CORPORATE GOVERNANCE AND PERFORMANCE OF FINANCIAL INSTITUTIONS IN KENYA

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ABSTRACT

Good corporate governance has been argued to be a key determinant of organizations performance. This study sought to determine the influence of corporate governance on the performance of financial institutions in Kenya. Using a structured questionnaire, data were obtained from 108 financial institutions comprising banks, insurance companies, Savings and Credit Cooperative Societies (SACCOs) and Micro-Finance Institutions (MFIs). Data was analyzed using regression analysis; the results indicate that corporate governance has a statistically significant influence on the performance of financial institutions. Board skills and board committees were found to be important predictors of the firms' performance. However, whereas board skills had a positive influence, board committees were found to have a negative influence on performance. Consequently, implications to theory, policy and managerial practice especially on board member's appointment and attributes to be considered. The study concludes that possession of requisite skills is one of the most important considerations in the appointment of board members.

Keywords: Corporate Governance, Organizational Performance, Financial Institutions.

INTRODUCTION

Over the last few decades, the business environment has evolved, registering innumerable developments. These key developments include how organizations are directed and controlled, the ownership and financing structure, aligning organization's strategies with environmental forces and stakeholder's engagement (Shleifer & Vishny, 1997; Dewji & Miller, 2013; Capital Markets Authority (CMA), 2015). Despite these advancements, organizations are still faced with challenges such as the separation of ownership and control (Jensen & Meckling, 1976; Shapiro, 2005). This separation leads to emergence of governance issues where the three main corporation's stakeholders interplay. These are shareholders, directors and management, creating the structure of corporate governance. Thus, corporate governance is a key driving force in a firm's performance. Corporate governance has been perceived from various dimensions. Dewji & Miller (2013) classified corporate governance components into internal and external aspects. Internal factors are under firm's control and include board composition, management remuneration structure, ownership concentration and debt level, while external components include market for corporate control, labor market and the regulatory framework. Other dimensions of corporate governance studied include board committees, skills and diversity (Narwal & Jindal, 2015; Van Ness et al., 2010).

The emergence of corporate scandals, stronger demand for accountability, transparency and performance in the global arena has placed corporate governance at the center of strategic management debate (Van der Walt et al., 2006). However, despite the role played by corporate governance in influencing firm performance, inconclusive empirical support has been recorded. This has led to immense interest for research both from scholars and practitioners (Shleifer & Vishny, 1997). However, the research findings have been diverse and inconsistent. According to Organization for Economic Cooperation and Development (OECD) (2004) corporate governance provides the structure through which objectives of a company are set and means for attaining those objectives, leading to higher performance. Similar accolades have been recorded by scholars, associating adoption of good governance to enhanced performance (Brown & Caylor 2004; Grove, Patelli, Victoravich & Xu, 2011). On the contrary, corporate governance has been linked with negative firm performance. For instance, Adams & Mehran (2011) reported no connection between corporate governance and corporation's performance. Further, Narwal & Jindal (2015) found corporate governance to have no significant influence on organizational performance. These inconsistencies have created greater impetus to further interrogate how these two variables interrelate.

Corporate governance is manifested through various dimensions. These include code of corporate governance, board independence, skills, size, committees experience and board diversity (Dewji & Miller, 2013; Narwal & Jindal, 2015). Whereas these components have been viewed as important in determining firm's level of adoption of corporate governance, minimal empirical support has been recorded. Besides, divergent findings have been recorded on how each of these dimensions contributes to firm performance (Letting et al., 2012; Adams & Mehran, 2011; Kiel & Nicholson, 2003). It is against this backdrop that this study sought to address the missing links on how these variables interact. The study sought to establish the influence of corporate governance on performance in Kenya's financial institutions as well as determine the independent influence of the various dimensions of corporate governance on performance of the institutions. The corporate governance dimensions that were considered in the study include code of corporate governance, board skills, independence, committees, board size and board diversity.

LITERATURE REVIEW

Our study was guided by the postulations of agency theory and stakeholder theory. Agency theory posits that organizations exist to maximize shareholders' wealth (Jensen & Meckling, 1976; Shapiro, 2005). Further, the theory supposes that agents are self-interested and acts for their own benefits at the expense of the principals (Adams, 2002). Thus, without governance control, managers are more likely to deviate from the interests of shareholders causing agency conflicts (Fama & Jensen, 1983). Agency theory contends that the main concern of corporations is how to write contracts in which agent's performance is measured and incentivized to act in the principal's interests (Jensen & Meckling, 1976). This is achieved when governance mechanisms mitigating the conflicts are put in place. Thus, corporate governance is viewed as key in bringing stakeholders interests into congruence, which leads to high performance. Despite the prominence of agency theory, it is criticized for the narrow view that managers are necessarily opportunistic actors and the stakeholders' interests are in conflict. To address the weaknesses of agency theory, stakeholders' theory is also adopted to compliment it by providing an alternative lens. Stakeholder theory postulates that successful organizations are judged by the ability to add value for all stakeholders (Donaldson & Preston, 1995; Freeman, 1984). In addition, firms that diligently seek to serve the interests of a broad group of stakeholders create more value overtime leading to high performance (Freeman, 1984; Harrison & Wicks, 2013).

Corporate governance is viewed as the system by which organizations are managed, objectives are set and achieved, risk is monitored and assessed and performance is optimized (Hamilton, 2003). As such, corporate governance is accomplished through established structures and practices. Structures identify distribution of rights and responsibilities among various corporate stakeholders. While governance practices involve board operations such as appointment, functioning, compensation and conflicts management (Aguilera & Jackson, 2003; Dewji & Miller, 2013; CMA, 2015). OECD (2004) recognizes best corporate governance practices to include formalizing governance policies, codes and guidelines, functioning of board of directors and relations with management, strengthening of shareholder rights, improving the control environment, transparency, disclosure and sustainability.

Numerous researchers concur that good corporate governance leads to high organizational performance (OECD, 2004; Amaoko & Goh, 2015; Castro, Aguilera & Arino, 2013; Letting, 2011). Brown & Caylor (2004) in their study established a positive relationship between corporate governance and firm performance. Grove et al. (2011) found a strong linkage between corporate governance and financial performance. Further, Letting (2011) observed adoption of corporate governance to significantly influence the level of firm's financial performance. Moreover, Schiehll et al. (2014) argue that the interplay between firm and country level governance mechanisms enriches understanding of comparative corporate governance across and within national systems. However, the positive link between corporate governance and firm performance has been challenged by other studies (Adams & Mehran, 2011; Cuervo-Cazurra & Aguilera, 2004). Further, other studies reported corporate governance to negatively affect performance in organizations (Narwal & Jindal, 2015). Furthermore, mixed findings have been reported on corporate governance and performance. Nippani et al. (2008) found board composition and bank size to significantly influence performance. However, audit committees, anti-takeover defense and executive compensation were found to have no association with firm performance.

To analyze corporate governance further, various dimensions have been interrogated to establish their independent influence to performance in firms. However, inconsistent and inconclusive empirical findings have been recorded. Board diversity was found to have no effect on organization's financial performance, with exception on board member's technical expertise (Letting et al., 2012). On the same vein, Bathula (2008) found board members level of education to be negatively related to firm performance. Further, the debate on board size attracted mixed reactions with contradictory empirical evidences linking it to performance. On the one hand, large board sizes were found to impact performance negatively (Nyamongo & Temesgen, 2013; Manini & Abdillahi, 2015). On the contrary, researchers contend that larger boards are beneficial and enhance resource accessibility to a firm (Daily et al., 2003). Yet, minimal empirical evidence has been recorded in support of this argument.

Board committees make recommendations to the board on various technical issues. While the committees have significant roles in board performance, studies report mixed findings on how they impact performance. Fratini & Tettamanzi (2015) found board committees to have no connection to firm performance. On the contrary, Carter, D'Souza, Simkins & Simpson (2007) observed audit, executive, remuneration and nomination committees to be positively associated with firm performance. For the effective execution of board roles, the independence of board members is key. Nevertheless, literature is dotted with inconclusive results. While Letting (2011) found a positive relationship between board independence and firm's financial performance, Horváth & Spirollari (2012) established that independence of board was an impediment to firm's high performance due to the associated low risk appetite.

Unlike other corporate governance components that recorded inconsistent empirical findings, there exists a wider consensus on the influence of board skills and expertise on firm performance. Van Ness et al. (2010) observed board expertise to influence performance positively. Similarly, Letting et al. (2012) who found a positive relationship between board study specialization and performance. From the ensuing debate on the interaction between corporate governance and firm performance and the contribution of the various corporate governance dimensions to firm performance, it emerges that the debate on how corporate governance influences organizational performance is inconclusive. It is thus imperative to interrogate the relationship further. To achieve this, the following hypothesis was formulated and tested.

Corporate governance significantly influences performance of financial institutions in Kenya.

METHODOLOGY

Cross-sectional survey design was used to carry out the study. The population of the study was financial institutions in Kenya comprising of banks, insurance companies, micro finance institutions and deposit taking SACCOs. The institutions operate under strict regulatory framework by government agencies in Kenya. These institutions have adopted corporate governance mechanisms making them suitable for the study. From the population of 271 financial institutions, a sample of 162 was determined using Israel (1992) formula. The sample included 40 banks, 12 microfinance institutions, 55 insurance companies and 55 deposit taking SACCOs.

The data for the study was collected using a semi-structured questionnaire. The questionnaire was developed along the manifestations of the study variables using existing literature and prevailing reputable corporate governance charters (OECD, 2004; CMA, 2015). The questionnaire was structured into six sections, each depicting manifestation of the various corporate governance dimensions. These dimensions include; code of corporate governance, board diversity, board independence, board skills and expertise, board size and board committees. Board diversity was further operationalized into dissimilarity in board members age, educational background, experience, technical expertise and gender. Several questions were formulated in each section to indicate the extent to which each of these dimensions was adopted by the firms. The questionnaire was administered to one top executive of each sampled institution. These top executives included the Chief Executive Officers (CEO), the company secretary or other senior officers playing similar roles.

A five-point Likert scale, ratio and Blau's index were used to measure the variables espousal in the firms. Code of corporate governance, board skills and independence were measured using Likert scale while components measuring board diversity were converted into Blau's Index. Further, board size and committees were largely measured using ratio scales. Robustness of the model was tested using F-statistics. Higher values of F statistics indicated more robust model while low values depict weak models predicting the variables interactions. F values of 4.684 indicate that the model predicting the influence of corporate governance to performance of financial institutions was robust. The validity of data was tested using exploratory factor analysis. The results obtained confirmed construct and face validity. Test of reliability using Cronbach's alpha indicated satisfactory results. Data analysis was done using simple regression. The composite score of each of the corporate governance dimensions were regressed on the composite score of organizational performance along the relevant perspectives. The results and findings of the study are presented and discussed in the subsequent sections.

FINDINGS

Out of 162 financial institutions that were sampled and issued with the questionnaire, 108 responded with analyzable data. The study sought to determine the influence of corporate governance on performance of Kenya's financial institutions. Results are presented in Table 1.

Table 1
CORPORATE GOVERNANCE AND ORGANIZATIONAL PERFORMANCE

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.549	0.302	0.237	2.26816

ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	144.582	6	24.097	4.684	0.001[b]
	Residual	334.397	65	5.145		
	Total	478.978	71			

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	15.52	4.651		3.337	0.001
	Code of corporate governance	-0.111	0.171	-0.094	-0.648	0.519
	Board skills	0.405	0.122	0.414	3.308	0.002
	Board independence	0.138	0.142	0.138	0.97	0.335
	Board committee	-4.418	1.785	-0.276	-2.475	0.016
	Size of the board	0.096	0.102	0.099	0.933	0.354
	Board Diversity	-0.136	0.627	-0.023	-0.217	0.829

a. Dependent Variable: Organizational Performance (DV).
b. Predictors: (Constant), Board Diversity, code of corporate governance, Size of the board, board committee, Board skills, Board independence.

The results show that corporate governance as a composite explains 30.2 percent of the variation in organizational performance. This is demonstrated by the R square value of 0.302 (R_2=0.302) in the model summary. The results also show that the regression model fitting the relationship between corporate governance and organizational performance was strong with F statistics value of 4.684 and $p<0.05$, hence a demonstration that the influence of corporate governance on the performance of financial institutions in Kenya was statistically significant. Thus, the composite index of corporate governance was found to significantly influence performance of financial institutions. The results, therefore, support the formulated hypothesis.

Further, independent contribution of the six dimensions of corporate governance was presented in the coefficients section of Table 1. Code of corporate governance was the first component to be examined for individual contribution to firm performance. The results indicate that its influence on the performance of the financial institutions was not statistically significant ($p>0.05$). Further, the t-value of -0.648 and beta coefficient of -0.094 indicate that code of corporate governance has a marginal negative effect on organizational performance. Thus, code of corporate governance was found to have no significant effect on organizational performance.

We also examined the influence of board skill to performance of respondent firms. Results in Table 1 indicate that board skills are important in determining performance of financial institutions in Kenya. The p values of $p<0.05$ and t values of $t=3.308$ shows that the variable was statistically significant. Further, the beta coefficient (β) of 0.414 indicates that for every one percent change in board skill, organizational performance increased by 0.414 percent. The results also revealed that board skills had the highest individual contribution to firm performance among all the six components.

The dimension on board independence was found to be statistically not significant in predicting firm performance. This is depicted by p value of 0.335 ($p<0.05$) and t-value of 0.97. The fourth dimension of corporate governance was board committees. Results found board committees statistically significant determinant of firm performance with p value $p<0.05$. However, the influence was strong though on the negative as indicated by t values of $t=-2.475$. Further, a beta coefficient of -0.276 imply that for every 1 percent variation in board committees, organizational performance reduces by 0.276. Board committees were therefore found to have a significant inverse relationship to performance.

Board size was also assessed to determine if it had substantial contribution to firm performance. Results in Table 1 indicate that board size had very minimal influence on performance of financial institutions as depicted by standardized beta coefficient of 0.099. This indicates that for every one percent variation in board size, organizational performance increases by 0.099 percent. The relationship was also found to be statistically not significant as depicted p value $p>0.05$. This is also confirmed by t-value of 0.933.

Finally, the influence of board diversity to organizational performance was examined. To achieve this, the various perspectives of board members' diversity in age, educational level, experience, technical expertise and gender were examined. Respondents' data that was largely nominal was converted into Likert scale type using Blau's index. The results are presented in Table 1. The findings reveal that board diversity has no association with firm performance. The high p values $p>0.829$ indicate that the model predicting the relationship was statistically not significant. This was further confirmed by t values of -0.217.

The culmination of results in Table 1 is summarized in the empirical model as follows:

$$OP=15.52+0.414\ X_1-0.276\ X_2+2.26816$$

Where: OP=Organizational Performance
X_1=Board Skills
X_2=Board Committees

DISCUSSION

The research was aimed at establishing the influence of corporate governance on performance of financial institutions in Kenya. The findings indicate that corporate governance significantly positively influences firm performance. The results were in line with previous studies (Shleifer & Vishny, 1997; Brown & Caylor, 2004; Nippani et al., 2008; Grove et al., 2011; Letting, 2011; Schiehll et al., 2014). Conversely, some strands of literature found corporate governance to have on linkage in firm's performance. Narwal & Jindal (2015) observed various corporate governance perspectives to have no significant influence on organizational performance. On the same Vein, Adams & Mehran (2011) study reported no connection between corporate governance and corporations' performance.

Despite the divergent findings, majority of the studies suggest that corporate governance is a good predictor of firm performance. Thus, firms with strong governance mechanisms are likely to perform better than those with weaker governance structures. The results imply that good governance brings about improved management and control of resources in organizations, thereby improving performance. Optimal deployment of resources can yield superior performance by not only matching external environment, but also putting internal governance structures that minimizes wastes while focusing on key performance areas.

Drawing from agency and stakeholders' theories, the current study evaluated various components of corporate governance and their independent effect to organizational performance. These include code of corporate governance, board skills, board independence, committees and size and board diversity. The results indicate mixed findings on the aforementioned components and their independent influence to organizational performance. Corporate governance components such as board skills and board committees were found to have strong influence on organizational performance. However, while board skills were found to have a positive effect on firm performance, board committees were found to be of negative influence to performance of financial institutions. On the contrary, the study found code of corporate governance, board independence, board size and diversity to have no statistically significant influence on organizational performance.

Code of corporate governance was evaluated to assess its effect on organizational performance. Corporate governance codes are the laid down policies and procedures that guides corporations on acceptable governance practices to be adopted. Cadbury (1992) viewed code of corporate governance as a system through which organizations are directed and controlled, where board is responsible for governance, setting strategies and offering leadership. The current study sought to establish the extent to which financial institutions had developed and adopted governance codes to guide various key corporate issues. The effect of these codes on the performance of financial institutions was established.

The results revealed a statistically not significant effect of code of corporate governance on organizational performance. This was in support of prior studies. Cuervo-Cazurra & Aguilera (2004) found codes of corporate governance as ineffective in predicting organizational performance. However, this was inconsistent with Filatotchev & Boyd (2009) who found that codes of corporate governance, when adopted, improved governance standards and performance. However, the researchers were opposed to the one-size-fits-all codes. This suggests that various organization-specific considerations need to be factored when corporations are formulating governance codes. These considerations are both in the firms internal and external environment.

Further, the study examined variation in organizational performance, attributable to board skills. Various skill-sets that were tested recorded positive influence on organizational performance. This supported an earlier study by Letting et al. (2012) who found a positive relationship between board study specialization and performance. Similarly, Van Ness et al. (2010) observed board skills and expertise to influence performance positively. Unlike other corporate governance dimensions that have reported inconsistent empirical findings on organizational performance, board skills have consistent findings reporting positive influence to performance. It can therefore be deduced that board skills and expertise relating to organizations performance are important to the extent that they enable board members execute their roles with the required competences. Skilled board members keep abreast with environmental forces affecting the corporations. As such they align corporate strategies to the environmental changes for optimal performance.

The study also sought to establish the influence of board independence on organizational performance. The results revealed board independence to be of no significant influence on performance of financial institutions in Kenya. The results were consistent with other studies that found board independence to have no linkage to firm's level of performance. Narwal & Jindal (2015) recorded no relationship between board independence and firm performance. Similarly, Horváth & Spirollari (2012) found independent directors as an impediment to firm's high performance due to their associated low risk appetite. Further Kiel & Nicholson (2003) found a higher proportion of inside directors positively associated with organizational performance.

On the contrary Van Ness et al. (2010) found board independence a key determinant of organizations performance. It is also argued that independence of the board enhances objectivity and provides multiple perspectives for the firm's decision making and ultimately improves its performance (Dewji & Miller). The findings were also inconsistent with Letting (2011) who observed board independence to influence financial performance positively.

The findings of this study suggest that although Kenya's financial institutions have embraced independent boards; this independence is not directly linked to firm's performance. Board independence is largely manifested by having a higher proportion of outside (non-executive) board members than insider (executive) directors. Non-executive directors are viewed to be more independent as they are not compelled by CEO or board chairman's sway. In addition, adoption of board independence has been associated with more effective monitoring of management, financial reporting and better credit management leading to higher shareholder returns (Van Ness et al., 2010). It therefore emerges that although mixed empirical findings have been recorded, board independence and objectivity of organizational leaders charged with the responsibility of spearheading its strategic direction is key for organizational survival.

Another key component of corporate governance is board committees. Board committees are sub-sets of board of directors, mandated to execute specific functions, programs and projects as assigned by the board. Board charters identify some of the key board committees as important in covering various board functions. These are finance, investment, audit and risk, nomination, remuneration and governance. In the current study board committees in Kenya's financial institutions were found to influence on organizational performance negatively. This was consistent with Narwal & Jindal (2015) who observed negative association between board committees and organizations profitability. On the contrary, Brown & Caylor (2004) found board committees to be key indicators of good governance, associated with high performance. On the same vein, Carter et al. (2007) reported audit, executive, remuneration and nomination committees positively associated with firm value. Besides, Grove et al. (2011) found a weak relationship between board committees and firm performance. Besides, results from Fratini & Tettamanzi (2015) study indicate that board committees had no connection with firm performance. The ensuing debate from previous studies and the findings of this study suggest that the contribution of board committees to firm performance is not direct. Board committees' role in organizations is to recommend decisions to the board. Thus, the effect of those decisions on firm performance is dependent on whether the board sanctions them.

Board size, that is, number of board members in an organization has received enormous attention from both management scholars and practitioners. It is argued that larger boards constitute diverse knowledge and experience to spur higher performance (Dewji & Miller, 2013). However, mixed empirical results have been recorded on the influence of board size to firm performance. On one hand, researchers contend that larger boards are beneficial and will enhance resources accessibility to a firm (Daily et al., 2003). Yet, minimal empirical evidence has been recorded in support of this argument. The current study found board size to be of no significant influence on organizational performance. This was in line with other studies like Narwal & Jindal (2015) who found no relationship between board size and firm performance. Moreover, (Nyamongo & Temesgen, 2013; Manini & Abdillahi, 2015) found large board sizes to impact performance negatively. Therefore, the linkage between board size and its influence to firm performance is still inconclusive. Some studies have found smaller boards to be more unified hence easier to reach consensus in decision making. However, small boards are prone to dominance by the CEO and/or board chairman (Van Ness, Miesing & Kang, 2010). Larger boards, on the other hand, are perceived to benefit organizations by providing diverse perspectives on organizational matters and can distribute work to the various board members and committees. However, they are regarded as difficult in consenting hence lengthy corporate decision making process (Van Ness, Miesing & Kang, 2010). Thus, the culmination on the debate between board size and firm's performance imply that either extreme of large or small board sizes are not ideal. As such, organizations need to establish board sizes that are neither too big nor too small to enjoy the advantages of each and optimize firm value.

The study also sought to determine firm performance variation attributable to diversity in boards. To achieve this, board member's attributes were categorized into the various diverse parameters. These are diversity in age, educational level, board experience, technical expertise and gender. They were considered important aspects in determining firm performances. However, the study found them not statistically significant in determining the level of organizations performance. Diversity in board members level of education was assessed to determine its contribution in influencing organizational performance. Having board members with high levels of education is viewed as an important ingredient and a key resource for propelling organizations to higher performance. Studies have recorded diverse findings on the important of education level of organizational leaders and its influence to performance. Bathula (2008) found board level of education to be negatively related to firm performance. Similarly, in the current study, as demonstrated by the diversity score, board member's educational level was not a significant determinant of performance. On the contrary, Darmadi (2013) reported education level of board members as paramount to organizational performance. Likewise, Simons & Pelled (1999) found education-level diversity among organizational leaders as significantly positively related to firm performance. These inconsistent findings suggest that having board members with high education level is an important ingredient for optimal firm value. However, its utilization for organization's benefit is dependent on other factors such as provision of an environment where board members' academic exploits informs firms strategic direction.

Board members gender was also assessed to establish the level of diversity in representation of both male and female members in the boards. The results found no linkage between board members gender diversity and organizational performance. This was consistent with Cater et al. (2010) who observed no significant relationship between board gender and firm performances. On the same vein, Manini & Abdillahi (2015) observed gender diversity to have no association with performance. Further, Van Ness et al. (2010) found no connection between the gender of board members and firm performance. This was however, a departure from the numerous studies that reported a significant association between board gender and organizational performance. Rovers (2011) found boards with women directors to perform better than the male-only boards. On the same vein, board gender diversity was reported to be positively related to firm performance (Bathula, 2008; Erhardt, Werbel & Shrader, 2003). Furthermore, inclusion of women in boards was found to be associated with higher performance (Van der Walt et al., 2006). Moreover, Vo & Phan (2013) found the presence of female board members to influence performance positively. In addition to financial benefits, studies suggest that women board members are associated with stronger satisfaction of organizational commitments (Siciliano, 1996). Also, a social balance in governance oversight (Erhardt et al., 2003). The divergent results suggest that having both gender representations in boards may not be sufficient, but devising mechanisms of tapping into the strengths of each gender and translating them into value for organizations.

Another key diversity indicator in boards was variation in board members ages. The overall score for diversity however did not show this as an important performance indicator. This was in line with Van Ness et al. (2010) who found no association between board members age and firm performance. On the contrary, Francis, Hasan & Wu (2012) reported a positive relationship between board members age and performance. Similarly, (Horvath & Spirollari, 2012; Marimuthu, 2008) found age of board members a significant determinant of firm value. Younger board members are associated with a higher risk appetite, are more ICT savvy and innovative. Further, their greater respectability to change enhances their capacity to execute oversight role. Older members, on the flip side, are regarded as more independent, more experienced and experts in their fields. Moreover, they are associated with greater networks and linkages for firm's resources, hence higher performances. The findings of the current study imply that no particular age group is ideal for organizations boards but a mix of all ages. Other important considerations entail how each board member contributes towards corporation's high performance.

Further, diversity in board members experience was also an important aspect examined by the study. The length of time board member served in boards is expected to enhance their learning and understanding of the business environment and hence more informed contributions towards running of the firm. However, board members experience was found not important in influencing high performance. This was in line with Livnat, Smith, Suslava & Tarlie (2016) who found long serving board members (beyond 9 years) to be associated with deteriorating technical advice to management. Similarly, Simons & Pelled (1999) argued that experience diversity among board members had a negative impact on the overall organizational performance due to the associated informal communication among top management teams.

On the contrary, divergent findings were reported on board experience and firm performance. Van Ness et al. (2010) found board of directors with high average tenure to be positively related to high performance. Similarly, (Huang, 2013; Vo & Phan, 2013) found a significant relationship between board tenure and firm performance. Further, mixed results were reported by Livnat et al. (2016) that positive relationship between board tenure and performance for the first nine (9) years, after which, negative results were observed. The ensuing debate and results of the current study suggest that organizations may draw value from diversity in board members experience. However, other factors play a role in determining the extent of value obtained. For instance, more experienced boards may become accustomed to the organizations and hence may not bring in fresh ideas required for the firms to gain and sustain competitive advantage. Thus, a mix of new and more experienced board members becomes a requisite, for firms to enhance performance.

CONCLUSION

Overall, the study reveals that adoption of good corporate governance enhances organizations performance. In addition, the study shows that higher performance is achieved when organizations adopts the various corporate governance dimensions together. This is demonstrated by the fact that although inconsistent empirical findings were reported on the influence of the various corporate governance dimensions, being positive, negative or no associations, the composite score of corporate governance was significant in influencing firm's performance. Further, from the various tests of corporate governance dimensions the pertinent results reveal that board skills and board committees are important determinants of firm performance. Drawing from these results, we conclude that possession of requisite skills is an important consideration while appointing board members. Board members without skills may work against performance of the firm. The negative linkage between board committees and firm performance implied that for committees' values to be realized there is need to link their operations and output to the overall board operations.

The study supported the postulations of agency and stakeholders' theories. It further offered invaluable insights to policy makers at institutional and industry levels. To the institutions, the study demonstrated the importance of adopting good governance for enhanced performance. The findings of the study will guide policy makers on important corporate governance dimensions to be included in the governance charters for adoption by all industry players. The study will further guide various industries policy makers on the desirable level of adoption of corporate governance and point to key areas of concern. The findings of this study are critical to practitioners in the financial sector. First, the study accentuates the need for good governance practices in organizations for posterity. In addition, the study has highlighted key considerations to guide in the appointments of board members. The findings also revealed important characteristics of board members that are associated with high performance.

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