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Corporate Governance Attributes and Sustainability of Selected Commercial State Corporations in Kenya

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Abstract:
The sustainability of an organization means a lot, for it guarantees social responsibility, financial savings, preservation of resources, reduction of waste, and environmental protection. Kenya's commercial State Corporations face instances of mismanagement, financial improprieties, and inadequate disclosure and have expressed concerns regarding the sustainability and efficacy of these institutions. Specifically, this investigation sought to address these issues by examining the link between corporate governance characteristics and the viability of commercial state corporations in Kenya. The objectives were to evaluate the effect of board members' occupational expertise, board committee meetings, board tenure and board size on the sustainability of commercial state corporations in Kenya. The research can be pegged on 5 major theories, which encompass the Triple Bottom Line Model, Agency Theory, Stakeholders Theory, and Resource Dependence Theory. The Explanatory research design and research design were used in the research. Panel regression analysis was the chosen empirical model, considering the panel data nature of the research. The audited financial reports of the five firms served as the source of secondary data using a data collection schedule guide. Census was utilized because the target population of five commercial state corporations was below the central limit theorem threshold of the normal population. Diagnostic tests for the study were multicollinearity, normality, stationarity, heteroscedasticity, and the Hausman specification test, which were conducted to ensure the sturdiness of the results. Data was analyzed using descriptive and inferential statistics. Descriptive analysis involves means and standard deviations, while inferential analysis utilizes panel regression analysis. Finally, the data analysis output was presented using tables. The study further concluded that the coefficient for board committee meetings was not significant, suggesting that meeting frequency does not significantly affect sustainability. Board tenure demonstrated a significant positive impact on sustainability, while board size also showed a significant positive effect. In an increasingly dynamic business environment, commercial state corporations should embrace innovation and adaptation to remain resilient and sustainable. This may involve leveraging emerging technologies, exploring new business models, and anticipating and responding to evolving market trends and regulatory requirements. Boards should encourage a culture of innovation and agility to drive long-term value creation and competitiveness.

Keywords: *Board committee meeting, board tenure, board size, and sustainability*

1. Introduction

By bolstering the state's institutional and technological capacities, the State Corporations should make it easier for the state to support and encourage national growth. Maintaining a clear and well-governed structure that performs within its authorized scope is crucial for an organization's longevity in today's market. This declaration recognizes the indisputable reality that these groups are accountable for producing monetary worth (Shavulimo, 2019). Management and the board of directors should both find value in good corporate governance (Velnampy, 2019). When two parties work together toward the same goal, they are more likely to reach a balance.

As a result of globalization, businesses must contend with fast environmental change, fierce competition for new products and services, fluctuating consumer and investor demand, and other challenges. In order to remain in business and stay ahead of the competition, state-owned commercial firms need to find ways to cut costs, boost quality, and differentiate their offerings. An organization's human resources may be a source of gaining long-term competitive advantage if corporate governance procedures are developed to evaluate the strategic needs of the organization, which are critical for carrying out the organization's strategy and achieving its operational goals (Ndahiro, Shukla & Oduor, 2018). According to Padgett (2018), good corporate governance is all about making sure that everyone in a partnership's interests are protected via systems of accountability, openness, and disclosure.

El-Bassiouny and El-Bassiouny (2019) state that when ownership is more evenly distributed in Europe, the market has a stronger hand in regulating businesses. This calls for rules to be put in place that effectively and appropriately manage these companies. Corporate governance problems are less common and less noticeable in many European countries due to the significant concentration of share ownership. To varied degrees in European countries, insurance companies, pension funds, institutional investors, employees, and banks must all be considered when assessing corporate control (Sorensen & Miller, 2017).

Unfair practices in the operations of State Corporations have been enabled by the lack of uniformity in corporate governance at the local level, leading to inadequate performance and final failure (Wasike, 2017). According to Walo (2020), MWONGOZO is working towards the goal of making quality, performance, and sustainability the hallmarks of government-owned firms in Kenya. To ensure the continued success of Kenya's commercial state firms in the future, research into the factors influencing corporate governance is essential.

1.1. Corporate Governance Attributes

According to Khan (2019), the term "corporate governance" is used to describe the system of rules and regulations that regulate the management and control of businesses. The term "corporate governance" refers to the system of rules and regulations that businesses follow in order to fulfill their obligations to their shareholders. The goal of good corporate governance ensures that businesses are conducted in an open and accountable manner so that they may achieve their stated goals (Aluoch, 2023). Researchers have employed a variety of corporate governance indices. Felo, Krishnan, and Zimmerman's (2020) analysis of Singapore's board of directors takes into account board tenure, independence, and the quality of experienced auditors. In their corporate governance analysis, Cao, Yang, and Liang (2023) focused on three key indicators: board size, structure, and diversity. Size, independence, tenure, and distribution of shares were some of the corporate governance indicators used in the study by Ahmad-Zaluki, Wan-Hussin and Campbell (2019). Board size, tenure, occupational expertise, and committee meetings are some of the features of corporate governance that will be examined in this research.

Board tenure is among the most crucial facets of corporate governance, which is the average number of years that a director has been in their position. Numerous studies have examined the advantages and disadvantages of board tenure and its influence on organizational results. Organizational knowledge and stability may benefit from lengthier board tenure, according to research. A favorable correlation between board tenure and organizational success was discovered by Daily, Dalton, and Cannella (2019). Members of the board who have been there longer often have a better grasp of the business's history, the state of the industry, and the strategic obstacles it faces, all of which they may use to their advantage. According to Jeng and Pak (2016), board members who have been on the job for a while may have built up a lot of contacts in the sector, which may lead to more opportunities for cooperation and partnerships. These relationships may be important while traversing competitive landscapes and spotting new possibilities. However, there is evidence that long-board terms are linked to organizational inertia. Board members with lengthy tenures may be resistant to change, as pointed out by Fiebelkorn, Owuor and Nzioki (2021). This reluctance might make it harder for organizations to change and for new ideas to be adopted. Board independence might be compromised by long board tenure. According to Daily et al. (2019), who investigated the relationship between board tenure and a company's overall performance, directors with lengthy terms on the job may become less autonomous, which might compromise their capacity to objectively assess management's choices. In order to measure board tenure, this research will utilize the average length of time members have been on the board.

An organization's governance system is not complete without board committee meetings. For each component of business strategy, compliance, and risk management, these dedicated forums convene specialists and decision-makers. The audit or pay committees of a board of directors provide a conducive setting for detailed debates (Parniangtong, 2019). In these smaller groups, committee members can make more informed decisions by discussing complex issues that would be difficult to address at a board meeting with a wider audience. Meetings of committees allow for the pooling of information and experience, which in turn leads to better judgments (Zikmund, 2003). To illustrate how different committees contribute to the broader governance system, one checks for financial integrity and the other handles CEO pay. Committee meetings are crucial to address and reduce organizational risks (Muthumbi, 2017). Specifically, the audit committee's oversight of financial reporting and regulatory compliance is vital to risk management. Accountability and openness are aided by committee meetings (Padgett, 2018). These gatherings encourage a culture of transparency and responsibility by providing a forum for in-depth reporting and debate on important issues. The regularity with which board committees convene is a measure of their effectiveness.

Board effectiveness, representation, and decision-making are all affected by the board's size, which is a vital aspect of corporate governance. According to Teece (2016), boards with more members may be able to oversee strategic planning more effectively. Evaluating strategic efforts and risk management may be enhanced with a wide collection of talents and knowledge. Many regulatory bodies have specific minimum and maximum board sizes that must be met (Khan, 2019). While navigating these regulatory demands, organizations must take into account the unique requirements and circumstances of their operations. According to Carter et al. (2003), the efficiency of committee setups is affected by the board's size. There may be fewer committees on smaller boards, but more specialized committees are needed to handle different parts of governance on bigger boards. When determining board size, this research will utilize the ratio of executive to non-executive directors as its indication.

1.2. Sustainability

Sustainable performance is defined by Ondigi and Muturi (2015) as the incorporation and attainment of ecologically, socially, and economically viable practices into all aspects of an organization's operations. According to Kariuki and Aduda (2016), the main goal is to guarantee social responsibility, financial savings, preservation of resources, reduction of waste, and environmental protection. By taking a comprehensive view that balances ecological responsibility, social justice, and financial feasibility, this method strengthens the organization for the long haul. Not only can businesses improve their image, reduce risk, and benefit stakeholders by adhering to these principles, but they may also lessen their negative effects on the environment.

To increase the efficacy and efficiency of providing citizens with services, it is essential that state entities in Kenya function sustainably (Kariuki & Aduda, 2016). Despite the importance of this idea, Ndeto *et al.* (2018) pointed out that there is no agreement on its exact definition, dimensions, or room for progress in research and understanding of it. As pointed out by Kipruto and Shale (2018), new research has broadened the scope of organizational performance evaluations beyond financial metrics to include non-financial components and sustainability factors like social responsibility and environmental protection. Adopting holistic approaches that balance these dimensions is crucial for state organizations to meet citizens' needs and promote long-term societal well-being. This broader perspective recognizes the interconnectedness of economic, environmental, and social factors in achieving sustainable development goals.

A proactive attitude to innovation is necessary for sustainability in today's business climate. Based on her research, Nadya Zhexembayeva (2014) argues that organizations may gain a competitive edge in all areas of their business — products, services, and overall strategies — by using the correct innovation principles in response to resource depletion. Expanding on this, research by Laszlo (2011) and Zhexembayeva (2014) highlights the many advantages of incorporating sustainability into company processes. At least seven separate chances to boost company value and gain an edge exist because of this integration. Possible improvements to risk management, operational efficiency (less waste and more efficient use of resources), product differentiation, brand reputation, influence on industry standards, opportunities to break into new markets, and radical innovation are all on the list. These ideas may be applied to state businesses as well as private ones, helping them become more sustainable and better able to meet social, economic, and environmental goals in the long run. The debt service coverage ratio is a measure of a commercial state corporation's sustainability. The debt service coverage ratio (DSCR) compares a company's operational revenue to its debt commitments, including interest and principal payments, and determines the capacity of the organization to satisfy these obligations.

1.3. State-owned Business in Kenya

State companies are a kind of government-owned enterprise that was formed with the aim of achieving various goals, such as resolving market failure, advancing social and political agendas, and improving access to healthcare, education, and other essential services. These entities are state-run businesses that are able to make money and handle their own financial responsibilities. The importance of state companies (SCs) for development has been acknowledged by the Government of Kenya (GoK) since independence. SCs can help speed up economic and social development, even out regional economic disparities, and increase economic involvement among Kenyan people (GoK, 1965). The government's investment in manufacturing, agriculture and other sectors began with this project. After Kenya gained independence, state companies (SCs) began to play an ever larger role in the economy. These SCs diversified into non-strategic industries such as sugar, medicine, textiles, alcohol, autos, and footwear. The establishment of Kenya's state-owned enterprises (SOEs) became an enormous financial burden in the 1980s, contributing significantly to the country's chronic budget deficits.

The primary legislation pertaining to the formation, monitoring of administration and governance by fiduciaries, and control over financial matters of state corporations is the State Corporations Act, Cap 446, 1986. Other statutes that create SCs, such as the Public Audit Act, the Public Procurement and Asset Disposal Act, and the Public Financial Management (PFM) Act 2012, also add to its contents. What is sometimes called "public enterprises" or "parastatals" fall under the umbrella term "state corporations" under the legal system? A state-owned enterprise (SOE) has three characteristics: (a) a distinct legal personality, (b) ownership by the state and (c) main involvement in economic or commercial pursuits. However, there is no universally agreed-upon definition of an SOE, public enterprise, or state corporation (European Commission, 2013; IMF, 2014; OECD, 2015). Institutions of higher education, training, research, private businesses, and government agencies are all part of the Kenyan concept. Furthermore, a more differentiated and effective supervision system that accounts for the variety of SCs may be established by referring to the PFM Act and regulations (2015), which provide a very detailed categorization of national and county government organizations.

Despite their contributions to the Kenyan economy, commercial state enterprises have failed to meet expectations because of both rapid economic change and the public's negative impression of their goods and services (Vision 2030). Of Kenya's 247 State Corporations, 46 are for-profit businesses, and 201 are non-profits, as reported by the State Corporation Advisory Committee in 2021. Almost none of them met their strategic goals for the 2019–2020, 2020–2021, and 2021–2022 fiscal years, which are essential for long-term viability. Reasons for this include a lack of qualified workers and the high expense of establishing reliable systems (Kimeo & Achuora, 2021).

Revenues from commercial SCs as a percentage of GDP in Kenya were at 4.1% in FY2018/19 before COVID-19. Much like other South African countries, Kenya's commercial SC portfolio is highly concentrated; only two industries—energy (61% of total) and transportation (22.5%) —accounted for 83.5% of FY2019/20 revenues, or around 3% of GDP. The bulk of commercial SC assets are owned by these sectors. Over two-thirds of the overall revenue generated by SCs in FY2019/20 came from only five companies: Kenya Power and Lighting Company (KPLC), Kenya Ports Authority (KPA), Kenya Railway Corporation, Kenya Electricity Generating Company (KenGen), and Kenya Electricity Transmission Company Limited (KETRACO). Kengen, KRC, KPLC, KETRACO, and KPA are the five (5) commercial state enterprises in Kenya that will be the subject of the present research. Based on calculations done by World Bank staff using data provided by NT, the five commercial SCs that will be chosen have a debt-to-asset ratio of 48.5%, 99.9%, 84.0%, 99.1%, and 36.4%, respectively. They have also attracted high levels of government loans and guarantees (World Bank, 2021).

1.4. Statement of the Problem

Due to their high levels of debt and growing levels of leverage, the majority of Kenya's commercial state corporations are ill-equipped to deal with any more negative developments (World Bank, 2021). The five largest commercial SCs in Kenya — Kengen, Kenya Railways Corporation, Kenya Power & Lighting Company, KETRACO, and Kenya Ports Authority — racked up massive performance-related debt between 2017 and 2022, according to research by Fiebelkorn, Owuor, and Nzioki (2021). A debt-to-asset ratio of 48.5% has been calculated for Kengen, KRC, KPLC, KETRACO, and KPA using data given by the National Treasury (World Bank, 2021). The ratios are 84.0%, 99.1%, and 36.4%, respectively. The commercial SCs are not portrayed in a positive light in the World Bank report (2021). The report notes that commercial SCs have been using debt to fund their operations more and more from FY2015/16 to FY2019/20, with debt-to-equity ratios increasing from 1.91 in 2016 to 2.84 in 2020.

Examined research shows gaps in empirical evidence. In their 2021 study, Oluwole and Ondo looked at how corporate governance affected the profitability of Nigerian commercial banks. The frequency of audit committee meetings was shown to have a negative and statistically significant association with profits per share. An analysis of the effect of board size (BS), audit committee size (ACM), board number of meetings (BNM), and audit committee number of meetings (ACNM) on profits per share (EPS) was conceived. Board size, tenure, occupational expertise, frequency of committee meetings, and operationalization of corporate governance are all components that will be examined in the proposed research.

Ochego, Omwagwa, and Muathe (2019) used explanatory research to look at commercial banks in Kenya from 2009 to 2018 to see how financial performance mediated the connection between corporate governance and company value. Both the correlation between corporate governance and the firm value of Kenyan commercial banks and the moderating influence of financial performance on this correlation were found to be statistically significant in the research. This study established the connection between corporate governance and business value via the lens of financial performance, which served as a moderator. The researchers also used an explanatory research approach. The planned study will use both descriptive and explanatory research methods; however, it will not involve a moderator.

The emphasis of Aluoch's (2023) research was on the link between corporate governance and the profitability of Kenyan commercial banks traded on the Nairobi Securities Exchange. The listed commercial banks' financial performance might be predicted with relative ease by looking at their corporate governance, financial traits, and macroeconomic circumstances. It is worth mentioning that the planned research on financial performance inside commercial state organizations in Kenya was shifted from Aluoch's study, which focused on commercial banks, to a different environment. Finding out how different corporate governance characteristics affect the long-term viability of Kenya's commercial state firms was the driving force for the research.

1.5. Research Objectives and Hypotheses

The general objective is to determine the effect of corporate governance attributes and the sustainability of commercial state corporations in Kenya.

Conversely, the specific objectives are:

- To establish the effect of board tenure on the sustainability of commercial state corporations in Kenya,
- To evaluate the effect of board size on the sustainability of commercial state corporations in Kenya,
- To assess the effect of board committee meetings on the sustainability of commercial state corporations in Kenya and
- To investigate the effect of board members' occupational expertise on the sustainability of commercial state corporations in Kenya.

The study was guided by the following research hypotheses:

- H_{01}**:** Board tenure has no significant effect on the sustainability of commercial state corporations in Kenya.
- H_{02}: Board size has no significant effect on the sustainability of commercial State Corporations in Kenya.
- H_{03}: Committee meetings have no significant effect on the sustainability of commercial state corporations in Kenya.
- H_{04}: Board members' occupational expertise has no significant effect on the sustainability of commercial state corporations in Kenya.

2. Literature Review

2.1. Theoretical Reviews

The theories that follow here served as the foundation for the theoretical review this study. The research was guided by the Triple Bottom Line model, Agency Theory, Stakeholders Theory and Resource Dependence Theory.

The Triple Bottom Line (TBL) model, introduced by John Elkington (1994), proposes a comprehensive approach to business sustainability, encompassing economic, social and environmental dimensions. Elkington's proposition advocates for businesses to move beyond solely prioritizing financial profit and consider their broader impact on society and the planet.

The TBL model underscores the significance of environmental stewardship, emphasizing the need for businesses to minimize their ecological footprint, conserve natural resources and mitigate environmental degradation. According to Allaoui, Guo, and Sarkis (2019), an organization's performance is critical for generating value-added outcomes in all of its operations. Pettersen et al. (2020) proposed the Triple Bottom Line (TBL) model, which broadens traditional measures of organizational success to include positive impacts on society, the environment and economic equity. The TBL model guarantees an organization's long-term success in terms of environmental preservation, social responsibility and economic development by stressing sustainability (Eriksson & Westerberg, 2009). According to Eriksson and Westerberg (2009), the

TBL model stresses the need to keep tabs on actions that help both parties comprehend the job's demands and its results. By creating a supportive work atmosphere, welcoming change, working toward strategic goals, and encouraging people to think creatively and advance in their careers, this method helps businesses achieve their performance goals (Etse et al., 2021). Therefore, this theory points to the independent variable, the sustainability.

Agency Theory was proposed by Michael C. Jensen and William H. Meckling. Firm ownership (principal) and control (agent) are conceptually distinct in the theory. Managers and executives are entrusted with decision-making power by the shareholders, who control the firm. According to this belief, everyone is only looking out for number one: themselves. It implies that managers, who are acting as agents, might prioritize their own interests over those of the shareholders, who are acting as principals. One person, the agent, acts on behalf of another, the principal, to further the principal's interests, according to agency theory (Gadi, 2015). As a result, the agent's job is to help the company and its owners achieve their goals. An organization's role, as per the research of Jensen and Meckling (1976), is to provide a framework for the execution of separate contracts. There is a presumption that principals and agents do not have equal access to information (Jensen & Meckling, 1976). Separating corporate ownership and control presents unique problems, which agency theory may assist in better understanding and addressing. Its use in corporate governance seeks to minimize agency costs and maximize efficient decision-making by creating procedures that match managers' and shareholders' interests.

Stakeholder theory, as proposed by Freeman (2003), posits that companies are not merely resources for investors but entities embedded within society, thus carrying obligations to the larger community. Freeman (2003) suggests that societal contributions challenge the traditional view of companies solely as profit-centric entities. The issue of administrative overpay, particularly tied to the abuse of executive power, is emphasized by Jiang (2004). With CEO salaries increasing rapidly compared to average wages and a limited correlation between compensation and managerial achievement, the concern about excessive executive pay becomes a focal point in discussions on governance. In conclusion, stakeholder theory challenges the traditional shareholder-centric view, emphasizing the broader societal responsibilities of companies. However, criticisms regarding its single-valued aim and concerns about managerial abuse of authority prompt ongoing discussions about refining and enhancing corporate governance practices. The debate surrounding executive compensation further underscores the need for comprehensive governance mechanisms to ensure accountability and transparency in corporate decision-making.

The two main figures who advocate for the Resource Dependence Theory are Jeffrey Pfeffer and Gerald R. Salancik (1978). Organizations, they say, are shaped by and forced to rely on resources from outside sources if they want to stay afloat and grow. According to the principle, businesses should do everything they can to keep their external dependence under control. The way that enterprises interact with their operating environments is defined by interdependencies. In order to exert influence and control over these dependencies, organizations strive to protect vital resources and minimize exposure. The theory stresses that strategic decision-making in government is required because it stresses the significance of resource management. RDT is applicable to sustainability. By securing resources and limiting disruptions, organizations may strengthen their sustainability via smart navigation of external dependencies. Strategic partnership formation and resource diversification are two examples of RDT-derived strategies that may improve a company's bottom line.

2.2. Empirical Reviews

The study by Cao, Yang, and Liang (2023), titled "Board Size and Firm Performance: Evidence from S&P Companies in the USA," aimed to examine the relationship between board size and firm performance. Based on an investigation of 372 organizations done between 2013 and 2017, the research showed that a bigger board of directors was associated with lower company performance. Specifically, businesses whose boards were larger had worse financial performance. A more noticeable negative correlation was found in the high-tech business, suggesting that board size may have varying effects on various industries. Furthermore, the study found that boards with odd numbers outperformed boards with even numbers in terms of performance. It is important to address some gaps in our knowledge, such as extending our conclusions to different situations (such as state-owned enterprises) and quantifying non-financial performance. However, this study does contribute to our understanding of how board size influences corporate success. In order to fill this information gap, this research aims to investigate the relationship between the size of the board of directors and the longevity of commercial state firms in Kenya. The research will focus on these businesses and how the size of their boards impacts their sustainability efforts and outcomes. Examining the implications of board size on sustainability efforts and organizational performance, this research seeks to enhance our understanding of the dynamics of corporate governance in the context of commercial state firms. In doing so, we may learn how board size affects an organization's capacity to weather storms.

Listed commercial banks in Kenya on the Nairobi Securities Exchange were the subject of an investigation by Aluoch (2023) on their performance and corporate governance. The study was built around the principles of positivism, stewardship, agency, and the maximizing of resources and wealth. The study included eleven listed banking firms that operated from 2006 to 2020 and used a census-style technique. Data for the macroeconomic indicators came from reports from the Kenya National Bureau of Statistics and the Central Bank of Kenya, whereas panel data was sourced from companies' annual reports. In this study, a longitudinal descriptive research technique was used to examine the connections among the dependent, intervening, and moderating variables. Financial characteristics, corporate governance, and macroeconomic variables may all be used to forecast. The study examines the financial performance of commercial banks that are publicly traded. Return on assets (ROA) was shown to be significantly related to financial leverage, interest rates and inflation rates. However, it had no correlation with corporate governance, investments, liquidity, or overall economic growth. Additionally, the findings demonstrated that financial leverage, inflation rates and GDP growth rates had a significant impact on Tobin's Q of Kenya's publicly listed commercial banks. An examination of the data showed that interest rates, liquidity, corporate governance, investments and investments were not related to Tobin's Q, corporate governance and financial characteristics. The results indicate that commercial banks' bottom lines are influenced by macroeconomic conditions and other factors. The intended environment differs from this study's setting, which is centered on commercial banks.

Ochido and Njoroge (2023) conducted a comprehensive study on the impact of corporate governance procedures on the financial performance of Kenya Power and Lighting Company. They employed descriptive research methods to carry out their investigation. Out of 8443 workers at Kenya Power and Lighting Company, 368 were selected at random for the sample using stratified random selection. According to the research, both financial transparency and shareholder rights were positively associated with financial success (r=0.704 and r=0.666, respectively). In addition, the treatment of shareholders was significantly related to financial success (r=0.659). There was a statistically significant link (r=0.664) between more transparency and improved financial outcomes. With an R-squared value of 0.513, four predictor variables accounted for 51.3% of the variance in performance at Kenya Power and Lighting Company. Disclosure, financial transparency, shareholder rights, and equitable treatment were among the factors cited by the study as impacting the company's performance. It demonstrated the value of a sizable shareholder base that is invested in the success of the firm and increased the efficiency of Kenya's state-run enterprises. This current study will utilize both descriptive research design and explanatory research design.

Oluwole's (2021) research primarily examined the effect of corporate governance on the profitability of Nigerian banks. Using the fixed effect regression technique, this study examined the impact of four variables—Audit Committee Size, Board Size, Audit Committee Number of Meetings, and Board Number of Meetings — on the earnings per share (EPS) of three banks — Zenith Bank PLC, First Bank of Nigeria PLC, and Guarantee Trust Bank Nigeria PLC—from 2009 to 2018. The findings demonstrated that the independent parameters were positively and statistically significantly correlated with the banks' earnings per share. There were positive and statistically significant effects on earnings per share (EPS) from the audit committee size (ACS) (0.6241; 0.0109), the total number of board meetings (0.4349; 0.007), and the size of the audit committee (0.356). Earnings per share were negatively and statistically significantly correlated with the audit committee meeting frequency (r=-1.0781, p=0.0001). Some contextual elements were highlighted by the study conducted in Nigeria. Keeping this in mind, future research will focus on commercial state firms to address the lack of context in the existing literature.

Finkelstein and Mooney (2021), in their study on American private-sector businesses, specifically examined the correlation between board tenure and organizational performance using data from a cross-section of private companies. Their findings suggest that moderate board duration may be associated with greater organizational performance. Thus, it is vital to strike a balance when considering board longevity.

Salman (2019) examined the effect of growth, liquidity, and capitalization of the Pakistani tobacco sector. He also looked at how these three parameters related to one another. The purpose of this study is to ascertain how corporate actions about financing impact the liquidity and expansion of businesses in the tobacco sector. Between 2011 and 2016, cigarette businesses that traded on the Karachi Stock Exchange provided us with secondary data. Leverage has an impact on the growth and liquidity of organizations, as shown by the regression test's application to the derived ratios. Their research indicates that the tobacco business is heavily invested in short-term debt and is dependent on debt financing. The investigation of tobacco businesses' strong liquidity, successful market positioning, and high earnings also shows that leverage has a favorable impact on a company's ability to grow and maintain liquidity. The study was done on the tobacco business, whose liquidity needs could have been different from those of the manufacturing companies listed on Kenya's NSE. In an effort to close this contextual gap, the current study concentrates on manufacturing companies that are listed on the NSE in Kenya.

Obaba and Kosgey's (2019) study titled "Board Tenure and Financial Distress of Listed Firms: Evidence from Kenya" examined the correlation between board tenure and financial distress experienced by listed firms in Kenya. This exploratory research included 57 Kenyan firms listed between 2007 and 2016 and employed a mixed-methods approach, including panel regression, pooling regression, and random effects. Their conclusions revealed a negative and statistically important association between the length of a board's tenure and the financial performance of listed firms, suggesting that longer board tenure might cause financial troubles. This study significantly improves the existing empirical literature by examining developing countries from a new angle. However, there is a known study vacuum about the mechanisms that link board tenure with financial difficulties, and this gap has not been filled. To fill this information gap, this study will explore the effects of board tenure on sustainability practices and outcomes in Kenyan commercial state businesses. Specifically, it will look at how board tenure relates to sustainability. This study will examine the effects of board tenure on sustainability initiatives and organizational performance to gain deeper knowledge of the role of board tenure in fostering resilience and sustainability in businesses.

Collins, Ntim, and Osei conducted research in 2018 titled "The Impact of Corporate Board Meetings on Corporate Performance in South Africa." In order to ascertain the presence of a correlation between the frequency of board meetings and the level of corporate success, the researchers analyzed a total of 169 publicly traded South African companies from 2002 to 2007. A company's financial performance improved in correlation with the frequency of its board of directors' meetings, according to the research. This suggests that South African boards with more frequent meetings had better financial outcomes. Furthermore, there was no direct correlation between the number of board meetings and performance. Instead, it appeared that board meetings, regardless of their frequency, enhanced performance. The outcomes of this study align with agency theory, which posits that a company's financial performance will be enhanced if the board meets more often so that its members may better advise, supervise and penalize management. The results, which were consistent across economic models, suggested avenues for further research, such as calculating the optimal annual number of board meetings and studying the specific mechanisms through which board meetings increase firm performance.

The purpose of the study "Board Composition and Firm Value: The Role of Occupational Expertise" conducted by Hermalin and Weisbach (2018) was to investigate the relationship between board composition, including occupational knowledge, and firm value. The study's analysis of a large dataset of American companies revealed a positive correlation between diverse boards and increased business value. Organizations with directors from different backgrounds were more likely to create value for their shareholders. This finding emphasizes the need for a diverse board to address the complex issues faced by modern businesses. On the other hand, this research does not look at how board composition impacts company value, which is a gap in the literature. This study will address that knowledge gap by examining the role of sustainability initiatives as mediators between board expertise and organizational outcomes in state-owned commercial companies. Researching how state-owned enterprises' sustainability policies and performance are impacted by board members' expertise and experience could provide insight into how board composition impacts organizations' long-term viability and value creation.

3. Research Methodology

3.1. Research Design

The explanatory research design was used for this study to determine the extent of a cause-and-effect relationship between financial structure and liquidity. While the descriptive approach provided a depiction of corporate governance attributes and sustainability, the explanatory approach was applied to estimate how and to what extent these attributes influenced sustainability. In this study, the target population comprised the five commercial state corporations, and a span of 10 years, 2014-2023, made a total of 50 observations. Census was used due to the small nature of the target population.

3.2. Empirical Model

It is not possible to describe the data obtained from field observations using mathematical relationships. An empirical model was used to assist researchers in observing a close correspondence between the behavior of the model and that of its referent. This was achieved through the utilization of an empirical model. It was developed to assist the researcher in studying the behavior of an all-encompassing term for activities that create models by observation and experiment. A panel data regression model that was adopted from Njenga (2020) was used because there are cross-sectional and time-series components to data.

The panel regression model was structured as follows:

$$Y_{it} = \beta_0 + \beta_1 X_{Iit} + \beta_2 X_{2it} + \beta_3 X_{3it} + \beta_4 X_{4it} + \varepsilon_{it}$$

Whereby: Y_{it} = ROA for firm I and at time t; β_0 = Constant; i = Firm; t=Time; $X_{1it,} X_{2it,} X_{3it}$ and X_{4it} are board members occupational expertise, board committee meetings, board tenure and board size for firm i and at time t; $\beta_1 - \beta_4$Regression coefficients; ε_{it} = Error term

4. Results and Discussions

4.1. Descriptive Statistics

Table 1 provides descriptive statistics on key variables related to corporate governance and sustainability for commercial state corporations in Kenya.

	N	Minimum	Maximum	Mean	Std. Deviation
Board Tenure	45	2	4	2.87	.625
Board Size	45	9	12	10.82	.860
Board Committee Meetings	45	4	9	7.42	1.270
Board Member Occupational	45	6	15	9.49	2.263
Sustainability	45	0	6	1.92	1.792
	45				

Table 1: Descriptive Statistics
Source: Survey Data (2024)

From the descriptive statistics, the average board tenure for commercial state corporations in Kenya is approximately 2.87 years, with a standard deviation of 0.625, indicating relatively stable board tenure across the corporations. This suggests that there is moderate turnover within board memberships. The average board size for commercial state corporations is approximately 10.82 members, with a standard deviation of 0.860, indicating moderate variability in board size. On average, commercial state corporations hold approximately 7.42 board committee meetings, with a standard deviation of 1.270, indicating some variation in meeting frequency. The average occupational expertise of board members is approximately 9.49 years, with a standard deviation of 2.263, indicating moderate variability in expertise levels across the corporations. The average sustainability score for commercial state corporations is approximately 1.92, with a standard deviation of 1.792, indicating considerable variability in sustainability performance.

4.2. Diagnostic Testing

Diagnostic tests were conducted to examine the study hypotheses and ensure that regression assumptions were not violated before proceeding with the regression analysis. These diagnostic tests are crucial for assessing the reliability and validity of the regression model.

The tests, which included multicollinearity, normality, heteroskedasticity, Hausman tests, and stationarity tests, were conducted to identify any potential issues in the data that could affect the accuracy of the regression results. The study executed these tests to steer clear of spurious regression results.

4.2.1. Multicollinearity Test

The purpose of the multicollinearity test is to look for signs of strong correlation between the independent variables. Correlation matrices and the variance inflation factor (VIF) were used to evaluate multicollinearity in this investigation.

The objective of the multicollinearity test is to detect highly correlated variables, usually shown by VIF values higher than a certain level (usually 10) or correlation coefficients close to ±1. When there is a high degree of correlation between two variables, it becomes more difficult to isolate their effects on the dependent variable. The analysis's multicollinearity findings are summarized in table 2.

Variable	**VIF**	**1/VIF**
Board Tenure	8.46	0.11820
Board Size	7.38	0.13550
Board Committee Meetings	6.14	0.16287
Board Member Occupational	7.15	0.13986
Mean VIF	7.28	

Table 2: Multicollinearity Test
Source: Researcher (2024)

Table 2 displays the results of the multicollinearity test; all of the variables that were considered had VIF values less than 10, indicating that multicollinearity is not a major issue. The VIF for Board Tenure is 8.46; for Board Size, it is 7.38; for Board Committee Meetings, it is 6.14; and for Board Member Occupational Expertise, it is 7.15. All of these numbers are still well within the permitted range; however, they do show that the variables are somewhat collinear. Additionally, the 1/VIF values for each variable indicate that other model variables do not explain a considerable amount of the variation in each variable, ranging from around 11.82% to 16.29%.

The mean VIF across all variables is 7.28, which further confirms that multicollinearity is not a significant issue in the analysis.

4.2.2. Tests of Normality

Figure 1 and table 3 show the results of the skewness and Kurtosis tests, respectively, used to determine the normality of the data. The assumption of normally distributed variables is foundational to many statistical processes, including regression. These tests determine whether that is really the case. By examining whether the data is distributed normally, we can ensure that our conclusions are accurate and credible.

Skewness/Kurtosis Tests for Normality						
------ joint ------						
Variable	Obs	Pr(Skewness)	Pr(Kurtosis)	adj	chi2(2)	Prob>chi2
My residuals	45	0	0		.	0

Table 3: Normality test
Source: Survey Data (2024)

It was determined that the skewness and kurtosis were both zero (0). The dataset is considered totally symmetrical when the skewness value is 0, indicating that it is not at all asymmetrical. With a kurtosis of zero, the dataset seems like it has normal distribution tails.

As a result, we may safely assume that the data is normally distributed. Figure 1 shows the results of the normal distribution, showing that the data closely fits the expected pattern of a normal distribution curve.

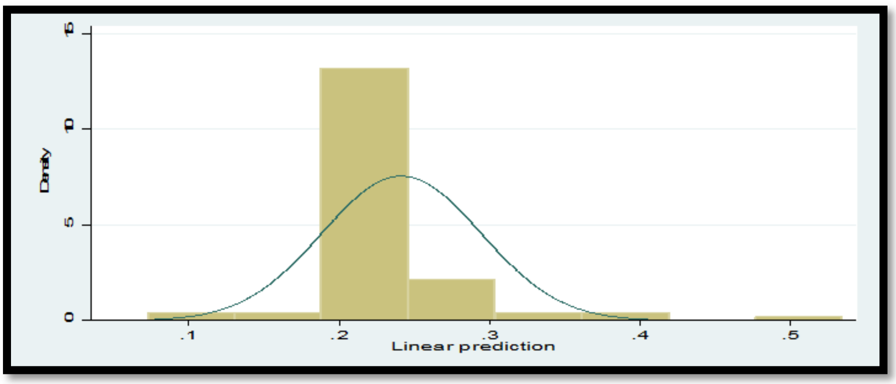

Figure 1: Normality Using Histogram
Source: Survey Data (2024)

4.2.3. Heteroscedasticity Test

Heteroscedasticity is a barrier when dealing with panel data since ordinary least squares (OLS) regression operates under the premise that the residuals originate from a population with a constant variance. Heteroscedasticity is when an observed variable's variation across a certain time period is uneven. Many people employ the Breusch-Pagan test to find heteroskedasticity. The findings of this test are presented in table 4.

Breusch-Pagan/Cook-Weisberg Test for Heteroskedasticity
Ho: Constant variance
Variables: fitted values of Sustainability
chi2 (1) = 1.94
Prob > chi 2 = 0.1662

Table 4: Heteroscedasticity
Source: Survey Data (2024)

The findings shown in table 4 above indicate that the chi-square value is 1.94 and the p-value is 0.1662. The p-value is greater than 0.05 with a 95% confidence interval, eliminating the chance of heteroskedasticity.

4.2.4. Stationarity Tests

The study applied the Levin-Lin-Chu test. Baltagi (2005) opined that the Levin-Lin-Chu test is the most appropriate when conducting stationarity tests for panel data. This test helps test the stationarity of the panel data. The test examines the stationarity (Ha) or presence of unit roots tests (Ho) within the panel data using the following criterion: if P-value<0.05, use a stationary alternative.

Variable	Hypothesis	p-value	Verdict
Board Tenure	Ho: Panels contain unit roots	0.0021	Reject Ho
	Ha: Panels are stationary.		
Board Size	Ho: Panels contain unit roots	0	Reject Ho
	Ha: Panels are stationary.		
Board Committee Meetings	Ho: Panels contain unit roots	0.0978	Fail to Reject Ho
	Ha: Panels are stationary.		
Board Member Occupational	Ho: Panels contain unit roots	0.0067	Reject Ho
	Ha: Panels are stationary.		
Sustainability	Ho: Panels contain unit roots	0.0043	Reject Ho
	Ha: Panels are stationary.		

Table 5: Levin-Lin Chu Unit-Root Test
Source: Survey Data (2024)

4.2.5. Hausman Test for Fixed and Random Effects

The Hausman specification test was used as usual to evaluate the appropriateness of the model that is going to be applied. By contrasting the reliability of the predicted coefficients, this test aids in the decision between random effects and fixed effects models.

The test hypotheses were:

- Null hypothesis (Ho): The random effects model is consistent and efficient.
- Alternative hypothesis (Ha): The fixed effects model is consistent and efficient.

	(b)	(B)	(b-B)	Sqrt (diag(V_b-V_B))
	Fixed	random	Difference	SE
Board Tenure	4.14	4.50	-3.51	2.43
Board Size	3.49	3.72	-2.27	1.85
Board Committee Meetings	1.41	1.46	-5.13	8.60
Board Member Occupational	2.28	2.89	-1.87	1.03
chi2(3)	3.00			
Prob>chi2	.9887			

Table 6: Hausman Test
Source: Survey Data (2024)

The Hausman test's significance level is higher than the 0.05 criterion, with a Prob>chi2 value of 0.9887. This means that the researcher's null hypothesis (H0) may still be accepted, which indicates that the random effects panel data model is the best fit for the findings. So, we only show you the results of the random effects panel regression.

4.3. Correlation Analysis

One statistical method for determining the nature and direction of a link between many variables is correlation analysis. Using correlation analysis, this research looked at the connections between the sustainability of certain Kenyan commercial state organizations and several types of financial risk, including liquidity risk, operational risk, credit risk, and transactional risk.

		Board Tenure	Board Size	Board Committee Meetings	Board Member Occupational	Sustainability
Board Tenure	Pearson Correlation	1				
	Sig. (2-tailed)					
Board Size	Pearson Correlation	-.130	1			
	Sig. (2-tailed)	.396				
Board Committee Meetings	Pearson Correlation	.216	-.200	1		
	Sig. (2-tailed)	.155	.188			
Board Member Occupational	Pearson Correlation	.224	-.106	.045	1	
	Sig. (2-tailed)	.139	.488	.768		
Sustainability	Pearson Correlation	.781	.896	-.186	-.696**	1
	Sig. (2-tailed)	.005	.000	.220	.000	

Table 7: Correlations
***. Correlation is significant at the 0.01 level (2-tailed).*
Source: Researcher (2024)

Board Tenure shows no significant correlation with Board Size ($r = -0.130$, $p = 0.396$) or Board Committee Meetings ($r = 0.216$, $p = 0.155$), indicating that the length of board members' service does not strongly influence board size or the frequency of committee meetings. Similarly, Board Size does not significantly correlate with Board Tenure ($r = -0.130$, $p = 0.396$), Board Committee Meetings ($r = -0.200$, $p = 0.188$), or Board Member occupation ($r = -0.106$, $p = 0.488$). Board Member Occupational has a weak positive correlation with Board Tenure ($r = 0.224$, $p = 0.139$) but lacks significant correlations with Board Size ($r = -0.106$, $p = 0.488$) or Board Committee Meetings ($r = 0.045$, $p = 0.768$). Notably, Sustainability shows strong positive correlations with Board Tenure ($r = 0.781$, $p = 0.005$) and Board Size ($r = 0.896$, $p = 0.000$), suggesting that longer board tenure and larger board sizes are associated with higher sustainability of selected commercial state corporations. Conversely, Sustainability exhibits a significant negative correlation with Board Member occupations ($r = -0.696$, $p = 0.000$), implying that certain occupations of board members may hinder sustainability efforts.

4.4. Random Effect Regression Analysis

To determine the correlations between variables, random-effect regression analysis displays the P-values and coefficients (coef). These coefficients show the unit-wise relationship between the dependent and independent variables. For many variables, the coefficient indicates which way the dependent variable will change due to changes to the independent variable. When describing changes in the dependent variable, variables are deemed significant if their P-values are less than 5% or 10% at 95% and 90% confidence intervals, respectively. The factors impacting the dependent variable within the study's context may be better understood with the aid of these findings, which also provide light on the connections between the variables.

Sustainability	Coef.	Std. Err.	Z	P>|z|	[95% Conf.	Interval]
Board Tenure	2.53	6.00	4.22	0.000	1.36	3.71
Board Size	5.16	2.94	1.76	0.009	-5.99	1.09
Board Committee Meetings	-1.10	4.32	-0.25	0.8	-9.57	7.38
Board Member Occupational	4.223	2.78	1.34	0.007	-3.67	1.01
_cons	0.0685757	0.1207879	0.67	0.67	-0.1682632	0.3153126
R squared	76.7					
F statistics	56.9					
Prob > chi2	0.00					

Table 8: Random Effects Regression Model
Source: Survey Data (2024)

The Model adopted was: Sustainability= $0.0685757 + 2.53X_1 + 5.16X_2 + 4.223X_4 + \varepsilon$

According to the regression analysis, board members with more specialized knowledge tend to be more environmentally conscious, which shows a positive coefficient of 4.223 (p = 0.007) for board member occupational expertise. The results are in line with those of empirical research that have shown a beneficial relationship between board occupational diversity and organizational effectiveness, such as Smith (2021). Based on Smith's research, boards comprised of members from a variety of professions may improve sustainability practices by bringing new ideas and skills to the table. It is worth noting that Magnanelli et al. (2021) also discovered that diversity in board tenure had a beneficial effect on business success. This lends credence to the idea that boards with specialized skills may improve overall performance and sustainability results.

A non-significant negative coefficient of -1.10 (p = 0.8) is seen in the regression findings for board committee meetings, indicating that there is no meaningful influence of more frequent committee meetings on sustainability. Some empirical research, like that of Aluoch (2023), suggests that corporate governance and financial features are determinants influencing the financial success of commercial banks. This result runs counter to that. Meetings may affect financial performance, but their direct link to sustainability is less obvious, according to Aluoch's results, which highlight the need for more study into the precise effects of board committee activities on sustainability outcomes.

A favorable and statistically significant correlation between board tenure and sustainability was found in the regression analysis (p = 0.000), with a coefficient of 2.53. This agrees with previous empirical research that has shown a negative relationship between board tenure and financial difficulty (Ombaba & Kosgey, 2019). According to these studies, longer board tenure may result in more stable and effective oversight of sustainability programs and overall organizational performance. The significance of balanced tenure for sustainability initiatives is highlighted by Ahmad-Zaluki et al. (2019), who also discovered a non-linear link between board tenure and financial success.

There is a positive correlation between board size and sustainability levels, as shown by the regression data, where the coefficient for board size is 5.16 (p = 0.009). This result goes against the grain of other empirical research, such as the one by Cao et al. (2023), which connected bigger boards to lower financial results. There may be sector- and organization-specific variations in the link between board size and sustainability; for example, Oluwole (2021) discovered that bigger boards positively affect bank profitability. Further studies are required to learn how board size affects sustainability results in different types of organizations.

5. Conclusions and Recommendations

5.1. Conclusions

The descriptive analysis reveals that the average board tenure for commercial state corporations in Kenya is approximately 2.87 years, indicating moderate turnover within board memberships. This finding suggests a balance between maintaining institutional knowledge and introducing fresh perspectives. The significant positive impact of board tenure on sustainability, as evidenced by the random-effect regression analysis (p-value = 0.000), further underscores its importance. Therefore, the study concluded that longer board tenure contributes positively to sustainability within these corporations, aligning with the need for continuity and strategic planning.

The descriptive analysis indicates that the average board size for commercial state corporations is approximately 10.82 members, suggesting relatively large boards. This finding implies a balance between diverse perspectives and challenges in decision-making and coordination. The significant positive effect of board size on sustainability in the regression analysis (p-value = 0.009) validates the importance of larger boards. Consequently, the study concluded that larger board sizes positively influence sustainability within these corporations, provided they maintain efficiency and effectiveness in decision-making processes.

While the descriptive analysis highlights an average of approximately 7.42 board committee meetings, suggesting active engagement in committee work, the regression analysis indicates that meeting frequency does not significantly impact sustainability (p-value = 0.8). This finding suggests that while committee meetings are essential for effective governance, their frequency alone does not guarantee sustainability. Therefore, the study concluded that while board committee meetings are crucial for governance, their frequency does not directly affect sustainability within these corporations.

The analysis reveals an average occupational expertise of approximately 9.49 years among board members, indicating a considerable level of expertise. The significant positive impact of board member expertise on sustainability in the regression analysis (p-value = 0.007) underscores its importance. Therefore, the study concluded that higher levels of expertise among board members positively influence sustainability within these corporations, emphasizing the need for specialized skills and knowledge relevant to the corporations' operations and challenges.

5.2. Recommendations

Given the positive impact of board tenure on sustainability, commercial state corporations should aim to strike a balance between continuity and innovation by optimizing board tenure. While longer tenures contribute to institutional knowledge and strategic planning, excessive turnover should be avoided to maintain stability. Therefore, corporations should establish guidelines or term limits for board members while ensuring mechanisms for knowledge transfer and succession planning. To leverage the positive influence of board size on sustainability, corporations should ensure that their boards are sufficiently large to accommodate diverse perspectives and expertise. However, it is essential to maintain efficiency and effectiveness in decision-making processes. The frequency of board committee meetings may not directly impact sustainability; corporations should focus on enhancing the effectiveness of these meetings. This can be achieved by ensuring clear objectives, robust agenda setting, active participation, and thorough follow-up on action items. Committees should prioritize key governance areas such as risk management, audit, and strategic planning to drive sustainable outcomes. To capitalize on the positive influence of board member expertise on sustainability, corporations should prioritize board composition and recruitment processes that emphasize relevant skills and knowledge. This may involve diversifying board memberships to include individuals with backgrounds in areas such as finance, sustainability, technology, and governance. Continuous professional development and training programs can further enhance board member expertise and effectiveness. Corporations ought to incorporate sustainability factors into their strategic planning, decision-making processes, and performance measurement frameworks. This may involve setting clear sustainability goals, adopting responsible business practices, and transparent reporting mechanisms to stakeholders. In an increasingly dynamic business environment, commercial state corporations should embrace innovation and adaptation to remain resilient and sustainable. This may involve leveraging emerging technologies, exploring new business models, and anticipating and responding to evolving market trends and regulatory requirements. A similar study is recommended using a longitudinal study over an extended period.

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