Effect of Board Composition and Structure on performance of Kenya Football Premium League

Paul Tuitoek¹, Simon Kipchumba², Joel Koima¹, and Benard Odero Asienyo³

¹Faculty of Commerce, Kabarak University, Kenya
²Department of Business Administration, Faculty of Commerce, Egerton University, Kenya
³Organizational Development and Project Management Consultant, Bistech Systems, Nakuru, Kenya

ABSTRACT: Football is an “industry” and clubs “businesses” characterized by competition for resources. The opportunities presented by expanding markets and the challenges of an environment characterized by increasing competition require that clubs successfully position themselves to build sustainable, competitive advantage. The main aim of the study was to analyze the effects of board composition and structure on performance of soccer management in Kenya Premium League. The study adopted descriptive research design taking 96 elected officials and 48 employees giving a total of 144 target population who understood key issues of football governance as the target population of the study. The study used probability sampling random sampling technique to select the respondents. Data was collected using both primary data collection tools. Structured questionnaires administered to the selected respondents was used elicit information related to governance structure of the Clubs whereas both structured questionnaire and secondary data collection form was used to collect information related to Kenya Football Premium League Performance. In spite of board membership being drawn from members who were not necessarily footballs, the board lacked wider representation in terms of gender, institutional representation like the government, age variability making the board not to have the face of Kenya, that is most clubs were aligned to specific tribe or counties, the idea which was a replica of their respective boards.

KEYWORDS: Corporate Governance, Football Performance, Corporate Structures

1 INTRODUCTION

1.1 BACKGROUND TO CORPORATE GOVERNANCE

Craig (2005) stated that Corporate Governance is defined and practiced in different ways globally depending upon the relative power of owners, managers and provider of capital. It entails the procedures, customs, laws and policies that affect the way corporations are directed, administered or controlled. An important objective of Corporate Governance is to ensure accountability and transparency for those who are involved in the policy implementation of organizations through mechanisms that will reduce principal agent conflict. Keasey and Wright (1993) define Corporate Governance as a framework for effective monitoring, regulation and control of companies which allows alternative internal and external mechanisms for achieving the laid down objectives. The internal mechanisms include the board composition, managerial ownership, and non-managerial shareholding including the institutional shareholding while external mechanisms includes; the statutory audit, the market for corporate control and stock market evaluation of corporate performance.

Using the agency theory approach (Shleifer and Vishny, 1997) define CG as a process in which suppliers of finance to firms assure themselves of getting a return on their investment. The authors posit that CG is mainly concerned with principal agency problem between ownership and control and it is seen as a set of mechanisms through which outside investors
protect themselves against expropriation by insiders. CG is also defined as the system by which companies are directed and controlled to attain the goals as well as the objectives. It is a set of relationship between the company’s management, its board, its shareholders and stakeholders that provides the structure through which objectives of the company are set and achieved (Cadbury, 1992).

1.2 Board Composition

The board of directors is considered to be the first defense for shareholders’ interest against aggressive management actions. The roles of the board are not only to monitor management actions but also to work with senior management to achieve corporate legal and ethical compliance (BRC, 1999). Board composition not only refers to its size and the independence of directors but also to the processes for nominating new members and to the remuneration system for board members. The independence of the chairperson of the board and the commitment of independent directors are also important factors. It is also argued that diversity of gender influences the behaviour of the board. In relation to these attributes of boards of directors, there is a small amount of literature that exists to support their effectiveness, though no prior study has investigated the direct relationship between these attributes and earnings management. Therefore, it is important to identify whether these proposed attributes of boards of directors have a bearing on the incidence of earnings management. There follows an examination of relevant prior research in order to study the effects of each of these variables.

1.3 Board Structure

Van Der Walt and Ingley (2003) identified some dimension that are implied by the term diversity, they include but are not limited to employing board members of diverse professional backgrounds, gender, age, levels of independence and ethnicity (Van der Walt & Ingley, 2003). They further describe the board of an enterprise as a “pool of social capital”. This, by implication, means that the board can also be seen as an intangible asset to the enterprise, an asset which should add value to the enterprise.

Board size refers to the total number of BOD of an organization and it includes the CEO and Chairman. The board size also includes the number of outside directors, executive directors and NED (Bhagat and Black 2002). The directors are elected by the shareholders at the AGMs and they do retire depending on the Company’s Memorandum of Association. There is no restriction on the number of board members stipulated under the OECD Code on Corporate Governance although the board is required to include a balance of executive and non-executive directors to avoid the board being dominated by one individual. However under the best practices in corporate governance (Finance Committee on Corporate Governance, 2000) it is recommended that every board examine its size so as to ensure optimum effectiveness.

Equally important as board size, company should also focus on board independence. The board is composed of both employee of the organization (executive or insider) and senior or influential nonemployee (non-executive or outsider) (Moffett et al., 2006). At least one-third of the board should be nonexecutive director, a majority of whom should be independent (McGee, 2010). Being independent in this case is they are not currently non-executive; they were not employee of the company in the past years; they do not have current business relationship with the company; they are not an immediate family of an executive officer of the firm and so on. Thus, being non-executive only is not independent enough. Company then should also disclose biographies of its board members and make a statement to define their independence.

1.4 Statement of the Problem

Since the inception of the Football Kenya Federation (FKF) and its leadership, the quality of soccer in Kenya continues to deteriorate. There have been continuous wrangles between the Football Clubs, FKF, the football governing body and the government. Football Clubs on the other hand have a share of their challenges with complaints of players not paid their stipends and poor conditions that discourage players. All these are issues to do with governance which affect football performance. The management of Football in Kenya has faced a myriad of challenges, which include constant leadership wrangles, poorly organized leagues, misused of funds at the federation, lack of sponsors among many challenges. Existing literature that documents governance structure of the Football Clubs and the Football governing body FKF and how board composition and structure affect football performance is scanty of which this study hopes to fill the literature gap by analyzing the effects of board composition and structure on performance of soccer management in Kenya Premium League.'

1.5 Significance of the Study
The present study will contribute to the existing body of knowledge concerning corporate governance practices and firm performance by analyzing the effect of corporate governance practices on performance of Kenya Football Premium League. First, the findings from the study will be of great importance to FKF which is Football Governing Body in Kenya in informing exiting policy on how board composition, board structure, existing reporting practices and corporate leadership structure affect performance of Kenya Football Premium League. Secondly, the findings from the study will be of interest to scholars in corporate governance, sports and more especially football, advertisement and media on how corporate governance practices affect football performance. Third, football being a big entertainment and sports industry with wide patronage, the findings from the study will be of interest to football fans, football logistics companies, and football related equipment producers in understanding how Clubs and FKF board composition, board structure, existing reporting practices and corporate leadership structure affect performance of Kenya Football Premium League.

2 LITERATURE

2.1 INTRODUCTION TO CORPORATE GOVERNANCE

Corporate Governance is the system by which companies are directed and controlled. It specifies the distribution of rights and responsibilities among different participants in the corporation, such as the board, managers, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs. It also provides the structure through which company objectives are set and monitoring performance attained (OECD, 1999). A system of organization governance not only provide framework in which business organization are directed and controlled but helps to provide degree of confidence that is necessary for proper functioning of market economy (OECD, 2004).

According to Denis (2001) the fundamental perception and understanding of the field of CG originated from the fact that there are potential problems associated with separation of ownership and control which was inherent in the modern corporate form of organization and as a result they viewed CG as a structure with a set of institutional and market mechanisms that induce self-interested managers to maximize the value of the residual cash-flow of the firm on behalf of its shareholders. Jensen and Meckling (1976) stated that the agency theory apply to modern corporation and they explained that a manager who owns anything less than 100 percent of the residual cash-flow rights of the firm will tend to have conflict of interest with outside shareholders.

Pati (2005) stated that the boards and managers are accountable for pursuing effective CG. The role of effective CG is of great significance for society as whole and it enhances the efficient use of scarce resources both within the organisation and larger economy, and therefore there is flow of resources to those sectors where there is efficient production of goods and services and the return is adequate to satisfy the demand of the stakeholders. It assists the managers to remain focused on enhancing performance and ensure they are replaced if they fail to perform. CG forces the organisation to comply with laws and regulations in the corporate environment, and helps the supervisors to regulate the economy objectively without favouritism and nepotism. Effective CG enhances the confidence of investors, which encourages them to invest in those economic systems which are doing well. It also decreases the risk of capital flight from an economy and increases the flow and variety of capital in the economy and as a result, the cost of financing is lower therefore firms are encouraged to use resources more efficiently, thereby underpinning growth. CG has become such a prominent topic in the past two decades and it has attracted worldwide attention because of its apparent importance, particularly due to the much-unexpected collapse of giant corporations like Enron, and WorldCom (OECD, 2004).

The set of mechanisms guiding good CG decision making has been introduced in recent years through the enactment of governance codes throughout the world. The corporate financial scandals have made good CG an important tool for investors and other stakeholders. The scandals have resulted in countries introducing codes of good governance to complement their commercial codes or corporate laws and majority of the codes are voluntary. The principles formulated have provided a broad framework for a large number of countries to develop their own specific principles of corporate governance (Monks and Minow, 2002). The broad membership of the Organisation for Economic Co-operation and Development (OECD) and the Commonwealth Association for Corporate Governance (CACG) organizations suggest that these principles reflect the views of a large number of countries with respect to addressing Corporate Governance (CG). The CG principles are minimum benchmarks against which member countries can compare their systems and carry out country specific initiatives (OECD, 1999).

Turnbull (1999) noted that although the principles are important, their limitations need to be recognized. She posits that these principles, which carry notions of codes of best practice, can be misleading. The codes tend to be portraying that they are ethically correct and righteous. She further points out that even if companies follow these principles, there is still no
assurance to the shareholders that the business is either a good investment or ethical. Therefore these principles should be understood as minimum acceptable practices as this will alert investors to the possibility of superior governance standards.

Corporate governance is a uniquely complex and multi-faceted subject. Devoid of a unified or systematic theory, its paradigm, diagnosis and solutions lie in multidisciplinary fields i.e. economics, accountancy, finance among others (Cadbury, 2002). As such it is essential that a comprehensive framework be codified in the accounting framework of any organization. In any organization, corporate governance is one of the key factors that determine the health of the system and its ability to survive economic shocks. The health of the organization depends on the underlying soundness of its individual components and the connections between them. According to Morck, Shleifer and Vishny (1989), among the main factors that support the stability of any country’s financial system include: good corporate governance; effective marketing discipline; strong prudential regulation and supervision; accurate and reliable accounting financial reporting systems; a sound disclosure regimes and an appropriate savings deposit protection system.

Corporate governance has been looked at and defined variably by different scholars and practitioners. However they all have pointed to the same end, hence giving more of a consensus in the definition. Coleman and Nicholas-Biekpe (2006) defined corporate governance as the relationship of the enterprise to shareholders or in the wider sense as the relationship of the enterprise to society as a whole. However, Mayer (1999) offers a definition with a wider outlook and contends that it means the sum of the processes, structures and information used for directing and overseeing the management of an organization. The Organization for Economic Corporation and Development (1999) has also defined corporate governance as a system on the basis of which companies are directed and managed. It is upon this system that specifications are given for the division of competencies and responsibilities between the parties included (board of directors, the supervisory board, the management and shareholders) and formulate rules and procedures for adopting decisions on corporate matters.

In another perspective, Arun and Turner (2002) contend that there exists a narrow approach to corporate governance, which views the subject as the mechanism through which shareholders are assured that managers will act in their interests. However, Shleifer and Vishny (1997), Vives (2000) and Oman (2001) observed that there is a broader approach which views the subject as the methods by which suppliers of finance control managers in order to ensure that their capital cannot be expropriated and that they can earn a return on their investment. There is a consensus, however that the broader view of corporate governance should be adopted in the case of banking institutions because of the peculiar contractual form of banking which demands that corporate governance mechanisms for banks should encapsulate deposits as well as shareholders (Macey and O’Hara (2001). Arun and Turner (2002) supported the consensus by arguing that the special nature of banking requires not only a broader view of corporate governance, but also government intervention in order to restrain the behaviour of bank management. They further argued that, the unique nature of the banking firm, whether in the developed or developing world, requires that a broad view of corporate governance, which encapsulates both shareholders and depositors, be adopted for banks. They posit that, in particular, the nature of the banking firm is such that regulation is necessary to protect depositors as well as the overall financial system governments in their effort to evaluate and improve legal, institutional and regulatory framework for corporate governance in their countries. The above principles also provide guidance in developing good corporate governance for those interested. Even though cultural and institutional differences exist between countries, the underlying principles may allow a more fundamental compatibility.

2.2 Empirical Review of Board Composition

Keys et al. (2003) found significant evidence of a positive relationship between board diversity, proxied by the percentage of women and/or minority races on boards of directors, and firm value, measured by Tobin’s Q. Firms making commitment to increasing the number of women on boards also have more minorities on their boards and vice versa, and that the fraction of women and minority directors increases with firm size but decreases as the number of inside directors increases. Hermelin and Weisbach (2001) contended that board-specific phenomena are not quite explained by principal-agent models and note that current theoretical framework including agency theory does not provide clear-cut prediction concerning the link between board diversity and firm value. On the other hand, firms have in recent years been increasingly pressured by institutional investors and shareholder activists to appoint directors with different backgrounds and expertise, under the assumption that greater diversity of the boards of directors should lead to less insular decision making processes and greater openness to change. There are also strong conceptual and business propositions for diversity. A diverse workforce and diverse leadership within the firm can increase its competitiveness as a great variety of ideas and viewpoints are available for decision-making, attract a larger base of shareholders and employees, and help retain existing as well as potentially gain new minority consumer.

Fields and Keys (2003) conduct an extensive review of empirical research on outside directors and find overwhelming support from who support the beneficial monitoring and advisory functions to firm shareholders. A study by Uzun et al.
(2004) also finds that a higher proportion of independent outside directors is associated with less likelihood of corporate wrongdoing among U.S. companies.

The study by Faisal and Azlinda (2011) finds insignificant relationship between board independence and financial distress among Malaysian listed companies which indicates that the independence of directors may not be enough to act as an effective monitoring mechanism in order to avoid companies from becoming financially distressed. Prabowo and Simpson (2011) also find the share of independent directors on boards of family-controlled companies has an insignificant relationship with firm performance in Indonesian listed firms. Capezio et al. (2011) also find no support for the proposition that the proportion of non-executive directors on the board moderates the association between CEO pay and firm performance in such a way that the association is stronger where the proportion of non-executive directors is higher. On the other hand, Choi et al. (2007) find that outside directors have a significant and positive effect on firm performance among Korean firms. Oxelheim and Randoy (2003) posit that appointing independent Anglo-American directors who are experienced with the more demanding Anglo-American corporate governance system, is likely to signal to foreign investors a commitment to corporate transparency and thus help strengthen investor confidence and enhance the international orientation of the firm.

2.3 Empirical Review of Board Structure

It is important to note that board diversity does not mean “window dressing” purely for the benefit of compliance or placating stakeholders, but rather appointing persons to the board based on their merit and not their physical attributes like skin colour, gender or disability status. Reasons for appointing diverse boards can range from a moral obligation to both workers and stakeholders, access to specific markets e.g. be able to comply with standards set for government tenders, expectations from society that enterprises reflect the society in which they operate, or purely striving to find the people with the best fit with regard to experience, skills or knowledge to enable the enterprise to achieve its strategic goals (Van der Walt & Ingley, 2003). An expectation exists that diversity might alleviate insular decision-making on the board due to the wide spectrum of experience and expertise that a diverse board can offer an enterprise (Young & Thyil, 2008). Enterprises are increasingly being put under pressure by stakeholders to appoint board members with diverse ethnic backgrounds, expertise and gender for this reason.

Prior studies provide evidence on the role of board size in enhancing the monitoring of management. Monks and Minow (1995) and Lipton and Lorsch (1992) suggest that larger boards are able to commit more time and effort, and smaller boards are able to commit less time and effort, to overseeing management. Klein (2002) extends this argument by suggesting that board monitoring is positively associated with larger boards due to their ability to distribute the work load over a greater number of observers. The majority of the previous literature supports this argument, by finding that larger boards are strongly associated with lower levels of earnings management (Peasnell et al., 2000a; Bedard et al., 2004; Xie et al., 2003; Yu, 2008). Yu (2008) find that small boards seem more prone to failure to detect earnings management. One interpretation of this effect is that smaller boards may be more likely to be “captured” by management or dominated by blockholders, while larger boards are more capable of monitoring the actions of top management (Zahra and Pearce, 1989).

Directors on boards that meet frequently are more likely to discharge their duties in accordance with shareholders” interests because more time can be devoted to monitoring issues such as earnings management, conflicts of interest and monitoring management. Conversely, boards that rarely meet may have no time to find out about such complex issues and may perhaps have time only to rubberstamp management plans. Though there is extensive prior research on the independence and size of boards of directors, to the best of my knowledge there are few studies of the impact of board meeting frequency on earnings management. Xie et al. (2003) argue that a board that meets rarely may only have time for signing off management plans and listening to presentations; therefore, they may not have the time to focus 55 on issues such as earnings management. Xie et al. (2003), using a sample of 282 firm-year observations, find that earnings management is significantly negatively related to the number of board meetings.

The second study is conducted by Osma and Noguer (2007) and tests whether the existence of board monitoring committees constrains earnings manipulation for a Spanish sample of quoted companies during the period 1999–2001. Their final sample contains 155 firm-year observations and uses the Jones (1991) model and the marginal model (Peasnell et al. 2000a). They find that the independent nomination committee has a positive significant relationship with earnings management, contradicting agency theory predictions. However, they find that the significant positive relationship between board independence and earnings management is moderated by nomination committee independence.

Board size refers to the total number of BOD of an organization and it includes the CEO and Chairman. The board size also includes the number of outside directors, executive directors and NED (Bhagat and Black 2002). The directors are elected by the shareholders at the AGMs and they do retire depending on the Company’s Memorandum of Association. There is no
restriction on the number of board members stipulated under the OECD Code on Corporate Governance although the board is required to include a balance of executive and non-executive directors to avoid the board being dominated by one individual. However under the best practices in corporate governance (Finance Committee on Corporate Governance, 2000) it is recommended that every board examine its size so as to ensure optimum effectiveness.

Webb (2004) investigated responsible firms’ board structures, and found that these firms tend to have a stronger representation of outsider and female directors on their boards. A study by Coffey and Wang (1998) provides more information about the direction of the relationship, as they demonstrated that boards with independent and female members are more likely to proactively enhance CR performance. In other words, responsible firms are not just likely to have more diverse boards, but the boards actually influence the level of CR activities. Coffey and Wang (1998) suggest that this is particularly related to the role that diverse board members take, as they argue that diverse boards are more effective in monitoring and limiting managerial opportunism that would have negative effects on corporate responsibility.

Larkin et al. (2012) also examined the relationship between female board members and companies’ corporate responsibility performance. They looked into Fortune 500 companies, and found that as the number of women directors increased, the probability of a corporation appearing on a listing of responsible companies (e.g. Ethisphere Magazine’s ‘World’s Most Ethical Companies’ and Corporate Responsibility Magazine’s ‘100 Best Corporate Citizens’) increased. As these lists demonstrate the total score of corporate responsibility, the finding could be said to suggest that female board members positively affect a company’s ability to improve their overall CR performance. Bernardi and Threadgill (2010) also studied a sample of Fortune 500 companies and demonstrated that gender diversity is directly related to the total social responsibility score of a company and various corporate responsibility measures.

2.4 Kenya Football Premium League Performance

Firm performance in the literature is based on the value of the firm. CG affects value as a result of reduced expropriation by insiders and improvement in the expected cash flow that can be distributed to investors (Black et al., 2006). To evaluate performance, it is necessary to determine the constituents of good performance using performance indicators. To be useful, a performance indicator must be measurable, relevant and important to the organization (Oakland 1989). Financial performance used in empirical research on CG fit into both accounting-based measures and market-based measures.

The measurement of sports performance depends on the competition and the perspective on which the study is focused. For instance, if the purpose of analysis is the effect of performance on the pitch on attendance, it will be more useful to make use of variables such as the ‘percentage of victories’ (Dawson et al., 2003), ‘number of goals scored’ (Palacios-Huerta, 2002), ‘team’s goal average weighted by relative quality of rival team’ (Koning et al. 2001), ‘score/goal difference’, and even variables which incorporate the ‘playing style’ (Cocco and Jones, 1997). Koning (2003) worked on an evaluation of the effect of hiring coaches on team performance used ‘average goal difference,’ ‘goals conceded,’ and ‘goals scored.’ Goddard (2005) developed two approaches for studying forecast models: goals-based model and results-based model. The variables he considered are ‘goals scored’, ‘goals conceded’ and ‘results’, with a ‘points score’ of one point for a win, a half for a draw and zero for a defeat. This study will utilize three sports performance variables: league position variable, league points variable and compound index variable.
3 METHODS

This study adopted descriptive research design. The target population of the study was the 6 office bearers and 3 employees in the 16 Kenya Premier League teams that comprise the following; Patron, Chairman, Vice Chairman, Secretary General, Treasurer and Organizing Secretary (club officials) and Chief Executive officer, finance officer and the coach (employees). The target population of the study was 96 officials and 48 employees in the in the 16 Kenya Premier League teams which was the 144 people.

Normally, it was preferable to collect data from all the 96 officials and 48 employees in Kenya Premium League. However, due to cost, time and logistics constraints, sampling was inevitable. The study used probability sampling random sampling technique to select the respondents.

Sample size formula was arrived at using the following formula

\[ n = \frac{NC^2}{C^2 + (N - 1)e^2} \]

Where

- \( n \) = Sample size
- \( N \) = Population size.
- \( C \) = coefficient of variation which is \( 21\% \leq CV \leq 30\% \)
- \( e \) = margin of error which is fixed between \( 2\% \leq e \leq 5\% \)

The study sample was calculated at 25% coefficient of variation and 5% of margin of error (Nassiuma, 2000). Nassiuma formula is used to calculate the final sample size

\[ n = \frac{NC^2}{C^2 + (N - 1)e^2} \]

\[ n = \frac{144 \times 0.3^2}{0.3^2 + 143 	imes 0.02^2} = \frac{12.96}{0.14472} = 88 \]
The researcher therefore collected data from 59 officials and 29 employees in the 16 Kenya Premium League teams.

Allocation to the two strata is as follows \( \frac{n}{N} \times Ni \) where \( n = \) sample size, \( N = \) total population and \( Ni = \) population of strata

- Elected officials \( \frac{59}{164} \times 96 = 59 \)
- Employees \( \frac{29}{144} \times 48 = 29 \)

The total Sample (59 elected officials +29 employees) was 88 samples.

Data was collected using both primary data collection tools. Structured questionnaires administered to the selected respondents was used elicit information related to governance structure of the Clubs whereas both structured questionnaire and secondary data collection form was used to collect information related to Kenya Football Premium League Performance.

The analysis of the board composition and structure as corporate governance practices and Kenya Premium League performance was analyzed using Pearson Correlation.

To analyze the combined relationship between board composition and structure practices and Kenya Premium League performance, regression model below was used.

\[
y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \epsilon
\]

Where;
- \( y = \) Kenya Premium League performance
- \( \alpha = \) constant
- \( \beta_1, \ldots, \beta_2 = \) Parameter estimates
- \( X_1 = \) Board Composition
- \( X_2 = \) Board Structure
- \( \epsilon = \) the error of prediction.

4 RESULTS

4.1 DESCRIPTIVE STATISTICS ON CLUBS’ BOARD COMPOSITION

The first objective of the study was to establish the effect of board composition on performance of Kenya Football Premium League. This section presents the analysis of the board composition of the clubs in Kenya Premier League. The key variables analyzed included; board composed of club members, wider representation, gender representation, government representation, age variability and board having the face of Kenya.

<table>
<thead>
<tr>
<th>Composition of the Board</th>
<th>SA (%)</th>
<th>A (%)</th>
<th>NS (%)</th>
<th>D (%)</th>
<th>SD (%)</th>
<th>( \chi^2 )</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board is composed of only footballers</td>
<td>13</td>
<td>20</td>
<td>13</td>
<td>45</td>
<td>10</td>
<td>80.3</td>
<td>.000</td>
</tr>
<tr>
<td>Board has wider representation</td>
<td>12</td>
<td>3</td>
<td>0</td>
<td>57</td>
<td>28</td>
<td>73.4</td>
<td>.000</td>
</tr>
<tr>
<td>Board has gender balance</td>
<td>9</td>
<td>9</td>
<td>4</td>
<td>54</td>
<td>24</td>
<td>37.7</td>
<td>.000</td>
</tr>
<tr>
<td>Government is represented in the board</td>
<td>4</td>
<td>4</td>
<td>0</td>
<td>60</td>
<td>32</td>
<td>26.5</td>
<td>.000</td>
</tr>
<tr>
<td>There is age variability in the board</td>
<td>1</td>
<td>4</td>
<td>0</td>
<td>67</td>
<td>28</td>
<td>103.7</td>
<td>.000</td>
</tr>
<tr>
<td>The board has the face of Kenya</td>
<td>5</td>
<td>12</td>
<td>12</td>
<td>56</td>
<td>15</td>
<td>48.3</td>
<td>.000</td>
</tr>
</tbody>
</table>

Source: Field Data (2016)
Table 2 presents the results of the analysis of Kenya Premium League Club’s board composition. The study established that majority of respondents 65% disagreed that the board was only composed of footballers compared to 33% who agreed and 13% who were not sure. 85% of respondents disagreed that the club’s board had wider representation compared to 15% who agreed. Majority 78% agreed that board had gender representation compared to 18% who agreed and 4% who were not sure. Majority 92% disagreed that there was government representation in the board compared to 8% who agreed. Majority of respondents 95% disagreed that there was gender variability in the board compared to 5% who agreed. Majority 92% disagreed that there was government representation in the board compared to 8% who agreed. Majority 78% disagreed that the board was the face of Kenya in terms of representation compared to 17% who disagreed and 12% who were not sure. This finding is supported by Keys et al. (2003) found significant evidence of a positive relationship between board diversity, proxied by the percentage of women and/or minority races on boards of directors, and firm value, measured by Tobin’s Q. Firms making commitment to increasing the number of women on boards also have more minorities on their boards and vice versa, and that the fraction of women and minority directors increases with firm size but decreases as the number of inside directors increases. The current poor performance of football among the teams in Kenya Premium League is due to poor board composition as the study has established.

Based on the finding, the boards lack diversity which leads to innovative ideas. This is supported by Knippenberg et al. (2004) and Schippers et al. (2003) who observes that diversity of group membership increases discussion, and enhances the exchange of ideas and group performance. In the context of the board of directors, diversity has been advocated as a means of improving organizational value and performance by providing the board with new insights and perspectives (Carter et al. 2003). Second, if the function of the board is to protect the interests of the corporation’s stakeholders, then it stands to reason that the board should comprise members that are representative of these stakeholders (Huse & Rindova 2001).

This finding indicated that the Premium league Club’s boards had other board members who were not necessarily footballers, which was a good idea in terms of bringing into the clubs varied views that are meant to make the clubs perform well. In spite of board membership being drawn from members who were not necessarily footballers, the board lacked wider representation in terms of gender, institutional representation like the government, age variability making the board not to have the face of Kenya, that is most clubs were aligned to specific tribe or counties, the idea which was a replica of their respective boards.

4.2 DESCRIPTIVE ANALYSIS ON CLUBS’ BOARD STRUCTURE

The second objective of the study was to establish the effect of board structure on Kenya Football Premium League performance of. The section presents the analysis of the board structure of the clubs in Kenya Premier League. The key variables analyzed included; office composition, term of the board, rotation, government approval and whether the structure worked well for the clubs.

<table>
<thead>
<tr>
<th>Board Structure</th>
<th>SA</th>
<th>A</th>
<th>NS</th>
<th>D</th>
<th>SD</th>
<th>X²</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive office</td>
<td>10</td>
<td>1</td>
<td>0</td>
<td>64</td>
<td>25</td>
<td>53.2</td>
<td>.000</td>
</tr>
<tr>
<td>Exe-officio member</td>
<td>3</td>
<td>10</td>
<td>2</td>
<td>45</td>
<td>40</td>
<td>73.4</td>
<td>.000</td>
</tr>
<tr>
<td>Fixed term</td>
<td>7</td>
<td>15</td>
<td>0</td>
<td>50</td>
<td>28</td>
<td>27.7</td>
<td>.000</td>
</tr>
<tr>
<td>Chairman post rotational</td>
<td>11</td>
<td>14</td>
<td>0</td>
<td>46</td>
<td>29</td>
<td>20.0</td>
<td>.000</td>
</tr>
<tr>
<td>Structure is approved</td>
<td>13</td>
<td>63</td>
<td>5</td>
<td>15</td>
<td>4</td>
<td>20.2</td>
<td>.000</td>
</tr>
<tr>
<td>Structure works well</td>
<td>1</td>
<td>18</td>
<td>0</td>
<td>52</td>
<td>29</td>
<td>23.3</td>
<td>.000</td>
</tr>
</tbody>
</table>

Source: Field Data (2016)

Table 3 presents the results of the analysis of Kenya Premium League Club’s board structure. The study found out that majority of respondents 89% disagreed that the Clubs had executive officers running the daily affairs of the boards mandates compared to 19% who agreed. Majority of respondents 85% disagreed that the club boards had ex-official members compared to 13% who agreed and 2% who were not sure. Majority 78% disagreed that the clubs boards had fixed term compared to 22% who agreed. Majority of respondents 75% disagreed that the board chairman post was rotational compared to 25% who agreed. Majority 76% agreed that the board structure was approved by the government 19% who disagreed and 5% who were not sure. Majority of the respondents 81% disagreed that the board structure worked well for the organization compared to 19% who agreed.
The poor board structure also lead to poor performance and is supported by Young & Thyil, (2008) who found out that an expectation exists that diversity might alleviate insular decision-making on the board due to the wide spectrum of experience and expertise that a diverse board can offer an enterprise. Enterprises are increasingly being put under pressure by stakeholders to appoint board members with diverse ethnic backgrounds, expertise and gender for this reason.

The boards lacked independence because of poor structures as supported by McGee (2010) who observes that at least one-third of the board should be nonexecutive director, a majority of whom should be independent. Being independent in this case is they are not currently non-executive; they were not employee of the company in the past years; they do not have current business relationship with the company; they are not an immediate family of an executive officer of the firm and so on. Thus, being non-executive only is not independent enough. Company then should also disclose biographies of its board members and make a statement to define their independence.

The finding indicated that Clubs in Kenya Premier League had many challenges as far board structure was concern. Most clubs did not run by executive management which was meant to report to the board. Most activities of the clubs were being directly managed from the board violating the basic principles of corporate governance supported by agency theory. The board did not encourage appointing ex-officials who could handle issues of tribunal and that most board members did not have fixed term making some members feel they owned the clubs. The chairman post was also not rotational making some chairmen lifetime officials. Although the respondents did not agree on most items related to board structure, they agreed that the club’s board had represented ions the Government of Kenya Ministry of sports. The board structure did not work well for the clubs in enhancing their performance.

4.3 Effects of Board Composition and Structure on Performance of Soccer Management

The main objective of the study was to analyze the effects of board composition and structure on performance of soccer management in Kenya Premium League. The corporate governance practices analyzed in this study included; practices on clubs board composition and practices on board structure. In order to analyze how each of these corporate governance practices affected performance of soccer management in Kenya Premium League, Pearson correlation was used and in order to further analyze which corporate governance practice contributed more to the performance of soccer management in Kenya Premium League, regression analysis was used.

4.3.1 Pearson Correlation between Corporate Governance Practices and Performance of Soccer Management in Kenya Premium League

<table>
<thead>
<tr>
<th>Variable</th>
<th>Board Composition Practices</th>
<th>Board Structure Practices</th>
</tr>
</thead>
<tbody>
<tr>
<td>Soccer Management Performance</td>
<td>.103</td>
<td>.151</td>
</tr>
</tbody>
</table>

Table 3: Correlation between Corporate Governance Practices and Performance of Soccer Management

The study established a week positive correlation 0.103 for board composition practices with significance level 0.178>0.05 and a weak positive correlation 0.151 for board structure practices with significance level 0.161>0.05 indicating that Clubs in Kenya Premium League board composition and board structure had insignificant effect on Performance of Soccer Management.

4.3.2 Regression Analysis between Corporate Governance Practices and Performance of Soccer Management

The results of the analysis are presented in Tables 7 and 8.

Table 4: Model Summary

<table>
<thead>
<tr>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.31</td>
<td>0.27</td>
<td>0.27</td>
<td>0.82</td>
</tr>
</tbody>
</table>
The R square value was 0.27, which indicated a low degree of correlation. The $R^2$ value indicates how much of the dependent variable, “Performance of Soccer Management”, was explained by the independent variables, “board composition and board structure”. In this case, 27% was the R Squared, which was fairly small indicating that the data collected was not closely fitted to the regression line. 27% of variation in performance is explained by all the independent variables (4) 73% of the variation is unexplained.

Table 4.12: ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>1.232</td>
<td>3</td>
<td>1.077</td>
<td>2.604</td>
<td>0.279</td>
</tr>
<tr>
<td>Residual</td>
<td>7.832</td>
<td>49</td>
<td>.405</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>9.064</td>
<td>52</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Predictors: board composition and board structure. The Dependable variable: Performance of Soccer Management. Table 7 indicated that the regression model did not predicted the outcome variable significantly with $p=0.279$, which was greater than 0.05, and indicated that; overall, the model did not predicted the outcome variable.

Table 5: Full Regression Model

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstd. Coef.</th>
<th>Std. Error</th>
<th>Std.Coeff.</th>
<th>t</th>
<th>Sig.(P)</th>
<th>VIF</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>1.258</td>
<td>.578</td>
<td></td>
<td>2.177</td>
<td>.034</td>
<td></td>
</tr>
<tr>
<td>Board Composition</td>
<td>.140</td>
<td>.097</td>
<td>.193</td>
<td>1.434</td>
<td>.070</td>
<td>1.87</td>
</tr>
<tr>
<td>Board Structure</td>
<td>.019</td>
<td>.122</td>
<td>.020</td>
<td>.156</td>
<td>.877</td>
<td>4.26</td>
</tr>
</tbody>
</table>

The first research question was stated as; does board composition affect performance of soccer management in Kenya Football Premium League? This was determined by; $Y= \alpha_1+ \beta_1X_1+ e$, where $Y$ was performance of soccer management, $X_1$ was the variable for board composition practice, and $\beta_1$ coefficient of correlation of affect board composition on performance of soccer management. The independent variables; reporting, board and leadership structures were held constant. Board composition practices contributed insignificantly to the performance of soccer management in Kenya Football Premium League this was because board composition practice had P=0.070>0.05 indicating that board composition practices did not affect the performance of soccer management in Kenya Football Premium League.

The second research question was stated as; does board structure affect performance of Kenya Football Premium League? The independent variables; reporting, board composition and leadership structure were held constant. Board structure practice contributed insignificantly to the performance of soccer management this is because board structure practice had P=0.877<0.05 indicating that board structure practice did not the performance of soccer management in Kenya Football Premium League.

From the unstandardized coefficients, the following equation was developed:

$y= 1.258+0.140X_2+0.019X_3+e$

5 CONCLUSIONS AND RECOMMENDATIONS

The main aim of the study was to analyze the effects of board composition and structure corporate governance practices on performance of soccer management in Kenya Premium League. The first research question stated as does board composition affect performance of Kenya Football Premium League? The study established that board composition practices contributed insignificantly to the performance of soccer management in Kenya Football Premium League this was because board composition practice had P=0.070>0.05 indicating that board composition practices did not affect the performance of soccer management in Kenya Football Premium League. Further, the second research question stated as does board structure affect performance of Kenya Football Premium League? The study established that board structure practice contributed insignificantly to the performance of soccer management this is because board structure practice had P=0.877<0.05 indicating that board structure practice did not the performance of soccer management in Kenya Football Premium League.

The study recommends that in order for the clubs to improve in their performance, their boards need to be well reconstituted based on sound representation as a corporate governance practices that will ensure gender, institutional, age
variability and having the face of Kenya. The study also recommends that the clubs through the ministry of sports should involve all the stakeholders in restructuring the club boards to make it effective, representation and abiding by corporate governance principals. The Ministry of Sports should also capacity build the clubs’ board on effective corporate structure that can enhance the clubs performance. Secondly, the Ministry of Sports should ensure that the clubs improve their corporate reporting practices both internally between the board and their respective management teams and also externally between the board and the regulator, FKF, Registrar of Societies, Kenya Revenue Authority and accountability to the wide public. The Clubs in Kenya Premium League should be capacity built on effective human resource management which will enlighten them on competitive hiring, effective intrinsic and extrinsic motivation. They should also be trained on resource management and supervisory skills that will create lines of reporting and effective delegation while executing their activities.

REFERENCES


