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Corporate Governance Principles and Performance of Large Manufacturing Firms in Kenya

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ABSTRACT

The contribution of Kenya's manufacturing sector to GDP has been constant at 10% on average for more than ten years, according to the KNBS Report of 2015. Manufacturing sectors have continued to face myriad of challenges ranging from disclosure and transparency, corporate transactions and financial performance monitoring. The specific objectives of the study were, to determine the relationship between corporate governance principles and performance of large manufacturing firms in Kenya. The study was anchored on the Resource Dependence Theory and the stakeholder theory. The study target population was the large manufacturing firms. The study adopted mixed research approach. A cross-sectional survey design was adopted. The unit of observation was the top key managers in the key departments (procurement, operations and finance) of the large manufacturing firms. The correlation analysis results established there existed a strong positive significant correlation of r=0.656 and p-value<0.001 between corporate governance principles and performance of large manufacturing firms in Kenya. The coefficient of determination the adjusted R-square (R2) for this relationship was calculated to be 0.421. This finding suggests that corporate governance principles accounted for 42.1% of the observed differences in the performance of large manufacturing firms in Kenya. Additionally, it can be inferred that 57.9% of the observed variances in the performance of large manufacturing firms in Kenya may be attributed to other factors not included in the model. This study provides the following suggestions for Kenyan manufacturing companies to enhance their corporate governance processes and performance is to strengthen the autonomy and proficiency of the board. To guarantee the provision of impartial monitoring and the protection of the best interests of all shareholders, it is necessary to enhance the representation of independent directors on boards.

Keywords: Corporate Governance Principles; Performance; Large Manufacturing Firms; Kenya

1.1 Introduction

The manufacturing industry is historically deemed as the driver of economic growth, and development (Herman, 2016). Thus, effective governance of the sector through systems of rules, practices, and processes is increasingly becoming vital to practitioners and policy makers. Manufacturing has always been seen as the engine of economic development (Herman, 2016). Corporate governance failures are primarily to blame for the demise of numerous firms in various economic sectors globally and in Africa, notably sub-Saharan Africa (SSA) (Banahene, 2018).

For instance, the United States stock market catastrophe in 1929 sparked a revolution in securities rules and the scandals involving Enron, Parmalat, Xerox, Anderson, Merrill Lynch, and WorldCom in the late 1900s, substantial attention was paid to corporate governance in many industrialized markets (Alimehmeti & Paletta, 2014). Due to a significant enforcement gap, insufficient board independence, unbalanced authority, and inadequate disclosure, the degree of corporate governance adherence is low in many SSA nations, including Nigeria, South Africa, and Ghana (Moyo, 2010). The studies by Yameen, Farhan and Tabash (2019) and Alalade et al. (2019) have demonstrated that better corporate governance practices are necessary for greater levels of business performance. However, the literature on corporate governance claims that the ownership structure is partially related to the level of performance of enterprises as a result of corporate governance practices (Obembe & Soetan, 2015). For instance, in Ghana, it has been stated that foreign-owned businesses perform better than locally-owned businesses due to disparities in the adherence to corporate governance laws (Sarpong-Danquah, Oko-Bensa-Agyekum & Opoku, 2022). A study done in Zimbabwean manufacturing sector revealed that corporate governance proxies were responsible for performance of the manufacturing sectors (Siwadi, Miruka & Ogutu, 2015). In Kenya, the manufacturing sector contributes about 11.1% of Kenya's wage employment in the manufacturing sector (KIPPRA, 2019). After agriculture and transportation and communication, manufacturing is the third largest industrial sector (KPMG, 2014). Despite being the most industrially developed country in East Africa, Kenya's manufacturing sector contribution to GDP from about 9% in 2016 to 15% by 2022 (KNBS, 2018).

The manufacturing industry in the seven nations of Eastern Africa is much smaller compared to Vietnam, despite the fact that Vietnam's population is just one-third the size of the combined population of the seven countries. This indicates a considerable potential for expansion in the manufacturing sector in Eastern Africa. The local manufacturing industry in Kenya plays a significant role in the country's economic growth. In 2019, the manufacturing industry in Kenya saw a growth rate of 3.5%, while in 2018; it expanded at a rate of 3.2%. This sector contributed 10.3% to the country's gross domestic

product (GDP), according to the Kenya National Bureau of Statistics (KNBS) in 2020. On average, manufacturing has seen a slower growth rate compared to the overall economy, which saw a 5.6% expansion in 2020. This indicates that the proportion of manufacturing in the Gross Domestic Product (GDP) has been declining over time. As a result, one may argue that Kenya is experiencing premature deindustrialization in an environment where its manufacturing and industrial sectors are still relatively undeveloped. Kenya seems to have reached its highest point at a much lower level compared to several countries in Asia. The industry plays a crucial role in the Vision 2030 plan to elevate the nation to middle-income status by 2030. According to KPMG (2021), the manufacturing sector ranks third among industrial sectors, behind agriculture, transport, and communication. Despite being the most industrially advanced nation in East Africa, Kenya's manufacturing industry contributes just 10 percent of the overall industrial sector's contribution to the country's GDP (RoK, 2018).

1.1.1 Corporate Governance Principles

Corporate governance refers to the association management of a firm, its stakeholders and the shareholders (OECD, 2015). According to McCahery, Sautner, and Starks (2016) Corporate governance principles refers to the way a company is managed, monitored, and management is held accountable for their actions. Corporate governance principles are also defined as the relationship between the company's board of directors, managers, and external stakeholders (Asogwa, Ofoegbu, Nnam & Chukwunwike, 2019). The structure through which corporations are managed, governed, and held accountable is known as corporate governance (Solomon, 2020). Ideally, good corporate governance principles is meant to be attractive to both the management of organizations and the board (Velnampy, Sivathaasan, Tharanika, & Sinthuja, 2014).

According to Bekele (2012), a strong corporate governance structure promotes market integrity, boosts economic efficiency and growth, and improves investor confidence. The impact of corporate governance mechanisms on improving firm performance has been extensively researched in both developed and developing countries. Several studies have examined this topic, including works by Klein et al. (2005), Cheng et al. (2011), Nordberg and Booth (2019), Arosa et al. (2013), Zhou et al. (2018), Lenz et al. (2018), Mihret et al. (2010), Mihret and Yismaw (2007), and Adedeji et al. (2019). In empirical research, corporate governance is often assessed by examining many factors, including the features of the board of directors, the efficacy of internal audit, the presence of CEO duality, the composition of the audit committee, and the connection between internal and external auditors. In this work, we have hypothesised the involvement of shareholders in corporate governance processes, based on these traditional indicators. The corporate governance approach in industrialised nations, characterised by robust shareholder legislation and other requirements, differs significantly from that in developing countries. In most African countries such as Ethiopia, which lack robust shareholder legislation, capital market rules, and effective company laws, the involvement of shareholders in the appointment, monitoring, and control of the board of directors is of utmost importance. This approach contradicts the traditional perspective of agency theory (Jensen and Meckling, 1976) which states that shareholders should not intervene in the decision-making process of a firm as it would jeopardise the independence of the board of directors (BDI).

1.1.2 Organizational Performance

The concept of organizational performance of a business firm is based upon the idea that an organization is the voluntary association of productive assets, including human, physical, and capital resources, for the purpose of achieving a shared purpose (Carton, 2014). It is said that the essence of performance is the creation of value. Therefore, value creation, as defined by the resource provider, is the essential overall performance criteria for any organization. Organizational performance is defined as actual output against intended output (Ngui, 2015). Performance excellence in an organization is the ultimate goal of all organizations (Karisa & Wainaina, 2020). Organizational performance can be defined as the yield or output of the company measured against the planned production (Katua, Mukulu, & Gachunga, 2014). Performance measurement is an essential element in realizing organization objectives and goals. It is necessary for managers operating to familiarize themselves with factors that influence a company's performance (Haddadi & Yaghoobi, 2016). In order for firms to survive the strain of world-class competition, measuring organizational performance has become an increasingly crucial issue (Al-Syaidh, Masa'deh, & Al-Zu'bi, 2015; Mahadeen, Al-Dmour, Obeidat, & Tarhini, 2016).

A business organization could measure its performance using the financial and non-financial measures. The financial measures include profits, return on assets, return on investment and sales, while the non-financial measures focus on issues pertaining to customer`s satisfaction and customer`s referral rates, delivery time, waiting time and employee`s turnover. Bucklin and Sengupta, (2020) claim that financial measures of performance, such as sales and profit, may not clearly reflect the quality of the firms' performance. Financial measures are objective, simple and easy to understand and compute, but in most cases, they suffer from being historical and are sometimes not readily available in the public domain. Geringer and Hebert (2018) suggest that financial data are often not published, and when that type of data is made public, it will be merely incorporated in calculations of financial performance. In fact, a financial measure is unlikely to capture the relative performance of the firms.

1.2 Statement of the Problem

Manufacturing sectors have continued to face myriad of challenges ranging from disclosure and transparency, corporate transactions and financial performance monitoring (OECD, 2020). Large manufacturing enterprises in Kenya have also been affected by the current rise in corporate crisis and failure instances, which has sparked greater media and public interest in corporate governance than ever before. In the face of fierce competition and divergent stakeholder interests, corporate governance directs a company in areas of responsibility, integrity, and quality of product and service offerings. In order for shareholders to receive a return on their investment, corporate governance is concerned with safeguarding them against the directors' self-interest. Every success story of organizations in different industries, large manufacturing being no exception has been linked to adherence to corporate

governance. Companies with effective corporate governance practices run their businesses more effectively, which boosts company performance. Any laxity in corporate governance has been demonstrated to have negative consequences on performance and eventually lead to the demise of even very large enterprises. Lack of internal controls, flaws in superior and restrictive systems, bad corporate governance procedures, and conflicts of interest are some of the causes of past poor governance systems that have led to subpar performance.

1.3 Research Objective

To determine the relationship between corporate governance principles and performance of large manufacturing firms in Kenya.

1.4 Research Hypothesis

Ho_1: There is no significant effect of Corporate Governance Principles on Performance of Large Manufacturing firms in Kenya.

2.0 LITERATURE REVIEW

2.1 Theoretical Literature

2.1.1 Resource Dependence Theory (RDT)

Resource Dependence Theory (RDT) was incepted by Birger Wernerfelt in 1984 and draws from both sociology and management. The theory takes a strategic view of CG and explains how the firm's external resources influence its behavior (Hitt, Xu, & Carnes, 2016). The theory examines a firm's unique blend of resources, competencies, capabilities, and intangibles to analyze and determine its strategic advantages (Hitt, et al., 2016). Therefore, acquiring external resources is essential for any organization's strategic management. Resource dependence theory focuses on the appointment of representatives of independent organizations as a way to acquire access to the resources necessary for firm success with respect to the external environment because every company depends on resources (Paniagua, Rivelles, & Sapena, 2018). The theory also focuses on the function of directors in getting access to firm's resources needed for development (Chen, Hsu, & Chang, 2016).

2.1.2 Stakeholder Theory

Stakeholder theory was coined by Edward Freeman in 1984. According to the stakeholder theory, businesses are social entities that have an impact on a variety of stakeholders' welfare. According to Mitchell, Van Buren, Greenwood, and Freeman (2015), an organization is a system of stakeholders acting inside the wider system of the host society that offers the essential societal, governmental, and economic infrastructure for the firm's operations. The organization's goal is to increase the wealth or value of its stakeholders by transforming their stakes into commodities and services (Mitchell et al. 2015). They went on to say that the secret to achieving this was to give those firm participants who control or contribute critical, specialized inputs (organization-specific human capital) a stronger voice and ownership-like incentives, and to align their interests with those of independent, passive shareholders. Mulili and Wong (2011) contends that an organization's success is determined by its capacity to generate value for all of its constituents. According to the resource dependency theory, a firm's capacity for successful interaction with the outside world can also give it a competitive edge (Okpara, 2011). Corporations that incorporate stakeholder concerns into their decision-making processes employ a proactive strategy and build the requisite governance structures (Schouten, Wade & Wit, 2006). This theory explains the study the relationship between strategic management practices and performance.

2.2 Empirical Literature Review

2.2.1 Corporate Governance Principles and Performance of Large Manufacturing Firms

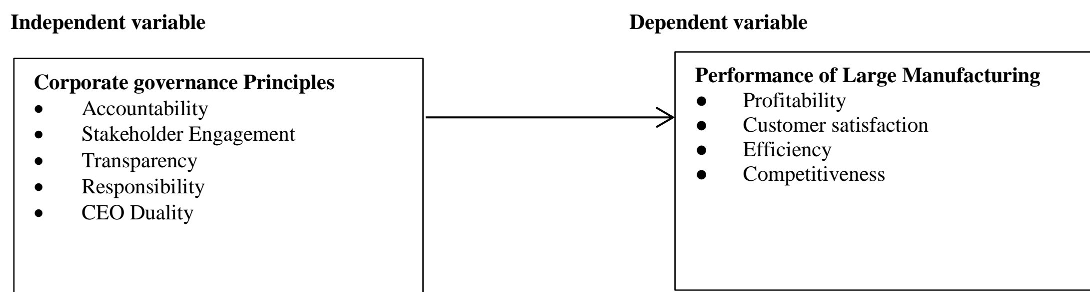
The research conducted by Kyere and Ausloos (2021) empirically investigated the influence of effective corporate governance on the financial performance of non-financial listed companies in the United Kingdom. The conceptual paradigm is based on agency theory and stewardship theory. The study analyzed five corporate governance systems using cross-sectional regression techniques to assess their impact on two financial performance indicators: return on assets and Tobin's Q. The empirical test conducted on 252 businesses listed on the London Stock Exchange in 2014 reveals that corporate governance procedures may have a good or negative influence on financial performance, or occasionally no impact at all. The research findings demonstrate that selecting appropriate corporate governance measures may improve a corporation's financial performance.

In their study, Puni and Anlesinya (2019) investigated the impact of corporate governance mechanisms, as suggested by the Securities and Exchange Commission (SEC) of Ghana, on the performance of listed Ghanaian companies. The researchers measured performance using accounting-based ratios such as return on assets, return on equity, and earnings per share, as well as the market-based measure known as Tobin's Q. The study covered the period from 2006 to 2018. The mechanisms include board composition, which encompasses factors such as board size, the presence of internal directors and outside directors. Additionally, board committees such as audit, compensation, and nomination play a role. The duality or separation of the chief executive officer (CEO), board meetings, and shareholder concentration are other important mechanisms. The research used panel regression analysis to examine the impact of corporate governance variables mandated by the Securities and Exchange Commission (SEC) of Ghana on business performance. The analysis was conducted using data from 38 publicly traded companies in Ghana spanning from 2006 to 2018. Information was obtained from the yearly

financial statements of publicly traded corporations. The research discovered that having both individuals with internal and external affiliations on the company's board of directors enhanced the financial performance. Likewise, the dimensions of the board, the regularity of board meetings, and the concentration of shareholders all tended to have a favorable influence on financial success. Nevertheless, the existence of board committees often resulted in a detrimental effect on financial performance, while CEO duality had no discernible influence on financial success. This research enhances the comprehension of how effective corporate governance practices impact the success of companies, benefiting both scholars and specifically policymakers in Ghana. This research aims to enhance the comprehension of the impact of effective corporate governance standards on the performance of big manufacturing enterprises in Kenya, benefiting both academics and industry professionals.

Kariuki, Ombaka, and Mburu (2021) investigated the impact of corporate governance on the performance of Kenyan public universities and discovered that corporate governance had a statistically significant impact on performance. The research was based on the principles and concepts of social network theory. The study aimed to accomplish its purpose by using a pragmatic attitude and utilizing a mixed research approach. The target population consisted of 234 senior managers from various universities. Data was gathered via the use of a Likert scale questionnaire consisting of 5 points and an interview guide. The data was examined using both descriptive and inferential statistics. The findings indicate that corporate governance has a statistically significant impact on the performance of public universities in Kenya. This research determined that adhering to effective corporate governance procedures is a crucial strategy that Public Universities may use to enhance their performance. University senior administrators should strictly adhere to excellent corporate governance principles, particularly by following management rules, promoting public engagement, and maintaining transparency in their operations. Moreover, the findings have significant ramifications for senior administrators at universities, as well as for other business organizations, policymakers, and stakeholders in the global higher education system, including Kenya. The research was conducted using a mixed research design. Questionnaires and interview guides were used to collect data then analyzed using descriptive and inferential statistics.

2.3 Conceptual framework



3.0 Research Methodology

3.1 Research Philosophy

This study will adopt pragmatism research philosophy incorporates both qualitative and quantitative research questions. Because the qualitative paradigm is based on subjectivism and interpretivism, whereas the quantitative paradigm is based on objectivism and positivism, it is referred to as scientific research (Ma, 2012; Creswell, 2014). The qualitative paradigm is based on the existence of multiple realities that are constructed by the researcher (Bryman, 2012; Creswell, 2014). Hence having mixed methods will address the shortcomings of both qualitative and quantitative paradigm.

3.2 Research Design

The study will use a cross-sectional survey design. The research design provides a framework for data collection, measurement, and analysis. This research strategy has been adopted by several writers in Kenya (Fwaya, Odhuno, Kambona, & Odhuon, 2012; Sasaka, Namusonge & Sakwa, 2014). This architecture has the advantage over others in that data may be gathered more rapidly and affordably. This is significant because variable characteristics do not change significantly over the short period of data collection (Kothari & Garg, 2014). A cross-sectional survey design uses quantitative research methods. Researchers can use questionnaires and interviews to collect data using a cross-sectional survey design on activities, circumstances, or beliefs at a certain time.

3.3 Target Population

The population of the study will the large manufacturing firms in Kenya listed at Nairobi Securities Exchange 2022. The top key managers in any of the crucial divisions (operations, finance, and procurement) of the significant manufacturing companies listed by KAM will serve as the unit of observation. The unit of observation will be the top key managers who will include the procurement and production managers because they are familiar with the area of the study and would readily provide the data required by the study. As argued by Kothari and Garg (2014), census approach enhances the generalizability of the research findings. This is due to the fact that it eliminates both the sampling error and sampling bias. Two-line managers will be

purposely selected from each target department (operations, and finance). The researcher will randomly select an officer from the production department owing to the fact that they get affected by the business environment. Three senior managers at the policy and strategy level will be included since they are responsible for policy and strategy formulation and implementation. This will sum to nine participants from each institution summing the number of participants to 81 (9*9).

3.4 Data Collection Procedures

The study used mixed method approach by using both qualitative and quantitative data. Qualitative data will be extracted from secondary data sources like performance reports and empirical reviews. Quantitative data will be obtained through structured questionnaires which will be distributed to the respondents. The respondents will have the option of answering the structured questions on a 5 (five) point Likert style scale with answers ranging from strongly disagree to strongly agree. The structured questions aim at giving respondent an opportunity to choose from listed alternatives. This study will use primary to establish the relationship between corporate governance principles, strategic management practices, business environment and performance of large manufacturing firms in Kenya.

3.5 Pilot Testing

Pilot testing, in particular, aids in identifying design and equipment flaws and provides proxies for sample selection. A sample equivalent to 10% of the study population as suggested by Koopman (2015) will be used to obtain a pilot group hence 1 large manufacturing firm will be realised. Kothari and Garg (2014) direct that the pilot group should not be allowed to participate in the main study because they could bring biased outcome and replications, and therefore the 9 pilot study participants from the large manufacturing firm won't be allowed to participate in the main study.

4.0 DATA ANALYSIS AND RESEARCH RESULTS

4.1 Demographic Characteristics

Table 1 shows the Demographic Characteristics of the respondents, indicating that 55.1% identified as male and 44.9% identified as female. This point's to the fact that the study had an equal number of male and female participants represented in it. The research revealed that out of the total respondents, 69 individuals were above the age of 55, accounting for 63.8% of the sample. Additionally, 15 respondents fell within the age range of 31–54, constituting 21.7% of the participants. Furthermore, 10 respondents were below the age of 30, representing 14.5% of the sample. This finding suggests that a significant proportion of the participants had direct exposure to and personal experience with problems related to the governance and performance of the companies.

The data indicates that 34 respondents, accounting for 49.1% of the total participants, had a bachelor's degree. Additionally, 27 respondents, representing 39.1% of the participants, held a master's degree. Furthermore, it is worth noting that out of the total number of participants, 5 individuals, accounting for 7.2% of the sample, had doctoral degrees. Out of the respondents, 2 individuals, accounting for 2.9% of the total, had a post-secondary certificate. Additionally, 1 respondent, constituting 1.4% of the sample, reported having an education level different than those specified. This suggests that the majority of respondents (95.4%) possessed both undergraduate and postgraduate certificates, indicating that they had a sufficient level of knowledge regarding corporate governance and the performance of manufacturing firms.

Table 1: Demographic Characteristics

Demographic Profile		**Percentage (%)**
Gender	Male	55.1
	Female	44.9
Age	Less than 30	14.5
	Between 31to54 years	21.7
	More than 55 years	63.8
Level of Education	Post-Secondary Certificate	2.9%
	Bachelor's Degree	49.3
	Master's Degree	39.1
	Doctorate	7.2
	Others	1.4

Length of Service	Less than 1 year	13.0
	Between 2 and 5 years	23.2
	More than 6 to 10 years	39.1
	More than 10 years	24.6

According to the data shown in Figure 6, it can be seen that 13% of the participants reported having work experience of less than 1 year with the company, while 23.2% indicated a work tenure ranging from 2 to 5 years. 39.1% of the individuals had been employed for a duration of 6 years, while the same percentage had worked for a period of 10 years. In addition, individuals employed for over 10 years accounted for 24.6% of the total. A large proportion of the participants, who had substantial expertise, had been employed in the studied manufacturing enterprises for a considerable duration, suggesting their credibility and reliability in providing insights on the subject being investigated. Moreover, it is important to acknowledge that a longer duration of work indicates that the employees have withstood the test of time, hence enhancing the credibility and reliability of their insights pertaining to the subject being investigated.

4.2 Hypothesis Testing

4.2.1 Effect of Corporate Governance Principles on Performance of Large Manufacturing firms in Kenya.

The accomplishment of this objective was realised by the systematic examination of the proposed hypothesis in the following manner:

Ho_1: There is no significant effect of Corporate Governance Principles on Performance of Large Manufacturing firms in Kenya.

The use of basic linear regression, which produced the regression coefficients, coefficient of determination (R-squared), analysis of variance (ANOVA), and model coefficients, allowed for the evaluation of the hypothesis' statistical significance. The examination included assessments of goodness of fit in terms of overall significance, individual significance, and diagnostic testing. The aforementioned results are shown in Table 2, Table 3, and Table 4.

Table 2: Corporate Governance Principles Model Summary

R	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**	**Change Statistics**				
				R Square Change	**F Change**	**df1**	**df2**	**Sig. F Change**
.656[a]	.430	.421	.33447	.430	50.532	1	67	.000

a. Predictors: (Constant), Corporate Governance Principles

The findings in Table 2 shows the model summary of the analysis and the model results demonstrated a high level of accuracy in predicting the effect of the independent variable, corporate governance principles, on the performance of large manufacturing firms in Kenya. The coefficient of determination the adjusted R-square (R^2) for this relationship was calculated to be 0.421. This finding suggests that corporate governance principles accounted for 42.1% of the observed differences in the performance of large manufacturing firms in Kenya. Additionally, it can be inferred that 57.9% of the observed variances in the performance of large manufacturing firms in Kenya may be attributed to other factors not included in the model**.**

Table 3: Corporate Governance Principles ANOVA

Model	**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
Regression	5.653	1	5.653	50.532	.000[b]
Residual	7.495	67	.112		
Total	13.148	68			

a. Dependent Variable: Performance

b. Predictors: (Constant), Corporate Governance Principles

In order to assess the statistical performance of the regression model used in this work, an analysis of variance (ANOVA) test was conducted. The results of analysis of variance (ANOVA) test are shown in Table 3. The analysis of variance (ANOVA) findings ($F(1, 67) = 50.532$, p-value = 0.000) suggest that the regression model exhibited statistical significance and effectively captured the associations between corporate governance principles and the performance of large manufacturing firms in Kenya.

Table 4: Corporate Governance Principles Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
(Constant)	.947	.416		2.276	.026	.116	1.777
Corporate Governance Principles	.753	.106	.656	7.109	.000	.542	.964

a. Dependent Variable: Performance

The effect of corporate governance principles was found to be statistically significant at the individual level ($\beta = 0.753$, $t = 7.109$, p-value $= 0.000 < 0.05$), as shown in Table 4. This finding suggests that there is a positive relationship between corporate governance principles and the performance of large manufacturing firms in Kenya. Specifically, for each unit increase in corporate governance principles, there is a corresponding gain of 0.753 units in performance of large manufacturing firms, assuming all other parameters remain the same. The relationship between the variables may be mathematically represented by the equation $\mathbf{Y = 0.947 + 0.753X}$. The correlation between the variables is positive. In conclusion, the findings of this study offer empirical support for the notion that corporate governance principles has a significant impact on the performance of large manufacturing firms in Kenya. As a result, the null hypothesis (Ho1), which posited that *there is no significant effect of Corporate Governance Principles on Performance of Large Manufacturing firms in Kenya*, was rejected. Consequently, the researcher concluded that there is indeed a significant effect of Corporate Governance Principles on Performance of Large Manufacturing firms in Kenya.

Result Discussions

Accordingly, the study findings which led to the rejection of the null hypothesis established that performance of large manufacturing firms in Kenya was significantly and positively influenced by corporate governance principles. This is evident from the findings that there was strong positive correlation between corporate governance principles and performance of large manufacturing firms in Kenya and that variation in performance of large manufacturing firms in Kenya can be explained by a unit change in corporate governance principles. Effectively, this means that an enhancement in the quality of practice of corporate governance principles will increase performance of large manufacturing firms in Kenya. The study therefore established that corporate governance principles greatly and positively impacts the performance of large manufacturing firms in Kenya in several areas namely; Accountability, Stakeholder Engagement, Transparency, Responsibility and CEO Duality. This confirms a statistically significant positive effect of that variation in performance of large manufacturing firms in Kenya can be explained by a unit change corporate governance principles on performance of large manufacturing firms in Kenya hence the basis for rejection of the null hypothesis ($H0_1$) that There is no significant relationship between corporate governance principles and performance of large manufacturing firms in Kenya in line with Kariuki, Ombaka, and Mburu (2021) whom investigated the impact of corporate governance on the performance of Kenyan public universities and discovered that corporate governance had a statistically significant impact on performance.

5.0 CONCLUSIONS AND RECOMMENDATIONS

The study examined the effect of corporate governance principles and performance of large manufacturing firms in Kenya using a simple regression model. The correlation analysis results established there existed a strong positive significant correlation of r=0.656 and p-value<0.001 between corporate governance principles and performance of large manufacturing firms in Kenya. The coefficient of determination the adjusted R-square (R^2) for this relationship was calculated to be 0.421. This finding suggests that corporate governance principles accounted for 42.1% of the observed differences in the performance of large manufacturing firms in Kenya. Additionally, it can be inferred that 57.9% of the observed variances in the performance of large manufacturing firms in Kenya may be attributed to other factors not included in the model**.** As a result, the null hypothesis (Ho_1), which posited there is no significant relationship between corporate governance principles and performance of large manufacturing firms in Kenya was rejected. Consequently, the researcher concluded that there is indeed a significant effect of corporate governance principles on performance of large manufacturing firms in Kenya. This finding implies that of performance of large manufacturing firms in Kenya exhibits positive and significant correlation with corporate governance principles accounting for significant 42.1% of performance of large manufacturing firms in Kenya.

This study provides the following suggestions for Kenyan manufacturing companies to enhance their corporate governance processes and potentially improve their performance: One suggestion for Kenyan manufacturing companies to enhance their corporate governance processes and performance is to strengthen the autonomy and proficiency of the board. To guarantee the provision of impartial monitoring and the protection of the best interests of all shareholders, it is necessary to enhance the representation of independent directors on boards. Recruit board members that possess varied experiences, knowledge, and abilities in order to include a wider array of viewpoints and improve the process of making decisions. Enhance transparency and disclosure by adopting comprehensive and prompt disclosure methods to provide shareholders and stakeholders with precise and pertinent information on the company's financial performance, governance structures, and risk management practices. Further the study recommends strengthening corporate governance frameworks via develop unambiguous and all-encompassing corporate governance norms and laws that are in accordance with globally recognized best practices. Enhance the authority of regulatory agencies to efficiently implement corporate governance norms and rapidly resolve instances

of non-compliance. Enforce the need for prompt and comprehensive reporting on financial performance, governance frameworks, and risk management measures to enhance transparency and disclosure standards.

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