# EFFECT OF CORPORATE GOVERNANCE ON SERVICE DELIVERY: A CASE STUDY OF MURANG'A WATER AND SANITATION COMPANY

**Yvonne Njoki Ndirangu**

**A Thesis Submitted in Partial Fulfilment of the Requirements for the Degree of Master of Public Administration of Murang'a University of Technology**

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## DECLARATION

### Student Declaration

I hereby declare that this Thesis is my original work and to the best of my knowledge has not been presented for a degree award in this or any other university. I understand what plagiarism is and I am aware of the University's policy in this regard. I understand that any false claim in respect of this work shall result in disciplinary action in accordance with the University Anti-Plagiarism Policy.

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Yvonne Njoki Ndirangu Date

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### Supervisors' Approval

The undersigned certify that they have read and hereby recommended for acceptance of Murang'a University of Technology a thesis entitled **"Effect of Corporate Governance on Service Delivery: A Case Study of Murang'a Water and Sanitation Company".**

_____ _____

Prof. Richard Juma, PhD Date
Department of Commerce
Murang'a University of Technology

_____ _____

Dr. Grace Njogu, PhD Date
Department of Commerce,
Murang'a University of Technology.

## DEDICATION

This work is dedicated to my husband Patrick Muraguri and my daughter Alena, for the support and sacrifices that made this master's degree possible.

## ACKNOWLEDGMENT

I express by deep-felt gratitude to God for His grace and guidance, which has been instrumental in helping me to navigate the challenges of this research.

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## ABSTRACT

Corporate governance has a long history of positively impacting society by generating jobs and solutions to evolving problems. It ensures honesty, integrity, and accountability in companies. Prudent corporate governance takes an all-encompassing approach focused on democratic values, legitimate representation, and involvement while respecting and safeguarding the interests of its owners. This study adopted a case study strategy to investigate the effect of corporate governance on the service delivery of Murang'a Water and Sewerage Company (MUWASCO) in Kenya. Specifically, the study focused on three main objectives, namely: to determine the effect of board diversity on the delivery of water services in MUWASCO, to evaluate the effect of executive officer (CEO) attributes on water services delivery in MUWASCO, and to examine how the audit committees affect water services delivery in MUWASCO. Primary data was the core data source collected through questionnaires and Focus Group Discussions. This study contributes to the studies about water companies and board diversity, CEO attributes and audit committees and how they all relate to water governance and service delivery. The study used a two-stage cluster sampling method where the population was first divided into customers and corporate employees, and then a sample was selected from each group. The study used a quantitative research design aided by SPSS version 26. The research findings were presented using tables, charts, and graphs. On the first objective, the results showed that board diversity and service delivery have a positive linear association. Additionally, the data showed a statistically significant association between board diversity and service delivery. Results of the second objective indicated that CEO attributes and service delivery in MUWASCO were positively correlated and showed a statistically significant association between CEO attributes and service delivery. Lastly, the audit committee procedures and service delivery at MUWASCO were positively correlated. There was also a statistically significant association between the audit committee and service delivery. Based on the study findings, the research concluded that corporate governance, with the variables of board diversity, CEO attributes, and effective audit committees, has a positive effect on service delivery in MUWASCO. Board diversity, CEO attributes and effective audit committees therefore contribute to improved service delivery in water companies and in particular, MUWASCO. Organizations should embrace these factors for improved service delivery. However, the study recommends that similar studies be conducted across other water companies and public service delivery sectors for comparative research.

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## ACRONYMS AND ABBREVIATIONS

| | |
|---|---|
| **CDF** | Constituency Development Fund |
| **CEO** | Chief Executive Officer |
| **CMA** | Capital Markets Authority |
| **GoK** | Government of Kenya |
| **GWP** | Global Water Partnership |
| **ICT** | Information Communication Technology |
| **MUWASCO** | Murang'a Water and Sanitation Company |
| **SDG** | Sustainable Development Goals |
| **SERVQUAL** | Service Quality |
| **WSPS** | Water Service Providers |

## OPERATIONAL DEFINITION OF TERMS

**Audit Committee Independence**: Audit Committee independence concerns the autonomy of the audit committee members in an organization and their independence (FEI, 2022).

**Board Diversity**: This is concerned with the variability or discrepancy within a board's membership (Barnhart & Rosentein, 2018).

**CEO Tenure:** The period a CEO served in their present position at an institution is known as CEO tenure (Kim, 2018)

**Corporate Governance:** The methods, processes, and systems that support the achievement of corporate objectives, as well as the management and direction of an organization (Aggarwal, 2018).

**Performance**: An organization's ability or process to quantify and control activities and events.

This study adopts the definition that Performance also encompasses financial and non-financial indicators of the firm (Clarkson, 2019).

**Service Delivery;** Prompt, timely and efficient delivery of an amenity (water and sanitation) from a business to a customer that is paid for and that they are content with. (Gronroos, 2018).

**Water and Sanitation Company**; an entity that deals with public health conditions related to clean and accessible drinking water and the treatment and disposal of sewage (IEA, 2017).

# CHAPTER ONE

# INTRODUCTION

## 1.1 Background to the Study

For decades, the principle of corporate governance has been used in finance, law, and administration. However, its origins are traceable to the nineteenth century, when its use was promoted to reduce liability (Parker, 2018). According to Clarke (2019), global stock market crises drew attention to corporate governance in the 1980s. Furthermore, it was sparked by the failure of certain corporations due to poor governance. Changes in corporate governance regulations are also frequently prompted by company failure. (Bloomfield, 2018).

As Dunphy, Griffiths, and Benn (2018) predicted, there was a growing recognition that improved corporate governance is a critical component for a country's overall economic growth and development. Corporate governance is without a doubt a top priority for East African leaders. In an annual study of East African CEOs, 79% of executives stated they intended to increase their efforts to control company image (The East African, 2017). The Kenyan Capital Markets Authority (CMA) views corporate governance for all public firms as a severe matter of company control and a scale of gravity in contributing to the country's economic growth. (CMA, 2018).

Governance of water resources in Kenya has been on the national agenda since 1974 when the National Water Master Plan was adopted. Since then, the sector has numerous policies and legislative reforms aimed at ensuring reliable water service in Kenya including the Water Policy No. 1 of 1999, Water Act 2002, Water Act 2016, and Sessional Paper No. 1 of 2021on National Water Policy, the Climate Change Act of 2016, the County Governments Act, the National Water Master Plan (NWMP) and Vision 2030.

Despite the regulatory framework, the water sector and water and sewerage companies in Kenya have been riddled with poor management and corporate governance practices, lack of access to clean waters and irregular water supply. (Stower, 2010) The Ministry of Water and Irrigation approved Corporate Governance Guidelines for

Water Services Sector in 2009. Despite these guidelines, in a 2014 study by Gesselschaft fur Internationale Zusammenarbeit (GIZ) observed that water service providers in Kenya have poor governance practices.

The enactment of the Water Act 2016 sought to bring reforms to water services providers that were initially owned by local authorities and municipal councils, now under county governments post the 2010 constitution. The water service providers should operate with maximum efficiency and ensure sustainable access to water and service delivery. It is against this background that corporate governance practices are necessary to ensure the right to clean and safe water and reasonable standards of sanitation pursuant to Article 43 of the constitution.

### 1.1.1 Corporate Governance

The framework of rules, regulations, and procedures that an organization is governed and managed by is referred to as corporate governance and it entails working the interests of multiple stakeholders of a company (Dierkes, Antal & Nonaka, 2017). Kim and Nofsinger (2017) implore that the division of rights and obligations among the various members of companies, such as the board of directors, management, owners, creditors, auditors, regulators, and other stakeholders, is defined by governance - and values.

Accountants and auditors have traditionally aided in collecting, compiling, reporting, and meeting each firm's corporate objectives (Rothman & Friedman, 2018). Managers use accounting data to monitor their success toward their objectives and identify future issues ahead of time. Managerial accounting has traditionally played a significant role in monitoring and assessing a company's results (Clarke, 2018). The Board of Directors ensures that the firm has the best governance structures, among other tasks. A company should conduct its business to satisfy fiscal, legal, ethical, and philanthropic expectations (Dierkes et al., 2017).

Some studies in East Africa contend that there is need for a separate, accessible, and independent board of directors while still having checks and balances between the board, the executive, and non-executive directors (Mulili, 2018). The board of directors is in charge of appointing and overseeing a responsible CEO and other senior managers, while management is to act efficiently and ethically during the capacity-

building process (American Association of Chief Executive Officers, 2017). Financial reporting must be accurate and timely, and employees must be treated fairly and equally (Kim & Nofsinger, 2017). The Organization for Economic Cooperation and Development (OECD, 2019) outlined corporate and governance ideals: that shareholder rights are protected, including effective remedy, and all shareholders are represented equally, stakeholders' interests should be honoured, practical executive supervision and open transparency (Maher & Anderson, 2019).

### 1.1.2 Service Delivery

Service delivery is the timely disclosure of all matters that a company considers relevant, such as financial efficiency, ownership, and governance issues. Saxena (2018) states that service leaders or companies specializing in service efficiency have a range of characteristics, and they have a service vision. Service leaders agree that high expectations are essential for achieving a competitive edge and corporate success. The leaders are also committed to delivering high-quality service and target zero faults while constantly working to increase their service's reliability (Gronroos, 2018). They value two-way contact, work together with everyone, and push others in the organization to succeed (Demsetz &Lehn, 2019).

Companies dedicated to providing professional services prioritize consumers above all else in the company. Customers are encouraged to provide feedback, and the companies are encouraged to listen to it (Lovelock and Wirtz, 2018). As a result of the feedback, they can discover and comprehend more about the demands and issues of their clients. This allows them to be more successful in meeting the demands of their clients. They have well-defined quality expectations that are addressed to potential clients (Morck, Shleifer & Vishny, 2019).

Various models have been employed in appraising service quality. However, the SERVQUAL model developed by Parasuraman and Zeithml is widely used given its various optimistic proponents compared to other service quality assessment models. The model is the most popular method for assessing service quality. It contrasts consumers' preferences before a service experience and their views of the honest service rendered (Nguyen & Nagase, 2019). The SERVQUAL instrument has long been the go-to tool for gauging customer satisfaction with service. According to the

model, customers can assess a company's service quality by matching their impressions of the service to their standards. SERVQUAL is a standard assessment instrument used by many public and private sector service providers (Gronroose, 2018). Tangibility, durability, openness, assurance, and empathy are the five efficiency dimensions represented on the scale (Park, Yi, & Lee, 2021).

### 1.2 Statement of the Problem

Good corporate governance fosters a thriving, efficient, and sustainable business that enhance society by generating employment opportunities and addressing challenges as they arise, all while safeguarding the well-being of the community in the long run (Aggarwal, 2018). Murang'a County, despite being in a water catchment area, has only a 65% water coverage by MUWASCO (MUWASCO, 2023). Access to clean water and water service delivery is riddled with governance challenges that hamper service delivery. There is therefore need to have corporate governance that supports service delivery. The study aims at investigation corporate governance components that affect service delivery, particularly board diversity, CEO attributes and the audit committee.

The water crisis in the country and various counties across the counties, according to the Global Water Partnership (GWP), is primarily a governance crisis (GWP, 2018). Many global efforts focus on good governance practices and improving governance to solve water issues, especially in developed countries. For adequate and sustainable progress toward meeting the Sustainable Development Goals (SDG), water governance has emerged as a critical issue on the global stage.

However, the practical significance of "water governance" and how to use it are not sufficiently understood. The Ministerial Declaration of The Hague in 2000 called for suitable governance activities in water industries and organisations. Additionally, ministers at the Bonn Freshwater Conference in 2001 urged action on water governance, where they drafted a framework for practitioners in water governance (Jiménez, Saikia, Giné, Schneider, & Ward, 2020). All of this highlights the connection between the water sector and good government. Against this background, the study analysed the impact of corporate governance with a view to understand its effects on service delivery in water and sanitation companies in Kenya, using

MUWASCO as a case study. The research aimed to answer the question, "How does corporate governance effect the quality of services provided by MUWASCO?

## 1.3 Objectives of the Study

### 1.3.1 General Objective

The general objective of this study was to determine the effect of corporate governance on service delivery, a case of Murang'a Water and sewerage Company (MUWASCO).

### 1.3.2 Specific Objectives

1. To determine the effect of board diversity on service delivery in MUWASCO.
2. To evaluate the effect of CEO attributes on service delivery in MUWASCO.
3. To examine the effect of audit committees on service delivery in MUWASCO.

## 1.4 Research Questions

1. What is the effect of board diversity on service delivery of water services in MUWASCO?
2. What effect do CEO attributes have in ensuring water services delivery in MUWASCO?
3. How do audit committees effect water services delivery in MUWASCO?

## 1.5 Significance of the Study

In the water resources market, corporate governance mandates the boards of directors and senior management of Services Companies and water service suppliers administer their institutions with competence and organization in a way that entrenches and strengthens the accomplishment of the license and service supply agreement's objectives (IEA, 2017). The findings of this study will aid by supplying details about water and Sewerage Company's management and how board of directors, CEO and audit committees carry out their responsibilities while observing and maintaining good corporate governance practices in their service delivery as a part of their work ethics.

The government will also benefit from this research since it will better understand its role in ensuring good corporate governance, which is expected to result in improved

profitability and hence more tax revenue for the government (Ndung'u, 2018). Customers and the community of MUWASCO will also benefit from the research since they will understand how the company operates to offer quality services to them. The study significantly contributes more literature on corporate governance and its influence and impact on devolved governments (Water and Sanitation Program, World Bank, 2019). Lastly, the findings gathered will be helpful in enhancing MUWASCO internal control activities.

## 1.6 Scope of the Study

The study examined the effect of corporate governance and particularly the elements of board diversity, CEO attributes and audit committee practices on service delivery. The research confined the study to the MUWASCO and sought to assess how corporate governance practices affected service delivery of MUWASCO to its customers. The study relied on primary data from selected MUWASCO staff and customers through questionnaires and Focus Discussion Groups, formulated to aid in the collection of data.

## 1.7 Limitations of the study

The research was limited to MUWASCO and the users of its services. The interview schedules and questionnaires guided the study though the target respondents on the category of customers had different literacy levels. This posed a challenge that limited data collection. The researcher overcame this by adopting focus group technique where customers were put together and taken through the questionnaires to enhance their understanding of the questions on the data collection instrument.

## 1.8 Assumptions of the Study

The study was anchored on the assumption that the chosen participants would be cooperative, able to supply the necessary information with honesty and without any hesitation, and that the respondents' responses would appropriately reflect how corporate governance affects the provision of water services.

## 1.9 Contributions of the Thesis

The study contributed by addressing the gap in available literature of corporate governance and water service delivery particularly in the county. The study thereafter proposes policy and practice changes that will improve water service delivery through enhanced practice of corporate governance in the water sector.

## 1.10 Organization of the Thesis

The study was organised into five chapters. Chapter One has the introduction and explains the background of the study, the objectives of the research, research questions, the scope and the contributions of the study.

Chapter Two covers the related literature. It looks at agency and stakeholder theories and how they relate to corporate governance. The study looks at empirical literature review and the relationship between corporate governance and service delivery.

Chapter Three is the research methodology that covers the methods that were used by the researcher. It covers how the researcher arrived at the conclusions and the research design used, the population, techniques data collection and the data analysis.

Chapter Four is the results and discussion. It analyses the data collected and discussed the results inferred from the data. It links the findings on the objectives with corporate governance as well as the descriptive statistics, the FDGs and discusses the relationships between the variables.

Chapter Five is the conclusion and recommendations. The Chapter presents a conclusion of the work, and the recommendations on policy and practice as well as areas for further research.

# CHAPTER TWO

# LITERATURE REVIEW

## 2.1 Introduction

This chapter presents the research objectives and views from other scholars and researchers on the same areas of corporate governance. It also defines and briefly delves into the theories that support and explain various aspects significant to matters of corporate governance and service delivery, particularly in this study. The theoretical review analyses the two theories; agency and stakeholder theory that underpin the study. The chapter also highlights the theoretical background of corporate governance and studies by other scholars around the world.

## 2.2 Theoretical Review

The theoretical literature review aims to comprehend and highlight schools of thoughts and ideas that are seen as explaining and clarifying different corporate governance problems and their importance to a company's success. The following theories are discussed in this study: agency theory and stakeholder theory.

### 2.2.1 Agency Theory

The study was mainly anchored on agency theory, developed by Jensen and Meckling in 1976. The theory outlines how conflicts of interest between a company's owners, management, and major debt financiers serve as the cornerstone of the company's governance. Each of these groups has different objectives and passions. The owners want the agents to fully represent their interests. The "contract" between the owners and the management, in an ideal world, should guarantee that the manager always work in the owners' best interests. The "ideal contract" can't be made, because managerial decisions affect the interests and well-being of the owners. As a result, the core of this ideology is the separation of shareholders and administration.

Agency theory's basic tenet is that managers prioritize their interests and are self-centred, which causes them to pay less attention to the interests of shareholders. Since the owners are responsible for covering their costs, managers may be keener to utilize

perks like opulent offices, company vehicles, and other benefits. To this end, it is feasible that managers who have a more in-depth understanding of the business are better positioned to prioritise their interests above those of shareholders (Fama, 1980; Fama & Jensen, 1983). This self-interested conduct increases the firm's costs, including contract structuring costs, costs associated with observing and regulating the agents' behaviour, and losses sustained due to the agents' less-than-ideal behaviours.

The agency theory has traditionally been used to understand the relationships between agents and principals. According to Hill and Jones (2017), an agency partnership is an arrangement in which one or more people, considered the principals, hire another individual acting as their agents to conduct a task for them. This entails the agent being given some decision-making power. Conflicts occur when the firm's investors believe the management is more concerned with other concerns than their own. Separation of ownership and power in a broad company, according to Green (2018), is essential for successful management. This enables management to operate the company equally and without jeopardizing shareholder interests. People are self-interested rather than selfless, and they can't be expected to behave in others' best interests, so they want to increase their utility (Opanga, 2018). The popularity of the agency hypothesis may be influenced by two things (Daily et al., 2018). According to the first point, the principle divides the business into two stakeholders: managers and owners.

The other argument is that agents are self-seeking. Ideally, the agent should act in the best interest of the principal. On the other hand, this might not always be the case (Padilla, 2018). According to supporters of this philosophy, the board of trustees protects the owner's rights. Corporate governance, they say, aids in the management of perceived differences between principal and agent (Mallin, 2018). To address the agency issues, (Jensen, 2019) proposes two steps: internal organization processes must be structured to run efficiently and regulated by an administrative structure and performance contracts between owners and managers. This viewpoint is founded on the notion that ownership and management are separated in a contemporary organization, which results in expenses involved with settling disagreements between owners and agents (Berle & Means, 1932).

Shareholder interests are jeopardized by managers who maximize their interests at the expense of organizational profitability or managers who expropriate shareholders'

interests. Small shareholders in a big company with widely scattered ownership also have little incentive to spend money on keeping an eye on managers' or agents' actions. When "(a) the principal and agent's desires or purposes conflict, and (b) it is difficult or costly for the principle to verify what the agent is doing," says Eisenhardt (1989), there is an agency dilemma. Therefore, a board's primary duty is to oversee management decisions to reduce agency problems and achieve exceptional organizational performance.

Agency issues may be resolved with correctly drafted contracts that specify the rights of agents and principals, claim Jensen & Meckling (2018). According to Fama & Jensen, internal game rules specify the rights of each agent in the setup, the performance standards by which agents are evaluated, and the pay-out functions they encounter. On the other hand, unanticipated events or circumstances call for the allocation of residual rights, the bulk of which end up with the agents (managers), enabling them to allocate funds as they see appropriate (Shleifer & Vishny, 2017). Managers have additional discretion due to the inability or challenge of writing faultless contracts involving the same agency problem.

In addition, principals pay monitoring fees when they keep an eye on agents to ensure they are operating in their best interests, lowering the firm's value. Researchers have suggested several governance strategies to solve agency issues due to the challenges in utilising contracts to address agency issues. A framework for corporate governance based on internal and external processes is provided by agency theory (Weir et al., 2022; Roberts et al., 2020). According to Davis et al. (2019), to safeguard shareholder interests, cut agency expenses, and ensure agent-principal interest alignment, governance procedures have been put in place. Boards of directors and compensation structures are two crucial governance systems used to balance the interests of the agent and the principal.

Compared to alternative possibilities, such as takeovers, Fama and Jensen (2018) see the board of directors as a low-cost management instrument. The literature on board composition calls for a governance team of 25 members and primarily focuses on issues such as board size and within versus outside directors. The purpose of this is to enhance the efficacy of monitoring and oversight, with the aim of promoting higher levels of accountability and transparency in the management and operations of the

relevant entity or process. By implementing this approach, there is an expectation that any weaknesses or shortcomings in the system can be identified and addressed in a timely and appropriate manner, thereby improving overall performance and achieving better outcomes (Dalton et al., 2018). Agency theory has been widely used by academics to investigate how boards of directors and other aspects of corporate governance impact business success (Maher & Anderson, 2019). The theory was found appropriate in explaining how stakeholders in higher management cadres of utility companies such as water and sewerage companies utilize their positional power in rendering services, and how their service delivery is interpreted by the lower cadre stakeholders such as customers who use the services on an ongoing basis.

### 2.2.2 The Stakeholder Theory

The Stakeholder Theory aligns with the different stakeholders and players who all have diverse interests in the company. These include the audit committee, the CEO and the board. The theory focusses on organizational management and corporate ethics, which addresses morality and values in running a firm, was first presented by R. Edward Freeman in 1984 (Freeman, Dmytriyev, & Phillips, 2021). The stakeholder theory of capitalism emphasizes the connections between a company's stakeholders, including its customers, suppliers, employees, investors, and communities. According to the theory, a company ought to provide value to more than just its owners. The stakeholder hypothesis states that in order to prosper in the long run, organizations should try to treat each of these stakeholders fairly.

According to (Freeman et al., 2021), one of the pioneers of stakeholder theory, a stakeholder is any group or person who may influence or is impacted by the fulfilment of the organization's goals. Academicians disagree on adopting a comprehensive or focused approach to a company's stakeholders. Freeman et al. (2021) definition employs a broad definition of stakeholders that covers many organisations and almost all stakeholder groups.

According to the stakeholder theory, which is a variant of the agency idea, the task of protecting the interests of the shareholders falls on the board of directors. Boards are now obligated to consider the interests of several stakeholder groups, including those concerned with social, environmental, and ethical concerns. However, this once-

exclusive emphasis on shareholders has changed (Freeman et al., 2021; Donaldson & Preston, 2019). Stakeholder theory has grown as a result of the change in the function of boards. The company serves a broader societal purpose than its shareholder duties, following the stakeholder thesis, which holds that companies and society are intertwined. Incorporated as Kiel & Nicholson (2018). Despite bearing some sort of risk as a consequence of having invested some form of capital, human or financial, or anything of value in a firm, voluntary stakeholders are however exposed to risk. Clarkson (2019) adopts a more constrained perspective. Involuntary stakeholders are in danger as a consequence of a company's conduct. However, nothing is at stake if there is no element of risk.

Regardless of their capacity to influence it, risk management offers stakeholders a legitimate claim on a company's decision-making. Donaldson & Preston (2019) define stakeholders as persons or organisations with sincere interests in business activity's substantive or procedural elements. The stakeholders mentioned by Wheeler and Sillanpaa (2017) includes financial backers, executives, employees, clients, business partners, local communities, civil society, future generations, non-human species, and the environment. Stakeholders may be identified by possessing one, two, or all three of the following characteristics, according to Mitchell, Agle, & Wood (2017): (1) Influence on the company; (2) Relationship with the company; and (3) Urgency of Requests to the Company. This typology could aid managers in focusing on and dealing with different stakeholder categories. The stakeholder hypothesis acknowledges that several groups have relationships with the organization and are impacted by its decisions. According to Freeman et al. (2021), business is about building up a contract such that suppliers, customers, workers, communities, managers, and shareholders all win continuously throughout time (Donald & Preston, 2019).

According to Donaldson and Preston (2019), shareholders are participants with various often competing aims. The status of firm stakeholders, according to managers, affects management behaviour. To prevent the stakeholders from abandoning the transaction, managers should instead work to maximise value for them by resolving ongoing disagreements among them (Freeman et al., 2021). Carver & Oliver's (2022) study on stakeholder views on non-financial outcomes notes that while shareholders

often define value in terms of money, other stakeholders may seek incentives "such as the joy of pioneering a certain discovery, supporting a certain form of corporate conduct, or if the owner is also the operator, working in a particular manner" (Carver & Oliver 2022).

They also assert that stakeholders have "non-32 equity ownership," which implies that managers must develop and maintain relationships with all stakeholders, not only shareholders. This makes the case that performance assessments based on standard shareholder wealth and profitability indicators should be revaluated to consider non-equity stakeholder groups' interests. However, many companies strive to maximise shareholder value while simultaneously working to bring other stakeholders' interests into account. Sundaram and Inkpen (2019) assert that maximizing shareholder value is a crucial objective since it is the only one that results in practical actions for all stakeholders. They argue that it is hard for managers to identify various stakeholders and their core beliefs. Supporters of the stakeholder perspective also contend that the expropriation of assets from non-shareholders would arise from maximising shareholder value.

On the other side, Freeman et al. (2021) concentrates on two essential questions: "What is the goal of the firm?" likewise, "What is management's duty to stakeholders?" They contend that these two issues are connected and that managers must establish relationships with, inspire, and foster communities where everyone desires to give their best to realise the company's value. This point of view contends that a company has stakeholders in addition to its owners and management. According to Clarkson (2019), the company's goal is to convert its stakeholders' holdings into goods or services to produce equity or profit for all stakeholders. It is a network of partners that functions within the larger framework of the host community and offers the organizational and legal foundation for the firm's activities.

To manage their wants, needs, and viewpoints, Friedman and Miles (2018) contend that the company should be seen as a group of stakeholders. The executives of the company are regarded as holding this role. The goal of the directors and management is to increase shareholder capital by leveraging it (Philips, 2018). To flourish and remain competitive over time, executives must maintain the requirements of customers, suppliers, employees, societies, and shareholders aligned and going in the

same direction. The firm's intention and management's responsibility to stakeholders are two issues that best reflect the focus of stakeholder theory (Freeman, 2019). This means that each shareholder, even if their importance is not apparent, contributes to the production and extraction of value from the organisation by participating in its activities and reaping the rewards. Therefore, stakeholder theory is believed to enable managers better to define and promote the firm's common purpose.

## 2.3 Components of Corporate Governance

Board composition, CEO attributes, independent and non-executive officers, the role of an audit committee, and the number of board meetings taken over time are the core factors that guide corporate governance in companies and are the subject of this thesis.

### 2.3.1 Board Diversity effect on Water Services

The board diversity is about the composition of a company's board. The board of directors' size affects the firm's results, which are generally positive (Aggarwal, 2018). Divergent arguments and academic viewpoints exist, though, on the size of a board and how it impacts the effectiveness of the board. According to Monks and Minow (2019), broad committees are slow to make decisions and, therefore, can be a barrier to progress. Smaller boards, on the other hand, are thought to be more effective and seldom challenge upper management practices, and this issue continues to worsen as the number of directors grows (Lipton & Lorsch, 2017; Yermark, 2018).

Yermark (2018) used 452 major U.S. companies to assess these claims and found a negative association between board size and efficiency. Sundgren and Wells (2018) observed a negative link between board size and performance in small and midsize Finnish companies. Still, Barnhart and Rosentein (2018) discovered that firms with smaller boards perform well and are more highly regarded than those with larger boards. Other scholars, on the other hand, believe that having a strong board of directors would help a company perform well (Pfeffer, 2017; Klein, 2018; Coles et al., 2018). On the other hand, these reports suggest that a large board can assist and counsel firm management more efficiently due to a diverse corporate climate and an internal atmosphere that is aided by a large board's possible diversity (Klein, 2018).

Another argument in favour of a big board is that it would be more representative and have a broader wealth of experience and knowledge. As a result, it seems that big board size is best for firm results (Dalton et al., 2019). According to Dalton and Dalton (2019), smaller boards risk losing enough skills, knowledge, and variety, which a larger board will handle with a broader pool of the same.

### 2.3.2 Effects of CEO Attributes on Water Services

Even though scientific research cannot agree on how the division of the offices of CEO and Chairman affects the firm's performance and productivity, it is widely accepted that a difference should be made between the firm's chairperson and the CEO in charge of day-to-day activities. Kajola (2018) discovered a positive and statistically relevant connection between board chairperson and CEO separation and results. Conflict of interest, the concentration of power, and reduced board independence tends to occur when the Board CEO and Chairperson are vested in a single individual (Aggarwal, 2018). However, other scholars also argue that for ease of accountability and expeditious decision-making, the CEO and chairperson can be vested in one individual. A single person has the power to make decisions quickly.

Dahya et al. (2019) found that between 2018 and 2019, politicians in industrialized countries and the United Kingdom proposed that the chairperson of a board of directors be kept independent from the CEO. Furthermore, Fama and Jensen (2018) argued that the independence would limit a board's oversight of a company's management, make decision-making easier, and reduce organization costs. The executive directors' primary responsibility is to carry out the plan. The chief executive officer serves as the company's primary point of contact with the board of directors; in most cases, they are the sole executive member of the board. The director is responsible for the company's day-to-day operations and must operate independently while adhering to the board's strategic decisions. Aggarwal (2018) states that "independent directors have a duty to monitor and advise the company's management. They have a duty safeguard to the overall organization and stakeholders' interest" and ensure that the firm's business is a concern. With regards to external directors, they can exert better control and challenge the decisions of the CEO. They are also able to avoid power struggles with the CEO.

### 2.3.3 Effects of Audit Committee on Water Services

Audit committees have become a key component in corporate governance across many countries in the world Guzeh, (2017). The audit committee is believed to successfully address a number of corporate governance problems and acts as one of the controls to prevent the agency issue. This has an audit committee that has been approved for use by corporate entities by professional and regulatory agencies. The agency framework developed by Hill and Jones (2017) and reviewed by Fama and Jensen (2018) depicts the audit committee as a way to lower these agency expenses, strengthen the firm's trustworthiness, and improve its image, all of which have a positive impact on performance.

The audit committee and directors should be independent to avoid conflict of interest. This will ensure that they run the firm with the interest of the shareholders at heart. The audit committee's audit meetings and independence can ensure audit reports' credibility. The Committee helps ensure that the financial reporting processes have integrity and are above par. In her analysis of local airlines in Kenya, Otieno (2017) concludes that the audit committees should weigh the costs and benefits of meeting frequency to increase corporate efficiency. This ensures that the Board's meetings must be carefully planned, and although they should not be too regular, they must meet the intended objectives.

### 2.3.4 Effects of Legal Framework on Water Services

In Kenya, the Water Act (2016) makes it clear that although the state, particularly the national government, is the custodian of resources, it holds them in trust for Kenyans, as per the spirit of the Constitution. This is a considerable departure from the Water Act (2002), and it has significant implications for the management of water resources. The National Property Commission controls rivers, lakes, and other bodies of water when they are declared public land. A framework for the long-term management of all natural resources, including water, is theoretically provided by this. Although the National Land Commission's monitoring role is not directly acknowledged in the Water Act (2016), it is rife with allusions to other land laws, including the Land Act and the Community Land Act.

In recognition of the crucial connection between land and water resources, the Act also permits the Principal Secretary in charge of land to be represented by a representative or by them in the Water Resources Authority Management Board. Surprisingly, the Water Act (2016) has a clause that places the Community Land Act in charge of its duties for community land. Second, a decentralized structure of water governance is explained by the Water Act of 2016. Counties suggested that counties with water resources may charge other counties for the use of water received from their county during stakeholder meetings before the Act's enactment. For instance, Murang'a County and Nairobi County are at odds over water deliveries from Murang'a's Ndakaini Dam.

According to Section 6 of the Water Act, the Water Resources Authority is tasked with regulating the management and use of water resources as an agency of the national government (2018). Like other jurisdictions, Kenya's water basins span many counties, requiring intricate inter-county water-sharing agreements. The challenges that arise when water resources are controlled and administered by state governments rather than the federal government are well illustrated by the water governance system in Australia. The Water Act (2016) includes any water works related to cross-cutting water resources or works whose purpose is to support the national government within the term of national public water works. This brings even more attention to the issue of who owns and manages water resources.

The fourth schedule of the Constitution (Constitution of Kenya, 2010) states the national government is responsible for public works, as opposed to county governments, which are responsible for local public works. The Act also grants the county government extensive authority over public water systems, including the power to acquire the property required for significant county water projects. Since it gives the national government free rein to designate certain water resource facilities as national public water works and revoke county governments' control over them, this seems to go against the principles of devolution and subsidiarity.

### 2.4 Empirical Review

Both theoretical and observational research shows that there is a favourable (Morck et al., 2019) or negative (Lehmann and Weigand, 2018) relationship between corporate

governance qualities and corporate governance (Demsetz and Lehn, 2021; Burkart et al., 2017). Coskun and Sayilir (2017) found that the theory that improves corporate governance is correlated with higher company values, and better results could not be confirmed in their analysis of the relationship between corporate governance and the financial performance of Turkish firms. The study argues that raising shareholder understanding and expectations of corporate governance are vital in informing a company's ranking and performance.

According to Areba (2017), effective corporate governance tends to fulfil the primary function of dividing the firm's principals and agents, and corporate governance themes in a company separate management from the board of directors. The study affirmed that board size and structure, the separation of the positions of chairman and chief executive, the best balance of within and outside directors, outside director representation, and the number of board of directors all had an impact on the company's financial efficiency. Corporate governance is critical and affects financial efficiency (Langat, 2018). Financial success is positively correlated with the number of board committees, the length of board meetings, the number of resolutions adopted at an AGM, and the number of board directors (Opanga, 2018). According to research, each of these corporate governance aspects significantly affects how profitable companies are.

A similar study by Opondo (2017) found that none of the unlisted financial institutions in Kenya had reached 100 per cent conformity with the governance processes in his review of the effect of corporate governance practices on operational results. The study affirm that that corporate governance has substantial impact on firm value and efficiency and posit that the Tobin Q formula that divides market value of equity by book value of total assets is an effective metric of the financial success in an entity, where the total market value is informed by the current share prices which reflects not only financial performance but also the effect of non-financial indicators such as board diversity and CEO attributes.

### 2.5 Conceptual Framework

A conceptual context, according to Smyth (2019), is a mechanism that describes potential relations between variables under investigation. In other words, it's a concept

or collection of general ideas applied to a specific field of study. The interaction between variables, corporate governance, and service delivery is depicted in Figure 2.1.

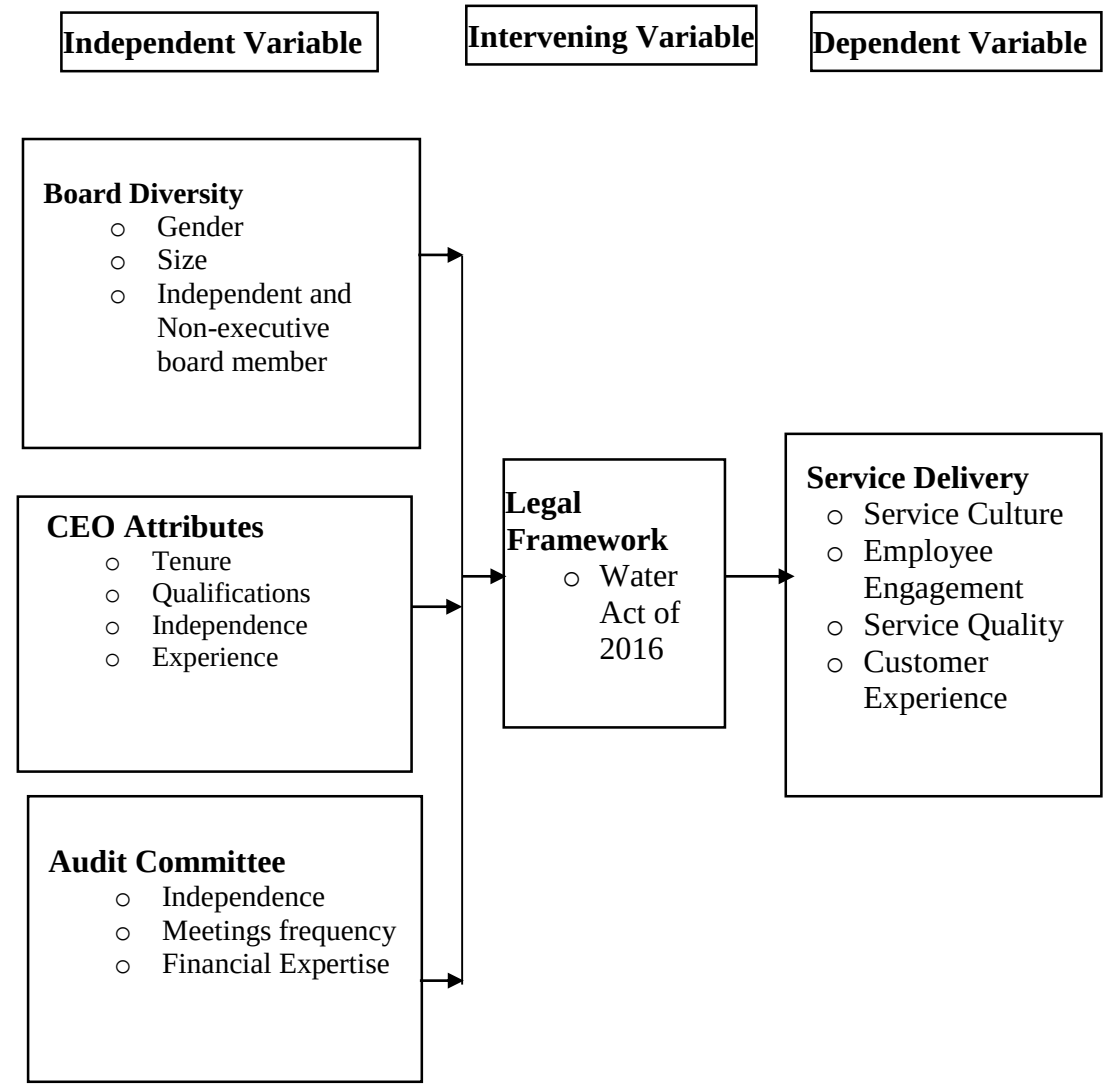



**Figure 2.1: Conceptual Framework**

## 2.6 Chapter Summary

The chapter reviews and highlights the theoretical background of corporate governance and studies by other scholars around the world. It also gives insight into what determines corporate financial performance and a broader perspective of the components of corporate governance. It delves into the relationships between various corporate governance elements against a firm's financial performance. Most studies are general, with few industry-specific studies. Kenya's water sector is a unique industry that was commercialized recently. There is a need to have affordable and safe water in adequate amounts. This has continually raised concerns amongst various stakeholders. This study is industry specific and is designed to analyse whether the corporate governance championed by various stakeholders influences the financial performance of these companies.

# CHAPTER THREE

# RESEARCH METHODOLOGY

## 3.1 Introduction

The chapter describes the procedures and approach used to establish the link between corporate governance and service delivery in MUWASCO. The chapter is organized as follows: The research design, population, sampling frame, sample and sampling technique, data collection instruments, pilot test, data collection procedures, and the data analysis and presentation.

## 3.2 Research Design

The study's methodology was based on mixed method research. The objective of quantitative research is to quantify the process of data gathering and processing. In this study, a descriptive research design was used. Cooper and Schindler (2018) assert that a descriptive design focuses on identifying a phenomenon's what, where, and how. Because it enables the findings to be extrapolated to a larger population sample size, this research approach was preferred. Additionally, the design was selected because it is suitably used to gather quantitative and qualitative data, which can then be analyzed using descriptive and inferential statistics for the quantitative data and thematic coding for qualitative data (Saunders, Thornhill, and Lewis, 2017).

A survey research method was used in quantitative data collection. In the survey research method, the respondents answer questionnaires. According to Kothari (2019), the best survey questions are those that will yield valuable data from the investigation. A balanced combination of open-ended and closed-ended questions was used. The ideal method for descriptive research with a big sample size is the survey methodology, which can be utilized both online and offline. A focus group was use in qualitative data collection. The focus groups were used to complement the survey data by providing qualitative insights into participants' experiences, perceptions, and attitudes related to the research topic. Focus groups allowed for in-depth exploration of specific issues, capturing nuances and providing context to the quantitative findings obtained from the surveys.

### 3.3 Target Population

A population is a collection of people, situations, or topics with comparable quantifiable characteristics (Asenahabi, 2019). The target population is a set of the population from which the researcher seeks to draw statistical conclusions. The staff of MUWASCO and the customers who benefit from their services formed the study subjects. The staff were targeted as they are the officers that implement an organization's governance policies and hence are in a position to respond to the questions raised by the researcher. The staff comprised of a General Manager, Finance Manager, Human Resource Manager, Internal audit manager, technical manager, and Commercial Manager (MUWASCO, 2022).

The key informant customers were 102 commercial and industrial customers were considered significant as they depend on water for their operations. These comprised of government entities, institutions, emergency services and commercial industries. These informants possess firsthand knowledge about the operations of MUWASCO. These provided insights from a customer’s perspective as a stakeholder in the water service sector. The total population for MUWASCO management, staff and customers was 289 as shown in Table 3.1.

**Table 3.1: Target Population**

| Target Population | Population size |
|---|---|
| MUWASCO Board | 9 |
| Senior Management | 7 |
| Middle-Level Management | 14 |
| Supervisors | 15 |
| Staff Members | 142 |
| Key Informant Customers | 102 |
| Total | 289 |

### 3.4 Sample and Sampling technique

#### 3.4.1 Sample Size (n)

The sample size was determined by Fisher's formula of N =z2 *p (1-p)/ d2. The calculation resulted in 96. The Fisher et al. (2018) formula was employed as follows:

$$n = \frac{z^2 p(1-p)}{d^2}$$

Where; *n*= sample size

*z*= the standard normal deviation value for the level of confidence, at 90% level of confidence =1.96. *d*= margin of error or level of precision at 0.1 for the total population. At 90% *p*= proportion to be estimated, Mugenda & Mugenda (2008) recommends that if the value of P is not definite, a researcher should assume p=0.5. Therefore, the sample size was arrived at as follows:

**FORMULA**

Given:

z = 1.96 (for 90% confidence level)

p = 0.5 (assuming

d = 0.1 (margin of error).

$$n = \frac{1.96^2 \cdot 0.5 \cdot (1-0.5)}{0.1^2}$$

$$n = \frac{3.8416 \cdot 0.5 \cdot 0.5}{0.01}$$

$$n = \frac{0.9604}{0.01}$$

$$n = 96.04$$

So, according to Fisher's formula, the initial sample size needed is approximately 96.

### 3.4.2 Sampling Technique

To arrive at the members of the sample, stratified sampling and simple random sampling techniques were employed. Stratified sampling is a sampling technique that involves dividing the population into subgroups or strata based on certain characteristics, and then selecting samples from each stratum. The population was divided into six strata, as shown in table 3.2. The sampling method is supported by Blanche, Durrheim and Painter (2018).

The allocation was based on the relative size of each stratum in the population. Using simple random sampling, individuals were randomly selected from each stratum. The samples from the stratum were combined to form a final sample for analysis (Hancock, Stapleton, & Mueller, 2019).

**Table 3.2: Sample for the Study**

| Target Sample | Sample size |
|---|---|
| MUWASCO Board | 3 |
| Senior Management | 2 |
| Middle-Level Management | 5 |
| Supervisors | 5 |
| Staff Members | 47 |
| Key Informant Customers | 34 |
| Total | 96 |

### 3.5 Data Collection

The primary data was used as the core source of data for the study. Further, secondary data from the government policies and Acts of Parliament were used to support the primary data. To gather primary data, the researcher used self-administered questionnaires. The sampled respondents were approached in person and asked to complete the questionnaire after receiving their approval. Secondary data included looking at reputable sources for details on the study's subject (Nind, Holmes, Insenga, Lewthwaite, & Sutton, 2019). Books and research publications containing material on corporate governance and the success of public-sector organizations were examined (Asenahabi, 2019).

In addition, Focus Group Discussions (FDGs) were done with the management of MUWASCO to provide insights on public governance and service delivery within MUWASCO. The FDGs also sought to bring the customers' perspective and their insights on corporate governance and service delivery, in particular with regards to board diversity, CEO attributes and the audit committee.

### 3.6 Research Instruments

The questionnaires were used to collect primary data in this research work. The questionnaire was an appropriate tool for data collection because it helped the

researcher contact many respondents quickly (Hancock et al., 2019). Questionnaires often maintain anonymity, which aids in collecting more analytical responses. Structured questionnaires, according to (Saunders et al., 2017), are data collection strategies in which each person is asked to answer the same series of questions in a predetermined sequence.

The questionnaire was divided into five parts. In part 1, the researcher queried the gender, age, and ethnicity of the respondents. In Part II, the researcher queried board diversity; and in Part III, the surveyor questioned other topics related to the research. Further, part III focused on the CEO's tenure and expertise, Part IV on the Audit Committee, and Part V on the Service Delivery Agency. The questionnaire used a five-point Likert scale, with 1 denoting strongly disagree, 2 denoting disagree, 3 denoting neutral, 4 denoting agreement, and 5 denoting heavy agreement, as seen in the diagram (Appendix II).

A pilot test was conducted to ensure that the questionnaire was correct. The validity test determines if the sequence of measurements accurately reflects the study's definition. Face validity, according to Fairchild (2017), is a non-statistical measure of whether or not a result is accurate. The face validity evaluation was carried out by distributing the questionnaire to five MUWASCO customers and staff who were not among the respondents in the final study. They served as a guide to the effectiveness of the questionnaire's contents.

The questionnaire was also checked for reliability, which is a check of the extent to which a measure is steady, and likely to give similar results if run repeatedly. The Cronbach‘s Alpha (α), which is a common internal consistency index on aggregated variables in the questionnaire was used to check for the reliability. A Cronbach's alpha > 0.7, according to Field (2019), indicated that the instrument is a reasonably effective measuring tool and therefore accurate. Cronbach's alpha test was performed on the instrument in (Appendix II). The findings were interpreted to be stable and adequate for the study, meaning that the instrument had internal consistency and study findings could be generalized.

The three elements, board diversity, CEO characteristics, and audit committee, were first tested to see whether they were dependable and valid in determining the quality

of services. For the validity and reliability of data, coefficients of 0.70 and above are recommended in statistics. In this case, Cronbach's test was used to assess the gathered data's reliability to safeguard against inaccurate analytical findings. Table 3.3. Contains Cronbach's test results.

**Table 3.3: Cronbach's test output**

| Factors | No. Of Variables Tested | Cronbach's Coefficient | Remarks |
|---|---|---|---|
| Effect of Board Diversity | 4 | 0.839 | Reliable |
| Effect of CEO | 5 | 0.825 | Reliable |
| Effect of Audit Committee | 5 | 0.832 | Reliable |
| Service Delivery | 5 | 0.827 | Reliable |

The results show that the equipment used in the data gathering process was dependable and valid, enabling the generation of accurate analytical findings.

**Table 3.4: Kaiser-Meyer-Olkin and Bartlett's Test**

| Test | Result |
|---|---|
| Bartlett's Test of | 20992.294 |
| Sphericity Approx. Chi-Square ($\chi 2$) | |
| Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy | 0.960 |
| Df | 3655 |
| Sig. | 0.00 |
| Communalities (Range) | 0.497 to 0.763 |

### 3.7 Data Analysis

The data was analyzed to coordinate and extract significance from the study data (Polit & Beck, 2018). The data obtained by the researcher was prepared for study after the fieldwork was completed. The data was evaluated with SPSS Version 26 program, and the results were displayed in charts, such as bar charts, pie charts and histograms, to visualize the distribution, relationships, and patterns in the data. Tables were used to summarize descriptive statistics, frequencies and cross-tabulations.

The research employed multiple regression to assess the effect of corporate governance on service delivery. Multiple regression analysis was used to examine the effect of the three independent factors on the dependent variable, and the following regression model guided that investigation:

$Y= \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$……. (i)

Where: -

Y = Service Delivery of MUWASCO

$\beta_0$= Constant, showing the water company's service delivery in the absence of corporate governance

$B_1$-$\beta_4$= Regression Coefficients

$X_1$= Board diversity (Gender and Education)

$X_2$= CEO’s tenure and experience

$X_3$= Audit Committee (independence and Meetings)

$X_4$= Legal Framework (Water Act 2016)

$\varepsilon$ =Error Term

### 3.8 Ethical Considerations

Prior to commencement of the data collection exercise, the researcher sent an introduction letter from the University, NACOSTI Research Permit and a copy of the questionnaire to MUWASCO for acceptance (Kothari, 2019). The researcher protected the respondents' and their organization's privacy by assuring respondents that the analysis was solely for scholarly purposes and that all answers would be treated as private, with only summaries of the results being shared. The respondents' participation was entirely voluntary.

### 3.9 Chapter Summary

The Chapter described the research methodology that covered the methods that were used by the researcher. It illustrated how the researcher arrived at the conclusions and the research design used, the population, techniques data collection and the data analysis.

# CHAPTER FOUR

# RESULTS AND DISCUSSION

## 4.1 Introduction

The analysed results of the research on how corporate governance affects the water delivery services offered by MUWASCO is presented in this chapter. The quantitative findings derived from the research are presented, and the implications of the findings are discussed. The chapter contains the discussions of the respondent's demographic data, the effect of board diversity, the effect of the CEO's qualities, and the role of audit committees on service delivery in MUWASCO.

## 4.2 Demographic characteristics of the Respondents

The research gatherred information on respondents' socio-demographic characteristics, including their gender, age, level of education, length of time they had been, and relationship with the water company. The information was gathered to relate their responses to the three variables—board diversity, CEO qualities, and audit committee that were investigated for their effects on the provision of water services in MUWASCO. This study was conducted on 56 and 40 employees and customers of MUWASCO, respectively. Of the employee respondents, 49 completed and returned the questionnaire and provided the needed information, indicating an 87.5% per cent response rate. This response rate was above the 50% as suggested by scholars such as Asenahabi (2019), Nind et al. (2019), and Hancock et al. (2019) and was therefore adjudged to be suitable for this research.

## 4.3 Demographic Characteristics

The gender balance was scrutinised in this research. According to the findings, respondents who identified as male made up 56.9% of the total, while female respondents made up 43.1%. The study's conclusions were guaranteed to be free of gender bias because of the appropriate representation of both genders. Research participants between the ages of 40 and 49 were 34.9 per cent. This suggests that most of the respondents were middle-aged individuals who recognize the value of a diverse board. In addition, most respondents were between the ages of 20 and 59 and are

therefore beneficiaries of water and sewerage services, giving them the necessary knowledge to provide accurate information.

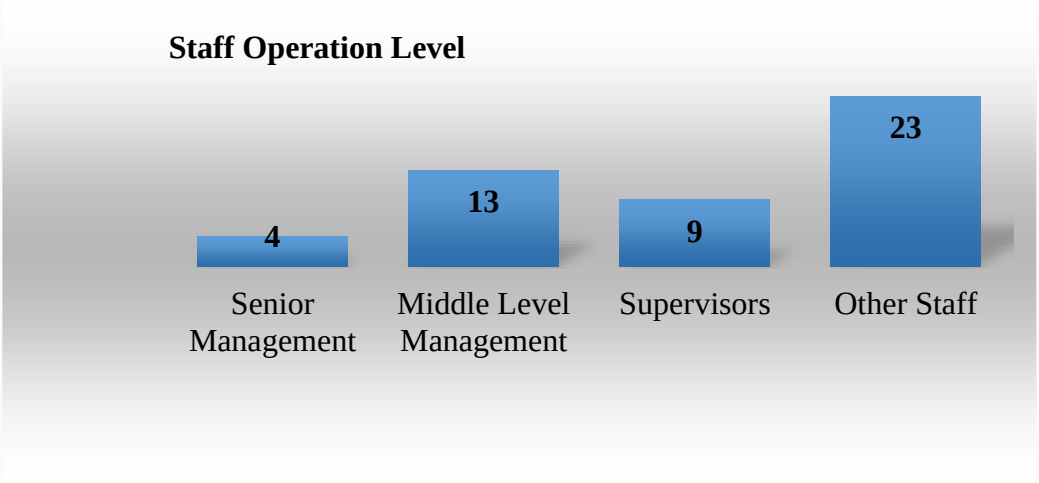



**Figure 4.1:Staff at Operation Level in MUWASCO**

It is evident from the data shown in Figure 4.1 that the majority of the staff work in other levels of job carder other than senior management, middle-level management and supervisors (46.9%), and middle-level management (26.5%), and supervisors (18.0%).

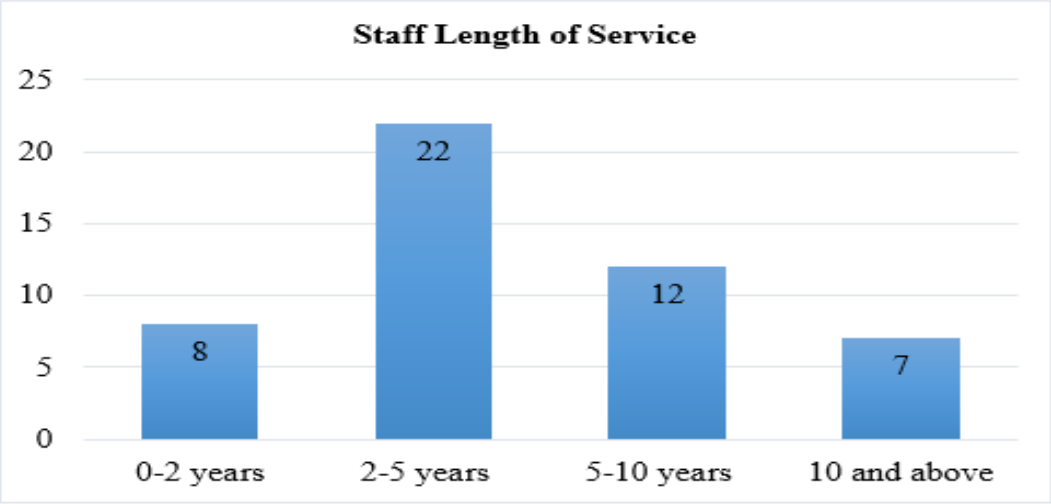



**Figure 4.2: Staff Length of Service**

The research aimed to determine the average tenure of employees. The results revealed that most respondents, or 44.9%, had served for between two and five years, between five and ten years 24.5%, between zero and two years 16.3%, and for ten or more years 14.3 per cent. Thus, most of the respondents had been with the firm for more than five years, making them well versed with issues surrounding corporate governance and service delivery, as shown on Figure 4.2.

## 4.4 Board Diversity and Service Delivery

### 4.4.1 Descriptive Statistics for Board Diversity and Service Delivery

A total of six items were used to assess board diversity. Each attribute was rated on a scale ranging from 1- 5 where (1) represented Strongly Disagree and (5) depicted Strongly Agree. Standard deviation was used to describe variability from the mean.

**Table 4.4: Descriptive Statistics of Board Diversity Practices**

| Board Diversity Practices | SA (%) | A (%) | N (%) | D (%) | SD (%) | Mean | Std. Dev. |
|---|---|---|---|---|---|---|---|
| The Government considers diversity as key requirement when constituting the board of management in MUWASCO | 68.9 | 25.2 | 4.9 | 0 | 0 | 3.5231 | .64001 |
| MUWSCO has at least two female directors | 75.4 | 9.2 | 5.6 | 5.2 | 4.6 | 3.3265 | .67621 |
| The composition of MUWASCO board of management includes people of all ages | 9.8 | 5.5 | 5.0 | 68.5 | 11.2 | 3.2769 | .94386 |
| The minimum level of education of board members is a Bachelor's Degree. | 58.5 | 23.1 | 18.5 | 0 | 0 | 4.0154 | .71790 |
| The professional qualification of board members in your organization is not limited to your sector. | 4.6 | 69.2 | 6.2 | 10.8 | 9.2 | 4.4000 | .78661 |
| Board diversity has an effect on the overall performance of MUWASCO. | 69.8 | 11.5 | 5.0 | 6.2 | 7.5 | 4.3203 | .63468 |

With a mean of 3.5231 and a standard deviation of.6401, a significant number of respondents (94.1%) agreed that the government considers board diversity when forming a board to address service delivery. With a mean of 3.326 and a standard deviation of.67621, the respondents agreed that the board should have at least two female directors. With a mean of 3.2769 and a standard deviation of.94386, a significant majority of respondents (79.7%) disagreed with the claim that the board comprises individuals of various ages. With a mean score of 4.0154 and a standard deviation of.71790, the majority of respondents (81.6%) agreed that the minimum level of education for board members is a bachelor's degree. 73.8 per cent of those surveyed agreed with the claim that the company's board members' professional backgrounds are not restricted to the water industry, with a mean of 4.4000 and a standard deviation of .78661. Finally, with a mean score of 4.3203 and a standard deviation of 0.63468, most respondents (81.3%) agreed with the assertion that the board's diversity impacted the overall performance. According to previous research and the findings of this study on gender diversity, having more women in top positions resulted in better judgments (Gould et al., 2018). Women have been associated with

empathy, engagement, collaboration, and communication abilities, according to the research by Gould et al. (2018). These qualities could encourage people to care more about the environment and society, impacting how well corporations provide services.

### 4.4.2 Model Summary for Board Diversity

**Table 4.5: Model Summary for Board Diversity**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .842[a] | .709 | .7085 | 1.00213 |

The values of R and R2 for the fitted model were 0.842 and 0.709, respectively, as shown in the table above. The board diversity and service delivery were seen to have a positive linear association with an R-value of 0.842. The model $Y= \beta_0 + \beta_1 X_1$ explained 70.9 per cent of service delivery variance, according to the $R^2$ value of 0.709.

### 4.4.3 ANOVA for Board Diversity

**Table 4.6: ANOVA for Board Diversity**

| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 193.71 | 14 | 13.8364 | 3.632 | .003[b] |
| | Residual | 673.92 | 632 | 1.0663 | | |
| | Total | 867.63 | 646 | | | |

a. Dependent Variable: Service Delivery

b. Predictors: (Constant), Board Diversity

The results of an ANOVA revealed that the F statistic had a p-value of 0.003, as seen in the table above. Since the F- statistic's p value was less than 0.05, it was inferred that the above-board diversity policies included in the simple regression model positively impacted service delivery.

### 4.4.4 Coefficients for Board Diversity Practices

**Table 4.7: Coefficients for Board Diversity Practices**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | | |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | T | Sig. |
| 1 | (Constant) | 2.546 | .400 | | 6.696 | .000 |
| | Board Diversity | .835 | .112 | .842 | 2.258 | .003 |

Dependent Variable: Service Delivery

Board diversity is statistically significant at the 0.05 level, according to the coefficient findings for the model $Y= 2.546 + 0.835X_1$, as indicated in the above table. This occurred as a result of the p-value of 0.003 being below 0.05. The constant term suggested that strengthening board diversity practices would increase service delivery by 0.835 and that service delivery would rise by 2.546 at zero consideration of board diversity.

The study's findings are consistent with research by Katmon et al. (2019), who observes that diversity boosts creativity and competence, which might improve the standard of a board's decision-making. Katmon et al. (2019) emphasize the connections between the knowledge and efficiency brought by younger board members and the experience brought by senior board members, as well as the effects of gender and educational attainment. Therefore, it is hoped that a board made up of a mix of directors of diverse ages, genders, and educational backgrounds would bring a variety of knowledge, experience, and abilities to the table, potentially enhancing the quality of services provided by the corporation.

## 4.5 CEO Attributes and Service Delivery

### 4.5.1 Descriptive Statistics of CEO Attributes

A total of six items were used to assess CEO attributes. Each attribute was rated on a scale ranging from 1- 5 where (1) represented Strongly Disagree and (5) depicted Strongly Agree. Standard deviation was used to describe variability from the mean.

**Table 4.8: Descriptive Statistics of CEO Attributes**

| CEO Practices | SA (%) | A (%) | N (%) | D (%) | SD (%) | Mean | Std. Dev. |
|---|---|---|---|---|---|---|---|
| Hiring of the CEO in MUWASCO is based on a competitive process and open as expected in the Civil Service. | 47.2 | 29.4 | 1.4 | 18.9 | 3.1 | 4.3826 | .78393 |
| The tenure of the CEO in MUWASCO is three years which is renewable. | 49.2 | 44.6 | 0 | 3.5 | 2.7 | 2.7692 | 1.14249 |
| The CEO's tenure can only be extended based on performance. | 32.3 | 64.6 | 0 | 3.1 | 0 | 3.6154 | .55035 |
| The minimum qualification for a CEO or is a master's degree or higher. | 1.1 | 13.5 | 2.5 | 44.3 | 38.6 | 3.9077 | .78508 |
| Job experience of the CEO is an important factor in the Service Delivery. | 44.6 | 50.8 | 0 | 1.5 | 3.1 | 3.2308 | .89738 |
| Tenure, educational qualification and experience determine the performance of the CEO. | 51.5 | 38.4 | 0 | 2.2 | 3.1 | 3.3846 | 1.04122 |

Regarding whether the hiring of the CEO in water and Sewerage Company is based on a competitive procedure as anticipated in the Civil Service, a large majority of respondents, 76.6 per cent, agreed with the statement. Their responses had a mean of 4.3826 and a standard deviation of 0.78393, respectively. Additionally, with a mean score of 2.7692 and a standard deviation of 1.14249, a more significant number of respondents (93.8%) agreed with the statement that the CEO renewable term, and with a mean score of 3.6154 and a standard deviation of.55035, a more significant majority of 96.9 per cent agreed with the assertion that the CEO's term may only be extended based on performance. With a mean score of 3.9077 and a standard deviation of.78508, a more significant number of respondents (82.9%) disagreed with the claim that a CEO must possess a master's degree or more.

The investigation as to whether professional background affects service delivery, findings revealed that a more significant majority of respondents, 95.4% agreed with the claim, with a mean score of 3.2308 and a standard deviation of.89738. Further, findings on the CEO's tenure, education, and experience determine their success, 89.9 per cent of respondents agreed with the statement, with a mean of 3.3846 and a standard deviation of 1.04122.

### 4.5.2 Model Summary for CEO Attributes

**Table 4.9: Model Summary for CEO Attributes**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .854[a] | .729 | .7286 | 1.07494 |

Predictors: (Constant), CEO Attributes

The values of R and R2 for the fitted model were 0.854 and 0.729, respectively, as shown in the table above. The CEO attributes and service delivery in MUWASCO were positively correlated by an R-value of 0.854. The model $Y= \beta_0 + \beta_2 X_2$ explained 72.9 per cent of the variance in service delivery, based on the R2 value of 0.729. This outcome is consistent with results by Kiel & Nicholson (2019).

### 4.5.3 ANOVA for CEO Attributes

**Table 4.10: ANOVA for CEO Attributes**

| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 96.32 | 14 | 6.88 | 2.327 | .008[b] |
| | Residual | 697.84 | 632 | 1.104 | | |
| | Total | 794.16 | 646 | | | |

Dependent Variable: Service Delivery

The results of an ANOVA revealed that the F statistic had a p-value of 0.008, as shown in the table above. The simple regression model fitted above CEO behaviours had a substantial impact on service delivery at MUWASCO, according to the F- statistic, which had a p-value of less than 0.05.

### 4.5.4 Coefficients for CEO Attributes

**Table 4.11: Coefficients for CEO Attributes**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | | |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | T | Sig. |
| 1 | (Constant) | 2.032 | .454 | 0 | 4.246 | .000 |
| | CEO practices | .848 | .114 | .854 | 3.063 | .008 |

a. Dependent Variable: Service Delivery

According to the model's coefficients, $Y= 2.032 + 0.848X_2$, CEO attributes are statistically significant at the 0.05 level, as seen above. The occurrence was a result of the p-value of 0.008 being below 0.05. The constant term meant that organizational performance would be 2.032 with zero consideration of CEO attributes and that improving CEO attributes would boost service delivery by 0.848. Therefore, it was determined that the CEO attributes assessed were positively related to the firm's supply of services. This conclusion supports the stewardship theory that an integrated

board structure provides the organization with effective leadership (Donaldson & Davis, 2019).

### 4.6 Audit Committee and Service Delivery

#### 4.6.1 Descriptive Statistics of Audit Committee

A total of six items were used to assess audit committee practices. Each attribute was rated on a scale ranging from 1- 5 where (1) represented Strongly Disagree and (5) depicted Strongly Agree. Standard deviation was used to describe variability from the mean.

**Table 4.12: Descriptive Statistics of Audit Committee**

| Audit Committee Practices | SA (%) | A (%) | N (%) | D (%) | SD (%) | Mean | Std. Dev. |
|---|---|---|---|---|---|---|---|
| There is an audit committee or its equivalent in MUWASCO. | 73.8 | 16.2 | 0 | 5.8 | 4.2 | 2.6827 | .68373 |
| Inside directors form the majority of the audit committee membership in MUWASCO. | 32.3 | 60.0 | 0 | 7.7 | 0 | 3.2857 | .62033 |
| Audit committee makes use of external auditors to perform their oversight role in MUWASCO. | 58.3 | 33.1 | 0 | 4.3 | 4.3 | 4.4000 | .78661 |
| The audit committee is not influenced by any other person when they give their opinion. | 32.3 | 52.3 | 0 | 6.2 | 9.2 | 3.2769 | .94386 |
| The audit committee meets as scheduled in the public sector guidelines to enhance maximum oversight role. | 46.2 | 49.2 | 4.6 | 0 | 0 | 4.0154 | .71790 |
| Independence, qualification and the frequency of meetings by the audit committee determines the performance of MUWASCO. | 34.6 | 50.8 | 0 | 11.5 | 3.1 | 3.5468 | .76943 |

Regarding whether has an audit committee, the respondents answered affirmatively 90 per cent, with a mean score of 2.6827 and a standard deviation of.68373. Additionally, with a mean score of 3.2857 and a standard deviation of .62033, a more significant proportion of respondents, 92.3 per cent, agreed with the assertion that inside directors make up the bulk of the audit committee membership in the company. Additionally, 91.4 per cent of respondents agreed with the statement on whether the

audit committee uses outside auditors to carry out its oversight duties at MUWASCO, with a mean score of 4.4000 and a standard deviation of.78661. Additionally, responding to the question if the audit committee is not affected by anybody else when they express their opinions the respondents agreed with the statement in 84.6 per cent of cases with a mean score of 3.2769 and a standard deviation of.94386.

Additionally, with a mean score of 4.0154 and a standard deviation of.71790, a more significant majority of respondents (95.4 per cent) agreed with the statement that the audit committee meets as planned in the public sector standards to improve full supervisory responsibility. Last but not least, when asked whether the audit committee's independence, qualification, and frequency of meetings affects performance, respondents agreed with the statement 85.4 per cent of the time, with a mean score of 3.5468 and a standard deviation of.76943.

### 4.6.2 Model Summary for Audit Committee Practices

**Table 4.13: Model Summary for Audit Committee Practices**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .861[a] | .7413 | .7409 | 1.15043 |

a. Predictors: (Constant), audite committee practices

The values of R and R2 for the model fitted were 0.7413 and 0.861 in the table above, respectively. The audit committee procedures and service delivery at MUWASCO were positively correlated linearly by the R-value of 0.861. The model $Y= \beta_0 + \beta_3 X_3$ explained 74.13 per cent of the variance in corruption forms, according to the $R^2$ value of 0.7413.

### 4.6.3 ANOVA for Audit Committee Practices

**Table 4.14: ANOVA for Audit Committee Practices**

| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 125.43 | 14 | 8.9593 | 2.481 | .046[b] |
| | Residual | 695.71 | 632 | 1.1008 | | |
| | Total | 821.14 | 646 | | | |

a. Dependent Variable: Service Delivery

b. Predictors: (Constant), Audite Committee Practices

The results of an ANOVA revealed that the F statistic had a p-value of 0.046, as seen in the table above. The simple regression model fitted above suggests that audit committee procedures had a negligible effect on service delivery in as the F- statistic, which had a p-value of less than 0.05.

**Table 4.15: Coefficients for Audit Committee Practices**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | | |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | T | Sig. |
| 1 | (Constant) | 3.298 | .318 | 0 | 10.291 | .000 |
| | Audit Committee Practices | .853 | .119 | .861 | .720 | .046 |

a. Dependent Variable: Service Delivery

According to the above table's coefficient values for the model $Y= 3.298 + 0.851X_3$, audit committee procedures are statistically significant at 0.05. This was due to the p-value of 0.046 being below 0.05. The constant term suggested that the Service Delivery would be at 3.298 with 0% consideration of audit committee procedures and that improving audit committee practices would raise the Service Delivery by 0.853. The study's findings suggest that audit committees help lower the likelihood of earnings management mistakes, which might result in false financial statements and

better service quality. These findings are consistent with research by Smith (2018), which suggested that as it became clear that an audit committee's presence did not ensure its performance, the focus moved to the structure and functions of audit committees. The audit committees' frequency of meetings and the independence and skill of its members were the main areas of recommendation. He adds that a critical element of corporate governance is the creation of an audit committee inside a corporation.

### 4.7 Multiple Regression Analysis

According to the regression model, the study conducted multiple regression on the variables under consideration, and the outcomes are shown in table 4.16 below:

**Table 4.16:Multiple Regression Analysis**

| | SS | df | MS | | |
|---|---|---|---|---|---|
| Model | 32.7486816 | 3 | 10.9162272 | Prob > F = 0.0000 | |
| | 29.0263184 | 36 | .806286622 | R-squared = 0.5301 | Adj R-squared = 0.4910 |
| Total | 61.775 | 39 | 1.58397436 | Root MSE = .89793 | |

| | Coef. | Std. Err. | t | P>\|t\| | [95% Conf. | Interval] |
|---|---|---|---|---|---|---|
| Board Diversity | .4949467 | .1347355 | 3.67 | 0.001 | .2216906 | .7682029 |
| CEO Attributes | .1797062 | .1160858 | 1.55 | 0.030 | -.0557268 | .4151393 |
| Audit Committee | .3254159 | .1447525 | 2.25 | 0.031 | .0318442 | .6189875 |
| Corporate Governance | .4315545 | .5386116 | 0.80 | 0.028 | -.6608004 | 1.523909 |

$Y = 1.58397436 + 0.494967X_1 + 0.1797062X_2 + 0.3254159X_3 + 0.4315545X_4$ ……..... **Eqn (1)**

Based on the results of the multiple regression shown in table 4.16 above, the R-Squared value is 0.5301, meaning that 53.1 per cent of the observed changes in the service delivery, can be attributed to corporate governance and 46.9 per cent may be attributable to other factors not considered in the study. The study demystifies that the model fits well and is statistically significant since the F statistic has a p-value of 0.000.

### 4.8 Supporting Insights from Focus Group Discussions

#### 4.8.1. Insights from FDGS with Management

Focus group discussion was held with the management team to discuss the importance and contributions of board diversity, the attributes of the CEO, and the audit committee to the corporation's service delivery. Questions for the focus group discussions were prepared in advance and presented them to the group for discussion. In order to help direct the conversation, follow-up questions as well as an exit question had been developed. The group members' opinions and sentiments were noted.

The focus group emphasized the validity of the importance of diversity and inclusion for boards, noting that "Diversity in board composition not only reflects shared social

values but also makes a significant and quantifiable contribution to board effectiveness in all industries" (Catalyst, 2018). Although there are special benefits to diversifying a board, organizational leaders wishing to address this issue have few guidelines or best practices at their disposal. A diverse board of directors needs to represent a range of viewpoints, expertise, ages, genders, cultures, and ethnicity in order to be successful. It follows that having a diversified board of directors is crucial for efficient decision-making, direction, and risk management. Over the years, several boards of directors' issues have drawn the attention of regulatory bodies. One of these issues has been promoting diversity on boards for a long time. Diversity, in its most basic form, is the presence of many individuals who differ from one another. Board diversity does not, however, have a precise definition. In general, it seeks to diversify the board by taking into account, among other things, racial and ethnic variety.

Regarding the role of management, the focus group observed that management continues to be an essential function in any business organization (Yukl, 2020), with effective CEOs directing their staff to pursue intended goals and ideals. The idea of influence emerges as a potent metaphor for how persons in managerial positions bring about a change or performance. Effective leadership methods that mentor staff to concentrate on the desired goals are linked to many prosperous commercial organizations. The focus group made the observation that the CEO's qualifications and experience affect how the organization's employee support systems are created. They pointed out that capable CEOs will reward people with incentives or pay them money in accordance with a pre-established plan. These incentives are designed to promote wholesome or constructive behaviour. These elements will have an impact on this process: employees' dedication to the stated goals, the accessibility of financial resources, the success of the firm, and the current policies.

Lastly, the focus group concluded that the audit committee is crucial to corporate governance as it holds the board and the organization accountable in various areas, including financial and risk management (FEI, 2022). Internal controls and governance must be upheld by the audit committee and management to guarantee accurate and efficient financial reporting. The audit committee's members must comprehend how management creates and communicates internal financial information before they can begin their work. Members of the audit committee are

more likely to comprehend financial statements' possible effects and how they relate to compliance and risk management if they have a solid comprehension of audit reports. To ensure that the proper controls are in place throughout the audit process, the members of the audit committee must be current on all professional and regulatory developments and policies.

### 4.8.2 Complementary Insights from Customer's

The questionnaire-based findings offer valuable insights into the perspectives of MUWASCO's customers regarding service delivery (Cox, 2021). Customers' responses provide a nuanced understanding of their satisfaction levels, perceptions of water quality, reliability of service, affordability, and their experiences with customer service interactions. Firstly, customers' satisfaction levels with the water services provided by MUWASCO are illuminated through their responses. They may express contentment or dissatisfaction with various facets of the service, such as water quality, reliability of supply, affordability, customer service responsiveness, and billing accuracy.

Moreover, customers' perceptions of water quality emerge as a significant aspect (Catalyst, 2018). Feedback regarding taste, odour, clarity, and safety of the water supplied offers insights into potential areas for improvement in treatment processes and infrastructure maintenance. Customers also share insights into the reliability and accessibility of water services. Their experiences with interruptions in water supply, waiting times for water delivery, and accessibility to distribution points are crucial considerations for improving infrastructure resilience and service coverage.

Affordability and billing transparency are additional focal points. Customers' feedback regarding the affordability of water tariffs relative to their income levels and the clarity of billing statements can guide efforts to establish fair pricing structures and enhance communication about billing processes. Furthermore, customers' experiences with MUWASCO's customer service representatives are highlighted. Their satisfaction levels concerning the responsiveness, helpfulness, and professionalism of staff inform strategies for enhancing customer service delivery channels and staff training programs (Yukl, 2020).

Community engagement and participation also surface as important considerations. Customers' perceptions of their involvement in community outreach programs, their awareness of water-related initiatives, and their sense of being valued by the utility provide insights into fostering collaboration and trust within communities. Lastly, customers' suggestions for improvement offer actionable insights (Carpenter et al., 2018). Their recommendations for infrastructure upgrades, service expansion, water conservation initiatives, and communication strategies help prioritize initiatives and allocate resources effectively.

## 4.9 Discussion of Findings

### 4.9.1 Effect of Corporate Governance on Service delivery in MUWASCO

The main goal of the research was to determine how corporate governance affected the provision of water services delivery at MUWASCO. The study found that corporate governance had a statistically significant beneficial impact on water service delivery at MUWASCO with corporate governance accounting for 53.1% of the variance and other variables accounting for 46.9%. The findings are consistent with those of Kombo et al. (2019), who found that effective corporate governance, including board and CEO characteristics, enhances the quality-of-service delivery in firms.

The findings of Siddiqi et al. (2019), which hinted that corporate governance is now a generally acknowledged phenomenon in service delivery, are likewise compatible with the findings of this research. To increase the population's health and the effectiveness of health care delivery, several nations throughout the globe, including Kenya, have chosen corporate governance as a system that satisfies all of these desired criteria. For governments worldwide, the scale of the corporate governance implementation effort is intimidating. Researchers have typically shown that more excellent corporate governance may result in better corporate service delivery outcomes.

### 4.9.2 Effect of Board Diversity on Services Delivery in MUWASCO

Board diversity refers to the representation of different demographic and experiential characteristics among members of a board of directors. It encompasses various

dimensions of diversity, including: Gender Diversity which is the representation of both men and women on the board. Achieving gender diversity aims to ensure equal opportunities and perspectives from both genders. It also comprises of Ethnic and Racial Diversity: Having directors from diverse ethnic and racial backgrounds to promote inclusion, reflect the broader population, and bring different cultural perspectives to board discussions (Smith et al., 2018).

Age Diversity is also another aspect of board diversity, which includes board members from different age groups, ranging from younger individuals to more experienced directors. This diversity promotes a balance of perspectives and ensures consideration of intergenerational issues. Professional Backgrounds is also another aspect where, a diverse board comprises individuals with a range of professional expertise and backgrounds. This can include individuals with financial, legal, marketing, operational, technological, or other relevant expertise, ensuring a comprehensive and well-rounded board. Lastly, experience and Skills, where a diverse board includes individuals with diverse industry experience, skills, and qualifications. This helps ensure a wide range of perspectives, knowledge, and expertise that can contribute to effective governance and oversight (Ardito et al., 2021).

The impact of board diversity on providing water services and its three components, gender, size, and independent and non-executive board members, were evaluated. With a coefficient of correlation of 0.835 and a P-value of 0.003, the data obtained as a composite for all three aspects combined showed that board diversity has a tangible and positive link with the provision of water services in Murang'a County. These results support those by Habbah (2019) and Smith et al. (2018), who found that having women in senior management enhanced corporate performance.

Gender has drawn more attention among the several types of board demographic diversity. Norms, attitudes, beliefs, and viewpoints are affected by gender. Previous research has shown that more women in leadership roles produce better decisions (Gould et al., 2018). Empathy, engagement, collaboration, and communication abilities have all been associated with women (Ballesteros et al., 2019). Additionally, studies show that female directors favour choices affecting community participation (Ardito et al., 2021). These qualities could encourage people to care more about the environment and society, affecting how thriving companies provide services.

Age and educational variety increase knowledge and creativity, which could enhance the effectiveness of a board's decision-making (Li et al., 2019). It is noted how younger board members' productivity complements the knowledge provided by more experienced board members by Mahadeo et al. (2019) in their research. It is therefore believed that a varied set of directors will offer the board knowledge, experience, and skills that could improve the provision of services in organizations.

Promoting board diversity is crucial as it enhances the quality of decision-making, increases innovation and creativity, and mitigates groupthink. It helps organizations understand and respond to the needs and preferences of a diverse customer base and stakeholders. Achieving board diversity requires intentional efforts to identify, recruit, and retain individuals from underrepresented groups and foster an inclusive boardroom culture that values diverse perspectives.

### 4.9.3 Effect of CEO Attributes on Services Delivery in MUWASCO

CEO attributes refer to the characteristics, qualities, and skills that are typically associated with effective chief executive officers. While the specific attributes can vary depending on the industry, organization, and context, here are some commonly recognized CEO attributes: Leadership: Effective CEOs possess strong leadership qualities and are capable of guiding and inspiring their organizations. They provide a clear vision, set strategic direction, and motivate employees towards achieving goals (Sheikh et al., 2019).

Strategic Thinking is an aspect of CEOs attribute, where they need to think strategically and have a long-term perspective. They are adept at analysing market trends, identifying opportunities, and making strategic decisions that drive the organization's growth and success. Another attribute is Decisiveness, where CEOs are required to make tough decisions in a timely manner. They possess the ability to gather relevant information, assess risks, and make informed choices, even in the face of uncertainty. Successful CEOs are adaptable and flexible, able to navigate changing market dynamics, industry disruptions, and emerging trends. They embrace innovation and are open to new ideas and approaches (Haniffa & Hudaib, 2018).

CEOs must possess strong communication skills to effectively convey their vision, strategies, and expectations to employees, shareholders, customers, and other

stakeholders. They should be able to inspire and motivate others through effective communication. CEOs with high emotional intelligence understand and manage their emotions and those of others. They possess empathy, self-awareness, and strong interpersonal skills, allowing them to build relationships, collaborate effectively, and lead with empathy (Vafeas & Theodorou, 2018).

CEOs are expected to demonstrate high ethical standards, integrity, and transparency. They act as role models for the organization and uphold ethical behaviour in decision-making and actions. CEOs need strong relationship-building skills to develop and maintain partnerships, alliances, and a strong network. Building relationships with key stakeholders, including customers, investors, and employees, is crucial for organizational success.

The three criteria of tenure, qualification, and independence were assessed in the research, along with the impact of CEO qualities on the delivery of water services in MUWASCO. The findings showed that CEO qualities have a tangible and positive link with the provision of water services in Murang'a County, with a coefficient of correlation of 0.848 and a P-value of 0.008. These results are consistent with research by Vafeas & Theodorou (2018), which found that CEO independence and duality reduced the expenses associated with additional pay or management salary.

Additionally, it was shown that CEO qualities enhance organizational accountability by making it simpler to identify and hold the CEO accountable for any subpar performance (Sheikh et al., 2019). The study's findings, however, differ from those of Rechner and Dalton (1991) studied 141 large companies between 1978 and 1983 using accounting metrics like profit margin and return on investment and found that organizations with separated boards outperform those with CEO independence in their boards. The impact of CEO independence on the performance of 347 Malaysian organizations was also examined in research by Haniffa & Hudaib (2018). They claim that separating the two responsibilities improved financial results. It's important to note that no CEO possesses all attributes in equal measure, and the specific attributes valued in a CEO can vary depending on the organization's needs and circumstances. Additionally, a successful CEO may also exhibit other unique attributes that align with their organization's culture and strategic goals.

### 4.9.4 Effect of Audit Committees on Services Delivery in MUWASCO

Audit committees are an integral component of corporate governance structures and play a crucial role in overseeing financial reporting, internal controls, and risk management within an organization. Independence is one of the key aspects of audit committees, it should be composed of independent directors who are not involved in the day-to-day operations of the company. Independence ensures objectivity and impartiality in the oversight of financial reporting and internal controls (Bryan et al. 2019).

Expertise is an aspect of audit committees where is should consist of members with financial expertise, accounting knowledge, and an understanding of audit processes. This expertise enables them to effectively evaluate financial statements, assess internal controls, and engage with external auditors. Another key aspect is Financial Reporting Oversight, where the primary responsibility of an audit committee is to oversee the financial reporting process. This includes reviewing financial statements, ensuring compliance with accounting standards and regulatory requirements, and verifying the accuracy and completeness of financial disclosures (Fama & Jensen, 2018).

Audit committees are responsible for evaluating the effectiveness of an organization's internal control systems and risk management practices. They review and assess the adequacy of internal control mechanisms to mitigate financial, operational, and compliance risks. Audit committees have a key role in selecting, appointing, and overseeing the work of the external auditor. They review and approve the audit engagement, assess the auditor's independence, and monitor the quality and effectiveness of the audit process (Hill & Jones, 2017).

Audit committees facilitate effective communication between management, the board of directors, and external auditors. They provide a platform for open dialogue and transparency regarding financial reporting, internal controls, and risk-related matters. Performance Evaluation: Audit committees evaluate their own performance, as well as the performance of the external auditors. They review the effectiveness of the committee's operations, adherence to responsibilities, and continuous improvement opportunities (Fama & Jensen, 2018).

The effect of audit committee activities on the provision of services was evaluated, and the research looked at both the frequency of meetings and the board's independence. According to the study, audit committees have a tangible and favourable link with water company performance (correlation coefficient: 0.853, p=0.046). This result is consistent with those of (Bryan et al. 2019), who independently discovered a favourable association between an independent audit committee and the quality of the concerned businesses' profits and information. This suggests that the audit committee's role is crucial. The government must ensure the committee is operational and engaged to reduce waste, false reporting, and corruption, which have been widespread in Kenya's public sector. A functioning audit committee should also be sufficiently impartial to exercise proper control on behalf of the people who finance it.

Effective audit committees are crucial for promoting financial transparency, safeguarding the integrity of financial information, and maintaining investor confidence. They act as a critical safeguard against fraud, financial misstatements, and unethical practices within an organization.

### 4.10 Chapter Summary

The Chapter analyses the data collected and discussed the results inferred from the data. It links the findings on the objectives with corporate governance as well as the descriptive statistics, the FDGs and discusses the relationships between the variables. The discussion of the variables shows how corporate governance affected the provision of water services delivery at MUWASCO.

# CHAPTER FIVE

# SUMMARY, CONCLUSION AND RECOMMENDATIONS

## 5.1 Summary of the Major Findings

### 5.2.1 Effect of Corporate Governance on Service Delivery in MUWASCO

The research delved into the effect of corporate governance on service delivery within MUWASCO, concentrating specifically on water services. It unveiled a positive correlation between effective corporate governance practices and service provision. This discovery echoes findings from prior studies, which also highlighted the pivotal role of corporate governance in enhancing service delivery across different sectors. Moreover, the study's observations resonate with the broader understanding of corporate governance as a key driver of improved service quality, reinforcing its significance in organizational performance and societal well-being.

Overall, the research underscores the critical importance of robust corporate governance frameworks in bolstering service delivery standards within MUWASCO and potentially in analogous organizations worldwide. By emphasizing the positive impact of sound governance practices on service quality, the study advocates for continued attention and investment in governance mechanisms to optimize service provision outcomes and foster sustainable development initiatives.

### 5.2.2 Effect of Board Diversity on Services Delivery in MUWASCO

The research investigated the effect of board diversity on service delivery within MUWASCO, considering various dimensions such as gender, ethnicity, age, professional backgrounds, experience, and skills among board members. The findings demonstrated a significant positive correlation between board diversity and the provision of water services in Murang'a County. This aligns with previous studies by Habbah (2019) and Smith et al. (2018), which highlighted the beneficial effects of gender diversity, particularly in enhancing corporate performance. Gender diversity, in particular, has been emphasized for its effects on decision-making processes, with research suggesting that the inclusion of women in leadership roles can lead to better decisions, improved empathy, engagement, collaboration, and communication

abilities, and a stronger focus on community participation and environmental stewardship.

Moreover, age and educational diversity were identified as contributors to enhanced knowledge, creativity, and decision-making effectiveness within the boardroom. Studies have shown that a mix of younger and more experienced board members can complement each other's perspectives, leading to more comprehensive and innovative solutions. Recognizing the importance of board diversity, the research underscores the need for intentional efforts to promote diversity in board composition, recruitment, and retention processes. By fostering an inclusive boardroom culture that values diverse perspectives, organizations can benefit from improved decision-making, increased innovation, creativity, and a better understanding of the needs and preferences of their diverse stakeholders, ultimately leading to enhanced service delivery and organizational performance.

### 5.2.3 Effect of CEO Attributes on Services Delivery in MUWASCO

The research delved into the impact of CEO attributes on service delivery within MUWASCO, examining characteristics such as leadership, strategic thinking, decisiveness, adaptability, communication skills, emotional intelligence, ethics, and relationship-building. The findings unveiled a substantial positive association between these CEO attributes and the provision of water services in Murang'a County. This aligns with previous research highlighting the pivotal role of CEO independence and qualities such as transparency and integrity in driving organizational performance and accountability. Despite some contrasting findings from earlier studies, such as those by Rechner and Dalton (1991), which suggested differing effects of CEO independence on organizational performance, the research underscores the enduring importance of CEO attributes in fostering organizational success, particularly in the realm of service delivery.

Moreover, the study emphasized the significance of CEO attributes in enhancing organizational accountability by facilitating clearer identification and accountability for performance outcomes. While acknowledging that no CEO embodies all attributes equally, the research underscores the dynamic nature of effective leadership, where qualities valued in a CEO may vary based on organizational needs and contexts.

Successful CEOs may exhibit unique attributes that align with the organization's culture and strategic goals, reinforcing the multifaceted nature of effective leadership in driving service delivery excellence at MUWASCO and beyond.

### 5.2.4 Effect of Audit Committees on Services Delivery in MUWASCO

The research explored the impact of audit committees on service delivery within MUWASCO, focusing on their independence, expertise, oversight of financial reporting, evaluation of internal control systems, and communication facilitation. The findings revealed a significant and positive correlation between the activities of audit committees and water company performance, emphasizing their pivotal role in ensuring operational efficiency and accountability. This aligns with previous studies, such as that by Bryan et al. (2019), which also highlighted the beneficial association between independent audit committees and organizational performance, particularly in terms of financial integrity and transparency.

Moreover, the research underscored the importance of effective audit committees in mitigating risks such as waste, false reporting, and corruption, which have been prevalent issues in Kenya's public sector. The findings suggest that a well-functioning audit committee, characterized by independence, engagement, and impartiality, is essential for promoting financial transparency, safeguarding the integrity of financial information, and maintaining stakeholder confidence. By providing oversight, evaluating performance, and facilitating communication, audit committees contribute significantly to enhancing service delivery at MUWASCO and ensuring accountability to stakeholders.

## 5.3 Conclusion

Board diversity, including gender, size, independent and non-executive board member, ethnic, age, and professional background diversity, brings together a range of perspectives and experiences, which enhances decision-making and problem-solving within the organization. Diverse boards reflect the diversity of customers and stakeholders, leading to better understanding of their needs and preferences. This, in turn, enables organizations to tailor their services to meet those needs, resulting in improved service delivery.

CEO attributes, such as tenure, qualifications, independence, leadership, strategic thinking, adaptability, and effective communication skills, are crucial for driving organizational performance and service delivery. Strong leadership from the CEO sets the direction and vision for the organization, aligning it with customer needs and expectations. Effective CEOs foster a culture of innovation, customer focus, and continuous improvement, leading to enhanced service quality and responsiveness.

Audit committees play a critical role in ensuring transparency, accountability, and risk management within organizations. Effective audit committees oversee financial reporting, internal controls, and compliance, reducing the likelihood of service delivery failures due to financial misstatements or non-compliance. They provide independent oversight and ensure the organization's resources are used efficiently and effectively to deliver services.

When board diversity, CEO attributes, and effective audit committees are combined, they create a strong governance framework that drives corporate service delivery. Diverse perspectives and expertise at the board level inform strategic decisions and customer-centric initiatives. Effective leadership from the CEO ensures the organization is responsive to customer needs. Meanwhile, robust audit committees provide oversight, risk management, and compliance, instilling confidence in the organization's service delivery processes.

In summary, board diversity, CEO attributes, and effective audit committees contribute to improved corporate service delivery by promoting customer focus, strategic decision-making, accountability, and risk management. Organizations that prioritize and embrace these factors are better positioned to meet customer expectations and deliver exceptional services.

## 5.4 Recommendations

### 5.4.1 Recommendations on policy and practice

The study recommends that to improve the level of discussions and strategy execution, boards of management should be relatively inclusive and varied in terms of age, gender, and qualification. The diversity in terms of age, gender and qualifications will enable the convergence of diverse ideas, broad view of matters and divergent

philosophies in the board meetings. Additionally, having a diverse board of directors can aid businesses in building up their reputations as trustworthy, aware companies that understand their communities. The one-third (1/3) gender rule established by parliament should be implemented. Gender diversity on boards have a significant impact on how well a company performs (Adams & Ferreira 2019).

On the CEO position, the board ought to consider the CEO's primary duties, which include formulating and carrying out the company's strategy, allocating resources, and assembling and managing the executive team. CEOs must have attributes such as exceptional leadership abilities and good communication skills. Further, an organization's audit committee's role is to oversee the financial reporting and the audit processes, and provide oversight over the the internal control system of the organization, and legal and regulatory compliance. Thus, the county regulatory bodies should ensure that all public institutions are subjected to competitive audit committee to protect the interest of the government and its people.

### 5.4.2 Recommendations for Further Research

This study's findings lead to the following recommendations: First, as water management must be efficient for the public to get services, comparative research may be carried out across all of the nation's water companies to compare the findings on MUWASCO to the other companies. Research on corporate governance and service delivery can also be conducted on other public sector service providers.

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# APPENDICES

**Appendix 1: Research Questionnaire**

Dear Respondent,

The attached questionnaire is designed to assist the undersigned student in assessing the effects of corporate governance practices on service delivery in water and sewerage companies in Kenya. Due to its outstanding performance in the country's water sector, MUWASCO has been selected for a case study.

This research is a requirement for the Master's degree in public administration at the Murang'a University of Technology. The questionnaire and the subsequent responses will be handled confidentially and used only for the study. Please do not write your name on the questionnaire.

Yours sincerely

Yvonne Njoki Ndirangu

BE331/ 5369/2016.

## SECTION I: PERSONAL INFORMATION

This section has personal information to be shared with the researcher. Kindly tick as appropriate

| **1.** Gender | Response |
|---|---|
| Male | |
| Female | |
| **2.** Age | Response |
| 18-25 | |
| 26-33 | |
| 34-41 | |
| 42-49 | |
| 50 and above | |

| **3.** Educational Qualification | Response |
|---|---|
| Certificate | |
| Diploma | |
| Degree | |
| Post Graduate | |
| **4.** Relationship with MUWASCO **(please tick where appropriate)** | Response |
| Board Member | |
| Staff | |
| Customers | |
| **If Staff, Please Specify** | |
| Senior Management | |
| Middle Level Management | |
| Supervisors | |
| Other Staff | |
| **5.** Length of Service | Response |
| 0-2 | |
| 2-5 | |
| 5-10 | |
| 10 and above | |

## SECTION II: BOARD DIVERSITY AND SERVICE DELIVERY

Please check or circle the following answers to show how much you agree or disagree with the following statements on board diversity in your organization:

## TO BE FILLED BY THE BOARD, STAFF, AND MANAGEMENT OF MUWASCO

=Strongly disagree (SD) 2=Disagree (D) 3=Neural (N) 4=Agree (A) 5= Strongly Agree (SA)

| | | SD | D | N | A | SA |
|---|---|---|---|---|---|---|
| NO | STATEMENT | 1 | 2 | 3 | 4 | 5 |
| 1. | The Government considers diversity as key requirement when constituting the board of management in MUWASCO | | | | | |
| 2. | MUWASCO has at least two female directors | | | | | |
| 3. | The composition of MUWASCO board of management includes people of all ages | | | | | |
| 4. | The minimum level of education of board members is a Bachelor's Degree. | | | | | |
| 5. | The professional qualification of board members in your organization is not limited to your sector. | | | | | |
| 6. | Board diversity has an effect on the overall performance of MUWASCO. | | | | | |

**SECTION III: ATTRIBUTES OF CHIEF EXECUTIVE OFFICER (CEO) AND SERVICE DELIVERY**

Put a check or a circle next to the following options to indicate how much you agree or disagree with the following CEO characteristics at your company:

**TO BE FILLED BY THE BOARD, STAFF, AND MANAGEMENT OF MUWASCO**

1=Strongly disagree (SD) 2=Disagree (D) 3=Neural (N) 4=Agree (A) 5= Strongly Agree (SA)

| TENURE AND JOB EXPERIENCE | | SD | D | N | A | SA |
|---|---|---|---|---|---|---|
| NO | STATEMENT | 1 | 2 | 3 | 4 | 5 |
| 1. | Hiring of the CEO in MUWASCO is based on a competitive process and open as expected in the Civil Service | | | | | |
| 2. | The tenure of the CEO in MUWASCO is three years which is renewable | | | | | |
| 3. | The CEO's tenure can only be extended based on performance | | | | | |
| 4. | The minimum qualification for a CEO or is a master's degree or higher. | | | | | |
| 5. | Job experience of the CEO is an important factor in the organizational performance | | | | | |
| 6. | Tenure, educational qualification and experience determine the performance of the CEO. | | | | | |

## SECTION IV: AUDIT COMMITTEE AND SERVICE DELIVERY

Please check or circle the items to indicate your level of agreement or disagreement with the comments made regarding the audit committee's impact on performance in your business in the highlighted areas:

**TO BE FILLED BY THE BOARD, STAFF, AND MANAGEMENT OF MUWASCO**

1= Strongly disagree (SD) 2=Disagree (D) 3=Neural (N) 4=Agree (A) 5= Strongly Agree (SA)

| INDEPENDENCE AND FREQUENCY OF MEETINGS | | SD | D | N A | SA | |
|---|---|---|---|---|---|---|
| NO | STATEMENT | 1 | 2 | 3 | 4 | 5 |
| 1. | There is an audit committee or its equivalent in MUWASCO. | | | | | |
| 2. | Inside directors form the majority of the audit committee membership in MUWASCO. | | | | | |
| 3. | Audit committee makes use of external auditors to perform their oversight role in MUWASCO | | | | | |
| 4. | The audit committee is not influenced by any other person when they give their opinion | | | | | |
| 5. | The audit committee meets as scheduled in the public sector guidelines to enhance maximum oversight role | | | | | |
| 6. | Independence, qualification and the frequency of meetings by the audit committee determines the performance of MUWASCO | | | | | |

## Appendix 2: Focus Group Discussion with Management

**Probe Questions:**

1. How familiar are you with the effects of board diversity on service delivery?
2. How do the CEO attributes affect service delivery in your company?
3. What parameters of the audit committee affect a company's service delivery?

**Follow-Up Questions:**

1. What aspects of board diversity does your company adhere to?
2. What aspects of the CEO attributes greatly contribute to optimal service delivery?
3. What influences whether the board diversity aspects are followed when constituting the board?
4. If we were to devise the working environment of the audit committee, what aspects would you consider the most?

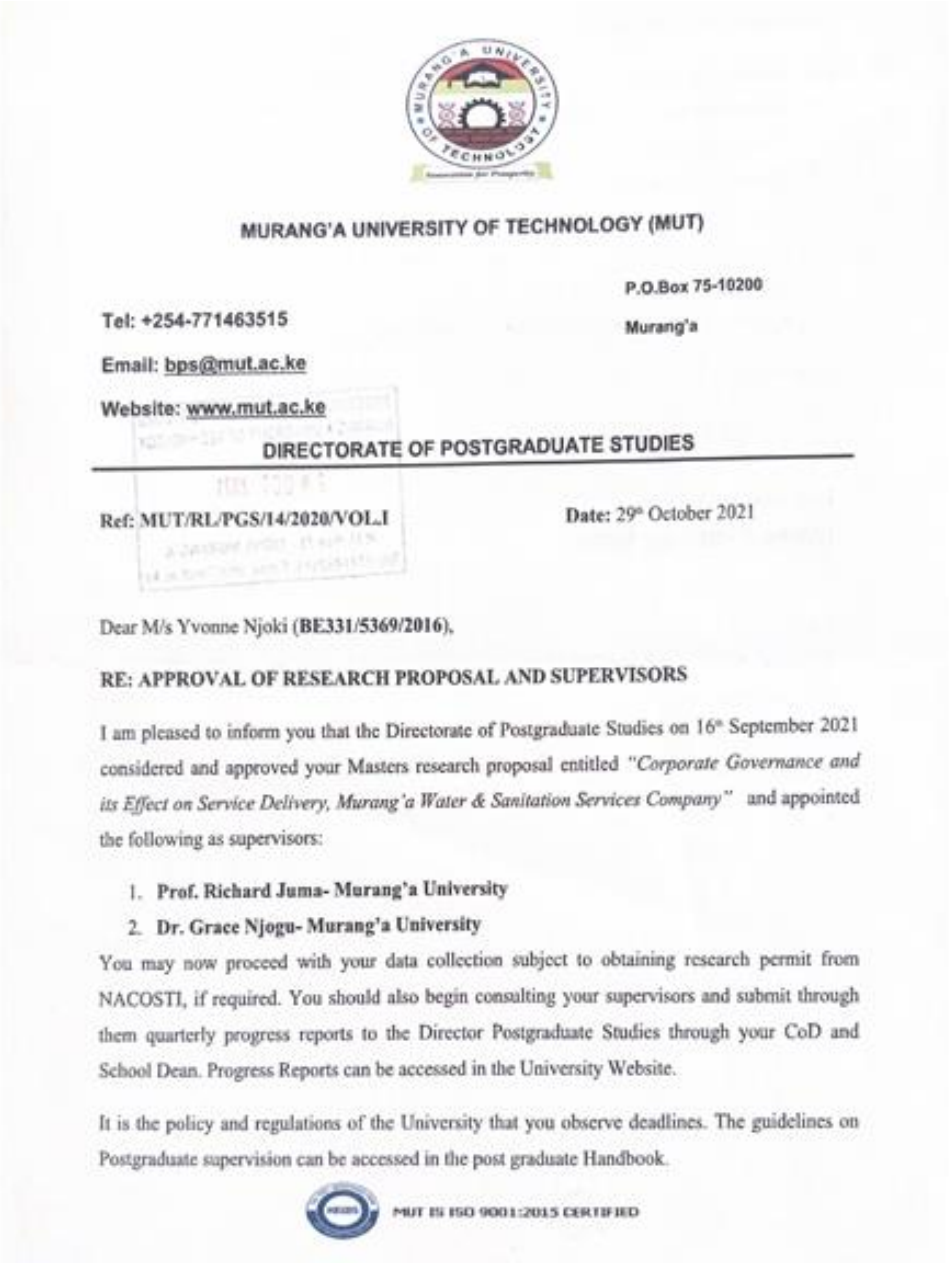
**Exit Question:**

1. Is there anything else you'd like to say about factors that influence service delivery in your company?

**Appendix 3: Focus Group Discussion with Customers**

1. How satisfied are you with the quality of water and sanitation services provided by MUWASCO?
2. Can you share any positive experiences you have had with MUWASCO's services?
3. What are the main challenges or concerns you face regarding water and sanitation services in your area?
4. How would you rate the responsiveness of MUWASCO to customer complaints or service requests?
5. In your opinion, how transparent is MUWASCO in its communication and decision-making process related to service delivery?
6. Have you noticed any improvements or changes in MUWASCO's services over time? If yes, what do you attribute these changes to?
7. What suggestions do you have for MUWASCO to enhance its water and sanitation services and better meet customer needs?

**Appendix 4: Research Authorization from the Directorate of Postgraduate Studies**



MURANG'A UNIVERSITY OF TECHNOLOGY (MUT)

P.O.Box 75-10200
Murang'a

Tel: +254-771463515

Email: bps@mut.ac.ke

Website: www.mut.ac.ke

DIRECTORATE OF POSTGRADUATE STUDIES

Ref: MUT/RL/PGS/14/2020/VOL.I

Date: 29th October 2021

Dear M/s Yvonne Njoki (**BE331/5369/2016**),

**RE: APPROVAL OF RESEARCH PROPOSAL AND SUPERVISORS**

I am pleased to inform you that the Directorate of Postgraduate Studies on 16th September 2021 considered and approved your Masters research proposal entitled *"Corporate Governance and its Effect on Service Delivery, Murang'a Water & Sanitation Services Company"* and appointed the following as supervisors:

1. **Prof. Richard Juma- Murang'a University**
2. **Dr. Grace Njogu- Murang'a University**

You may now proceed with your data collection subject to obtaining research permit from NACOSTI, if required. You should also begin consulting your supervisors and submit through them quarterly progress reports to the Director Postgraduate Studies through your CoD and School Dean. Progress Reports can be accessed in the University Website.

It is the policy and regulations of the University that you observe deadlines. The guidelines on Postgraduate supervision can be accessed in the post graduate Handbook.

MUT IS ISO 9001:2015 CERTIFIED

Your responsibilities as a student will include, among others;

I. Maintain regular consultation with your supervisor(s), at least once a month
II. Submit quarterly reports on time, through your supervisors, CoD, Dean and to the Director of Postgraduate Studies;
III. Ensure quality work all through;
IV. Present your research findings at 2- 3 seminars/conferences prior to thesis examination.
V. Publish one article from your research findings in a refereed journal prior to thesis examination

For any further clarification, please contact the undersigned.

Yours Sincerely,

**Prof. Geoffrey Muchiri**
**Director, Postgraduate Studies**

DIRECTORATE OF POSTGRADUATE STUDIES
MURANG'A UNIVERSITY OF TECHNOLOGY
29 OCT 2021
P.O. Box 75 - 10200, MURANG'A
Tel: 0771163515, Email: info@mut.ac.ke

Cc
Registrar (ASA)
Dean (SEHS)

## Appendix 5: NACOSTI research permit approval

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION

Ref No: **571995**

Date of Issue: **20/November/2021**

**RESEARCH LICENSE**



**This is to Certify that Ms.. Yvonne Ndirangu Njoki of Murang'a University of Technology, has been licensed to conduct research in Muranga on the topic: A STUDY OF THE EFFECTS OF CORPORATE GOVERNANCE ON SERVICE DELIVERY; MURANG'A WATER AND SANITATION SERVICES COMPANY for the period ending : 20/November/2022.**

License No: **NACOSTI/P/21/14475**

**571995**

Applicant Identification Number

Director General
NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION

Verification QR Code

NOTE: This is a computer generated License. To verify the authenticity of this document, Scan the QR Code using QR scanner application.

## Appendix 6: Publication

The following paper has been published from this thesis:

Ndirangu, Y.N., Juma, R., & Njogu, W.G. (2023). Effects of Audit Committee Practices on Service Delivery in Water and Sewerage Companies in Kenya. European Modern Studies Journal, Vol. 7 No. 3.