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Corporate Governance and Organizational Management: An Ethical Perspective of the Challenges Facing Effective Corporate Management in Kenyan State Owned Enterprises (SOEs)

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I. Introduction

State owned enterprises (SOEs) are fundamentally important to the Kenyan economy, especially at this time when the country is pursuing the path of becoming a middle level economy by the year 2030 within the framework of year 2010 constitutional dispensation. Many scholars have strongly maintained that they provide crucial services to industry and the public. When things go well, they can provide a solid base for economic and social development, contribute significantly to state budgets, and be an important tool to achieve government policies as stipulated in Kenyan Constitution. When things go wrong, they can become a crushing financial and political burden (Liu and Lin, 2009). The public interest in the performance of SOE's is thus often acute. From the state's perspective, maximizing SOE performance is a goal of overriding importance. One of the most important factors driving SOE performance is the quality of their governance (Roe, 2003). Studies on SOEs performance show that good good governance translates to better results; while weak governance is often the root of numerous performance problems in state ownership. Good governance is thus a key to the solution (Rosser, 2003). For one, corporate governance is not to be confused with the tasks of management. Corporate governance refers to the way that the state sets high level strategic goals, and how it implements them through corporate structures such as boards. In practice this means defining desired outcomes, nominating the best most skilled and talented people to guide the SOEs and monitor management and operations, incentivizing hard work and good performance, and ensuring accountability for results (Visser, 2006). Good governance requires having effective corporate structures (Malin, 2008). The principal tool of good governance is a professional board of directors. It is important to note at the outset that there are different forms of oversight structures and boards. The "board of directors" refers to the body that provides oversight over executives. It does not refer to "management boards" or "executive boards" that compose 100% of the executives (Komolafe, 2008). Such "management boards", cannot reasonably be expected to provide proper oversight over themselves (Scott, 2007). Good governance also relies fundamentally on systems of reporting, audit and control that minimize risks, the potential for corruption, and conflicts of interest. Seen from the opposite perspective, politicized and uneconomic decision making, nepotism, opacity, corruption, and lack of controls and accountability are all antithetical to good governance (Wieland, 2005).

Corporate governance is an evolving field which has gained popularity in the last decade after the demise of Enron, WorldCom, Arthur Anderson etc in the United States which have forced academics, legal practitioners, accounting and other professionals, regulatory agencies, government institutions, NGOs and international financial institutions to pay attention to corporate governance reforms, (Vinten, 1998; 2002; Aquiler and Luervo- caruza, 2004; Wieland, 2005; Chambers, 2006; Malin, 2008; De Cleyn, 2008). Other

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Countries have had similar corporate scandals, for example HIH Insurance in Australia; Marconi in UK, Parmalat in Italy; Regal Bank, Leisure Net and Krion in South Africa. Consequent upon these publicized corporal scandals and the preceding financial crises experienced in Asia in the late 1990s, there was a global impetus to promote good corporate governance, accountability and ethical business practices in many countries (Wilson, 2006; Iyang, 2009). Thus, many multilateral organizations such as the Organization of Economic Cooperation and Development, the Commonwealth Association of Corporate Governance, the United Nations Compact instituted principles and best practices of corporate governance which corporations and countries are encouraged to adopt and practice (OECD, 1999; 2004; UN Compact, 2002). Corporate governance codes are documents which state the principle, rules and procedures for making strategic decisions and prescribe the frameworks for governing corporations and achieving corporate objectives (Thomas et al., 1991). Corporate governance is a system by which organizations and company are directed, managed and controlled in order to enhance corporate performance and cater for shareholder concerns and stakeholder interests (Iyang, 2004). Corporate governance has a leadership dimension, because it provides directional leadership to organizations by creating an enabling environment which integrates and systematize various collaborative efforts for setting objectives and achieving corporate goals (Trevino and Nelson, 2007). Good corporate governance helps to prioritize organizational objectives achieve good corporate performance, enhances ethical decision making within organizations where shareholder concerns and stakeholder interest and are addressed properly (Wieland, 2005; Chambers, 2006; Malin, 2008; King, 2006; And reason 2009; Vinten 1998; 2002; Aquiler and Luervo-Caruso, 2004; Roe, 2003; De Cleyn, 2008). The triple bottom line reporting introduced by Elkington (1997) and adopted by the Kings Report, (IoDSA, 2002; 2009) requires modern corporations to disclose their economic, social and environmental performances instead for better decision making. Corporations are vital part of the society and as corporate citizens, they are expected to contribute actively to the development of society and protect the natural environment (West, 2006; King, 2006). It has been widely acknowledged that good corporate governance helps most developing countries and emerging markets to attract domestic and foreign direct investments, build their markets competitiveness, restore investor confidence, promote economic growth and boost national development (Armstrong, 2003) but there are many challenges to ensuring good corporate governance in these developing countries (Li and Flier, 2007; Wilson, 2006) especially when the corporations need to be convinced that they are not independent of the society, host community or the natural environment in which they operate (Rossouw, 2005).

a) *Problem Statement*

Today's administrative and management environment requires professionals to deal with dynamic markets, changing technologies and governance methods. In addition to national regulatory requirements, practitioners have to be more aware and ensure compliance with public administration and governance rules and regulations. Kenyan's legal enforcement and regulatory framework are weakened and made inefficient. Institutionalized corruption has been widely accepted as the bane of poor corporate governance in Kenya. This alone cannot be blamed for the persistent corporate governance failures in Kenya. There are other socio-political, economic and cultural factors which create the dismal corporate governance environment in a country and these factors are analysed within the socio-political context of contemporary Kenya in order to provide more detailed ethical insights into the challenges of effective corporate governance and organizational management in Kenya. The objective of this paper was to identify major challenges to effective corporate governance and organizational management in Kenyan state owned corporations with an ethical dimension and suggest some possible solutions.

b) *Objectives*

This research was guided by both general and specific objectives :

i. *General Objectives*

The main intent of this research was to find out key challenge to an effective corporate management and governance in state owned enterprises (SOEs) in Kenya with an ethical perspective.

ii. *Specific Objectives*

This research was driven by the following specific objectives :

a) To find out the effect of the lack of top corporate support on the corporate management and governance in Kenyan state owned enterprises with an ethical dimension.

b) To determine the effectiveness of corporate managers in facilitating effective corporate management and governance in Kenyan state owned enterprises.

c) To assess the impact of competency exercised by corporate managers on the effective performance and management in Kenyan state owned enterprises.

d) To investigate the effect of organizational culture on the effective performance and management in Kenyan state owned enterprises.

e) To ascertain the effect of corporate environment on the effectiveness of corporate management and governance in Kenyan state owned corporations.

II. Literature Review

This chapter is rather discursive and it focuses on some of the urgent management practices that have been worked on by scholars, academicians and researchers in the field of public sector management and administration, which could be relative to management development in public sector performance and effective delivery of managerial functions as well as public services. The chapter throws greater emphasis on the development of best management practices that are different from traditional forms of public sector corporate governance, which have their birth from total quality management.

a) Corporate Governance Environment

A country's corporate governance environment considers the impacts of the political, economic and social-cultural factors that enhance good corporate governance or prevent unethical conduct (Li and Nair, 2009). It embodies the political, economic, social, technological and legal institutions that influence the ethical dispositions of private corporations (Wilson, 2006). The Corporate governance environment determines the context for evaluation of a corporation's performance, decisions, strategic choices and actions. While the political, cultural and socio-economic ramifications of the recently introduced corporate governance codes in Kenya are still being studied, it is important to note that these codes were established as instruments for safeguarding the corporations against corruption, mismanagement and environmental abuse. These codes were invoked to promote corporate transparency and accountability, economic growth and social development (Armstrong, 2003; Andreason, 2009). The most typical method for ensuring good corporate governance reforms in most countries is through the invocation of corporate governance codes which supplement existing corporate laws. Corporate governance codes are documents which state the rules and procedures for governing and managing corporations (Scott, 2007). Since corporate governance is a process by which corporations are governed and controlled with a view to increasing shareholder values and meeting the expectations of other stakeholders (Classens and Bruno, 2007; Iyang, 2009), the codes categorically state the rules, principles and best practices for governing corporations properly (Armstrong 2003; And reason 2009). Most corporate governance codes are instituted by self regulating professional bodies with the consent of the relevant government regulating agencies but the responsibility for adopting and implementing the code lies on a corporation's board of directors (Elebute, 2000; Iyang, 2009). Hence it has been argued that the board's major responsibility is to ensure good corporate performance, increase shareholder value, protect stakeholder interests, contribute to society's well being, preserve the environment and to prepare accurate financial reports (Wilson, 2006; Roe 2003; Elebute, 2000; Iyang, 2009). The effectiveness of a country's corporate governance mechanism depends largely on the country's regulatory frameworks and public governance systems (Wilson, 2006; Roe, 2003). The corporate governance codes are best enforced by professional bodies in collaboration with government institutions and the capital market regulators or vice versa (Vinten, 2002; Reed, 2002; Wilson 2006; Roe, 2003). The existence of many corporate governance mechanisms does not necessarily translate into good corporate governance as many corporate scandals in Kenya and other countries have proven. The wide-spread adoption of a country's corporate governance code by private sector corporations often indicates mere conformance which does not necessarily mean that the corporations are committing themselves to sound and ethical business practices (Rossouw, 2005; Iyang, 2009).

b) Lack of Top Corporate support

There is little doubt that corporate management leadership is critical to the success of State owned enterprises (SOEs) administration and management (Trevino et al., 2000). The top management/corporate team (steering committee) must involve the project manager, any consultants working with the corporate committees, and agency staff to develop an effective strategy execution (Trevino and Nelson, 2007). In this regard, considerable attention and support need to be provided by senior corporate management to ensure that the strategy execution in the public administration and governance reforms have been well understood in the agency (Tanya et al., 2008). Furthermore, the executive management team is responsible for setting the vision and goals, bringing about collective comm-. itment for change in the process and organizational structures, and formulating the policies and strategies necessary to put a State owned enterprises (SOEs) administration and governance initiatives in place (Vaughan and Ryan, 2006). Wilson (2006) stipulates that efficient corporate management is one of the most effective preventive mechanisms for it promotes transparency and accountability, facilitates oversight and provides a good basis to prevent corruption. Rosser, (2003) opines that formal controls must first be defined, agreed, and applied top-down internally within an organization if they are to be effective. An organization with a genuine commitment to legal compliance is evidenced by top corporate management's dedication to ethical corporate behaviour (Malin, 2008). As cited in Scott (2007), a compliance culture in an organization must start in the boardroom and should be reflected and evidenced in directors' own behaviour and attitudes. In a related argument, Vinten, 2002) stipulated that strong institutional support at top levels of governance is needed by administration and management personnel in order to promote integrity, monitor the public administration process and apply governance law appropriately.

c) Levels of Competency and Professionalism of Corporate Managers

According to Judge (2008), professionalism in public administration and governance relates not only to the levels of education and qualifications of the workforce but also to the professional approach in the conduct of business and management activities. If the workforce is not adequately educated in administrative and management matters, serious consequences; including, breaches of codes of conduct (Liu and Lin, 2009). Roe (2003) also linked lack of a high degree of professionalism in public administration and governance to corruption, which ultimately impedes professional compliance. The corporate officers must be trained and aware about all regulations in relation to public administration and related procedures (Visser, 2006). Rosser (2003) asserts that ethical code is not only a deterrent of incorrect behaviour but also an enabler for all members of the organization to safeguard the ethical legacy of the firm. Decleyn, 2008) also attributed non-compliance in State owned enterprises (SOEs) administration and governance to lack of management professionalism in the public sector (Wieland, 2005). Corporate managers professionals need to acknowledge and devise strategies for managing all these complex challenges (Andreasson, 2009). The professionals must be seen as champions of efficiency and effectiveness and must acknowledge the challenges and their various forms, and their sources. The requirements to educate professionals and equip them with new and higher-level skills have consequently become urgent (Reed, 2002). A skill is the ability either to perform some specific behavioural task or the ability to perform some specific cognitive process that is related to some particular task (Armstrong, 2003). However, Trevino et al., (2000) report that finding, hiring and retaining dedicated, energetic, and ethical employees with special skills is always hard. While we understand that professionalism is a key mechanism for, and primary targets of institutional change, the precise role of professions and professional service firms in processes of institutional change remain under-theorized (Chambers, 2006).

d) Effectiveness Of Corporate Managers

Different researches have been carried out to infer the role and position of different corporate managers in facilitating effective implementation of public administration and governance laws. Komolafe (2008) argued through his research that open governance tends to play a critical role in ensuring the laws governing public administration and corporate governance are followed and implemented. Such open governance systems according to Malik (2008) are relative to fight corruption, to instill professionalism and ensure that accountability is observed in the administration processes. The positions and findings of (Reed, 2001) connote that accountability constitutes a central pillar of any public administration system. Without transparent and accountable systems enabling governments and citizens to engage in a mutually responsive way, the vast resources channeled through public procurement systems run the danger of increased corruption and misuse of funds (Vinten, 2002). Open governance can play an important role in raising awareness around public administration and other areas of public management to facilitate effective implementation of the proposed governance laws and regulations as noted from the findings of McNutt (2010). Another similar view was noted from the findings of Mallin (2004), which contend that the aim of this awareness raising is to exert political pressure: "Local or citizen efforts aim to pressure public officials to use public resources and powers for civic, not private, purposes". The ways in which corporate practices and other open governance can influence public administration and law implementation are many. For instance in the research by Malik (2008) open governance and other convened associations are allowed to monitor all stages of the management process. From the research conducted by Trevino and Nelson (2007) it is clear that introducing the civil society or other independent observers has the potential to strengthen transparency and accountability in public administration and management. However, this is not without challenges. One pitfall is the possibility for misunderstandings on the part of the observers/committees as public administration and governance processes can be complex (Decleyn, 2008).

e) Organizational Culture

Different views have been postulated regarding the role of organizational culture in the public administration and governance processes. Due to regulatory reforms and changing community expectations, the role of culture in organizational compliance has gained momentum. Basing on the competing values model (hierarchical culture), which involves enforcement of rules, conformity and attention to technical matters, individual conformity and compliance are achieved through the enforcement of formerly stated rules and procedures (Wallace and Zinkin, 2005) as cited in McNutt (2010) although there is no single definition of culture. One can define it as 'the structure of behaviours, ideas, attitudes, values, habits, beliefs, customs, language, rituals, ceremonies, and practices of a particular group of people that provides them with a general design for living and patterns for interpreting behaviour' (Mackenzie, 2007). Williams (2000) maintains that the willingness to comply because of moral obligation and social influence is based, among others on the perceived legitimacy of the authorities charged with implementing the regulations. Hui et al; (2011) stipulated that legitimacy theory provides a sufficient and a superior len for the understanding governance system. Williams (2000) adds that voluntary compliance is the result of personal or corporate ethics, motivation schemes and in most cases the result of corporate interest alignment with the legal provisions behaviour. White (2009) also asserts that moral obligation, may be a significant motivation explaining much of the evidence on compliance behaviour. They also add that Groupthink has been found to have a serious implication on effective compliance. As cited in Trevino et al (2000), the higher the compliance by others the stronger the individual's incentive to comply. This is an indication of the role of social influence on compliance. Ramon (2001) further observes that, it is difficult to combat fraud and corruption in public administration and governance if a group of individuals in an organization collude with common interests in maintaining secrecy around their corrupt acts. Such acts relate strongly to organizational culture. As moral obligation and social influence are weakened, regulatory compliance and enforcement of administration and governance laws also weakens (Colley et al., 2004). According to Mallin (2004), culture plays a central role in the compliance process and associated outcomes. It is also contended that in a specific type of culture, characterized by specific values such as openness, trust and honesty (Ruin, 2001) as cited in Manville and Ober (2003), employees are more likely to engage in compliance behaviours, which collectively will contribute to organizational compliance. Solomon and Solomon (2004) further indicated that awareness of the nature of public organizational culture is vital in explaining and assessing the appropriateness and outcome of the current reform process. This applies to developing countries where waves of governance reforms have resulted in enactment of public administration and governance rules and regulations.

f) The need for Corporate Ethics in Governance

The legal and regulatory framework within a company context sets the minimum standards of acceptable conduct in doing business, and reflects what society holds as fair and appropriate behaviour by all types and sizes of firms. Thus, compliance with national laws is the starting point for doing the right thing by private sector organizations (Trevino et al., 2000). Company executives, and the board of directors that provide oversight over management decisions, rely on a battery of internal policies, guidelines, regulations, and governance mechanisms to meet their compliance obligations (Tepper, 2000). With increasing frequency, these governance systems transcend the minimum floor established by law and reflect the higher level of business ethics aspired to by companies (Mamic, 2005). The variance of ethical performance found across companies cover a spectrum ranging from merely complying with legal requirements to setting new standards for responsible business behaviour (Mack, 2002).

Building ethical organizations is no easy task, but a commitment to such an ideal reflects a broader understanding of private sector enterprise, where meeting the core purpose of maximizing profit is in balance with the broader interests of society. The regulatory framework in advanced market economies can be very comprehensive in the demands it places on a firm's disclosure, reporting, and corporate governance requirements (Ciulla, 1998). Stringent requirements go a long way in creating robust checks and balances on inappropriate business behaviour. However, even under ideal conditions, such regulatory environment is never enough to safeguard against corruption. Ultimately, building an ethical organization has to do more with individual leadership and organizational commitment than about mere compliance with formal processes or systems (Maignan et al., 1999). The exercise of such leadership is often referred to as setting the tone at the top and its significance applies equally to both internal and external stakeholders (John, 1998). As it is to trust, it takes long-term organizational efforts and investments to build a corporate ethical culture but it only takes a second of poor judgment or bad luck to undermine it beyond repair. Thus, any exceptions to the ethical standards and values that are internally promulgated will generate apathy and undermine all efforts. Externally, any scandal, no matter how trivial it may appear, can instantly destroy the progress made through years of hard work and invested resources (Hamel and Prahalad, 1994).

The best way to protect the ethical culture of an organization is to actively promote it, practice it, train with it, update it, and make it real and visible to external and internal stakeholders. In other words, the development of an ethical culture result from the continual and ongoing corporate commitment to integrate and align a company's ethical standards with business strategy and operations (Fisher and Lovell, 2009). In turn, such a process is institutionalized through the implementation of a comprehensive ethics program whose various elements are elaborated further below. Managers, the board, and staff at all levels must exemplify through behaviour and decisions the values and standards defined in an ethics program, even to the degree where leadership in particular is seen to "eat, drink and sleep" ethical behaviour (Mack, 2002). Senior executives have the paramount responsibility to embed ethical behaviour into the culture of the company. By leadership, boards and CEOs can build an ethical organization and become the benchmark to be emulated by competitors, industry peers, and the private sector in general (Trevino and Nelson, 2007). Such visible commitment helps keep the organization on track to progress from just having a firm commitment to business ethics to creating an organizational culture where ethics is a central consideration in business decisions across all layers of a company. The perceived and observed behaviour by senior management sets the tone throughout the company, it establishes the commitment and reputation of anticorruption initiatives, and it shapes the identity of the company (Thomas et al., 1991). To an ethical organization, ethics is about doing business right, not an issue of compliance. In practice this means that to uphold its ethical philosophy, at times a company must stand ready to lose business before compromising its values (Ciulla, 1998). However, by having in place a comprehensive ethics program that is aligned to its business strategy, a company can rely on institutional checks and balances that will help it make the right decisions when faced with challenging ethical dilemmas (Trevino et al., 2000). Good corporate governance and concrete ethical standards are strong allies to help companies navigate the minefields of corporate corruption (Tepper, 2000).

g) Greater Demands for Accountability and Transparency

Just as improved ethical decision making requires more employees and executives, so too are boards of directors feeling greater demands for accountability and transparency in their management and corporate affairs. In the past, board members were often retired company executives or friends of current executives, but the trend in the modern world today is toward "outside directors" who have little vested interest in the firm before assuming the director role (Trevino and Nelson, 2007). Inside directors are corporate officers, consultants, major shareholders, or others who benefit directly from the success of the organization. Directors today are increasingly chosen for their expertise, competence, and ability to bring diverse perspectives to strategic discussions. Outside directors are also thought to bring more independence to the monitoring function because they are not bound by past allegiances, friendships, a current role in the company, or some other issue that may create a conflict of interest (Fisher and Lovell, 2009).

Many of the corporate scandals uncovered in recent years in the world, for instance, the Enron' case, might have been prevented if each of the companies' boards of directors had been better qualified, more knowledgeable, and less biased but most importantly if they have been more ethical (Thomas et al., 1991). Shareholder involvement in changing the makeup of boards has always run into difficulties. Most boards are not true democracies, with shareholders ultimately wielding little power over decisions. This overlap creates the opportunity for conflicts of interest in decision making and limits the independence of individual boards of directors (Tepper, 2000). The change is part of an effort to improve accountability at the company, which, along with many other retailers, suffered a serious decline in share prices over the course of 2008 and 2009. In some cases, it seems that individuals earned placement on multiple boards of directors because they gained a reputation for going along with top management and never asking questions. This may foster a corporate culture that limits outside oversight of top managers' decisions (Trevino et al., 2000).

h) Conceptual Framework

In order to guide the researcher, the model consisting of the variables was developed. This framework consisted of both independent and dependent variables. Its diagram is as represented below. The independent variables lack of corporate support, effectiveness of corporate managers, level of competency and organizational culture. The dependent variable challenges to corporate governance.

Source: Author (2013)

Figure 2-8 : Conceptual Framework

III. Research Methodology

The study adopted descriptive survey research design. The descriptive survey design was used in preliminary and exploratory studies to allow the researcher gather information, summarized, present and interpret it for purposes of clarification (Orodho, 2002). This design was ideal for this study as the researcher assessed impediments to effective corporate governance practices.

The target population for this research was state owned enterprises (SOEs) with a distinct corporate structure of governance in Kenya and it specifically targeted Board members and executive management of selected institutions. The 50 Kenyan state owned enterprises included approximately 250 managers in the executive managements (e.g., Board members and executive managers). Thus, we took the whole target population in this study. Prior to finalizing the questionnaire, industry professionals from public sector thoroughly refined it, assuring content validity, relevance and, representativeness. Next, it was pre-tested through 16 pilot interviews where an interview was carried out by the executive director or one of the deputy executive directors of each corporation. The respondents were informed of the confidentiality of their responses and purpose of the project which was for academic purpose. 250 questionnaires were distributed and only 239 questionnaires were returned to the researchers. The sum was reduced to a total of 238 usable responses, which in turn represents an overall response rate of 94.5%. These 238 usable responses were adequate enough to conduct a descriptive analysis and correlation analysis. The process of distributing the questionnaire was a drop-off approach (Aaker et al., 2008). Based on the logic of this method, the researchers hand-delivered the questionnaires to the executive management, explained to them the purpose of the study, stated the required procedures in filling out the questionnaire and answered any question in regard to any of the questionnaire's statements. A questionnaire consisting of twenty questions was distributed among the sampled population. Three options were given to the respondents i.e., Agree, neutral and disagree. The feedback was analysed and tabulated using descriptive analysis and correlation analysis with the aid of simple computer applications like MS Excel and standard software.

a) Focus Groups Identification

Before undertaking this specific study, we completed focus groups with executive board members from the selected corporations to list the various obstacles they face from each of the variables previously identified in the conceptual framework. 250 participants of ten (10) focus groups were conducted with an average of 25 executive board members per group to identify practices employed by executive board members. The practices identified were used as input to elaborate the measurement instrument related to the challenges facing effective corporate governance in state owned enterprises.

b) Surveys of executive board members to identify the 5 variables with Components Analysis

Principal Component Analysis (PCA) was employed using SPSS analysis tools. For the purpose of this research, data analysis was carried out using principal component analysis (PCA). The raw scores were standardized to allow uniform unbiased distribution of all variables. The product correlation matrix was derived and the eigenvalues of these variables from the matrix were used for multivariate principal component extraction and the (eigenvalues) established. The first four significant principal components with a cutoff of >1.0 were selected. More than 67 % of total variance was attributed to five principal components (variables). Varimax rotation with Kaiser Normalization was used to obtain a simple variable model. The total variance explained by these 5 components is 67.91%.

c) Testable Hypotheses

The number of factors and the items loading to each factor were specified and the hypothesized measure- ement model was then tested for model fit. The result showed that the respective items indeed belong to the construct as hypothesized. The research model was developed from the research variables. These hypotheses included:

1. H1: Lack of top corporate support impedes the effectiveness of corporate governance in Kenyan state owned corporations.
2. H2: Low levels of corporate competency impede the effectiveness of corporate governance in Kenyan state owned corporations.
3. H3: Ineffective corporate managers impede the effectiveness of corporate governance in Kenyan state owned corporations.
4. H4: Non supportive organizational culture impedes the effectiveness of corporate governance in Kenyan state owned corporations.
5. H5: Unresponsive corporate environment impedes the effectiveness of corporate governance in Kenyan state owned corporations.

d) Hypotheses Testing

Hypothesis testing was based on the standardized path coefficient (r-path coefficient). To support the hypothesis, the p-value of the r-path coefficient was significant at the 0.05 level. In this research, r-path coefficient calculation was conducted through the following steps:

i. The independent variables were individually regressed against the dependent variable perceived ease of use (Hypotheses H1, H2, H3, H4 and H5).
ii. The independent variables were individually correlated against the dependent variable (Hypotheses H1, H2, H3, H4 and H5).

IV. Research Findings

This section presents our findings for each of the five research variables previously identified by our PCA analysis.

a) The Reliability of the Findings

The reliability of our findings was examined in details with a KMO and a Bartlett's test. In the KMO and Bartlett's sphericity's test results on the reliability of data set, the KMO value of 0.905 was close to 1.0 and thus statistically very significant. This adds good confidence and weightage to our Principle Component Analysis (PCA).

Table 4.1 : KMO and Barlett Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.905
Bartlett's Test of Sphericity	Approx. Chi-Square	2873.131
	Df	190
	Sig.	0.000

Table 4 .2 : Below explains the results of the Principal Component analysis

Component	Initial Eigen values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	9,118	25.471	25.471	9,118	25.471	25.471	6,066	24,263	24,263
2	1,651	23.605	49.076	1,651	23.605	49.076	2,557	10,226	34,489
3	1,527	20.106	69.182	1,527	20.106	69.182	1,953	7,813	42,302
4	1,271	19.083	88.265	1,271	19.083	88.265	1,912	7,650	49,952
5	1,220	11.735	100.00	1,220	11.735	100.00	1,856	7,423	57,375

Extraction Method: Principal Component Analyses

Note : (Component 1 (Lack of corporate support); Component 2: (Level of competency); Component 3: (Effectiveness of corporate managers); Component 4: (Organizational culture); Component 5: (Corporate governance environment)

Component 1: (Lack of corporate support)

The variance explained for the lack of corporate support is 25.471% based on the Principle component analysis. This was based on the initial Eigen values and sums of the squared loadings. A further rotation of the sums of squared loadings showed a variation of 24.263%. For any formulated strategic plan and objectives to be realized, top corporate support is very essential. The criticality of their support remains important in the course of administration, planning, strategy execution and overall management.

Component 2: (Level of competency)

The dimension had a variance of 23.605%. This was based on the initial Eigen values and sums of the squared loadings. A further rotation of the sums of squared loadings showed a variation of 10.266%. It is not easy for an entity to stable, and it must, then its corporate managers should be competent and should possess high level of professionalism and ethical inclination. Lacking any of this tend to pose a challenge to an effective corporate governance in state owned enterprises.

Component 3: (Effectiveness of corporate managers)

The variance explained under this dimension is 20.106%. This was based on the initial Eigen values and sums of the squared loadings. A further rotation of the sums of squared loadings showed a variation of 7.813%. Those managers charged with the sole direction and strategic planning of the corporations should be effective in their approaches. From the findings, it was established that inefficient corporate managers impede the effectiveness of corporate governance in state owned enterprises in Kenya.

Component 4: (Organizational culture)

The variance explained for the dimension of rules is 19.083%. This was based on the initial Eigenvalues and sums of the squared loadings. A further rotation of the sums of squared loadings showed a variation of 7.650%. Organizational culture creates an atmosphere where, some hard challenges tend to affect the effectiveness of corporate governance.

Component 5: (Corporate governance environment)

The dimension had a variance of 11.735%. This was based on the initial Eigen values and sums of the squared loadings. A further rotation of the sums of squared loadings showed a variation of 7.423%. This implies that the corporate governance environment tends to become an impediment to the effective corporate governance of state owned corporations.

The total variance explained by these 4 components is 67.91% (table)

Table 4.3 : PCA output summary

Dimensions			Communalities		Components				
Variables	Mean	Standard deviation	Initial	Extraction	1	2	3	4	5
1	2.91	1.062	1.000	0.644	0.760				
2	2.85	0.994	1.000	0.687		0.713			
3	2.98	0.946	1.000	0.644			0.804		
4	2.83	1.133	1.000	0.589				0.681	
5	2.82	1.077	1.000	0.688					0.747
Eigen value					10.084	5.012	2.041	1.35	1.19
% Var. explained					40.33	9.23	8.16	5.40	4.79
Cumulative % Var. Explained					40.33	49.56	57.72	63.12	67.91

Component 1 (Lack of corporate support); Component 2: (Level of competency); Component 3: (Effectiveness of corporate managers); Component 4: (Organizational culture); Component 5: (Corporate governance environment)

Component 1: The variance explained for the dimension of rules is 40.33% with the Cronbach alpha 0.760 based on the results of the Component Analysis. The mean value for this variable was 2.91 with a standard deviation of 1.062 and an extraction value of 0.644.

Component 2: The variance explained for the dimension of emotions is 49.56% with the Cronbach alpha 0.713 based on the component analysis. The mean value for this variable was 2.85 with a standard deviation of 0.994 and an extraction value of 0.687.

Component 3: The variation explained for the dimension of initiative is 57.72% and the Cronbach alpha is 0.804 based on the results of the component analysis. The mean value for this variable was 2.98 with a standard deviation of 0.946 and an extraction value of 0.644.

Component 4: The explained variance is 63.12% with a Cronbach alpha value of 0.681 based on the component analysis. The mean value for this variable was 2.83 with a standard deviation of 1.133 and an extraction value of 0.589.

Component 5: The explained variance is 67.91% with a Cronbach alpha value of 0.747 based on the component analysis. The mean value for this variable was 2.82 with a standard deviation of 1.077 and an extraction value of 0.688.

Hypothesis	Dependent Variables	Independent Variables	R-Path Coefficient	P-Value
H1	Impediments to Effective corporate governance	Lack of Corporate support	0.409	0.843
H2		Level of Competency	0.186	0.705
H3		Effectiveness of managers	0.367	0.523
H4		Organizational culture	0.258	0.815
H5		Corporate environment	0.106	0.267

Table 4.4 : Regression analysis of the formulated research hypothesis

Hypothesis H1 that : Lack of top corporate support impedes the effectiveness of corporate governance in Kenyan state owned corporations Having high sense of accountability leads to an effective public administration and management, is supported supported ($r=0.409$, $p<0.843$). This result is consistent with the findings from the focus group discussion. For any formulated strategic plan and objectives to be realized, top corporate support is very essential.

The Hypothesis H2: Low levels of corporate competency impedes the effectiveness of corporate governance in Kenyan state owned corporations ($r=0.186$, $p=0.705$). This is consistent with the findings from the focus group discussion. It is not easy for an entity to stable, and it must, then its corporate managers should be competent and should possess high level of professionalism and ethical inclination.

Hypothesis H3, that ineffective corporate managers impede the effectiveness of corporate governance in Kenyan state owned corporations is supported ($r=0.367$, $p<0.523$). This result is consistent with the findings from the focus group discussion. Those managers charged with the sole direction and strategic planning of the corporations should be effective in their approaches.

Hypothesis H4, that non supportive organizational culture impedes the effectiveness of corporate governance in Kenyan state owned corporations, is supported($r=0.258$, $p<0.815$). This result is consistent with the findings from the focus group discussion. Organizational culture creates an atmosphere where, some hard challenges tend to affect the effectiveness of corporate governance.

The Hypothesis H5: that unresponsive corporate environment impedes the effectiveness of corporate governance in Kenyan state owned corporations is supported ($r=0.106$, $p<0.267$). This implies that the corporate governance environment tends to become an impediment to the effective corporate governance of state owned corporations.

V. Discussions and Implication of the Research

Our analysis brings to light, the modern perspective of corporate management for public managers, with greater emphasis the challenges facing the effective performance and management of state owned corporations. The analysis of the data highlights how public management gathers multidimensional practices with varying complementary facets. The effective performance of state managers has been considered as one of the key areas that need urgent address, and further research on the best and viable ways to revamp and re-engineer the whole faces of management and governance into a new form of management development. As Armstrong (2003) infers, the future of public management lies in a dilemma, owing to the fact that corporate administrators and managers have been faced with stiff challenges, some of which have their background from government interference, lack of the right personnel, conflicting interests between organizational objectives and individual needs, lack of proper statutes of total quality management among other related managerial needs and challenges (Elebute, 2000). From the findings of this research, it can be argued that that senior corporate management leadership is critical to the success of governance and management in state owned corporations. In this regard, considerable attention and support need to be provided by senior corporate management to ensure that the strategy execution in governance reforms has been well understood in the agency. Similarly, corporate officers must be trained and aware about all regulations in relation to administration and related procedures (Malin, 2008). Rosser, (2003) asserts that ethical code is not only a deterrent of incorrect behaviour but also an enabler for all members of the organization to safeguard the ethical legacy of the firm. In summary, the research has established some important implications, which public managers and administrators and other players should embrace so as to develop effective performance and corporate governance.

VI. Recommendations

Based on the focus group discussions and the formulated hypotheses, the following recommendations were formulated.

a) Demarcating the Boundary between Business and Government

The first step to overcoming the corporate governance reform challenges in Kenya is to demarcate the boundary between businesses and politics. This means that clearly separating the corporations from the government agencies that patronize them. There must be a clear distinction between the political elites and the business owners. The existing policies that forbid political office holders and public servants from being directors in private sector corporations should be enforced state corporations and other relevant government agencies. If enforced properly, the inherent conflict of interests which leads to unethical decisions by corrupt government officials would be checked and this will make contract bidding more competitive. Unless these laws are enforced properly and equally to all without prejudice to personalities or political positions, Kenya cannot have a good corporate governance environment and the present efforts at corporate governance reforms will surely come to naught.

b) Promoting the culture of whistle blowing

Promoting a culture of whistle blowing is dependent upon separating corporations from government which requires demarcating the boundary between business owners and political office holders. There should be hotlines where complaints can be lodged by employees or stakeholders who are aware of any violations. A culture of whistle blowing is encouraged when the signed complaints or anonymous petitions are properly investigated without disclosing the petitioner's identity. The culture of whistle blowing will be facilitated and allowed to thrive when the investigations and law enforcement are independent of political pressures and influences from the political office holders.

c) Enhancing Business Ethics through moral Education

It is important to instill moral values and enhancing business ethics through moral education in the youths. A nationwide programme where the citizens are inculcated with sound moral values and trainings at schools, universities, churches, mosques and cultural organizations is required. The essence of this moral education is to train the citizens that crime does not add value to a person's career. This step requires more transparency and accountability from their ethical and religious institutions for them to inspire, maintain and sustain a culture of moral discipline and rectitude among our citizens.

VII. Practical and Theoretical Implications for Effective Corporate Governance Practices

Our research has implication for the corporate management and governance practices by state owned enterprises. It shows how a specific focus should be;

regarding on the impediments corporate managers have had to deal with. Consequently, the case of corporate managers, a specific focus should be put for the impediments that are related to organizational culture and effectiveness of corporate managers. Our research has implications for social action in relation to the thorny subject matter of public administration systems. Our research also has implications for public managerial action in the sense that it will be always beneficial for our organization to express different sensibilities and approach to problem-solving within the framework to promote participative management among corporate managers and their employees.

VIII. Limitations and Future Research

In the context of challenges to effective corporate management and governance, additional research with larger samples will be necessary to support the current findings and its validity. Also global level categories have to be included in the additional research to generalize the current research findings of the corporate management and governance approaches employed by different state owned enterprises in other countries.

IX. Conclusion

This study is focused on the challenges to effective corporate management and governance in Kenyan state owned corporations with an ethical perspective. Taken as a whole, our findings suggest that, there are some impediments associated with the lack of top corporate support, lack of effective managers at the corporate levels, low levels of competency, unsupportive organizational culture and non responsive corporate environment to develop effective systems of corporate governance. Even if these obstacles are in multiple levels to develop and promote public management and corporate governance skills, it is imperative to study with more depth obstacles faced by corporate managers in order to better understand how the challenges they face represents an impediment to effective performance in this new era of corporate governance and enhancement of ethics·

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