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Influence of Corporate Governance on Efficiency at Commercial State Corporations in Kenya

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ABSTRACT

Purpose: The present study therefore sought to establish the influence of corporate governance on efficiency at commercial state corporations in Kenya. The specific objectives of the study were to: assess the association between board composition and efficiency at commercial state corporations in Kenya; determine the influence of board representation on efficiency at commercial state corporations in Kenya; examine the effect of internal control practices on efficiency at commercial state corporations in Kenya; and evaluate the impact of period of tenure on efficiency at commercial state corporations in Kenya.

Methodology: A cross-sectional research design was adopted. The target population comprised top-level managers, middle-level supervisors, and junior employees from all 33 commercial state corporations in Kenya, giving a total of 165 respondents. A census approach was applied given the manageable size of the population. Primary data were collected using semi-structured questionnaires, while secondary data were obtained from company records. Expert opinion was used to ensure validity, and Cronbach's alpha was applied to test reliability. Data were analysed using descriptive statistics, including means and standard deviations, while multiple regression analysis was used to establish the relationship between corporate governance variables and efficiency. The findings were presented in tables and figures.

Findings: The study found that board composition, board representation, internal control practices, and period of tenure all had a positive and significant influence on efficiency, jointly accounting for 73.8% of the variations in efficiency of commercial state corporations.

Unique Contribution to Theory Practice and Policy: Corporations should prioritize the recruitment of independent directors who are free from management influence to improve objectivity and oversight.

Keywords: *Corporate Governance, Efficiency, Public Sector Performance, State-Owned Enterprises*

INTRODUCTION

Corporate governance has emerged as a critical determinant of organizational success due to growing concerns over corporate failures, financial scandals, and ineffective board oversight across the world. Globalization, technological advancements, and increasing stakeholder expectations have heightened the demand for transparency, accountability, and effective decision-making within organizations (Zulwa & Zuva, 2018). In response, governments and regulatory bodies have developed governance codes intended to strengthen board effectiveness and improve organizational outcomes. Contemporary studies indicate that governance mechanisms such as board independence, ownership structure, accountability, and transparency contribute to improved organizational efficiency by reducing agency conflicts and aligning managerial decisions with long-term strategic objectives (Massimo, 2020). Nevertheless, empirical evidence continues to report inconsistent findings regarding the relationship between corporate governance and organizational outcomes, suggesting that the effectiveness of governance practices varies across organizational and institutional contexts (Loizos, 2008; Ijardjournals, 2025).

The importance of corporate governance has become even more pronounced in developing economies, particularly in Africa, where institutional frameworks continue to evolve. Countries with stronger governance structures, including effective board composition, greater board independence, and robust accountability mechanisms, generally demonstrate superior organizational outcomes compared to those with weaker governance systems (African Development Bank, 2022). However, governance effectiveness is influenced by contextual factors such as ownership structures, political environments, and sectoral characteristics, making it inappropriate to directly generalize findings from developed economies to African public-sector organizations (Rsisinternational, 2026). Moreover, public enterprises operate under the dual responsibility of achieving commercial viability while fulfilling public service obligations, making effective corporate governance essential for promoting accountability, efficient resource utilization, and sustainable organizational performance (OECD, 2015; Xu & Ooi, 2023).

In Kenya, commercial state corporations play a strategic role in national economic development by delivering commercial services while supporting government policy objectives. Despite governance reforms, many of these corporations continue to experience operational inefficiencies arising from weak governance structures, poorly constituted boards, and inadequate oversight mechanisms (Muringu & Muoria, 2011). The World Bank's review of Kenya's state corporations further revealed that a considerable proportion of commercial state-owned enterprises have remained unprofitable for several consecutive years while operating under substantial debt burdens (IEAK, 2025). Although previous studies have predominantly examined the relationship between corporate governance and financial performance, limited empirical attention has been given to organizational efficiency as a distinct outcome, particularly within Kenyan commercial state corporations (Wanyama & Olweny, 2013). This gap provides the basis for investigating the influence of corporate governance on efficiency among commercial state corporations in Kenya.

Statement of Problem

Commercial state corporations in Kenya are expected to operate efficiently by generating sustainable commercial returns while delivering quality public services across strategic sectors of the economy (PSC & SCAC, 2015). However, this expectation has not been consistently achieved. The World Bank (2021) reported that approximately one-third of Kenya's commercial state-owned enterprises remained unprofitable for three or more consecutive years, while government-guaranteed liabilities reached 8.9% of GDP between 2015 and 2020. In addition, only 13 out of 34 commercial state corporations received clean audit opinions, reflecting widespread financial mismanagement and weak governance systems (Ijasr, 2025). These inefficiencies have resulted in poor service delivery, resource wastage, recurrent government bailouts, and reduced public confidence, thereby affecting the government, taxpayers, employees, customers, and other stakeholders who depend on these corporations for essential goods and services.

Previous studies have consistently shown that sound corporate governance enhances organizational outcomes by improving board effectiveness, accountability, internal controls, and strategic oversight (Hsu & Petchsakulwong, 2010; Zelenyuk & Zheka, 2006; Wanyama & Olweny, 2013). Similarly, studies conducted in Kenya have established positive relationships between governance practices and organizational performance (Muringu & Muoria, 2011; Oapub, 2026). However, most of these studies have focused on financial performance rather than organizational efficiency, examined individual governance variables in isolation, or concentrated on private firms and single public institutions. Consequently, limited empirical evidence exists on the combined influence of board composition, board representation, internal control practices, and period of tenure on efficiency across commercial state corporations in Kenya. The present study therefore sought to fill this conceptual, contextual, and methodological gap by examining how these corporate governance dimensions influence organizational efficiency in Kenya's commercial state corporations.

LITERATURE REVIEW

Theoretical Framework

The present study is anchored on Agency Theory, Stakeholder Theory, Resource Dependency Theory, and Stewardship Theory, whose complementary perspectives explain how corporate governance influences organizational efficiency. Agency Theory, developed by Jensen and

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Meckling (1976), explains that governance mechanisms such as board oversight, internal controls, and accountability reduce conflicts of interest between managers and owners, thereby promoting efficient resource utilization. Stakeholder Theory, propounded by R. Edward Freeman (1984), extends this perspective by emphasizing that organizations should balance the interests of diverse stakeholders through inclusive board representation and transparent decision-making to enhance organizational legitimacy and service delivery. Resource Dependency Theory, advanced by Pfeffer and Salancik (1978), views boards as strategic resources that provide expertise, networks, legitimacy, and external linkages necessary for organizational success, highlighting the importance of board composition and tenure in improving efficiency. Stewardship Theory, developed by Davis, Schoorman, and Donaldson (1997), complements the monitoring perspective by arguing that managers and directors are trustworthy stewards whose commitment, empowerment, and collaboration enhance organizational performance and operational efficiency.

Collectively, these theories provide a comprehensive foundation for explaining the influence of corporate governance on efficiency in commercial state corporations in Kenya. Agency Theory justifies the need for effective monitoring through board composition and internal control practices; Stakeholder Theory supports broad board representation and accountability to multiple stakeholders; Resource Dependency Theory explains how board composition and period of tenure strengthen access to strategic resources, knowledge, and networks; while Stewardship Theory emphasizes trust, collaboration, and managerial empowerment as drivers of effective governance. Together, the four theories demonstrate that organizational efficiency is achieved when governance structures simultaneously provide effective oversight, ensure stakeholder representation, mobilize strategic resources, and foster collaborative leadership. This integrated theoretical perspective therefore provides a strong basis for examining how board composition, board representation, internal control practices, and period of tenure influence efficiency in commercial state corporations in Kenya.

Conceptual Framework

The conceptual framework links the independent variables to the dependent variable. The independent variables of the study comprise board composition, board representation, period of tenure, Internal Control practices, and corporate governance practices. The dependent variable is efficiency. Figure 1 presents the conceptual framework that is adopted in the study.

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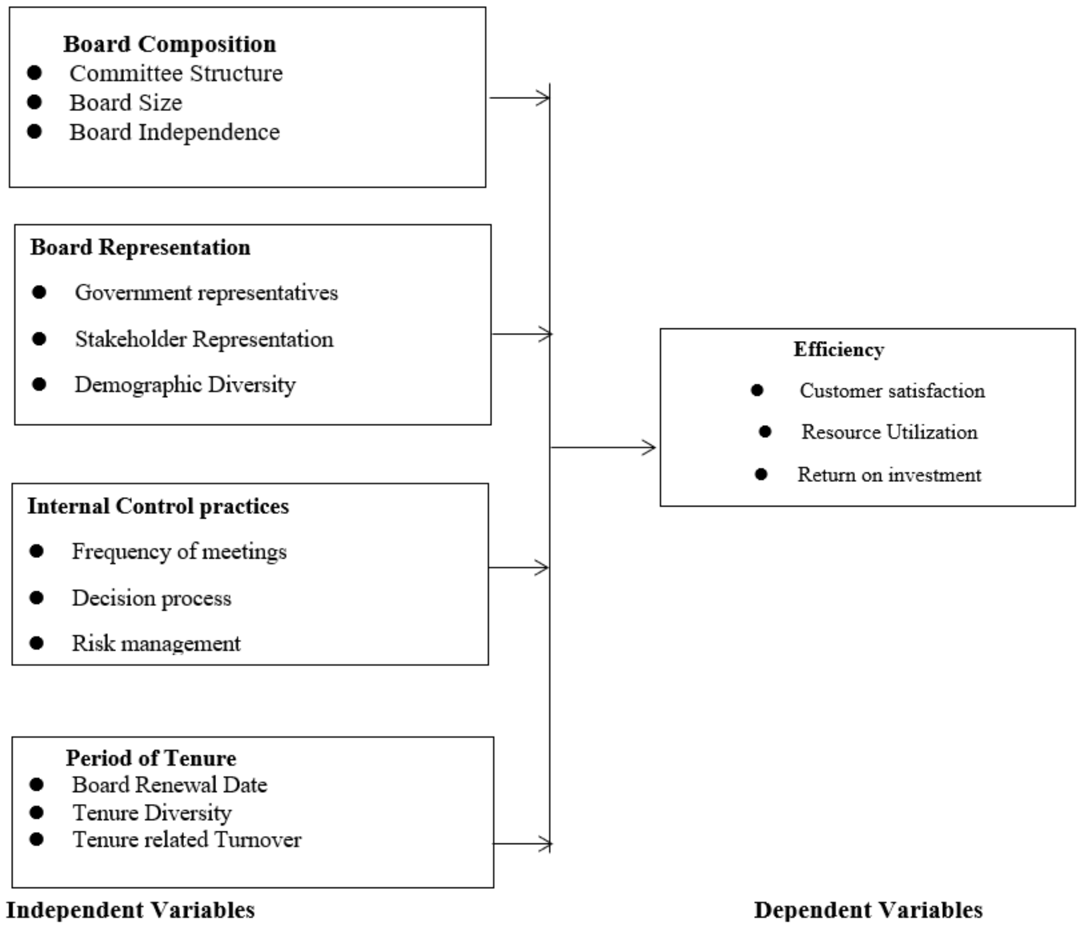

Figure 1: Conceptual Framework

Empirical Review

Empirical studies generally agree that board composition influences organizational outcomes, although the specific board attributes that enhance efficiency remain inconclusive. Farag and Mallin (2017), found that board independence strengthens monitoring and organizational efficiency by reducing managerial opportunism, while Choong et al. (2016) reported that independent directors improved efficiency in Malaysian firms although board size had no significant effect. Conversely, Zabri et al. (2016) established that larger boards may enhance efficiency by providing greater expertise and oversight capacity. These conflicting findings suggest that the influence of board composition is highly dependent on institutional and regulatory contexts. However, most of these studies were conducted in private firms and developed or emerging economies, limiting their applicability to Kenyan commercial state corporations, which operate under unique governance and public accountability structures. The current study addresses this contextual gap by examining the influence of board composition on efficiency within commercial state corporations in Kenya, where board decisions are shaped by government ownership and public sector governance requirements.

Previous studies indicate that board representation contributes to improved governance through diversity and stakeholder inclusion, but evidence regarding its effect on efficiency remains inconsistent. Adeabah et al. (2019), found that gender diversity enhances bank efficiency up to an optimal level, while Otago et al. (2019) reported consistently positive effects of female representation on organizational efficiency. Similarly, Bosse and Phillips (2016) argued that stakeholder representation strengthens accountability, although Coles et al. (2008) cautioned that excessive representation may slow strategic decision-making. Furthermore, studies examining government-appointed directors provide contradictory findings, with some associating political representation with inefficiency while others view it as necessary for protecting public interests. These mixed findings reveal a conceptual and contextual gap regarding the optimal form of board representation in commercial state corporations. The present study fills this gap by investigating how government representation, stakeholder representation, and demographic diversity collectively influence efficiency in Kenyan commercial state corporations.

Empirical evidence consistently identifies internal control practices as an important governance mechanism for enhancing organizational efficiency through accountability, transparency, and risk management. Hsu and Petchsakulwong (2010), established that board independence, diligence, and firm size positively influenced the efficiency of Thai insurance companies, although audit committee size, board tenure, and board ownership negatively affected efficiency. Similarly, Zelenyuk and Zheka (2006) found a significant positive relationship between corporate governance and efficient resource utilization among firms in Ukraine. Despite these valuable findings, the studies focused primarily on private-sector organizations in foreign contexts and examined selected governance mechanisms rather than comprehensive internal control practices applicable to public-sector institutions. Consequently, their findings may not adequately explain efficiency within Kenyan commercial state corporations, which operate under different regulatory and governance environments. The current study addresses this contextual gap by examining the influence of internal control practices on organizational efficiency in Kenya's commercial state corporations using locally generated evidence.

Studies examining board tenure suggest that experience accumulated over time improves governance quality, although prolonged tenure may eventually reduce board independence. Huang and Hilary (2018), found that organizational performance peaks when average board tenure is

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approximately nine years because directors acquire valuable institutional knowledge and governance expertise. Conversely, Ombaba and Kosgei (2018), reported a significant negative relationship between board tenure and the financial performance of listed firms in Kenya, indicating that excessively long tenure may weaken board effectiveness. While these studies provide important insights, they primarily examined financial performance rather than organizational efficiency and focused on listed private firms rather than commercial state corporations. Moreover, limited research has investigated the optimal balance between board continuity and renewal in public-sector organizations. The current study addresses these conceptual and contextual gaps by examining how the period of tenure influences organizational efficiency, measured through return on investment, resource utilization, and customer satisfaction, across commercial state corporations in Kenya.

METHODOLOGY

The study adopted a cross-sectional research design. The target population comprised top-level managers, middle-level employees (supervisors), and junior employees from all thirty-three (33) commercial state corporations in Kenya. The unit of observation consisted of one top-level manager, two middle-level employees, and two junior employees from each corporation, yielding a total of 165 respondents. Since the study employed a census approach, no sampling technique was applied. Both primary and secondary data were collected to achieve the study objectives. Primary data were collected using a semi-structured questionnaire comprising closed-ended items measured on a five-point Likert scale. Prior to data collection, the researcher obtained an introductory letter from Jomo Kenyatta University of Agriculture and Technology (JKUAT) and a research permit from the National Commission for Science, Technology and Innovation (NACOSTI). A cover letter accompanied each questionnaire, explaining the purpose of the study, identifying the researcher, emphasizing the importance of participation, and assuring respondents of confidentiality and that the information provided would be used solely for academic purposes. The questionnaires were administered using the drop-and-pick method and through email to enhance the response rate. Upon completion of data collection, the data were cleaned to ensure accuracy, completeness, and consistency before analysis. Descriptive statistics, including means and standard deviations, were used to analyze data on board composition, board representation, internal control practices, period of tenure, and organizational efficiency. Inferential analysis, specifically multiple regression analysis, was employed to examine the influence of corporate governance on the efficiency of commercial state corporations in Kenya. The results were presented using tables and graphs. The following was the overall regression model:

$Y = \beta o + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$ .... (i)

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RESULTS

Descriptive Statistics

Board Composition

The findings indicated that respondents generally agreed that board composition positively influenced the efficiency of commercial state corporations, as reflected by an overall mean score of 4.02 (SD = 0.972). Respondents particularly agreed that the board had well-established committees that effectively oversaw key functions, that committees regularly reported to the full board to enhance accountability and transparency, that the board size was adequate to provide diverse expertise, and that the board comprised a sufficient number of independent directors. They also agreed that larger board size contributed to operational efficiency and that independent directors promoted objectivity and minimized conflicts of interest in decision-making. These findings suggest that an appropriately structured and independent board enhances effective oversight and organizational efficiency. The results corroborate the findings of Yermack (1996), who established that well-composed boards improve organizational efficiency, and Klein (2002), who found that greater board independence significantly reduced financial misreporting and enhanced operational and reporting efficiency.

Table 1: Descriptive Statistics on Board Composition

Statement	Mean	Std.Dev
The board has well-established committees that effectively oversee key functions.	4.31	0.875
The committees regularly report to the full board, ensuring accountability and transparency.	4.12	0.984
The size of the board is adequate to provide diverse expertise and effective decision-making.	3.89	1.026
A larger board size contributes positively to the efficiency of the corporation's operations.	3.67	0.931
The board includes a sufficient number of independent directors who are free from management influence.	4.52	0.884
Independent directors play a significant role in ensuring objectivity and reducing conflicts of interest in decision-making.	3.61	1.133
Average	**4.02**	**0.972**

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Board Representation

The findings indicated that respondents generally agreed that board representation positively influenced the efficiency of commercial state corporations, as reflected by an overall mean score of 3.84 (SD = 1.022). Respondents agreed that government representatives provided effective oversight and enhanced accountability, key stakeholders were adequately represented on the board, stakeholder interests were considered in strategic decision-making, the board reflected demographic diversity, and such diversity contributed positively to organizational efficiency. These findings imply that inclusive and diverse board representation strengthens governance, accountability, and decision-making, thereby enhancing organizational efficiency. The results are consistent with Post and Byron (2015), whose meta-analysis found that gender-diverse boards significantly improved organizational performance through enhanced monitoring and strategic decision-making, and Coles, Daniel, and Naveen (2008), who established that diverse boards improve advisory capacity and decision quality, particularly in complex organizational environments.

Table 2: Descriptive Statistics on Board Representation

Statement	Mean	Std.Dev
Government representatives on the board provide effective oversight of the corporation's operations.	3.45	1.141
The presence of government representatives on the board enhances accountability in decision-making	3.39	1.258
Key stakeholders (e.g., employees, customers, suppliers) are adequately represented on the board.	3.99	1.09
The board actively considers stakeholder interests when making strategic decisions.	3.89	1.001
The board of the corporation reflects diversity in terms of age, gender, and professional background.	3.98	0.856
Demographic diversity within the board contributes positively to the efficiency of the corporation.	4.35	0.787
Average	**3.841**	**1.022**

Internal Control Practices

The findings indicated that respondents generally agreed that internal control practices enhanced the efficiency of commercial state corporations, as reflected by an overall mean score of 4.03 (SD = 0.635). Respondents agreed that boards held regular meetings, meeting frequency was adequate to address emerging issues, decision-making was transparent and participatory, key decisions were

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communicated promptly to relevant stakeholders, effective internal audit systems were in place, and risk management policies were well established and implemented. These findings suggest that robust internal control practices strengthen governance by promoting accountability, transparency, effective oversight, and sound risk management, thereby improving organizational efficiency. The results are consistent with Xu and Ooi (2023), who found that high-quality internal control systems significantly improved organizational performance through enhanced resource utilization and decision-making.

Table 3: Descriptive Statistics on Internal control practices

Statement	Mean	Std.Dev
The board of directors holds meetings regularly to discuss the operations of the corporation.	4.21	0.541
The frequency of board meetings is adequate to address emerging issues in the corporation.	4.25	0.512
The decision-making process in the corporation is transparent and participatory.	3.89	1.004
Key decisions are communicated clearly and in a timely manner to all relevant stakeholders.	4.14	0.801
The corporation has effective internal audit systems to monitor financial and operational performance.	3.89	0.925
Risk management policies and practices are well established and implemented within the corporation.	4.15	0.577
Average	**4.03**	**0.635**

Period of Tenure

The findings indicated that respondents generally agreed that the period of tenure influenced the efficiency of commercial state corporations, as reflected by an overall mean score of 4.13 (SD = 0.668). Respondents agreed that boards were renewed within stipulated timelines, delays in board renewal negatively affected efficiency, boards comprised members with varied lengths of service, and a balanced mix of experienced and newly appointed directors enhanced efficiency, while high board turnover disrupted organizational performance. These findings suggest that an optimal balance between board continuity and renewal promotes effective governance, knowledge retention, and informed decision-making, thereby improving organizational efficiency. The results are consistent with Zhang and Rajagopalan (2010), who found that longer executive tenure enhances organizational performance through accumulated experience and better strategic decisions, and Gomez-Mejía (2011), who reported that appropriate board tenure strengthens oversight by improving directors' understanding of organizational operations, risk management, and internal control systems, leading to enhanced organizational performance.

Table 4: Descriptive Statistics on Period of Tenure

Statements	Mean	Std.Dev
The board of this corporation is renewed within the stipulated timelines to ensure continuity of governance.	4.22	0.679
Delays in board renewal negatively affect the efficiency of this corporation.	4.29	0.813
The board has members with varied lengths of service (both long-serving and newly appointed directors)	3.33	1.121
A mix of directors with different tenures contributes positively to the efficiency of this corporation.	4.59	0.708
High turnover of board members disrupts the efficiency of this corporation	4.15	0.631
Regular turnover of board members provides opportunities for fresh ideas that improve efficiency.	4.1	0.829
Average	**4.11**	**0.797**

Efficiency of Commercial State Corporations

The study assessed the efficiency of commercial state corporations using four indicators: resource utilization rate, customer satisfaction index, return on investment (ROI), and return on assets (ROA) over the period 2020–2024. The findings reveal that although efficiency declined in 2022, all the indicators demonstrated a steady recovery in 2023 and reached their highest levels in 2024, suggesting that commercial state corporations improved their operational and financial efficiency during the post-pandemic period.

Resource Utilization Rate

The findings indicate that resource utilization fluctuated over the five-year period. Resource utilization remained relatively stable in 2020 and 2021, declined sharply in 2022 as more corporations recorded utilization levels below 20%, and subsequently improved in 2023 and 2024. The improvement observed in 2024 suggests that commercial state corporations enhanced their operational efficiency and optimized the utilization of available resources following the post-pandemic recovery.

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Table 5: Resource Utilization Rate

Year	Below 20%	20%-40%	41%-60%	Above 60%
2020	26.10%	28.4%	11.5%	33.4%
2021	26.10%	27.9%	12.1%	33.6%
2022	57.50%	53.2%	10.4%	7.5%
2023	46.30%	42.1%	13.8%	13.6%
2024	27.10%	31.6%	15.4%	23.3%

Customer Satisfaction Index

The results show that customer satisfaction remained consistently high throughout the study period, with a slight decline in 2022 before recovering substantially in 2023 and 2024. Notably, the proportion of corporations recording very high customer satisfaction increased over time, reaching its highest level in 2024. This trend demonstrates continuous improvement in service delivery and responsiveness to customer needs among commercial state corporations.

Table 6: Customer Satisfaction Index

Year	Customer Satisfaction Index				
	Very low satisfaction	Low satisfaction	Moderate satisfaction	High satisfaction	Very high satisfaction
2015	0	0	22.0%	28.5%	49.5%
2016	0	0	21.5%	29.0%	49.5%
2017	0	5.2%	19.8%	26.0%	49.0%
2018	0	0	15.0%	23.5%	61.5%
2019	0	0	6.00%	22.0%	67.5%

Return on Investment (ROI)

The findings indicate that the financial efficiency of commercial state corporations, measured through ROI, followed a fluctuating but upward trend. ROI remained relatively stable in 2020 and

2021, declined considerably in 2022 due to economic disruptions, and recovered in 2023 before reaching its highest performance in 2024. These trends align with both global and Kenyan evidence that financial efficiency in state corporations improves when governance structures, internal controls, and strategic resource allocation are strengthened (OECD, 2015; Mwangi & Ngugi, 2014). These results suggest that strengthened governance, improved internal controls, and better resource allocation contributed to enhanced financial returns.

Table 7: Return on Investment

Year	Below ksh 500million	Ksh500m-ksh1b	Ksh1b-ksh1.5b	Ksh1.5b-ksh2b	Above ksh2b
2015	28.4%	24.6%	19.9%	13.0%	14.1%
2016	15.9%	22.4%	27.5%	14.9%	19.3%
2017	54.9%	14.4%	13.9%	10.6%	6.2%
2018	30.2%	37.4%	0.0%	20.9%	11.5%
2019	12.6%	19.2%	20.0%	26.9%	21.3%

The findings further reveal that Return on Assets (ROA) exhibited a steady upward trend throughout the study period. ROA improved from 3.2% in 2020 to 5.7% in 2024, indicating progressive enhancement in asset utilization and profitability. This consistent growth suggests that commercial state corporations became increasingly effective in converting their assets into earnings, reflecting improved operational and financial efficiency.

Correlation Analysis

The correlation analysis revealed that all the corporate governance variables had positive and statistically significant relationships with the efficiency of commercial state corporations. Period of tenure exhibited the strongest positive correlation with efficiency ($r = 0.487$, $p < 0.01$), followed by board composition ($r = 0.454$, $p < 0.01$), internal control practices ($r = 0.413$, $p < 0.01$), and board representation ($r = 0.398$, $p < 0.05$). These findings imply that improvements in board composition, board representation, internal control practices, and the adoption of an appropriate period of tenure are associated with increased organizational efficiency. Among the governance variables, period of tenure demonstrated the strongest association with efficiency, suggesting that an optimal balance between board continuity and renewal contributes most significantly to organizational effectiveness. The findings are consistent with Bhagat (2011), who argued that appropriate board tenure enhances efficiency through knowledge accumulation, improved decision-making, and effective oversight while cautioning against excessively long tenure that may lead to managerial entrenchment.

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Table 8: Correlation Analysis

		Board Composition	Board Representation	Internal control Practices	Period of Tenure	Efficiency of Firms
Board Composition	Pearson Correlation	1				
	Sig. (2-tailed)					
Board Representation	Pearson Correlation	0.181	1			
	Sig. (2-tailed)	0.291				
Internal Control Practices	Pearson Correlation	-0.111	-0.322*	1		
	Sig. (2-tailed)	0.331	0.144			
Period of Tenure	Pearson Correlation	0.259	0.159	-0.432**	1	
	Sig. (2-tailed)	0.342	0.178	0.146		
Efficiency of firms	Pearson Correlation	.454**	.398*	.413**	.487**	1
	Sig. (2-tailed)	0	0.001	0	0	
	N	104	104	104	104	104

** Correlation is significant at the 0.01 level (2-tailed).
* Correlation is significant at the 0.05 level (2-tailed).

Regression Analysis

The multiple regression analysis was conducted to determine the influence of board composition, board representation, internal control practices, and period of tenure on the efficiency of commercial state corporations. The results indicate that the regression model was statistically significant, implying that the four corporate governance variables jointly explained variations in organizational efficiency and were suitable predictors of the dependent variable.

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Table 9: ANOVA (Model Significance)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	42.268	4	10.567	15.1802	1.210[b]
	Residual	68.918	99	0.6961		
	Total	111.186	103			

a. Dependent Variable: Performance of Hotels
b. Predictors: (Constant), Board composition, board representation, Internal control Practices and Period of Tenure.

The regression coefficient results revealed that all four independent variables positively and significantly influenced the efficiency of commercial state corporations. Period of tenure had the greatest influence (β = 0.459, p < 0.001), followed by internal control practices (β = 0.387, p = 0.002), board representation (β = 0.321, p = 0.009), and board composition (β = 0.298, p = 0.012). These findings imply that improvements in each governance practice lead to corresponding improvements in organizational efficiency, with period of tenure emerging as the strongest predictor. The findings are consistent with previous studies by Bhatia and Gulati (2021), Adam and Ferreira (2009), Chan, Luo, and Mo (2016), Huang and Hilary (2018), Vafeas (2003), and Anderson et al. (2004), who reported that effective governance structures, strong internal controls, board diversity, and appropriate board tenure significantly enhance organizational performance and efficiency.

Table 10: Model Coefficients

	Unstandardized Coefficients		Standardized Coefficients		
Predictors	**B**	**Std. Error**	**Beta**	**T**	**Sig.**
(Constant)	0.254	0.075		3.3867	0.103
Board Composition	0.298	0.146	0.555	2.0411	0.012
Board Representation	0.321	0.156	0.201	2.0577	0.009
Internal Control Practices	0.387	0.127	0.286	3.0472	0.002
Period of Tenure	0.459	0.098	0.941	4.6837	0.000

Regression equation: Efficiency of firms = **0.254** + **0.459** (Period of Tenure) + **0.387** (Internal Control Practices) + **0.321**(Board Representation) + **0.298** (Board Composition)

The model summary further demonstrated that the relationship between corporate governance and organizational efficiency was strong (R = 0.859). The coefficient of determination (R^2 = 0.738) indicates that 73.8% of the variation in the efficiency of commercial state corporations was explained jointly by board composition, board representation, internal control practices, and period of tenure, while the remaining 26.2% was attributable to other factors not included in the model. This suggests that the selected governance variables are strong predictors of organizational efficiency.

Table 11: Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
.859[a]	0.738	0.701	1.001265

a. Predictors: (Constant), Board Composition, Board Representation, Internal control Practices and Period of Tenure

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Summary of Findings

The study examined the influence of corporate governance on the efficiency of commercial state corporations in Kenya by focusing on four governance dimensions: board composition, board representation, internal control practices, and period of tenure. The findings from both the correlation and multiple regression analyses established that all four variables had a positive and statistically significant influence on organizational efficiency. Specifically, improvements in board composition, board representation, internal control practices, and period of tenure were associated with increased efficiency among commercial state corporations. Among the four governance dimensions, period of tenure emerged as the strongest predictor of efficiency, followed by internal control practices, board representation, and board composition. Overall, the findings demonstrate that strengthening corporate governance practices enhances the efficiency of commercial state corporations in Kenya.

Conclusions

The study concluded that corporate governance has a positive and significant influence on the efficiency of commercial state corporations in Kenya. Specifically, board composition, board representation, internal control practices, and period of tenure were all found to enhance organizational efficiency when effectively implemented. The study established that well-structured boards with appropriate committee systems and independent directors, inclusive board representation comprising government, stakeholder, and diverse members, robust internal control practices characterized by effective board meetings, transparent decision-making, internal audits, and risk management, as well as appropriate board tenure supported by timely renewal and tenure diversity, significantly improve the efficiency of commercial state corporations. Overall, strengthening these corporate governance practices was essential for enhancing accountability, resource utilization, decision-making, and the overall operational efficiency of commercial state corporations in Kenya.

Recommendations

Based on the study findings, it is recommended that commercial state corporations in Kenya strengthen their corporate governance practices to enhance organizational efficiency. Specifically, corporations should establish optimal board structures with effective committee systems and independent directors, promote inclusive board representation by incorporating qualified government representatives, key stakeholders, and demographic diversity, and strengthen internal control practices through robust internal audit systems, transparent decision-making processes, regular board meetings, and effective risk management frameworks. In addition, organizations should adopt sound board tenure management practices by ensuring timely board renewal, maintaining an appropriate balance between experienced and newly appointed directors, and providing continuous induction and training for board members. Collectively, these measures will enhance accountability, governance effectiveness, resource utilization, and the overall efficiency of commercial state corporations in Kenya.

Suggested Area for Further Research

Future research should investigate additional governance and organizational factors that may explain the variation in the efficiency of commercial state corporations beyond board composition, board representation, internal control practices, and period of tenure. Comparative studies involving non-commercial state corporations, private-sector firms, and county-level parastatals are recommended to establish whether governance-efficiency relationships differ across institutional contexts. Researchers are also encouraged to adopt mixed-methods or longitudinal research designs, incorporating qualitative approaches, panel data, and secondary financial data to provide deeper insights into the implementation and long-term effects of governance reforms. Furthermore, future studies should examine emerging governance dimensions such as digital governance, cybersecurity governance, environmental, social and governance (ESG) frameworks, ethical compliance, and public accountability innovations, which are increasingly shaping organizational efficiency and governance effectiveness in Kenya's public sector.

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