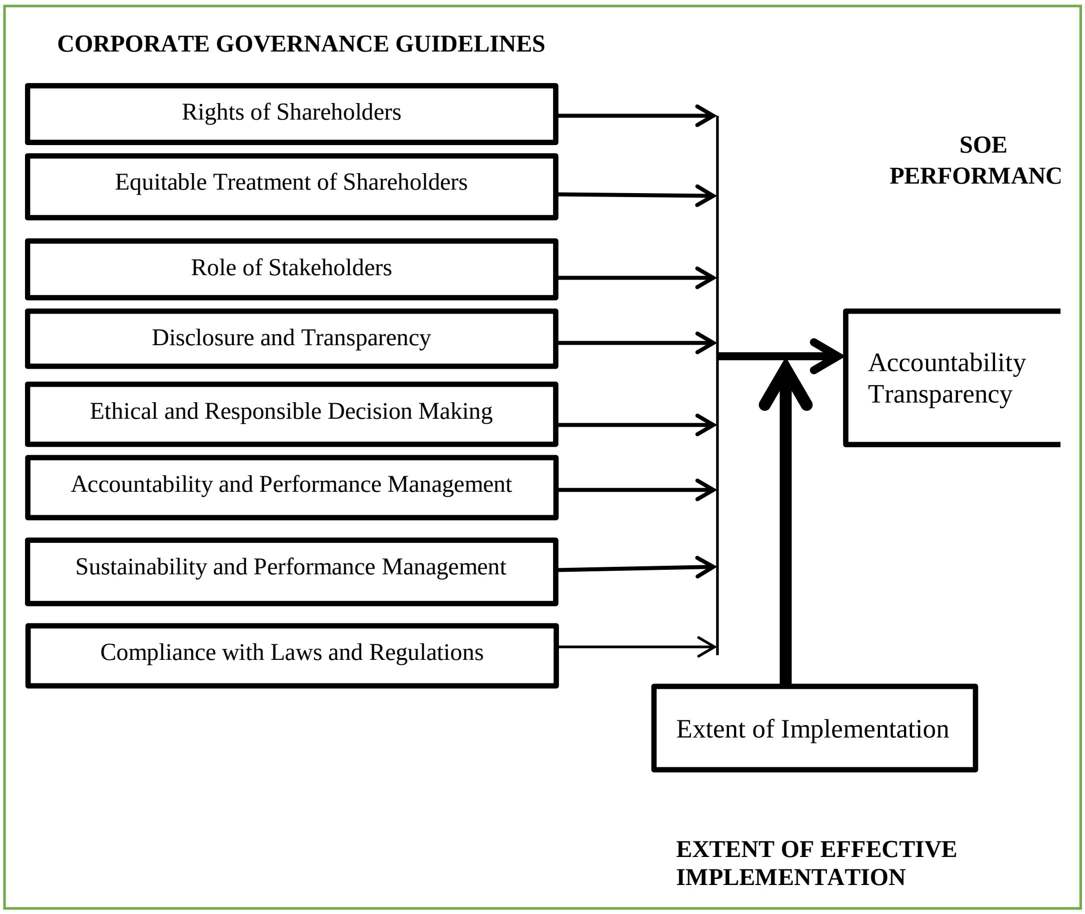

Figure 1: Conceptual Framework

Theoretical Review

Clarke, (2004)) and Khumalo & Mazenda (2021) analyzed three key theories: Agency theory, stewardship theory, and stakeholder theory as the philosophical foundations of corporate governance. However, given that the Stakeholder Theory was an extension of the Stewardship Theory, which originated from the Agency Theory (Klepzarek (2017), this research was anchored on the Stakeholder theory and supported by the Stewardship Theory.

Stakeholder Theory

This theory articulates that managers in execution of their duties must serve the interests of all stakeholders as a model of rationality (Pesqueux, and Damak Ayadi, 2005); especially as concerns the effects on community, environment, maintenance of reputation, high business standards and fairness to all company members (Rathod, 2018); an institutional arrangement for governing relationships between stakeholders (Khumalo and Mazenda, 2021); and emphasizes stakeholder relationships as the key to firm performance (Freeman et al., 2021). The theory embodies some elements of the Agency theory and Stewardship theory which predict enhanced firm performance where behavior of agents is based on self-interest that conflicts with interests of principals (Madison, 2014; and Bett & Kihara, 2022). Hence, Hawrysz and Maj (2017) observed that firms that considered their shareholders posted progressive financial reports more often than those that did not.

However, Kivistö (2007), criticized this theory as it heavily relied on the assumption of the nature of human beings, hence failing to differentiate other factors other than opportunistic behavior that leads to poor performance. Although there are similarities between Shareholder and Stakeholder theories, Dennehy (2012) outlined differences with respect to purpose. Similarly, a key assumption is that stakeholder theory is about creating more value, similar to shareholder theory (Harrison, Freeman, and Abreu, 2015). Not surprising, Buchholz and Rosenthal (2004) argued that in stakeholder theory of capitalism, governments would be given less priority. Some critics further argue that a corporation has no moral legitimacy to use the assets, of a legal entity to pursue an objective which is not in the interest of its shareholders (Mansell, 2009); and incompatible with existing objectives, hence weakening accountability and private property (Sternberg, 2002; and Mainardes, Alves, and Raposo,2011). Critics further cite the elusiveness and ambiguity of stakeholders in the Stakeholder theory (Fassin, 2007).

The relevancy of this theory is that it considers the relationship between shareholders and managers in different decisions especially financing decisions which is central to the study of corporate governance (Younas, A., 2022). In the Kenyan context, Stakeholder Theory informs analysis of public interest obligations, especially rights of shareholders, equitable treatment of shareholders, role of stakeholders in the Mwongozo principles which this study assesses in the context of the Kenyan state corporations.

Stewardship Theory

The Stewardship theory is anchored on the fact that a good steward strives to improve performance of the firm on a daily basis, hence maximizing owners' wealth, reflecting a humanistic model, and alignment to the principal's interest (Madison. 2014), and assumes that managers should work as stewards (Younas, A., 2022). Martin and Butler (2017) made nine proposals on the efficacy of Stewards observing that Stewards are generally able to work well with commonly accepted compensation provisions that reflect the market. However, Grundei (2008) criticized that trust might be a strategy that is misguided when it comes to crafting the principle of corporate governance, since alignment of goals, cohesion and cooperation may be resilient enough to justify a strategic management course, hence (Schillemans and Hagen Bjurstrøm, 2019) calling for a trust and verify approach. Also, the theory assumes that shareholders give more power and trust to stewards and in return managers will maximize their wealth (Younas, A., 2022).

This theory is relevant for the study of corporate governance since it focuses on the relationship between shareholders and stewards in the corporate decision-making process. Specifically, it relates to managerial integrity in parastatals, inclusive of the Mwongozo principles of disclosure and transparency, ethical and responsible decision-making, accountability, managing risk & internal control, sustainability & performance management, and finally compliance with laws and regulations which is also tested here in the Kenyan state corporations' context.

Empirical Literature and Key Considerations

Informed by the stakeholder and Stewardship theories, this section provides insights from previous researches to inform the approach for this study. It also presents the pertinent key considerations in the study.

The Kenyan Context

In the recent developments, the Kenyan public sector governance has been guided by the Mwongozo guidelines. On one hand, there have been mentionable successes. The CMA lauded them for fostering long-term growth, transparency and enhanced stakeholder confidence in the capital markets sector (Kenya CMA Report, 2025), and that more transparency allowed for greater accountability and contributed to better performance by state-owned enterprises (Bett and Kihara, 2022). Some findings have indicated improved composite scores in state corporations' performance in the FY 2021/2022 compared to FY 2020/2021, especially for public universities (GoK NT & EP (2022). Similarly, the Kenya CMA Report (2025) revealed significant improvement in the annual weighted overall governance score of issuers from a Fair Rating (55% in the financial year 2017/2018) to Good Rating (73.56% in 2023/2024), thus underscoring collective effort to refine and implement governance frameworks.

However, there have been some concerns. For example, Kuria (2015), blamed the corporate governance implementation problem on existing legal and policy environment, with Manduku (2016) questioning the legal status of the code indicating that it is not a law, while Ochieng, (2017) stated that Mwongozo has not addressed issues bedeviling state corporations. For example, the World Bank (2021b) reported that fiscal exposure and risks for the GoK from commercial and non-commercial SOEs had consistently and significantly increased in the last five years, and the government has only partially implemented reforms outlined in the 2013 Presidential Taskforce Report for moving SOEs management and monitoring towards global best practice.

There is therefore need to address both the issues of comprehensiveness and weaknesses in enforcement of existing guidelines. In a compilation of the OECD, PSCGT and Mwongozo guidelines, this study revealed overlaps across the three on Rights of Stakeholders, Responsibility of Shareholders and Disclosure and Openness, but there were several areas which Mwongozo guidelines did not address (Appendix 1). Roe (1994) argued that corporate governance is about formation of an applicable lawful, financial and organizational atmosphere that permits organizations to flourish, and that it is vital to follow established global or national guidelines without which it is difficult to assess the application of corporate governance processes. Mulili and Wong (2010) espoused that while the ideals of noble corporate governance had been adopted, there was need for them to progress their own models that contemplate cultural, political and technological circumstances. Also focusing on schools, Ndikwe and Owino (2016) determined that the abilities of board members had the chief effect on accountability, and that board structure, board abilities, corporate governance ideologies and separation of obligations were predictors of the schools' financial performance. Miring'u and Muoria (2011) established an affirmative connection amongst RoE, board size and compositions of State Corporations. Waikenda, Lewa, and Mucharia (2019), concluded that performance of County Governments was significantly influenced by stakeholders' contribution, inclusiveness, consensus orientation, regulatory groups and the political situation. While these local based studies have attempted to carry out assessments, inclusive of Otieno (2019), Machuki (2018), Nyarige (2012), Wambua (1999), Mwangi (2001) and Mucuvi (2002); none of these studies assessed governance challenges in State Corporations. Hence, what empirical evidence could address some of these challenges?

Empirical Literature

In their study of Australian implementation of corporate governance, Glow, Parris, and Pyman (2018) confirmed that chains of liability were unclear, official authority was destabilized, and precautions to guard public interest from harm such as political benefaction, was either feeble or lacking. Nicolaescu and Cantemir (2012) argued that despite weaknesses, many public entities in Romania were confronting issues of impartiality when assigning directors. This was similar in two South East Asian countries where Sukmadilagaa, Pratamab, and Mulyanic (2015) determined that even though Indonesia's government financial reports provided more insights than Malaysia's, both needed to increase their disclosure levels. In Fiji, Sharma and Stewart (2009) determined limitations in applying private sector governance model in public sector, while Matei and Drumasu (2015) concluded that in Romania, the private sector model did not differ from the public sector model.

In the African context, Koma (2009) ascertained that corporate leadership in South Africa exists in both the civic and private sector to advance efficiency, effectiveness, accountability and reputation, but with challenges on internal governance arrangements. Nevondwe, Odeku and Tshoose (2017) determined that efficiency and responsibility of the public segment can be enhanced considerably if philosophies of corporate leadership are implemented suitably. However, in West and Southern Africa, Chigudu (2018) revealed that extreme political pronouncements were passed down to public officials as instructions. Also, Modimowabarwa and Kombi (2015) concluded that legislation was not the problem, but the human influence that tampered with predominant legislation.

From an Eastern Africa perspective, Beshi and Kaur (2020) determined that in Ethiopia, all independent variables with respect to transparency, accountability, and responsiveness were exceedingly significant in explaining the public's magnitude of local government confidence. In Tanzania, Poncian and Kigodi (2018) argued that there had been some success on accountability with government officials, but it had not been backed with legal measures. But on the contrary, in a wider regional study of Kenya, Mozambique, Malawi, South Africa, Uganda, Zambia, Tanzania and Zimbabwe, Therkildsen (2001) assert that too little attention was offered to political dynamics of transformation.

Key Empirical Literature Considerations

Several key considerations arise from the above literature for the Kenyan context. Governance involves shareholder rights, communication, executive compensation, and rights in selection of board members (Haas, Humer, and Reisinger, 2014). These are the rights that needed further investigation in the Kenyan context. Velasco (2006) argued that, while stakeholders have numerous legal privileges, they are not all of equivalent connotation; and Hill (2010) posited that often shareholders are viewed as owners, bystanders and managerial partners or a threat due to short term interests; hence need for shareholder rights protections and better firm performance (Knyazeva, Knyazeva 2012). Schneper and Guillén (2004) determined that, "hostile takeovers increase with protection of shareholder rights and decrease with protection of workers' and banks' rights"; Shanikat and Abbadi (2011) assert that straightforward stakeholder rights were respected in decision-making, excluding for huge decisions; and Denis and McConnell (2003) focused on governance structures globally. Kimunya, Njuguna and Wambalaba (2019) argue that shareholder engagement influences outcome to significantly explain firm value creation; and Mucuvi (2002) confirmed improved wealth maximization and protection of the rights of shareholders. Ultimately, the issue of rights and ownership stands out as worth further investigations.

On stakeholders' influence, Ormazabal (2017) argues that all stakeholders influence managerial actions regardless of whether corporate governance is shareholder or stakeholder-centric**;** Yaacobm, Jaya, and Hamzah (2014), used three theoretical lenses of agency, stewardship and stakeholder theory and concluded that employees and customers were key stakeholders; Schneper and Guillén (2004) ascertained that hostile takeovers rise with protection of shareholder' rights and decline with protection of stakeholder rights; and Kimunya, Njuguna and Wambalaba (2019), determined that shareholder' loyalty has no significant effect on firm value-creating outcomes. However, Shanikat and Abbadi (2011) posit that the function and privileges of shareholders in corporate leadership was appreciated, and shareholders had some lawful defenses; and Felton (2004) ascertained that if managers do not display governance on corporate leadership reforms, shareholders will. In this context too, the role of shareholders, in this case public involvement in decision making deserves assessment in the Kenyan context.

With respect to *disclosure and transparency*, Shanikat and Abbadi (2011) noted that these were observed in Jordan, but limited to quantity than quality; Goergen (2002) realized that in Europe, very minimal levels of openness and corporate leadership principles for shareholders exist in prime fair marketplaces; and Darweesh (2015) established a statistically substantial correlation between corporate leadership approaches and corporate monetary performance and market worth. Conversely, while Berglof and Pajuste (2003) concluded emergent ownership and control configurations had repercussions for corporate leadership and increased transparency, Mwangi (2001) noted in the Kenyan context, lack of accountability, poor strategic planning and weaknesses of application of governance principles, in the insurance industry. Hence, need for investigation with respect to the public sector.

On *shareholder' equitable treatment*, Shanikat and Abbadi (2011) argued stakeholders were not treated fairly in work, even though regulators often implemented action and forbade insider transaction; Karolyi and Sultz (2004) established that at a certain extent of investor defense, improved governance and approaches are highly likely to be acknowledged at the organization level with improvements in financial and economic development; and Wambua (1999) noted that most basics of shareholders are broadly covered in banking operations. However, to what extent is this true of the public sector?

On *ethical and responsible decision-making*, Roe (2003), argued that the government's influence on organizations can affect the type of ownership arrangements. However, Maher and Anderson (2000) observed that for policy, corporate governance is a key component of improving microeconomic efficacy and performance of organizations. Unfortunately, the media stories seem to cast doubt on ethical practices with respect to Kenyan SOEs.

Finally, on *compliance and regulations*, Shanikat and Abbadi (2011) determined that boards satisfied their responsibilities because laws and regulations defined them; and Black (2002) argued that, most vital essentials of self-regulation are control of enumerated corporations. However, Berglof and Claessens (2003) concluded that in advancing and changing countries, implementation is very feeble. From the Kenyan context therefore, it is important to determine the compliance levels.

METHODOLOGY

The research methodology entailed research design, population of the study, data gathering procedures and data analysis (Mathooko, 2011). A cross-sectional descriptive design was adopted due to the need to describe characteristics of situations and association with others (Cooper & Schindler, 2003). The research design directed how the research activities were carried out (Cooper & Schindler, 2003), and the overall framework of how the study was undertaken (Peffers, Tuunanen, Tothenberger & Chatterjee, 2007). However, some have utilized qualitative desktop approach reviewing of relevant literature relating to corporate governance attributes and performance of state-owned enterprises (Bett and Kihara, (2022) and drawing on a case study design and thematic analysis and argued that desktop approach enables the researcher to clarify governance issues in the NWDC with flexibility (Khumalo and Mazenda, 2021); and Kruhlov (2024) employed a mixed-methods approach where content analysis was applied to regulatory acts, strategic documents, and analytical reports while statistical data helped with systematization and generalization, hence implying that state corporations were complex systems.

According to (Mugenda & Mugenda, 2003), a population is an assemblage of people or objects that share related features which connect to the topic under examination. The target population for this research were the 310 State Corporations in existence in Kenya at the time of the research as per the State Corporations Advisory Committee (SCAC), thus constituting the sampling frame from which the sampling was done and the sample size derived. A stratified random sampling technique was deployed based on State Corporations categories, namely Regulatory; Commercial; Research Institute; Educational and Training/Professional; Developmental/Promotional Agency; Social service/cultural; Public Funds Management; and Revenue collection. The sample size consisted of 93 State corporations (30%).

A structured nine-point Likert scale closed-ended questionnaire was used to gather the primary data, with the respondents being corporation secretaries, internal auditors, risk managers, or monitoring and evaluation officers with only one response anticipated from each organization. Analysis of Variance (ANOVA) was deployed to determine whether implementation of corporate governance guidelines differ across the different strata of state corporations. The use of one-way ANOVA was arrived at given the many categories of state corporations for a small sample size, only involving one independent factor, (state corporations), but with ten different categorical groups, with each state corporation belonging to only one category. The model aimed to gain information about the relationship between the dependent and independent factors by testing the difference between two or more means and determining whether the ten groups of data (Categories of State Corporations) were statistically different from each other. The dependent factor, which is the score on compliance, was a continuous level of measurement while the dependent factors were computed average of the score of each state corporation across the eight corporate governance guideline thematic areas, to determine if there were any statistically significant differences between the means of the different categories of state corporations.

FINDINGS

Demographics and General Information

The study targeted a sample of 93 state corporations, out of which 68 filled-in and returned the questionnaires, giving a 73.1% response rate. Almost two thirds of the respondents (63%) were male, and 37% female. Most respondents (45.6%) were aged between 46 to 55 years, 33.8%

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ISSN 2789-2476
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aged between 36 to 45 years, 14.7% aged above 55 years, while 5.9% were aged between 26 to 35 years. Two thirds of the respondents (66.2%) had post-graduate level of education, 19.1% had a bachelor's degree while 14.7% held PhD education level. Most of the corporations (26.5%) were executive office agencies, followed by education and training (19.1%), commercial agencies (14.7%), and regulatory agencies (11.8%), public fund management (8.8%), social services, promotional agencies and research Institutes at (2.9%) each and finally, revenue collection (1.5%). The majority of the respondents (35.3%) had served in their organization for 5 to 10 years, 25.0% had served for less than 5 years, 17.6% for 11 to 15 years, 14.7% for 16 to 20 years whereas 7.4% had served their organizations for a period of over 20 years.

Nature and Practices of the Board of Directors

The study sought the views of respondents regarding the board of directors' effectiveness and competence required to achieve the strategic objectives of corporate organizations.

Table 1: Board of Directors' Nature, Practices and Outcomes

	Size (n)	Mean	Median	Std. Deviation	Percentage Level
The board meets at least quarterly each year	64	8.64	9.00	1.173	96%
The board has established an audit committee to deal with: Governance, risk, compliance, finance, technical matters, strategy and human resources	62	8.60	9.00	1.032	96%
There is a clear separation of roles between the board and the management	66	7.94	9.00	1.771	88%
The board executes its role collectively but not individually	64	7.78	8.00	1.608	86%
The board provides strategic direction to the organization, exercises control and is accountable to stakeholders	65	7.49	8.00	1.821	83%
The results of board performance are shared with relevant stakeholders	54	7.13	9.00	2.480	79%
Individual board members act in the best interest of the organization	64	7.11	8.00	2.094	79%
The board has diversity of gender, competencies and skills	65	6.97	8.00	2.298	77%
The board is appointed through a transparent and formal process in line with Article 27 of the Kenyan constitution	62	6.44	8.00	2.918	72%
There is a succession plan for the members of the board	57	5.54	6.00	2.983	62%
Average		**7.44**	**8.25**	**1.97**	**83%**

Source: Research Data

The majority (96%) agreed that "the board meets at least quarterly each year", followed closely by the board having established an audit committee to deal with governance, risk, compliance, finance, technical matters, strategy and human resources (96%).The least agreed upon statements included the existence of a succession plan for the members of the board (62%) and adherence to Article 27 of the Kenyan Constitution (72%) as well as ensuring annual governance audits are undertaken by a member certified by the Institute of Certified Public Secretaries of Kenya (ICSPK) (72%).The overall aspects related to board of directors being in place was evident for 83% of the corporations.

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On the number of directors in each state corporation, most corporations (38.3%) had 9 members, followed by 11members (15.0%), while at least 30.0% had less than 9 members. None of them had less than 6 members.

Transparency and Disclosure

The study acknowledges transparency and disclosure as integral aspects of corporate governance as they build the confidence of investors, stakeholders and society at large, and sought to ascertain the level of transparency and disclosure of information pertaining to stewardship of the corporation by the board when conducting its various responsibilities.

Table 2: Transparency and Disclosure

	Size (n)	Mean	Median	Std. Deviation	Percentage Level
The financial reports are properly prepared and include relevant information	65	8.02	9.00	1.672	89%
There is a transparent procurement policy and process for the organization	66	7.98	9.00	1.622	89%
The board has disclosed the key stakeholders and the extent of their shareholding	42	7.95	9.00	1.696	88%
The extent of compliance with laws, regulations and standards is satisfactory and they are well known	67	7.90	9.00	1.568	88%
The board ensures effective, accurate, timely and transparent disclosure of relevant information on the State Corporation's operations and performance	64	7.81	8.50	1.689	87%
There is a clear risk management policy that is well-known	65	7.29	9.00	2.517	81%
The Code of Ethics and Conduct, Conflict of Interest and whistle-blowing policies have been effective in tracking unethical behavior	62	6.89	7.50	2.464	77%
Average		**7.69**	**8.71**	**1.89**	**85%**

Most respondents (89%) agreed on the financial reports being properly prepared with relevant information; followed by existence of a transparent procurement policy and process for the organizations (89%); that the boards had disclosed key stakeholders and the extent of their shareholding (88%) as well as the extent of compliance with the laws, regulations and standards being satisfactory and well known (88%). The least agreed upon was on the code of ethics and conduct, conflict of interest and whistleblowing as having been effective in tracking unethical behavior at (77%); the existence of a clear risk management policy that is well known (81%); and the Boards' ensuring effectiveness, accuracy, timeliness and transparency in disclosure of relevant information pertaining to the state corporation's operations and performance (87%). The overall aspects related to transparency and disclosure were found to be in place for 85% of the corporations. (85%) with none scoring below 77%, indicating that most corporations have implemented guidelines on transparency and disclosure fairly well.

Accountability, Risk Management and Internal Controls

On the responsibility of the board in ensuring that there are comprehensive systems and processes of accountability, risk management and internal controls in state corporations.

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Table 3: Accountability, Risk Management and Internal Controls

	Size (n)	Mean	Median	Std. Deviation	Percentage Level
The financial statements are accurate and prepared in a timely manner	66	7.88	8.00	1.603	88%
There is an ICT policy that is aligned to the corporate objectives of the organization	64	7.42	8.00	2.252	82%
Procurement processes are transparent, cost-effective and there is value for money	67	7.34	8.00	1.958	82%
The internal audit function is elaborate and effective	67	7.34	8.00	2.034	82%
There are efficient processes and systems of risk management and internal control in the organization	68	7.21	8.00	2.012	80%
Average		**7.44**	**8.00**	**1.97**	**83%**

Source: Research Data

It was evident that most respondents (88%) agreed that financial statements were accurate and prepared in a timely manner. Conversely, the respondents' least concurred that there were efficient processes and systems of risk management and internal control in the organizations (80%); the internal audit functions being elaborate and effective (82%); procurement processes being transparent, cost-effective and there being value for money (82%) as well as the existence of ICT policy that is effectively-aligned to the corporate goals of the organizations (82%). Overall, accountability, risk management and internal controls were found to be in place for 83% of the corporations.

The study further sought to determine whether the sampled corporations had policies in place to govern different aspects of management and administration. An overwhelming majority (97.1%) had a human resource policy and procedures manual, followed by the audit committee that was responsible for risk management (91.0%). Risk management policy (79.4%) and procurement policy (79.4%) were the least available across the state corporations.

Ethical Leadership and Corporate Citizenship

With respect to ethical practices which support good corporate citizenship, most (94%) agreed on the core values of the organization being aligned to the Constitution of Kenya; followed by Boards promoting a positive image of the organization (87%); and members of the organization subscribing to the code of conduct and ethics (86%). Some of the least agreed upon statements included the existence of an independent party responsible for receipt and investigation of reports from whistle-blowers (72%); board members not influencing decision-making pertaining to matters in which they have interest (80%); as well as the whistle-blowing policy protecting and inhibiting victimization of sources of information (81%). Overall, aspects related to ethical leadership and corporate citizenship were found to be in place for 84% of the corporations.

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Table 4: Ethical Leadership and Corporate Citizenship

	Size (n)	Mean	Median	Std. Deviation	Percentage Level
The core values of the organization are aligned to the Constitution of Kenya	68	8.46	9.00	1.028	94%
The board promotes a positive image of the organization	65	7.80	9.00	1.938	87%
All members of the organization subscribe to the code of conduct and ethics	67	7.75	9.00	1.894	86%
The whistle-blowing policy protects and inhibits victimization of those who disclose information	58	7.29	8.00	2.325	81%
Board members do not influence in any manner decision-making on any matter in which they have interest	59	7.22	8.00	2.182	80%
There is an independent party responsible for receiving and investigating reports received from whistle-blowers	57	6.49	7.00	2.829	72%
Average		**7.56**	**8.55**	**2.00**	**84%**

Source: Research Data

As to whether their institutions had a policy on good corporate citizenship and a whistle blowing policy, 66.7% had a whistle blowing policy.

Stakeholder Rights and Obligations

Most respondents (84%) agreed that the board protects the rights of all stakeholders; followed by stakeholders creating an enabling environment for the board to exercise independent judgment and decision-making (82%); and the board ensuring that minority stakeholder rights are safeguarded (82%). The least agreed upon was that stakeholders were aware of their rights and obligations (78%); stakeholders exercise their obligations (78%); and stakeholders receive adequate and timely information to inform effective decision-making (78%).

Table 5: Stakeholder Rights and Obligations

	Size (n)	Mean	Median	Std. Deviation	Percentage Level
The board protects the rights of all stakeholders	64	7.59	8.00	1.841	84%
The stakeholders create an enabling environment for the board to exercise independent judgement and decision-making	63	7.40	8.00	1.854	82%
The board ensures that minority stakeholder rights are safeguarded	60	7.37	8.00	1.983	82%
There is equitable treatment of all stakeholders	64	7.20	8.00	2.154	80%
The stakeholders receive adequate and timely information to enable them to make appropriate decisions	63	7.05	8.00	2.188	78%
The stakeholders exercise their obligations	65	6.98	7.00	2.050	78%
The stakeholders are aware of their rights and obligations	64	6.98	8.00	2.207	78%
Average		7.23	7.86	2.04	80%

Source: Research Data

On the overall, stakeholder rights and obligations were found to be in place for 80% of the corporations.

Stakeholder Relationships

Respondents answered questions on the effectiveness of stakeholder's relationships which is crucial for the achievement of corporate objectives. Alignment of policies, practices and strategic plans to respective national policies, development goals and vision 2030 was rated highest. The majority (91%) agreed that the policies, practices and strategic plans of the organization were effectively-aligned to national policies, development goals and vision 2030; followed by the board considering legitimate interests and expectations of stakeholders while making decisions (84%); and the rights of key stakeholders being identified and respected (84%). The least agreed upon were that stakeholder relationship was managed in a proactive manner that ensures legitimate interest of stakeholders and achievement of corporate objectives (77%); disputes among stakeholders were resolved effectively (78%); and the board promotes effective communication with stakeholders (83%).

Table 6: Stakeholder Relationships

	Size n	Mean	Median	Std. Deviation	Percentage Level
Policies, practices and strategic plans of the organization are aligned with national polices, development goals and Vision 2030	66	8.20	9.00	1.561	91%
The board considers legitimate interests and expectations of stakeholders in decision-making	63	7.59	8.00	1.541	84%
The rights of key stakeholders are identified and respected	67	7.57	8.00	1.940	84%
The board promotes effective communication with stakeholders	64	7.45	8.00	1.727	83%
Disputes among stakeholders are resolved effectively and expeditiously	61	7.05	8.00	1.944	78%
Stakeholder relationships are managed in a proactive manner that ensures legitimate interest of stakeholders and achievement of corporate objectives	67	6.90	7.00	1.955	77%
Average		**7.46**	**8.00**	**1.78**	**83%**

Source: Research Data

On the overall, stakeholder relationships were found to be in place for 83% of the corporations.

Sustainability and Performance Management

The study acknowledges that the organization should meet its present needs without compromising its ability to sustain its future objectives and operations. Therefore, the respondents were asked questions about the sustainability and performance management of the organizations.

It was found that most (88%) agreed that the goals and objectives of the organization focused on the long-term sustainability of the state corporation; followed by performance frameworks being effectively-aligned with the corporate strategic plan, national development plans, and sector performance standards (87%); and there was existence of clear performance management framework that forms the basis of performance evaluation (87%). The least agreed upon was that the Board focused on long-term talent development to ensure

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sustainability of the organization (78%); the Board ensured continuous innovation for its processes, products and services (79%); and the Board considered the impact of their organization's operations on the community and the operational environment (82%).

Table 7: Sustainability and Performance Management

	Size (n)	Mean	Median	Std. Deviation	Percentage Level
The goals and objectives of the organization focus on the long-term sustainability of the organization	67	7.88	9.00	1.879	88%
The performance management framework is effectively-aligned with the corporate Strategic Plan, national development plans and sector performance standards	66	7.86	9.00	1.735	87%
There are clear performance targets that forms the basis of performance evaluation	66	7.86	9.00	1.626	87%
The board has put in place a performance management framework that is linked to the mandate, core business and strategic direction of the organization	65	7.85	9.00	1.813	87%
There is continuous monitoring, evaluation and reporting on organizational performance and areas that require improvement are identified	64	7.73	8.00	1.596	86%
The board considers in their decision-making the impact of the organization's operations on the community and the operational environment	64	7.41	8.00	1.761	82%
The board ensures continuous innovation of its processes, products and services	65	7.11	8.00	2.326	79%
The board focuses on long-term talent development to ensure sustainability of the organization	64	7.05	8.00	2.141	78%
Average		7.59	8.50	1.86	84%

Source: Research Data

On the overall, aspects related to sustainability and performance management were found to be in place for 84% of the corporations.

Compliance with Laws and Regulations

The study sought answers to questions on the compliance of the organization to statutory laws, rules and regulations. The organization's compliance with the applicable laws, rules and regulations was rated the highest. It was found that the majority (88%) agreed that the organization conducted its affairs in full conformity to the applicable laws, rules and regulations; followed by the "policies, institutional frameworks and administrative procedures" of the organization adequately supported the implementation of the constitution (87%); and the compliance framework was aligned to the operations of the organization (86%). The least agreed upon included the recommendations from the legal compliance audit report being implemented (82%); the board ensuring that relevant laws, rules, regulations, codes and standards are identified, documented and observed (85%); and the board having established internal procedures and monitoring systems that promote compliance (86%).

Table 8: Compliance with Laws and Regulations

	Size (n)	Mean	Median	Std. Deviation	Percentage Level
The organization conducts its business affairs in full compliance with all applicable laws, rules and regulations	68	7.93	9.00	1.713	88%
The polices, institutional frameworks and administrative procedures of the organization effectively support the implementation of the constitution	68	7.87	9.00	1.803	87%
The compliance strategy is aligned to the operations of the organization	64	7.77	8.00	1.621	86%
The organization complies with the spirit and letter of the Constitution of Kenya,2010	68	7.75	9.00	1.958	86%
The board has established internal procedures and monitoring systems to promote compliance	64	7.72	8.00	1.713	86%
The board ensures that relevant laws, rules, regulations, codes and standards are identified, documented and observed	67	7.63	8.00	1.945	85%
Recommendations from the Legal Compliance audit report are implemented	61	7.41	8.00	1.944	82%
Average		**7.72**	**8.43**	**1.814**	**86%**

Source: Research Data

Overall, aspects related to compliance of the organization to applicable laws, rules and regulations were found to be in place for 86% of the corporations.

Compliance with Governance Principles across Different State Corporations

Since the study was comparing the differences of means among more than three categories, a one-way analysis of variance (ANOVA) was used to determine whether there were any statistically significant differences between the means of the different categories of state corporations. The dependent factor was a computed average of the score of each state corporation across the eight thematic areas.

Findings indicated that Accountability, Risk Management and Internal Controls was the principle most adhered to (Mean =7.77); followed by Compliance with laws and regulations; along with sustainability and performance management which tied with a mean of 7.74. The principle on Board of directors, with a mean of 7.42; and Ethical Leadership and Corporate Citizenship with a mean of 7.10 were the lowest rated principles.

The ANOVA output revealed that there was a statistically significant difference in implementation of corporate governance guidelines across the different categories of state corporations. ($F=0.527$, $P=0.0439 < 0.05$).

Table 9: ANOVA Output

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	12.080	9	1.342	0.527	0.0439
Within Groups	147.785	58	2.548		
Total	**159.865**	**67**			

Source: Research Data

Given the unequal number of state corporations in each category in the sample, the harmonic mean sample size was used. Means for categories in homogeneous subsets (scores for each category of state corporations) are displayed in table 4.13. The overall adjusted mean was 7.16631 with social services having the least mean at 6.35241. Regulatory agencies had the highest mean (8.37619).

Table 10: Means by Category

Category	Mean	Category	Mean	Category	Mean
Social services	6.35241	Exec agencies	7.31492	Promo agencies	7.48333
Research institutes	6.89770	Develop agencies	7.42287	Revenue collection	7.84481
Ed and training	7.22466	Commercial	7.45189	Public fund mgt	7.99729
Adjusted Mean	***7.16631***			Regulatory	8.37619

Discussion

Governance Principles

All governance principles achieved high percentage levels of compliance. The regulation/ principle with the highest score by the state corporations was adherence to the law and regulations. Some of the parameters investigated under compliance were whether the organization conducts its business affairs in full conformity to all applicable laws, rules and regulations; adheres to the spirit and letter of the Constitution of Kenya, 2010; and implements recommendations from the Legal Compliance audit report, amongst others. Hence, compliance is an aspect that the corporations should aspire to score the maximum since these are mandatory requirements and not advisory. This confirms the argument by Roe (1994), reiterating that corporate governance is about formation of an applicable lawful, financial and organizational atmosphere that permits organizations to flourish. The argument further makes it clear that for consistency, it is vital to follow established global or national guidelines without which it is difficult to assess the application of corporate governance processes. It is however important to note that continued reported cases and media reports of continued mismanagement of SOEs, poses a challenge on the reliability of the self-reported findings from the heads of SOEs, hence consideration for alternative methodologies in the future.

Transparency and Disclosure

Transparency and disclosure scored one percentage point less than compliance with regulations. Thus, while 89% agreed that financial reports were properly prepared and also 89% vouching about transparent procurement policy and 88% indicating that the boards had disclosed key stakeholders' shareholding; (88%) agreed that the organization conducted its affairs in full conformity to the applicable laws, rules and regulations. This implies that the state corporations applied this principle in their operations. Transparency in procurement processes, disclosure of shareholders and their stakes and transparency in disclosure of relevant information on the corporations' performance were some of the parameters investigated. However, the self-reporting methodology will need further attention in future studies to ensure balanced perspectives.

The importance of transparency and disclosure is supported by the Private Sector Corporate Governance Trust (PSCGT) that insists that this principle entails delivery of complete, dependable, timely, pertinent information that is understandable and at low cost to assist members and stakeholders evaluate the efficacy and usefulness of those they entrust to govern (1999).The state corporations seemed to struggle with effectiveness on implementation of the code of ethics and conduct, conflict of interest and whistle blowing policies, which scored the least under this construct. This weakness was highlighted by Sing (2015) who points out that a framework for theory of ethics in public service should offer a grasp on proper application of different ethical foundations in public service, with a caution that there is still a need for a more comprehensive ethical standard for public administrators (Karaca, Bakiev, Allaf, and Campbell, 2009).

Sustainability, Ethical Leadership and Corporate Citizenship

Majority of the organizations meet their present needs without compromising their ability to sustain future objectives and operations. Their performance management framework and measurement are aligned to their strategic plans and the national development agenda, meaning that they aspire to contribute to the policy framework and development agenda of the government at macro-level.

However, while performance frameworks were effectively-aligned with the corporate strategic plan, national development plans, and sector performance standards (87%); there was disagreement that the Board focused on long-term talent development (78%), or ensured continuous innovation for its processes, products and services (79%), nor considered the impact of their organization's operations on the community and the operational environment (82%) which has implications to sustainability governance guidelines.

Further, given that state corporations continue to struggle when it comes to Stakeholder Rights and Obligations, with most of the stakeholders not aware of their rights and obligations, there is a danger against the compliance achievements, let alone transparency issues. The stakeholders in most organizations are also not able to receive adequate and timely information that facilitates relevant decision-making. This goes against the findings by Shanikat and Abbadi (2011) that straightforward stakeholder rights were respected in decision-making. The State corporations' weaknesses are also evident when it comes to the Board of directors, stakeholder relationships and accountability, risk management and internal controls.

Management Performance

From the analysis of variance (ANOVA), Regulatory agencies scored the highest, followed by public fund management corporations, but research institutes and social services recorded the lowest mean. Therefore, while all the corporations score above average, there were clear differences, which were determined to be statistically significant. Only social services and research institutes scored less. As such, it was found that the nature of the corporation was more likely to determine what aspects of the corporate governance guidelines it prioritizes or even pursues to a logical conclusion.

Laws and Regulations

The analysis of the corporate governance principles scores clearly highlights adherence by the state corporations to laws and regulations as their strength alongside ensuring of transparency and disclosure as part of encouraging openness. These laws and regulations went beyond establishing minimum requirements for the state corporations to ensure flexibility to implement customized practices that suit the organization's needs. Transparency and disclosure stand out as essential governance elements for the state corporations by providing the base for informed decision-making. For example, the majority (88%) agreed that the organization conducted its affairs in full conformity to the applicable laws, rules and regulations; that "policies, institutional frameworks and administrative procedures" of the organization were adequately supported (87%); and the compliance framework was aligned to the organization (86%). Besides the self-reporting methodological concerns, alignment does not necessarily imply compliance.

Several corporate governance guidelines were deemed to have been moderately put into implementation or even stalled. Some notable examples include Sustainability and Performance Management and Ethical Leadership and Corporate Citizenship. For example, 82% concerned that the recommendations from the legal compliance audit report is being implemented; 85% concerned that the board is ensuring that relevant laws, rules, regulations, codes and standards are identified, documented and observed; and 86% concerned about the board having established internal procedures and monitoring systems that promote compliance. For example, Kuria (2015), pointed out problems with existing legal and policy environment; Manduku (2016) questioned the legal status of the code; Ochieng, (2017) stated that Mwongozo has not addressed issues bedeviling state corporations; and the World Bank (2021b) reported that fiscal exposure and risks among commercial and non-commercial SOEs had consistently and significantly increased in the last five years.

More effort is therefore required to facilitate the implementation of principles such as Stakeholder Rights and Obligations, which was pointed out as the main challenge in the realization of the best practices under corporate governance.

Theoretical, Conceptual, Methodological and Contextual Gaps

Theoretical Gaps

The stakeholder theory applied in this study was supported by the stewardship theory where inclusivity is key. However, Sing (2015) points out that a framework for theory of ethics in public service should offer different ethical foundations. While the Stakeholder theory emphasizes maintenance of sustainable stakeholder relationships (Freeman et al., 2021), the theory heavily relies on the nature of human beings, failing to differentiate from other factors (Kivistö, 2007), and in capitalism, governments are given less priority (Buchholz and Rosenthal, 2004). Hence, there is need for a more comprehensive ethical standard for public administrators (Karaca, Bakiev, Allaf, and Campbell, 2009), where Clarke (2004) suggested infusing three key theories: Agency theory, stewardship theory, and stakeholder theory.

Conceptual Gaps

Conceptually, despite theoretical models and corporate leadership guidelines in Kenya, there still existed massive corruption in State corporations as reported in the media. Hence, beyond theories, principles, and guidelines, there is need for laws and enforcement. Roe (1994), reiterated that corporate governance is about formation of an applicable lawful, financial and organizational atmosphere, while still following established global or national guidelines. However, the concerns of comprehensiveness and enforcement of guidelines seem to stand out as key for future considerations. Full consideration of the OECD and PSCGT guidelines within the Mwongozo framework would be a good starting point. However, without enforcement of those guidelines in the first place would render comprehensiveness meaningless. The continued reporting of corruption cases points out to a systemic problem that needs further investigation, especially in the context of enforcement.

Methodological Gaps

This study applied a cross-sectional descriptive design to describe characteristics of situations and association with others (Cooper & Schindler, 2003) as well as qualitative desktop review of relevant literature relating to corporate governance attributes and performance of state-owned enterprises (Bett and Kihara, (2022) which enables researchers to clarify governance issues with flexibility (Khumalo and Mazenda, 2021). However, there have been suggestions for case study design and thematic analysis in a mixed method approach to help with systematization and generalization since state corporations were complex systems (Kruhlov, 2024).

Contextual Gaps

Globally, several recent research studies on public sector corporate governance have been captured: Kruhlov (2024), Hromov (2024), Yeyati & Negri (2022), Khumalo and Mazenda (2021); to mention but a few. Local based studies include: Otieno (2019), Machuki (2018), Nyarige (2012), Wambua (1999), Mwangi (2001) and Mucuvi (2002). However, none of these studies assessed governance challenges in State Corporations, except for the private sector whose findings cannot fully represent the public sector practices. Hence the question, how are State corporations in Kenya implementing guidelines of corporate governance?

CONCLUSION AND RECOMMENDATIONS

Conclusion

Arising from the study findings, the conclusion is that implementation of corporate governance guidelines has not been fully realized by the state corporations in Kenya. Regulatory agencies, public fund management and revenue collection corporations are the most compliant to corporate governance guidelines. Compliance with laws and regulations, alongside transparency and disclosure are some of the good corporate governance practices that were prevalent within the state corporations in Kenya. This is an indication that these organizations have internal policies and procedures that detect and inhibit violations of applicable laws, regulations, and ethical standards.

However, stakeholder rights, obligations and relationship together with the board of directors and ensuring of accountability, risk management and internal controls stood out as the major areas of weakness inhibiting the realization of the best corporate governance practices. The evaluation also indicates that principles such as sustainability and performance management and ethical leadership and corporate citizenship are aspects that need improvement, lest they become new challenges towards the realization of good corporate governance.

From a theoretical perspective, this research bolsters the stakeholder theory by applying the Mwongozo and OECD governance principles, to test its robustness with respect to policy and practice with an argument that managers must serve the interests of their variant stakeholders through good governance principles. Key confirmatory findings included compliance with laws and regulations, transparency, and disclosure as some of the good corporate governance practices in Kenyan State-Owned Enterprises. However, this was not so with respect to rights, obligations, relationship, accountability, risk management, and internal controls. Overall, the outputs of this study is useful in strengthening the policy and regulatory framework to facilitate full implementation of the corporate governance guidelines, enriching policies and operational procedures to enhance conformity levels and informing the theory on corporate governance through suggested areas for new research.

Recommendations

The study recognizes that to realize good corporate governance, there is need for the full implementation of the corporate governance guidelines and procedures by State Corporations. The study therefore makes the following recommendations informed by the findings:

First, is adherence to the laws and regulations which should be enhanced through the formulation and institutionalization of more formal policies to prevent violations. While the study found strong alignment to policies, there were concerns that recommendations from the legal compliance audit report were not being implemented; that the board is not ensuring that relevant laws, rules, regulations, codes and standards were identified, documented and observed; and that the boards had not established internal procedures and monitoring systems that promote compliance. There is therefore need for adequate sensitization and training of staff on the relevant regulations, implementation of compliance procedures and continuous monitoring, evaluation and reporting on violations to enhance compliance. This will ensure that the State Corporations are not exposed to serious risks and legal liability. The State Corporations within specified timelines should also enforce recommendations emanating from legal compliance audits.

Secondly, State Corporations need to be well acquainted with the rights of stakeholders and obligations as established by the law. Thus, despite proper preparation of financial reports, existence of transparent procurement policy, disclosure of key stakeholders' shareholding; and conduct of affairs in full conformity to the applicable laws, rules and regulations, these were based on a self-reporting approach. Hence, while there is room for future research, it is important that SOEs should hold regular stakeholders' fora, undertake adequate sensitization of stakeholders on their rights and obligations and effectively engage in active co-operation with the stakeholders. There is also a need to manage stakeholder relationships in a proactive manner, that ensures meeting the legitimate interest of stakeholders and achievement of corporate objectives.

Thirdly, ensuring accountability, development and institutionalization of comprehensive risk management framework and strengthening internal control systems for the State Corporations is imperative. This study revealed that there were limitations in terms of: efficient processes and systems of risk management and internal control in the organizations; internal audit functions being elaborate and effective; procurement processes being transparent, cost-effective and there being value for money; and existence of ICT policy that is effectively-aligned to the corporate goals of the organizations. As per the world bank report (2021b), fiscal exposure and risks among commercial and non-commercial SOEs had consistently and significantly increased in the last five years. There should therefore be an assessment and determination of the most likely areas of future risk for the State Corporations, including the interrelationships of the existing risks and determining the corresponding mitigation measures that should subsequently be embedded in the strategic model of the State Corporations' strategic plans. Further, the State Corporations need to strengthen their internal audit and risk management function; develop and implement ICT policy that is effectively aligned to the overall goals of the organization; ensure that procurement processes are transparent, cost-effective and there is value for money. Automation of the procurement processes should also be pursued to enhance statutory compliance, efficiency and effectiveness.

Finally, to realize the strategic objectives of the corporate organizations, the board of directors should be appointed based on their skills, competencies and effectiveness plus clear understanding of the functional mandates of the State Corporations to which they are being appointed. Further concerns emerge about the existence of a succession plan for the members of the board; adherence to Article 27 of the Kenyan Constitution; and ensuring annual governance audits were undertaken by a member certified by the Institute of Certified Public Secretaries of Kenya (ICSPK). The boards should therefore be appointed through a transparent process in conformity to Article 27 of the Kenyan constitution, with individual board members owing their duty to the corporation as opposed to the nominating or appointing authority.

Training of the Board on Mwongozo corporate governance guidelines should be enforced and strengthened to facilitate clarity of roles and responsibilities. Joint training of the Board and top management on corporate governance principles and practices is also imperative to facilitate clarity and demarcation lines in roles and responsibilities between the two levels. There should also be a succession plan for members of the board to eliminate situations where the board becomes incapacitated due to inadequacy in numbers.

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APPENDIX 1

Key Principles of Corporate Governance

	Principles	OECD	PSCGT	Mwongozo	Total
1	Corporate Governance Framework	X	X		2
2	Rights of Shareholders	X	X	X	3
3	Equitable Treatment of Shareholders	X		X	2
4	Role of Stakeholders	X	X	X	3
5	Disclosure and Transparency	X	X	X	3
6	Responsibilities of the Board	X			1
7	Appointments to Board of Directors		X		1
8	Solid Foundations for Management		X		1
9	Enhanced Performance		X		1
10	Integrity in Financial Reporting		X		1
11	Recognize and Manage Risk		X		1
12	Ethical and Responsible Decision-making		X	X	2
13	Accountability, Manage Risk & Internal Control			X	1
14	Sustainability & Performance Management			X	1
15	Compliance with Laws and Regulations			X	1

Source: Researcher Compilation