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The Strategic JOURNAL of Business & Change MANAGEMENT
ISSN: 2312-9492 www.strategicjournals.com
Vol. 12, Iss.2, pp 165 – 187, April 16, 2025. www.strategicjournals.com, © Strategic Journals

CORPORATE FINANCE GOVERNANCE PRACTICES AND FINANCIAL PERFORMANCE OF STATE-OWNED SUGAR COMPANIES IN KENYA

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Accepted: April 6, 2025

DOI: http://dx.doi.org/10.61426/sjbcm.v12i1.3206

ABSTRACT

This study established the effect of the corporate finance governance practices on financial performance of state-owned sugar companies in Kenya. The specific objectives were to; establish influence of Board composition, board diversity, board of director expertise, board tenure on financial performance. The study was based on stakeholder theory, stewardship theory, resource dependency theory and agency theory. Descriptive survey design was used to explain hypothesized relationships. The study targeted 95 respondents from 5 state-owned sugar firms in Western Kenya. From a target population of 95 respondents, a sample size of 95 respondents was sampled using census sampling technique. The respondents were selected using stratified random sampling. Primary data was collected by means of self-administered structured questionnaires and for purposes of validity and reliability checks, pretested in Kenya Seed Company, a state-owned corporation. Descriptive and inferential statistics with the aid of specialized Statistical Package for Social Sciences, version 28 was conducted. Descriptive analysis such as frequencies, means, standard deviation was utilized whereas analyzed data was presented in tables and graphs. The results revealed that board composition has significant influence on financial performance of state-owned sugar companies in Kenya. An increase in Board composition would results to significant increase in financial performance of state-owned sugar companies in Kenya. Further, board tenure, board of director expertise and board diversity has significant effect on financial performance of state-owned sugar companies in Kenya. The study concluded that the corporate governance practices have significant positive effect on financial performance of state-owned sugar companies in Kenya. The study recommended that state-owned sugar companies in Kenya prioritize the inclusion of independent directors on their boards to enhance oversight, reduce conflicts of interest, and improve decision-making. State-owned sugar companies should aim for a balanced approach to board tenure, encouraging moderate tenure that combines valuable experience with fresh perspectives. State-owned sugar companies should seek diversify the expertise of their board members, ensuring a mix of educational backgrounds, professional experience, and industry-specific knowledge. State-owned sugar companies should actively promote gender, age, and ethnic diversity within their boards to enhance decision-making, creativity, and market understanding.

Key Words: *Board Composition, Board Diversity, Board of Director Expertise, Board Tenure*

CITATION: Mukanga, P. E., Otinga, H., & Miroga, J. (2025). Corporate finance governance practices and financial performance of state-owned sugar companies in Kenya. *The Strategic Journal of Business & Change Management,* 12 (2), 165 – 187. http://dx.doi.org/10.61426/sjbcm.v12i1.3206

INTRODUCTION

Corporate governance has emerged as a critical factor in determining the financial performance and sustainability of organizations, particularly in the context of state-owned corporations (SOCs). State-owned corporations, which are enterprises where the government holds significant ownership, play a pivotal role in national economies by providing essential services, driving infrastructure development, and contributing to economic stability. However, the unique ownership structure of SOCs often presents distinct governance challenges, including political interference, lack of transparency, and conflicting objectives between profitability and public service mandates (OECD, 2023). These challenges underscore the importance of robust corporate governance practices in ensuring the financial health and operational efficiency of SOCs.

Globally, corporate governance is at the center of the corporate world and is the pathway through which corporations are governed. This is described as: 'the processes and structures that offer control and direction of firms (Kilonzo & Wanjiru, 2023). Corporate governance, in particular, focuses on the interactions between managers, shareholders, the board of directors, as well as any other entity directly or indirectly impacted by the organization. Sustaining economic growth in developed nations such as the US and the UK is facilitated by effective corporate governance, which improves the performance of these companies and increases their chances of obtaining capital from outside sources. Dierkes, Antal, and Nonaka (2022) defines corporate governance as laws, procedures, and practices that regulate and guide a company. It involves striking an equilibrium between stakeholders' interests. The stakeholders may include shareholders, managers, clients, financiers, suppliers, government, oversight and regulatory bodies and the society.

Regionally, public awareness is rising in the East Africa region as corporate governance becomes more and more of a focus. Without a doubt, in the majority of East African organizations, corporate governance is a top priority for leadership. For example, according to an annual survey of CEOs in the area, 79% of them had strategies in place for managing the brand image as well as corporate institution of their businesses (Joe & Weaver, 2017). In Kenya's case, corporate governance development started about two decades ago as a result of early involvement of institutions including the commonwealth secretariat, the World Bank, and initiative by the private sector. Such efforts led the Principles for Corporate governance in Kenya in 2003, which was developed and issued by the Private Sector. Ondiek, Kisombe & Magutu, 2023) for instance, have described corporate governance as the system by, and the manner in, which the power of, and power over, of a company is exercised during resource as well as asset management with the core objective of increasing and maintaining shareholder value It is also focuses on who controls what, in addition to their effectiveness. Corporate governance impacts all economies, and both multi- national corporations and small businesses (Omondi & Njiru, 2023).

The financial performance of Kenya's state-owned sugar companies has been equally troubling. These companies face significant debt burdens, often due to over-reliance on poorly managed financing mechanisms. Market inefficiencies, such as an inability to adapt to global competition and local market demands, have further hampered profitability. Operational inefficiencies, including the use of obsolete technology and poor management practices, have resulted in high production costs, making locally produced sugar less competitive than imports (Kilonzo & Wanjiru, 2023).

Statement of the Problem

In terms of financial oversight, firms with diverse and skilled boards were shown to outperform their peers by up to 25%, demonstrating the tangible benefits of improved governance practices (Machuki & Oketch, 2023). These findings align with global trends, where corporate governance reforms have proven instrumental in revitalizing underperforming state-owned enterprises. Overall, the implementation of sound governance practices is essential to reversing these trends, boosting efficiency, and achieving financial sustainability in line with Kenya's Vision 2030 and the Bottom-Up Economic Transformation Agenda (BETA). This includes reforms in board composition, expertise, and diversity to ensure alignment with strategic and operational goals.

Several studies on financial performance of sugar firms in Kenya, have majorly ignored corporate governance aspects that could influence financial performance of sugar manufacturing instead they have focused on wider set of determinants that impact financial performance of sugar manufacturing firms for better decision making towards improvement of financial performance by the sugar firms management (Were, Gongera, & Barack, 2023).This study sought to establish the effect of the corporate governance practices on financial performance of state-owned sugar companies in Kenya.

Objectives of the study

The general objective of this study was to establish the effect of the corporate governance practices on financial performance of state-owned sugar companies in Kenya. The study was led by the following specific objectives:

- To assess the influence of Board composition on financial performance of state-owned sugar companies in Kenya.
- To examine the effect Board Tenure on financial performance of state-owned sugar companies in Kenya.
- To establish the influence of Board of Director expertise on financial performance of state-owned sugar companies in Kenya.
- To determine the effect of Board Diversity characteristics on financial performance of state-owned sugar companies in Kenya.

LITERATURE REVIEW

Theoretical Review

Agency Theory

This theory assumes that a separation of ownership and control creates a conflict of interest, as agents may prioritize personal goals, such as securing perks or minimizing risks, over the principals' primary goal of maximizing returns. Agency Theory further posits that rational and self-interested behavior from both parties can lead to inefficiencies unless appropriate governance mechanisms are implemented. In the context of state-owned sugar companies in Kenya, the application of Agency Theory is especially relevant. These companies often face unique governance challenges, including bureaucratic inefficiencies, rent-seeking behaviors, and political interference. A well-composed board with diverse skills and perspectives can address these challenges by providing effective oversight and reducing inefficiencies. Such boards are better positioned to scrutinize management decisions, ensure transparency, and align company objectives with shareholder goals. For example, Muthoni and Kungu (2023) found that effective board composition in East African state-owned enterprises significantly reduces agency problems, leading to improved resource allocation and financial performance.

Stewardship Theory

The theory assumes that directors and managers are trustworthy and capable of prioritizing the long-term success of the organization. It also suggests that trust and empowerment enable directors to perform better as stewards. By focusing on the organization's long-term objectives rather than short-term personal benefits, directors help ensure stability, strategic continuity, and the sustained achievement of organizational goals. Directors with longer tenure are likely to possess a deeper understanding of the unique challenges facing the sugar industry, including fluctuating market dynamics, operational inefficiencies, and

The Strategic Journal of Business & Change Management. ISSN 2312-9492 (Online) 2414-8970 (Print). www.strategicjournals.com

government policy shifts. Their accumulated experience allows them to design and implement strategies that improve financial performance. Furthermore, such directors are more likely to have built strong relationships with critical stakeholders, including farmers, suppliers, and government agencies, which fosters trust and collaboration essential for addressing systemic challenges in the industry (Ngure & Waweru, 2022).

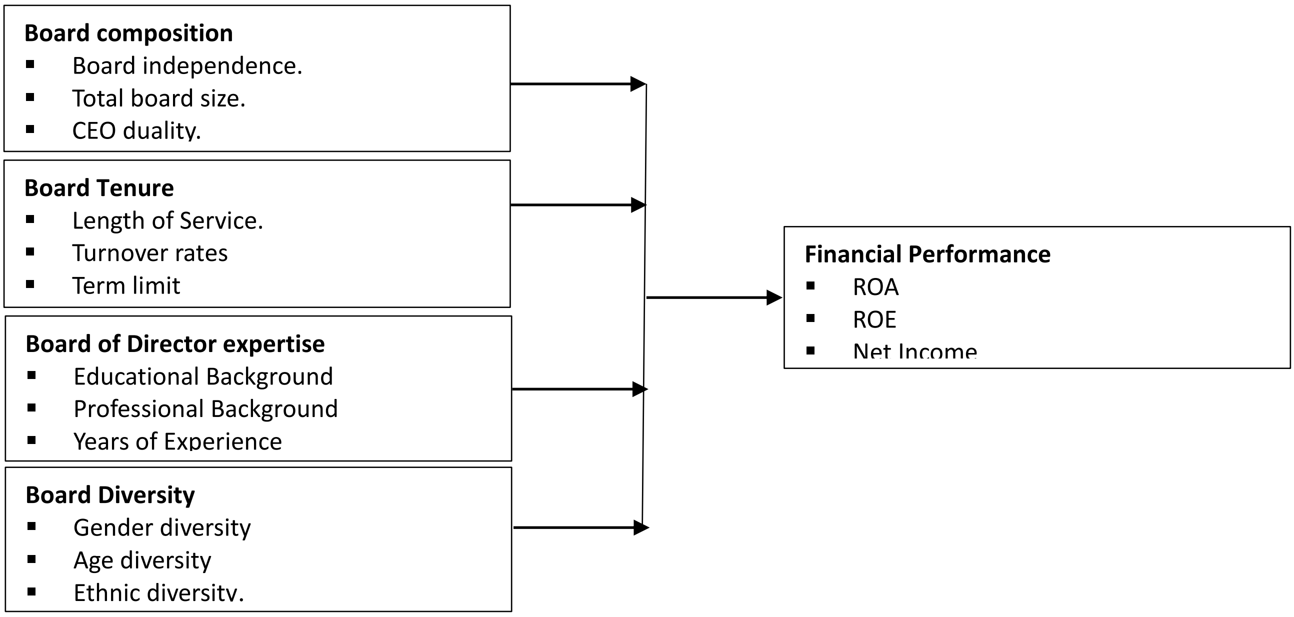
Resource Dependence Theory

According to the theory, directors bring valuable expertise, connections, and insights that facilitate access to resources, reduce uncertainty, and provide strategic guidance essential for organizational performance. In the context of state-owned sugar companies in Kenya, Resource Dependency Theory provides a valuable framework for assessing the influence of board expertise on financial performance. Directors with expertise in areas such as finance, agriculture, and supply chain management are instrumental in addressing the unique challenges faced by the sugar industry. For instance, financial experts can secure affordable credit facilities and optimize capital allocation, while agricultural specialists can introduce modern farming practices and improve production efficiency. Directors with supply chain expertise can streamline logistics, reducing costs and enhancing profitability (Onyango & Wanjiru, 2023).

Stakeholder Theory

A key argument of Stakeholder Theory is that board diversity enhances the board's ability to address the concerns and expectations of a broad range of stakeholders. A diverse board brings varied perspectives, experiences, and skills, which improve decision-making, foster innovation, and enhance organizational adaptability. Diversity in gender, ethnicity, age, educational background, and professional experience ensures that different viewpoints are represented, leading to decisions that are more inclusive and aligned with stakeholder interests. This inclusivity, in turn, contributes to improved financial performance by enhancing stakeholder trust, loyalty, and collaboration. For instance, gender diversity on the board can improve representation of female stakeholders, fostering initiatives that support women farmers and workers. Similarly, ethnic and regional diversity can help address the socio-economic disparities and regional inequalities often associated with the sugar industry (Otieno & Njogu, 2023).

Conceptual Framework



Independent Variables **Dependent Variable**

Figure 1: Conceptual Framework

Empirical review of related literature

Smith and Johnson (2021) conducted a cross-sectional study among 150 U.S. firms to assess how the proportion of independent directors affects financial performance. They collected data from annual reports and board records and applied regression analysis to examine the relationship between board independence and return on assets. Their findings indicated that a higher ratio of independent directors significantly improved firm profitability by reducing agency costs, leading them to conclude that an optimal board composition is critical for effective oversight.

Lee et al. (2022) focused on a sample of 200 Asian companies, investigating the balance between executive and non-executive directors. Using survey data combined with secondary financial information, they employed structural equation modeling to analyze the impact of a balanced board on financial outcomes. The study revealed that firms with a well-balanced board achieved superior operational performance and market competitiveness, emphasizing that an optimal mix of directors

Wang and Li (2021) explored the relationship between board tenure and financial performance in a sample of 200 Chinese firms. Using a quantitative, cross-sectional design, they gathered data from annual reports and applied quadratic regression analysis to test for a curvilinear (inverted U-shaped) relationship. Their findings indicated that moderate board tenure was optimal for performance, while both very short and very long tenures were associated with poorer outcomes. The study concluded that an optimal duration of board service is critical for balancing experience with the need for fresh perspectives.

Brown and Davis (2022) examined 180 U.S. firms to analyze the impact of board turnover on financial performance. They used secondary financial data and a cross-sectional design, employing ordinary least squares regression to investigate how periodic board refreshment affects firm performance. Their results showed that regular board turnover was associated with improved decision-making and enhanced firm responsiveness, leading to better financial performance. They concluded that periodic renewal of the board contributes to better governance and competitive outcomes.

Kim and Park (2021) conducted a quantitative study among 150 technology firms in South Korea to assess how board expertise influences profitability. They collected data from annual reports and director biographies and applied multiple regression analysis. The study found that firms with higher proportions of directors with industry-specific expertise and advanced professional certifications enjoyed significantly higher profitability. They concluded that board expertise is a vital driver of effective strategic decision-making and financial performance.

Singh and Gupta (2022) examined 180 Indian firms using a cross-sectional design to investigate the relationship between board expertise and market outcomes. They sourced data from financial databases and director profiles, using panel regression analysis to show that greater board expertise reduces agency conflicts and improves financial returns, such as higher return on equity. Their findings underscore the importance of having a knowledgeable board to drive superior performance.

Lee and Martinez (2021) conducted a quantitative study among 200 U.S. firms to evaluate the impact of board diversity—including gender, age, and ethnicity—on financial performance. Using board composition data and firm financial metrics from annual reports, they applied regression analysis to demonstrate that higher board diversity is associated with increased profitability and better decision-making outcomes. Their conclusion was that a diverse board provides varied perspectives that enhance strategic oversight and drive superior financial performance.

Nguyen and Chen (2022) examined 180 manufacturing firms in China using a cross-sectional design to assess how diversity in professional backgrounds influences innovation and risk management. They collected data through structured surveys and secondary performance reports, and employed structural equation modeling (SEM) to show that diversity fosters creativity and improves risk mitigation, resulting in better financial outcomes. Their findings support the notion that board diversity is critical for fostering an innovative organizational climate.

METHODOLOGY

The descriptive method enabled the researcher to obtain the desired results and identify the relationship between the independent and dependent variables. The descriptive survey research design allowed the researcher to capture both actual and expected outcomes, providing a detailed assessment. This approach facilitated a comprehensive coverage of the organizations under study, ensuring a thorough and in-depth analysis.

The study focused on all the five state-owned sugar companies in Kenya. The Sugar firms were Mumias Sugar Company, Nzoia Sugar Factory, South Nyanza Sugar Company, Muhoroni Sugar Company and Chemelil Sugar Factory. The use of census sampling was due to the small number of the target population. According to Mugenda and Mugenda (2008), for a population of 1-100, a sample of 100% is to be used as the sample size.

Primary data was collected through self-administered structured questionnaires. Kothari (2007) emphasizes that questionnaires are easy to administer and can collect a large amount of information. These questionnaires were structured and designed in a multiple-choice format using a five-point Likert scale: 1. Strongly Disagree, 2. Disagree, 3. Uncertain, 4. Agree, 5. Strongly Agree. Section one introduced the researcher, the research topic, and its purpose to the respondent. Section two gathered demographic data, such as education level, gender, and age, while section three focused on the independent and dependent variables of the study.The researcher employed a drop-and-pick method for distributing the questionnaires to save time and ensure that respondents were able to fill them out.

For this research, all components of the questionnaires were checked and coded to ensure the clarity of words and the accuracy of the statements. The instruments were then pretested with 10 respondents from one state-owned corporation in Western Kenya, Kenya Seed Company. This group constituted 10% of the total sample size (95 respondents) and served to refine the data collection tools before the actual study.

RESULTS AND DISCUSSIONS

Response Rate

In this study, a total of 95 questionnaires were administered to the sampled respondents, 74 were successfully completed by the respondents which is a response rate of 77.9% of the total questionnaires. Richard (2015) observed that the Australian Vice Chancellors' committee and graduate careers council of Australia (2021) regarded an overall institutional response rate for the course experience questionnaire of at least 70% to be both desirable and achievable. The response rate of 77.9% which was attained during this study is acceptable because it is above the 60%.

Descriptive statistics

Descriptive analysis for this section used percentages, frequencies, means and standard deviation to show the response from the respondents as shown in the tables below for each variable. The respondents were required to state their level of agreement on various statements on each variable. The level of agreement ranged from 1-strongly disagree, 2-disagree, 3-fairly agreed, 4-agree and 5- strongly agree. The results are as follows.

Board composition and Financial Performance

The sampled respondents were provided with 6 statements related to Board composition. Percentages are in parenthesis (). The results are as presented in Table 1.

Table 1: Board composition

Board composition	Mean	S.D
The presence of independent directors on the board significantly improves the quality of decision-making and oversight.	4.08	0.98
Independent directors contribute to better financial performance by reducing conflicts of interest and enhancing accountability.	3.86	1.23
Boards with a higher proportion of independent directors are more effective in monitoring management and ensuring compliance with governance standards.	3.86	1.19
A smaller board size leads to more efficient decision-making and better financial performance.	3.91	1.11
The optimal board size for achieving strong financial performance varies depending on the industry and organizational complexity.	3.99	1.03
Separating the roles of CEO and board chairperson improves governance and enhances financial performance.	3.93	1.15

The findings on board composition and financial performance highlight several key insights regarding governance practices in state-owned sugar companies in Kenya. A majority of respondents (37.8% strongly agreed, 41.9% agreed) affirmed that independent directors significantly improve the quality of board oversight and decision-making, with a mean score of 4.08 and a standard deviation (S.D) of 0.98. This suggests that the presence of independent directors is perceived as a critical factor in ensuring transparency and effectiveness in governance. Similarly, 40.5% of respondents strongly agreed, and 29.7% agreed that independent directors contribute to better financial performance by reducing conflicts of interest and enhancing accountability (Mean = 3.86, S.D = 1.23). This finding aligns with corporate governance theories that advocate for board independence as a mechanism for improving financial oversight and reducing agency conflicts.

Furthermore, 36.5% of respondents strongly agreed, and 35.1% agreed that boards with a higher proportion of independent directors are more effective in monitoring management and ensuring compliance with governance standards (Mean = 3.86, S.D = 1.19). This implies that board independence enhances regulatory compliance and minimizes managerial misconduct, which could positively impact financial performance. However, the presence of dissenting views (10.8% disagreed, 5.4% strongly disagreed) suggests that some respondents may perceive independent directors as less impactful or as potentially interfering with managerial autonomy.

Regarding board size, the study found that 35.1% of respondents strongly agreed, and 37.8% agreed that smaller boards lead to more efficient decision-making and better financial performance (Mean = 3.91, S.D = 1.11). This finding supports the notion that leaner boards can streamline governance processes, reduce bureaucracy, and enhance strategic agility. However, some respondents (9.5% disagreed, 4.1% strongly disagreed) may hold differing perspectives, possibly viewing larger boards as providing diverse expertise and broader oversight. Additionally, 32.4% of respondents strongly agreed, and 48.6% agreed that the optimal board size for achieving strong financial performance varies depending on the industry and organizational complexity (Mean = 3.99, S.D = 1.03). This suggests an acknowledgment that a one-size-fits-all approach may not be effective and that board structure should be tailored to fit the specific needs of the organization.

Board tenure and Financial Performance

The sampled respondents were provided with 6 statements related to Board tenure. The pertinent results are as shown in Table 2.

Table 2: Board tenure

Board tenure	Mean	S.D
Directors with moderate tenure contribute more effectively to financial performance due to their balance of experience and fresh perspectives.	3.68	1.28
Short-tenured directors bring innovative ideas that positively influence financial performance in high-growth sectors.	3.39	1.40
Moderate turnover rates are beneficial as they introduce new perspectives while retaining institutional knowledge.	3.66	1.29
Regular board turnover ensures fresh perspectives and ideas that positively impact financial performance.	3.69	1.35
Implementing term limits for board members ensures a regular infusion of new ideas and improves financial performance.	3.26	1.43
Term limits help prevent board entrenchment, which can negatively impact governance and financial outcomes.	3.54	1.35

Lastly, the study examined the separation of the CEO and board chairperson roles, with 37.8% strongly agreeing and another 37.8% agreeing that this separation enhances governance and financial performance (Mean = 3.93, S.D = 1.15). This indicates strong support for the principle of leadership separation as a governance best practice to reduce conflicts of interest and improve accountability. However, the presence of some disagreement (12.2% disagreed, 4.1% strongly disagreed) suggests that a few respondents may perceive a unified leadership structure as more efficient or better suited for certain organizational contexts.

Overall, the findings emphasize the critical role of board independence, optimal board size, and leadership separation in enhancing financial performance in state-owned sugar companies. The high mean scores across these governance indicators suggest that respondents largely recognize the importance of strong board structures in driving organizational success. However, the presence of some opposing views highlights the need for a balanced approach in corporate governance, ensuring that board structures align with the unique operational and strategic needs of the organization. Recent studies underscore the critical role of corporate governance structures in enhancing the financial performance of state-owned enterprises (SOEs) in Kenya. Abang'a et al. (2021) found a positive correlation between board size and SOE financial performance, suggesting that larger boards may provide diverse expertise beneficial for organizational success. Conversely, Oruke et al. (2020) observed that board independence negatively affected performance, indicating that the presence of independent directors does not always lead to improved financial outcomes. These findings highlight the necessity for a balanced approach in corporate governance, tailoring board composition to the unique operational and strategic needs of each organization.

The findings on board tenure and financial performance reveal a range of perspectives on the impact of director tenure on corporate governance and financial outcomes in state-owned sugar companies in Kenya. A significant proportion of respondents (33.8% strongly agreed, 27% agreed) believed that directors with moderate tenure contribute more effectively to financial performance due to their combination of experience and fresh insights, with a mean score of 3.68 and a standard deviation (S.D) of 1.28. This suggests that a moderate tenure length is viewed as optimal for ensuring effective decision-making and corporate governance. However, there was some level of disagreement (8.1% disagreed, 9.5% strongly disagreed), indicating that some respondents may believe that either long-term experience or frequent turnover is more beneficial.

Regarding short-tenured directors, 31.1% of respondents strongly agreed, and 21.6% agreed that they bring innovative ideas that positively influence financial performance, particularly in high-growth sectors (Mean = 3.39, S.D = 1.40). However, a notable proportion (25.7% disagreed, 9.5% strongly disagreed) suggests skepticism regarding the effectiveness of short-tenured directors in established industries such as sugar production. This could imply that respondents see innovation as valuable but not necessarily a priority for the financial stability of state-owned firms.

The study also found strong support for moderate turnover rates, with 35.1% of respondents strongly agreeing, and 23% agreeing that such turnover is beneficial as it introduces new perspectives while retaining institutional knowledge (Mean = 3.66, S.D = 1.29). Similarly, 37.8% of respondents strongly agreed, and 24.3% agreed that regular board turnover ensures fresh ideas that positively impact financial performance (Mean = 3.69, S.D = 1.35). These findings highlight the importance of maintaining a balance between continuity and renewal on corporate boards.

On the subject of term limits, responses were more mixed. While 27% strongly agreed, and 20.3% agreed that implementing term limits ensures a regular infusion of new ideas and improves financial performance (Mean = 3.26, S.D = 1.43), a significant portion of respondents (16.2% disagreed, 16.2% strongly disagreed) were opposed to this notion. This suggests that while some participants see term limits as a mechanism for enhancing governance, others may view them as disruptive to stability and institutional memory.

Lastly, 33.8% of respondents strongly agreed, and 21.6% agreed that term limits help prevent board entrenchment, which can negatively impact governance and financial outcomes (Mean = 3.54, S.D = 1.35). However, the presence of dissenting views (18.9% disagreed, 8.1% strongly disagreed) indicates that some respondents may believe that long-serving directors provide valuable stability and leadership continuity

Board of director expertise

The sampled respondents were provided with 6 statements related to Board of director expertise. The relevant results are as shown in Table 3.

Table 3: Board of director expertise

Board of director expertise	Mean	S.D
Board with diverse educational backgrounds fosters innovation and improves decision-making.	3.66	1.31
Directors with specialized education, such as finance or law, enhance the board’s ability to manage risks and improve financial outcomes.	3.64	1.44
Directors with extensive professional experience in leadership roles positively influence financial performance	3.86	1.33
Directors with industry-specific expertise contribute more effectively to financial performance in specialized sectors.	3.80	1.37
Directors with many years of experience bring valuable insights that improve financial performance.	4.20	0.95
Balance of experienced and newer directors ensures both stability and innovation on the board.	4.16	1.05

Overall, the findings suggest that respondents favor a balanced approach to board tenure, with moderate turnover rates and a mix of experienced and newer directors. While term limits are seen as beneficial in preventing entrenchment, there is some hesitation regarding their potential impact on stability and institutional knowledge. The study reinforces the idea that an effective board tenure policy should align with the organization's strategic goals, industry characteristics, and governance needs. Recent literature highlights the importance of balancing board tenure to optimize governance effectiveness. According to Owino and Wanjiru (2023), moderate board turnover ensures a mix of fresh perspectives and institutional memory, enhancing strategic decision-making in state-owned enterprises (SOEs). However, excessive tenure limits may disrupt board stability and reduce the retention of critical knowledge (Kimathi & Njoroge, 2022). Similarly, Mensah et al. (2021) found that organizations with structured tenure policies perform better financially, as they mitigate the risks of entrenchment while maintaining governance continuity. These insights suggest that board tenure policies should be tailored to the specific strategic and operational needs of firms, balancing renewal with experienced leadership to foster long-term corporate success.

The findings on board of director expertise and financial performance highlight the importance of diverse skills, education, and experience in enhancing corporate governance and financial outcomes within state-owned sugar companies in Kenya. A significant proportion of respondents (37.8% strongly agreed, 24.3% agreed) believed that a board with diverse educational backgrounds fosters innovation and improves decision-making, with a mean score of 3.66 and a standard deviation (S.D) of 1.31. However, a notable percentage (31.1% disagreed) suggests that while diversity is generally seen as beneficial, some respondents may not perceive it as a critical factor in financial performance.

In terms of specialized education, 41.9% of respondents strongly agreed, and 21.6% agreed that directors with expertise in finance or law enhance the board's ability to manage risks and improve financial outcomes (Mean = 3.64, S.D = 1.44). However, 28.4% disagreed, suggesting that while financial and legal knowledge is valuable, other competencies may also be important for overall board effectiveness.

The study also revealed strong support for directors with extensive professional experience in leadership roles, with 45.9% of respondents strongly agreeing and 25.7% agreeing that such experience positively influences financial performance (Mean = 3.86, S.D = 1.33). Similarly, 47.3% of respondents strongly agreed, and 18.9% agreed that industry-specific expertise contributes more effectively to financial performance in specialized sectors (Mean = 3.80, S.D = 1.37). These findings suggest that hands-on industry knowledge and leadership experience are highly valued in ensuring corporate success.

Moreover, a considerable majority (45.9% strongly agreed, 37.8% agreed) indicated that directors with many years of experience bring valuable insights that improve financial performance (Mean = 4.20, S.D = 0.95). The relatively low level of disagreement (6.8% disagreed, 1.4% strongly disagreed) reinforces the idea that seasoned directors provide essential stability and strategic guidance. Lastly, 45.9% of respondents strongly agreed, and 37.8% agreed that a balance between experienced and newer directors ensures both stability and innovation on the board (Mean = 4.16, S.D = 1.05). This finding suggests that while experience is crucial, the infusion of fresh perspectives is equally necessary for effective corporate governance.

Overall, the results indicate that respondents value a combination of specialized knowledge, industry experience, and leadership expertise in board members. While diversity in education is recognized for fostering innovation, expertise in finance, law, and industry-specific knowledge appears to be more directly linked to financial performance. The findings emphasize the need for a well-balanced board that integrates both experienced directors for stability and newer directors for innovative thinking.

Recent studies emphasize the significance of specialized expertise in corporate governance. According to Njenga and Mwangi (2023), board members with financial, legal, and industry-specific knowledge contribute to risk management, regulatory compliance, and overall financial stability. Additionally, Ochieng and Kamau (2022) highlight that educational diversity fosters innovation, but financial and legal expertise have a more direct impact on firm performance. These findings align with the resource dependency theory, which suggests that a diverse and skilled board enhances decision-making and organizational performance, making expertise-driven governance essential for corporate success.

Board diversity

The sampled respondents were provided with 6 statements related to Board diversity. The relevant results are as shown in Table 4.

Table 4: Board diversity

Board diversity	Mean	S.D
Gender-diverse boards make better decisions, leading to improved financial performance.	3.62	1.13
Gender diversity on boards improves stakeholder trust and positively impacts financial performance.	4.22	0.83
Boards with a mix of younger and older directors achieve better financial performance due to a balance of experience and innovation.	3.55	1.27
Age diversity on boards enhances adaptability and improves decision-making in dynamic markets.	3.66	1.24
Ethnic diversity on boards improves the ability to understand and serve diverse markets, enhancing financial performance.	3.86	1.01
Boards with diverse ethnic backgrounds foster creativity and innovation, leading to better financial outcomes.	3.85	1.26

The findings on board diversity and financial performance highlight the perceived benefits of having varied gender, age, and ethnic representation within the boards of state-owned sugar companies in Kenya. A significant proportion of respondents (25.7% strongly agreed, 35.1% agreed) believed that gender-diverse boards make better decisions, leading to improved financial performance, with a mean score of 3.62 and a standard deviation (S.D) of 1.13. However, 21.6% disagreed, indicating that while gender diversity is acknowledged as beneficial, some respondents may not perceive it as a primary factor influencing financial outcomes.

The impact of gender diversity on stakeholder trust and financial performance was more strongly supported, with 40.5% strongly agreeing and 45.9% agreeing (Mean = 4.22, S.D = 0.83). This suggests that respondents recognize the role of gender-diverse boards in fostering inclusivity and enhancing corporate reputation, which can translate into better financial performance.

Regarding age diversity, 35.1% of respondents strongly agreed and 16.2% agreed that boards with a mix of younger and older directors achieve better financial performance due to a balance of experience and innovation (Mean = 3.55, S.D = 1.27). However, a relatively high percentage (28.4%) disagreed, indicating mixed opinions on the actual impact of age diversity on financial success. Similarly, 32.4% strongly agreed and 29.7% agreed that age diversity enhances adaptability and improves decision-making in dynamic markets (Mean = 3.66, S.D = 1.24), suggesting a recognition of the benefits of generational differences in governance.

Ethnic diversity was also seen as a crucial factor, with 33.8% of respondents strongly agreeing and 28.4% agreeing that ethnically diverse boards improve the ability to understand and serve diverse markets, thereby enhancing financial performance (Mean = 3.86, S.D = 1.01). Furthermore, 44.6% strongly agreed and 21.6% agreed that boards with diverse ethnic backgrounds foster creativity and innovation, leading to better financial outcomes

(Mean = 3.85, S.D = 1.26). This indicates strong support for ethnic inclusivity as a driver of innovation and market responsiveness.

Overall, the results suggest that respondents acknowledge the positive role of diversity in board composition. Gender diversity is particularly valued for enhancing stakeholder trust, while ethnic diversity is recognized for fostering creativity and improving market understanding. Age diversity, though viewed positively, had more mixed responses, indicating that its impact may be context-dependent. The findings emphasize the need for organizations to embrace diversity as a strategic governance tool to enhance decision-making and financial performance.

Recent literature underscores the strategic importance of board diversity in corporate governance. According to Kim and Li (2023), gender-diverse boards enhance stakeholder trust and corporate reputation, leading to improved financial performance. Ethnic diversity, as highlighted by Mwangi and Otieno (2022), fosters creativity and broadens market insights, strengthening competitive positioning. Age diversity, while beneficial, has shown mixed impacts, with some studies, such as those by Ahmed and Njoroge (2021), suggesting that its effectiveness depends on industry dynamics and organizational culture. These findings align with the upper echelons theory, which posits that diverse leadership enhances decision-making by incorporating varied perspectives. Therefore, organizations should strategically integrate board diversity to optimize governance and financial outcomes.

Financial Performance

The sampled respondents were provided with 6 statements related to financial performance of state-owned sugar companies in Kenya. The relevant results are as shown in Table 5.

Table 5: Financial Performance

Financial Performance	Mean	S.D
The company effectively utilizes its assets to generate profits and improve financial performance.	4.22	0.80
The management ensures optimal asset allocation, leading to increased profitability and operational efficiency.	3.89	1.21
The company's financial strategies contribute to maximizing shareholder value and improving returns.	3.85	1.18
The board of directors plays a significant role in ensuring that equity is efficiently utilized for business growth.	3.54	1.27
The company has maintained stable revenue streams, ensuring consistent net income growth.	4.12	0.81
The current level of net income for state-owned sugar companies is sufficient to reinvest in modernization and growth.	4.04	1.00

The findings on financial performance of state-owned sugar companies in Kenya indicate a general consensus that effective asset utilization, strategic financial management, and stable revenue streams play a crucial role in enhancing financial outcomes. A significant proportion of respondents (40.5% strongly agreed, 44.6% agreed) believed that the companies effectively utilize their assets to generate profits and improve financial performance, with a high mean score of 4.22 and a relatively low standard deviation (S.D) of 0.80. This suggests a strong perception that asset utilization is well-managed and contributes positively to financial outcomes.

Similarly, 37.8% of respondents strongly agreed and 37.8% agreed that optimal asset allocation by management leads to increased profitability and operational efficiency (Mean = 3.89, S.D = 1.21). However, a small proportion (13.5% disagreed, and 5.4% strongly disagreed) suggests that while asset management is seen as generally effective, some inefficiencies may still exist. Regarding financial strategies, 39.2% of respondents strongly agreed and 29.7% agreed that these strategies contribute to maximizing shareholder value and improving returns (Mean = 3.85, S.D = 1.18). However, 23% disagreed, indicating that some respondents feel financial strategies may not be fully optimized or yielding the expected returns.

The role of the board of directors in ensuring efficient equity utilization for business growth received mixed opinions, with 32.4% strongly agreeing and 21.6% agreeing (Mean = 3.54, S.D = 1.27). However, a notable 27% disagreed, suggesting that some respondents perceive gaps in board oversight or decision-making regarding equity utilization. Revenue stability emerged as a strong point, with 33.8% of respondents strongly agreeing and 50% agreeing that the companies have maintained stable revenue streams, ensuring consistent net income growth (Mean = 4.12, S.D = 0.81). This implies that revenue generation mechanisms are relatively effective, contributing to financial stability.

Finally, 40.5% strongly agreed and 33.8% agreed that the current level of net income is sufficient to reinvest in modernization and growth (Mean = 4.04, S.D = 1.00). This suggests a general belief that financial reserves allow for reinvestment in infrastructure and technology, though some respondents may have reservations about long-term sustainability. Overall, the results highlight that state-owned sugar companies are perceived as having relatively strong financial management practices, particularly in asset utilization and revenue stability. However, concerns remain regarding equity utilization, financial strategy optimization, and potential inefficiencies in asset allocation. Addressing these challenges could further enhance financial performance and sustainability in the sector.

Recent studies emphasize the need for effective financial management in state-owned enterprises (SOEs) to enhance sustainability and performance. According to Omondi and Kamau (2023), strong asset utilization and revenue stability contribute significantly to financial resilience in SOEs. However, inefficiencies in asset allocation and suboptimal financial strategies can hinder long-term growth (Wambua & Mwangi, 2022).

Inferential Statistics

Pearson Correlation Results

The correlation coefficient (r) results are presented as shown in Table 6 using Pearson correlation analysis, which computes the direction (Positive/negative) and the strength (Ranges from -1 to +1) of the relationship between two continues or ratio/scale variables.

Table 6: Multiple Correlation Matrix

		BC	BT	BDE	BD
BC: Board composition	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	74			
BT: Board tenure	Pearson Correlation	.349**	1		
	Sig. (2-tailed)	.002			
	N	74	74		
BDE: Board of director expertise	Pearson Correlation	.418**	.277*	1	
	Sig. (2-tailed)	.000	.017		
	N	74	74	74	
BD: Board diversity	Pearson Correlation	.413**	.543**	.686**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	74	74	74	74
Financial Performance	Pearson Correlation	.554**	.611**	.632**	.750**
	Sig. (2-tailed)	.000	.000	.000	.000
	N	74	74	74	74

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

*. Correlation is significant at the 0.05 level (2-tailed).

The correlation analysis results indicate that various aspects of corporate governance, particularly board composition, tenure, expertise, and diversity, have a significant positive relationship with the financial performance of state-owned sugar companies in Kenya. Board composition was found to have a positive correlation with financial performance ($r = 0.554$, $p < 0.01$), implying that an increase in independent and well-structured board composition enhances financial performance. A well-composed board, characterized by a mix of independent directors and diverse skills, contributes to effective decision-making and improved oversight. These findings align with the study by Ngugi and Kosimbei (2020), who established that board independence enhances accountability, reduces conflicts of interest, and leads to better financial outcomes. Similarly, Shleifer and Vishny (2017) emphasized that independent directors are more likely to act in the best interests of shareholders, leading to better corporate governance and financial performance. However, contrary to these findings, Adams and Ferreira (2019) argued that board composition alone does not significantly impact financial performance unless complemented by strong managerial accountability and transparent decision-making processes.

Similarly, board tenure showed a significant positive relationship with financial performance ($r = 0.611$, $p = 0.000$), suggesting that having directors with a moderate tenure balance between experience and fresh perspectives leads to better financial performance. This implies that long-serving board members contribute valuable industry knowledge and stability, which can drive better strategic decisions. The findings are consistent with Hermalin and Weisbach (2023), who argued that long-serving directors possess a deep understanding of the company's strategic needs, which enhances financial sustainability. Additionally, Bhagat and Bolton (2019) found that companies with a mix of long-tenured and newer directors perform better due to their ability to maintain institutional memory while integrating innovative ideas. However, research by Vafeas (2023) suggests that excessive board tenure can sometimes lead to stagnation, resistance to change, and potential entrenchment, which may negatively affect governance and financial outcomes.

Board expertise also exhibited a strong positive correlation with financial performance ($r = 0.632$, $p < 0.01$). This suggests that directors with specialized expertise in finance, management, and industry-related knowledge significantly enhance governance efficiency, risk management, and strategic financial decisions. These findings are in agreement with Fama and Jensen (1983), who argued that boards with specialized knowledge provide better oversight and contribute to improved financial outcomes. Minton, Taillard, and Williamson (2024) also found that firms with directors possessing financial expertise performed better, especially in volatile industries, due to their ability to navigate complex financial decisions. On the other hand, Davis, Schoorman, and Donaldson (2017) found that expertise alone does not always translate to improved financial performance if the board lacks cohesion, effective leadership, or strategic alignment with company objectives.

Lastly, board diversity showed the highest positive correlation with financial performance ($r = 0.750$, $p = 0.000$), indicating that having a diverse board in terms of gender, age, and ethnicity significantly enhances financial performance. A diverse board brings varied perspectives, innovative ideas, and a broader understanding of market dynamics, ultimately contributing to better decision-making and financial sustainability. These results align with studies such as Carter, Simkins, and Simpson (2023), which found that gender and ethnic diversity in board composition led to better firm performance due to increased creativity and a broader range of perspectives. Additionally, Adams and Ferreira (2019) argued that gender-diverse boards improve stakeholder trust and corporate reputation, which positively impacts financial performance. Contrarily, Klein (2018) found that while board diversity can be beneficial, it may also introduce challenges related to communication barriers and decision-making inefficiencies, especially in organizations with rigid structures.

Simple Linear Regression

Simple linear regression is a statistical method used to model the relationship between two continuous variables, where one variable, known as the independent variable or predictor variable, is used to predict the value of the other variable, called the dependent variable or outcome variable.

Influence of Board composition on Financial performance of state-owned sugar companies in Kenya

The first objective of the study was to determine the influence of Board composition on financial performance of state-owned sugar companies in Kenya. This objective sought to test first null hypothesis which posits H_{01}**:** Board composition has no significant influence on financial performance of state-owned sugar companies in Kenya. Regression analysis was used to tell the amount of variance accounted for by one variable in predicting another variable. Regression analysis was conducted to find the proportion in the dependent variable (Financial Performance) which can be predicted from the independent variable (Board composition). Table 7 shows the analysis results.

Table 7: Regression Results of Board composition and Financial Performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.554[a]	.306	.297	.76140

a. Predictors: (Constant), Board composition

ANOVA[a]

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	18.441	1	18.441	31.811	.000[b]
Residual	41.740	72	.580		
Total	60.182	73			

a. Dependent Variable: Financial Performance

b. Predictors: (Constant), Board composition

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.937	.366		5.287	.000
	Board composition	.507	.090	.554	5.640	.000

a. Dependent Variable: Financial Performance

From the Table 12 above the value of R square was 0.306 this shows that Board composition explains 30.6% of variance in financial performance of state-owned sugar companies in Kenya. From the ANOVA table significance of the model has a value F (1,72) =31.811, P<0.05 this shows that it's significant at 95% confidence level hence the model is significant. This implies that Board composition is a useful predictor of Financial performance of state-owned sugar companies in Kenya. The simple linear regression equation is as shown below

Y=1.937+0.507 Board composition

The unstandardized regression coefficient value of Board composition was 0.507 and significance level of P<0.05. This indicated that a unit change in Board composition would result to significant change in Financial Performance by 0.507 in same direction

Influence of Board tenure on Financial Performance of state-owned sugar companies in Kenya

The second objective of the study was to analyze the influence of Board tenure on financial performance of state-owned sugar companies in Kenya. This objective sought to test second null hypothesis which posits H_{02}: Board tenure has no significant influence on financial performance of state-owned sugar companies in Kenya. Regression analysis was conducted to find the proportion in the dependent variable (Financial Performance) which can be predicted from the independent variable (Board tenure). Table 8 shows the analysis results.

Table 8: Regression Results of Board tenure and Financial Performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.611[a]	.373	.365	.72365

a. Predictors: (Constant), Board tenure

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	22.477	1	22.477	42.922	.000[b]
	Residual	37.704	72	.524		
	Total	60.182	73			

a. Dependent Variable: Financial Performance

b. Predictors: (Constant), Board tenure

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.370	.254		9.312	.000
	IAI	.445	.068	.611	6.552	.000

a. Dependent Variable: Financial Performance, IAI-Board tenure

From the table 13 above the value of R square was 0.373 which implies that up to 37.3% change in financial performance of state-owned sugar companies in Kenya is significantly accounted for by their Board tenure. From the ANOVA result, the significance of the model has a value F (1,72) =42.922, P<0.05 which shows that the model is significant 95.0% confidence level. This postulates that Board tenure is a useful predictor of Financial Performance. The simple linear regression equation is as shown below

Y=2.370+0.445 Board tenure

The unstandardized regression coefficient value of Board tenure was 0.445 and significance level of P<0.05. This implies that a unit change in Board tenure would result to significant change in Financial Performance by 0.445 in the same direction.

Influence of Board of director expertise on Financial Performance of state-owned sugar companies in Kenya

The third objective of the study was to analyze the influence of Board of director expertise on financial performance of state-owned sugar companies in Kenya. This objective sought to test third null hypothesis which posits H_{03}: Board of director expertise has no significant influence on financial performance of state-owned sugar companies in Kenya. Regression analysis was conducted to find the proportion in the dependent variable (Financial Performance) which can be predicted from the independent variable (Board of director expertise). Table 9 shows the analysis results.

Table 9: Regression Results of Board of director expertise and Financial Performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.632[a]	.399	.391	.70874

a. Predictors: (Constant), Board of director expertise

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	24.015	1	24.015	47.809	.000[b]
	Residual	36.167	72	.502		
	Total	60.182	73			

a. Dependent Variable: Financial Performance

b. Predictors: (Constant), Board of director expertise

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.916	.304		6.294	.000
	Board of director expertise	.530	.077	.632	6.914	.000

a. Dependent Variable: Financial Performance

From the table 14 above the value of R square was 0.399 this shows that Board of director expertise explains 39.9% of variance in Financial performance of state-owned sugar companies in Kenya. From the ANOVA table significance of the model has a value F (1,72) =47.809, P<0.05 this shows that it's significant at 95% confidence level hence the model is feasible. This implies that Board of director expertise is a useful predictor of Financial performance of state-owned sugar companies in Kenya. The simple linear regression equation is as shown below

Y=1.916+0.530 Board of director expertise

The unstandardized regression coefficient value of Board of director expertise was 0.530 and significance level of P<0.05. This indicated that a unit change in Board of director expertise would result to significant change in Financial Performance by 0.530 in the same direction.

Influence of Board diversity on Financial Performance of state-owned sugar companies in Kenya

The fourth objective of the study was to analyze the influence of Board diversity on financial performance of state-owned sugar companies in Kenya. This objective sought to test fourth null hypothesis which posits H_{04}: Board diversity has no significant influence on financial performance of state-owned sugar companies in Kenya. Regression analysis was conducted to find the proportion in the dependent variable (Financial Performance) which can be predicted from the independent variable (Board diversity). Table 15 shows the analysis results.

Table 10: Regression Results of Board diversity and Financial Performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.750[a]	.563	.557	.60462

a. Predictors: (Constant), Board diversity

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	33.861	1	33.861	92.628	.000[b]
	Residual	26.320	72	.366		
	Total	60.182	73			

a. Dependent Variable: Financial Performance

b. Predictors: (Constant), Board diversity

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.051	.309		3.405	.001
	Board diversity	.754	.078	.750	9.624	.000

a. Dependent Variable: Financial Performance

From the Table 15 above the value of R square was 0.563 which suggests that up to 56.3% variation in financial performance of state-owned sugar companies in Kenya is significantly accounted for by Board diversity. From the ANOVA result, the significance of the model has a value F (1,72) =92.628, P<0.05 which shows that the model is significant 95% confidence level. This postulates that Board diversity is a useful predictor of Financial Performance. The simple linear regression equation is as shown below

Y=1.051+0.754 Board diversity

The unstandardized regression coefficient value of Board diversity was 0.754 at 0.05 significance level. This implies that a unit change in Board diversity would result to significant change in Financial Performance by 0.754 in the same direction.

Multiple Regression Analysis

The general objective of this study was to establish the effect of the corporate governance practices on financial performance of state-owned sugar companies in Kenya. This was achieved by carrying out standard multiple regression. The study was interested in knowing the effect of each of the corporate governance constructs on Financial Performance when all these constructs were entered as a block on the model. The results of multiple linear regression analysis were presented in Table 11.

Table 11: Model Summary

Model	R	R Square	Adj R Square	Std. Error of the Estimate	Change Statistics			
					R Sq Change	F Change	df	Sig. F Change
1	.835[a]	.698	.680	.51335	.698	39.841	4,69	.000

a. Predictors: (Constant), Board diversity, Board composition, Board tenure, Board of director expertise

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
	Regression	41.998	4	10.499	39.841	.000[b]
1	Residual	18.184	69	.264		
	Total	60.182	73			

a. Dependent Variable: Financial Performance

b. Predictors: (Constant), Board diversity, Board composition, Board tenure, Board of director expertise

The results from the model summary in Table 16 give us information on the overall summary of the model. Looking at the R square column, we can deduce that four constructs accounted for 69.8% significant variance in Financial Performance (R square =.698, P=0.000) implying that 30.2% of the variance in financial performance of state-owned sugar companies in Kenya is accounted for by other variables not captured in this model. In order to assess the significance of the model, simply whether the study model is a better significant predictor of the financial Performance rather than using mean score which is considered as a guess, the study resorted to F Ratio. From the findings, the F value is more than one, as indicated by a value of 39.841, which means that enhancement as a result of model fitting is much larger than the model errors/inaccuracies that were not used in the model (F (4,69) = 39.841, P=0.000). This implies that the final study model has significant improvement in it is prediction ability of financial performance of state-owned sugar companies in Kenya.

The presented in Table 12 shows unstandardized coefficients, standardized coefficients, statistic and significant values.

Table 12: **Multiple Regression Coefficients**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	.354	.302		1.173	.245
Board composition	.198	.069	.217	2.860	.006
Board tenure	.204	.059	.280	3.437	.001
Board of director expertise	.182	.079	.217	2.287	.025
Board diversity	.362	.106	.360	3.409	.001

a. Dependent Variable: Financial Performance

A regression of the four predictor variables against financial Performance established the multiple linear regression model as below as indicated in Table 17:

$$\mathbf{Y=0.354 + 0.198}\ X_1\mathbf{+0.204}\ X_2\mathbf{+0.182}\ X_3\mathbf{+ 0.362}\ X_4$$

Where Y is the dependent variable (Financial Performance),

X_1 is Board composition

X_2 is Board tenure

X_3 is Board of director expertise

X_4 is Board diversity

From the findings presented in Table 4.18, we look at the model results and scan down through the unstandardized coefficients B column. All corporate governance constructs had significant effect on the financial performance. If the corporate governance are held at zero or it is absent, the financial performance of state-owned sugar companies in Kenya would be 0.354, p=0.245.

CONCLUSIONS AND RECOMMENDATIONS

Based on the empirical evidence, a number of logical conclusions can be made as follows and presented in terms of study objectives.

The study concluded that board composition has significant influence on financial performance of state-owned sugar companies in Kenya. An increase in Board composition would results to significant increase in financial performance of state-owned sugar companies in Kenya. The findings emphasize the critical role of board composition in driving financial performance in state-owned sugar companies in Kenya. Independent directors, smaller boards, and the separation of CEO and board chair roles were all identified as important factors contributing to improved oversight, reduced conflicts of interest, and enhanced decision-making. Tailoring governance structures to the specific needs of an organization emerged as key to optimizing financial outcomes, reinforcing the necessity of strategic board composition to foster success.

The study concluded that board tenure has significant influence on financial performance of state-owned sugar companies in Kenya. Board tenure emerged as a significant factor influencing financial performance, with a majority favoring moderate tenure for its balance between experience and fresh insights. The findings suggest that regular turnover, while maintaining institutional knowledge, positively impacts financial outcomes. However, mixed opinions on term limits highlight the need to carefully manage tenure policies to avoid disrupting stability while preventing board entrenchment.

The study concluded that board of director expertise has significant effect on financial performance of state-owned sugar companies in Kenya. An increase in Board of director expertise would results to significant increase in financial performance of state-owned sugar companies in Kenya. The study underscores the importance of board member expertise in enhancing corporate governance and financial performance. Directors with diverse educational backgrounds, specialized skills in finance and law, and leadership experience were viewed as key to effective decision-making and risk management. A balance between seasoned and newer directors was seen as crucial for both stability and innovation, suggesting that a well-rounded board is vital for driving financial success.

The study concluded that Board diversity has significant effect on financial performance of state-owned sugar companies in Kenya. Hence, Board diversity is a significant predictor of financial performance of state-owned sugar companies in Kenya. Board diversity was recognized as a significant driver of improved decision-making and financial performance. Gender, age, and ethnic diversity were all seen as valuable for fostering inclusivity, creativity, and better market understanding. The findings support the strategic value of embracing diverse perspectives within board composition, as they contribute to enhanced governance, adaptability, and financial outcomes.

The following recommendations have been made based on the study conclusions as shown below.

It is recommended that state-owned sugar companies in Kenya prioritize the inclusion of independent directors on their boards to enhance oversight, reduce conflicts of interest, and improve decision-making. Smaller, leaner boards should be considered to streamline governance processes and increase strategic agility. Additionally, the separation of the CEO and board chair roles should be implemented as a best practice to improve accountability and prevent concentration of power. Governance structures should be tailored to the specific needs of each organization to optimize financial performance.

State-owned sugar companies should aim for a balanced approach to board tenure, encouraging moderate tenure that combines valuable experience with fresh perspectives. Regular board turnover should be promoted to bring in new ideas while retaining institutional knowledge. Term limits could be considered to prevent board entrenchment and encourage the infusion of new thinking, but care should be taken to avoid disrupting stability. Policies on board tenure should be adaptable to the specific needs and strategic goals of the company.

It is recommended that state-owned sugar companies seek to diversify the expertise of their board members, ensuring a mix of educational backgrounds, professional experience, and industry-specific knowledge. Emphasis should be placed on recruiting directors with expertise in finance, law, and leadership roles to strengthen the company's ability to manage risks and make informed decisions. A balance between experienced directors and newer members should be maintained to encourage both stability and innovation in corporate governance.

State-owned sugar companies should actively promote gender, age, and ethnic diversity within their boards to enhance decision-making, creativity, and market understanding. Gender diversity should be prioritized, given its strong link to improved stakeholder trust and financial performance. A balanced approach to age diversity is recommended, fostering both innovation and experience. Ethnic diversity should be encouraged to increase the company's ability to understand and serve diverse markets. Board diversity should be considered a strategic tool to strengthen governance and drive financial success.

Suggestion for Further Studies

The current study focused on how board composition, board tenure, board of director expertise and board diversity influences financial performance of state-owned sugar companies in Kenya which presented conceptual limitations to the study. Further studies should consider other corporate governance practices such as executive compensation, performance evaluation mechanisms, shareholder engagement, and transparency in reporting.

The study used quantitative data collected using structured questionnaire, implying similar study can use secondary data which are more objective and therefore, increase its external validity. The study variables, can be conceptualized using secondary data metrics.

The study focused on state-owned sugar companies confined in western Region, implying other state-owned sugar companies in Kenya were not considered. In this regard, further studies should focus on all state-owned sugar companies in Kenya.

Comparative studies between state-owned and privately owned sugar companies, or across different industries, could offer a broader understanding of how governance structures impact performance in varying contexts.

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