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CONTRIBUTION OF LEADERSHIP INDEPENDENCE ON LEADERSHIP PERFORMANCE OF LISTED COMPANIES IN KENYA

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Abstract: *Leadership is a process of social influence in which one person can enlist the aid and support of others in the accomplishment of a common task. Corporate governance has dominated leadership policy agenda in developed market economies for more than a decade and African continent is gradually adopting it on their policy agenda on leadership and governance of their organisations. The Nairobi Securities Exchange (formerly Nairobi Stock Exchange) (NSE) is the principal stock exchange of Kenya. The specific objective of the study was to establish the role of leadership independence on leadership performance of listed companies in Kenya. The target population consisted of the 62 listed companies that had been listed at the NSE in 2015. The study used primary data which was collected using questionnaires. Data was analysed and presented using the Statistical Package for Social Sciences (SPSS). Descriptive and inferential statistics were used to present the results of this study. The study found that listed companies should ensure there is independence among their leaders as this is the only way leaders will give their best. Effective leadership performance practises in companies begin with ensuring there is freedom within their leaders. Listed companies can only exploit their best monitoring strategies effectively if duties of each leader are specified to avoid duplication and interference. Development of written company code of corporate governance is a tool that can guarantee sustainable performance of the listed companies. The leadership of listed companies resources should be tasked to qualified independent professionals in respective disciplines in order for the listed companies to realise the full benefits of corporate governance.*

Keywords: *Boards of Directors, Corporate Governance, Leadership independernce, Leadership performance, Nairobi Securities Exchange.*

1.0 INTRODUCTION

1.1 Background of the study

Ibrahim Index of African Governance (2007) defines governance as the provision of the political, social and economic goods that a citizen has the right to expect from his or her state, and that a state has the responsibility to deliver to its citizens. According to Mensah (2012), governance is referred to mean all processes of governing, whether undertaken by a government, market or network, whether over a family, tribe, formal or informal organization or territory and whether through laws, norms, power or language. He further stated that it relates to the processes of interaction and decision-making among the actors involved in a collective problem that lead to the creation, reinforcement, or reproduction of social norms and institutions. Governance is the dynamic interaction between people, structures, processes and traditions that support the exercise of legitimate authority in provision of sound leadership, direction, oversight, and control of an organization in order to ensure that there is proper accounting for the conduct of its affairs, the use of its resources, and the results of its activities (Coward, 2010).

Corporate Governance is defined as the system by which corporations are directed, controlled and held to account (Solomon, 2013). He further noted its the manner in which the power of or over a corporation is exercised in the stewardship of its total portfolio of assets and resources so as to increase and sustain shareholder value while satisfying the needs and interests of all stakeholders. Wellage (2012) study quoted the Australian Stock Exchange (ASX) Corporate Governance Council (2010) which defines corporate governance as the framework of rules, relationships, systems and processes by which corporations are directed and controlled. He further noted that the UK Corporate Governance Code (2010) which states that levels of remuneration should be sufficient to attract, retain and motivate directors of the quality required to run the company successfully but a company should avoid paying more than necessary for this purpose.

Lashgari (2014) examined the impact of corporate governance measures, such as the leadership independence on information asymmetry promote company performance and found out that corporate governance attributes of board independence affected company trading shares. Further in the book by Wright, Siegel and Keasey (2013) the relationship between corporate governance as measured by discipline, transparency, independence, accountability, responsibilities, fairness, and social awareness affect company performance. Loukill and Yousfi (2012) presented evidence of the effects of corporate governance on information asymmetry information and stock liquidity in the Tunisian Stock Market during the period 1998-2007. They found out that some attributes of corporate governance such as effective board of directors (board independence) improved stock liquidity because reduced insider trading caused due to information asymmetry.

A study by Miring'u and Muoria (2011) indicated that as early as 1970s, many governments in Africa had recognized the fact that public companies were performing poorly. They noted that the poor state companies' performance was associated with labour rigidities in the market increased fiscal and foreign debt and inflation problems. Further they noted that the companies provided poor and unreliable services, failed to meet demand and were lagging behind in technology areas. They concluded that mismanagement, bureaucracy, wastage, pilferage incompetence and irresponsibility by directors and employees are the main problems that have made state companies to fail to achieve their objectives. Although developing countries are increasingly embracing the concept of corporate governance knowing it leads to sustainable economic growth, collapse of their listed companies is on the rise. Some companies including state corporations have folded up partly as a result of corporate governance problems as observed in South Africa by Gossel and Biekpe (2014).

The Nairobi Securities Exchange (formerly Nairobi Stock Exchange) is the principal stock exchange of Kenya. It began in 1954 as an overseas stock exchange while Kenya was still a British colony with permission of the London Stock Exchange. The NSE is a member of the African Stock Exchanges Association. It is Africa's fourth largest securities exchange in terms of trading volumes, and fifth in terms of market capitalization as a percentage of Gross Domestic Product. The Exchange works in cooperation with the Uganda Securities Exchange and the Dar es Salaam Stock Exchange, including the cross listing of various equities. Trading is done through the Electronic Trading System which was commissioned in 2006. A Wide Area Network platform was implemented in 2007 and this eradicated the need for brokers to send their staff (dealers) to the trading floor to conduct business. Trading is now mainly conducted from the brokers' offices through the WAN. In order to provide investors with a comprehensive measure of the performance of the stock market, the Nairobi Stock Exchange introduced the NSE All-Share Index in 2008. In 2009 the Exchange launched its

Complaints Handling Unit in a bid to make it easier for investors and the general public to forward any queries and access prompt feedback (NSE, 2015).

Muka (2012) has written about the relationship between corporate governance and ownership structures of firms listed at the Nairobi Securities Exchange and states that the ownership levels of a company characterized by low ownership levels have an inverse effect on company performance. He noted that since the late 1980s, the Kenyan government adopted economic liberalisation policies with the aim of reducing economic distortions. Solomon (2013) noted that the World Bank and the International Monetary Fund (IMF) had begun imposing tough conditions that touched on governance and better economic management to NSE. Although the policies achieved some benefits, the country is still caught up in macro-economic instability as evidenced by high inflation rates, account deficits and policy uncertainties (Njanja, Ogutu & Pellisier, 2012). Kenya Airways Ltd in Kenya has been noted to win several good corporate governance awards for the last five years but the company continued to perform poorly over the period. The company had its Earnings Per Share operating between (-ve)13.35 and (-ve)2.25 down from 10.45 in 2006 and operating on downward share price trend of Kes. 5.00 down from Kes. 34.50 in 2011 and making losses year after year (NSE, 2015). Kenya listed companies' poor performance state was also witnessed in Euro Bank, Uchumi Supermarkets, Unga Group, National Bank of Kenya, CMC Motors, Eveready (K) Ltd and East Africa Industries among many others (Madiavale, 2011).

1.2 STATEMENT OF THE PROBLEM

A good corporate governance mechanism is assessable from; political stability, accountability, government effectiveness, rule of law, control of corruption and quality of regulation which can only be achieved through sound and effective leadership (Kaufmann, Kraay & Mastruzzi, 2012). Chung, Kim, Park and Sung (2013) examined the relation between transparency related governance attributes and liquidity in the U.S. stock market and found out that corporate governance has a strong positive influence on organisational performance. According to Yang (2012), companies with good corporate governance systems in place have more efficient operations that lead to high company performance.

A study by McConvill (2012) noted numerous cases world over of companies leadership such as Enron, Worldcom, Marconi and Royal Ahold where this relationship contradicted.

Also a study by Iraya, Mwangi and Muchoki (2015) noted cases of non performing listed companies in Kenya that have attracted debates in their form of leadership and shaken both local and foreign investor confidence. Companies such as Kenya Airways Ltd, Eveready (EA) Ltd, Uchumi Supermarkets, Unga Group Ltd, National Bank of Kenya and CMC Holdings Ltd have in the past won several good corporate governance awards but have poor leadership performance indicators (NSE, 2015). Further, a study by Madiavale (2011) noted that although in Kenya listed companies have adopted corporate governance leadership practices, cases of organisations scandals that lead to poor company leadership performance are rampant.

There were literatures on corporate governance on how it contributes to company leadership performance, however, some listed companies in Kenya despite embracing corporate governance have dismal overall leadership performance (NSE, 2015). The problem was that some listed companies in Kenya had poor leadership performance. Even with all the empirical evidence on positive relationships between corporate governance and company leadership performance and the government laid up Corporate Governance structures, some Kenya listed companies continue to operate on losses over the last five years. This affected shareholders, employees, customers, creditors, managers, suppliers, the wider community and the country's economy. The implication was that stakeholder suffered and the investors, prospective and actual shareholders, accordingly lose confidence in the market and withdraw and the country's economy do not grow (Hudson, 2013). Corporate governance although a common phenomenon in Kenya, the level of preparedness of the listed companies' leadership to face up with the identified challenges and potential complexities to ensure that they are managed to the desired performance is a major concern. This study is a step toward understanding the contribution of leadership composition on leadership performance of listed companies in Kenya as the survival of any organisation is dependent upon how it deals with sources of uncertainty or dependency.

1.3 Objective of the Research

The main objective of this study was to ascertain the contribution of corporate governance on leadership performance of listed Companies in Kenya. Specifically, the study pursued to determine the contribution of leadership independence on leadership performance of listed companies in Kenya. The study therefore hypothesized that leadership independence does not have contribution on leadership performance of listed companies in Kenya.

2.0 LITERATURE REVIEW

2.1 Leadership Independence

Empirical studies indicate that the degree of effective monitoring is directly related to the degree of independency of boards (Xiaohui, 2015). Based on this fact independency of boards becomes increasingly important and the number of outside directors plays a significant role in boards' performance (Mensah, 2012). Outside directors have enough incentive to monitor managers because their own reputations depend on it and also improve their human capital. Reddy, Locke, Scrimgeour & Gunasekarage, (2008b) also found an inverse relationship between the proportion of outside board members and commitment to capital expenditure (a proxy for growth). They also find a positive relationship between the proportion of outside board members, firm performance and board size. They demonstrate that the proportion of outsiders on boards in the New Zealand market increased after the passage of the 1993 Companies Act and related legislations. In this regard the New Zealand Securities Commission (New Zealand Securities Commission, 2004) published principles and guidelines for all New Zealand companies to have a high proportion of outside directors on their boards.

In support to prior studies, Rozanov (2008) indicate that outside directors are more likely to show independency in their roles and duties. They indicate that outside directors are willing to improve effort norms of the board, because they prefer to show that the board is doing a good job. A high proportion of outside directors on the board presumed to be more conducive to the firm's mission, goals and strategies. They also believe that outside directors bring more skills and knowledge to the company, because unlike the insiders who are well versed in their working relationships, outside directors have different backgrounds from different organisations and are unsure about the procedures and unacquainted with the inside directors. Mackenzie (2014) also found a positive relationship between the proportion of outside directors and growth opportunities of the firm.

According to Mudashiru, Bakare & Ishmael, (2014) the chairman's primary responsibility is to ensure effective operation of the board and as much as possible distance himself from the day-to-day running of the company which is the primary responsibility of the chief executive officer and management team. Opiyo (2013) study reported that independent boards are more likely to protect the interests of shareholders against managerial opportunism than boards that consist predominantly of corporate insiders and affiliates. Srinivasan (2005) found that accounting restatements increase the likelihood that an independent director will lose his or her position on the restating firm's corporate board as well as directorships at other firms. Consistent with this view, prior research showed that boards with a higher fraction of independent directors were more effective at mitigating agency problems.

Ajinkya, Atiase, Dontoh & Gift (2011) found that management guidance was less optimistically biased, more accurate, and more precise when the issuing firm had a greater fraction of independent directors. In fact, independent directors were more highly motivated than inside directors in monitoring management since the weight of their external benefits, such as reputation, were much higher than their benefits accrued from the firm (Fama and Jensen, 2005; Srinivasan, 2005). Some studies suggest that information asymmetry and fear of litigation reduce the ability of independent directors to control opportunistic managerial behaviour (Drymiotes, 2007). Independent directors appointed by and have allegiance to the management and board could in general encourage conflicts, rendering the effects of board independence weak or non-existent (Larcker, Richardson and Tuna, 2007). However, the broader consensus in the literature, supported by analytical papers that derive optimal board structure (Harris and Raviv, 2006), was that while independent directors on the board could potentially lead to information loss, they were more likely to reduce agency costs.

In general, conventional corporate governance wisdom suggests that smaller boards and more independent boards are more effective at carrying out this fiduciary duty (Demirbas & Yukhanaev, 2011). Smaller boards were more likely to consist of individuals for a specific reason and were more likely to build internal trust and act decisively. Optimal board size was likely determined by firm and industry specific characteristics. In a study examining the evolution of board structure during the 10 years following a firm's IPO, Hazarika, Karpoff & Nahata (2012) found that board size increases in the size of the firm, was associated with the firm's competitive environment, and reflects a tradeoff between firm specific benefits and costs of monitoring.

In order to capture the complex relation between board size and board independence, Rozanov (2008) measured board size as the absolute value of the deviation of the number of directors serving on the firm's corporate board from the median number of directors serving on the corporate boards in the firm's industry, size quintile and year. To the extent that this median captures an optimum, the greater the deviation from this median, the less effective is the monitoring by the board. The board size measure operationalizes this prediction, which is based on evidence in prior research as outlined above studies document that it is easier for a CEO to control a large board, and such boards can become less effective. Hazarika, et al. (2012) and Linck, Netter and Yang (2006) also demonstrate that the skills of directors along with the skills required by the company should be considered in selecting directors. They believe that there is an optimal board size for each company according to its nature and situation. Reddy, Locke, Scrimgeour & Gunasekarage (2008b) in their study in New Zealand found that the average board size ranged between six to eight members. Singaporean companies also accept this type of board and mention that effective boards have seven or eight members (small boards). Singaporean companies believe that large boards are easier for CEO's to control (Phan, 2010).

CEO duality means that the same person has the CEO hat and is chairperson of the board and non-duality implies different people hold these positions. Having the same person with too much control over the board and managers creates different problems, for example: lower levels of effort, lower level of conflicts and lower level of usage of knowledge and skills on the board and in management (Wang & Oliver, 2009). He observed that opponents of duality believe that: duality in a firm negatively affects board independence and prevents the board from monitoring and establishing governance roles; surviving in a competitive environment requires separation of decision management and control management; duality leads to long term organisational drift by affecting the honesty of insecure directors in evaluating firm performance.

Mashayekhi and Bazaz (2008) investigated the effect of internal governance mechanisms on Iranian listed firms' performance. They examined the effect of board size, board independence, board leadership and institutional investors on earning per share, ROA and ROE. They found that board independence has a positive impact on firm performance, while board size has a negative impact. At the same time, they also found that board leadership and institutional investors do not show any significant effect on Iranian firms' performance.

Kholeif (2008) re-examined the negative association between CEO duality, as internal governance mechanisms and corporate performance and found that CEO duality negatively affects Egyptian listed firms' performance if the firms have large board of directors and lower top management ownership.

2.2 Leadership Performance

Leadership is the process of motivating other people to act in particular ways in order to achieve specific goals (Hannagan, 2008). Hannagan (2008) further argued that in all organisations, leadership is required in order for its objectives to be achieved and good leadership can result in success while poor leadership can lead to failure. There are several approaches to understand leadership, ranging from traditional, behavioural, contingency and modern approaches. In whichever approach leadership is applied some leaders behaviour will be noticed ranging from directive, supportive, participative and achievement oriented leadership. The pressures to adopt a particular leadership style are seen through the effects of organisation culture and peer expectations. Leaders will need to lay strategy, plan on the allocation of the available resources and apply corporate governance principles to achieve the level of company performance desired.

According to Mishra & Mohanty (2014) leadership performance is the most important criterion in evaluating organizations, their actions and environments. They noted that organizational performance encompasses the following specific areas of firm outcomes: financial performance (profits, return on assets, return on investment, etc.); market performance (sales, market share, etc.); shareholder return (total shareholder return, economic value added, etc.) and customer satisfaction (customer retention, loyalty, products and service attributes, image and reputation, etc). Dutta & Fan (2014) stated that the nature of company performance measures can also be firm specific, depending on internal policies as cash flows, accounting numbers and stock prices produce different incentives for managers. They concluded that measuring performance requires weighing the relevance of the company performance to focal stakeholders.

At the most basic level, small and large firms are likely to perform in quite different manners although linked by competition; these firms have very different resources and strategies (Malina & Euske, 2013). In a cross-country survey by Liston, Chong & Bayram (2014) found that small Finnish and UK companies focused on profitability, product margins, customer satisfaction and liquidity. They further stated that within the strategy, economics and finance literatures market value based measures are the preferred instrument for characterizing organizational performance. The greatest strength of these measures is that they are forward looking, in theory representing the discounted present value of future cash flows (Fisher, Strickland, & Knobe, 2012). They also incorporate intangible assets more effectively than accounting data, something of clear relevance to those interested in resource based and knowledge based views of the firm (Lev, Demerjian, and McVay 2012).

According to Levenson & Stede (2011), the relationship between measures and performance is also influenced by which measures the firm uses internally and how these are embedded into incentive and control systems within the firm; e.g., the firm's own key performance indicators. They noted the internal measurement systems used could influence performance at the individual and organizational level. Fisher et al. (2012) noted that within the strategy, economics and finance literatures market value based measures are the preferred instrument for characterizing organizational performance. They further stated that the greatest strength of these measures is that they are forward looking, in theory representing the discounted present value of future cash flows. They also incorporate intangible assets more effectively than accounting data, something of clear relevance to those interested in resource based and knowledge based views of the firm (Lev, et al., 2012). Levis, et al. (2012), however, noted that the connection between market measures to the actual performance of the firm depends on how much of the rent generated from its activities flows to shareholders and the informational efficiency of the market. He further stated that the usual justification of these measures is that firms are instruments of shareholders. Merchant, Stede, Lin, and Yu (2011) noted that although market value might be generally recognized as the most appropriate measure of overall organizational performance, it is less useful for research focusing on performance where the dimensionality is defined in terms of a product or a strategic business unit. He concluded that an advantage of mixed market/accounting measures is that they are better able to balance risk (largely ignored by accounting measures) against operational performance issues that are sometimes lost in market measures.

Similarly, scholars in marketing, operations and human resource management seek to understand and improve performance, each adopting discipline-specific measures such as customer satisfaction, productivity and employee satisfaction (Chenhall & Langfield-Smith, 2011).

3.0 METHODOLOGY

This study adopted a descriptive research design. The study targeted listed companies staff in all levels and the target population was the 62 listed companies in Kenya (NSE 2015). The sample for this study consisted of nine (9) listed companies. Data was collected from a sample size of 237 respondents by use of structured questionnaires. Stratified and simple random sampling techniques were used to determine the sample size.

4.0 RESULTS AND DISCUSSION

4.1 Response Rate

The sample of the study consisted of 9 listed companies from target population of 62 listed companies in Kenya and a sample size of 237 staff respondents. Due to the busy schedules of the staff, they filled out questionnaires at their own convenience and once they were filled, the questionnaires were collected by the researcher. A total of 175 responses were received, translating into 74% response rate. This response rate was considered appropriate for data analysis and presentation.

4.2 Gender Distribution

The study sought to find the gender of the respondents. Table 1 indicates the distribution of the respondents by gender. Majority (66.1%) of the respondents were male while the rest (33.9%) of the respondents were female. The distribution represents a fair gender balancing, an indication of successful efforts of various gender mainstreaming campaigns by various stakeholders and the Kenyan constitution 2010.

Table 1 Distribution of Respondents by Gender

Gender	Frequency	Percent
Male	116	66.1
Female	59	33.9
Total	**175**	**100**

4.3 Job Titles of Respondents Distribution

The unit of observation for this study was the top and middle management, supervisors and subordinate staff in the listed companies in Kenya as indicated in the methodology, this question sought to establish the job position of the respondents in the organization. Majority (54.4%) of the respondents were subordinate, 26.9% supervisory, 14.3% middle and top management designates with a paltry (4.4 %). Figure 1 gives a summary of the position of the respondents. This was a very important profile distribution for this study since the respondents were the right people with adequate information relevant to this study hence best placed. Management take responsibility for leadership performance (Bossidy and Chara, 2012; Mauborgne and Kim, 2015; Mwanje,Guyo and Muturi, 2016). The distribution of the respondents is quite normal and fair representation of management.

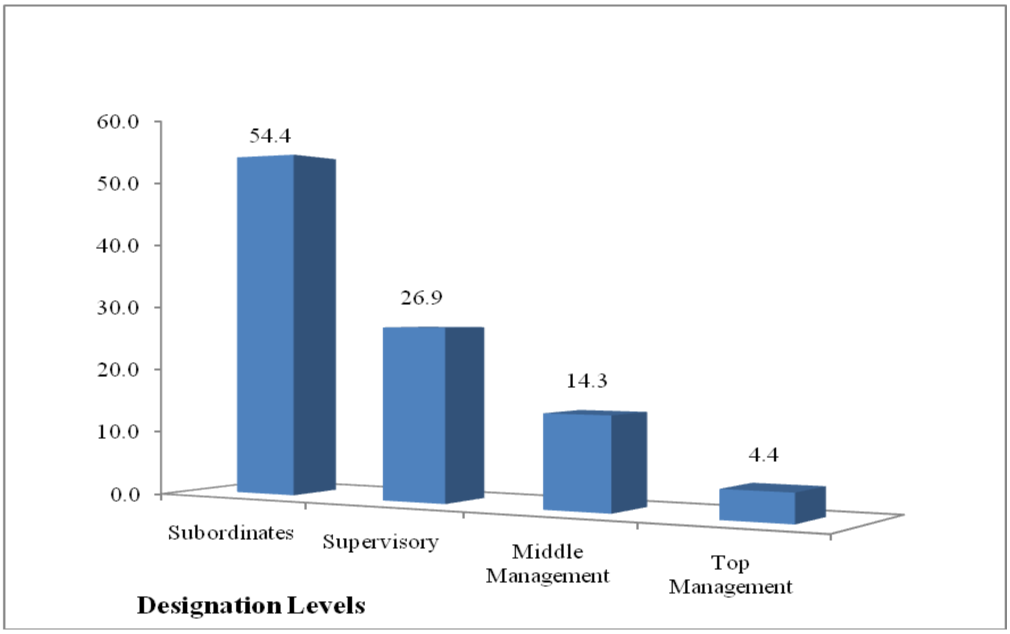

Figure 1 Job Titles of Respondents

4.4 Working Experience of Respondents Distribution

This question sought to investigate the number of years each respondent have worked with the listed company. On average nearly half (40.9%) of the respondents had worked for more than 10 years with their companies. This shows a high degree of institutional memory and commitment to their companies. Majority (79.5%) of the respondents had a working experience of 6 years and above and only (20.5%) had below 6 years of experience as shown in Figure 2. This means that the respondents have adequate working experience with the listed company and therefore posses the necessary knowledge and information which was considered useful for this study.

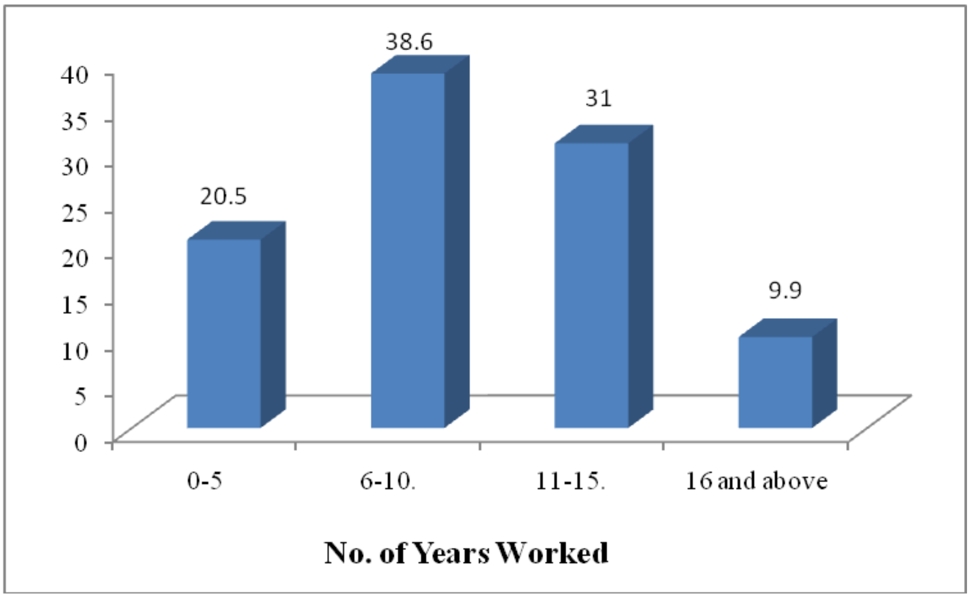

Figure 2 Working Experience of Respondents

4.5 Descriptive Statistical Analysis

Descriptive statistics were used to describe basic features of the data in the study since they provide simple summaries of the sample and the measures. Descriptive statistics such as frequencies and percentages were used to analyse the data on the role of corporate governance in leadership performance of listed companies in Kenya. The study had five independent variables, namely; leadership style and management structure, leadership composition, leadership independence, stakeholders ownership and ownership concentration, while the dependent variable was leadership performance. This paper presents findings for leadership independence variable.

4.6 Descriptive Analysis For Leadership Independence on Leadership Performance of Listed Companies

Leadership Independence on Leadership Performance of Listed Companies is the third independent variable in this study. The study sought to investigate whether factors such as outsider directors, code of operations, effective monitoring, separation of duties, leaders relationships influence leadership performance of listed companies. Specific questions were asked in each of these areas and opinions of the respondents were sought. Table 2 provides the opinions and responses on the questions which show that a majority of 79.9% of the respondents affirmed that leadership independence is the responsibility of corporate governance and, therefore, important for the leadership performance of listed companies in Kenya.

Table 2 Statistical Results for Leadership Independence on Leadership Performance

Variable indicators	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Outside directors have enough incentive to monitor managers because their own reputations depend on it and thus improve the company performance.	0.0%	0.6%	33.7%	52.0%	13.7%
Our company have a written code of corporate governance wherein the rights of shareholders and duties of the boards are specified for best performance of the company.	0.6%	1.1%	13.1%	59.4%	25.7%
Our company have an effective and independent monitoring management committees whose task is to ensure full compliance of the company with existing laws and regulations that results in achieving targeted performance.	0.0%	0.6%	9.1%	44.0%	46.3%
Our company leadership have a structured scheme of service that prevent conflicts of interest and to ensure that the highest standards of ethics are followed in word and deed to propel the company performance to great heights.	0.6%	1.1%	24.0%	53.7%	20.6%
There is good relationship between the all the leaders in our organisation and they operate on teamwork, which have enable our company grow.	0.0%	1.1%	14.9%	56.0%	28.0%
Average	**0.2%**	**0.9%**	**19.0%**	**53.0%**	**26.9%**

4.7 Outsider Directors

The results presented on Table 2 indicate that 65.7% (sum of 52% and 13.7%) of the total respondents were of the view that outsider leaders have enough incentive to monitor company performance as their own reputations depend on it. The results further show that 33.7% maintained a neutral position, 0.6% disagreed while none strongly disagreed. A probe was done on the big number of respondents of 33.7% who remained neutral and noted the perception that there was general lack of accountability and corrupt behaviours on leaders regardless of whether outsider or insider. Table 3 presents mean and standard deviation results showing that a mean of 3.83 and a standard deviation of 0.914 were achieved. These findings concurred with studies by Mensah (2012) and Merchant, Stede, Lin, & Yu (2011) who concluded that the degree of effective monitoring is directly related to the degree of independency of the leaders. The scholars cautioned that independency of leaders becomes increasingly important as the more leaders are independent plays a significant role in listed companies performance.

4.8 Code of Operations

Table 3 shows that a mean of 3.77 with a standard deviation of 0.925 was achieved in this study indicating that a majority, 85.1% (sum of 59.4% and 25.7%) (Table 2) agreed and strongly agreed that there was a written code of corporate governance wherein the rights of shareholders and duties of the leaders were specified for best performance of the company, especially in human resources and finance management. Of these results, 25.7% strongly agreed while 59.4% agreed to the need for outsourcing, while 13.1% were unsure whether there was a code of corporate governance. This is not surprising at all given that many employees are not aware of their company code of corporate governance. Respondents who disagreed and strongly disagreed with the statements were 1.1% and .6% respectively. These findings are a strong statement on the need to have a company code of corporate governance, thus re-affirming results of studies by Wang & Oliver (2009) and Mackenzie (2014). The scholars stressed that, a company with a written code of corporate governance has a positive relationship between the proportion of independent leaders and growth opportunities of the company.

4.9 Effective Monitoring

Table 2 shows that responses to this statement received a 46.3% strong agreement and 44% agreements, totalling to 90.3% of those that were in agreement. This is a very big percentage considering the fact that companies with very ineffective compliance/audit committees that results in covering up for poor leadership performance is commonly reported in Kenya by the media almost on a daily basis. Table 2 further shows that 9.1% of the respondents maintained a neutral stand while .6% of the respondents disagreed. These results achieved a mean score of 3.79 with a standard deviation of 0.955 (Table 3). These results concurred with observations by a number of scholars whose literature has been reviewed. The findings were also consistent with observations by Larcker, et al. (2007); Mudashiru, et al. (2014) that committees appointed by and have allegiance to the management and board could in general encourage conflicts, rendering the effects of board independence weak or non-existent.

4.10 Separation of Duties

Respondents were asked whether they were confident that their leaders had a code of ethics to prevent conflicts of interest and to ensure that the highest standards of ethics are followed in word and deed which propel the company performance to great heights. Table 2 shows that 53.7% agreed while 20.6% strongly agreed with the statement. Responses totalling 24% maintained a neutral position, 1.1% disagreed while 0.6% strongly disagreed. A mean score of 3.78 was recorded in this question with a standard deviation of 1.022 (Table 3).

The need for listed companies to develop a code of ethics to manage conflicts of interest and to ensure highest standards of ethics has been strongly emphasised by all the empirical studies by Ajinkya, et al. (2011); Fama and Jensen (2005); Srinivasan, (2005) and other scholars. These authors emphasised that lack of separation of duties and fear of litigation reduce the ability of leaders independency to control opportunistic managerial behaviour; management guidance was less optimistically biased, more accurate, and more precise when the company has leaders duties separated, independent leaders are more highly motivated in monitoring management as their external benefits, such as reputation, much higher than their benefits accrued from the company.

4.11 Leaders Relationship

This question sought to obtain feedback on how respondents viewed their leaders relationship in their organisation. The question also sought to know if the good relations between the leaders and teamwork were enabling company growth. Table 2 shows that 28% strongly agreed, 56% agreed, bringing the total of those in agreement to 84%. An observation made in this case was that most of the respondents felt that good relationship between their leaders was enabling better leadership performance and there is good communication, support to each other and everyone felt appreciated and safe. Table 2 further shows that 14.9% of the respondents maintained a neutral position while 1.1% disagreed. A mean score of 3.85 and a standard deviation of 0.983 were recorded (Table 3). These findings, to a good extent, are a demonstration of a good understanding by the respondents of the spirit of good relations between leaders for better delivery of leadership performance. According to Wang & Oliver (2009), Mashayekhi and Bazaz (2008) and Phan (2010), observed that bad blood among leaders affects leadership independence and prevents the leaders from monitoring and establishing governance roles; surviving in a competitive environment requires good faith and trust. This promotes leadership emotional cancers: criticising, complaining, comparing, competing and contending; and have an organisation that is polarised, divided and almost impossible to deliver the desired performance (Covey, 2011).

Table 3 Weighted Means for Leadership Independence

	N	Minimum	Maximum	Mean	Std. Deviation
Outsider Directors	175	1	5	3.83	.941
Code of Operations	175	1	5	3.77	.925
Effective Monitoring	175	1	5	3.79	.955
Separation of duties	175	1	5	3.78	1.022
Leaders Relationships	175	1	5	3.85	.983

4.12 Inferential Analysis

In this study the researcher performed inferential analysis to determine the actual implication of the data collected and to draw conclusions on the relationship of the specific variables under study. Regression analysis was done to establish the statistical significance of the relationship between the independent variables notably; outsider directors, code of operations, effective monitoring, separation of duties, leaders relationships on dependent variable which was leadership performance. According to Marshall and Rossman (2006), regression analysis is a statistical process of estimating the relationship between variables. Regression analysis helps in generating equation that describes the statistics relationship between variables. The regression analysis results were presented using a scatter plot diagrams, regression model summary tables, Analysis of Variance (ANOVA) table and beta coefficients tables. Each of this is discussed in the following sections of this paper.

The general objective of this study was to determine the role of corporate governance on leadership performance in listed companies in Kenya.

4.13 Correlation Coefficient for Leadership Composition

Tables 4 and 5, show a 27.0% positive correlation between leadership independence and leadership performance of listed companies in Kenya. The findings agreed with conclusions reached by Kholeif (2008) and Mashayekhi and Bazaz (2008) that practice of poor relationship between the Board and Management negatively affected Egyptian listed firms' performance. The findings also agreed with observations by Phan (2010) and Reddy, et al. (2008) who stated that there is need for a clear understanding of the risks and how to safeguard against the interference of leaders of listed companies independence. They argued that more attention should be paid to oversight and accountability by putting in place laws that would strengthen listed companies leaders independence and boost stakeholders participation and inclusiveness.

Table 4 Correlation Coefficients for Leadership Independence

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	13.081	1.447		9.041	.000
	Leadership Independence	.274	.074	.270	3.684	.000

a. Dependent Variable: Leadership Performance

Table 5 Coefficients for Leadership Independence

		Leadership Performance	Leadership Independence
Leadership Performance	Pearson Correlation	1	.270**
	Sig. (2-tailed)		.000
	N	175	175
Leadership Independence	Pearson Correlation	.270**	1
	Sig. (2-tailed)	.000	
	N	175	175

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

4.14 Regression Analysis for the relationship between leadership Independence and leadership performance

Scatter plots in Figure 3 shows that the distribution of the scatter plots appears to fall along the line and evenly distributed on either side. There is no skewness to either side which indicates that there is a constant variance. This implies that a straight line can vbe fitted, suggesting that there is a linear relationship between leadership independence and leadership performance.

The relationship takes the form of the equation: $Y = \alpha + \beta X_i + \varepsilon$

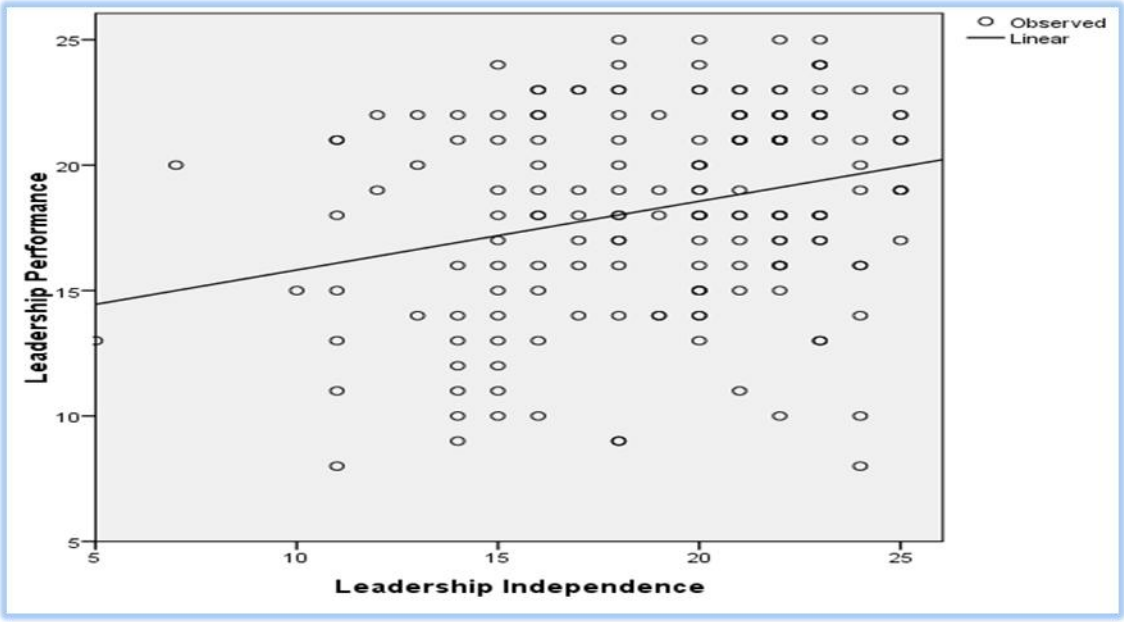

Figure 3 Leadership Independence versus Leadership Performance

Figure 3 illustrates scatter plot diagram of leadership independence versus leadership performance. The Figure 3 presents results which show that all the points/observations appear in the first quadrate and the line of best of fit indicates an estimate line that is increasingly positive upwards. It indicates that as the e leadership independence is poor, then there shall be negative leadership performance. The leadership independence improves, then leadership performance gets better and vice versa, this implies that there is a positive linear relationship between leadership independence and leadership performance in the listed companies in Kenya.

Table 6 Model Fitness for Leadership Independence

Model Summary				
Model	**R**	**R2**	**Adjusted R2**	**Std. Error of the Estimate**
1	.270[a]	.073	.067	3.936

a. Predictors: (Constant), Leadership Independence

Regression Analysis was carried out on leadership independence to determine whether the variable could be relied on in explaining the change in the dependent variable, leadership performance of listed companies in Kenya. The results produced a 27% positive correlation (R) between leadership independence and leadership performance of listed companies in Kenya (Table 6). The coefficient of determination statistic (R2) derived suggested that leadership independence can explain up to 7.3% of the change in the leadership performance of listed companies in Kenya. This means that listed companies require ensuring engaging independent leaders in management of their companies so as to achieve the desired company leadership performance.

Table 7 ANOVA for Leadership Independence

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	210.238	1	210.238	13.570	.000[b]
	Residual	2680.311	173	15.493		
	Total	2890.549	174			

a. Dependent Variable: Leadership Performance
b. Predictors: (Constant), Leadership Independence

Results of an ANOVA test performed on the variable, leadership independence are summarized in Table 7. This table shows that the variable has a P-value equal to .000, demonstrating that the model is statistically significant considering that the P value is less than .05 at the 95% level of confidence and the Null Hypothesis (H_{03}) rejected and a conclusion reached that, at 5% level of significance, **leadership independence play a significant role in the leadership performance of listed companies in Kenya**.

This also confirms that the linear model fits the data quite well. The model estimate for leadership independence is represented as follows as indicated on Table 4: $Y = \alpha + \beta \boldsymbol{X_1} + \varepsilon$

Where, α = A constant, = 13.081

β = 0. 274

$\boldsymbol{X_1}$= Leadership Independence,

ε = Error term

Hence: $\boldsymbol{Y = 13.081 + 0.274X_1}$

Before we interpret the coefficients, we ask ourselves if the coefficients are significant from zero and the answer is yes, because each one of them has a *p*-value of 0.000. Therefore the coefficient of 0.274 means that a unit changes in leadership independence will lead a positive change in leadership performance at the rate of 27.4%.This implies that you cannot ignore leadership independence when driving performance in the listed company in Kenya.

5.0 CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary of the Findings

With respect to leadership independence, factor analysis was done in order to reduce items to manageable and meaningful size, where all the 5 items met the preferred factor of 0.7, with the lowest being 0.814 and the highest 0.887. Descriptive statistics were used to analyze this research objective and other subsequent analysis was done. The study established that there was a 27.0% positive correlation between leadership independence and the leadership performance of listed companies; leadership independence played a positive linear relationship role in the corporate governance for the leadership performance of listed companies in Kenya; leadership Independence was statistically significant at 7.3% in explaining the change in the leadership performance of listed companies in Kenya; leadership independence influenced, to some extent, the relationship between corporate governance and the leadership performance of listed companies in Kenya; and that listed companies should recognise the critical role of leadership independence in managing listed companies resources for the leadership performance. A majority of 79.9% respondents affirmed that leadership independence is the responsibility of corporate governance and, therefore, important for the leadership performance of listed companies in Kenya. The findings resonate with the literature reviewed that good relationship between the company leaders was highly recognised in leadership independence, which require strong development of leadership trust to avoid the emotional cancerous behaviours such as criticising, complaining, comparing, competing and contending syndrome experiences which lead to companies getting polarised and divided.

5.2 Recommendations

Listed companies should ensure there is independence among their leaders as this is the only way leaders will give their best. Effective leadership performance practises in companies begin with ensuring there is freedom within their leaders. Listed companies can only exploit their best monitoring strategies effectively if duties of each leader are specified to avoid duplication and interference. Development of written company code of corporate governance is a tool that can guarantee sustainable performance of the listed companies.

Corruption is a vice that reverses and decimates the growth of any economy or institution. Listed companies should ensure that adequate policies are developed effective and develop systems supported by all to fight the menace to help curb the potential of drifting into a "emotional curse" syndrome status that has been witnessed in many companies around the world. The leadership of listed companies resources should be tasked to qualified independent professionals in respective disciplines in order for the listed companies to realise the full benefits of corporate governance.

5.3 Areas for Further Research

This study has made significant contribution as it highlights a few aspects to be considered by future researchers. Firstly, as with most research studies, replication of this study for validation purposes. Second, a similar study with a larger number of listed companies be sampled to provide an enhanced reflection of the situation on the ground. Third, a similar study using a different sample of non-listed companies officials would help to improve knowledge of corporate governance practices in listed companies in Kenya. Fourth, the same study can be conducted but with listed companies as unit of analysis. Fifth, considering that this study major finding was that all the five independent variables taken together could only explain up to 18.9% of the variation in the dependent variable, the leadership performance of listed companies in Kenya, meaning that 81.1% of the change in the leadership performance of listed companies could be explained by other variables. The researcher, therefore, proposes that a study be conducted to investigate other factors including, social, environment, legal, political, financial, local and foreign shareholders influence, insider and outsider board of directors among other potential variables.

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