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Corporate Governance Practices and Agency Conflicts in Organizations: A Case Study of Kenya Power & Lighting Company Limited

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Abstract: *The purpose of this study was to determine what constitutes good corporate governance and the role of leadership in enhancing corporate governance. The research questions in the study included: What is the role of leadership in corporate governance? How do internal control systems affect corporate governance? Why does corporate governance fail? The research design used in this study was a case study using descriptive approach whereby the researcher looked into the leadership, the internal control measures in relation to corporate governance at KPLC, and found out why corporate governance fail.*

The population for this study was staff of Kenya Power and Lighting Company. This study involved use of questionnaire to assess how corporate governance principles were being practiced in the company in order to ascertain what constitutes corporate governance and how the role of leadership enhanced good corporate governance. The research ascertained how Kenya Power and Lighting Company's organization was being run in compliance with corporate governance guidelines. The findings and results in this study were presented in Frequency tables after analysis in Ms Excel and SPSS. The results showed that most respondents did not believe that KPLC's board of directors' performance enhanced corporate governance practices and guidelines. Respondents also disagreed whether the board of directors had done enough to ensure that there were no conflicts of interest between the management and owners of the company. Research study showed internal control systems were not effective in the organization. The study also revealed that KPLC did not do enough to avert corporate governance failures. Discussions on the finding showed that earlier research and this study differed in so many aspects. Conclusions indicated that KPLC did not have efficient corporate governance guidelines. Recommendations that further research needed to done on how good corporate governance guidelines should be of use to investors investing in public corporations in Kenya.

Key Words: *Leadership, Internal Control Systems, Stakeholders*

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I. Introduction

Corporate governance like other forms of financial regulations is a condition that becomes necessary, and thereby deepens in organizational behavior when imperfect relationships abound between market forces and institutional factors in relation to ethical responsibility (Zajac & Westphal, 1996). Such imperfect situations are caused by loss of information to shareholders and consumers, lack of transparency on economic and social matters satisfying the clientele, social concern such as the community and economy that must be followed by corporations under public law. Regulatory matters enter corporate governance for reasons of failure in honest (hence ethical) accounting practices, (McIntyre & Murphy, 2005).

Important examples of such accounting misconduct are the cases of WorldCom and Enron. Because public authority pursued regulatory practices, their implementation was not only highly costly but also lacked transparent disclosures to shareholders on corporate performance and governance rules. Beiner, Drobetz and Zimmerman (2004) point out that business bribes and accounting loopholes abound in the regulatory practices. They were hidden away for a long time until financial reporting found the internal weaknesses of WorldCom and Enron (Chung, 2000). The news came as post-realization only after investments were wiped out. In the same way, the unethical dealings of giant financial lords in playing the speculative bubble economy game in Southeast Asia caused a massive financial crisis. Here then is the problem of phasing out policy and governance rules that cannot be done in advance of business crisis because of the legal protection that private companies receive in not releasing their reporting for reasons of confidentiality. Businesses, their accountants, and legal experts thus take advantage of such confidentiality.

Corporations can thereby disable prior detection of financial crisis and fraud for disclosure to shareholders and the greater socioeconomic community. Contrary to the hidden ways of treating regulatory practices, it is possible for there to emerge an institutional and polity-market interactive learning between managers and shareholders. Such an objective criterion would be continuously simulated by way of interaction between principal and agents who together comprise ownership, stakeholders, market, and polity (Anderson, Mansi & Reeb, 2004). The resulting perspectives thus invoked will involve moral and ethical values and regulatory practices that emerge from the transparent venue of principal-agent relationships in concert with market realities and polity. According to Bhagat and Black (1999) corporate governance is concerned with holding the balance between economic and social goals and between individual and communal goals with the aim to align as nearly as possible the interests of individuals, corporations, and society.

Statement of the Problem

Corporate Governance is a mechanism through which boards and directors are able to direct, monitor, and supervise the conduct and operation of the corporation and its management in a manner that ensures appropriate levels of authority, accountability, stewardship, leadership, direction and control. Long-term company competitiveness and respect for the wishes of company stakeholders is attributed to good governance. Corporate governance nurtures progressive traits while discouraging irregularities within companies (Cardbury Committee Report, 1992). Companies with strong corporate governance practices attract capital and take care of the interests of its stakeholders. Bhagat and Black (1999) point out that today's domestic and international investors are likely to shy away from companies that do not guarantee investor rights, that do not provide for adequate corporate disclosure, and that do not ensure sound board practices. The most recent leadership problems in the country was because of poor leadership that has led to collapse of companies like Uchumi Supermarkets, Muhoroni Sugar Company, Miwani Sugar Company, RIVATEX, Daima Bank, Nyagah Stock Brockers, Kenya Bus Service, African Retail Trading, Kenya National Trading Federation, etc.

Corporate governance failures in Kenya have been caused by improper appointment of directors to the board. Appointment of directors is influenced by political inclinations in the country and not the qualifications nor the ability of the people appointed. Most directors appointed lack ethical behaviors required for the operations and decision-making processes. Lack of good structure and organization required in order for effective and efficient running of the organization has resulted in failure of corporate governance in organizations. Most company failures have been caused by poor corporate performance, lack of viability, and financial stability. Financial instability results mostly due to lack of good corporate governance. Corporate governance failures result because of agency conflicts that arise because of poor strategy to implement the decisions made by the board. Therefore, the research is aimed at finding out the effectiveness of good leadership in order to ensure good corporate governance practices in KPLC and avert agency conflicts that may result into corporate failure. Good corporate governance helps in wealth creation for companies and its shareholders and for the capital markets. Stability in the capital markets means that governance provisions are being applied fairly and uniformly. In order to minimize risks in running our businesses, we need good leadership that is achieved through good systems and structures, shareholders, and employees.

Purpose of the Study

The purpose of this study was to determine the role of leadership in enhancing good corporate governance.

Research Questions

1. What is the role of leadership in corporate governance in ensuring the interests of all stakeholders are looked into in the decision-making process?
2. How do internal control systems affect running of an organization in implementing structures and systems that shall promote good corporate governance?
3. Why does corporate governance fail and how are the stakeholders affected by the failure?

II. Research Methodology

This study adopted a case study research design and the results were presented using descriptive approach. The case study approach works well here because it goes into sufficient detail to unravel the complexities of a given situation. The research focused on employees of Kenya Power & Lighting Company in establishing whether good corporate governance practices and how the organization manages agency conflicts. This study involved conducting research on employees of Kenya Power & Lighting Company on how operations are being run in the organization in order to determine the role of leadership in enhancing good corporate governance in the organization. The population to be used in this research is employees of Kenya Power & Lighting Company Limited. The employees of Kenya Power and Lighting Company provided sampling frames in each region in the country. The researcher used cluster sampling where each cluster is given a nonzero chance of selection. The method was suitable because Kenya Power & Lighting Company has got branches all over the country therefore in order to get data to represent the whole employee population in the organization; cluster sampling is the most typical method because of area sampling (geographical). The clusters method was homogeneous and to contributed to low statistical efficiency. The clusters were equal and the size was large enough to be able to get accurate results. The cluster design accommodated all the departments in all branches of the organization. There were eight clusters and in each cluster, the researcher ensured issue a questionnaire to 10 employees each from top, middle, and low level management. The levels of the organization from all departments in order to get a representative data of the whole organization. There were seven samples with a minimum of 210 respondents in order to get a representative of the whole population of the company. There was a total population of 210 employees to be issued with the questionnaire for the study. The cluster sample was in Nairobi region where a sample of the population was taken; the second sample was Central Office, thirdly, was Mount Kenya region. The rest was Coast, West Kenya, Central Rift, and North Rift. A representative population sample of 30 respondents provided sufficient data for the research and got views of what happens in the company that gave a representative perception of employees of the organization.

Region	**No. of Respondents**
Central Office	30 (10 from top, 10 from middle, and 10 from low level of the organizational structure)
Nairobi Region	30 (10 from top, 10 from middle, and 10 from low level of the organizational structure)
Coast Region	30 (10 from top, 10 from middle, and 10 from low level of the organizational structure)
Central Rift	30 (10 from top, 10 from middle, and 10 from low level of the organizational structure)
Mt. Kenya Region	30 (10 from top, 10 from middle, and 10 from low level of the organizational structure)
West Kenya	30 (10 from top, 10 from middle, and 10 from low level of the organizational structure)
North Rift	30 (10 from top, 10 from middle, and 10 from low level of the organizational structure)

The major method for obtaining data in the study will be use of a questionnaire. There are two types of data; Primary and Secondary data. The primary data will be collected through use of questionnaires circulated to a sample of employees of Kenya Power & Lighting Company. Secondary data shall be obtained from company journals, operation guideline documentations, and financial reports.

The researcher established preliminary questionnaires and deliver to five of the employees working in Central Office. This was to enable the researcher to get remarks, suggestions and recommendations on the strengths and weaknesses embedded in the questionnaire and if need be make adjustments. The questionnaire was made available to the supervisor for review as and when time comes.

III. Results and Findings

The data needed for the study was collected from a total of 105 respondents out of 210 issued with the questionnaires from seven cluster samples to get a representative data from employees in all the regions of the company. Only 105 out of the 210 respondents filled the questionnaires distributed to them. Twenty-three per cent of the respondents were CEOs, MDs or administrators while 22% were Human Resources Managers. The rest of the respondents were from other departments as shown in Figure 4.1 below.

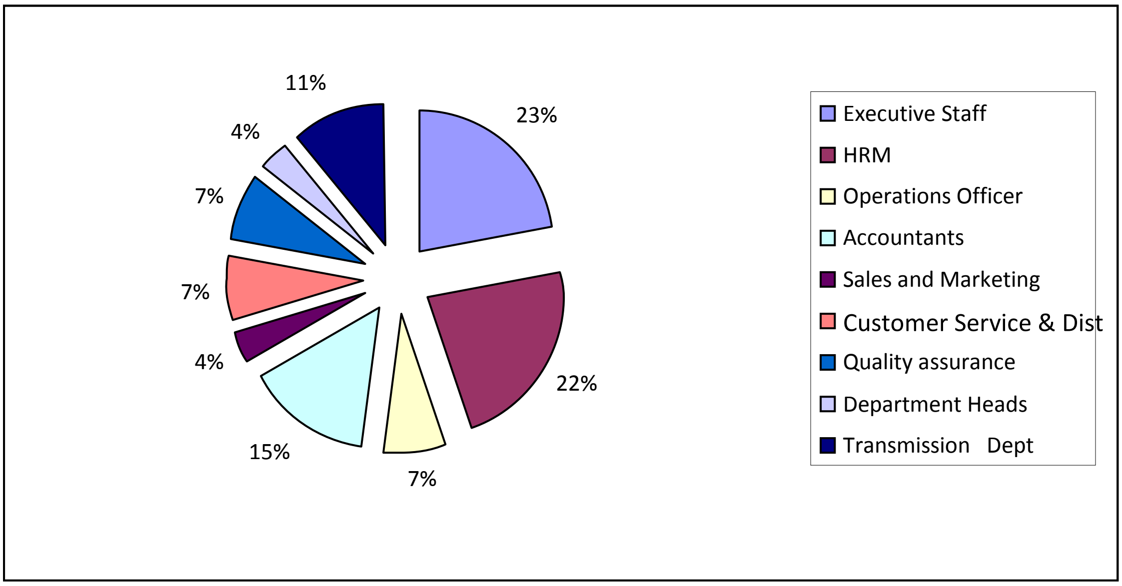

Figure 4.1: Positions and Departments of the Respondents

Findings

Leadership in Corporate Governance Practices

The first research question sought to determine whether KPLC's Board of Directors is heavily involved in nominating the Chief Executive Officers of the company. When we asked respondents about the Involvement of KPLC's Board in nominating the CEO, 48.6% disagreed and 14.3% strongly disagreed that they are not involved. In total, 62.9% thought that KPLC's Board of Directors is not involved in nominating the CEO. The other portion of 37.1% believed that the Board of Directors is heavily involved in nominating the CEO of the company. . The results are shown in the table below.

		Frequency	Valid percent
Q1 KPLC's Board of Directors are heavily involved in nominating the Chief Executive Officers of the company	1	15	14.3
	2	51	48.6
	3	19	18.1
	4	20	19.0
	Total	105	100.0

Table 4.1. Involvement of KPLC's Board in Nominating the CEO

Where: 1= Strongly Disagreed, 2= Disagreed, 3= Agreed, 4 = Strongly Agreed

The respondents were asked whether the decisions made by KPLC's directors are in the interest of its stakeholders and 22.8% strongly disagreed while 38.1% disagreed.

		Frequency	Valid Percent
Q.2 Decisions made by KPLC's directors is in the interest of stakeholders	1	24	22.8
	2	40	38.1
	3	17	16.2
	4	24	22.9
	Total	105	100.0
Q.3 a) & b) The performance of KPLC in relation to the board depends on the competence and honesty of employees	1	53	50.6
	2	16	15.2
	3	25	23.8
	4	11	10.4
	Total	105	100.0
Q.4 Board of Directors of KPLC brings superior judgment to business decision making	1	16	15.0
	2	20	19.0
	3	20	19.0
	4	49	47.0
	Total	105	100.0

Table 4.2 Stakeholders Interest

Where: 1= Strongly Disagreed, 2= Disagreed, 3= Agreed, 4 = Strongly Agreed.

We asked respondents to rate whether the KPLC's CEO has the power to determine strategy without fear of conflict with the board. We found out that 61.5% of the respondents strongly disagreed while 11.5% disagreed. 11.5% of the respondents agreed and 15.5 % of the respondents strongly agreed. Therefore a majority of 73% of the respondents disagreed and a minority 27% of the respondents agreed.

The other variable that was rated highly was whether KPLC directors empower governance structures and mechanisms to maximize the benefits of a steward. A total of 11% of the respondents strongly disagreed and 48% disagreed. On the other hand, 20% of the respondents agreed and 21% strongly agreed. Therefore most respondents disagreed that the CEO has power to determine strategy without fear and conflict with the board.

Respondents were also asked to rate whether KPLC's board team is appropriate for many and varied tasks and roles they play. A significant portion of the respondents, 42.3% strongly disagreed while 23.1% disagreed. In total 65.4% of the respondents disagreed. However, a considerable part of the respondents, 11.5%, agreed and 23.1% strongly agreed. Hence, less than majority, 34.6% of the respondents thought that KPLC's board team is appropriate for the many and varied tasks and roles the play.

Table 4.3. Conflict of Interests
Where: 1= Strongly Disagreed, 2= Disagreed, 3= Agreed, 4 = Strongly Agreed.

Emphasis on Clear Written Governance Guidelines
Whilst globalization of economies has increased, and international corporate guidelines have been adopted, each country has its own values, societal norms, way of doing business, and special circumstances. Thus, to guide policymakers, market players, and corporations in adopting sound corporate governance practices at the local level, every country should endeavor to develop its own corporate governance code. It was with this knowledge that the respondents were asked whether KPLC places great emphasis on clear written governance guidelines before deciding on investment options. The results have been presented in the frequency tables below.

		Frequency	Valid Percent
Q.5 Power to determine strategy without fear of conflict with the board	1	65	61.5
	2	12	11.5
	3	12	11.5
	4	16	15.5
	Total	105	100.0
Q.6. KPLC directors empower governance structures & mechanisms to maximize the benefits of the stakeholders	1	12	11.0
	2	50	48.0
	3	21	20.0
	4	22	21.0
	Total	105	100.0
Q.7. KPLC's board team is appropriate for many and varied tasks and roles they play	1	44	42.3
	2	24	23.1
	3	13	11.5
	4	24	23.1
	Total	105	100.0

	Rank	Frequency	Valid Percent
Q8 KPLC places great emphasis on clear written governance guidelines before deciding on investment options	1	8	7.6
	2	47	44.4
	3	35	33.3
	4	15	14.7
	Total	105	100.0
Q.9. There is a link between reduced monitoring cost and a rise in agency cost	1	23	22.2
	2	62	59.3
	3	12	11.1

Table 4.4: Emphasis on Clear Written Governance Guidelines
Where: 1= Strongly Disagreed, 2= Disagreed, 3= Agreed, 4 = Strongly Agreed.

When we asked respondents whether KPLC places great emphasis on clear written governance guidelines before deciding on investment options; 44.4% disagreed whereas 7.6% strongly disagreed. In total 52% did not believe that KPLC places great emphasis on clear written governance guidelines before deciding on investment options. A slightly smaller portion (48%) of the respondents agreed.

On whether there is a link between reduced monitoring cost and a rise in agency cost, 22.2% of the respondents strongly disagreed while 59.3% disagreed. Hence, 81.5% of the respondents disagreed. On the other hand, 11.1% agreed and a very small portion (7.4%) of the respondents strongly agreed in this regard.

	Rank	Frequency	Valid Percent
Q.10 Executive Director's remuneration is structured so as to link rewards to corporate and individual performance	1	47	44.4
	2	15	14.8
	3	28	26
	4	15	14.8
	Total	105	100.0
Q.11 KPLC has a formal procedure for the appointment of new directors to the board	1	35	33.3
	2	50	48.1
	3	12	11.1
	4	8	7.5
	Total	105	100.0
Q.12 KPLC has a rigorous procedure for the appointment of new directors to the board	1	35	33.3
	2	50	48.1
	3	12	11.1
	4	8	7.5
	Total	105	100.0
Q.13 KPLC has a transparent procedure for the appointment of new directors to the board	1	35	33.3
	2	50	48.1
	3	12	11.1
	4	8	7.5
	Total	105	100.0

Where: 1= Strongly Disagreed, 2= Disagreed, 3= Agreed, 4 = Strongly Agreed.

On the question of Executive Director's remuneration is structured so as to link rewards to corporate and individual performance, 44.4% of the respondents strongly disagreed whereas 14.8% disagreed. A slight smaller percentage, 26.0% agreed and 14.8% strongly agreed.

We also asked the respondents if KPLC has a formal procedure for the appointment of new directors to the board. In this regard, 33.3% of the respondents strongly disagreed. Similarly, 48.1% of the respondents disagreed. Hence, a significant 81.4% of the respondents disagreed that KPLC has a formal procedure for the appointment of new directors to the board. Only 18.6% reported that KPLC has a formal procedure for the appointment of new directors to the board.

We also asked the respondents if KPLC has a rigorous procedure for the appointment of new directors to the board. In this regard, 33.3% of the respondents strongly disagreed and 48.1% of the respondents disagreed. Hence, a significant 81.4% of the respondents disagreed that KPLC has a rigorous procedure for the appointment of new directors to the board. Only 18.6% reported that KPLC has a rigorous procedure for the appointment of new directors to the board.

We also asked the respondents if KPLC has a transparent procedure for the appointment of new directors to the board. In this regard, 33.3% of the respondents strongly disagreed. Similarly, 48.1% of the respondents disagreed. Hence, a significant 81.4% of the respondents disagree that KPLC has a transparent procedure for the appointment of new directors to the board. Only 18.6% reported that KPLC has a transparent procedure for the appointment of new directors to the board.

Table 4.5 Executive Director's Remuneration & Appointment Procedure Frequency

Where: 1= Strongly Disagreed, 2= Disagreed, 3= Agreed, 4 = Strongly Agreed.

Board Performance Evaluations & Determination of Board's Success

In order to determine whether KPLC conduct performance evaluations on the board in order to ensure the shareholder's interests are gathered for and the ability of the board to ensure success is attained in company projects and operations depends on their determination, integrity, and hard-work the results are presented in the frequency table.

On performance evaluations, we asked respondents if KPLC conduct performance evaluations on the board in order to ensure the shareholder's interests are gathered for. The results show that 55.6% of the respondents disagreed and 14.8% strongly disagreed. In total and a majority of 70.4% did not believe that KPLC conduct performance evaluations on the board in order to ensure the shareholder's interests are gathered for. But 22.2% of the respondents agreed while 7.4% of the respondents strongly agreed.

On the issue of the ability of the board to ensure success is attained in company projects and operations depends on their determination, integrity, and hard-work 14.8% strongly disagreed whereas 55.6% disagreed. A minority of 22.2% agreed whereas 7.4% strong agreed.

Table 4.6: Board Performance Evaluations & Determination of Board's Success

	Rank	Frequency	Valid Percentage
Q.14 KPLC conduct performance evaluations on the board in order to ensure the shareholder's interests are gathered for	1	15	14.8
	2	58	55.6
	3	23	22.2
	4	9	7.4
	Total	105	100.0
Q.16 a),b) & c)	1	36	34.6
	Rank	Frequency	Valid Percent
Q. 15 Management are skilled to ensure success of the company	1	15	14.3
	2	58	55.2
	3	15	14.3
	4	17	16.2
	Total	105	100.0
	2	49	46.2
	3	12	11.5
	4	8	7.7
	Total	105	100.0

Where: 1= Strongly Disagreed, 2= Disagreed, 3= Agreed, 4 = Strongly Agreed.

We asked respondents if the Management is skilled to ensure success of the company. The results show that 14.3% disagreed and 55.2% strongly disagreed that the Management is skilled to ensure success of the company. Therefore, in total 69.5% were negative that the Management is skilled to ensure success of the company. On the other hand 30.5% did not believe that the Management is skilled to ensure success of the company.

Table 4.7. Honest and Knowledgeable Management Frequency Table

	Rank	**Frequency**	**Valid Percent**
Q.17 Management are skilled to ensure success of the company	1	15	14.3
	2	58	55.2
	3	15	14.3
	4	17	16.2
	Total	105	100.0

Where: 1= Strongly Disagreed, 2= Disagreed, 3= Agreed, 4 = Strongly Agreed

When respondents were asked whether the CEO of KPLC has the power to determine strategy without fear of being influenced by an outside chair of the board, 18.1% strongly disagreed and 59.1% disagreed. Hence, in general 77.2% of the respondents disagreed that the CEO of KPLC is the chair of the board and does he have the power to determine strategy without fear of being influenced by an outside chair of the board. On the other hand, 11.4% agreed and 11.4% strongly agreed. Therefore, a total of 22.8% agreed that the CEO of KPLC is the chair of the board and does he have the power to determine strategy without fear of being influenced by an outside chair of the board.

Board Performance

Respondents were asked on what is the Board of Director's role to ensure that the Chief Executive is not incompetent or deceitful. This was another objective to ensure that proper leadership was maintained in the organization and 59% disagreed whereas 41% agreed. The key questions and finding are presented in the following frequency tables below.

Table 4.8: Board Performance

	Rank	Frequency	Valid Percent
Q.18 The CEO of KPLC has the power to determine strategy without fear of being influenced by the chair of the board	1	19	18.1
	2	62	59.1
	3	12	11.4
	4	12	11.4
	Total	105	100.0
Q.19 Directors empower managers to be directly responsible for the performance of the company	1	15	14.3
	2	47	44.7
	3	15	14.3
	4	28	26.7
	Total	105	100.0

Where: 1= Strongly Disagreed, 2= Disagreed, 3= Agreed, 4 = Strongly Agreed

On the question of Board of Director's role is to ensure that the Chief Executive is not incompetent or deceitful, we asked respondents if Board of Director's role is to ensure that the Chief Executive is not incompetent or deceitful. Majority of the respondents' i.e.15.2 % disagreed whereas 53.3% strongly disagreed. In total, 68.5% of the respondents believe that Board of Director's role is to ensure that the Chief Executive is not incompetent or deceitful. The minority 31.5% agreed.

On the question of KPLC has effective corporate governance guidelines, we asked respondents if KPLC has effective corporate governance guidelines. Majority of the respondents i.e. 46.7% strongly disagreed and 34.3% disagreed. In total, 81% of the respondents disagreed that KPLC has effective corporate governance guidelines. The minority 19% agreed that KPLC has effective corporate governance guidelines.

Internal Controls Systems and Corporate Governance

In relation to whether KPLC has an Internal Audit division used to reinforce Internal Controls, 11.4% of the respondents strongly disagreed whereas 40% disagreed. Hence, the majority of the respondents (51.4%) disagreed whereas 48.6% agreed.

On the question of whether KPLC deals with diverse business risk helping identify and anticipate potential risks, minimizing possible effects and reacting appropriately, 37.1% of the respondents strongly disagreed and 37.1% disagreed. Hence and overwhelming majority (74.2%) of the respondents disagreed that KPLC deals with diverse business risk to help identify and anticipate potential risks, minimize possible effects and react appropriately. Only 11.5% agreed and 14.3% strongly agreed that KPLC deals with diverse business risk to help identify and anticipate potential risks, minimize possible effects and react appropriately.

Table 4.9. Corporate Governance Guidelines & CEO Competence and Character

	Rank	Frequency	Valid Percent
Q.20 Board of Director's role is to ensure that the Chief Executive is not incompetent or deceitful	1	16	15.2
	2	56	53.3
	3	24	22.9
	4	9	8.6
	Total	105	100.0

	Rank	Frequency	Valid Percent
Q.21 KPLC have an Internal Audit division used to reinforce effective Internal Controls procedures	1	12	11.4
	2	42	40.0
	3	42	40.0
	4	9	8.6
	Total	105	100.0
Q.22 KPLC deals with diverse business risk to help identify and anticipate potential risks, minimize possible effects, and react appropriately	1	39	37.1
	2	39	37.1
	3	12	11.5
	4	15	14.3
	Total	105	100.0

Where: 1= Strongly Disagreed, 2= Disagreed, 3= Agreed, 4 = Strongly Agreed

Where: 1= Strongly Disagreed, 2= Disagreed, 3= Agreed, 4 = Strongly Agreed

Formalized Internal Control Assessment Mechanism

A company should have an Internal Audit Division, responsible for auditing the company as a means to reinforce internal controls. By checking the validity of business execution as well as the appropriateness and efficiency of management, the division makes concrete proposals on how to improve business operations and establishes relevant internal controls. The findings are presented in the following sections in frequency tables.

Table 4.11: Internal Control Assessment mechanisms Frequency Table

	Rank	Frequency	Valid Percent
Q.24 KPLC has a formalized Internal Control Assessment mechanisms to assess operating and design effectiveness	1	52	49.5
	2	19	18.1
	3	10	9.5
	4	24	22.9
	Total	105	100.0

Where: 1= Strongly Disagreed, 2= Disagreed, 3= Agreed, 4 = Strongly Agreed

The rationale was to find out if KPLC has formalized Internal Control Assessment mechanisms to assess operating and design effectiveness. When we asked respondents if KPLC has a formalized Internal Control Assessment mechanisms to assess operating and design effectiveness, 50.0% strongly disagreed and 18.2% disagreed. Hence the majority (68.2%) did not believe that KPLC has formalized Internal Control Assessment mechanisms to assess operating and design effectiveness. On the other hand, only 31.8% of the respondents believed that KPLC has formalized Internal Control Assessment mechanisms to assess operating and design effectiveness.

Table 4.12. Effective Structure of Internal Control System

	Rank	Frequency	Valid Percent
Q.25 Internal Control system is adequately structured to ensure reliability of financial reporting within the company	1	29	27.6
	2	38	36.2
	3	13	12.4
	4	25	23.8
	Total	105	100.0
Q.26	1	13	12.4

Internal Controls activities in place completely and accurately described by the internal control guidelines	2	46	43.8
	3	25	23.8
	4	21	20.0
	Total	105	100.0

Where: 1= Strongly Disagreed, 2= Disagreed, 3= Agreed, 4 = Strongly Agreed.

In relation to whether Internal Control System is adequately structured to ensure reliability of financial reporting within the company. The results show that 28% strongly disagreed and 36% disagreed. Therefore, majority (64%) of the respondents did not believe that Internal Control system is adequately structured to ensure reliability of financial reporting within the company. The results from the table above also show that a considerable portion, 36%, of the respondents believed that Internal Control system is adequately structured to ensure reliability of financial reporting within the company.

Following the issue of Internal Controls activities in place being completely and accurately described by the internal control guidelines and documentation, the respondents were asked whether Internal Control activities in place are completely and accurately described by the internal control guidelines and documentation. The results show that 12% strongly disagreed while 44% disagreed. Only 24% of the respondents agreed and 20% reported that they strongly agreed.

Appropriate Internal Controls to meet company business defined objectiveness.

One of the pre-requisites for the success of a company is to have a mission and vision that they work towards to achieve company objectives. Question used to measure whether the Internal Controls are in place and are appropriate for the company business and meet defined control objectiveness was asked to the respondents. The results are presented in the table below.

Table 4.13. Appropriate Internal Controls to meet company business defined objectiveness.

	Rank	Frequency	Valid Percent
Q 26 Internal Controls activities are completely described the internal control guidelines	1	49	46.7
	2	40	38.1
	3	12	11.4
	4	4	3.8
	Total	105	100.0
Q 27 KPLC has internal controls measures to ensure safeguarding of Assets	1	52	49.5
	2	29	27.6
	3	11	10.5
	4	13	12.4
	Total	105	100.0
Q 28 KPLC has internal controls measures to ensure effective risk assessment	1	48	45.7
	2	35	33.3
	3	9	8.6
	4	13	12.4
	Total	105	100.0

Where: 1= Strongly Disagreed, 2= Disagreed, 3= Agreed, 4 = Strongly Agreed.

When we asked whether the Internal Controls in place are appropriate for the company business and meet defined control objectiveness, 46.2% strongly disagreed and 38.5% agreed. Hence, majority (84.7%) of the respondents did not think that the Internal Controls in place are appropriate for the company business and meet defined control objectiveness. On the other hand, only 15.3% of the respondents believed that the Internal Controls in place appropriate for the company business and meet defined control objectiveness.

Similarly, on the issue of whether KPLC has internal controls measures to ensure safeguarding of Assets, 50% strongly disagreed whereas nearly a quarter of the respondents (28%) disagreed. Hence, an overwhelming portion (78%) of the respondents did not believe that KPLC has internal controls measures to ensure safeguarding of Assets. A small minority 22% of the respondents strongly agreed that KPLC has internal controls measures to ensure safeguarding of assets.

We also asked respondents if KPLC has internal controls measures to ensure effective risk assessment. Almost half (45.8%) of the respondents strongly disagreed and 33.3% disagreed. Therefore, 79.1% thought that KPLC does not have internal controls measures to ensure effective risk assessment. On the other hand, only 20.9% believed that KPLC has internal controls measures to ensure effective risk assessment.

Information and Communication processes & Internal Controls

The study also wanted to know whether KPLC has internal controls measures to ensure effective control procedures, information and communication processes in order to provide efficacy of operations.

Table 4.14. Information and Communication processes & Internal Controls Frequency Table

	Rank	Frequency	Valid Percent
Q 29 KPLC has internal controls measures to ensure effective control of information and communication	1	38	36.4
	2	33	31.8
	3	10	9.1
	4	24	22.7
	Total	105	100.0

Where: 1= Strongly Disagreed, 2= Disagreed, 3= Agreed, 4 = Strongly Agreed.

On the issue of whether KPLC has internal controls measures to ensure effective control procedures, information and communication processes in order to provide efficacy of operations, 69.2% of the respondents did not agree. A minority of 31.8% reported that they think KPLC has internal controls measures to ensure effective control procedures, information and communication processes in order to provide efficacy of operations.

Table 4.15. Reliability of financial reporting
Where: 1= Strongly Disagreed, 2= Disagreed, 3= Agreed, 4 = Strongly Agreed.

	Rank	Frequency	Valid Percent
Q 30 KPLC has internal controls measures to ensure reliability of financial reporting.	1	13	12
	2	58	56
	3	17	16
	4	17	16
	Total	105	100.0
Q 31 KPLC has internal controls measures to ensure compliance with applicable laws and regulations.	1	10	10.0
	2	8	52.0
	3	54	8.0
	4	33	30.0
	Total	105	100.0

On the issue of whether KPLC has internal controls measures to ensure reliability of financial reporting, Majority, i.e., 68% of the respondents believed that KPLC did not have internal controls measures to ensure reliability of financial reporting. On the other hand, 32% reported that KPLC has internal controls measures to ensure reliability of financial reporting.

Respondents were also asked whether KPLC has internal controls measures to ensure compliance with applicable laws and regulations. A majority of 62% of the respondents did not believe KPLC has internal controls measures to ensure compliance with applicable laws and regulations. Similarly, 38% reported that KPLC has internal controls measures to ensure compliance with applicable laws and regulation.

Delegation of Authority, Internal Controls Effectiveness and Efficiency through Information Technological Advances

Respondents were also asked whether the Board delegates the responsibility of ensuring effectiveness of the internal control system to Internal Audit Committee and how efficiency and effectiveness is achieved in the company through use of technological advances. The results are presented in the frequency tables below.

Table 4.16. Efficiency of Operations

	Rank	Frequency	Valid Percent
Q 32 The Board delegates the responsibility of ensuring effectiveness of the internal control system to Internal Audit Committee.	1	53	50.1
	2	20	19.2
	3	12	11.5
	4	20	19.2
	Total	105	100.0

	Rank	Frequency	Valid Percent
Q 33 KPLC's information technological advances like SAP and Oracle has assisted in providing sound system of Internal Controls	1	8	7.7
	2	28	26.9
Q 35 KPLC resolved conflicts of interest to avert corporate governance failures.	1	20	19.2
	2	44	42.3
	3	16	15.4
	4	25	23.1
	Total	105	100.0
Q 36 KPLC ensure that officers of the company do not orchestrate misleading transactions	1	16	15.5
	2	65	61.5
	3	12	11.5
	4	12	11.5
	Total	105	100.0
Q 37	1	20	19.2
	3	41	38.5
	4	28	26.9
	Total	105	100.0
Q 34 Board certifies design and operating effectiveness of financial reporting	1	8	14.0
	2	8	14.0
	3	50	48.0
	4	25	24.0
	Total	105	100.0

Where: 1= Strongly Disagreed, 2= Disagreed, 3= Agreed, 4 = Strongly Agreed.

On whether the Board delegates the responsibility of ensuring effectiveness of the internal control system to Internal Audit Committee, 50.1% of the respondents strongly disagreed whereas 19.2% disagreed. In total of 69.3% of the respondents disagreed that the Board delegate the responsibility of ensuring effectiveness of the internal control system to Internal Audit Committee. On the other hand, 30.7% thought that the Board delegates the responsibility of ensuring effectiveness of the internal control system to Internal Audit Committee.

There are effective mechanisms for ensuring correctness of financial reports	2	32	30.8
	3	8	7.7
	4	45	42.3
	Total	105	100.0

When we asked respondents whether KPLC's information technological advances like SAP and Oracle has assisted in providing sound system of Internal Controls, 7.7% of the respondents of 65.4% agreed.
On the question of whether the Board certifies design and operating effectiveness of confession controls and procedures over financial reporting, 28% did not agree, whereas total 72% disagreed.

4.2.3.6. Division of Responsibilities and Balance of Power and Authority

Similarly, on the issue division of responsibilities and balance of power and authority, we asked respondents if KPLC ensure clearly accepted division of responsibilities at the company to ensure balance of power and authority. Close to half (42.3%) of the respondents strongly disagreed and 34.6% disagreed. In aggregate, majority (76.9%) of the respondents disagreed that KPLC ensure clearly accepted division of responsibilities at the company to ensure balance of power and authority. Only 23.1% agreed.

Failures of Corporate Governance

In order to confirm we asked respondents whether the conflicts of interests KPLC has encountered were resolved to avert corporate governance failures. Majority, 61.5% of the respondents disagreed. A total of 38.5% of the respondents, however agreed that the conflicts of interests KPLC has encountered were resolved to avert corporate governance failures. On the question of whether KPLC ensure that officers of the company do not orchestrate misleading transactions that could lead to failure of good corporate governance practices, majority of the respondents i.e. 77% disagreed. A minority of 23% agreed. On whether the KPLC ensure effectiveness of corporate governance in terms of the value of financial systems and regulating corporate activities and the ability to rule based on accounting and reporting regimens to provide safeguards in investors and employees, 19.2% of the respondents strongly disagreed while 30.8% disagreed. Half of the respondents therefore, believe that KPLC ensure effectiveness of corporate governance in terms of the value of financial systems and regulating corporate activities and the ability to rule based on accounting and reporting regimens to provide safeguards in investors and employees.

Table 4.17. Corporate governance failures
Where: 1= Strongly Disagreed, 2= Disagreed, 3= Agreed, 4 = Strongly Agreed.

Table 4.18. Effectiveness and Efficiency of Operations

	Rank	Frequency	Valid Percent
Q 38 KPLC ensure efficient financial system to safeguard investors	1	48	45.9
	2	35	33.3
	3	9	8.3
	4	13	12.5
		105	100.0

Where: 1= Strongly Disagree 2= Disagree 3= Agree 4 = Strongly Agree

Efficient Financial System to Safeguard Investors and Employees
On whether KPLC ensure efficient financial system to safeguard investors, 45.9% of the respondents strongly disagreed while 33.3% disagreed. A significant majority of the respondents therefore did not believe that KPLC ensure efficient financial system to safeguard investors. Only 20.8% thought that KPLC ensured efficient financial system to safeguard investors.
On whether KPLC ensure efficient financial system to safeguard investors, 37.5% of the respondents strongly disagreed while 33.3% disagreed. A significant majority of the respondents therefore did not believe that KPLC ensure efficient financial system to safeguard investors. Only 20.8% thought that KPLC ensure efficient financial system to safeguard investors.

Table 4.19. KPLC ensures accountability in the operations of the company

	Rank	Frequency	Valid Percent
Q 39 KPLC ensures accountability in the operations of the company	1	39	37.1
	2	35	33.3
	3	18	17.2
	4	13	12.4
		105	100.0

Where: 1= Strongly Disagreed, 2= Disagreed, 3= Agreed, 4 = Strongly Agreed.

Table 4.20. KPLC strive to achieve greater degree of openness

	Rank	Frequency	Valid Percent
Q 40 KPLC strive to achieve greater degree of openness	1	9	40.0
	2	8	33.0
	3	2	16.6
	4	3	10.4
		105	100.0

Where: 1= Strongly Disagreed, 2= Disagreed, 3= Agreed, 4 = Strongly Agreed.

On whether KPLC strive to achieve greater degree of openness, 40% of the respondents strongly disagreed while 33% disagreed. A significant majority of the respondents therefore did not believe that KPLC strive to achieve greater degree of openness. Only 27% thought that KPLC strive to achieve greater degree of openness.

IV. Conclusion

Role of Leadership in Corporate Governance

The study revealed that board performance is below average and boards of directors are not involved in nominating the Chief Executive Officer of the company i.e. 62.9% of the respondents. The study also revealed that there is no proper monitoring and evaluating of the performance of the CEO by the board is not practiced. The board was not involved in the appointments of the CEO and therefore poor monitoring and supervision. Decision-making by the board is not in the interest of the stakeholders like the creditors, employees, and investors. There are no implementations of decisions made by the board because of lack of proper strategic management procedures. There are conflicts of interest in the organization therefore interests of stakeholders are not being gathered for. Boards of directors do not empower governance structures and mechanisms for the benefit of company stakeholders. The ability of the board for many and varied tasks is questionable.

The research showed that 60.9% of the respondents thought that investment decisions made by the management are not in the interest of the stakeholders. Company management does not put emphasis on governance guidelines to benefit the investor. Profitability of the company is not being analyzed to ensure correct decision making on the operations and on project implementations. No rigorous, formal, or transparent procedure causing poor performance of the board. Conflicts of interest in determining strategy to implement policies and guidelines in the company and therefore has resulted in poor corporate governance in the company.

Internal Controls Systems

The study revealed that the company does not have effective corporate governance guidelines and therefore the internal audit division does not reinforce internal control procedures i.e. 76.9% of the respondents. The company cannot deal with diverse business risk to help identify and anticipate potential risks to minimize possible effects and react appropriately. No formalized internal control assessment mechanism to assess operating and design effectiveness. The company does not have adequately structured reliable financial reporting, safeguard of assets, effective risk assessment, effective control of information, and compliance with applicable laws and regulations. In conclusion, the study therefore showed that KPLC does not ensure effective internal control system.

Failures of Corporate Governance

Research indicates that company's board is responsible to certifies design and operating effectiveness of financial reporting and therefore measures to ensure officers do not orchestrate misleading transactions are not in place. There is no efficient financial system to safeguard investors and ensure accountability in the company. Therefore research indicates possibility of failure of corporate governance in the company that could result in failure of the corporation.

V. Recommendations

Role of Leadership in Corporate Governance

Boards of directors should be involved in nominating the Chief Executive Officer of the company to ensure proper monitoring and evaluation of performance. Decisions made by the board should be in the interest of the stakeholders like the creditors, employees, and investors. Decisions made by the board on how the operations and projects are going to be implemented should be communicated to employees to ensure successful implantation. The board should provide superior judgment in business decision making process and ensure the management implements strategy of the decisions made. Implementation of policies and guidelines rests with the managements and research indicates corporate governance guidelines. Management should be able to implement strategy without conflict with the board. Boards of directors do not empower governance structures and mechanisms for the benefit of company stakeholders. The ability of the board for many and varied tasks is questionable.

Investment decisions made should be in the interest of the stakeholders. Company management should put emphasis on governance guidelines to benefit the investor. Management's remunerations should compare with the profitability of company. There should be a rigorous, formal, or transparent procedure of appointing to improve performance of the board. Conflicts of interest should be avoided in determining strategy to implement policies and guidelines in the company in order to instill good corporate governance in the company.

Internal Controls Systems

Effective corporate governance guidelines should be implemented. Internal audit division should reinforce internal control procedures to ensure good system. The company should be able to deal with diverse business risk to help identify and anticipate potential risks to minimize possible effects and react appropriately. Formalized internal control assessment mechanism should be put in place to assess operating and design effectiveness. The company should have adequately structured reliable financial reporting, safeguard of assets, effective risk assessment, effective control of information, and comply with applicable laws and regulations. KPLC should therefore ensure effective internal control system.

Failures of Corporate Governance

The company's board should certify design and operating effectiveness of financial reporting. The company should resolve conflict of interest issues to ensure good corporate governance in the company. Measures to ensure officers do not orchestrate misleading transactions should be put in place. Efficient financial system to safeguard investors and ensure accountability in the company and ensure success of corporate governance in the company.

Recommendations for Further Research

Recommendations that future research be done to find out how good corporate governance guidelines should be of use to investors investing in public corporations in Kenya. Findings indicate that there is a general feeling that the current corporate guidelines put in place do not provide information of what actually happens in the company. Hence, further study could be done on how to implement guidelines that will regulate to determine and provide a narrative explanation, through the eyes of management, of how a company has performed in the past and its future prospects. Effective corporate governance guidelines integrate historical and prospective information and financial statement and business analyses that, together with the financial statements, impart useful knowledge to investors and other readers.

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