

Board Effectiveness and Performance of Public TVET Institution in Nyanza Region, Kenya

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Abstract
Board effectiveness is about doing the right things to achieve the results (Triscott, 2004). Forbes and Daniel (1999) defined board effectiveness as the board's ability to perform its control and service tasks effectively. TVET is a major initiative by the government that was envisaged as an occupational field to provide the foundation for productive and satisfying careers and offer specialized preparations for initial employment, including self-employment. However, Kenya has continued to experience challenges of unemployment, poverty, food insecurity and environmental degradation. Although board effectiveness is very important for the success of an organization, the influence of board effectiveness on performance of TVET Institutions is not clear. The main objective of this study was to establish the influence of board effectiveness on performance of public TVET institutions in Nyanza region, Kenya. The Population of the study included the principals, deputy principals and heads of department of TVET Institutions in Nyanza region Kenya who were 99 in number. The study employed a census survey with response at 97.5 %. Reliability was measured using cronchbach's alpha which revealed 0.872 consistency. Regarding the size of the coefficients, the study found that as the variables change by 1 unit, performance too changes by a magnitude of 0.501 respectively. The results also showed that the probability of effective performance of directors is significant (p values = 0.000). The study concludes that although performance of TVET Institutions can be determined by effectiveness of the board up to 62 percent of the variance in the respondents scale, several factors which vary in their magnitude would influence performance of TVET Institutions in Nyanza region, Kenya. This study recommends that stakeholders employ the principle of effectiveness of the board in appointing boards of management since it impacts on performance positively. Findings of this study may be used for decision making by policy makers to improve governance of TVET Institutions and other stakeholders for further research.
Keywords: Board Effectiveness, Performance, TVET Institutions, Corporate Governance

1. INTRODUCTION

Literature shows that board effectiveness depends on the interworking of board structure, board composition and board process. The successful balance between these three elements will facilitate good decision-making for a board of directors to be effective at accomplishing the tasks assigned to it. Bardwaji and Vuyyuri (2003) found that overall judgments by respondents of board effectiveness were strongly related to how effectively the boards were judged to perform various functions. For boards to work effectively, Nicholson and Geoffrey (2004) emphasize that board members must possess necessary knowledge and skills, given the unique nature of their tasks. Similarly, for a board to effectively perform the supervisory role, it should be composed in a manner that enhances the presence of skills and knowledge (Namisi, (2002).

Based on an empirical study of twenty-one boards and committees 'in action', which included interviews with close to 200 directors, Leblanc and Gillies (2004), conclude that board effectiveness depends on the inter-workings of board structure, board composition and board process. The successful balance between these three elements will facilitate good decision-making for a board of directors to be effective at accomplishing the tasks assigned to it. The board needs to have the right board structure, supported by the right board membership, and engaged in the right board processes. Without such a balance it is difficult, if not impossible, to have the effective interaction between and among fellow board members and management that is essential for overall effective decision-making. Board membership (the recruitment and removal of directors, and the, ideally, appropriate mix of competencies on the board and board process how decisions are made, including how board members interact) is key to understanding how effective a board will be.

1.1 Board Effectiveness, and Performance

Individuals perceive effectiveness partially or in different ways. The social constructionist's conception, for instance, holds that there only judgments of effectiveness, thus effectiveness are judgmental (Herman *et al.*

2000). According to Triscott, (2004) effectiveness is about doing the right things to achieve the results. In terms of measurement, Novick (1997) suggests that the current approaches measure elements associated with effectiveness rather than effectiveness itself. Board effectiveness can be conceptualized as a function of overall contribution of the board to the organization performance, standard of support provided by the organization, individual contribution of directors to organization performance, board dynamics, board performance evaluation and review (Vander Walt and Ingley, 2001). Close inspection of earlier literature revealed that board effectiveness is almost based on individual experience (Jackson and Holland, 1998). According to Higgs & Dulewicz (1998), the issue of measuring team outcomes is a difficult one and the literature abounds with debates around team performance, which mirror those surrounding organizational performance. However, while there are various definitions of group effectiveness, Huat and David (2001) argue that board performance has been measured along the dimension of the board's ability to perform its functions. Indeed, an earlier study by Forbes and Daniel, (1999) defined board effectiveness as the board's ability to perform its control and service tasks effectively.

Basing on the above literature, it fairly holds that board performance has been largely defined in terms of roles played by the BOMs. These roles have been identified from various perspectives including; agency, service, resource dependency, legal and strategic theories. However, some of these perspectives are interrelated, for instance resource dependency, service and strategy, agency and legal strategic theories. Using these perspectives, the following roles have been identified; -The board should determine a policy for the frequency, purpose, conduct and duration of its meetings and those of its committees. It should also adopt efficient and timely methods for informing and briefing board members prior to meetings. The information needs of the board should be well defined and regularly monitored. Each board member has a responsibility to be satisfied that, objectively, they have been furnished with all the material facts before making a decision (Skelcher 2004). According to Stiles *et al.,* (2001) the board should implement a formal internal audit function. An audit committee should be established to keep under review the scope and effectiveness of the audit both internal and external and its relative cost efficiencies. The board should make sure that access between itself and the corporation's internal and external auditors is open and constructive. It should be satisfied that the scope of the audit is adequate, and that management and the internal auditors have co-operated fully. This aspect, while perhaps erring more on the detail than the principle, is critical to assuring the board of the efficacy of a corporation's internal systems of control and financial reporting. However, for all practical purposes, the establishment of an internal audit process may not necessarily be capable of implementation in many of the Commonwealth countries. As with a number of the principles set out in these Guidelines, it is nonetheless an objective to which all business enterprises should aspire in the fullness of time and development of the corporation.

Barker (2007) further states that the presence and use of skills and knowledge has been identified as another important dimension of board effectiveness. Board members must have the right mix of skills and knowledge. For instance, they should possess both functional knowledge in traditional areas of business such as accounting, finance, legal or marketing as well as industry specific knowledge that will enable members to truly understand specific company issues and challenges. In addition, board members must have enough general knowledge to provide good input on all topics of discussion, ask questions of all special interest until they are comfortable enough to cast votes (Espstein *et al*, 2002). Thus, for boards to work effectively, Nicholson and Geoffrey (2004) emphasize that board members must possess necessary knowledge and skills, given the unique nature of their tasks. Similarly, for a board to effectively perform the supervisory role, it should be composed in a manner that enhances the presence of skills and knowledge (Namisi, 2002).

According to Adams *et al*., (2005) the education of trustees should not be limited to their orientation. On a regular basis, time should be set aside to cover topics such as the predicted effects of pending legislation, tips for reading financial statements, or fundraising techniques for trustees. Periodically, the board should ask itself important questions like: Are we true to our mission? Is our mission well-defined? Boards should also have annual retreats to discuss the alignment of the institution's mission with its goals. Adams *et al*., (2005) argues that the board has the right to obtain all information from within the Company which it needs to effectively discharge its responsibilities. Senior executives are required on request from the Board to supply the Board with information in a form and timeframe, and of a quality that enables the Board to discharge its duties effectively. Directors are entitled to request additional information where they consider such information necessary to make informed decisions. For enhanced effectiveness, transparency is the corner stone. Disclosure and transparency are the partners of good governance. They demonstrate the quality and reliability of information Transparency regarding the firm's activities can be highly effective in encouraging high standards of behavior. Directors, managers, and employees are likely to give greater thought to their conduct if they perceive that they are being observed. This perspective is summarized by the maxim that "sunlight is the best of all disinfectants". A certain level of transparency in the firm's activities may be mandated by law and regulation for example in the publication and audit of financial statements. The nature of such statutory transparency is likely to be relatively tightly defined. Rather than making sudden changes, an appropriate strategy may involve increasing company transparency via a stepwise approach towards greater openness. Hill (2005) explains that key stage in opening up the institution to external scrutiny is taken by the appointment of independent directors. This signals a firm's willingness to become more open and accountable in respect of its decision-making and performance assessment. The replacing of the owner-manager or founding entrepreneur by external managers can also be perceived as an important step in this direction. At some stage, the public institutions must make choices about the extent of its disclosure to external stakeholders. This may also be crucial for building reputational capital. According to Felie *et al*., (2005) greater transparency is beneficial in establishing the legitimacy of the institution as a responsible enterprise in society. Increasingly, civil society views organizations that lack transparency with suspicion. The baseline assumption in the mind of the public is that opaque organizations have something to hide. This is a societal attitude that public institutions cannot afford to ignore, even if their regulatory obligations vis-à-vis transparency are less substantial than those of private institutions.

1.1.2 Empirical Review Relating Board Effectiveness to Performance

Empirical studies on board's effectiveness to a large extent have been driven by the question of how much the board can influence firm performance. Kruijs (2012) carried a study in Netherlands on New insights into the effectiveness of supervisory boards. The need for this research study was substantiated by the growing complexity of corporate governance driven by changes in the business environment. The objectives of the study were to find out; the main challenges in supervisory roles; the causes of problems concerning questioning the executive boards and possible solutions; causes of problems concerning information supply from executives and possible solutions; causes and problems concerning the social intercourse and possible solutions; causes and problems concerning role confusion between executives and non - executives and possible solutions. The study used a population of 3244. Selective sampling method was used to determine the population. The study used a survey that was designed as an electronic questionnaire which was sent by email in an electronic newsletter format. The study used a questionnaire with 5-point Likert scale. The study found out that board positions held by respondents, their gender, and the board size has no relation to experiencing problems in the four areas. Respondents with more than 15 years' experience were reported to experience more problems concerning information supply and intercourse and working with the executive board. Questioning the executive board appeared to be more problematic in SME and listed companies. Respondents' supervisory boards that meet more than 10 times a year, experienced less problems in questioning, information supply, and intercourse and working with the executive board. Explicitly put, the research findings presented in this study show how next to the general contribution to the academic and business understands of supervisory board effectiveness, intended to be of further value to the Governance University whose service is to provide their clients with advice on improving their own and their board's performance.

Similarly, Wan Yusoff (2010) examines characteristics of boards of directors and board effectiveness in Malaysia. The underlying theme throughout this study is that characteristics of members of boards of directors are important components of board effectiveness. This study develops a theoretical framework and six research questions. The characteristics of boards of director members considered in this study include demographic characteristics, personality characteristics and values, and competencies. Concerning the characteristics of effective boards, this study used a range of boards of directors' attributes including board roles, structure, composition, board membership and board dynamics. The study utilizes a qualitative approach. Board effectiveness was assessed by reference to the participants' points of view of their overall boards. Data in this study relied on two key sources: in-depth interviews and publicly available data from 2007 annual reports of the top 100 Malaysia PLCs. In-depth interviews were conducted with 33 directors of the top 100 Malaysian PLCs and 8 representatives of Malaysian corporate governance organizations. The results of this study show that board members' demographic characteristics (age, tenure, multiple directorships), their personality characteristics and values (commitment, integrity, open mindedness, relationships with others) and their competencies (experience in corporate management, relevant knowledge and skills and relevant types of educational qualifications), as well as good networking with the government, are integral components of the effectiveness of Malaysian PLC boards. In addition, four components that have been found to be important for the effectiveness of Malaysian PLC boards include competence and diverse backgrounds of board members, a good culture, clear roles and responsibilities, and well-defined board structures'. More importantly, the results indicate that board membership is the most important component influencing board effectiveness for Malaysian PLCs. Although the relationship between board characteristics and firm performance has not been addressed directly, this study contributes to the understanding of the important characteristics of board members and board effectiveness. More importantly, the results indicate that board membership is the most important component influencing board effectiveness for Malaysian PLCs.

Kim-Lee Kercher (2013) explores Board Remuneration Committees: Structure and effectiveness in Nigeria. The study examines the relationship between key board characteristics and board effectiveness. It also explored the impact of certain mediators on this relationship. Unlike most studies on board which focus on firm performance and mostly in developed markets, this study was conducted in an emerging market and the focus was on board effectiveness. The study developed a theoretical framework and a set of hypotheses to examine the relationship between board characteristics and board effectiveness and the impact of certain mediators on this relationship. Board characteristics considered in this research include board size, CEO duality, board independence, and board diversity. In addition, the impact of board human capital on board effectiveness was also considered. Additionally, the study examined if the relationships between board characteristics and board effectiveness will be affected by organization type, ownership, age and size. The study adopted both quantitative and qualitative approach. Content validity was done by a panel of experts. The precision measurement adopted for the study was a 5 point Likert scale. Study population was 1582 and a multiple regression analysis was used to analyze relationships. The empirical examination of the hypotheses developed from the theoretical framework presented in this study show that board characteristics, apart from professional human capital, do not have any significant impact on board effectiveness. Board professional human capital was found to have a positive relationship with board operations and board cohesiveness and also with board effectiveness. The results show that in Nigeria, board diversity and human capital are the most important board structural factors that impact board effectiveness. They also show that board processes of operations, cohesiveness and decision making have significant impact on board effectiveness. Finally the results show that board process factors are more important than board structural factors in determining board effectiveness. The study shows that these relationships were not significantly affected by organization type, ownership, age or size.

Ongore *et al*.,(2011) carried out a Research in Nairobi from Nairobi stock exchange on the implications of ownership identity and managerial discretion to determine board effectiveness on firm performance. The study adopted both null and alternate hypothesis which include manager ownership has positive effect on firm performance; government ownership has negative effect on firm performance; ownership by corporations has a positive effect on firm performance; diverse ownership has negative effect on firm performance and foreign ownership has positive effect on firm performance. Stepwise regression was used and marginal changes in value R were monitored to confirm whether additional variables were significant or not. Census approach was used to determine the population. Cronchbachs Alpha coefficients were computerized for 18 items under board effectiveness and the overall assessment was 0.87. This findings of the study shows the interrelationships between ownership identity and managerial discretion, and their impact on financial performance as measured by ROA, ROE and DY. State ownership of firms is particularly indicted for poor stewardship, whereas foreign , insider, diverse and institutional ownership gave the best results. The results also show significant positive relationship between managerial discretion and performance.

From the literature it is evident that board effectiveness is strongly related to how the board was judged to perform various functions. Reviewed literature show that variables studied under board effectiveness are different from the variables on board effectiveness this study wishes to undertake which include technical knowledge, induction and education and finally access to information. From empirical perspective the overall judgments by respondents of board effectiveness are strongly related to how effectively the boards were judged to perform various functions. Although empirical literature is provided on a list of potential benefits springing from higher level of transparency, knowledge on board effectiveness and performance of TVET Institutions not withstanding is still unknown, creating the need to carry out this research.

Findings on the Relationship between Effectiveness of the Board of Directors and the Performance of Public TVET Institutions in Nyanza Region, Kenya.

The objective of the study was to establish the relationship between effectiveness of the board of directors and the performance of public TVET institutions in Nyanza region, Kenya. To explore the effectiveness of board directors an instrument used was an eleven-itemed Likert-scaled questionnaire of five options. The options of the effectiveness (strongly agree, agree, undecided, disagree and strongly disagree) were used to assess the respondents' views on various indicators of aspects of effectiveness of board of directors. Frequency percentages of the responses on the measuring scale was computed.

4.8.1 Percentage Response on Effectiveness of Board of Directors

Table 4.16: Percentage Frequency of Response on Effectiveness of Board of Directors

	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree
Technical knowledge	31.1	35.6	13.3	15.6	4.4
Appropriate induction	14.4	35.6	26.7	14.4	8.9
Easy information access	9.0	61.0	19.0	5.2	6.8
Understanding socioeconomic	6.7	62.2	16.7	8.9	5.6
Meeting participation	12.2	51.1	31.1	5.6	0.0
Performance focus	20.0	52.2	7.8	10.0	10.0
Regular attendance	17.5	57.5	18.2	0.0	5.8
Day to day supervision	13.3	41.1	24.4	6.7	14.4
Directors commitment	8.9	43.3	22.2	22.2	3.3
Enough experience	7.8	54.4	24.4	4.4	8.9
Adequate competence	12.2	41.1	20.0	18.9	7.8

Source: Survey Data (201)

The findings of the study, as revealed by the analysis of respondents' responses, show that TVET boards ability to perform their functions effectively were above average in most cases. For example, although a fifth (20.0%) of respondents rated their boards' effectiveness as below average, a significant proportion (66.7%) of the respondents was satisfied with the level of their boards' effectiveness. They observed that their directors possess technical knowledge to help in running the institution by making decision that require skills and expertise to some extent. On the same note, it emerged from the findings of the study that the directors are given appropriate induction and education upon first appointment. This was confirmed by half (strongly agree: 14.4%; agree: 35.6%) of the respondents who observed that the directors are given relevant induction before they start their duties. This was quite sizeable proportion compared to the meager 8.9% of the respondents who strongly insisted that their directors were never inducted when they first join the organization. However, slightly more than a quarter (26.4%) of the study participants was undecided on the matter.

It was also established from the results of the study that the directors could easily access information from their institution, as indicated by 70.0% of the respondents who were in agreement. Whereas, 12% of the respondents openly indicated that they disagreed with the assertion that directors had full access to relevant information in the organization, nearly a fifth (19.0%) of them remained non-committal on the issue. On the issues facing the institution, the study findings indicates that most (68.9%) of the respondents had perception that the directors understand clearly socio economic issues facing the institution. On the contrary, 14.5% of them held the opinion that many of the directors did not comprehend clearly socio economic matters facing their institutions and another 16.7% declined to indicate their view on the matter.

Regarding the issue of meeting attendance, it was found out that the directors regularly attend meetings during the year. Although 5.8% of the respondents strongly disagreed and 18.2% of them were undecided on whether the directors in their institutions were really regular in the attending meetings, a significant majority (strongly agree: 17.5%; agree: 57.5%) of the respondents accepted that the directors were regular in attending meetings. In addition, 12.2% strongly agreed and 51.1% agreed that the directors fully participate in meetings and stay for full duration of meeting. However, a significant proportion (31.1%) of those who participated in the study remained undecided on the matter but the other 5.6% of them casted doubt on whether the directors fully participate in those meetings.

It emerged from the research findings that directors' understandings of the performance focus of the institutions were favourable to the performance of the said institutions. Despite the fact that there was open divided opinion among the respondents on directors understanding of their institutions performance focus, it was still clear that significant majority (72.2%) held the opinion that directors understood performance focus of their institutions. Less than a tenth (7.8%) of the respondents remained undecided on that matter, but those who were in disagreement formed 20% of the study participants. On the same note, it was revealed by the findings of the study that directors' commitment surpasses anticipations. This was reflected by more than half (52.2%) of the respondents who were in agreement with the assertion that directors' commitment meets or exceeds expectations, compared to a mere 25.5% who had a divergent opinion. However, it was noted with a great concern that a significant proportion (22.2%) of the respondents remained undecided.

As regards supervision of daily activities, the study findings indicate that quite sizeable number (24.4%) of respondents was undecided. Nevertheless, it still stood out clearly, as reflected by the majority (54.4%) of the respondents who agreed that the board ensures that the executive officers appropriately manage and supervise day to day activities. Only 21.1% of the respondents were of different opinion, they claimed that the management and supervision of the day to day activities was done by the executive officers, not because they were supervised by the board but due to their own initiative. But on the other hand, those who believed that board supervised the executive officers for day to day activities argued that the board has enough depth of experience to constructively challenge management. This statement was supported by 62.2% of the respondents, but disagreed by 13.3% of the respondents. Again, nearly a quarter (24.4%) of them remained undecided on this matter.

Lastly, the findings of the study show that the TVET institutions have the right mix of skills and knowledge. This was proved by the majority (53.3%) of respondents who acknowledged that the mix of board competency is adequate and allows directors to engage effectively with business issues and changing conditions. They argued that their boards have adequate knowledge to provide good input on most issues of discussion; this was enhanced by variety of skills and knowledge possessed by board members. On the contrary, whereas 20% of the respondents decided to remain noncommittal on the matter, more than a quarter (26.7%) of the respondents had a divergent opinion. They said that the boards in their institution did not have the right mix of skills and knowledge.

4.8.2 Descriptive Statistics of Response frequency on Effectiveness of Board of Directors

Table 4.17: Descriptive Statistics on Effectiveness of Board of Directors

	N	Mean		Std. Deviation
	Statistic	Statistic	Std. Error	Statistic
Technical knowledge	90	2.27	.125	1.188
Appropriate induction	90	2.68	.122	1.160
Easy information access	90	2.39	.101	.956
Understanding socioeconomic	90	2.44	.100	.949
Meeting participation	90	2.30	.080	.756
Performance focus	90	2.38	.127	1.205
Regular attendance	90	2.20	.101	.962
Day to day supervision	90	2.68	.129	1.225
Meeting expectation	90	2.68	.108	1.026
Enough experience	90	2.52	.107	1.019
Adequate competence	90	2.69	.121	1.148

Source: Survey Data (2015)

The results in the descriptive table above reveal that the means of the indicators of board effectiveness were ranging between 2.20 and 2.69. The mix of board competency was found to be adequate and allowed directors to engage effectively with business issues and changing conditions, as indicated by respondents' responses. On the contrary, the TVET institutions seemed to suffer absenteeism of board members in board meetings; the item regular attendance had the least scores (M=2.20, Std. Dev. =.962 and Std. Error=.101).

Hypothesis Testing of the Objective

To establish the relationship between effectiveness of the board of directors and performance of TVET institutions, the hypothesis was tested. A bivariate Pearson product-moment correlation coefficient was computed. Preliminary analyses were performed to ensure no violation of the assumptions of normality. There were strong, positive correlations in between the two variables [$r = .789$, $n=90$, $p<.05$], as indicated in Table 4.18.

Table 4.18: Correlations between Performance and Effective Performance of Directors

		Performance	Effective performance of directors
Performance	Pearson Correlation	1	.789**
	Sig. (2-tailed)		.000
	N	90	90
Effective performance of directors	Pearson Correlation	.789**	1
	Sig. (2-tailed)	.000	
	N	90	90

. Correlation is significant at the 0.01 level (2-tailed). **Source: Survey Data (2015)

conclusion, given the fact that a significant relationship was established, suffice the study confirmed the alternative hypothesis and consequently upheld the assertion that there is statistical significant relationship between effective performance of directors and general performance of TVET institutions in Nyanza region. In fact, a coefficient of determination R^2= 62.3%, implied that influence of effective performance of directors alone would help to for ≈ 62 per cent of the variance in respondents' scores on the performance scale in the questionnaire of the respondents.This finding is in line with (Nicholson and Kiel 2004) who state that Board effectiveness is mainly concerned with outcomes and occurs by fulfilling a role set There are multiple approaches to determine the concept of board effectiveness, which depends on the scholar's background and research objectives (Kuo, 2004; and Van den Berghe and Levrau, 2004). Board effectiveness is determined by the technical knowledge of the board, induction and education of the board and the board's ability to access information. In this study, the effectiveness of the board of directors is positively related to performance. The findings in this study is in line with Barker (2007) who states that the presence and use of skills and knowledge has been identified as another important dimension of board effectiveness which can in turn improve performance. The study findings are also in line with the study of Ongore, et al., (2011) and Wan Yusoff, (2010) that show a significant positive relationship between managerial discretion and performance.

Conclusion

The findings indicated that the means of the indicators of board effectiveness were ranging between 2.20 and 2.69. The mix of board competency was found to be adequate and allowed directors to engage effectively with business issues and changing conditions, as indicated by respondents' responses. On the contrary, the TVET institutions seemed to suffer absenteeism of board members in board meetings; the item regular attendance had the least scores (M=2.20, Std. Dev. =.962 and Std. Error=.101). There was a strong, positive correlation between the two variables [r =.789, n=90, p<.05]. The alternative hypothesis for this objective was confirmed.

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