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SHAREHOLDER ASSEMBLY, BOARD CHARACTERISTICS AND PERFORMANCE OF PRIVATE SECURITY FIRMS IN KENYA

Sewe Silvanus Odhiambo[1], Prof. Wario Guyo(PhD)[2], Dr. Makori Moronge(PhD)[3]

[1]PhD Scholar, Leadership and Governance, Jomo Kenyatta University of Agriculture and Technology, Kenya

[2]Lecturer, Jomo Kenyatta University of Agriculture and Technology, Kenya

[3]Lecturer, Jomo Kenyatta University of Agriculture and Technology, Kenya

ABSTRACT
The general objective of the study was to examine the relationship between corporate governance and performance of private security firms in Kenya. The specific objectives of the study were: To determine relationship between shareholder assembly and board characteristics on performance of private security firms in Kenya. The study was grounded on the Agency Theory and Stewardship Theory. The study applied descriptive analysis with a positivist approach. The study participants were members of Kenya Security Industry Association (KSIA) and Protective Security Industry Association (PSIA), since they had representation in Private Security Regulatory Authority (PSRA) board. The private security firms had a complement of 896 (336 board members and 560 managers) according to the Human Resource departments in the private security firms to be studied. The study sample size was 384 respondents. Structured questionnaires and performance reports were used in eliciting data. The study adopted a questionnaire as the data collection instruments to compliment by other secondary sources.Results revealed that all the corporate governance practices had a positive and significant relationship with performance of private security of firms in Kenya.. The study concluded that corporate governance practices had the potential of positively influencing performance of security firms in terms of profitability, customer satisfaction and market share. The results support the current theories related to the study. Consequently, this study provides security firms with insights of how to improve performance through the adoption of appropriate corporate governance. The study recommended that security firms should adopt a culture of adopting appropriate governance dimensions (shareholder assembly, board characteristics). This could go a long way in ensuring there is improved performance of private security firms in Kenya.

Keywords: Corporate Governance, Shareholder Assembly, Board Characteristics, Performance, Private Security Firm

INTRODUCTION
The role of good corporate governance in the control of corporate organisations cannot be underestimated (Du Pleiss, Hargovan & Harris, 2018; Mallin, 2011). Today, good corporate governance is no longer an option but a benchmark to measure the success or failure of any institution. According to Masulis, Wang and Xie (2012), investors are willing to commit more money in companies that are well managed because they provide surety and security for their

money. In addition, professionals would want to work for organizations that have good reputation and not those that have corporate governance issues. Corporate governanceis concerned with how companies are directed and controlled; therefore, influence's an organization's growth and development (Tricker, 2015; Field, Lowry & Mkrtchyan, 2013). Because of this, most world economies have undertaken new initiatives and reforms to improve their corporate goverance systems (Tricker, 2015; Masulis & Mobbs, 2014).

The concept of corporate governance can be traced back to the 19thCenturyperiodin the United Kingdom (UK) when the Joint Stock Companies Act (1844) allowed the registration of companies. According to Masulis and Mobbs (2014), this registration led to the birth of the modern company. The registration of a company meant separation of the ownership from the control where professional managers were the ones to run the business (Tricker, 2015; Masulis & Mobbs, 2014). Whereas the birth of company reduced the owners' liabilities in the company, it also created conflicts between owners and managers. Consequently, corporate governance framework was necessary to protect owners from the actions of the managers who had the advantage of running the company. In developing countries, corporate governance practices became prominent in the 1980s after the storm of corporate failure sweeping across developed world had calmed down (Tricker, 2015; Field, Lowry & Mkrtchyan, 2013). Organizations such as the WorldCom and Enron in the United States of America (USA) and Golden Quadrilateral in India collapsed due to bad governance and financial impropriety.

This study on corporate governance has been an important theme in management and business research for the past few decades due to its potential to affect a range of organizationally and individually desired outcomes such as commitment, loyalty, turnover intent, and satisfaction (Du Pleiss, Hargovan & Harris, 2018; Mullin, 2011).There is also a consensus that corporate governance is a management philosophy and a way of managing organizations to improve their overall effectiveness and performance (Cashmann, Gillain & Jun, 2012). In today's business environment, corporate governance is used as a powerful tool to quantify the way a business functions (Mallin, 2011; Tricker, 2015). Research has confirmed that corporate governance is able to influence organizational performance (Mallin, 2011; Cashmann, Gillain & Jun, 2012). Generally, lack of attention to shareholder assembly, board characteristics and CEO-Board Chair Collaboration in a very competitive environment can lead to absolute failure of organization in achieving its goals. It also creates many operational problems and waste a lot of resources to solve problems (Field, Lowry & Mkrtchyan, 2013; Masulis & Mobbs, 2014).

The performance of private security firms is one of the key areas that need urgent research on the viable ways to revamp and re-engineer them (Franke, Von Boeckmann, 2011). Their future lies in dilemma, owing to the fact that most of them face stiff challenges, some of which have their background from government interference, lack of right personnel, conflicting interests between organizational objectives and individual needs, lack of proper statutes of total quality management among other related managerial needs and challenges (Franke, Von Boemcken 2011; Krahmann, 2012). In most countries private security firms are under pressure to deliver quality services (Berndtsson, 2012). An improvement in private security sector performance and quality service delivery in any country requires a clear understanding of corporate governance as well as the current working of the private security sector systems (Joachim & Schneiker, 2012; Berndtsson, 2012).

In Kenya, the private security industry is one of the fastest growing sectors of the economy and it is a significant employer with over 2,000 security companies operating. In 2014, the industry was valued at $43 million and provided employment to about 500,000 Kenyans (Gatoto, 2015). It spreads across the country, although it is much more visible in urban centers than in rural areas. The private security industry fills the gap that government may be unable to bridge using their security architecture.

Currently in Kenya there is specific government oversight body that regulates the private security industry. Approximately 40 private security companies are members of the Kenya Security Industry Association (KSIA) and around 72 private security companies are members of the Protective Security Industry Association (PSIA). This means that majority fall outside the ambit of the industry self-regulation mechanisms. Besides, a sizeable number of locally owned security companies operate illegally, since they are not registered with government authorities as security service providers. As a consequence, many companies pay little attention to quality service standards. To bridge the gap KSIA & PSIA were formed by companies in need to comply with the set standards which are drawn from the laws of Kenya, internationally accepted technical and systems specifications, the professional experience of all member companies and to establish a set of benchmarks. Private security market has grown to prominence out of increased crime rate and proliferation of small arms, fear by citizens of insecurity, distrust and lack of confidence with government security agents. This has resulted to purchasing of security service from private security firms (Oketch, 2018). The shift has redefined private security as a demand-based service as compared to the previous view of the general public utility service only provided by state (Ouma, 2014).

STATEMENT OF THE PROBLEM

The influence of corporate governance is important in a sustainable economic development and adds benefits to the firm's performance. Studies on corporate governance by Ammann and Ehmann (2017) found that good corporate governance improves organizational performance under stable economic conditions and provide a shield against the adverse effects of financial crisis and turbulent economic situations, while Orazalin, Mahmood and Jung (2016), Tshipa and Mokoaleli-Mokoteli (2015) confirmed that firms which apply good corporate governance practices have a high market value which implies performance. Further, a study by Tshipa *et al.,* (2018) and Muchemwa, Padia and Callaghan, (2016) also found that board structures, compositions, sizes and independence which are antecedents of corporate governance practices have a direct influence on organizational performance. Therefore, good corporate governance positively influences firm performance. However, this desired goals in firm performance is rarely attained (Onditi, Kibera, Aranga, & Iraki, 2020). Diphoorn (2016) used the Private Security Performance Index to evaluate the firm performance of private security firms globally. With a possible maximum score of 1.750 based on the incorporation of corporate governance best practices, the best firm globally scored 1.065 with an average score of all firms at 0.760, with those in the North America, Far East and Europe outperforming their compatriots in Africa and Latin America.

This is indicative that performance is poor in majority of private security firms especially in economically developing regions of the world. In further ranking of the individual country's performance by Chinonkwu (2018) Kenya outperforms most of her Sub Saharan Africa Counterparts with the exception of Nigeria and South Africa but still falls below the global

average score indicated earlier. However, Ojiambo, Francis and Joseph (2020) states that in Kenya there has been a rise in complaints by the public, professionals and other stakeholders about the performance with the overall sentiment that performance is way below the stakeholders' expectations. This is suggestive that performance is poor in Kenya private security firms, and indeed all firms, are aiming at improving their performance (Kavila, Mwambia, & Baimwera, 2017). In the pursuit of improved performance of private security firms have turned towards corporate governance (Chinwokwu, 2018). However, the link between corporate governance and its effect on the performance of private security firms is yet to be established.

In a developing economy like Kenya studies have primarily focused on the benefits of corporate governance as well as factors influencing the adoption of corporate governance practices (Diphoorn, 2016; Karagu & Ombui, 2014; Kavila., Mwambia & Baimwera, 2017; Marisa & Oigo, 2018). These studies have in most cases adopted a case study approach (Ojiambo, Francis, & Joseph, 2020) or a descriptive research (Kaguru & Ombui, 2014; Kavila., Mwambia, & Baimwera, 2017; Kavila., Mwambia, & Baimwera, 2017; Diphoorn, 2016;). A descriptive research presents the possibility of error and subjectivity since questions are restricting and prescriptive (Creswell & Creswell, 2017; Chinwokwu, 2018; Ojiambo, Francis, & Joseph, 2020). Further, the effort to achieve generalization of the causal relationship between corporate governance and performance of private security firms' call for empirical confirmation in diverse environments, especially developing economies such as Kenya. This situation highlights a noticeable literature gap that exists on the topical, methodological, contextual and conceptual phenomenon. Therefore, this study intends to empirically bridge the manifested gap in the literature by establishing the relationship between corporate governance and performance of private security in Kenya.

RESEARCH OBJECTIVES

i. To determine the relationship between shareholder assembly and performance of private security firms in Kenya.
ii. To assess the relationship between board characteristics and performance of private security firms in Kenya

LITERATURE REVIEW

Jensen and Meckling (1976) put forward the theory of the agency explaining that the interest of management and shareholders often conflict because managers try to give priority to their interest at the expense of shareholders. In turn shareholders who are principals have to incur costs to monitor and direct the managers. Agency theory is defined as "the relationship between the principals and agents such as the company executives and managers". In this theory, principals hire the agents to perform work. Principals delegate the running of business to the directors or managers, who are the agents to the shareholders (Means, 2017; Sasu & Asafo-Adjei, 2018). Yosi and Yuniashi (2017), argued that two factors can influence the prominence of agency theory. This theory defines the relationship between ownership and control. Principal/Agency attributes are determined by right to annual reports, vote in annual general meeting and receive dividend.

In agency theory shareholders expect the agents to act and make decisions in the principal's interest. On the contrary, the agent may not necessarily make decisions in the best interests of the principals depending on the ownership identity and concentration (Wang & Shailer, 2018;

Mykhayli & Zauner, 2017). Such a problem was first highlighted by Adam Smith in the 18thcentury and subsequently explored by Vintila and Gherghina (2015) and the first detailed description of agency theory was presented by Jensen and Meckling (1976). Indeed, the notion of problems arising from the separation of ownership and control in agency theory has been confirmed by (Shan & An, 2018; Means, 2017). In agency theory, the agent may be succumbed to self-interest, opportunistic behaviour and falling short of congruence between the aspirations of the principal and the agent's pursuits (Mykhaliv & Zauner, 2017; Shan & An, 2018; Means, 2017). Although with such setbacks, agency theory was introduced basically as a separation of ownership and control (Vintila & Gherghina, 2015; Means, 2017).

Ouma (2014) argued that for the private security firms to perform there is need to take into consideration the shareholders participation in the firm assemblies to avoid the self-interest, opportunistic behaviour and falling short of congruence between the aspirations of the principal and the agent's pursuits. Due to the fact that in most of the private security companies, the executive management comprises of friends and family members, self-interests may affect their performance. The shareholders must apply good corporate governance practices that will reduce conflict by understanding the role shareholder assembly of the private security firms and to enhance their overall performance. It is on this premise the current study seeks to establish the relationship between shareholder assembly and performance of private security firms in Kenya.

Stewardship theory was put forward by Donaldson and Davis (1991; 1993) to expound the existing relationships between ownership and management of the company. A steward is a person who essentially wants to do a good job and to be a good steward of the corporate assets (Siekkinan, 2017). Stewardship theory is defined by (Bosch, 2014) as someone who protects and maximizes shareholder's wealth through firm performance, because by so doing, the steward's utility functions are maximized. This theory assumes that managers are basically trustworthy and attach significant value to their own personal reputation (Busso, 2018; Jadah & Adzis, 2016). In contrast to agency theory, stewardship theory suggests that executives tend to be more motivated to act in the best interest of the corporation than in their own self-interest (Sathymoorthi, Baliyan & Dzimiri, 2017; Siekkinen, 2017; Bosch, 2014). This is based more on the management of the firm as determined by the board characteristics (Jadah & Adzis, 2016; Sathymoonthi, Baliyan & Dzimiri, 2017).

Stewardship theory argues that, over time, senior executives tend to view the corporation as an extension of themselves (Sathymoonthi, Baliyan & Dzimiri, 2017; Shan & An, 2018), rather than use the firm for their own ends. The executives are more interested in guaranteeing the continued life and success of the organization (Yosi & Yuniashi, 2017; Busso, 2018; Sathymoonthi, Baliyan & Dzimiri, 2017). The relationship between the board and top management is thus one of principle and steward, not principle and agent ("hired hand") (Yosi & Yuniashi, 2017; Means, 2017; Vintila & Gherghina, 2015; Mahmudi & Nurhayati, 2015; Busso, 2018).

Stewardship theory notes that in a widely held private security firm, the shareholder is free to sell his/her stock at any time. A diversified investor may care little about risk at the company level, preferring that management assume extraordinary risk so long as the return is adequate (Wekesa, Kiprotich & Khwasir, 2013; Smith, 2015). The top management may care more about a private security firm long-term success than do more short-term oriented shareholders (Smith, 2015; Yosi &Yuniashi, 2017; Mahmudi & Nurhayati, 2015; Busso, 2018).

Stewardship theory recognizes the importance of private security firm's board characteristics that empower the steward and offers maximum autonomy built on trust (Gatoto, 2015). On the other end, Johl, Kaur and Cooper (2015) stresses that the position of board characteristics has effect on the firm performance. Moreover, stewardship theory suggests unifying the role of the CEO and the chairman so as to reduce agency costs and to have greater role as stewards in the organization to enhance firm performance. It is on this basis the current study seeks to examine the relationship between board characteristics and performance of private security firms in Kenya.

Shareholders assembly refers to a group of individuals registered in the company's shares registry book and are holders of capital shares with the rights to vote, either personally or through a legal representative (Honoré, Munari, & de La Potterie, 2015). The primary responsibility of any business is to maximize profit. In family businesses, family values and interests in certain circumstances override the profit motive. Managers and shareholders of family businesses therefore need to help family members understand their role in achieving their business goals (Mburu, 2019). Typically, the governance structure in family-owned businesses is the shareholder council and the family council. Firm performances in family run businesses are fully dependent on the principal shareholder. Other shareholders' existence depends majorly on statutory compliance needs (Naushad & Malik, 2015).

The shareholders' rights outlined above are clearly seen as fundamental to the shareholder-company relationship (Golden, 2015; Samat & Ali, 2015). Directors are in a position of trust and should manage the company in such a way as to generate long term sustainable value whilst also taking into consideration their relationships with wider stakeholder groups including employees, customers, suppliers and the wider community on which their activities have an impact. Shareholders' rights include, shareholder voting which is an important tool as it can be used to elect directors, to approve the annual report and accounts and so on. In the context of shareholders' voting at general, lliev, Lins, Miller and Roth (2015) describe the various areas that may be decided upon at a company's general meeting. These include adoption of the annual accounts by the general meeting (which may, depending on the country, imply a discharge of management board members and supervisory board members from liability for the performance of their duties); distribution of profits; issue of shares and pre-emptive rights; share repurchase; amendment to articles of association; reduction of share capital; appointment of external accountant/auditor; remuneration of board members; appointment and dismissal of board members; and takeover defences (Wagner & Wenk, 2019; Yang, Bui & Truong, 2017)

The shareholder vote is increasingly considered as one of the most powerful means that institutional investors have to engage with the boards of directors of their investee companies (Means, 2017; Cabeza-García, *et al.,* 2016). Previous empirical studies found that shareholders do exert pressures on boards of directors even when their vote at the shareholders' meeting is not legally binding, because proposals that win a majority vote end up being implemented by the board of directors in many cases (Onditi, Kibera, Aranga, & Iraki, 2020), with relevant spill over effects even on non-target companies (Brochet, Ferri & Miller, 2018). Boards of directors that choose to ignore the shareholder vote have been shown to draw negative press and receive downgrades by governance rating firms.

The wishes of the shareholders are reflected in the exercise of their voting rights designed to encourage directors' accountability (Matsusaka, Ozbas & Yi, 2019). As such, Kavila, Mwambia

and Baimwera (2017) described the shareholders' meeting as a vehicle to monitor the directors' conduct. According to Fried, Kamar and Yafeh (2018), decisions in respect of executive compensation, initiating takeovers and opposing them are among many areas of company's management that have been subjected to substantial abuses to the detriment of the shareholders 'interests. The potential abuses can actually be avoided by the shareholders through an open debate and the exercise of voting rights in the shareholders' meeting (Diphoorn, 2016). Although the power to manage the company stays in the boardroom, decisions with respect to fundamental issues including election of directors still remain with the shareholders (Marisa & Oigo, 2018). In cases where the shareholders are not satisfied with the performance or actions taken by the directors, the shareholders can easily remove them by a vote of simple majority (ordinary resolution). It may be considered as a powerful and extreme action by the shareholders and may create a 'check and balance' mechanism within the company (Ojiambo, Francis & Joseph, 2020). Board characteristics are critical parameters of efficient corporate governance practices. Therefore, board structures, compositions, sizes and diversification have a direct influence on firm performance (Shan & An, 2018; Wang & Shailer, 2018). Boards normally have different charatersistic depending with shareholder assembly, country of origin and market where it is operating. In view of these, the study basically will investigate whether a significant relationship exists between board characteristics and firm's performance of private security firms in Kenya. To achieve this objective, the study will restrict its board characteristics to director independence, board size and board composition.

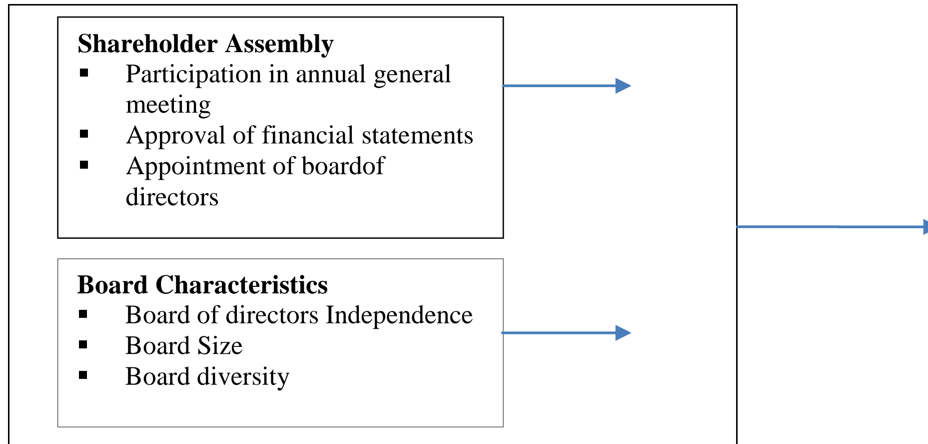
Mykhylivand Zauner (2017) argues that the concept of board composition enables organizations to reflect the structure of society and properly represent the gender, ethnicity and professional backgrounds of those within it. Board of directors in a company need to have the right composition to provide diverse viewpoints. Board diversity supports on the moral obligation to shareholders, stakeholders and for commercial reasons by obtaining extensive decisions (Jada &Adzis, 2016; Busso, 2018; Sathyamoonthi, Baliyan & Dzimiri, 2017; Bosch, 2014). Gender diversity is considered part of the broader conception of board diversity and many scholars have shown that few women sit on corporate boards. When compared to men, most women directors possess staff/support managerial skills, such as legal, public relations, human resources and communications rather than operating and marketing skills. Board diversity should also greatly consider the technical expertise of the board members (Siekmannn, 2017, Bosch, 2014).

Ammann and Ehmann (2017) states that there is no ideal board size so as to avoid a stale mate, it should be an odd number (Vintila & Gherghina, 2015) while Sasu and Asafo-Adjei (2018) suggest that large boards offer relevant networking and are more diverse, experienced, better exposed and execute more objectivity in decision making. Mykhayliv and Zauner (2017) argue that larger boards are more likely to be dysfunctional, have greater productivity losses resulting from greater coordination problems, slower decision making and more director free riding.

Conceptual Model and Hypothesis

Conceptual Framework represents the researcher's synthesis of literature on how to explain phenomena (Trochi & Arora, 2016). According to Busso (2018) in conducting the study, a conceptual framework should be developed to show the relationship between the independent variables and dependent variable. Out of the literature reviewed various variables were suggested, but in this study shareholder assembly and board characteristics, were chosen and also their relationship deduced. This is illustrated in the following conceptual model referred to as

conceptual framework on Figure 1 below.



Independent Variables **Dependent Variable**

Figure 1: Conceptual Framework

Empirical Review

Samat and Ali (2015) study on a legal perspective of shareholders' meeting in the globalized and interconnected business environment concluded that efforts to encourage shareholders' commitment in decision-making and preservation of shareholders' rights have become a crucial issue. The extended concept of shareholders' meeting causes disadvantages to shareholders as well when certain elements of a valid meeting are being modified. The concept of 'virtual presence' for instance, clearly set aside the importance of face-to-face dialogue. Similarly, the dispensation of private companies to hold annual general meeting (AGM) is not only removing a physical gathering but leave behind the importance of holding the AGM completely. Shareholders' meeting may have been treated as a 'waste of time and resources 'but the power of 'ownership' is actually more forceful compared to any statutory enforcement, which is desperately needed in our current business environment. Therefore, any future modification to the concept, laws, rules and regulations in respect of the shareholders' meeting should not abandon completely the true objective of a meeting and the significant role of it in the company.

Wagner and Wenk (2019) study focused on the agency versus Hold-up: Benefits and Costs of Shareholder Rights. The set of policy experiments regarding binding votes on compensation in Switzerland sheds light on the hitherto mostly theoretical argument that shareholders may prefer to have limits on their own power. The empirical evidence suggests a trade-off: On the one hand, binding votes on compensation amounts provide shareholders with an enhanced ability to ensure alignment. On the other hand, when shareholders can (partially) set pay levels ex post, this may distort ex ante managerial incentives for extra-contractual, firm-specific investments. Thus, increased shareholder power reduces agency costs, but accentuates hold-up problems.

Iliev, Lins, Miller and Roth (2015) there is significant debate as to whether the shareholder voting process is an effective way to exercise corporate governance. Using a sample of 7,975 companies across 42 countries over the years 2003-2009, they investigated whether the votes cast by U.S. institutional investors for director elections, as well as subsequent director turnover,

are consistent with a shareholder voting process that works. They found greater voting against directors when country-level shareholder protection is low or firm-level managerial entrenchment is high, indicating that investors exercise dissent voting when they fear expropriation the most. Further, controlling for firm performance, greater voting against directors is associated with greater director turnover. Our findings suggest that shareholders vote as though they are exercising governance, and that the votes they cast have a governance-related outcome. The study concluded that shareholder voting is an important channel through which corporate governance is exercised in firms across the world.

Brochet, Ferri and Miller (2018) study focused on the Investors' Perceptions of Activism via Voting: Evidence from Contentious Shareholder Meetings Using a sample of almost 28,000 meetings between 2003 and 2012, the study examined stock returns over the period between the proxy filing and the annual meeting, when investors learn about the contentious nature of the meeting and form expectations about its likely impact on firms' behavior. The study found that abnormal stock returns prior to contentious meetings are significantly positive and higher than prior to non-contentious meetings. These higher abnormal returns increase with the contentiousness of the meeting, are more pronounced in firms with poor past performance (which are more likely to respond to shareholder pressure) and persist after controlling for firm-specific news and proxies for risk factors. The results were consistent with investors expecting shareholder activism via voting to have a positive impact on firm value, on average.

Matsusaka, Ozbas and Yi (2019) analyzed the opportunistic proposals by union shareholders is and found out that labor unions used shareholder proposals "opportunistically" to influence contract negotiations. The study showed theoretically that shareholder proposals could be used as bargaining chips to extract side payments from management. The empirical strategy was based on the observation that proposals had a higher than normal value for unions in contract expiration years, when a new contract must be negotiated. The study found out that during contract expiration years, unions increased their proposal rate by one-quarter (and by two-thirds during contentious negotiations); non-union shareholders did not change their proposal rate in expiration years. Unions were much more likely than other shareholders to make proposals concerning executive compensation, especially during expiration years. Opportunistic union proposals were associated with better wage outcomes for union workers. Overall, the evidence suggested that sometimes having more rights could be costly for shareholders.

Fried, Kamar and Yafeh (2018) study on the effect of minority veto rights on controller tunnelling, acknowledged a central challenge in the regulation of controlled firms. As independent directors and fiduciary duties are widely seen as not up to the task, a number of jurisdictions have given minority shareholders veto rights over these transactions. To assess these rights' efficacy, they exploited a 2011 regulatory reform in Israel that gave the minority the ability to veto pay packages of controllers and their relatives ("controller executives"). We the study found out that the reform curbed the pay of controller executives and led some controller executives to quit their jobs, or work for free, in circumstances suggesting their pay would not have received approval. These findings suggested that minority veto rights could be an effective corporate governance tool.

Golden (2015) investigated the effect of shareholder rights and information asymmetry on option-related repurchase activity. The study showed that the dilution effect of the exercise of the

employee stock options on earnings per share (EPS) decreases the value of stock options. Thus, managers tended to use stock repurchases rather than dividends to return cash to shareholders (the dividend substitution effect). The study found out that the executive stock option incentives to repurchase stock as a substitute for dividends are stronger when firms have weak shareholder rights and the level of information asymmetry positively influences managerial stock option incentives to repurchase stock. Furthermore, prior research indicated that information asymmetry was positively associated with stock repurchases. The study provided evidence indicating that the relationship between information asymmetry and stock repurchases is stronger when firms have weaker shareholder rights.

Bazrafshan, Banaiy and Bazrafshan (2021) study sought to examine the beneficial effect of shareholder participation in general meetings: Evidence in the context of audit quality. The study used the percentage of the ownership represented by the shareholders who attend the general meeting. Audit quality was measured by auditor industry specialization, audit firm size, and auditor fees. A sample of 576 firm-years from Iran's capital market between 2012 and 2018 and employed multivariate regression analysis. The study revealed that there is a positive and significant association between the presence of institutional shareholders in general meetings and audit quality. Furthermore, for the companies with a high presence of institutional shareholders in their general meetings, there is a significant and positive relationship between the participation of other shareholders in the general meetings and audit quality.

Isik and Soykan(2019) study used data for the period 2003-2010 of 164 industrial firms listed on Istanbul Stock Exchange (BIST-Borsa Istanbul); they empirically explored the impact of large shareholders on firm performance measured by ROA and Tobin's Q. Empirical findings based on panel data analysis suggest that large shareholders have a significantly positive effect on the performance of the firms. In other words, the concentration of shareholder's ownership overcomes conflict of interest between the small shareholders and the managers. At the same time, in the case when share ownership of the large shareholder exceeds a certain level, once again, we find significant positive relation between large shareholders and firm performance. As a result, while they didn't reject the validity of the efficient monitoring hypothesis, but rather the expropriating hypothesis in Turkey.

Song (2019) analyzed the relationship between ownership concentration and company performance in China private listed companies. By taking into account of the difference of managerial positions of large shareholders in listed companies (whether they assume the posts as presidents or general managers), and based on the two agency theories. The study analyzed analyzes the state dependency of the relationship between ownership concentration and the company performance of listed companies with the samples of China private listed companies from 2003 to 2011. The study found out that if the large shareholders assume no posts in the listed companies, there is an inverted *U* shape relation between shareholding ratio of the largest shareholders and the company performance. This result indicates the inadequate or excessive monitoring to the companies by the large shareholders according to different shareholding ratios. If large shareholders assume posts in the listed companies, there is a *U* shape relation between shareholding ratio of the largest shareholders and the company performance. This result indicates the tunneling and propping to the small shareholders by the large shareholders according to different shareholding ratios.

Emperical research by, Liu *et al.* (2014) found that the effect of board independence is becoming stronger. According to them, board independence is the ability of board members to be free from interference or pressure in the course of doing their duties, to enable them provide oversight and enforce accountability on the company decision by the management. Sabry (2015), in his study, found that independent board members do not have inherent self-interests parse and are instead guided by the interests of the stakeholders who appointed them. Foo and Zain (2010) studied the sample of 481 Public-Listed firms in Malaysia at the end of the year 2007 for board independence. They found a significant relationship between the board independence and the disclosure of information.

Tulung (2017) found that Board independence is associated with positive firm performance. Equally, in Hong Kong Leung, Richardson and Jaggi, (2014), found that there is a positive relationship between board independence and firm performance in non-family firms. Similarly, independent boards influence a firm's performance in such matters as monitoring the operational processes encouraging managers to focus on long term performance rather than routine activities (Alves, 2014) and authorizing the decisions of management based on whether they benefit shareholders.

Tulung and Ramdani (2018) found a negative relationship between board independence and firm performance in an emerging market. Lastly, Fuzi et al. (2016) found that board independence was not significantly associated with firm performance. Thesecond charateristic under board characteristic is board size which affects corporate goverance practices, and thus influences firm performance.According to Adekunle and Aghedo, (2014), board size of an organization is the number of directors on the board of a firm which includes both executive and non-executive directors.

A study by Ironkwe and Adee (2014) found a positive and statistically significant relationship between board size and firm performance, in sample of 40 financial firms in Nigeria. Using time series data from 166 firms quoted on the Nigerian Stock Exchange market from 2005 to 2012 in the Food and Beverages sector, Ilaboya and Obaretin (2015) also found a similar result which showed a positive relationship between board size and corporate financial performance measured. Kim (2013) obtained positive and statistically significant ($p<0.05$) relationship between board size and Return on Assets (ROA) for 290 American companies listed in Fortune 1000 in 2002.

The Nigerian studies (Ujunwa, 2012; Adebayo *et al*., 2013; Dabor, Survive, Ajagbe & Oke., 2015) and non-Nigerian studies (O'Connell & Cramer, 2010; Guo & Kga, 2012) have mostly found consistent results that board size is negatively related to firm performance. According to Adekunle and Aghedo, (2014) board diversity is the proportion of non-executive directors to total number of directors in an organization. Evidence on the relationship between the proportion of non-executive directors on the board and firm performance is mixed (Satirenjit & Oladipupo, 2014); (Adekunle & Aghedo, 2014). They are mixed in the sense that some of the study reviewed show positive relationship between board diversity and financial performance while some shows negative relationship between the variables. Similarly, Al-Matari (2013) also found that the proportion of non-executive directors is positively related to ROA. Also, using a sample 13 listed deposit money banks for the period 2007 to 2011, Shehu & Musa (2014) found that board composition positively, strongly and significantly influences firm performance measured

by ROA. These similar findings suggest that boards with higher proportion of outside directors offer higher performance. In contrast, Ogbulu and Emeni, (2012) reported that the proportion of independent non-executive director's representation on the board is negatively related to firm performance.

Contrary, Mahrous (2014) reported a statistically negative relationship between non-executive board members and ROE, in a sample of 50 Egyptian listed non-financial companies from 2006 –2010. Also, Garba and Abubakar (2014), using 12 listed insurance companies for the period 2004 to 2009 found a negative and significant relationship between board composition and firm performance measured by Tobin's Q and return on equity (ROE). This indicates that the benefit of board independence, objectivity and experience expected from the representation of outside directors to influence board strategic decisions appears to hold back managerial initiative through too much monitoring.

Odhiambo and Mwanzia (2021) study focused on board Characteristics and Financial Performance of Government-Owned Sugar Manufacturing Companies in Kenya. Specifically, the study sought to establish the association between; board diversity, board independence, board size and financial performance of government-owned sugar manufacturing companies in Kenya. The study adopted the Agency Theory and Stewardship Theory. The study targeted the Government-Owned Sugar manufacturing companies in Kenya during the years 2000 to 2016 when the companies were operational. The findings indicated that board diversity and financial performance of government-owned sugar manufacturing companies. In addition, board independence and financial performance of government-owned sugar manufacturing companies was also significant. Board Size had a positive but insignificant relationship with financial performance of government-owned sugar manufacturing companies in Kenya.

Nepal and Deb (2022) examined whether the board size and board independence have any impact on the financial performances of the Indian textile firms. Accessing the data of the 40 sample firms representing the top 100 BSE-listed textile firms during the timeline 2015–2019 and applying the panel data regression model, it has assessed the impacts. Accounting- and market-based financial measures were proxied, and a significant positive association between the board size and firm performance has been established. Interestingly, a significant inverse relationship between the board independence and financial performance was also indicated. Sobhan (2021) study examined the effects of board characteristics on firm performance in the listed companies of non-banking financial institutions industry of Bangladesh. This study has considered five board characteristics namely board size, the proportion of independent directors, the proportion of female directors, the number of board meetings and percentage of directors' ownership. ROA has been taken as the performance indicator. The regression results show that board size and female directors are positively and significantly related to firm performance. On the other hand the proportion of independent directors, the number of board meetings and the percentage of directors' ownership do not have any significant impact on firm performance.

Amedi and Mustafa (2020) study investigated the impact of the board of directors features on the financial performance of companies, which is measured using return on equity. This study utilized secondary data approach. A population is all companies listed in Amman Stock Exchange (ASE), while the sample consists of all Jordanian companies from manufacture sector

from 2016 to 2018. Multiple regression has been used to test this study hypothesis and meet its objective. This study finding aligns with agency theory and resource dependence theory propositions, that the size of the board of directors is negatively related to firm performance. On the other hand, the board of directors' independence and female directors are having a positive influence on firm performance. Sarkar and Sarkar (2018) studied the effect of board governance in state-owned and private banks by undertaking a study of commercial banks in India that has both bank groups. They provided evidence of strong ownership effects with board independence exhibiting a significant positive correlation with the performance of private banks and a significant but negative correlation with the performance of state-owned banks. The effect of CEO duality is negative in state-owned banks where the incidence of CEO duality is high. They found that longer CEO tenure has significant positive effects on bank outcomes with these effects strengthening in the later years of CEO tenure.

RESEARCH METHODOLOGY

A research design describes how a study addresses the specific aims and objectives of the research. This study adopted a descriptive survey design to establish the influence of corporate governance practices and performance of private security firms in Kenya. Descriptive research studies are designed to obtain pertinent and precise information concerning the current status of phenomena and whenever possible to draw valid general conclusion from the facts discovered (Saldana, 2015; Babbie, 2015; Gelman et al., 2013). Descriptive survey attempts to describe characteristics of subjects or phenomena, opinions, attitudes, preferences and perceptions of persons of interest to the researcher (Kumar, 2019; Yin, 2017). Moreover, a descriptive survey aims at obtaining information from a representative selection of the population and from that sample the researcher is able to present the findings as being representative of the population as a whole (Bryman, 2016; Kumar, 2019; Yin, 2017).

It is able to establish association between variables by quantifying relationship between the variables using techniques such as correlations, relative frequencies or differences between them. Manly and Alberto (2016) and Chaffield (2018) both concur that descriptive survey allows a researcher to gather information, summarize, present and interpret for the purpose of clarification and conclusions. The design wasconsidered appropriate for the study because it allowed the reseacher to describe, record, analyze and report conditions as they existed in the field (Saldana, 2015; Babbie, 2015; SGelman et al., 2013).

Taylor and Bonsall (2017) and Glaser and Strauss (2017) noted that surveys can be used for explaining or exploring the existing status of two or more variables at a given point in time. Bell, Bryman and Harley (2018) and Maxwell (2012) similarly perceive a descriptive survey design as one that provides an investigator with quantitative and qualitative data. Against this background, descriptive survey was used to provide the current study with appropriate procedure for examining the influence of corporate governance practices and performance of private security firms in Kenya.

3.2.1. Research Philosophy

This study adopted the positivism approach which advocates for application of the methods of the natural sciences to the study on social reality and more (Creswell & Creswell, 2017; Creswell & Poth, 2017; Marckey & Gass, 2015). In such an approach, the research associates. The unit of analysis was private security firms in Kenya (See the attached list as appendix V for KSIA & VI

for PSIA). For the purpose of this study, themembers of Kenya Security Industry Association (KSIA) and Protective Security Industry Association were chosen since they have representation in Private Security Regulatory Authority (PSRA) board. The private security firms have a complement of 896 (336 board members and 560 managers) according to the Human Resource Personnel departments in the private security firms to be studied. On the other hand, the unit of observation is the unit described by the data that one analyzes and is an object about which information was collected. Researchers base conclusions on information that is collected and analyzed, by using defined units of observation in a research or other study to help clarify the reasonable conclusions that can be drawn from the information collected. For the purpose of this study, the unit of observation was board members and management staff of private security firms. The number of board members and management staff per associations and the total is presented under table 3.1.

Table .1: Target Population

Association	BOD Members	Management Staff	Total
KSIA	120	200	320
PSIA	216	360	576
Total	**336**	**560**	**896**

Source: KISA and PSIA (2019)

The sample size of 384 respondents was derived from the target population using Fishers sample size determination formula. The sample size is derived as shown in the Table 2 basing on a table for determining Sample size for a given population size generated by Chatfield (2018). Based on the total population of 896, a sample size was determined using Fisher's formula since the target population consists of a large number of units (Brymann, 2016). The researcher assumes 95% desired level of confidence, which was equivalent to standardized normal deviate value of 1.96, and an acceptable margin of error of 5% (standard value of 0.05).

$n = z^2pq/e^2 = 384$;
Where: n = the desired sample size (if target population is large)
z = the standard normal deviate at the required confidence level.
P = the proportion in the target population estimated to have characteristic being measured.
q = 1-p d = the level of statistical significance set.
Assuming 50% of the population have the characteristics being measured, q=1-0.5
Assuming we desire accuracy at 0.05 level.
The Z-statistic is 1.96 at this level.

Therefore, $n= (1.96)^2(.5)\ (.5)/\ (.05)^2 = 384$.The 384 sampling units were distributed to the conveniently identified population using the proportional stratified sampling technique using the formula;

$$n_i = \left(\frac{N_i}{N}\right)n$$

Table 2: Sample Size Distribution

Association	BOD Members	Sample Size $n_i = \left(\frac{N_i}{N}\right)n$	Management Staff	Sample Size $n_i = \left(\frac{N_i}{N}\right)n$	Total (n)
KSIA	120	**51**	200	**86**	**137**
PSIA	216	**93**	360	**154**	**247**
Total	336	**144**	560	**240**	**384**

The data was collected through the use of questionnaires. The questionnaires were presented to the respondents under a questionnaire-forwarding letter accompanied by an introductory letter from the university. The developed research instrument was pre-tested using an identical sample in the specified strata with the aim of aiding data collection instruments. It helped to ensure that research instruments were stated clearly and have the same meaning to all respondents. In order to achieve high precision pilot studies, 1% to 10 % of the sample constituted the pilot test size (Kumar, 2019; Kline, 2015; Cohen, West & Aiken, 2014). This study collected pre-test data from a total of 38 respodents. The reliability coefficient of the reseach instruments was checked against Cronbach's Alpha whereby a threshold of 0.70 was used (Sekaran & Bourgie, 2016; Bell, Bryman & Harley, 2018). The standard minimum value of alpha of 0.7 was adopted in this study as recommended as the minimum level for item loadings. Higher alpha coefficient values mean there is consistency among the items in measuring the concept of interest. The recommended value of 0.7 was used as a cut-off of reliabilities

RESULTS AND DISCUSSION

The study used multiple regression analysis to determine the linear statistical relationship between the independent, moderating and dependent variables of the study. The five hypotheses of the study were tested using linear regression models. F- test was used to test the validity of the model, while (r^2) was meant to measure the model 's goodness of fit. The regression coefficient was used to describe the results of regression analysis and outline the nature and intensity of the relationships between the variables under study.

a) **Regression Analysis for the Relationship Between Shareholder Assembly and Performance of Security Firms in Kenya**

Testing Hypothesis One

The study hypothesized that, H_{01}: There is no significant relationship between shareholder assembly and performance of private security firms in Kenya.

Regression model summary results in Table 3(a) indicate the goodness of fit for the regression between shareholder assembly and performance of security firms was satisfactory in the linear regression model. An R squared (coefficient of determination) of 0.218 indicates that 21.80% of the variations in performance of security firms in Kenya are explained by the practice of shareholder assembly in corporate governance. However, the model failed to explain at least 78.20% of the variation in performance of security firms. This means that there are other factors associated with performance of security firms which were not explained by the model. The correlation coefficient(R) of 0.467 indicates shareholder assembly has a positive correlation with performance of security firms. The standard error of 0.29643shows the deviation from the line of

best fit results is shown in Table 3 (a).

The ANOVA results in Table 3(b) shows that ($F(1,319) = 88.945$, $p < 0.05$). This shows that the overall model is significant. The findings imply that shareholder assembly was statistically significant in explaining performance of private security firms in Kenya. Therefore, at $p < 0.05$ level of significance, null hypothesis is rejected and the alternative hypothesis (H_{a1}) which states that "There is a significant relationship between shareholder assembly and performance of private security firms in Kenya" is accepted implying that shareholder assembly has a significant influence on performance of private security firms in Kenya

Further, the results of the study in Table 3 (c) revealed that there was positive relationship between shareholder assembly and performance of security firms in Kenya. (β_1=0.589, t= 7.751, p-value < 0.001). To test the relationship, the Regression Model fitted was $\mathbf{Y= \beta_0 + \beta_1 X_1 +}$ **th**erefore, the null hypothesis (H_{01}): shareholder assembly has no significant influence on the performance of security firms in Kenya or (H_{01}: $\beta_1 = 0$) is therefore rejected (β_1=0.589, t=7.751, p-value < 0.001) and conclude that shareholder assembly (X_1) significantly influences performance of security firms in Kenya (Y).

The Model equation is $\mathbf{Y = 6.987 + 0.589X_1}$
Where, Y is Firm Performance, X_1, is Shareholder Assembly.

The beta coefficient for shareholder assembly was significant (β_1=0.589, t=7.751, p-value < 0.001). It implies that, One (1) unit increase in the practice of shareholder assembly in corporate governance leads to an increase of 0.589 in firm performance index. This is displayed by Table 3(c)

Table 3: Relationship Between Shareholder Assembly and Performance of Security Firms in Kenya

(a) Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
.467	.218	.203	.29643

(b) ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	365.825	1	365.825	88.945	.000
	Residual	1312.273	319	4.113		
	Total	1678.098	320			

(c) Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	6.987	1.987		3.516	.000
	Shareholder Assembly	.589	.076	.467	7.751	.000

b) **Regression Analysis for the Relationship Between Board Characteristics and Performance of Security Firms in Kenya**

Testing Hypothesis Two

The study hypothesized that, H_{02}: There is no significant relationship between board characteristicsand performance of private security firms in Kenya.

Regression model summary results in Table 4(a) indicate the goodness of fit for the regression between board characteristics and performance of security firms was satisfactory in the linear regression model. An R squared (coefficient of determination) of 0.428 indicates that 42.80% of the variations in performance of security firms in Kenya are explained by the practice of board characteristics in corporate governance. However, the model failed to explain at least 57.20% of the variation in performance of security firms. This means that there are other factors associated with performance of security firms which were not explained by the model. The correlation coefficient(R) of 0.467 indicates board characteristics have a positive correlation with performance of security firms. The standard error of 0.76432shows the deviation from the line of best fit results is shown in Table 4.24 (a).

The ANOVA results in Table 4(b) shows that ($F (1,319) = 238.692$, $p <0.05$). This shows that the overall model is significant. The findings imply that board characteristics were statistically significant in explaining performance of private security firms in Kenya. Therefore, at $p <0.05$ level of significance, null hypothesis is rejected and the alternative hypothesis (H_{a2}) which states that "There is a significant relationship between board characteristicsand performance of private security firms in Kenya" is accepted implying that board characteristicshave a significant influence on performance of private security firms in Kenya

Further, the results of the study as presented in Table 4(c) revealed that there was positive relationship between board characteristics and performance of security firms in Kenya. (β_1=0.766, t=17.409, p-value < 0.001). To test the relationship, the Regression Model fitted was $\mathbf{Y= \beta_0 + \beta_1 X_2 + \varepsilon}$. Therefore, the null hypothesis (H_{02}): board characteristics has no significant influence on the performance of security firms in Kenya or (H_{02}: $\beta_1 = 0$) is therefore rejected (β_1=0.766, t= 17.409, p-value <0.001) and conclude that board characteristics(X_2) significantly influences performance of security firms in Kenya (Y).

The Model equation is $\mathbf{Y= 12.832+ 0.766X_2}$

Where, Y is Firm Performance, X_2, is board characteristics.

The beta coefficient for d characteristics was significant (β_1=0.766, t= 17.409, p-value < 0.001). It implies that, one (1) unit increase in the practice of board characteristics in corporate governance leads to an increase of 0.766 in firm performance index. This is displayed by Table 4.24(c)

Table 4: Relationship Between Board Characteristics and Performance of Security Firms in Kenya

(a) Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
.654	.428	.417	.76432

(b) ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	718.223	1	718.223	238.692	.000
	Residual	959.875	319	3.009		
	Total	1678.098	320			

(c) Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	12.832	3.765		3.408	.000
	Board Characteristics	.766	.044	.654	17.409	.000

CONCLUSION

The study concluded that there was a positive and statistically significant relationship that exists between shareholder assembly and performance of security firms in Kenya. The study found out that reforming shareholder assembly is critical to the success of any private security firm. It means shareholders have a fundamental role in driving the strategy agenda in the private security firms. The study also concludes that board characteristics as a dimension of corporate governance is significant and positively linked to performance of security firms in Kenya. The independent boards influence a firm's performance in such matters as monitoring the operational processes encouraging managers to focus on long term performance rather than routine activities, and authorizing the decisions of management based on whether they benefit shareholders.

Recommendations

From the study it is evident that shareholder assembly played by security firms in providing the strategic direction to all other levels of management of the firms. The effect of shareholder assembly has been in contestation. The study provides empirical evidence that regardless of the security industry competitive environment, shareholder assembly is key to improve firm performance. The study therefore recommends; shareholders have a fundamental role in driving the strategy agenda in the private security firms. There is need to embrace and implementshareholders' rights such as voting which is an important tool as it can be used to elect directors to oversee the management of the private security firms.The study found board characteristics as a capability available to all firms and which regardless of the competitive environment can be exploited by the security firms. A valid recommendation will be that board independence, size and diversity should be enhanced and developed by the security firms. Lack of diversity in top management has also been brought into question; particularly that top management diversity homogeneity does not positively influence performance. Hence there is need for proactive measures to increase the independent directors, size, visibility and participation of both gender in top management in the security firms. Embracing board diversity

will enable the private security firms to reflect the structure of society and properly represent the gender, ethnicity and professional backgrounds of those within it to provide diverse viewpoints in decision making and strategic planning to improve performance of the firms. The appropriate board size will offer relevant networking and are more diverse, experienced, better exposed and execute more objectivity in decision making in the security firms.

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