

Journal of
**Business and Strategic
Management**
(JBSM)

**BOARD COMPOSITION AND SERVICE DELIVERY AMONG
COUNTY OWNED WATER ORGANIZATIONS IN WESTERN
KENYA**

Dr. Simiyu, J. and Chepkesis, M. K



**CARI
Journals**

BOARD COMPOSITION AND SERVICE DELIVERY AMONG COUNTY OWNED WATER ORGANIZATIONS IN WESTERN KENYA

^{1*}Dr. Simiyu, J.

1. Head of Department and Trainer, The Kitale National Polytechnic, Kenya

E- mail: judisimiyu@gmail.com^{1*}

²Chepkesis, M. K.

2. Lecturer, School of Business and Economics, Department of Business and Management, Kibabii University, Kenya.

Corresponding Author E- mail: mchepkesis@gmail.com

Abstract

Purpose: Corporate governance principles enable organizations to achieve their objectives through better decision making among board composition. County owned water organizations in Western Kenya may have good board composition among directors but the extent to which they perform, influence service delivery. The purpose was to find out whether board composition has statistical significant effect on service delivery.

Methodology: The study was guided by Resource Dependency theory which focuses on the role of directors in organizations and employed a descriptive design specifically, inferential statistics. Study area included Amatsi, Nzoia and Kakamega water and sanitation companies and data was obtained from directors, managers, employees and customers. Yamane formula was used to determine sample size for respondents and sampling was done by stratified, simple random technique. Data was collected using questionnaires and interview guides. Reliability, validity, normality and multicollinearity, were tested. Data analysis was done using inferential statistics of Pearson's Correlation Coefficient to find out the association between board composition and service delivery, Simple Linear Regression was used to find out the statistical effect of board composition on service delivery.

Results: The findings indicated that there exists a negative relationship between board composition and service delivery and therefore board composition has no statistical significant effect on service delivery among county owned water organizations in Western Kenya.

Unique contribution to theory, practice and policy: The study recommends that organizations need to put more emphasis on the board composition and also build capacity of board members in order to ensure that boards become more effective in order to have positive influence on service delivery. It is hoped that the findings will benefit stakeholders in water organizations in Kenya such as county and national government, customers, donors and researchers.

Keywords: *Board Composition, Service Delivery and County Owned Water Organizations.*

INTRODUCTION

Corporate governance principles enable organizations to achieve their objectives through better decision making, effective use of scarce human resources such as board composition in order to improve service delivery. Effective board composition can be analyzed by examining the appointments, size, gender parity, competency and structures. In the wake of corporate failures, numerous suggestions have been made about how to improve governance of companies in order to rebuild trust. These corporate governance reforms focus primarily on the makeup and the working of the board of directors (Van den Berghe & Levrau, 2004).

The United Kingdom, organizations identified and improved the quality of board composition in terms of appointment, qualifications, skills, gender and these improved their functions and performance. Board composition has been associated with organizations' service delivery (Deutsch, 2005; Walker, 2009).

In South East Asia, board composition had influence on transparency and accountability which resulted in improved organizational performance. In Kenya institutions that embrace effective board composition have improved performance in ensuring that organizations achieve their intended objectives (KPMG, 2000; Ogutu, 2010).

In Kenya, Maingi (2016) focused his study on Factors Influencing Corporate Governance on Board Quality in Kenya Commercial Bank. He found out that the size of the board of directors has high influence on Corporate Governance process. Mureithi (2004) also observed that the size of the board of directors has a significant correlation to leadership quality and corporate governance practice of organizations. The current study therefore sought to establish the influence of board composition on service delivery by state owned water organizations in Western Kenya.

Statement of the Problem

Boards of directors are the link between shareholders and management entrusted with the day to day responsibilities of organizations whose main purpose is to govern organizations. Boards of directors provide governance with varying degrees depending on the structure such as executive and non-executive directors or outside directors (Van den Berghe & Levrau, 2004; Tricker, 2009; Constitution of Kenya 2010; Okpara, 2011; State Corporations Advisory Committee 2015).

Appointment of boards of directors should be constitutional and based on transparency and formal process that should be governed by overriding principle of merit. The recommended board size should be between seven and nine members of competent, diverse, qualified and capable of exercising objective and competent judgment. The boards of directors should have appropriate autonomy and authority to exercise their functions and should be accountable to shareholders and act responsibly (State Corporations Advisory Committee 2015).

Strong boards of directors can play important economic role in service delivery and can help firms to achieve superior performance which will result in good service delivery. However, most organizations' performance is inadequate as a result of insufficient board composition (Kemp, 2006; Bathula, 2008). Effective board composition works beyond externally imposed rules and procedures. The starting point is taking an honest look at how well the constitution is (Leblanc & Gillies, 2008; Carter & Lorsch, 2008).

In Kenya studies have been conducted on Factors Influencing Corporate Governance on Board Quality in Commercial Banks. The results show that the size of the board has high influence on Corporate Governance process (Maingi, 2016; Mureithi, 2004). The studies focused on the size and leadership of directors, however scanty knowledge was available on board composition and service delivery among county owned water organizations in Western Kenya which the current study sought to find out.

Objective of the study

The study sought to find out the influence of board composition on service delivery among county owned water organizations in Western Kenya.

Study hypothesis

1. H_{01} : Board composition has no statistical significant effect on service delivery among county owned water organizations in Western Kenya

Significance of the Study

The study findings will benefit the government of Kenya and other policy makers such as Ministry of Water and Irrigation. The study will provide information to guide donors and other well-wishers. The findings will also contribute to the advancement of academic knowledge.

LITERATURE REVIEW

Theoretical Review

The study was guided by Resource Dependency Theory that was originally developed by Pfeffer and Salancik (2003). The theory focuses on the role played by directors in provision of important and scarce resources needed by organizations. The theory involves engagement in mergers and acquisitions, composing and structuring of directors and managers successions as juxtaposed actions (Pfeffer & Salancik, 2003; Hillman, Canella & Paetzold, 2009). The theory is ideal for the study because it highlights the engagement of required and suitable directors in organizations towards achievement of intended objectives.

Empirical Review

Walker (2009) conducted a study on corporate governance in the UK banks and came up with recommendations that included among others, improving the quality of boards of directors, their functions, performance evaluation, remuneration and risk management capabilities to improve service delivery. Deutsch (2005) carried out a study on the influence of board attributes on performance, suggesting an indirect causal relationship between boards of directors and company performance. Using financial performance as a proxy, the findings showed the effectiveness of directors in protecting shareholders' interests. Studies on boards of directors have to a large extent been driven by the question of how much directors influence organizations' service delivery.

In South East Asia, KPMG (2000) did a study on Disclosure of Information by the Boards of directors and the results show that directors communicate relevant information to all stakeholders, as well as trying to manage their company's' public image. Ogutu (2010) carried out a study on corporate governance practices in the water sector in Kenya. The target population was 16 water sector institutions formed by the Water Act (2002). The findings show that the institutions embraced corporate governance practices especially on board

composition and concluded that boards of directors and chief executive officers play leading roles in ensuring that organizations achieve their objectives among them, good service delivery to customers.

In Kenya, Maingi (2016), in his study, focused on Factors Influencing Corporate Governance on Board Quality in Kenya Commercial Bank. He found out that the size of the board of directors has high influence on Corporate Governance process. Mureithi (2004) also observes that the size of the board of directors has a significant correlation to leadership quality and corporate governance practice of organizations.

Boards of directors provide governance with varying degrees depending on the structure such as executive and non-executive directors or outside directors. Executive directors are employees of the company while non-executive directors are not employees of the company nor have any relationship with the company. Non-executive directors can further be divided into independent non-executive directors who have indirect relationship with the company and the connected non-executive directors who have a direct relationship with the company (Tricker, 2009; Constitution of Kenya 2010; Okpara, 2011; State Corporations Advisory Committee 2015).

Appointment of boards of directors should be constitutional and based on transparency and formal process that should be governed by overriding principle of merit. The recommended board size should be between seven and nine members of competent, diverse, qualified and capable of exercising objective and competent judgment. The boards of directors should have appropriate autonomy and authority to exercise their functions and should be accountable to shareholders and act responsibly (State Corporations Advisory Committee 2015).

Strong boards of directors can play important economic role in service delivery. They can provide a link between firms and their environment, secure critical resources and play active roles in firms' strategic decision making. They can also act as a mechanism of internal governance and monitoring of management process. Therefore, effective boards of directors can help firms to achieve superior performance which will result in good service delivery (Kemp, 2006; Bathula, 2008; Ekadah & Mboya, 2012).

When boards of directors make good decisions, companies prosper, and when companies prosper, customers receive good services. Who the directors are, what they do and how well they do, are important issues, not only for shareholders, but for other stakeholders such as customers who are the consumers of the services and products. Therefore, directors who want to be effective need to look far beyond externally imposed rules and procedures. The starting point is taking an honest look at how well they can work with (Leblanc & Gillies, 2008; Carter & Lorsch, 2008). The size, skills and competencies of directors are important resources to organizations (Ljungquist, 2007).

The current study therefore sought to establish the influence of board composition on service delivery by state owned water organizations in Western Kenya.

METHODOLOGY

Study Design

The study employed descriptive survey design because the design provides a picture of a situation as it naturally happens (Kothari, 2011; Mugenda, 2011).

Study Area

The study was conducted among county owned water organizations in Western Kenya which borders Uasin Gishu to the east, Uganda to the West, Nyanza to the South and to the North, it shares a common border with West Pokot. The study area lies within longitudes 34.675250 and latitudes 0.550432 approximately (Mynasadata, 2017).

The Counties of Trans Nzoia, Bungoma, Kakamega and Vihiga were purposively sampled for the study because among them, they have a mix of manufacturing, agricultural and commercial activities being undertaken hence, enabling them to have a diversified source of revenue for the consumption of water services. The Counties have three water companies namely, Nzoia Water and Sanitation Services, which serves both Trans Nzoia and Bungoma, Kakamega Water and Sanitation Services that serves Kakamega citizens and Amatsi Water and Sanitation Services which serves Vihiga citizens.

Target Population

Data was collected from directors, managers, employees and customers of the three county owned water organizations in Western Kenya namely, Nzoia Water and Sanitation Services, Kakamega Water and Sanitation Services and Amatsi Water and Sanitation Services respectively.

Instrumentation, Validity and Reliability

The study used structured and semi structured questionnaires to collect data from employees and customers of county owned water organizations. The questionnaires were designed based on the main concepts and constructs that led to board composition and service delivery among county owned water organizations in Western Kenya. Interviews were also conducted to collect data from directors and managers among the county owned water organizations.

Construct validity was checked by use of content validity index and recorded the results of 0.60, while reliability was checked by using Cronbach's alpha coefficient which was found to be 0.78 and that was reliable enough.

Sample size determination and Sampling Technique

Yamane (1973) formula was used to determine the sample size for respondents where a sample size of 8 directors, 11 managers, 229 employees and 288 customers was determined. Later, stratified simple random sampling technique was used to identify the samples for each of the strata of respondents where each case was assigned a unique number, and using a table of random numbers, the respondents were selected in order to make meaningful inferences from the findings, as proposed by Stat trek (2012).

Data Analysis

Data analysis was done using SPSS software version 22. Pearson Moment Correlation Coefficient was used to find out if a relationship existed between board composition and service delivery among county owned water organizations in Western Kenya. Later, Simple Linear Regression Analysis model was used to determine the strength of the relationship where the value of regression coefficient of determination was used to establish the percentage of variations in the service delivery that was caused by variations in board composition.

Ethical Considerations

The study ensured that anonymity and privacy of the respondents was assured at all times and served the respondents with a letter of introduction showing the purpose and intent of conducting the study.

RESULTS AND INTERPRETATIONS

The study sought to find out the effect of board composition on service delivery in the county owned water organizations in Western Kenya. First, Pearson Moment Correlation Coefficient test was used to establish if a relationship existed between board composition and service delivery and the results are presented in Table 1.

Table 1: Board Composition and Service Delivery

Practice	Statistic	Service Delivery
Board composition	Pearson's Moment Correlation	-0.02
	Sig. (2-tailed)	0.757
	N	229

Source: *Research Study* (2020)

From the table, it can be seen that there exists an inverse relationship between board composition and service delivery among county owned water organizations in Western Kenya with a value of $r = -0.02$.

The study further sought to find out if board composition has a statistical significant effect on service delivery. To accomplish this, it formulated and tested a null hypothesis which stated that:

H_{01} : Board composition has no statistical significant effect on service delivery among county owned water organizations in Western Kenya.

This was tested using Simple Linear Regression analysis model and the findings are presented in table 2.

Table 2: Board Composition and Service Delivery

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.021a	0.0004	-0.004	0.57197

a. Predictors: (Constant), Board Composition

b. Dependent Variables: Service delivery

ANOVA ^a						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	0.031	1	0.031	0.096	.757b
	Residual	74.263	227	0.327		
	Total	74.294	228			

a. Dependent Variable: Service delivery

b. Predictors: (Constant), Board composition

Regression Coefficients ^a					
Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	4.1	0.425	0.000	9.645	0.000
Board composition	-0.03	0.097	-0.021	-0.31	0.757

a. Dependent Variable: Service Delivery

Source: *Research Study* (2020)

From the table, it can be seen that the results on the model summary showed that r squared was 0.0004, which indicated that 0.04% of variations in service delivery are caused by variations in board composition, while 99.96% is caused by other factors.

The ANOVA results showed that F value was 0.096 and P value was 0.757. It can be deduced that board composition has no statistical significant effect on service delivery. It can therefore be concluded that board composition has no statistical significant effect on service delivery among county owned water organizations in Western Kenya. The value of regression coefficient -0.03 indicated that an increase in board composition by one unit was associated with a decrease of 0.03 units of service delivery.

Therefore, the results led to affirmation of the null hypothesis and concluded that board composition has no statistical significant effect on service delivery among county owned water organizations in Western Kenya.

The findings differ with Walker (2009) who indicated that organizations should improve the quality of boards of directors, their functions, performance evaluation, remuneration and risk

management capabilities, to improve service delivery. Deutsch (2005) also attributed 24(16.67%).

Similarly, the findings also differ with Ljungquist, (2007) who established that the size, skills and competencies of boards of directors are important resources to organizations. Ekadah and Mboya (2012) also differ with the findings in the study conducted which indicated that there is linkage between performance of organizations with composition and diversity of the boards. Further, the findings of the study also differ with Maingi (2016) who established that effective corporate governance in organizations depended on good board composition which was effective in decision making and managerial skills.

Conclusions and Recommendations

These were made on the basis of the objective of the study which focused on the relationship of board composition and service delivery among county owned water organizations in Western Kenya.

Conclusions

Board composition has inverse relationship on service delivery among county owned water organizations in Western Kenya. However, the practice is not statistically significant on service delivery among county owned water organizations in Western Kenya.

Recommendations

1. County owned water organizations need to put more emphasis on the board composition, for example increasing small boards to an ideal number and also ensure that only qualified members are appointed based on gender balance, academic/professional, size skills and competence.
2. Capacity building should also be organized to ensure that boards are more effective and efficient in order to have positive influence on service delivery.

References

- Bathula, H. (2008). *Board Characteristics and Firm Performance: Evidence from New Zealand*. Unpublished Dissertation, Auckland University of Technology.
- Carter, S., & Lursch. (2008). *Integrity*. New York: Basic Books/Harper Collins.
- Constitution of Kenya. (2010). *Laws of Kenya*. Nairobi, Kenya.
- Cronbach, L. J. (1951). Coefficient alpha and the internal structure of tests. *Psychometrika*, 16(3), 297-334.
- Deutsch, Y. (2005). The impact of board composition on firm's critical decisions: A meta-analytic review. *Journal of Management*, 31(3), 424-444.
- Ekadah, J. W., & Mboya, J. (2012). Effect of Board Gender Diversity on the Performance of Commercial Banks in Kenya. *European Scientific Journal*, 8(7).
- Kemp, S. (2006). In the Driver's Seat or Rubber Stamp? The Role of the Board in Providing Strategic Guidance in Australian Boardrooms. *Management Decision*, 44(1), 56–73.
- Kothari C. R. (2011). *Research Methodology, Methods and Techniques*. New Age International Publishers, New Delhi, India.

- KPMG. (2000). *Board composition: Ten questions for non- executive directors*. Author. Retrieved from www.kpmg.co.uk/aci.
- Leblanc, R., & Gillies, J. (2008). *Inside the board room, how boards really work and the coming revolution in corporate governance*. New York: Wiley.
- Ljungquist, U. (2007). Core competency beyond identification: presentation of a Model. *Management Decision*, 45(3), 393–402.
- Maingi, J. (2016). *Factors Influencing Corporate Governance Quality in Kenya: A Study on Kenya Commercial Bank*. Unpublished Thesis, United States International University Africa.
- Mugenda, A. G. (2011). *Social Science Research, Theory and Principles*. Applied Research & Training Services Press, Nairobi. Kenya.
- Mureithi, A. M. (2004). *The relationship between Corporate Governance Mechanisms and Performance of firms quoted on the Nairobi Stock Exchange*. Unpublished Thesis, University of Nairobi.
- Mynasadata. (2017). *Longitudes and Latitudes*. Available at <https://mynasadata.larc.nasa.gov>.
- Ogotu, J. M. (2010). *A survey of corporate governance practices in the water sector In Kenya*. Unpublished Doctoral Dissertation, University of Nairobi, Kenya.
- Okpara, J. O. (2011). Corporate governance in a developing economy: Barriers, issues and implications for firms. *Corporate Governance*, 11(2), 184-199.
- Pfeffer, J., & Salancik. G. R. (2003). *The External Control of Organizations: A Resource Dependence Perspective*. California: Stanford University Press.
- State Corporations Advisory Committee. (2015). *Mwongozo, The Code of Governance for State Corporations*. Nairobi, Kenya: Public Service Commission.
- Tricker, B. (2009). *Corporate governance: principles, policies and practices*. New York: Oxford University Press.
- Van den Berghe, L. A., & Levrau, A. (2004). Evaluating Boards of Directors: what constitutes a good corporate board? *Corporate Governance*, 12(4), 461-478.
- Walker, D. (2009). Citizen-driven Reform of Local-level Basic Services. Community-Based Performance Monitoring. *Development in Practice* 19(8), 1035–1051.
- Water Services Regulatory Board. (2012). *About us*. Retrieved from the Water Services Regulatory Board website: <http://wasreb.go.ke/about-us>.
- Yamane, T. (1973). *Statistics an Introductory Analysis* (3rd ed.). New York: Harper & Row.