International Research Journal Of Business and Strategic Management

Vol 7, Issue 1, pp 40-54, April 17, 2025, © International Research Journal Publishers, ISSN 2710-2742 (online) www.irjp.org

CORPORATE GOVERNANCE AND OPERATIONAL PERFORMANCE OF AUTO-SERVICE INDUSTRY IN KENYA: EVIDENCE OF SELECTED AUTO-SERVICE FIRMS IN NAIROBI COUNTY, KENYA

[1]Morris M. Matilu, [2]Dr. Samson Nyang'au, [3]Dr. Antony Mwendwa

[1]Masters Student, Jomo Kenyatta University of Agriculture and Technology

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

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

Accepted, April 16th, 2025

Abstract

Organizations pursue economic activities to fulfil the primary objectives of shareholders. Wealth maximization stands out among others as a primary objective of shareholders. Growth requires resources which organizations source from owners. Increasing capital needs associated with growth of enterprises leads to separation of ownership and control. The general objective of the study was to determine the relationship between corporate governance and operational performance of auto-service industry in Nairobi County. The study was guided by the following specific objectives: to evaluate the effect of board independence on operational performance of auto-service industry in Nairobi County and finally to evaluate the effect of organization ownership on operational performance of auto-service Sector in Kenya. This study employed mixed research design. The population of the study comprised of 16major auto-service firms in Kenya.The target population for this study was all 400 employees from quality assurance, human resource, finance, internal audit departments. Purposive sampling was used to select the 4 departments dealing directly with corporate governance and operational performance issues. The study used questionnaires as research instruments to collect data. Primary data from the field was edited to eliminate errors that might be made by the respondents. The study also used secondary data collected from financial records of 16 major auto-service firms in the country. The data collected included return on assets and revenue growth. Coding was done to translate question responses into specific categories so as to organize and reduce research data into manageable summaries. Quantitative data was analyzed using descriptive statistics such as mean and standard deviation with the use of Statistical Package for Social Sciences (SPSS) version 20.0. The correlation results revealed that there was no multicollinearity among the independent variables. Regression was conducted to get the effect of individual variables on the dependent variable. The study concludes that board independence has a positive and significant effect on operational performance of Auto-Service Industry in Nairobi County, Kenya. The study also concludes that organization ownership has a positive and significant effect on operational performance of Auto-

Service Industry in Nairobi County, Kenya. Based on the findings, the study recommends that the management of Auto-Service Industry in Kenya should strengthen board independence by ensuring that a substantial portion of the board members are independent from the company's management. Independent board members are more likely to provide unbiased oversight, make objective decisions, and challenge the status quo when necessary.
Keywords: *Corporate Governance, Operational Performance, Board Independence, Organization Ownership*

INTRODUCTION

Organizations pursue economic activities to fulfil the primary objectives of shareholders. Wealth maximization stands out among others as a primary objective of shareholders. Growth requires resources which organizations source from owners. Increasing capital needs associated with growth of enterprises leads to separation of ownership and control (Dockery & Herbert, 2020). Owners cede control to professional managers as organizations grow. Some organizations start with huge capital outlays; thus, the separation is from the onset. Corporate governance is therefore an important component to organizations because it enables the linkage between owners and management.

Demba (2023) defines corporate governance as a set of processes, customs, policies, laws and institutions affecting the way a corporation is directed, administered or controlled. The principal players in corporate governance includes the shareholders, management, the board of directors and other stakeholders. Defee et al. (2020) asserts that "corporate governance is a system by which business corporations are directed and controlled. This can broadly be defined as the systems and processes by which a government manages its affairs with the objective of maximizing the welfare of and resolving the conflicts of interest among the stakeholders. Davis et al. (2017) broadly put governance in state corporations as the way the Government proposes to reconcile the conflicting interests of its various stakeholders and the structures it puts in place to ensure that these objectives are met which encompasses both policy and practice.

Good Corporate Governance aims at increasing profitability and efficiency of organizations and their enhanced ability to create wealth for shareholders, increased employment opportunities with better terms for workers and benefits to stakeholders. The transparency, accountability and probity of organizations make them acceptable as caring, responsible, honest and legitimate wealth creating organs of society. The enhanced legitimacy, responsibility and responsiveness of business enterprises within the economy and improved relationships with their various stakeholders comprising shareholders, managers, employees, customers, suppliers, host communities, providers of finance and the environment enhance their market standing, image and reputation. Governance has been viewed as a process of transformation, with people working together in specified relationships to enable effective decision making with its focus on the responsibilities and actions of governing bodies. Corporate Governance involves: *Setting direction:* the aim toward which a board steers itself and its organization. *People:* board members exercising and expressing their attitudes, beliefs and values on matters pertaining to the mandate of the organization (Daily et al, 2023)

In Kenya, the institutions that have been at the forefront in sensitizing the corporate sector in Kenya on Corporate Governance are: Capital Markets Authority (CMA), Nairobi Security Exchange (NSE), and Centre for Corporate Governance (CCG).CMA created a major impact in the development of Corporate Governance guidelines in Kenya when it issued the Capital Market Guidelines on Corporate Governance Practice by public listed companies in 2002. These guidelines were published under gazette notice No. 369 of 25thJanuary 2002 and not a legal notice and therefore do not have the force of law. However, certain guidelines have subsequently been incorporated into legal notice No.60 of 3rd May 2002 as part of the Capital Markets guidelines and are enforceable in law (Miring'u & Muoria, 2021).

Problem Statement

The various global corporate governance failures in the last 20 years and the global financial crisis have put pressure on boards to live up to their responsibilities. Most countries in the world, including Kenya had to take stock of how they fared, (Blacke *et al*, 2023). Kenya government has been trying to improve ethics and governance in public and private enterprises to attract foreign direct investment (FDI). Firms are now improving their corporate governance practices knowing it increases valuations and boosts the bottom line. Corporate governance encompasses authority, accountability, stewardship, leadership, direction, and control exercised in corporations (Smith, 2022). It reflects the interaction among those persons and groups, which provide resources to the company and contribute to its performance such as shareholders, employees, creditors, long-term suppliers, and subcontractors (Guguyu, 2022).

Many Kenyan companies in the Auto-Service Sector have had major performance challenges as witnessed in the last five years. The return on assets has been decreasing for instance, in the year 2019 the ROA was 3.6% which decreased to 3.2% in 2020, 2.8% in 2021, 2.5% in 2022 and 2.4% in 2023 (KAM,2023). Poor financial feasibilities have led to mergers of some auto service companies i.e. DT-Dobie merging CFAO. Other companies like CICA Motors have been placed under receivership after being declared insolvent (Guguyu, 2022).

The number of new and repeat customers has been declining at an average annual rate of 0.9% in the 5 years to 2020. In the year 2020, the formal industry players recorded 10,373 new and repeat customers, which was a drop of 1.1% from the 11,514 new customers and repeat customers during the previous year 2019 (KMI, 2022).

Despite their respective management putting control measures to curb the problem, the issue of corporate governance has recently rose again. This has led to questions on the effectiveness of the governance boards in the Auto-Service industry. Good governance is a signal or symptom of lower agency cost - a signal not properly incorporated in market prices. Several mechanisms can be used to overcome the problems associated with separation of ownership and control: alignment of shareholders' interest with managerial interests (compensation plans, stock options, bonus schemes); board monitoring by large shareholders and lenders; legal protection of (minority) shareholders from managerial expropriation through shareholder rights and the market for corporate control as an external device (Guguyu, 2022).

Various studies have been undertaken in relation to corporate governance, both globally and locally. Galebu (2023) examined the effect of corporate governance on the performance of firms in Africa by using both market and accounting-based performance measures. Locally, Masinga (2023) did a study on the effects of corporate governance practices on the financial performance of firms in the Kenyan Coffee industry. The study analyzed the financial performance of the selected firms for a period of five years from 2013 to 2017. Kemei (2023) did a study on the impact of corporate governance practices on the financial performance of commercial banks in

Kenya. The study compared the financial performance of twelve banks for five years from 2010 to 2014 against the corporate governance practices for the same period. Matengo (2023) also conducted a study on the relationship between corporate governance practices and performance of banking industries in Kenya. The study found that good corporate governance will lead to lower firm risk and subsequently to a lower cost of capital.

Research has been conducted to investigate the effects of corporate governance on the operational performance of firms in various industries. However, very little has focused on the private sector, especially on the Auto-Service industry. Nevertheless, the issue of bad governance is not only witnessed in the state corporations but also private owned entities in Kenya. Therefore, there is need for research to be done to measure statistically the effectiveness of corporate governance practices on private owned entities in Kenya. This study therefore seeks to determine the relationship between corporate governance and Operational Performance of Auto-service industry in Nairobi County.

Objectives of the study

The general objective of the study is to determine the relationship between corporate governance and operational performance of Auto-Service Industry in Nairobi County, Kenya.

Specific Objectives

i. To evaluate the effect of board independence on operational performance of Auto-Service Industry in Nairobi County, Kenya.
ii. To evaluate the effect of organization ownership on operational performance of Auto-Service Industry in Nairobi County, Kenya.

LITERATURE REVIEW

Theoretical Review

Stewardship Theory

Stewardship theory can be traced back to psychology and sociology. According to Davis, Schoorman and Donaldson (1997), "a steward protects and maximizes shareholders wealth through firm performance, because by so doing, the steward's utility functions are maximized". It is a special case of accountability concerning the provision of financial statements to shareholders on the use made of their money, and whether the stewards properly managed the organization's assets and liabilities (Gray, Owen & Adams, 2021; Kribat*et al.,* 2022). In this regard, stewards are company managers and those charged with governance who protect and maximize the wealth of the owners. The roles of stewards should therefore be integrated as part of the organization (Abdullah & Valentine, 2021). According to Haniffa and Cooke (2021), managers act in the best interests of the organization and owners. The stewards are satisfied and motivated when the organizational success is attained.

The theory defines a steward as a person who protects and maximises shareholders wealth through firm performance, because by so doing, the steward's utility functions are maximised (Davis *et al*, 2020). In this perspective, stewards are company executives and managers working for the shareholders, protects and make profits for the shareholders. Unlike agency theory, stewardship theory stresses not on the perspective of individualism (Donaldson & Davis, 2020), but rather on the role of top management being as stewards, integrating their goals as part of the organization. Stewardship theory is proposed as an alternative perspective to Agency Theory. Stewardship theorists assume that managers are good stewards of the firms. They are trustworthy and work diligently to attain high corporate profit and shareholders' returns (Donaldson & Davis, 2020).

Stewardship theory is linked to corporate governance where directors are viewed as an organization's stewards. Under stewardship, the board of directors plays an important function especially the relationship between the chairperson and the CEO (Tricker, 2020). Owner interests will be safeguarded properly where the board chair is not influenced by the CEO and where the CEO has the same interests as the owners through an appropriately designed incentive compensation scheme (Donaldson & Davis, 2020). According to stewardship theory, boards should function effectively in discharge of their mandate (Haniffa& Cooke, 2021). Stewardship also involves the need to provide information to users and being answerable for one's conduct and responsibilities (Abu-Nassar& Rutherford, 2020).

Transactions Cost Theory

Transactions cost theory is based on the work of Cyert and March (1963) and broadly states that the way the company is organized or governed determines its control over transactions. Companies will try to keep as many transactions as possible (in-house) to reduce uncertainties about dealing with suppliers, and about purchase prices and quality. To do this, companies will seek vertical integration (that is they will purchase suppliers or producers later in the production process). It also states that managers are also opportunistic; organize their transactions to pursue their own convenience and tend to entrench themselves.

Conceptual Framework

According to Grant, (2023) conceptual framework refers to a diagrammatic presentation of variables showing the relationship between the independent variables, moderating variables, and the dependent variables. The dependent variable in this study is operational performance whereas the independent variables are board independence and organizational ownership.

Independent variable **Dependent variable**

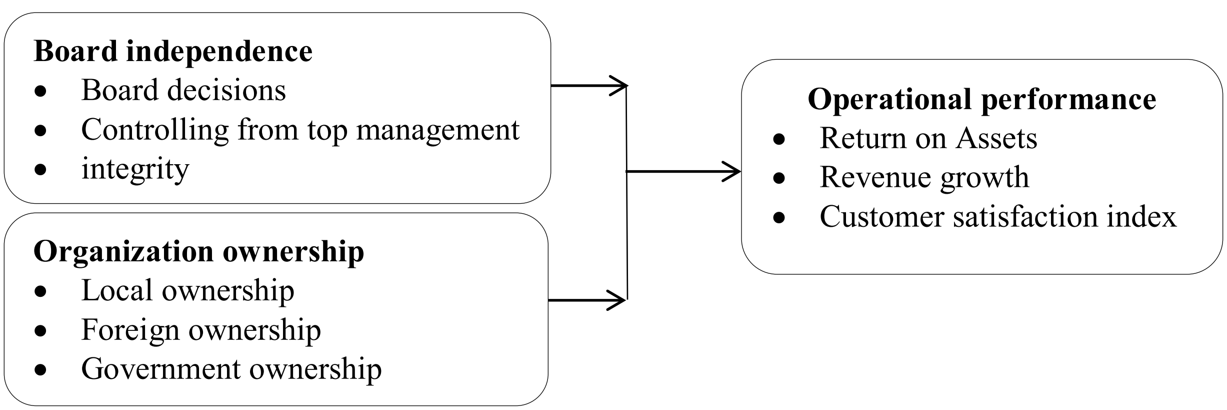

Figure 1: Conceptual Framework

Board Independence

Empirical studies indicate that the degree of effective monitoring is directly related to the degree of independence of boards (Xiaohui, 2022). Based on this fact independence of boards becomes increasingly important and the number of outside directors plays a significant role in boards' performance (Mensah, 2022). Outside directors have enough incentive to monitor managers because their own reputations depend on it and also improve their human capital. Reddy, Locke, Scrimgeour and Gunasekarage, (2022) also found an inverse relationship between the proportion of outside board members and commitment to capital expenditure (a proxy for growth). They also find a positive relationship between the proportion of outside board members, firm performance and board size. They demonstrate that the proportion of outsiders on boards in the New Zealand market increased after the passage of the 1993 Companies Act and related legislations. In this regard the New Zealand Securities Commission (New Zealand Securities Commission, 2004) published principles and guidelines for all New Zealand companies to have a high proportion of outside directors on their boards.

In general, conventional corporate governance wisdom suggests that smaller boards and more independent boards are more effective at carrying out this fiduciary duty (Demirbas & Yukhanaev, 2022). Smaller boards were more likely to consist of individuals for a specific reason and were more likely to build internal trust and act decisively. Optimal board size was likely determined by firm and industry specific characteristics. In a study examining the evolution of board structure during the 10 years following a firm's IPO, Hazarika, Karpoff and Nahata (2022) found that board size increases in the size of the firm, was associated with the firm's competitive environment, and reflects a tradeoff between firm specific benefits and costs of monitoring.

Opiyo (2022) quoted Catherine, Daily and Dalton, (2022) who described board independence as a lighthouse on a dark and stormy night which serves as the beacon of hope for corporate governance reform activists who embrace the perspective that more independent boards will result in greater oversight of corporate management and that this, in turn, lead to improved firm performance. They argued that the abridged version was that board independence yields shareholder value. Ford, Gresock and Peeper (2022) states that from a legal perspective, the board of directors is the first and foremost body responsible for governing the affairs of a corporation because directors have a fiduciary duty to look after the best interests of the shareholders. In general, conventional corporate governance wisdom suggests that smaller boards and more independent boards are more effective at carrying out this fiduciary duty (Monks &Minow, 2022).

Gompers, Ishii and Metrick (2022) study revealed that two-thirds of investors were prepared to pay more for shares of companies that had good corporate governance practices in leadership independence and composition. Nevertheless, Wanyama and Olweny (2022) did not find any significant relationship between the financial performance and shareholders' returns of firms and the governance practices of their leaders. Hilmer (2022) held that the management boards of firms were to be elected by shareholders to set policies and then to delegate to management the authority to manage the firms.

Although agency theory recommends involvement of independent non-executive directors to promote independence of the board from management, it has been observed that independent directors rarely blow the whistle on mismanagements perpetrated by executives on the companies" assets that lead to negative performance (Morck, 2021). In the study of banks Htay, (2022), Uwuigbe, (2022) and Coleman and Biekpe, (2021) all agree that, there is a negative relationship between presence of independent directors in banks boards and their performance.

Organizational Ownership

According to Ongore (2022) the board alone cannot be a panacea to all governance problems. He argues that research on ideal corporate governance structures pays inordinate attention on the role of the Board to the exclusion of other equally important aspects of governance such as ownership structure. The risk-taking orientations of their shareholders as these have a direct bearing on the type of investment decisions that managers will prefer (Shleifer and Vishny, 2020). Different ownership structures manifest themselves in governance of organizations differently.

The role of owners beyond appointment of board members in governance requires in-depth scholarly attention. While most discussions have focused on the board as the cornerstone of corporate governance, a few discussions have skewed to the owner characteristics. Such debates have revolved around ownership identity and concentration (OECD, 2005; Hu and Izumida, 2021). This is because the influence of ownership structure on the relationship between resources and performance is important. Despite existence of boards, corporate scandals have continued manifesting themselves. Understanding the ownership structure therefore helps to delve deeper on the influence of corporate governance structure on the relationship between resources and performance. Indeed, some ownership structures create additional governance layers of monitoring and oversight beyond the board. Others play a role in strategic decision-making roles beyond oversight.

Le *et al.* (2021) and Ramzi, (2021), who all agree on the important role of institutional shareholders in monitoring firm performance. In a study of firms facing control problems, it was found that on average an institutional investor was more likely to vote and get involved in firms' decision making than the average non-institution investor.

Kiruri, (2022) sought to investigate the effects of ownership structure on bank profitability in Kenya. Primary data was obtained through questionnaire administration. The study used annual reports that were available from commercial banks websites and Central bank of Kenya website. Commercial banks' profits were adopted as a dependent variable, whereas ownership concentration, state ownership, foreign ownership and domestic ownership were adopted as independent variables. The findings of the study indicated that ownership concentration and state ownership had negative and significant effects on bank profitability while foreign ownership and domestic ownership had positive and significant effects on bank profitability.

The Corporate Governance framework should ensure strategic guidance of the company, effective monitoring of management by the Board and the Board's accountability to the company and to all shareholders (Johnson & Whittington, 2021). It is the Boards responsibility to monitor the managerial performance in order to ensure efficiency and effectiveness of the business. The CEO delegates responsibility for the performance to the senior executive officers through performance contract and replicates the same to subordinates. This would ensure that individual responsibility for management decisions is established and that individuals are accountable for their actions in the organization.

Empirical Review of Literature Review

Schilling (2021) conducted on the sample of 242 of Europe's largest corporations listed in the FTSE Eurotop 300 index shows that companies with stronger corporate governance performance (measured by over 300 corporate governance rating variables) are on average also valued higher in terms of Tobin's q. These results indicating a positive relationship between good corporate governance and firm performance were supported by international research conducted on a sample of 526 Korean companies (Black *et al*, 2021).

Muriithi, (2021) studied the relationship between corporate governance mechanisms and performance of firms quoted on the NSE and found that the size and the composition of the board of directors together with the separation of the control and the management have the greatest effect on the performance. Ngugi (2021) did a study on the relationship between corporate governance structures and the performance of insurance companies in Kenya and found that inside directors are more familiar with the firm's activities, and they can act as monitors to top management especially if they perceive the opportunity to advance into positions held by incompetent executives. The study further found that the effectiveness of a board depends on the optimal mix of inside and outside directors, concluding that an optimal board composition lead to better performance of the companies.

Gatauwa (2021) studies the relationship between corporate governance practices and stock market liquidity for firms listed on the Nairobi Stock Exchange. The study found that greater disclosure enhances stock market liquidity, thereby reducing the cost of capital. The commitment of management teams to increase the level of disclosure also lower the information asymmetry between managers and shareholders and lower the cost of capital.

Oyoga, (2021) in a study of corporate governance and firm performance of financial institutions listed at the NSE adopted a corporate governance index constructed from Global and Mail ranking as a dependent variable. However, the presence of fewer listed firms at the NSE compared to those in established stock markets and the fact that NSE manifests weak form efficiency, made the use of this corporate governance index place very high thresholds on these financial institutions. It could have been on this basis that it became precisely hard for Oyoga (2021) to explain whether the performance of these financial institutions was affected by the corporate governance practices in place. However, this study adopted Tobin’s q, ROA and ROE as key performance measures that are widely used in corporate governance studies in accordance with the findings of Heentigala and Armstrong, (2021) instead of the Global and Mail ranking index that Oyoga, (2021) had used.

Kiruri, (2022) sought to investigate the effects of ownership structure on bank profitability in Kenya. Primary data was obtained through questionnaire administration. The study used annual reports that were available from commercial banks websites and Central bank of Kenya website. Commercial banks’ profits were adopted as a dependent variable, whereas ownership concentration, state ownership, foreign ownership and domestic ownership were adopted as independent variables. The findings of the study indicated that ownership concentration and state ownership had negative and significant effects on bank profitability while foreign ownership and domestic ownership had positive and significant effects on bank profitability.

RESEARCH METHODOLOGY

Research Design

According to Kothari (2017), research design is the conceptual structure within which research is conducted; it constitutes the blueprint for the collection, measurement and analysis of data. Cooper and Schindler (2018) described research design as the arrangement of all conditions that affect research ranging from data collection to data analysis. This study employed mixed research design. According to Cooper and Schindler (2018) descriptive research design is a process of collecting both qualitative and quantitative data using both primary and secondary data respectively. For independent variables, the study collected information and data from respondents on their opinions and experiences on the subject matter while for the dependent variable, the study used the secondary data.

Target Population

A population is the aggregate of all cases that conform to some designated set of specifications (Ngechu, 2019). The population of the study comprised of 16 major auto-service firms in the country. The target population for this study was all 400 employees' from quality assurance, human resource, finance, internal audit departments.

Sample and Sampling Technique

Sample refers to a small part or quantity intended to show what the whole is like (Asiamah, 2017). Purposive sampling was used to select 4 departments dealing directly with corporate governance and operational performance issues. These departments are quality assurance, human resource, finance, and internal audit departments. According to Tashakkori & Teddlie (2018) purposive sampling techniques involve selecting certain units or cases based on a specific purpose rather than randomly with the aim of achieving a certain basis of representativeness. Proportionate random sampling was thereafter used to select representative participants from each department. Akhtar (2020) states that a sample size of between 10-50% of the target population is large enough so long as it allows for reliable data analysis and allows testing for significance of differences between estimates. The study will use a sample size of 50 % thus giving a total of 200 respondents.

Data Collection Instruments

The study used questionnaires as the research instruments to collect data for all the respondents. It consisted of a list of structured questions, un-structured questions and Likert rating scales relating to the field of inquiry with space provided for selection of choices and explanatory answers. Questionnaires were preferred because it is efficient, cheap and easy to administer.

Pilot Study

Due to the importance and need to detect and determine weaknesses in the instrument that was applied in the research study, the self-administered questionnaire was pre-tested before distributing it to the whole sample. The study targeted 10% of the population as the pilot study which is equivalent to 20 respondents. This is in line with Goodman *et al* (2018) who recommended that the pilot size should be within the range of 10-30%. Goodman *et al* (2018) argue that pilot study is an activity that assists the research in determining if there are flaws, limitations, or other weaknesses within the research instrument design and allows him or her to make necessary revisions prior to the implementation of the study.

Data Analysis and Presentation

Primary data from the field was edited to eliminate errors that might be made by the respondents. Coding was done to translate question responses into specific categories so as to organize and reduce research data into manageable summaries. Quantitative data was analyzed using descriptive statistics such as mean and standard deviation with the use of Statistical Package for Social Sciences (SPSS) version 20.0. Descriptive statistics such as frequencies and percentages were used to describe the quantitative data. The analyzed data as presented in the form of tables, pie-charts and bar-graphs where applicable. The study used Analysis of Variance (ANOVA) to test the level of significance of the variables on the dependent variable at 95% confidence level. In addition, the study conducted a multiple regression analysis. The regression equation was:

$$\mathbf{Y = \beta 0 + \beta_1 X_1 + \beta_2 X_2 + \varepsilon}$$

Whereby

Y = Operational performance

$\mathbf{X_1}$= Board independence

$\mathbf{X_2}$= Organizational ownership

β1, β2, = Coefficients of Determination

ε = Error Term.

RESULTS AND DISCUSSION

Descriptive Statistics

Board Independence and Operational Performance

The second specific objective of the study was to evaluate the effect of board independence on operational performance of Auto-Service Industry in Nairobi County, Kenya. The respondents were requested to indicate their level of agreement on statements relating to board independence and operational performance of Auto-Service Industry in Nairobi County, Kenya. The results were as presented in Table 1.

From the results, the respondents agreed that the board has demonstrated integrity and ethical values over the past period (M=3.874, SD= 0.943). In addition, the respondents agreed that outside directors do not link with monitor managers (M=3.861, SD= 0.846). Further, the respondents agreed that board members receive incentives from external source (M=3.847, SD= 0.724).

From the results, the respondents agreed they have an effective and independent monitoring management committee whose task is to ensure full compliance (M=3.818, SD=0.512). In addition, the respondents agreed that the number of external board members is more than the internal members (M=3.764, SD=0.754). Further, the respondents agreed that the CEO is not involved in selecting and appointing of the board members (M=3.738, SD=0.593).

Table 1: Board Independence and Operational Performance

	Mean	Std. Deviation
The board has demonstrated Integrity and ethical values over the past period	3.874	0.943
Outside directors do not link with monitor managers	3.861	0.846
Board Members receive incentives from external source	3.847	0.724
We have an effective and independent monitoring management committee whose task is to ensure full compliance.	3.818	0.512
The number of external board members is more than the internal members.	3.764	0.754
The CEO is not involved in selecting and appointing of the board members	3.738	0.593
Aggregate	**3.817**	**0.729**

Organization Ownership and Operational Performance

The fourth specific objective of the study was to evaluate the effect of organization ownership on operational performance of Auto-Service Industry in Nairobi County, Kenya. The respondents were requested to indicate their level of agreement on statements relating to organization ownership and operational performance of Auto-Service Industry in Nairobi County, Kenya. The results were as presented in Table 2.

From the results, the respondents agreed that board members decision are effectively implemented (M=3.902, SD= 0.986). In addition, the respondents agreed that government directives adversely affect board decisions on (M=3.865, SD= 0.573). Further, the respondents agreed that they have private stakeholders in the organization (M=3.749, SD= 0.662). The respondents also agreed that strong ownership command reduces the ability of corporate officers to engage in opportunistic behaviours (M=3.727, SD=0.721).

Table 2: Organization Ownership and Operational Performance

	Mean	**Std. Deviation**
Board members decision are effectively implemented	3.902	0.986
Government directives adversely affect board decisions on	3.865	0.573
We have private stakeholders in the organization	3.749	0.662
Strong ownership command reduces the ability of corporate officers to engage in opportunistic behaviours.	3.727	0.721
Aggregate	**3.811**	**0.736**

Operational Performance

The respondents were requested to indicate their level of agreement on various statements relating to operational performance of Auto-Service Industry in Nairobi County, Kenya. The results were as presented in Table 3.

From the results, the respondents agreed that board of directors are accountable for organization fund (M=3.766, SD=0.613). In addition, the respondents agreed that every department accounts for funds allocated in every financial year (M=3.741, SD=0.823). Further, the respondents agreed that their book of accounts are verified by independent auditor (M=3.671, SD=0.731). The respondents also agreed they have not experienced any case of mismanagement of funds over the last few years (M=3.622, SD=0.853).

Table 3: Operational Performance

	Mean	**Std. Deviation**
Board of directors are accountable for organization fund	3.766	0.613
Every department accounts for funds allocated in every financial year	3.741	0.823
Our book of accounts are verified by independent auditor	3.671	0.731
We have not experienced any case of mismanagement of funds over the last few years	3.622	0.853
Aggregate	**3.700**	**0.755**

Correlation Analysis

The present study used Pearson correlation analysis to determine the strength of association between independent variables (board independence and organization ownership) and the dependent variable (operational performance of Auto-Service Industry in Nairobi County, Kenya) dependent variable. Pearson correlation coefficient range between zero and one, where by the strength of association increase with increase in the value of the correlation coefficients.

Table 4: Correlation Coefficients

		Operational Performance	Board Independence	Organization Ownership
Operational Performance	Pearson Correlation	1		
	Sig. (2-tailed)			
	N	176		
Board Independence	Pearson Correlation	.878**	1	
	Sig. (2-tailed)	.000		
	N	176	176	
Organization Ownership	Pearson Correlation	.844**	.240	1
	Sig. (2-tailed)	.003	.064	
	N	176	176	176

From the results, the results revealed that there is a very strong relationship board independence and operational performance of Auto-Service Industry in Nairobi County, Kenya ($r = 0.878$, p value $=0.000$). The relationship was significant since the p value 0.000 was less than 0.05 (significant level). The findings conform to the findings of Xiaohui (2022) that there is a very strong relationship between board independence and operational performance.

The results also revealed that there was a very strong relationship between organization ownership and operational performance of Auto-Service Industry in Nairobi County, Kenya ($r = 0.844$, p value $=0.003$). The relationship was significant since the p value 0.003 was less than 0.05 (significant level). The findings are in line with the results of Kiruri (2022) who revealed that there is a very strong relationship between organization ownership and operational performance.

Regression Analysis

Multivariate regression analysis was used to assess the relationship between independent variables (board independence and organization ownership) and the dependent variable (operational performance of Auto-Service Industry in Nairobi County, Kenya)

Table 5: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.861	.741	.742	.10129

a. Predictors: (Constant), board independence and organization ownership

The model summary was used to explain the variation in the dependent variable that could be explained by the independent variables. The r-squared for the relationship between the independent variables and the dependent variable was 0.741. This implied that 74.1% of the variation in the dependent variable (operational performance of Auto-Service Industry in Nairobi County, Kenya) could be explained by independent variables (board independence and organization ownership).

Table 6: Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	112.191	2	56.096	1,001.7	.000[b]
1	Residual	9.672	173	.056		
	Total	121.863	175			

a. Dependent Variable: operational performance of Auto-Service Industry in Nairobi County, Kenya

b. Predictors: (Constant), board independence and organization ownership

The ANOVA was used to determine whether the model was a good fit for the data. F calculated was 1,001.7 while the F critical was 2.425. The p value was 0.000. Since the F-calculated was greater than the F-critical and the p value 0.000 was less than 0.05, the model was considered as a good fit for the data. Therefore, the model can be used to predict the influence of board independence and organization ownership on operational performance of Auto-Service Industry in Nairobi County, Kenya.

Table 7: Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	**(Constant)**	0.231	0.061		3.787	0.000
	board independence	0.366	0.093	0.367	3.935	0.001
	organization ownership	0.371	0.098	0.372	3.786	0.000

a Dependent Variable: operational performance of Auto-Service Industry in Nairobi County, Kenya

The regression model was as follows:

$$\mathbf{Y = 0.231 + 0.366X_1 + 0.371X_2 + \varepsilon}$$

The results revealed that board independence has significant effect on operational performance of Auto-Service Industry in Nairobi County, Kenya, $\beta1=0.366$, p value= 0.001). The relationship was considered significant since the p value 0.001 was less than the significant level of 0.05. The findings conform to the findings of Xiaohui (2022) that there is a very strong relationship between board independence and operational performance

In addition, the results revealed that organization ownership has significant effect on operational performance of Auto-Service Industry in Nairobi County, Kenya $\beta1=0.371$, p value= 0.000). The relationship was considered significant since the p value 0.000 was less than the significant level of 0.05. The findings are in line with the results of Kiruri (2022) who revealed that there is a very strong relationship between organization ownership and operational performance.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

The study concludes that board independence has a positive and significant effect on operational performance of Auto-Service Industry in Nairobi County, Kenya. Findings revealed that board decisions, controlling from top management and integrity influences operational performance of Auto-Service Industry in Nairobi County, Kenya.

The study also concludes that organization ownership has a positive and significant effect on operational performance of Auto-Service Industry in Nairobi County, Kenya. Findings revealed that local ownership, foreign ownership and government ownership influences operational performance of Auto-Service Industry in Nairobi County, Kenya.

Recommendations

The study recommends that the management of Auto-Service Industry in Kenya should strengthen board independence by ensuring that a substantial portion of the board members are independent from the company's management. Independent board members are more likely to provide unbiased oversight, make objective decisions, and challenge the status quo when necessary

The study also recommends that the management of Auto-Service Industry in Kenya should encourage ownership structures that promote greater accountability and long-term investment. Businesses in the auto-service sector can benefit from ownership models where key stakeholders, including employees or local investors, have a direct stake in the company's success.

REFERENCES

Asiamah, N., Mensah, H. K., & Oteng-Abayie, E. F. (2023). Do larger samples lead to more precise estimates?A simulation studies. American Journal of Educational Research, 5(1), 9-17.

Balta, M. E. (2023). The Impact of Business Environment and Boards of Directors on Strategic Decision – Making: A Case Study of Greek Listed Companies, Brunei Business School. Unpublished PhD Thesis.

Bauer, R., Braun, R., & Clark, G.L. (2023). The emerging market for European corporate governance: the relationship between governance and capital expenditure. *Journal of Economic Geography, 8(4), pp. 441-469.*

Black, A. Makundi, B. & McLennan, T. (2023). *Africa`s Automotive Industry: Potential and Challenges,* Working Paper Series No. 282, African Development Bank, Abuja, Cote d`Ivore

Brennan, N. M. (2020). A Review of Corporate Governance Research: An Irish Perspective. Retrieved from: http://hdl. handle. Net/10197/2962

Daily, C. M., Dalton, D. R. & Canella, A. A. (2023). Corporate Governance: Decades of Dialogue and Data. *Academy of Management Review*, 28, 3, 371-382.

Davis, J.H., Schoorman, F.D. & Donaldson, L. (2023). Toward a stewardship theory of management. Academy of Management Review, 22, 20-47.

Defee, C., Williams, B., Randall, W. S., & Thomas, R. (2020). An inventory of theory in logistics and SCM research. *The International Journal of Logistics Management*, *21*(3), 404-489.

Dolton, M.C., Jacobs, H.D, and Dalton RD (2023). "Corporate governance best practices: The proof is in the process" Journal of business strategy, Volume 27, Number4,5-7.

Donaldson, W. (2023). Congressional testimony concerning the implementation of the Sarbanes-Oxale Act of 2002. Retrieved from: www.sec.gov/news/testimony/090903

Eisenberg, T., Sundgren, S. & Wells, M. T. (2023). Larger board size and decreasing firm value in small firms. *Journal of Financial Economics*, 48, (1), 35-54.

Fama, E. F. & Jensen, M. C. (1983). Agency Problems and Residual Claims. *Journal of Law and Economics*, 327-349.

Grant, G.H. (2023) "The evolution of corporate governance and its impact on Modem corporate America". Management decision, Volume 41, Number 9, pp. 923-34

Gugler, K., Mueller, D. C &Yurtoglu, B. B. (2023). Corporate governance and the returns on investment. ECGI Working Paper Series in Finance, Working Paper No. 06.

Jensen, M. (2021). Value Maximisation, Stakeholder Theory and the Corporate Objective Function. *European Financial Management,* 7, 297-317.

Mensah, S., Aboagye, K., Addo, E.E. & Buatsi, S. (2023). Corporate Governance and corruption in Ghana empirical findings and policy implications, *African Capital Markets Forum*, Washington, DC: Center for International Private Enterprise

Ongore, V.O., & K'Obonyo, P.O., (2021). Effects of Selected Corporate Governance Characteristics on Firm Performance: Empirical Evidence from Kenya, *International Journal of Economics and Financial Issues*, *1*(3), 99-122.

Otieno, J. (2022). Corporate Governance factors and Financial Performance of Commercial Banks in Kenya. *Unpublished MBA Project*, University of Nairobi.

Otieno, O.B. (2020). Corporate governance and firm performance of financial institutions listed in Nairobi stock exchange. Unpublished MBA Project, University ofNairobi.

Shleifer, A & Vishny, R. (2022).*Large shareholders and corporate control*. *Journal of Political Economy,* 94, 461-88.

Wright, M, Siegel, D. S & Keasey, K. (2023).*Corporate Governance*. Oxford University Press, Great Clarendon St. Oxford, OX2 6DP, UK

Xiaohui W. H. L. (2022). Board independence and the quality of board monitoring: evidence from China. *International Journal of Managerial Finance, 11*(3), 308 – 328

Zandstra, G. (2022). Enron, Board Governance and Moral Failings, *Corporate Governance, 2*(2), 16-19.