Journal of Public Policy & Governance

Moderating Effect of Diversity Management on the Relationship between Corporate Governance Practices and Performance of Selected Counties in Northern Kenya

Orge G. Bajji, Dr. Clement Nkaabu & Dr. Nancy Rintari

ISSN: 2616-8413

Stratford Peer Reviewed Journals and Book Publishing
Journal of Public Policy & Governance
Volume 3||Issue 2||Page 1-21||July||2019|
Email: **info@stratfordjournals.org** *ISSN: 2616- 8413*

Moderating Effect of Diversity Management on the Relationship between Corporate Governance Practices and Performance of Selected Counties in Northern Kenya

[1*]Orge G. Bajji, [2]Dr. Clement Nkaabu & [3]Dr. Nancy Rintari

[1]Post Graduate Student, Kenya Methodist University

[2,3]Lecturers, School of Business & Economics, Kenya Methodist University

***Email of Corresponding Author: orgebajji@gmail.com**

How to cite this article: Bajji, O. G., Nkaabu C., & Rintari N., (2019), Moderating Effect of Diversity Management on the Relationship between Corporate Governance Practices and Performance of Selected Counties in Northern Kenya, ***Journal of Public Policy & Governance. Vol*** **3(2) pp. 1-21.**

Abstract

The county governments in Kenya have been facing serious challenges in developing corporate governance frameworks that are secure and beneficial to all stakeholders. The purpose of this study was to evaluate the moderating effect of diversity management on the relationship between corporate governance practices and performance of county government (survey of Isiolo, Marsabit and Samburu). Specifically, the study sought; to determine the relationship between corporate governance practices and performance of the county government in Kenya; to examine the relationship between diversity management and performance of county government in Kenya; and to assess the moderating effect of diversity management on the relationship between corporate governance practice and performance of county government in Kenya. A descriptive research design was employed in this research. The study population comprised of 80 departmental heads in the three county governments, that is, Isiolo, Marsabit and Samburu. Since the number of departments was small, a survey was conducted. The findings indicated a linear relationship between corporate governance practices and county performance. The addition of diversity management to corporate governance practices improved the prediction of county performance although in a statistically insignificant way. Further, diversity management was found to have no moderation effect on the relationship between corporate governance practices and county performance. The study recommends that counties should continue practicing corporate governance. They should separate management body from boards for proper oversight. The counties should formulate policies in line with promoting career development and inclusiveness of the public opinions for transparency. Such practices of corporate governance will possibility augment the performance of counties because these two variables were significantly associated. The study commends the management of diversity observed in the counties because its combined main effect with corporate governance practices had more association to county performance than when considering corporate governance independently.

Keywords: *Diversity management, corporate governance practices, performance of county government*

1.0 INTRODUCTION

1.1 Background of the Study

The performance of counties in northern Kenya (Isiolo, Marsabit and Samburu) for the last five years has not been impressive. The responsibility of corporate governance rest with the governors and county executive committee members (CEC), however, these officers have failed to design good corporate governance within the institution. The county executive board is made of official (full time) and their obligation incorporates defining the association's vital objectives, giving authority towards putting the set objectives into impact, directing the administration of the firm and answering to investors on their stewardship. The board additionally sets budgetary strategy and regulates its usage, utilizing money related controls frameworks. The board's activities are liable to laws and regulations (Mugenyi, 2014).

Corporate governance is concerned with ways by which all individuals inspired by the prosperity of the firm (the partners) endeavor to guarantee that managers and different insiders are continually taking fitting measures or embrace components that protect the interests of the partners (Adebayo, Olusola & Abiodun, 2013). Such measures are required on account of the partition of proprietorship from management, an undeniably fundamental element of the advanced entities. Corporate governance is the procedure and structure used to coordinate and oversee business issues of the entity towards promoting flourishing and corporate bookkeeping with a definitive goal of acknowledging investor long term value while considering the needs of different partners (Rezaee, 2009).

In China and India, Lee Cooke and Saini (2012) assessed the diversity management aspects adopted by the organizations management. The research was qualitative and surveyed 16 Chinese and Indian middle and senior managers and four human resources (HR) director of regional headquarters of foreign multinational firms. It was revealed that most Chinese organizations do not see diversity management as an issue. Where it exists, its focus is on conflict avoidance rather than value-addition to the business. In contrast, managing diversity in India is of greater significance for firms, both legally and financially. Compared with their Chinese counterparts, the Indian managers are much more familiar with the notion of diversity. They are more informed and articulate about diversity issues in their country and organization. DM as a softer approach to human resource management (HRM) has yet to feature as an espoused HR strategy in Chinese and Indian firms.

1.2 Statement of the Problem

Good corporate governance should ensure that the performance of public organization is reasonable, straightforward and that organizations can be liable for their activities (Freeman, 2011). As such, organizations ought to invest in good governance which is expected to improve performance of public organizations (Cubbin & Leech, 2012). The county governments in Kenya have been facing serious challenges in developing corporate governance frameworks that are secure and beneficial to all stakeholders at large as effective monitors of management whilst preventing them from extracting excessive private benefits of control (Bebchuk, Cohen & Ferrell, 2014). There has been a lot of criticism, from stakeholders, on the way the county governments have been performing.

According to Transparency International (2014), doubts have been raised as to whether the County governments have met their objectives. There is lack of transparency in allocation of funds for development projects, it is not clear how decisions are arrived at on what development projects to be implemented and the formation of project committees that are the center of decision making is characterized by political patronage and this have affected the county government performance.

County governments are intended to transform the economic well-being of local communities leading to poverty reduction (Park & Wang 2010). In addition, it was hoped that the devolvement of funds in general, would enhance people's participation in decision making processes; promote good corporate governance and promote transparency and accountability. The northern counties including Isiolo, Marsabit and Samburu county government have got a lot of projects stalled and therefore they are not helping the community in any way in improving their lives (Mugenyi, 2014).

The question being asked here are: why is it that these counties development projects have stalled? It is against this background that this study sought to examine the moderating effect of diversity management on the relationship corporate governance practices and performance of selected counties in Northern Kenya (Isiolo, Marsabit and Samburu County). This study was also prompted by the fact that none of the local studies have examined the role of corporate governance in influencing the performance of the northern county governments.

1.3 Objectives of the Study

1. To determine the relationship between corporate governance practices and performance of the county government in Kenya.
2. To examine the relationship between diversity management and performance of county government in Kenya.
3. To assess the moderating effect of diversity management on the relationship between corporate governance practice and performance of county government in Kenya.

2.0 LITERATURE REVIEW

2.1 Theoretical Review

2.1.1 Stakeholder Theory

Stakeholder hypothesis was advanced by Fontaine (2006) and considers a more extensive gathering of constituents instead of concentrating on investors. A result of concentrating on investors is that the improvement of investors' value is central though when a more extensive partner gathering, for example, employees, suppliers of credit, clients, providers, government and the public is considered the focus on investor reduces. However, most entities do endeavor to expand investors' value while in the meantime attempting to consider the premiums of other stakeholders. One justification for adequately privileging investors over different partners is that they are beneficiaries of the lingering free income. This implies the investors have personal stake in endeavoring to guarantee that assets are utilized to most extreme impact, which thus ought to be to the advantage of the general public (Cho & Kim, 2003).

Shareholder and stakeholders may support distinctive corporate administration structures and also checking systems. As indicated by CMA (2008), contrasts in the corporate administration structure and instruments of the Anglo-American model, with its emphasis on investor value and a board made absolutely out of official and non-official executives appointed by investors, contrasted with the German model whereby certain stakeholders, for example, workers have a privilege cherished in law for their delegates to sit on the supervisory board close to the directors. Enlighten value maximization uses a great part of the structure of partner hypothesis yet acknowledges expansion of the long run estimation of the firm as the rule for making the imperative exchange offs among its partners and consequently tackles the issues that emerge from different goals that go with traditional stakeholder hypothesis (Cohen, 2001).

The stakeholder hypothesis is applicable to this research since it clarifies the idea of corporate governance in an association. County governments have a responsibility to focus on the wider stakeholders including workers, creditors, clients, providers, government and the local community. According to Adebayo, Olusola and Abiodun (2013) corporate administration is worried about manners by which all persons keen on the prosperity of the firm endeavor to guarantee that directors and different insiders are continually taking suitable measures or use systems that protect the interests of the partners. As such, the county government management ought to consider the interest of all the stakeholders, especially, the public who are the majority stakeholders. Therefore, the stakeholder theory advances the corporate governance practices variable in this study.

2.1.2 Standpoint Theory

The standpoint hypothesis was advanced by Smith (1987) and postulates that to comprehend co-social relations; the beneficial experience of those in subordinate positions ought to be investigated. Co-social hypothesis gives a system to access, from the point of view of marginalized people, their perspective of cooperation amongst prevailing and non-predominant relations inside existing social structures.

The hypothesis proposes that marginalized individuals present alternate point of view to an association that questions the status quo since their socially built world view will vary from that of the prevailing group (De Pree, Max, 1989). Despite the fact that the predominant group will frequently have more weight, a transformational leader will promote contracting standpoints to coincide inside an association which will make a discussion for authorized clash to result. Misunderstanding arises from questioning the way things have dependably been done, as well as thoughts and issues that have not been investigated from numerous viewpoints.

The hypothesis gives a voice to those in position to see examples of conduct that those inundated in the way of life experience problems recognizing (Allen, 1996). The difference in viewpoints help to kill oblivious obedience which can emerge in a homogenous gathering. Scot Page's (2007) noted that diversity in cooperation isn't generally basic and that there are numerous difficulties to cultivating a comprehensive domain in the work environment of various contemplations and thoughts.

In this study, the standpoint theory informs the diversity management aspect since it explains the importance of bringing alternate point of view to an association that questions the status quo (De Pree, Max, 1989). For county governments to work effectively there is need for diversity in all levels including management and employees. A diversified county government management brings new ideas on how to run the institution.

2.1.3 Goal Setting Theory

The theory was advanced by Latham and Locke (2002) who emphasized goal setting and support of choice rights as a foundation for firm performance. De Waal, (2007) notes that assuming liability for outcome requires that individuals are given the chance to impact their outcomes positively and have the flexibility to make a move. This means that individuals must be approved by their administrators to autonomously and quickly make a move on issues without asking for authorization first. Choice rights permit more employee inclusion in choosing issues that influence their work, (Locke & Latham, 2002).

This suggests workers have a say in characterizing the correct Key Performance Indicators (KPIs) and the command to set up Critical Success Factors (CSFs) in connection to their activity obligations. As indicated by Armstrong (2006), workers are likely to surpass performance objectives when they are harnessed with the power to settle on choices and take care of issues identified with the outcomes for which they are responsible. The performance objectives of an association speak to a common obligation among every one of its workers every one of whom has a stake in the association's prosperity.

Basic worker strengthening is administration's perspective of its workers as resources that are fit for adding to the development of their individual associations as opposed to expenses to be borne by the Organizations. The commitments of people and groups are a beginning stage for specifying the outcomes for which they are responsible, (Locke & Latham, 2002; Armstrong, 2006). The hypothesis informs this study by explaining the aspect of organizational performance. For county governments to achieve their goals and objectives, they should allow their employees to make independent decisions in relation to their job responsibilities. Employees should also be guided by the institutions' goals and this translates into effective performance.

2.2 Empirical Review

Ndikwe and Owino (2016) explored the effect of four corporate governance aspects on school performance. The aspects included; board composition, board skills, separation of duties and application of corporate governance principles. The findings indicated that the four aspects influenced school performance, with board skills having the greatest effect. However, the research reveals a contextual gap since it concentrated on public schools whereas the current study focused on county governments.

Nandasaba (2010) study investigated the link between various components of CG and profitability of coffee farmer's cooperative society in Bungoma County. The study targeted 20 coffee farmer's co-operative society. Data was obtained from the ministry of co-operative offices in Bungoma town for the period between 1999 and 2008. The key findings of the study revealed a linear relationship between performance and Board size; Secretary -manager (CEO) status and board composition. The study presents a contextual gap since it focused on coffee farmer's cooperative society while the proposed study will focus on county governments. Additionally, there exists a methodological gap since the study used secondary data while current study used primary data.

Diversity administration is involved in ensuring that everyone in the firm is appreciated. Mudanya (2014) research sought to establish the effect of diversity administration on performance of Technical University of Mombasa. The research design was a case study. From the findings, it emerged that a diverse workforce helps in obtaining diverse ideas and views, thus leading one to appreciate other people's culture in the work environment. The study concluded that diversity administration has a positive influence on firm performance. It is recommended that Technical University of Mombasa should check on employment policies especially those regarding affirmative action towards the disabled. However, the research was a case study and this presented a methodological gap.

Ugwuzor (2014) research analyzed the link between diversity in the work place and growth of manufacturing companies in Nigeria. To address this lacuna, essential information was

Stratford Peer Reviewed Journals and Book Publishing
Journal of Public Policy & Governance
Volume 3||Issue 2||Page 1-21||July||2019|
Email: **info@stratfordjournals.org** *ISSN: 2616- 8413*

gathered from Forty-two enlisted firms in South-South Nigeria utilizing a five-point Likert-type scale poll and individual meetings. The Spearman Rank Order Correlation Coefficient at 95% certainty level and the Hierarchical Multiple Regression models were utilized to examine the information. The results indicated that poor performance of the firms could be linked to poor diversity administration. The study presents contextual gap since it was conducted in Nigeria.

Bolo (2014) research examined the impact of diversity management strategies on the relationship between top management and commercial banks' profitability in Kenya. The study found that diversity management strategies had a significant influence on the association between top management and profitability. It was concluded that diversity management strategies ensures that the interests of the minorities in commercial banks in Kenya are well taken care of. However, the study concentrated on commercial banks thus presenting a contextual gap.

Al Matari, Al Swidi and Fadzil (2014) examined the moderating effect of board diversity on the influence of executive committee attributes on profitability of firms in Malaysia. From the results, a positive association between executive committee attributes and firm profitability was established. The study measured diversity using number of non-executive foreign directors and total number of committee members. However, the moderating influence of board diversity was found to be insignificant. The study presents a contextual gap since it was conducted in Malaysia, which is a different economic environment from Kenya.

3.0 RESEARCH METHODOLOGY

A descriptive research design was employed in this research. The study population comprised of all departmental heads in the three county governments, that is, Isiolo, Marsabit and Samburu. The choice of the three counties was justified since they share several things including religion, culture, economic activities, climate and geography. As such, the county governments in the three counties are likely to be going through similar challenges in regard to corporate governance practices. There are 80 departments in the three county governments. The study conducted a survey since the number of departments was small. Therefore, the study surveyed 80 departmental heads. The choice of department heads was justifiable since they are the key players in running the county governments. Primary data was collected through well-structured questionnaires, which constituted of closed questions. Collected data was processed using SPSS version 23). Descriptive statistics including frequencies, percentages, means and standard deviations were used. Further, inferential statistics including correlation and regression analysis were also used to test the relationship between the variables under study.

4.0 RESEARCH FINDINGS AND DISCUSSION

4.1 Discussion of the Variables

This section describes the responses of the questionnaire items with regard to corporate governance principles, diversity management and County performance. The questionnaire was structured in Likert scale format whereby 1 represented strongly disagree, 2 represented disagree, 3 represented neutral, 4 represented agree and 5 represented strongly agree.

4.1.1 Corporate Governance Practices

Table 1: Descriptive Data for Corporate Governance Practices

Questions		1	2	3	4	5	Mean
Good corporate governance approach aims at performing the main function of separating the firm's principals and agents	F	3	4	1	34	27	4.13
	%	4.3	5.8	1.4	49.3	39.1	
Corporate governance themes in our organization separates management from the board	F	3	4	0	34	28	4.16
	%	4.3	5.8	0.0	49.3	40.6	
Corporate governance systems are mechanisms for establishing the nature of ownership and control of organizations within an economy	F	4	5	1	28	31	4.12
	%	5.8	7.2	1.4	40.6	44.9	
Good corporate governance helps in solving problems arising between shareholders and managers	F	1	5	2	29	32	4.42
	%	1.4	7.2	2.9	42.0	46.4	
Good corporate governance enhances efficient skills within the management	F	2	7	1	32	27	4.09
	%	2.9	10.1	1.4	46.4	39.1	
There is clear separation of duties within the organization	F	2	4	1	26	36	4.30
	%	2.9	5.8	1.4	37.7	52.2	
Our department maintains an open door policy	F	3	4	1	30	31	4.19
	%	4.3	5.8	1.4	43.5	44.9	
We share relevant information with our stakeholders very freely	F	2	7	0	19	41	4.30
	%	2.9	10.1	0.0	27.5	59.4	
Our financial dealings are above board	F	1	6	0	34	28	4.19
	%	1.4	8.7	0.0	49.3	40.6	
All managers know that they are answerable to the public	F	0	4	2	35	28	4.26
	%	0.0	5.8	2.9	50.7	40.6	
We value public participation	F	0	3	4	25	37	4.39
	%	0.0	4.3	5.8	36.2	53.6	
Our managers are well qualified	F	0	6	2	31	30	4.23
	%	0.0	8.7	2.9	44.9	43.5	
All our staff have clear job descriptions	F	0	3	4	30	32	4.32
	%	0.0	4.3	5.8	43.5	46.4	
The reporting relationships are clear	F	2	4	1	31	31	4.23
	%	2.9	5.8	1.4	44.9	44.9	
We operate within the law	F	3	3	0	27	36	4.16
	%	4.3	4.3	0.0	53.6	37.7	
We have clear policies to guide our operations	F	1	3	0	30	35	4.38
	%	1.4	4.3	0.0	43.5	50.7	
We offer services without any discriminations	F	4	8	0	34	23	3.93
	%	5.8	11.6	0.0	49.3	33.3	
Average (%)		**2.6**	**6.8**	**1.7**	**44.2**	**44.6**	**4.22**
Summary (%)		**11.1** (disagreement)			**88.8** (Agreement)		

The findings in Table 1 show the results on corporate governance practice. Overall, majority of the respondents, 88.8 percent viewed that counties practiced corporate governance while 11.1 percent did not agree to these assertions. There was separation between firm's principals and the agents observed at a mean Likert scale of 4.13 out of five, which represents strong agreement. This means that management of counties operated separately from the board with a mean Likert scale of 4.16 hence showing strong agreement.

The county had good corporate governance systems that helped in solving disputes arising between shareholders and management observed at a mean Likert scale of 4.42, which shows high agreement. The county maintained an open-door policy (mean Likert scale of 4.19) which ensured that information flowed freely among stakeholders (mean Likert scale of 4.30) hence depicting how the county valued public participation (mean Likert scale of 4.39).

Observations in Table 1 further shows that managers and staff alike had good training in their respective duties and their job description was clear (mean Likert scales above 4). This was facilitated by having clear policies in place to guide county operations and having clear reporting structures. All managers had fiducial responsibility to the public and this way, the financial dealings in the county was reported to be above board at a mean Likert scale of 4.19 showing strong agreement. Finally, the counties operated within the law and did not offer services discriminately reported at mean Likert scales of 4.16 and 3.93 respectively.

4.1.2 Diversity Management

Table 2: Descriptive Data for Diversity Management

Questions		**1**	**2**	**3**	**4**	**5**	**Mean**
We do not discriminate employees on gender basis.	F	1	7	0	34	27	4.14
	%	1.4	10.1	0.0	49.3	39.1	
We have an initiative of hiring and recruiting women, youth, minorities and disabled in the workforce.	F	0	3	2	35	29	4.30
	%	0.0	4.3	2.9	50.7	42.0	
Through diversity management we are able to solve problem	F	3	6	1	30	29	4.10
	%	4.3	8.7	1.4	43.5	42.0	
Through diversity management we are able to acquire resources	F	2	2	0	28	37	4.39
	%	2.9	2.9	0.0	40.6	53.6	
Diversity management promote corporate image	F	2	9	2	28	28	4.03
	%	2.9	13.0	2.9	40.6	40.6	
Managing work place diversity attract a variety of skills	F	2	2	1	36	28	4.25
	%	2.9	2.9	1.4	52.2	40.6	
Managing work place diversity attract a variety of innovation	F	5	3	1	28	32	4.14
	%	7.2	4.3	1.4	40.6	46.4	
Everyone has an equal opportunity to join the organization.	F	0	6	1	28	34	4.30
	%	0.0	8.7	1.4	40.6	49.3	
Average (%)		**2.7**	**6.9**	**1.4**	**44.8**	**44.2**	**4.21**
Summary		**11.0** (disagreement)			**89.0** (Agreement)		

Table 2 shows responses to questions on diversity management presented in frequencies (F) and percentages (%). In overall, respondents by large (89.0%) agreed to the assertions that there was diversity management in the counties with a paltry 11 percent disagreeing. Observations show that counties did not discriminate on gender basis with mean score of 4.14 on the Likert scale. The county ensured that women, youth, minorities and disabled were included in the work force (mean Likert scale of 4.30). The following benefits accrued due to diversity management: acquisition of resources (4.39), problem solving (4.10), promotion of corporate image (4.03), attraction of diverse skills (4.25) and innovation (4.14). Therefore, diversity management was at large a success in the counties with the counties providing equal opportunities to everyone to join them (mean Likert scale of 4.30).

4.1.3 County Performance

Table 3: Descriptive Data for County Performance

Questions		1	2	3	4	5	Mean
There is good inter-departmental working relations within the organization	F	2	4	2	30	31	4.22
	%	2.9	5.8	2.9	43.5	44.9	
There is proper decision making within the organization	F	3	6	0	33	27	4.09
	%	4.3	8.7	0.0	47.8	39.1	
Corporate governance systems are mechanisms for establishing the nature of ownership and control of organizations within an economy	F	0	2	1	33	33	4.41
	%	0.0	2.9	1.4	47.8	47.8	
Good corporate governance helps in solving problems arising between shareholders and managers	F	1	9	0	33	26	4.07
	%	1.4	13.0	0.0	47.8	37.7	
Good corporate governance enhances efficient skills within the management	F	4	4	2	26	33	4.16
	%	5.8	5.8	2.9	37.7	47.8	
There is clear separation of duties within the organization	F	2	3	0	26	38	4.38
	%	2.9	4.3	0.0	37.7	55.1	
Our department maintains an open-door policy	F	2	8	1	25	33	4.14
	%	2.9	11.6	1.4	36.2	47.8	
We share relevant information with our stakeholders very freely	F	1	6	1	28	33	4.25
	%	1.4	8.7	1.4	40.6	47.8	
Our financial dealings are above board	F	0	7	0	28	34	4.29
	%	0.0	10.1	0.0	40.6	49.3	
All managers know that they are answerable to the public	F	4	6	0	34	25	4.01
	%	5.8	8.7	0.0	49.3	36.2	
We value public participation	F	1	3	0	34	31	4.32
	%	1.4	4.3	0.0	49.3	44.9	
Our managers are well qualified	F	4	2	9	30	24	3.99
	%	5.8	2.9	13.0	43.5	34.8	
The national government is happy with our performance	F	9	5	0	31	24	3.81
	%	13	7.2	0.0	44.9	34.8	
The governor is happy with our performance	F	1	8	1	33	26	4.09
	%	1.4	11.6	1.4	47.8	37.7	
Our staffs are happy working with our department.	F	2	12	1	26	28	3.96
	%	2.9	17.4	1.4	37.7	40.6	
We always strive to meet the expectations of all those we deal with	F	1	4	1	34	29	4.25
	%	1.4	5.8	1.4	49.3	42.0	
Compared with other counties, our county is doing well.	F	10	38	13	8	0	2.28
	%	14.5	55.1	18.8	11.6	0.0	
Other counties come to benchmark with us.	F	21	26	11	11	0	2.17
	%	30.4	37.7	15.9	15.9	0.0	
Average (%)		**5.5**	**12.3**	**3.4**	**40.5**	**38.2**	**3.94**
Summary			**21.2** (disagreement)		**78.8** (Agreement)		

Stratford Peer Reviewed Journals and Book Publishing
Journal of Public Policy & Governance
Volume 3||Issue 2||Page 1-21||July||2019|
Email: **info@stratfordjournals.org** *ISSN: 2616- 8413*

Findings in Table 3 show responses on the performance of counties. In overall, county performance had a mean Likert scale of 3.94 out of five that showed general agreement albeit not in a strong way. The summary percentages show 78.8 percent agreement on county performance while 21.1 percent disagreed. Aspects of county performance such as benchmarking with other counties (2.17), staff happiness (3.96), contentment of national government (3.81) and comparison with other counties (2.28) did not receive many positive responses hence bringing the aggregate observations down. However, respondents agreed to the assertions that there was good inter-departmental working relationships (4.22), appropriateness of decisions (4.09) and good financial appropriation (4.29).

In comparison of aggregate responses, there is a better correlation between county performance and diversity management than between county performance and corporate governance practices. This is because both county performance and diversity had lower reported agreement as opposed to corporate governance practices, which reported higher levels of agreement. Based on this observation, this study envisages a more meaningful relationship between county performance and diversity management from the inferential results. Nevertheless, the departure of the level of agreement between county performance and corporate governance practices was not very high based on their respective overall Likert and percentage scores. Therefore, a linear relationship is expected between the latter two variables from the correlation analysis.

4.2 Hierarchical Tests for Moderation Effects of Diversity Management on the Relationship between Corporate Governance Practices and County Performance

This section presents the tests required for establishing the moderating effect of Diversity Management on the Relationship between Corporate Governance Practices and County Performance. Moderation or interaction between diversity management and corporate governance principles as predictors of county performance is assessed by including the product of diversity management and corporate governance principles as additional predictor in the regression model. The absence of the interaction term can lead to incorrect specification of the regression model because main effects of the independent variables per se do not explain how the independent variables interact (moderate) each other (Hsu, Wang, & Hsu, 2012; Baron & Kenny, 1986). It is only an empirical determination of insignificance in interaction that can justify ignoring of the product term thereby concluding the absence of interaction (moderation).

Moderation analysis in this study follows hierarchical tests procedure that essentially implies the following regression equations:

Model 1:

$$CP= \beta_0+ \beta_1 CGP+ e \ \ldots\ldots (i)$$

Model 2:

$$CP= \beta_0++ \beta_1 CGP + \beta_2 DM + e \ \ldots\ldots (ii)$$

Model 3:

$$CP= \beta_0+ \beta_1 CGP+\beta_2 DM+\beta_3 CGM*DM + e \ \ldots\ldots (iii)$$

Stratford Peer Reviewed Journals and Book Publishing
Journal of Public Policy & Governance
Volume 3||Issue 2||Page 1-21||July||2019|
Email: **info@stratfordjournals.org** *ISSN: 2616- 8413*

Where;

CP – County performance

CGP – Corporate governance principles

DM – Diversity Management

CGM*DM - interaction of corporate governance principles and Diversity Management

β_1 – Regression coefficient for corporate governance principles

β_2 – Regression coefficient for diversity Management

β_3 – Regression coefficient for interaction of corporate governance principles and Diversity Management

The results are presented in Table 4, 5 and 6 which represent model summary, analysis of variance and regression coefficients of county performance against corporate governance practices and diversity management.

Table 4: Model Summary Table for County Performance against Corporate Governance Practices, Diversity Management and their interaction

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	P-value. F Change	
1	0.252[a]	0.064	0.048	4.05595	0.064	4.010	1	59	0.050	
2	0.294[b]	0.086	0.055	4.04094	0.023	1.439	1	58	0.235	
3	0.294[c]	0.086	0.038	4.07623	0.000	0.000	1	57	0.997	2.233

a. Predictors: (Constant), CGP

b. Predictors: (Constant), CGP, DM

c. Predictors: (Constant), CGP, DM, CGP*DM

d. Dependent Variable: CP

Table 4 shows that the R Square (coefficient of determination) for the first model was 6.4 percent (0.064) with a p-value of 0.05 representing the significance of F change. This is the first regression model and therefore, 0.05 is the p-value of the first model rather than a change from a previous model. The p-value of F statistics in this first regression model is just at the critical significance value of 0.05 and therefore deemed significant. The second R Square was 8.6 percent (0.086) which shows an increase of 2.3 percent (0.023) also shown in the R Square change column in Table 4, the second row. The corresponding p-value of the R Square change was 0.235, which was less than the critical significance level of 0.05 hence deeming the change statistically insignificant.

It is worth noting that the increase in R-Square due to the addition of diversity management (DM) in the regression model shows its contribution towards the prediction of county performance albeit statistically insignificant in its effect. This second model (equation (ii)) only contains “main effects” of the two predictors (corporate governance practices and diversity management) and therefore, the increase in R Square due to the addition of diversity management does not infer moderation effect. It only implies that diversity management augments county performance while holding corporate governance practices constant. Similarly, corporate governance practices augments county performance while holding diversity management constant.

The third row in Table 4 shows the R Square change after addition of the interaction effect (product of corporate governance practices and diversity management, with both variables mean centered). The R Square of the third model maintained is 8.6 percent hence signifying no change from the "main effects" only model. The R square change column also confirms this by showing a change of 0.000 in the third row that corresponds to the addition of the interaction term to the other two predictors (corporate governance practices and diversity management). The corresponding p-value of F Change is 0.997 almost near unity hence corroborating that there was hardly any interaction effect of corporate governance practices and diversity management on county performance.

Table 5: ANOVA Table for County Performance against Corporate Governance Practices, Diversity Management and their interaction

Model		Sum of Squares	df	Mean Square	F	p-value
1	Regression	65.963	1	65.963	4.010	0.050[b]
	Residual	970.595	59	16.451		
	Total	1036.557	60			
2	Regression	89.466	2	44.733	2.739	0.073[c]
	Residual	947.091	58	16.329		
	Total	1036.557	60			
3	Regression	89.466	3	29.822	1.795	0.158[d]
	Residual	947.091	57	16.616		
	Total	1036.557	60			

a. Dependent Variable: CP

b. Predictors: (Constant), CGP

c. Predictors: (Constant), CGP, DM

d. Predictors: (Constant), CGP, DM, CGP*DM

The Analysis of variance in Table 5 tests the null hypothesis that Corporate Governance Practices, Diversity Management and their interaction are not linear to County Performance at 5% significant level. Alternatively, the F-test of overall significant from the ANOVA table tests the null hypothesis that predictions using the mean of the dependent variable are better than accounting for variability of independent variables. For the first model in Table 4.18, analysis of variance tests whether including corporate governance practices improves prediction of County performance over using its mean. The observed p-value corresponding to model 1 was 0.05, which is just at the critical significance value of 5 percent. Therefore, there is statistically significant prediction of County performance with inclusion of Corporate Governance Practices.

The second analysis of variance model represented the addition of diversity management in the first regression model so that there are two independent variables (two main effects), corporate governance practices and diversity management. Continuing from model one, the analysis of variance for model two tested the null hypothesis that the inclusion of diversity management significantly improved the prediction of county performance at a statistical significance of 5 percent alpha.

The observed p-value was 0.073 which was slightly more than 0.05 (the critical significance level. Therefore, the statistical inference is that there was insignificant improvement in predicting county performance due to addition of diversity management in model two. However, since the observed p value of 0.073 was not significantly larger than the critical significance of 0.05, then it is prudent to recognise the influence of diversity management in augmenting county performance. This corroborates the R square change of 2.3 percent in Table 4 albeit insignificant.

The third analysis of variance represented the third regression model in the hierarchical series. It included the addition of the interaction between corporate governance practices and diversity management in addition to their respective main effects. Therefore, the interaction variable become a third independent variable. Continuing from model 2, the null hypothesis of the third analysis of variance model tests that the inclusion of the interaction variable does not improve the prediction of county performance at a statistical significance of 5 percent alpha beyond the second nor the first model. The observed p-value corresponding to the inclusion of the interaction effect was 0.158, which was larger than the critical significance of 0.05. Therefore, the interaction effect does little to augment the prediction of county performance. This concludes that there is no significant moderation of diversity management and corporate governance practices.

Table 6 shows regression coefficients for three models in the hierarchical series. The first model contains corporate governance practices as the only independent variable (one main effects). The second model contains corporate governance practices and diversity management as the two independent models (two main effects). The third regression model contains corporate governance practices, diversity management and their interaction term. The p-values observed in Table 6 correspond to the computed t-statistics, which will form the basis of testing the hypotheses of the study.

Stratford Peer Reviewed Journals and Book Publishing
Journal of Public Policy & Governance
Volume 3||Issue 2||Page 1-21||July||2019|
Email: **info@stratfordjournals.org** *ISSN: 2616- 8413*

Table 6: Regression coefficients for County Performance against Corporate Governance Practices, Diversity Management and their interaction

Model		Unstandardized Coefficients		Standardized Coefficients	t	p-value	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	53.690	8.856		6.062	0.000	35.969	71.411
	CGP	0.246	0.123	0.252	2.002	0.050	0.000	0.492
2	(Constant)	46.031	10.891		4.227	0.000	24.231	67.831
	CGP	0.220	.124	0.225	1.766	0.083	-0.029	0.469
	DM	0.280	.234	0.153	1.200	0.235	-0.187	0.748
3	(Constant)	46.038	11.212		4.106	0.000	23.587	68.490
	CGP	0.220	0.128	0.225	1.711	0.092	-0.037	0.477
	DM	0.280	0.236	0.153	1.188	0.240	-0.192	0.753
	CGP*DM	0.000	0.063	0.000	0.003	0.997	-0.125	0.126

a. Dependent Variable: CP

The first regression model in Table 6 shows that a unit increase in CGP was associated to an increase of 0.246 in county performance while holding other factors constant. This was significant at 5 percent significant level because the corresponding p-value was 0.05, just at the critical value. The second regression model had two main effects of CGP and DM in controlling of each other. A unit increase in CGP was associated to 0.220 increase in county performance while holding DM constant (that is, controlling for DM). This effect on county performance had a p-value of 0.083, which was more than 5 percent critical significance hence deemed insignificant. However, the departure from 0.05 was not large enough to ignore the association of corporate governance practices on county performance.

The other observation in the second model is that a marginal increment in diversity management is associated to 0.220 increase in county performance while controlling for the influence of corporate governance practices. The corresponding p-value was 0.235, which was more than 0.05 deeming this association insignificant. However, Table 4 showed that the addition of the main effect of diversity management in the second model led to an increase in R-Square by 2.3 percent. The overall F-statistic for the second model had p-value of 0.073, which is slightly larger than 0.05 in numerical terms. Therefore, it is worth noting than the main effects of diversity management albeit insignificant, improves prediction of county performance. Another observation is that the main effect of corporate governance practices diminished in the presence of diversity management given that the regression coefficient changed from 0.246 in model one to 0.220 in model two.

The third regression model in Table 6 shows that increase in the interaction between corporate governance practices and diversity management hardly had any association to county performance given the regression coefficient of 0.000 of the interaction variables. The corresponding p-value was 0.997, which shows a near complete departure from any form of significant relationship between the interaction term and county performance. The R square change in Table 4 also confirms this inference by showing no change from the variance explained by the main effects model. Therefore, there is no statistical moderation effect of diversity management and corporate governance practices in predicting county performance.

To visualize the moderation effect of the interaction between corporate governance practices and diversity management, the 16^{th}, 50^{th} and 84^{th} percentiles of CGP and DM was determined generated in SPSS Table 7 together with the means of the respective variables (CGP and DM) in the original data cases without outliers.

Table 7: Percentiles for Plotting Moderation Effect

Percentiles	**CGP**	**DM**
16th	66.9200	32.0000
50th	72.0000	34.0000
84th	76.0800	37.0000

CGP mean = 71.623188

DM mean = 33.666667

With the percentiles for CGP and DM as given in Table 7, their respective mean centered values are derived by subtracting from their respective means. The interaction term CGP*DM in Table 8 denotes the product of the centered values of CGP and DM. The predicted values of CP in Table 8 are computed using the regression model 3 in Table 6, which is:

CP = 46.038 + 0.220(CGP) + 0.28(DM) + 0.000(CGP*DM)

Since the regression coefficient for the interaction term was 0.000, the resulting equation collapsed to the one for model two in Table 6:

CP = 46.038 + 0.220(CGP) + 0.28(DM)

Table 8: Moderation Plot Data

CGP	DM	CGP_C	DM_C	CGP*DM	CP (PREDICTED)
66.92	32.0	-4.70	-1.67	7.84	69.720
66.92	34.0	-4.70	0.33	-1.57	70.280
66.92	37.0	-4.70	3.33	-15.68	71.120
72.0	32.0	0.38	-1.67	-0.63	70.838
72.0	34.0	0.38	0.33	0.13	71.398
72.0	37.0	0.38	3.33	1.26	72.238
76.08	32.0	4.46	-1.67	-7.43	71.736
76.08	34.0	4.46	0.33	1.49	72.296
76.08	37.0	4.46	3.33	14.86	73.136

CGP_C: mean centered values of CGP

DM_C: mean centered values of DM

Figure 1 shows the plots of county performance for increasing values of corporate governance practices at low, moderate and high diversity management. It is noticeable that there is a linear relationship between corporate governance practices and county performance at either low, moderate or high levels of diversity management.

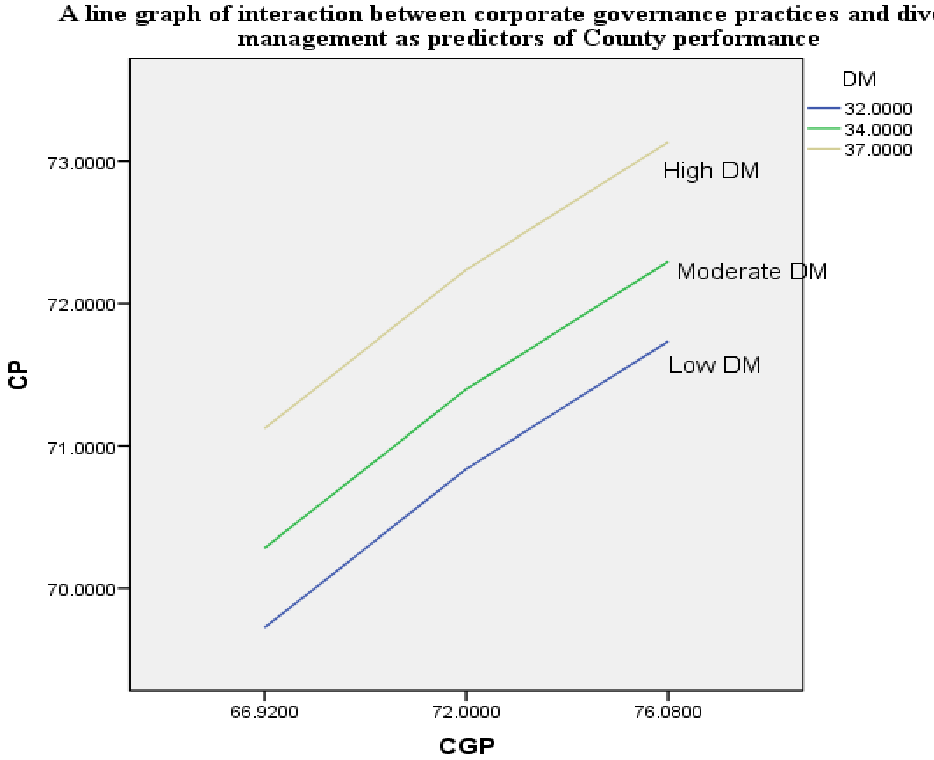

Figure 1: Interaction between Corporate Governance Practices and Diversity Management as predictors of County Performance

In regards to whether, there is a moderation effect due to interaction of Corporate Governance Practices and Diversity Management, the slope of the three lines are observed. There is visibly no difference in the slopes (gradient) of the plot of CP against CGP either at low, moderate or high levels of DM. This concludes that there is no visible interaction effect of Corporate Governance Practices and Diversity Management on the performance of counties. However, Figure 1 shows that there are visible main effects of diversity management. This is because the elevation of the plot of CP at moderate DM is above the plot of CP at low DM for the same values of CGP. Similarly, the plot of CP at high DM is above that of moderate DM for the same values of CGP.

4.3 Conclusion of Moderation Test

After testing all the three regression in the hierarchical series for moderation analysis, results show that the main effect of corporate governance practices when regressed alone is significant in predicting county performance. Addition of diversity management as a second independent variable (hence, two main effects) diminishes the initial effect of corporate governance practices. However, the combined main effects of corporate governance practices and diversity management increased the amount of variation predicted in county performance albeit insignificantly.

Finally, results have established no moderation effect of diversity management and corporate governance practices. The interaction term in the third model had no meaningful influence on the performance of county. The regression coefficient of the interaction term was literally zero at three decimal places. Therefore, this study recommends removing of the interaction term in the final equation thereby remaining with only the main effects of corporate governance practices and diversity management. The main effects only explain the contribution of the independent variables severally in controlling of each other and holding other factors constant. Main effects model has nothing to do with moderation because of the absence of the interaction term.

5.0 SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

The first objective was to determine the effect of corporate governance practices on county performance. Corporate governance practices had moderate Pearson's correlation of 25.2 percent with a corresponding coefficient of determination of 6.3 percent in Table 4 of the model summary. This means that 6.3 percent of the variations in county performance was associated with variations in corporate governance practices. Based on the F change and ANOVA statistics, this accountability had a significance of 0.05, which was just at the critical significance level of 5 percent set for the study. It is therefore inferred that corporate governance practices had a statistically meaningful association to County performance. Table 6 also shows that the main effects of corporate governance practices in the first regression model was significant at the observed p-value of 0.05 with 0.246 as the regression coefficient. Therefore, a marginal increase in corporate governance practices is associated to 0.246 units increase county performance holding other factors constant.

The second objective of the study was to determine the main effects of corporate governance practices and diversity management on county performance. The study found that the Pearson's correlation was only 29.4 percent with coefficient of determination of 8.6 percent observed in Table 4 of the model summary. This means that the main effects of corporate governance practices and diversity management associated to 8.6 percent of the variation in county performance.

The coefficient of determination (R Square) of 8.6 percent represents 2.3 percent increase (R Square change) in prediction from 6.3 percent when regression model had the main effect of corporate governance. However, the significance of the F-change corresponding to this increment was not significant with a p-value of 0.235, which is more than 5 percent. This second regression model is a main effects model and the increase in prediction does not infer any moderation yet.

The third objective of the study was to determine the effects of corporate governance practices, diversity management, and their interaction on county performance. Addition of the interaction between corporate governance practices and diversity management formed the basis of assessing moderation effect. Moderation is statistically inferred only when the interaction term has significant effect on county performance. The statistical significance of moderation is also determined by the significance of the F-Change when moving from a main effects model (model 2) to the interaction effects model (model 3). A significant F-Change denotes meaningful moderation effect.

The study found that the Pearson's correlation for these three predictors (interaction tern included) remained at 29.4 percent with a coefficient of determination of 8.6 percent. This represents no increment or increase in prediction from model two (main effects model). There was no visible R Square change in Table 4 and neither was the regression coefficient of the interaction significant in Table 6 with a p-value of 0.997, almost near unity hence showing no probable association of the interaction term and county performance. Therefore, the third regression model in the hierarchical series shows no moderation effect of diversity management on the relationship between Corporate Governance Practices and county performance.

5.2 Conclusion

The study aimed at determining the moderating effect of diversity management on the relationship between corporate governance practices and county performance. Descriptive statistics show that counties practiced corporate governance to an extent that coincided with county performance. These brought about meaningful linear relationship between corporate governance practices and county performance. The addition of diversity management to corporate governance practices improved the prediction of county performance although in a statistically insignificant way.

To test for moderation, the study added the interaction between corporate governance practices and diversity management as a third variable in the regression model. The interaction had no meaningful influence in increasing the prediction power of the main effects model of corporate governance practices and diversity management. Therefore, the study concludes that there was no moderation effect of diversity management on the relationship between corporate governance practices and county performance. It is empirically justifiable to remove the interaction term from the third regression model to remain with the main effects model as predictors of county performance.

5.3 Recommendations

The study recommends that counties should continue practicing corporate governance. They should separate management body from boards for proper oversight. The counties should formulate policies in line with promoting career development and inclusiveness of the public opinions for transparency. Such practices of corporate governance will possibility augment the performance of counties because these two variables were significantly associated. The study commends the management of diversity observed in the counties because its combined main effect with corporate governance practices had more association to county performance than when considering corporate governance independently.

5.4 Suggestion for Further Research

The findings observed in this survey do not infer any causal relationship between the independent variables (corporate governance practices and diversity management) and the dependent variable (county performance). This study recommends an experimental analysis on the main effects of corporate governance practices and diversity management on county performance in order to be sure that the variation in county performance is directly due to variations in latter main effects.

REFERENCES

Adebayo, O. S., Olusola, A. G., & Abiodun, O. F. (2013). Relationship between corporate governance and organizational performance: Nigerian listed organizations experience. *International Journal of Business and Management Invention (2)*, *9*, 1-6.

Al Matari, E. M., Al Swidi, A. K., & Fadzil, F. H. B. (2014). The moderating effect of board diversity on the relationship between executive committee characteristics and firm performance in Oman: Empirical Study. *Asian Social Science*, *10*(12), 6.

Allen, B. J. (1996). "Feminist Standpoint Theory: A Black Woman's Review of Organizational Socialization". Communication Studies 47 (4): 257-71.

Armstrong, M. (2006). Managing Performance: Performance Management in Organizations.

Baron, R. M., & Kenny, D. A. (1986). The moderator-mediator variable distinction in social psychological research:. *Journal of Personality and Social Psychology, 51*(6), 173-1182. Retrieved from https://www.ncbi.nlm.nih.gov/pubmed/3806354

Bebchuk, L., Cohen, A., & Ferrell, A. (2014). *What Matters in Corporate Governance*? Working paper, Harvard Law School, Cambridge.

Bolo, Z. (2014). Top Management Team, Diversity Management Strategies and Performance of Commercial Banks in Kenya. *DBA Africa Management Review*, *4*(2).

Cho, D.S., Kim, J. (2003), Determinants in introduction of outside directors in Korean companies, *Journal of International and Area Studies*, Vol. 10 No. 1, pp. 1 -20.

CMA (2008), Capital markets Authority Annual Report 2009. CMA Nairobi.

Cohen, D. (2001), In Good Company: How Social Capital Makes Organizations Work, Harvard Business School Press, Boston, MA.

Hsu, W.-H. L., Wang, G. Y., & Hsu, Y.-P. (2012). Testing Mediator and Moderator Effects of Independent Director on Firm Performance. *International Journal of Mathematical Models and Methods in Applied Sciences*, *5*(6), 698-705. Retrieved from http://naun.org/main/NAUN/ijmmas/16-368.pdf

Latham, G. P., Locke, E. A., & Fassina, N. E. (2002). The high-performance cycle: Standing the test of time. *Psychological management of individual performance*, 201-228.

Lee Cooke, F., & Saini, D. S. (2012). Managing diversity in Chinese and Indian organizations: A qualitative study. *Journal of Chinese Human Resources Management*, *3*(1), 16-32.

Mudanya, R.M. (2014). Effect of Diversity Management on Performance of Technical University of Mombasa.

Nandasaba, D. M. (2010). Corporate governance practices and performance of Coffee farmers' cooperative societies in Bungoma county (Doctoral dissertation, University of Nairobi, Kenya).

Ndikwe, T. K., & Owino, E. O. (2016). Corporate Governance and Financial Performance of Public Schools in Kenya.

Park, A., & Wang, S. (2010). Community-based development and poverty alleviation: An evaluation of China's poor village investment program. *Journal of Public Economics*, *94*(9-10), 790-799.

Rezaee, Z. (2009). *Corporate governance and ethics*. John Wiley & Sons.

Ugwuzor, M. (2014). Workforce diversity management and corporate performance of firms in Nigeria. *International Journal of Business and Management Review*, *2*(4), 36-46.