INFLUENCE OF CORPORATE GOVERNANCE COMPLIANCE PROGRAMS AND PERFORMANCE OF STATE CORPORATIONS IN KENYA: THE CASE OF NATIONAL SOCIAL SECURITY FUND (NSSF)

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ABSTRACT

State corporations are reluctant to provide concrete incentives for implementation of corporate compliance programmes. Currently, compliance is achieved by hiring expensive auditors who typically use a heuristic approach to select and investigate audit trails to show evidence about compliance. In addition to the impact on the organization's budget, compliance checking with this approach incurs a large overhead in terms of time consumed to check for compliance. The objectives of the study were to determine the influence of risk management processes, internal audit and controls processes, employees' education on compliance and communication, leadership and oversight on performance of state firms in African nation. The study was anchored on agency theory, neutral theory and conjointly the institutional theory. The study adopted a descriptive analysis technique. The target population of this study was 142 management workers operating in National social insurance Fund (NSSF). The study further focused on the best, middle and low-level management staffs WHO unit directly handling the day to day management of the National social insurance Fund (NSSF) since they are those acquainted with the subject matter of the study. The study used stratified sampling technique in arising with a sample size of 104 respondents' victimization Nassiuma (2012) formula. From each stratum, simple random sampling was used to opt for the respondents for the questionnaires. The primary data was collected using questionnaires which were pretested before administration. The quantitative data throughout this analysis was analyzed by descriptive statistics using SPSS. version twenty-one. Content analysis was used in analysis of qualitative data and results given in prose form. To bring out the quantitative meaning of the data, relationships and predictions among variables were determined using correlations and regression techniques. Data was presented using frequency tables. The study found that risk management processes, employees' education on compliance and communication, internal audit and controls processes as well as leadership and oversight greatly affect the state corporation's performance. The study concluded that leadership and oversight had the greatest on the performance of state corporations in Kenya followed by internal audit and controls processes then employees' education or training and communication while risk management processes had the least effect on the performance of state corporations in Kenya. The study recommends that risk management processes strategies employed by state corporations should support strong corporate governance, that state corporations should adopt the strategic training and development approach with its key principles of long term, and organization wide view instead of the current tactical approach and that risk based internal audit should be enhanced so as to improve performance in state corporations in Kenya.

Key Words: *corporate governance, compliance programs, performance, state corporations, Kenya, National Social Security Fund (NSSF)*

INTRODUCTION

Corporations have become the preferred way of organizing productive activities in most countries (Rogers, 2008). One feature of corporations is both their strength and its weaknesses at the same time. Proper corporate governance has been touted as the panacea that mitigates the agency conflicts, achieving a level of convergence in the inherently divergent of interests of management and shareholders (Enobakhare, 2010).

Cognizant of the need to enhance the good governance of corporation, a host of global initiatives have been mooted to provide governance principles for the effective management and control of these organizations. Most of the initiatives are in the developed economies like the UK, the US, Canada, France, and Germany (Barako & Brown, 2008). However, developing countries are not far behind as witnessed by the recent proliferation of “Codes of Best Practice” from South Africa, Nigeria, and Brazil (Johnstone & Doig, 2012). Corporate governance is a key element in improving the economic efficiency of a firm. Good corporate governance also helps to ensure that corporations take into account the interests of a wide range of constituencies as well as of the communities within which they operate. Further, it ensures that their Boards are accountable to the shareholders.

As mentioned by Bowes (2010), compliance checking and enforcement is the act of establishing internal controls with which adherence to regulations is guaranteed. Compliance management is the ongoing process of identifying relevant regulations to the organization; assessing the risk of not obeying the identified compliance requirements; establishing effective internal controls to prevent/avoid/detect violations to compliance; maintain the effectiveness of these controls. Compliance requirements might not just stem from regulations. Rather, an organization might want to establish controls for its own internal policies and to benefit from best practices in the business domain (Johnstone & Doig, 2012). Moreover, compliance is a domain-specific problem where requirements vary from one domain to another.

The problem of corporate wrong doing has long been a matter of serious social concern. Both large bureaucratic organizations and smaller firms have the capacity to inflict serious harm, and often a strong competitive motive to cut corners in terms of legal compliance (Romano, 2011) Prosecutors have exploited their virtually unchecked power to extract and coerce ever greater concessions (from corporations), jeopardizing the very nature of our adversary system. It is a state-sponsored shakedown scheme in which corporations are extorted to pay penalties grossly out of proportion to any actual misconduct (Shaw & Bunny, 2015).

Until very recently, corporations had become increasingly willing voluntarily to accept responsibility for monitoring their own activities. This trend, in part, was induced by the promotion and encouragement of corporate self-governance by government law enforcement authorities and regulators as well as by corporations' realization that their economic self-interest is served by preventing and detecting employee misconduct (Johnstone & Doig, 2012). Johnstone and Doig (2012) also indicated that if globalization was the development issue of the 1990s, governance is the development issue of the first decade of the new millennium. Understandably so, for the two are not distinct from each other – globalization demanded that markets and firms be competitive and achieving competitiveness require good governance.

Business failures and corporate malpractices usually leads to investors and regulators to publicly question the integrity of the actors involved in the system of financial governance and reporting. It is common when a new scandal occurs, reassurance is expected and deep-level changes are demanded. Authorities often respond to these calls through the issuance of new standards and regulation. However, in spite of more comprehensive standards and regulation, new acts of malfeasance are continually exposed and the interplay between new prescriptions and scandals continues (Humphrey et al., 2002). One may therefore wonder about the effectiveness of prescriptive responses adopted in the aftermath of corporate scandals.

The implementation of compliance programs is incredibly valued by state corporations as a necessary avenue for the creation of a culture of compliance (Florackis & Ozkan, 2010). Essentially, a compliance program is a set of protocols a company puts in place to prevent and deter unlawful conduct and to promote a culture of compliance. There are at least two reasons to invest the time and resources necessary to create such a program and make it effective. First, an effective compliance program provides management timely and accurate information about potential legal problems and a means of promptly redressing them. Second, if a company is ever investigated for a potential violation of laws, having an effective compliance program in place may significantly reduce any penalty imposed and may even convince prosecutors not to pursue penalties at all.

The development and implementation of a good compliance program offers an organization a variety of merits. As a fundamental matter, the true value of a compliance program lies in its ability to detect and prevent criminal and other improper activity by corporate employees. In other words, an effective compliance program will foster and encourage ethical conduct by employees in all aspects of the corporation's business. Constant reminders (and examples) to employees that it is the corporation's policy to abide by the law and to punish violators discourage and deter criminal behavior and other unethical conduct, discourage employee tolerance of improper activity, and encourage employees to report misconduct to management (Shaw & Bunny, 2015).

Additionally, Barako and Brown (2008), noted that the interdependence between the society and business demand that companies be accountable to the society as company decisions have far-reaching effects on the society and the environment. Companies not only provide essential goods and services, they pay taxes, create employment and engage in community-based activities and have thus become development partners with the society. As society becomes increasingly dependent on companies it (society) becomes more concerned with corporate activities and their governance as they (companies) play a key role in the creation of wealth both at the national and the corporate level.

Compliance standard seems to be nothing better in Africa with most studies finding general non-compliance in the region. For instance, using 22 listed companies of Ghana Stock Exchange Tsamenyi et al (2007) finds that the compliance in Ghana is generally low. More recently, Olayiwola (2010) observed a significant divergence between corporate practices in Nigerian companies and corporate governance recommendations. Ogbechie et al (2009) further argued that even the existing compliance standard is questionable because companies are complying due to legitimation reasons. This criticism reflects institutional theory that suggests that when faced with externally imposed standards, organizations can sometimes respond by developing alternative standards for the same practices (Okhmatovskiy & David, 2012), or prefer compliance on paper that does not reflect in actual corporate practices. Hence, Olayiwola (2010) opined, Nigeria to reap benefit of compliance with best practice recommendations, some structural change is needed; or the economic reform process led by IMF and the World Bank needs to understand specific governance features of these countries.

State corporations are reluctant to provide concrete incentives for implementation of corporate compliance programs. Currently, compliance is achieved by hiring expensive auditors who typically use a heuristic approach to select and investigate audit trails to show evidence about compliance. In addition to the impact on the organization's budget, compliance checking with this approach incurs a large overhead in terms of time consumed to check for compliance (Enobakhare, 2010). In Kenya, State Corporations are critical as they form the backbone of the Kenyan economy contributing 10% of the GDP (ERS 2002-2007), and therefore of great concern to the stakeholders.

Lack of adequate corporate governance compliance in state corporations has been evidenced by the collapse of several state corporations being caused by failure in review of board performance, the board never met frequently as required, the board never got performance based contracts, misappropriation of state corporation assets, late or lack of performance of statutory audits by the Auditor General office and unwillingness of the government to take action to curb the gross misappropriation of state assets led to poor performance, loss of public faith in the institution, loss of revenue to the exchequer and eventually the collapse of many corporate governance systems in place of such government institutions (ERS, 2015). The collapse of these state corporations can be attributed to lack of proper corporate governance compliance programs such as risk management processes, policies and procedures for day to day activities and internal audit processes to guide corporation's objectives.

State corporations are a creation of the State Corporations Act, 19 ('the Act'). The corporations are managed through the Board of Directors (BoDs) whose membership and appointment is provided for under the Act. State corporations control key sectors of the economy and due to their centrality, a lot of public funds are allocated to them, it is important therefore, that the funds should be managed accurately and transparently in order to benefit the greater public population.

In recent years NSSF has embarked in an ambitious reform programme intended to convert it from a National Provident Fund Scheme to a Social Insurance Pension Scheme. As a regenerate theme, the new NSSF can operate as a compulsory National social welfare Pension theme, serving as staff first pillar of social protection. Everybody with an income except those excluded by national and international law should be registered as a contributing member. Sadly, the history of NSSF has been marred by scandals and ill-conceived investment policies (Chelimo, 2012). Indeed, some regrettable investment decisions were made by the Fund in the early and mid-1990s. However, in recent times, aggressive reform policies have been implemented to prevent the errors of the past from recurring.

The NSSF operations currently are conducted in an environment of transparency, responsibility and with a revived commitment to economical delivery of Social Security services in Kenya. Membership has steadily grown over the years and by the end of 2007, the Fund had a cumulative registered membership of about three million. The average current membership accounts range from 900, 000 to 1.2 million. Today, NSSF continues to work on enhancing its organizational performance and improving the quality of services it provides to its members (Chelimo, 2012).

STATEMENT OF THE PROBLEM

State corporations are reluctant to provide concrete incentives for implementation of corporate compliance programmes. Currently, compliance is achieved by hiring expensive auditors who typically use a heuristic approach to select and investigate audit trails to show evidence about compliance. In addition to the impact on the organization’s budget, compliance checking with this approach incurs a large overhead in terms of time consumed to check for compliance (Enobakhare, 2010). In Kenya State Corporations are critical as they form the backbone of the Kenyan economy contributing 10% of the GDP (ERS 2002-2007), and therefore of great concern to the stakeholders. Lack of adequate corporate governance compliance in state corporations has been evidenced by the collapse of several state corporations being caused by failure in review of board performance, the board never met frequently as required, the board never got performance based contracts, misappropriation of state corporation assets, late or lack of performance of statutory audits by the Auditor General office and unwillingness of the government to take action to curb the gross misappropriation of state assets led to poor performance, loss of public faith in the institution, loss of revenue to the exchequer and eventually the collapse of many corporate governance systems in place of such government institutions (ERS, 2015). The collapse of these state corporations can be attributed to lack of proper corporate governance compliance programs such as risk management processes, policies and procedures for day to day activities and internal audit processes to guide corporation’s objectives. Previous local studies have focused on various aspects of corporate governance. Otiti (2010) studied corporate governance and performance in the Heritage Insurance Company Limited, documenting the corporate governance structures in listed companies; Kitonga (2012) studied the need for corporate governance audit in Kenya; Mwangi (2012) surveyed the corporate governance practices in the insurance industry; Mwangi (2013) investigated the determinants of corporate governance practices and Wambua (2010) documented the actions taken by boards of companies facing rapid performance declines. However, this study focused influenced of risk management processes, internal audit and controls processes, employees' education and leadership and oversight on performance of National Social Security Fund (NSSF) that has not been discussed by other studies. None of these studies focused on the relationship between corporate governance compliance programs and organizational performance which is the gap this study seeks to fill by focusing on state corporations in Kenya and more specifically on the National Social Security Fund (NSSF).

OBJECTIVES OF THE STUDY

1. To establish the influence of risk management processes on the performance of National Social Security Fund (NSSF) in Kenya.
2. To determine how internal audit and controls processes influence performance of National Social Security Fund (NSSF) in Kenya.
3. To evaluate the extent to which employees' education on compliance and communication influence performance of National Social Security Fund (NSSF) in Kenya.
4. To assess the influence of leadership and oversight on performance of National Social Security Fund (NSSF) in Kenya

THEORETICAL REVIEW

Corporate governance has been viewed from different perspectives using different theoretical lens. For instance, Sir Adrian Cadbury viewed corporate governance from a control perspective and defines it as a system by which companies are directed and controlled (Cadbury, 2002); whilst Siddiqui (2010) emphasized more on the relationship perspectives and considered it as a means to "deal with the ways in which suppliers of finance to corporations assure themselves of getting a return on their investment. The theoretical review discusses these two theoretical perspectives of governance with the aim to understand the way they have influenced the present study and other studies on code compliance.

Agency Theory

Agency theory is the most dominant theory of corporate governance (Ermongkonchai, 2010) which argues that in the modern corporation, in which share ownership is widely held and management roles are separated from ownership functions, managerial actions may depart from those required to maximize shareholder returns. Jensen and Meckling (2006) introduce the 'principal-agent' framework and state that agency theory identifies the agency relationship where one party, the principal, delegates work to another party, the agent; the agency relationship is thus seen as a contractual link between the principals and the agents who are appointed by the principals and delegate some decision-making authorities (Shankman, 2009).

According to this dominant theory, universal agency issues arise as a result of people being opportunist and individuals in an agency relationship have different goals and interests. Thus, it is very unlikely that agents will always act in the best interests of the principal. Due to this constant temptation for agents to maximize their own interests, the agency relationship has the potential for losses to occur to shareholders (Hendry, 2005). Agency theory thus suggests that managers/agents must be monitored and institutional arrangements must provide some check and balances to make sure they do not abuse the power (Mallin, 2010). Agency cost arise from managers' misuse of their position, and also from the costs of monitoring them to prevent abuse (Mallin, 2010).

The traditional shareholder perspective has its origin in agency theory and regards the corporation as a legal instrument for shareholders to maximize their own interests in the form of investment returns (Letza et al., 2008). It strongly emphasizes that shareholders are the primary stakeholders of a company, and any act for social purposes beyond the shareholders' interests will create scope for managers to abuse their power and for government to intervene in corporate decisions and thus there is a possibility that corporate resources will be allocated in an inefficient way. Hence, taking an extreme position against the stakeholder view, the shareholder perspective of corporate governance argues that maximizing shareholders return should be the only social responsibility of business, and any other social responsibilities activities may be dangerous for the company.

The shareholder approach is logically most compatible with Anglo-American model of corporate governance. Being predominant in the common law countries (For example: US, UK, Canada, Australia, New Zealand), shareholding views of corporate governance are also known as the Anglo-American model of governance (Aguilera and Jackson, 2013; Cohen and Boyd, 2010). Reed (2012) characterized this Anglo-American model or the shareholder perspective of governance by: 1) a single tiered board structure which gives almost exclusive primacy to shareholder interests; 2) a dominant role for financial markets (both as the major source for investment funds and as a disciplinary mechanism to address the agency problem); 3) a correspondingly weak role for banks and; 4) little or no industrial policy involving firms cooperating with government agencies (and labor bodies).

The Shareholding camp of governance argues that the best solution to the agency problem "is to determine the most efficient contract governing the principal-agent relationship and an optimal incentive scheme to align the behaviour of the managers with the interest of owners". In addition, to secure shareholders' interests and to ensure a better governance standard in companies, a three tier hierarchical governance mechanism (shareholders' general meeting, the board of directors and executive managers) is designed as a checks and balances mechanism in the corporate structure. The shareholder perspective of governance also considers that hostile takeovers, mergers and acquisitions are some of the most effective mechanisms through which the market can control under-performing corporations and thus protect the rights of its investors (Rogers, 2008).

Advocates of agency theory claim that CEO duality is more likely to create conflict of interest against the compliance programmes and may have a negative impact on shareholders' interest and performance, however, scholars like Donaldson and Davis (2004) refute such claims by arguing that vigilant boards favour CEO duality because it "contributes to a unity of command at the top of a corporation that helps ensure the existence, or the illusion, of strong leadership"; and CEO duality allows companies to serve the shareholders even better. Considering these arguments, some recent studies are suggesting that corporate governance compliance which are based on agency theory must be modified according to the context of the new economy (Chancharat et al., 2012; Lin & Chuang, 2011). While these criticisms have their own theoretical grounds, it cannot be ignored that the theory itself is sound, and thus a corporate governance model, like the Anglo-American model, has had a certain weight in dealing with real life issues of good governance compliance.

Stakeholder Theory

In sharp comparison to the normal knowledge of the investor approach, the neutral perspective of governance emerged in late twentieth century (Letza et al., 2008). Stakeholder theory views the corporation as a locus in relation to wider external stakeholders' interests rather than merely shareholders' wealth. In its basic form the theory states that the successful management of stakeholder relationship is the key for firms' success (Jansson, 2015). The concept 'stakeholder' first appeared in the management literature in 1963 and was indicated to generalize the notion of stockholder "to those groups without whose support the organization would not exist (Reed, 2012). However, nowadays the concept is more specific as it is clearly been referred to as those groups or individuals who can affect, or are affected by, the achievement of the organization's objectives; and thus it includes different interest groups such as employees, customers, suppliers, government, and society at large.

Hillman and Keim (2001) have summarized four major propositions of stakeholder theory, i) the firm has relationships with many constituent groups (stakeholders) that affect and are affected by its decisions; ii) the theory is concerned with the nature of these relationships in terms of both processes and outcomes for the firm and its stakeholders; iii) the interests of all (legitimate) stakeholders have intrinsic value and no set of interests is assumed to dominate the others; and finally, iv) the theory focuses on managerial decision making (Jones & Wicks, 2009).

In stylizing the governance model, the normative approach argues that corporations are granted as social entities for general community needs (Suchman, 2005), thus executives are representatives and guardians of all corporate stakeholders' interest. Letza et al (2008) in their paper stated that the most popular perspective, the instrumental approach legitimizes "stakeholder value on the grounds of stakeholder as an effective means to improve efficiency profitability, competition and economic success. Following these assumptions, a good number of studies (Tangpong et al., 2010; Tipuric, 2011) have emerged stating that stakeholders' involvement in company's strategic decision making is indispensable for ensuring successful business strategy; and to do so, as Greenwood suggests, stakeholder engagement should be understood as a practice the organization undertakes to involve stakeholders in a positive manner in organizational activities. However, previous studies indicate that, the recommended process of stakeholder integration/ stakeholder management varies among researchers.

Overall, stakeholder perspective of governance argues that corporate governance issues can be better resolved through encouraging stakeholders' participation and by establishing an environment where business ethics, employees' participation, inter-firm co-operation, trust and long-term relationships are encouraged. If implemented properly, the advocates of the stakeholder model believe this wide approach of governance is able to offer a certain competitive edge to companies. For instance, Kelly et al (2007) claimed that companies which draw on the experience of all of their stakeholders will be more effective and this social cohesion is a fundamental requirement for being internationally competitive.

Turnbull (1997) viewed stakeholder theory from a cybernetic perspective and claimed that governance compliance efficiency can be improved through authentic information as generated through the stakeholders' participation. He also claimed that appropriate stakeholder governance compliance adherence could improve equity and self-governance in the private sector, the quality of democracy in the public sector, and the efficiency of both sectors (Turnbull, 1997). Hillman and Keim (2001) opine that stakeholder relationships are distinctive to individual firms, thus making any kind of imitation difficult for rivals. Enobakhare (2010) further added to such claim and stated that stakeholder engagement has influence over stakeholders' satisfaction and thus improves their commitment towards company.

Institutional Theory

One of the major limitations of existing studies of governance is its excessive dependence on agency theory to outline the rationale of the governance model (Seal, 2006). While some authors (For example: Daily et al., 2013) argue that social aspects of evolution of governance have received scant attention in agency theory, some others (Siddiqui, 2010; Yoshikawa et al., 2007) opine that it is ineffective to explain major corporate governance compliance issues in developing countries. These limitations have forced researchers (Siddiqui, 2010) to explore alternative theoretical frameworks, and amongst them institutional theory has been a very popular choice.

According to Chua and Rahman (2011), institutional theory explains why so many businesses have similar organizational structures and cultural elements even though they are separate entities, and how organizations as institutions shape the behavior of individual members. In simple words, it explains why different organizations structure themselves in a similar manner (Siddiqui, 2010). Institutional theory emphasizes the fact that many dynamics in the corporate environment may stem from cultural norms, values and rituals. Thus, the social and cultural environment should also be taken into account in understanding corporate governance practices (Chua and Rahman, 2011). Consistent with such propositions, this chapter of the study explores these dynamics of the corporate environment to support a systematic analysis of the research findings.

The concept of organization legitimacy lies at the heart of institutional theory and makes it different from the early management theories. Suchman (2005) explains legitimacy as the "the generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within a social system. Whilst, Seal (2006) states that institutional theory explores the role of extra-organizational institutions in developing organizational structures, policies; and the ways firms respond to such external, macro pressures for receiving support and legitimacy. However, companies may also seek legitimacy to ensure persistence, credibility and validity.

The literature indicates that legitimacy has been measured in several terms of acceptance, reasonableness, appropriateness, and congruity (Siddiqui, 2010). However, to be more specific, this study views legitimacy as the social acceptance resulting from adherence to regulative, normative and cognitive norms and expectations. Isomorphism is a central and multifaceted concept of institutional theory. Enobakhare (2010) defined isomorphism as a constraining process that forces one unit in a population to resemble other units that face the same set of environmental conditions.

The increasing interest on isomorphism is fundamentally because it leads to legitimacy. According to Davis (2004), institutional isomorphism is manifested empirically as increased conformity, organizations conforming to commonly used strategies, structures, and practices appear rational and prudent to the social system and, therefore, are generally considered acceptable. Consistent with their opinions, while working on Bangladeshi corporate governance, Siddiqui (2010) opined that companies prefer legitimacy as stakeholders are likely to provide resources to organizations that appear desirable, proper and appropriate. Chua and Rahman (2011) argued that isomorphism, or compliance with expectations, is an integral part for organizational success. They also highlighted on “the choices organizations have to make in response to, or in compliance with, their institutional environment, which comprises: (1) powerful institutional constituents such as influential stakeholder groups, and (2) the rules and requirements with which they must comply to gain the desired rewards of support and legitimacy. Thus, the theory is of particular help in the present study to explain why organizations incur costs or allocate resources to increase their legitimacy to obtain favorable institutional resources.

These three mechanisms are of great interest amongst researchers. In the case of Bangladesh a few studies (Siddiqui, 2010) have also adopted an institutional approach to understand corporate governance developments in the country. For instance, Siddiqui (2010) investigated the development of corporate governance standards in Bangladesh and reported that the major actors of governance are exposed to different levels of legitimacy and threat and behave accordingly. The paper concluded by claiming that “despite having a socio-economic structure that does not support the shareholder model, Bangladesh has adopted the shareholder model of corporate governance. Siddiqui (2010) thus raised concerns arguing that on the basis of agency-based notions of market efficiency, the model will not be entirely suitable for Bangladesh. Similar findings emerge from the study of Mir and Rahman (2005) who investigated the International Accounting Standards (IAS) adoption process in Bangladesh and report that isomorphic pressure forced the country to ‘carbon copy’ most of the IAS and labelled them as ‘Bangladesh Accounting Standards’, which are less likely to ensure efficiency for companies. While these findings provide an important beginning of the understanding of the Code/standard development process in Bangladesh, this study intends to extend the understanding through the examination of the compliance Code implementation process at the firm level. Drawing on the same institutional framework this study therefore explores whether, after the introduction of the compliance Code, firms are behaving similarly in the compliance Code adoption process and why.

RESEARCH METHODOLGY

Research Design

The study adopted a descriptive research design aimed at investigating the effect of corporate governance compliance programs on performance of state corporations in Kenya with reference to the National Social Security Fund (NSSF). This approach is suitable for this study, since the study sought to collect comprehensive information through descriptions which was helpful for identifying variables. Bryman (2009) assert that a descriptive design seeks to get information that describes existing phenomena by asking questions relating to individual perceptions and attitudes. The method was chosen since it is more precise and accurate as it involves description of events in a carefully planned way (savings and credit co-operatives). A descriptive research design determines and reports the way things are (Nassiuma, 2012).

Target Population

The target population of this study was 142 management staff working in National Social Security Fund (NSSF). The study focused more on the top, middle and low-level management staffs who are directly dealing with the day to day management of the National Social Security Fund (NSSF) since they are the ones conversant with the subject matter of the study.

Sample Frame and Sampling Technique

The sampling technique describes the sampling unit, sampling frame, sampling procedures and the sample size for the study. The sampling frame describes the list of all population units from which the sample was selected (Cooper & Schindler, 2003). To obtain the desired sample size for the study with the population of 142, Nassiuma (2012) formula was used. The study employed stratified random sampling technique in coming up with a sample size of 104 respondents from a total of 142 of representatives of management staff working in National Social Security Fund (NSSF). The method was used since the population was divided into distinct groups bearing distinct characteristics. From each stratum, simple random sampling was used to select the respondents for the questionnaires.

Data Collection Instruments

Data collection is a means by which information is obtained from the selected subjects of an investigation (Sproul, 2011). The primary research data was collected from the management staff working at National Social Security Fund (NSSF). Andre (2012) explains that primary data is data that is used for a scientific purpose for which it was collected. Closed ended questions were used in an effort to conserve time and money as well as to facilitate an easier analysis as they are in immediate usable form; while the open-ended questions were used as they encourage the respondent to give an in-depth and felt response without feeling held back in revealing of any information. With open ended questions, a respondent's response gives an insight to his or her feelings, background, hidden motivation, interests and decisions

Data Collection Procedure

This refers to means by which the researcher used to gather the required data or information. The study used primary data. On the primary data, questionnaires were used to collect data. The researcher administered the questionnaire individually to all respondents. Care and control by the researcher was exercised to ensure all questionnaires issued to the respondents were received. To achieve this, the researcher maintained a register of questionnaires, which was sent and received. The questionnaire was administered using a drop and pick later method to the sampled respondents.

Data Analysis and Presentation

After collecting all the data, the process of analysis begins. To summarize and rearrange the data several interrelated procedures were performed during the data analysis stage (Zikmund, 2012). This process is important as it makes data sensible. Data analysis tool that was used is dependent on the type of data to be analyzed depending on whether the data is qualitative or quantitative. The quantitative data in this research was analyzed by descriptive statistics with the help of Statistical Package for the Social Sciences (SPSS). Descriptive statistics includes mean, frequency, standard deviation and percentages to profile sample characteristics and major patterns emerging from the data. In addition to measures of central tendencies, measures of dispersion and graphical representations were used to tabulate the information. To facilitate this Likert Scale was used to enable easier presentation and interpretation of data. Data was presented in tables, charts and graphs. Content analysis was used in processing of qualitative data and results presented in prose form.

In addition, a multiple linear regression (MLR) model was run to quantify the combined effect of the contribution of corporate governance compliance programs to performance of state corporations. The regression model was as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where: Y = Performance of state corporations; β_0 = Constant Term $\beta_{1,}$ β_2 and $\beta_{3,}$ = Beta coefficients; X_1= Risk management processes; X_2= Internal Audit and Controls Processes; X_3= Employees Education/Training and Communication; X_4 = Leadership and Oversight; ε = Error term

A One-Way ANOVA was used to test the fitness of the model. The basic principle of ANOVA is to test for differences among the means of the populations by examining the amount of variation within each of these samples, relative to the amount of variation between the samples (Kothari, 2012). Specifically, one-way (or single factor) ANOVA is a way to test the equality of three or more means at one time by using variances (Panneerselvam, 2012). That is the term one-way, also called one-factor, indicates that there is a single explanatory variable (“treatment") with two or more levels, and only one level of treatment is applied at any time for a given subject.

RESEARCH FINDINGS

The study sought to establish the influence of risk management processes on performance of state corporations in Kenya. The study found that risk management processes greatly affects the performance of state corporations in Kenya. The study revealed that constitution of risk Committees, risk identification procedures, availability of risk registers and risk assessment and prioritization greatly affect Performance of state corporations in Kenya. Moreover, the study found that risk mitigation as well as availability of a risk management framework lightly affect Performance of state corporations in Kenya. This conforms to Kimeu (2012) who argues that companies face numerous regulative constraints, which, additionally to different sources of uncertainty, represent the chance that has to be taken under consideration. Risk management processes is employed by firms strategically so as to reduce the price of the prevalence of uncertainty. Competition law is seen as a significant supply of risk by firms, particularly if company executives area unit chargeable for breach of competition law provisions.

Further the study sought to evaluate the extent to which employees’ education on compliance and communication affect performance of state corporations in Kenya. It was clear that internal audit and controls processes greatly affect performance of state corporations in Kenya. The study made it clear that manage and track tasks and staff time, meetings management and comprehensive audit plan management affects the Performance of state corporations in Kenya greatly. In addition, the study found that audit manual as well as internal audit activities monitoring greatly affects the Performance of state corporations in Kenya. Though, the study found that respondents indicated that audit charter affects the performance of state corporations in Kenya moderately while reporting of audit activities, statuses, and results lightly affect performance of state corporations in Kenya. These findings are in line with Bauwhede (2009) who noted that organizations should establish standards, procedures and controls to forestall and observe unethical conduct. in step with) where these standards of conduct and internal controls ought to be fairly capable of reducing the chance of misconduct.

The study sought to determine how internal audit and controls processes affect performance of state corporations in Kenya. It was noted that employees’ education or training and communication greatly affects Performance of state corporations in Kenya. This made it clear that training on compliance program operation and training on consequences of noncompliance to both the organization and the individual have a great effect on the Performance of state corporations in Kenya. Nevertheless, distribution of new and revised policies and compliance assessments to all relevant personnel moderately affected the performances NSSF while training on specific laws and regulation which impact the organization lightly affected the Performance of state corporations in Kenya. This is in agreement with Siddiqui (2010) who argue that a corporation should audit its compliance program to form certain its parts are literally being enforced and sporadically measure the program's effectiveness. for instance, auditors could raise staff what they understand because the "unwritten rules" at intervals the corporate to work out whether or not the compliance program's goals match its actual operation. Separately, a corporation should offer staff with effective mechanisms through that to anonymously or confidentially report potential misconduct or look for steering on compliance problems, shield such people against return, and adequately follow au fait their reports.

The study sought to assess the effect of leadership and oversight on performance of state corporations in Kenya. It was revealed that leadership and oversight affect the performance of state corporations in Kenya greatly. The study established that access to the latest updates from the regulating agencies, manager's example and behavior as well as mainstreaming (adoption of ethical culture and structure) greatly affects the Performance of state corporations in Kenya. Further the study found that alerts and reminders to support the appropriate level of awareness and monitoring regulatory compliance status affects the performance of state corporations in Kenya greatly. Moreover, the study revealed that management support moderately affects the Performance of state corporations in Kenya while rapid analysis of root cause issues affects the Performance of state corporations in Kenya lightly. This is in line with Barako and Brown (2008) who argue that organizations should involve multiple layers of management within the compliance and ethics method with the goal of making certain the effectiveness of the programs. selected people in every management level should be befittingly knowledgeable of the program. the rules impose specific duties on numerous levels of management as well as the board of administrators, senior management and people with primary responsibility for the compliance and ethics programs.

INFERENTIAL STATISTICS

To bring out the quantitative meaning of the data, relationships and predictions among variables was determined using correlations and regression techniques.

Pearson's Product Moment Correlation

The researcher conducted Pearson's Moment Correlation coefficients amongst all variables, It was computed to find how they are related to one another in the sample. The findings are presented in Table 1. The findings shown in Table 1, there is a strong, positive and significant correlation between risk management processes and performance of state corporations. (r = 0.701, p value=0. 019). In addition, the study reveals that the correlation between internal audit and controls processes and performance of state corporations is positive and significant (r=0.765, p value=0.001. Further, the study reveals that the correlation between employees education/training and communication and performance of state corporations is positive and significant (r=0. 711, p value=0.018). Finally, the study establishes that there was a very strong, positive and significant correlation between Leadership and Oversight and

Performance of state corporations. (r=0.799, p value=0.016). This implies that all the variables had a positive and significant correlation with performance of state corporations. These findings are similar to Brown (2008) findings that organizations should involve multiple layers of management within the compliance and ethics method with the goal of making certain the effectiveness of the programs. Selected people in every management level should be befittingly knowledgeable of the program. The rules impose specific duties on numerous levels of management as well as the board of administrators, senior management and people with primary responsibility for the compliance and ethics programs.

Table 1: Correlation Matrix

		Performance of state corporations.	Risk management processes	Internal Audit and Controls Processes	Employees Education/Training and	Leadership and Oversight
Performance of state corporations.	Pearson Correlation	1				
	Sig. (2-tailed)	.				
Risk management processes	Pearson Correlation	.701	1			
	Sig. (2-tailed)	.019	.			
Internal Audit and Controls Processes	Pearson Correlation	.765	.522	1		
	Sig. (2-tailed)	.001	.017	.		
Employees Education/Training and Communication	Pearson Correlation	.711	.742	.587	1	
	Sig. (2-tailed)	.018	.013	.018	.	
Leadership and Oversight	Pearson Correlation	.799	.543	.723	.521	1
	Sig. (2-tailed)	.016	.008	.003	.016	.

Regression Analysis

The researcher conducted a multiple linear regression (MLR) model was run to quantify the combined effect of the contribution of corporate governance compliance programs to performance of state corporations.

Table 2: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.862	0.744	0.730	0.739

It was revealed that as shown by adjusted R square of 0.730, the independent variables selected for the study (risk management processes, internal audit and controls processes, employees education/training and communication and leadership and oversight) accounted for 73% of the variations in performance of state corporations. According to the test model, 27% percent of the variation in performance of state corporations could not be explained by the model. Therefore, further studies should be done to establish the other corporate governance compliance programs that affect Performance of state corporations. These findings are in line with Jermakowicz (2010) who suggests that a company should provide a specific senior government or committee of executives overall responsibility for the compliance program. However, a company's "governing authority" generally its board of administrators should administer its implementation. Additionally, all management, not simply those with direct oversight of the program, should perceive the company's policies relevant to their business unit and make sure that staff underneath their management perceive and follow those procedures.

Table 3: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	121.946	4	30.487	53.690	3.77E-21
1	Residual	42.019	74	0.568		
	Total	163.965	78			

From the findings, the probability value of the Test model was 0.000 and F-calculated was 53.690. This indicates that the overall test model was significant in predicting the effects of corporate governance compliance programs and performance of state corporations in Kenya since the p-value was less than 0.05 and F-calculated was greater than F-critical which was 2.49. This corresponds to Chelimo (2012) who indicates that the NSSF operations area unit currently conducted in an environment of transparency, responsibility and with a revived commitment to economical delivery of Social Security services in Kenya.

Table 4: Unstandardized and Standardized Regression Coefficients

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.236	0.255		4.847	.000
Risk management processes	0.722	0.293	0.701	2.464	.018
Internal Audit and Controls Processes	0.789	0.144	0.765	5.479	.000
Employees' Education or Training and Communication	0.733	0.239	0.711	3.067	.004
Leadership and Oversight	0.824	0.288	0.799	2.861	.007

From the study results, the resultant regression equation was: -

$$\mathbf{Y} = 1.236 + 0.722\mathbf{X_1} + 0.789\mathbf{X_2} + 0.733\mathbf{X_3} + 0.824\mathbf{X_4}$$

As per the equation, it was revealed that if the all corporate governance compliance programs are held constant, then the performance of state corporations in Kenya was 1.236. Further, if the other corporate governance compliance programs are held constant, an increase in risk management processes would increase the performance of state corporations in Kenya by 0.722. This variable was found to be significant since its p-value (0.018) was less than 0.05. These findings concur with Chua and Rahman (2011) who notes that organizations should use affordable efforts to avoid empowerment substantial authority to people with a history of participating in prohibited activities or different behavior inconsistent with a good compliance and ethics program. Several organizations these days are more dependent on third parties to handle a range of outsourced operational functions.

Further holding other corporate governance compliance programs constant at zero, then a unit change in internal audit and controls processes leads to a 0.789-unit change in performance of state corporations in Kenya. This variable was found to be significant since its p-value (0.000) was less than 0.05. This is agreement with Siddiqui (2010) who argue that a corporation should audit its compliance program to form certain its parts are literally being enforced and sporadically measure the program's effectiveness. for instance, auditors could raise staff what they understand because the "unwritten rules" at intervals the corporate to work out whether or not the compliance program's goals match its actual operation.

Moreover, the researcher revealed that the performance of state corporations in Kenya increases by 0.733 if there is an increase in employees' education or training and communication holding other. This variable is significant because its p-value (0.004) was less than 0.05. Bauwhede (2009) noted that organizations should establish standards, procedures and controls to forestall and observe unethical conduct. In step with where these standards of conduct and internal controls ought to be fairly capable of reducing the chance of misconduct.

Additionally, the researcher indicated that an increase in leadership and oversight would increase performance of state corporations in Kenya by 0.824 if other corporate governance compliance programs are constant at zero. This variable is significant because its p-value (0.007) was less than 0.05. This is in line with Bauwhede (2009) who argue that leadership is therefore necessary that in step with informal strategies just like the manager's example and behavior that counsel integrity area unit probably to possess a lot of impact on staff than even formal strategies like ethics coaching and programs.

Overall, the researcher revealed that leadership and oversight had the greatest on the performance of state corporations in Kenya followed by internal audit and controls processes then employees' education or training and communication while risk management processes had the least effect on the performance of state corporations in Kenya. All variables were significant.

CONCLUSIONS

The study concluded that risk management processes positively, greatly and significantly affects the performance of state corporations in Kenya. This was as a result of great effect on performance of state corporations in Kenya by constitution of risk Committees, risk identification procedures, availability of risk registers and risk assessment and prioritization as well as the little effect of risk mitigation and availability of a risk management framework on performance of state corporations in Kenya.

The study further concluded that employees' education on compliance and communication positively and significantly affects performance of state corporations in Kenya. This was attributed to the great effect of manage and track tasks and staff time, meetings management and comprehensive audit plan management, audit manual as well as internal audit activities monitoring on Performance of state corporations in Kenya. It could also be attributed to moderate effect of audit charter and little effect of reporting of audit activities, statuses, and results on performance of state corporations in Kenya.

The study also concluded that internal audit and controls processes greatly and significantly affects performance of state corporations in Kenya. Performance of state corporations in Kenya was found to have been greatly affected by training on compliance program operation and training on consequences of noncompliance to both the organization and the individual and moderately by distribution of new and revised policies and compliance assessments to all relevant personnel.

The study in addition concluded that leadership and oversight affect performance of state corporations in Kenya positively, greatly and significantly. This was attributed to the great effect of access to the latest updates from the regulating agencies, manager’s example and behavior as well as mainstreaming (adoption of ethical culture and structure), alerts and reminders to support the appropriate level of awareness and monitoring regulatory compliance status on the performance of state corporations in Kenya. It could also be attributed to moderate effect of management support on Performance of state corporations in Kenya.

Finally, the study concluded that leadership and oversight had the greatest on the performance of state corporations in Kenya followed by internal audit and controls processes then employees’ education or training and communication while risk management had the least effect on the performance of state corporations in Kenya.

RECOMMENDATIONS

In line with the findings and conclusions arrived at, the study recommends that: risk management strategies employed by state corporations should support strong corporate governance. This will ensure effective and responsible management of these entities as required by the public. State corporations should ensure effective strategic risk management since this is critical in achieving the goals and objectives of their organizations. The reason for this is that risks curtail achievement of an organization’s goals and objectives.

The study also recommends that state corporations should adopt the strategic training and development approach with its key principles of long term, and organization wide view instead of the current tactical approach. Such strategic training and development should be done to enhance the employees’ knowledge on compliance program operation, specific laws and regulation which impact the organization as well as consequences of noncompliance to both the organization and the individual. This will contribute to improved performance through high levels of competences, capacities knowledge and skill development for both long term and short-term horizons.

From the findings and conclusions that study recommends that risk based internal audit should be enhanced so as to improve performance in state corporations in Kenya. In order to achieve this, it is recommended that management of State Corporations in Kenya should emphasize on internal auditors understanding the risk based internal audit approach and in particular embrace risk assessment in the detection of errors, understand their work environment in risk assessment, involve management in the risk evaluation process and identification of changes in order to effectively control risks, improve the quality of personnel in internal audit, adhere to internal auditing standards, undertake proper and efficient annual planning, having independent directors and an audit committee, responding to risk based internal audit reports in time thereby increasing transparency and accountability to achieve efficiency, accuracy, completeness, timeliness, convenience and clarity in financial reporting which in turn will increase profitability of State Corporations.

It is highly recommended for executives in state corporations in Kenya to engage in the following high performance strategic leadership practices: Need to focus on determining corporate strategic direction verified in this study. This aspect will ensure the strategic competitiveness and performance of their organizations. There is also a need to focus on effectively managing the corporate resource portfolio which is the most important task for strategic leaders as it is categorized into financial capital, human capital, social capital and organizational culture. This aspect will enhance the competitive advantage of their organizations over their rivals. Controls help strategic leaders build credibility, demonstrate the value of strategies to the firm’s stakeholders and promote and support strategic change. Leaders are therefore responsible for the development and effective use of two types of internal controls, namely strategic controls and financial controls.

From this study it is highly recommended that state corporations in Kenya should effectively apply balanced organizational controls to realize good performance. Strategic leadership practices need to be assessed and adapted in the state corporations in Kenya. This has proved the case in the assessment of strategic leadership in this study. There is now need for strategic leaders in state corporations in Kenya who can explore the opportunities in this turbulent environment.

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