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Board Composition and Performance of Health Sector Non-Governmental Organizations in Nairobi County

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Abstract
A firm is as good as its corporate board. The health of an organization is mirrored by the composition of its board of directors. Prior research in corporate governance has shown that well-performing boards coincides with high performing organizations. Health sector non-governmental organizations (NGOs) in Nairobi County play a pivotal role in providing health care services though questions pertaining to their governance, accountability and sustainability have persisted despite their growth and prominence. The study sought to answer the research question what is the relationship between board composition (CEO duality, board independence and gender diversity) and performance of health sector Non-Governmental Organizations in Nairobi County through a self-administered cross-sectional survey using a random sample of 242 CEOs. Correlation and regression analysis techniques were used to analyze the data collected. Result showed CEO duality and gender diversity significantly influenced performance with all board composition variables jointly accounting for 65.5 percent of the variability in performance. These findings suggest that NGOs should combine the roles of the CEOs and chairpersons of boards, appoint more executive board members and increase the number of women board member in order to improve their performance.
Keywords: Board Composition, Performance, Diversity, Independence, Duality, Sustainability

1. Introduction

Corporate governance is linked to board composition as it is a tasked that owners of a firm delegate to the board. Corporate boards have long been a subject of research in a variety of disciplines. However, there is little consensus as to what a board should look like or even what kinds of people make the best board members (Johnson, Schnatterly & Hill, 2012). Board composition refers to the size of the board, the mix between executive and non-executive (independent) directors, and other desirable attributes, including gender diversity (Ongore et al., 2015). Corporate governance has been viewed as the effective management of resources by the board of directors in a manner that is open, accountable, transparent, equitable and responsive to people's needs (AbouAssi, 2013). In many developing countries NGOs often lack the institutional capacity and resources to operate, thus in order to ensure effective and proper management of resources, board composition has become an important aspect of every NGO's life. The governance and sustainability of health sector NGOs in Nairobi County of Kenya is of importance to various stakeholder including government, community, donors and scholars. Thus by extension the composition of boards in health sector NGOs is of significant importance because anecdotal evidence show without properly constituted boards performance of health NGOs in Nairobi would be affected. In the academic literature, a large number of studies have analyzed the relationships between various board characteristics such as board demographics, board diversity, and board processes and organizational performance (Carter et al., 2010). These studies focus almost exclusively on for-profit firms (Mori, Golesorkhi, Randøy & Hermes, 2015). Much less is known about the role that the boards of non-profit, mission-driven organizations play in attaining organizational goals (Alonso et al., 2009). This fact and observation underscored the need for research into the relationship between board composition and performance of health sector NGOs in Nairobi County, Kenya.

Non-Governmental Organizations (NGOs) are an important social, political and cultural component of any civil society. NGOs are different in regard to scope, scale, mission, societal and political importance and professionalism (Eller, 2014). Since NGOs naturally by their very nature aim at becoming accountable and sustainable, good corporate governance structures has become an imperative to their existence. Non-governmental organizations are established to supplement the efforts of governments in meeting societal needs such as health, sanitation and education. For several years, NGOs have been left out of the corporate governance spectrum with a lot of attention having been paid to corporate governance in for-profit organizations yet globally NGOs continue to grow in number and to play a significant role in society (Banks & Hulme, 2012). In the last decade, various issues on NGO governance, accountability, transparency, sustainability and management have come to the fore. Several organizational characteristics have been found to influence NGOs' performance, one of these characteristics is board composition (Cornforth, 2012). Corporate governance is exercised by the board of directors. Corporate governance is essential for order and equality in an organization, efficient delivery of goods and services and accountability (Bradfield Nyland Group, 2011). Studies have shown that corporate governance practices in both nonprofit and in for-profit organizations have some level of similarities (Cornforth, 2012).

Some form of board governance has always been present in NGOs but attention to board composition has evolved with changes in the operating environment due to corporate failures in the past ten years involving both for-profit and nonprofit organizations such as Academy for Educational Development (nonprofit), Enron, WorldCom and Arthur Anderson in the United States and enhanced regulatory requirements making governance a priority again (Sun, Mellahi & Liu, 2011). These corporate failures which were mainly attributed to failure by boards led to a globally explosion of issuance of codes of corporate governance that sought to improve the way board governance in organizations is executed by encouraging greater accountability, transparency and responsibility (Burger & Owens, 2010).

Boards are tasked with corporate governance mechanisms by owners of the firms. Scholars have used different lenses to define corporate governance (CG). Cornforth and Brown, (2013) defined corporate governance as the process of providing strategic leadership in an organization. Tricker and Tricker (2012) view corporate governance as the exercise of governing functions by responsible persons within the organization such as the board of directors and executive staff or the basic roles that boards of voluntary organizations perform. CG is about promoting corporate fairness, accountability and transparency and the separation of ownership and control (Du Plessis, Hargovan & Bagaric, 2011). Corporate governance has attracted a great deal of public attention because of its importance to the economic health of organizations and its effect on society in general (Rezaee, 2009). Numerous corporate failures in the recent past around the world as already pointed have alerted regulators to the importance of sound corporate governance structures for efficient and effective organizational operations. This is because implementation of proper corporate governance practices has been noted to reduce operational risks and improve organizational performance (Rezaee 2009).

NGOs in Kenya have in the recent past faced various serious questions of governance, accountability, transparency and performance. This has put to question the roles and composition of board of directors in these institutions. A number of NGOs in Kenya have been involved in corruption and lack of accountability that may be attributed to having less than credible and week corporate governance structures (Kimemia, 2014). The absence of strong board composition, which contributes to accountability and sustainability, has been cited by many studies as a major cause of poor organizational performance and failure (Tadele & Rao, 2014; Loftin & Uncertainities, 2014; Howlett & Ramesh, 2014). Lack of accountability and transparency in NGOs has in great measure been attributed to the composition of boards. Failure to examine the composition of boards and the relationship to performance in health sector NGOs in Nairobi County could result in the mismanagement of resources intended for health care service delivery thereby contributing to poor health of targeted beneficiaries. While several studies (Machuki & Oketch, 2012; Abdel-Kader & Wadongo, 2011) have focused on corporate governance practices in NGOs, the studies did not attempt to link board composition characteristics to organizational performance. This study therefore attempted to address the gaps identified in these studies and especially how board of directors attributes influence performance of health sector NGOs in Nairobi County.

This lead to the research question what is *the relationship between board composition attributes (CEO duality, board independence and gender diversity) and performance of health sector Non-Governmental Organizations in Nairobi County.*

2. Theoretical Framework and Literature Review

2.1 Theoretical Framework

Various theoretical perspectives have been used to understand the configuration of corporate boards in organizations. Corporate boards are as good as the members that compose those boards in respect of demography, social and human capital. Traditionally agency theory has been used in many corporate governance and performance studies, however agency theory has various limitations particularly as it is focused on for-profit organizations (Cuevas ‐ Rodríguez, Gomez ‐ Mejia & Wiseman, 2012). Health sector NGOs depend on resources from donors to achieve their strategic objectives. In this context the study adopted resource dependency theory as the main theory that underpinned the examination of the relationship between board composition and performance in health sector NGOs in Nairobi County. The complexities of NGOs' board composition necessitated a multi-level theoretical perspective approach (Cornforth, 2012). Therefore in addition stewardship theory and legitimacy theory were adopted as supplementary theories to anchor this study.

2.1.1 Resource Dependency Theory

The theory asserts that the resources one organization needs are often in the hands of other organizations in the environment. Resources are a basis of power. Power and resources are directly linked as an organization cannot survive without both. The diversity in the board of directors constitute a formidable resource for any organization. Directors bring diverse resources such as information, skills, and legitimacy (Hassan & Farouk, 2014). Various codes and guidelines on corporate governance advocate for inclusion of a high ratio of Non-Executive Directors (NED) in the board in order to enhance board's independence. There is no consensus in management literature as to the recommended number of NED's in a board, however from a resource dependency theory perspective health sector NGOs with more NED's would be more effective than boards with less.

2.1.2 Stewardship Theory

The theory is premised on the assumption that the interest of owners and the interest of managers are aligned therefore management is motivated to take decisions that would maximize performance and the total value of the organization (Contrafatto, 2014). The theory supports the critical issue of enabling and empowering of the executives. The stewardship perspective in the theory suggests that managers in an organization are stewards who are entrusted with resources on behalf of others, that the stewards are satisfied and motivated when organizational success is achieved (Wanyama & Olweny, 2013). Whereas agency theory assumes managers are opportunistic, stewardship theory makes the reverse assumption that managers are intrinsically motivated to be good stewards of the interests of firm owners. Stewardship theory supports the view that when the roles of CEO and chair of the board are performed by different people they often have contrary objectives (Crossland & Chen, 2013).

2.1.3 Legitimacy Theory

Theory suggests that organizations search continuously to ensure that they are seen to do business according to the required standards applied in certain societies. This is viewed as the search for legitimacy. Legitimacy theory considers organizational legitimacy as generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs and definitions (Chen & Roberts, 2010). Deegan (2014) notes that organizations do not need to do real activities in order to gain legitimacy, as long as the society collectively apprehends what the organizations have done that may construct legitimacy. Legitimacy theory is suitable for use to describe the presence of women in the boardrooms and its link to firm social and environmental performance, this is because women occupying board positions may establish close relationships with external parties, including the society in general, so that they can draw attention to these parties and maintain it for the sake of the legitimacy of the firm (Torchia et al, 2010).

2.2 Empirical Literature Review

Several studies have examined the relationship between board composition and performance but the results lacked consistency. Leung et al., (2014) found no significant association between the composition of corporate boards or board committees and organization performance in family organizations; whereas board independence was positively associated with organization performance in non-family organizations. Machuki and Oketch (2012) found there was a positive and statistically significant relationship between corporate governance structures and the performance. Chen (2014) found that CEO's duality did not have much influence on organization performance. Huang and Liu (2011) concluded that CEOs of nonprofit hospitals had a higher degree of independence and supervisory power thus limiting the influence of board of directors on earnings manipulation. Badal and Harter (2014) found that making diversity an organizational priority and creating an engaged culture for the workforce may result in cumulative financial benefits. Hartarska, Nadolnyak and Mersland (2014) showed that outreach efficiency differs based on the CEO's gender and that MFIs with female Chief Executive Officers (CEOs) were more efficient at serving the poor without jeopardizing financial sustainability of their institutions. Périlleux and Szafarz (2015) concluded that female-board members in Senegal enhanced the social performance and ultimately the financial

2.3 Research Gap

Based on the empirical literature reviewed, the following research gaps were identified: Machuki and Oketch (2012) in their study failed to examine the influence on performance of key corporate governance structures attributes of CEO's duality, board independence and gender diversity. These key attributes of corporate governance were, in this study, considered central to accountability, transparency and ultimately performance of any organization. Oyugi and Moronge (2013) failed to establish which corporate governance attributes had the most significant association with organization performance. Ongore and K'Obonyo (2011) examined the effects of ownership structures on performance but did not examine the demographics and skills of board members and how they influence performance. Périlleux and Szafarz (2015) failed to look at the ratio of female to male board members and the influence on performance. In order to fill these research gaps, this study sought to investigate the relationship between board composition attributes (CEO's duality, board independence and gender diversity) and performance of health sector NGOs in Nairobi County.

2.4. Conceptual Framework

2.4.1 CEO Duality

The chair of the board and the CEO are considered the most significant positions in an organization (Galema, Lensink & Mersland, 2012). Duality occurs when one individual holds these two most powerful posts of CEO and board chair in a firm (Yang & Zhao, 2014). CEO duality can be experienced in both for-profit and non-profit organizations (Dalton & Dalton, 2011). Putting the roles of CEO and chair of the board in a single hand (CEO duality) is essential for organization unity and to remove ambiguity from organization leadership (Krause & Semadeni, 2013). Stewardship theory suggests the combination of these two roles yields effectiveness and efficiency in an organization.

2.4.2 Board Independence

Board independence refers to the number of independent non-executive directors on the board relative to the total number of directors. An independent non-executive director is defined as a director who has no affiliation with the organization except for their directorship (He & Huang, 2011). There is an apparent presumption that boards with significant outside directors would make different and perhaps better decisions than boards dominated by insiders (Bezemer, Nicholson & Pugliese, 2013). The practice of good corporate governance requires having effective corporate structures, the principal tool of good governance in an organization being the professional and independent board of directors (Epstein & McFarlan, 2011). The mix of executive and non-executive directors constituting an organization's board is very important for its performance (Armstrong, Core & Guay, 2014; Kilika & Mutua, 2013); however the processes that link the board independence to superior organization performance are not made explicit in corporate governance literature (Wesley, 2010); this notwithstanding, a number of scholars strongly agree on the crucial role of non-executive directors in monitoring management performance, offering invaluable advice to owners and protecting the interest of shareholders (Annuar, 2014). The existing literature on corporate governance widely uses this methodology to operationalize board independence (Heenetigala & Armstrong, 2011). In this study, board independence was defined as the ratio of non-executive directors versus the total number of directors on the board.

2.4.3 Gender Diversity

In corporate governance circles globally gender diversity issues have gained prominence due to changing social dynamics and gender equity concerns. Although there has been a push globally to have more women sitting in corporate boards the number is still few (Taylor, 2012). Social and economic changes experienced globally have resulted in a very different operating environment for organizations with particular emphasis on gender equity. Studies show that gender diverse boards deliver better financial performance than those boards with lower number of women and have made a business case for increasing gender diversity on boards (Kevin & Minquez-Vera, 2008). Board gender diversity in health sector NGOs in Nairobi County has not been widely documented although it has gained prominence. In this study gender diversity in board of directors of health sector NGOs was anchored by legitimacy theory as an appropriate action by an organization to gain legitimacy in the eyes of the society.

2.4.4 Performance

The dependent variable in this study was organizational performance. NGOs operate in complex and dynamic environments, characterized by increasing uncertainty, competitiveness, scarceness of resources, and the need for continual change. NGOs performance is a multi-faceted phenomenon. Performance is the degree to which an organization realizes its mission and goals while being accountable and transparent (Lawler III & Worley, 2011). Performance of nonprofits has two faces, mission performance and fiscal performance, coming from the dual objectives of nonprofits: mission accomplishment and financial sustainability (Sowa, Selden, & Sandfort, 2004). Donors and other stakeholders outside nonprofit organizations always focus more on mission performance; and that nonprofits should make every effort they can to achieve the expected outcomes. Organizational performance is a significant indicator to show the direction, position, and future of the organization (Abraham, 2013).

2.4.5 Control Variables

In addition to the independent and dependent variables presented above, a number of control variables were employed in this study to control for organizational characteristics that were considered would affect performance in health sector NGOs. These variables were considered fundamental for ensuring that the tests concentrated more accurately on the differences created by variations in board composition attributes. Organization size and age were used in this study as control variables because they had been found to be associated with organizational performance (Kamau & Bisweti, 2013).

2.5 Research Hypotheses

Consistent with the reviewed theoretical and empirical literature we hypothesis the relationship between board composition attributes and performance of health sector non-governmental organizations as follows:

1. $H1_o$: Chief Executive Officer's duality has significant effect on performance of health sector NGOs in Nairobi County.
2. $H2_0$: Board independence has significant influence on performance of health sector NGOs in Nairobi County.
3. $H3_0$: Gender diversity has significant influence on performance of health sector NGOs in Nairobi County.

3. Methodology

The study sought to examine the relationship between corporate board composition and performance in health sectors NGOs in Nairobi County. The study was based on a positivist ontological paradigm and therefore used deductive reasoning and quantitative techniques since the positivist approach seeks facts or causes and effects of social phenomena (Cooper & Schindler, 2011). The reasoning was deductive because the study hypotheses were derived first and then the data collected later to confirm or negate the propositions.

3.1 Research Design

A research design has been defined as a plan or structured framework of how a study intends to solve the research problem and to expand knowledge and understanding (Maylor & Blackmon, 2005). There are three types of research designs namely descriptive, exploratory and explanatory design (Cooper & Schindler, 2011). Descriptive research design was used to describe or narrate issues pertaining to corporate governance and organizational performance. Explanatory research design was used to examine the relationships between independent variables and dependent variables. This type of research design had previously been used in studies on board composition and organization performance studies (Machuki & Oketch, 2012; Kamangu & Ngugi, 2013).

3.2 Target Population

A population refers to an entire group of individuals, events or objects having common observable characteristics (Mugenda, 2009). The target population for the study was health sector NGOs in Nairobi County that were registered with the Kenyan NGO Coordination Board. The list of all registered health sector NGOs in Nairobi County was generated from the website of NGO Coordination Board before the survey (www.ngobureau.or.ke, 31.12.2014).

3.3 Sampling Design and Technique

The study opted to collect data from a sample since a sample is a subset of a population. The sampling frame was all health sector NGOs in Nairobi County as at the end of the year 2014. A sampling frame or the survey frame is the list of accessible population of organizations, people, events or documents that could be included in a survey and from which a study would pick a sample to collect data from (Mugenda, 2009). A sample size was determined before data was collected. Ryan (2013) defines a sample size as a function of logistics and homogeneity or heterogeneity of a population. A sample size is important in determining the accuracy and reliability of survey findings. The computed sample size was 242 health sector NGOs in Nairobi County that represented 40 percent of the target population. A sample size of 40 percent of a population was considered adequate for the purpose of generalization of the study finding (Saunder, et al., 2012).

Simple random method was adopted in selecting the health sector NGOs in Nairobi County to be included in the sample. Simple random entails selecting a sample from an entire population. The advantage of this technique is that with an appropriate sample size, simple random sampling creates a representative view of the entire population and it is relatively straightforward to construct the sample (Nadar, 2011). One of the demerits of simple random sampling is that the sample size needed to generate appropriately representative results may be prohibitively large and cumbersome to sample (Esfahani & Dougherty, 2014). The unit of analysis was the CEO in each NGO sampled. The CEOs were deemed to have relevant information on corporate governance and organization performance through interaction with the board of directors and senior staff of the organization (Wong, Ormiston, & Tetlock, 2011). Purposive sampling was used to pick the CEO as respondent in each sampled NGO. Purposive sampling or judgmental sampling technique is based on the belief that the researcher’s knowledge about the population can be used to hand-pick sample members or subjects who are judged to be typical of the population or particularly knowledgeable about the issues under study (Polit & Beck, 2010).

3.4 Data Collection Instrument

The study relied on primary data that was collected through the administration of a structured questionnaire that used the Likert measurement scale. The Likert scale statements for each variable were used to determine the perception of the respondents on the independent and dependent variables.

The questionnaire was divided in four sections. Section “A” was on the profile of respondents and organization such as gender, level of education, numbers of years in operation, number of employees and areas of health intervention, section “B” was on corporate governance practices that were relevant to this study such as CEO’s duality, board independence and gender diversity while section “C” was on performance. A total of 242 questionnaires were hand delivered or emailed to the respondent’s address between June and July 2015.

3.5 Reliability and Validity Test Results.

Reliability test refers to the extent to which the statements in an instrument are without bias and ensures consistent measurement across time and across the various items in the instrument (Sekaran & Bougie, 2010). Reliability test is an indicator of a measure's internal consistency; a measure is reliable when the different items in the instrument show a similarly consistent result (Zikmund, Carr & Griffin, 2012). Cronbach alpha, one of the methods used to conduct reliability test, was used in this study due to its simplicity and accuracy. Cronbach alpha had been used in other studies on corporate governance structures and performance (Kamau & Basweti, 2013; Wanyama & Olweny, 2013). The value of the alpha coefficient ranges from 0-1. A higher value shows a more reliable generated scale. Cooper and Schindler (2011) have indicated that a value of 0.7 is an acceptable reliability coefficient.

The overall Cronbach's alpha reliability coefficient for the 30 Likert scale items for independent variables used in this study questionnaire was 0.886. This shows the questionnaire was reliable and that constructs included in the research instrument were indicative of the same underlying disposition. In addition validity test was conducted on the study instrument. Validity is the degree by which the sample of the test items represents the content the test is designed to measure (Kothari, 2014). In-depth interviews with subject matter experts (SME) in corporate governance and organizational performance were conducted to test for content validity of the research instrument. The in-depth interviews conducted showed the content of the questionnaire was relevant to board composition attributes and performance as applicable to health sector NGOs in Nairobi County.

3.6 Operational Framework and Measurement of Variables

The operational framework presented in Table 1 shows the dependent and independent in the study and how they were measured. CEO duality was measured as a binary variable equal to "1" if CEO and chairperson roles were combined and "0" if otherwise, board independence was measured by the ratio of non-executive directors on the board to the total number of board members and gender diversity was measured as a ratio of female board members on the board to the total number of directors, age of NGO was measured by natural logarithm of number of years an NGO has been in operation in Nairobi County, size of NGO was measured by the natural logarithm number of employees in the NGO in Nairobi County and lastly performance was measured as a percent of administrative expenditure over total expenditure.

4. Results and Discussion

4.1 Correlation Analysis Results

From findings on the correlation analysis between corporate governance variables as shown on Table 2 the study found that the correlation between board independence and CEO duality was 0.210 with a with a p-value of .013 ($p<0.05$), This finding suggest that the relationship between CEO duality and board independence was statistically significant at 5% level of confidence. This implies that there was a relationship between the two variables. The study found that the correlation between gender diversity and CEO duality was 0.225 with a p-value of .008 ($p<0.01$). The study found that the correlation between Gender diversity and CEO duality was 0.225 with a p-value of .008 ($p<0.01$). This finding suggests that the relationship between gender diversity and CEO was statistically significant at 1% level of confidence. This implies that there was a relationship between the two variables. The study found that the correlation between Gender diversity and board independence was 0.572 with a p-value of .000 ($p<0.05$). This finding suggests that the relationship between gender diversity and CEO was statistically significant at 5% level of confidence. This implies that there was a relationship between the two variables. Overall the results showed that the correlation coefficient for CEO duality, board independence, and gender diversity were not greater than 0.8, an indication that there was no severe multicollinearity. Absence of multicollinearity in the independent variables of this study enabled the regression analysis to be conducted using these variables. Additionally lack of a linear relationship between independent variables was an indication that the linear regression model was properly specified.

4.2 Regression Analysis Results

Multiple linear regression analysis was based on ordinary least square (OLS) technique to test the effect of corporate governance attributes on the measures of organizational performance. The analysis generated a constant, the standardized beta coefficients (β) for the independent variables, t-values, and significance levels. The significance level was evaluated at 95 percent confidence level ($p=0.05$). The beta coefficient (β) showed the contribution of each board composition attribute to a unit change in performance indicator (dependent variable) while t-values showed the significance of the independent effect of the board composition attributes on the performance indicators (Pedace, 2013).

In order to meet the objective of investigating the relationship between the independent variables and the dependent variable, the study deployed the following multiple linear regression function

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$Y_i = f(X_{1i}, X_{2i,} X_{3i}, \varepsilon)$ where; Y was the variable being predicted; while $X_1 \ldots X_3$, were the predictor variables, while ε was the error term that denotes that there may be a non-linear relationship between the independent and dependent variables which is commonly referred to as "noise". The model below show the functional relationship between the dependent variable and the independent variable among health sector NGOs in Nairobi County.

$$PF_i = f(D_i, B_i, G_{i,}) \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots . (1.)$$

Where PF i = Performance of NGO i. "D i" denotes CEO's duality, "B i" board independence, and "G i" denotes gender diversity, all for NGO i.

4.3 Hypotheses Testing

This study tested the influence of board composition attributes on performance of Non-Governmental Organizations using three hypotheses based on a multiple linear regression model. Table 3 presents the summary of the regression analysis on performance. Based on results of multiple linear regression on performance (Table 3), the study found that the multiple correlation coefficient for performance, R, was 0.809 or 80.9 percent indicating a relatively strong relationship between corporate governance variables and performance. The R Square was 0.655 indicating that 65.5 percent of variation in performance was jointly explained by CEO's duality, board independence and gender diversity. The standard error of the estimate had a value of 0.34553 indicating that the error was relatively low. The results in Table 3 show that the Durbin-Watson, that measure autocorrelation, had a value of 2.254, this value is close to 2 thus suggesting absence of autocorrelation.

From the ANOVA statistics in Table 4, the processed data, which is the population parameters had a significance level of 0.000 ($p<0.05$) which shows that data was ideal for making conclusions on the population parameters as the value of significance (p-value) was less than five percent ($p<0.05$). The results indicated that the calculated F- statistic of 50.458 was greater than the critical value of 2.3719 at five percent significance level an indication that the means of CEO duality, board independence and gender diversity were significantly different than the F-statistic, consequently the null hypothesis of homogeneity between means of the variables was rejected. The significance value of the model was less than p=0.05, an indication that the Model was statistically significant. This indicates that jointly all the independent variables explained the variation in the dependent variable. The finding suggested that variations explained by the model are not due to chance. Thus jointly, CEO duality, board independence and gender diversity influenced performance of health sector NGOs in Nairobi County.

Table 5 revealed that when CEO duality, board independence and gender diversity were at a constant zero, performance of health sector NGOs would stand at -0.298 with a p-value of 0.017 (p=0.05) that was significant. Additionally the finding suggest that a change in the roles of the CEO doubling as the chair of the board would lead to a change in performance of health sector NGO by a factor of 0.454, the change was found to be statistically significant (p=0.000). A high ratio of NED's would lead to a change in performance of health sector NGO by a factor of 0.103 however the change was statistically insignificant (p=.101). A change in the number of female board members by one member would lead to a change in performance of health sector NGO by a factor of 0.536, the change was found to be statistically significant (p=0.000). The findings lead to the conclusion that only CEO duality and gender diversity accounted for a statistically significant variation to performance while the influence of board independence on performance was found to be statistically insignificant. The influence of both control variables, age of the NGO and size of the NGO on performance was reported as being statistically insignificant as shown by significance levels of 0.079 and 0.254 ($p>0.05$) respectively. This indicated that age and size as control variables did not statistically influence performance of health sector NGOs in Nairobi County.

5. Summary, Conclusion and Recommendations

5.1 Summary

The study found CEO duality's influence on performance of health sector NGOs in Nairobi County was significant. This lead to the decision that failed to reject the hypothesis CEO duality has significant influence on performance of health sector NGOs in Nairobi County. The study also found gender diversity influence on performance of health sector NGOs in Nairobi County was significant. This lead to the decision that failed to reject the hypothesis gender diversity has significant influence on performance of health sector NGOs in Nairobi County. Lastly the study found board independence influence on performance of health sector NGOs in Nairobi County was statistically insignificant.

5.2 Conclusion

CEO's duality influence on performance of health sector NGOs in Nairobi County was statistically significant. This finding suggest that health sector NGOs in Nairobi County with CEOs who are chairpersons of the board were more likely to perform better than their counterparts where the CEOs were not chairpersons of their boards. CEO duality showed a significant relationship with performance, a finding that is contrary to the agency theory perspectives and global corporate governance codes that discouraged CEO duality. Agency theory posits that CEO duality represents an agency problem because the CEO, who is responsible for the organizational performance, is the same person who is expected to conduct an evaluation on organizational efficiency and effectiveness. The study findings however provided support to stewardship theory which outlines that holding of both the CEO and chairperson position by the same person improved organization performance because the monitoring of the organization was undertaken more clearly by one person. It might be quite useful for health sector NGOs in Nairobi County to have CEO duality in place because it provides strong management, supervision, more coherence and strong leadership direction. On the contrary, duality increases CEO responsibilities, therefore, existence of duality reduces the possibility of evaluating the organization effectively. This is because when executive power is concentrated in the hands of just one executive, it may result in lower organizational performance. The finding of this study implies that CEO duality would be quite useful for health sector NGOs in Nairobi County as it would influence performance.

Secondly, this study found that board independence influence on performance was statistically insignificant. This is contrary to prior research that has suggested that board independence was positively related to effective board oversight. The finding is also contrary to the UK corporate governance code (2010) that recommended appointment off non-executive directors to board in order to enhance the board's ability to monitor management on behalf of owners and stakeholder and this would have a significant influence on performance of firms. It has been noted that effective monitoring of management leads to higher firm performance. The result of this study implied that NGOs appointment of non-executive directors to the board as a corporate governance mechanism had an insignificant relationship with performance. This led to the conclusion that health sector NGOs in Nairobi County should not necessarily have to increase the ratio of non-executive directors in order to enhance performance as this would not significantly influence performance.

Lastly the study found that gender diversity influence on performance in health sector NGOs in Nairobi County was statistically significant. The result indicated that having gender diversity through a high ratio of female board members to total board members influenced performance of health sector NGOs in Nairobi County. There are no studies in nonprofit sector that have reported that gender diversity influences performance. This is the first study to report a relationship between gender diversity and performance in health sector NGOs in Nairobi County. The finding lead to the conclusion that health sector NGOs in Nairobi County can improve their performance by increasing the ratio of female members in their boards.

5.3 Recommendations

The study result has shown that being CEO duality and gender diversity influences performance in health sector NGOs in Nairobi County. This study therefore recommends the following: (1) NGOs should combine the roles of CEOs and chairpersons of their boards so as to increase performance in health sector NGOs in Kenya. (2) The NGO sector should have more executive boards members (3) NGOs should consider developing corporate governance codes and guidelines specific to nonprofit sector as most of the codes and guidelines on corporate governance structures are geared towards for-profit firms. (4) NGOs should increase the number of female board members sitting in their boards. (5) In line with global standards aimed at increasing the number of women sitting on corporate boards, the government should set a minimum threshold of board seats that would be preserved for women. Further research would be required on the behavioral aspects of board members and on the relationship between multi-level board structure and performance of health sector NGOs in Kenya.

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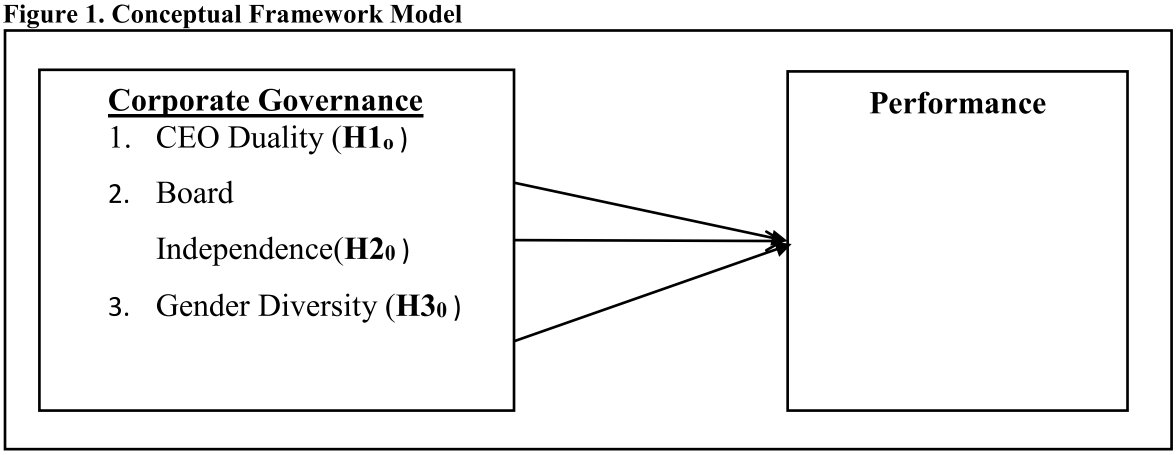
Figures and Tables

Figure 1. Conceptual Framework Model



Source: Researchers’ Conceptualization (2016)

Table 1. Measurement of Variables

Variable	Terms of Measurement	Type
CEO Duality	Binary variable equal to‘1’ if CEO and chairperson are the same person; ‘0’ if otherwise	Independent Variable
Board Independence	Ratio of Non-executive board members to board size	Independent Variable
Gender Diversity	Ratio of female board members to board size	Independent Variable
Age of NGO	Natural logarithm of number of years NGO has been in operation in Nairobi County	Control Variable
Size of NGO	Natural logarithm number of employees in each NGO	Control Variable
Performance	Administrative Expenditure over Total Expenditure	Dependent Variable

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Table 2. Correlation Analysis Results

Correlations Coefficients

		CEO Duality	Board Independence	Gender Diversity
CEO Duality	Pearson Correlation	1		
	Sig. (2-tailed)			
	N	139		
Board Independence	Pearson Correlation	.210*	1	
	Sig. (2-tailed)	.013		
	N	139	139	
Gender Diversity	Pearson Correlation	.225**	.326**	1
	Sig. (2-tailed)	.008	.000	
	N	139	139	139

*. Correlation is significant at the 0.05 level (2-tailed). **. Correlation is significant at the 0.01 level (2-tailed).

Table 3. Model Fitting Summary

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.809[a]	.655	.642	.34553	2.254

a. Predictors: (Constant) CEO Duality, Board Independence, Gender Diversity, Age, Size

b. Dependent Variable: Performance

Table 4. Analysis of Variance (ANOVA)

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	30.121	5	6.024	50.458	.000[a]
	Residual	15.879	133	.119		
	Total	46.000	138			

a. Predictors: (Constant) CEO Duality, Board Independence, Gender Diversity, Age & Size

b. Dependent Variable: Performance

Table 5. Coefficients of Variables Model

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
1 (Constant)	-.298	.123		2.412	.017
CEO Duality	.454	.061	.393	7.441	.000
Board Independence	.103	.062	.103	1.652	.101
Gender Diversity	.536	.063	.536	8.529	.000
age	-.100	.056	-.100	-1.767	.079
size	-.031	.027	-.064	-1.144	.254

a. Dependent Variable: Performance