Influence Of Local Advocacy Practices On Corporate Governance Performance Public Institutions In Rwanda.

USENGUMUREMYI Jean Marie Vianney
Jomo Kenyatta University of Agriculture and Technology, Kigali, Rwanda.

Prof. Mike A. Iravo
Jomo Kenyatta University of Agriculture and Technology, Juja Kenya.

Prof. Gregory Namusonge
Jomo Kenyatta University of Agriculture and Technology, Juja Kenya.

DOI: 10.29322/IJSRP.10.03.2020.p99106
http://dx.doi.org/10.29322/IJSRP.10.03.2020.p99106

Abstract: The public bodies’ Corporate Governance as leadership and control method involves a set of clear rules and principles (integrity, honesty / sincerity, transparency and responsibility), clear risk management and control mechanisms, elements needed to achieve the purpose of public entities, which is satisfying public needs. The purpose of this study was to evaluate the influence of Local Advocacy Practices on corporate governance performance public institutions in Rwanda. The study adopted a descriptive and explorative design since its main purpose was to explain the of Ethical Integrity practices on corporate governance performance in public institutions in Rwanda. The target population for the study was 214 managers from 10 public institutions in Rwanda. Stratified random sampling technique was used to get a sample of 140 respondents who were selected from the top management and middle managers staff. Data for the study was collected by use of questionnaires, interviews and observation using descriptive and inferential statistics to establish the relationship between the dependent and independent variables. It was expected that the results of the study would assist the top management of the institutions, as well as other stakeholders, to understand the effect of board leadership practices on governance performance in public institutions in Rwanda. Data collected was analyzed through SPSS version 21. Data analysis involved statistical computations for averages, percentages, and correlation and regression analysis. Ordinary least squares (OLS) regression method of analysis was adopted to determine the inferential statistics. The coefficients obtained indicate that the correlation coefficient (R) between the independent variable and the corporate governance performance was 0.811 which is a positive correlation relationship. A coefficient of determination (R²) of 0.658, which means that this variable alone can explain up to 65.8% of the variations in the dependent variable, corporate governance performance. The findings further confirm that the regression model of Local Advocacy Practices on corporate governance performance is significant for the data F=156.122, p<0.01) since p-values was 0.00 which is less than 0.05. The study examined the influence of Local Advocacy Practices on corporate governance performance in public institutions in Rwanda, the dependent variable corporate governance performance and the independent variable Local Advocacy Practices, there are other mediating or intervening factors that can affect corporate governance performance that could be researched further for example type of leadership.

Keywords: Corporate Governance Performance, Local Advocacy Practices, Public institutions in Rwanda.

1.0 Introduction

Board of directors is depicted and conceptualized variously in literature including the number of independent directors, the tenure of boards, the size of the board and board gender diversity. Gender diversity as an aspect of board composition/diversity is thus an indicator of corporate governance. Lowery, (2008) present gender diversity in the boardroom as the presence of women on the board of directors and term it an important aspect of board diversity. Corporate boardrooms have not realized gender diversity, yet this
scenario is replicated worldwide (Lowery, 2008). In corporate governance circles, board gender diversity refers to the inclusion or presence of female directors in the boards (Sala, 2011). Modern organizations are increasingly approaching board gender diversity as a value-driver in organizational strategy and corporate governance (Thomsen, 2008). The subject also remains an emergent area of concern for public debate, academic research, government considerations and corporate strategy across the societal landscape as well as in the boardroom and top executive positions.

Major corporate scandals happened because of a lack of adherence to good corporate governance structures. The lack of corporate governance was at the root of the financial crisis that took the world by storm, rendering global instability (United States Financial Crisis Report, 2011). According to Othman & Abdul Rahman (2011) and Arjoon (2005), companies lack moral compasses for good governance, thus plaguing society at large—including shareholders and stakeholders— and causing a deterioration in governance systems worldwide. Therefore, it is important to examine corporate governance from a moral stance. Delving into ethics and moral principles is essential to creating a culture of ethics in a business environment that is sure to guarantee a system for effective corporate governance.

A stable legal system and supportive current legislation (which includes not only the constitution and laws, but also the accounting systems or regulations governing the official listing of securities on the stock exchange) are vital factors in the attractiveness of a country. However, these alone are often insufficient to attract investors. Further generally accepted forms of conduct are needed that often extend far beyond the minimal legal framework. Such forms of conduct are laid down in voluntary corporate governance codes of best practice, among others. The corporate governance structures of a country are therefore a further important indicator of the credibility of the economy as a whole and of the financial market in particular.

1.2 Statement of the Problem

The importance of good corporate governance in the 21st century cannot be overemphasized. Thisera (2013) argued that with globalization rapidly increasing the scale of trade and the size and complexity of corporations and the bureaucracies constructed to attempt to control it, the importance of corporate governance and internal regulation has been amplified as it becomes increasingly difficult to regulate externally back on the policy agenda and intensified debate on the efficacy of board composition as a means of increasing corporate financial performance. Geneen (2008) in a study found that among the board of directors of fortune 500 companies, 95% are not doing what they are legally, morally, and ethically supposed to do. It is criticized that (1) the board is a rubber stamp, (2) the board is dominated by CEO, and (3) the board is plagued with the conflicts of interests (Schein, 2008); board responds to the wishes of a controlling shareholders (Jesover & Krikpatrick, 2015). An important question of who will monitor the monitors thus arises. Although it is argued that the shareholders will monitor the board by exercising their ownership right by
appointing and removing board members, shareholders may not be aware of the inside activities of the firm due to information asymmetry.

Previous study has several literature gaps that are filled by this study. Most of the study has concentrated on the relationship between ethical and integrity issues and financial performance. There is therefore clear evidence that the relationship between board composition as a determinant of corporate governance performance have not been studied simultaneously. Therefore, this study sought to fill this gap by critically evaluating influence of Local Advocacy Practices on corporate governance performance in public institutions in Rwanda by answering the research question: Does Local Advocacy Practices have any influence on corporate governance performance in public institutions in Rwanda?

2.1. Theoretical Perspective

This paper discusses the Stewardship Theory upon which the study is anchored

2.1.1 Stewardship Theory

The stewardship theory proposes that agents are trustworthy custodians of resources entrusted to them which makes monitoring obsolete (Davis et al., 2009). This is in contrast with the agency theory which assumes that principals and agents have conflicting interests (Bathula, 2008). In this theory, managers are viewed as stewards. And as stewards, they most likely seek to maximize value for shareholders. Davis et al (2009) argues that by maximizing value for shareholders, the stewards will attain organizational success which in turn satisfies their personal needs. The theory also proposes that autonomy should be given to stewards which in turn lower the cost of monitoring (Donaldson & Davis, 2011).

The theory portends that managers are impelled by non-financial motives such as need for achievement and recognition and intrinsic satisfaction of successful performance. These concepts are well documented in the work of scholars like Herberg (2016) and McClelland (2011). Daily el.,al (2013) argue that steward is keen to protect their standing as expert decision makers. As a consequence, the managers run the firms in a manner that maximizes financial performance as this performance impacts on individual performance.

Davis and Donaldson (2011) argue that from the perspective of stakeholder theory, superior performance of the firm was liked to have a large proportion of independent directors (managers) in board since these managers have a better appreciation of the business and can therefore make better decisions. Boyd (2014) and baysinger, kosnick& Turk (2011) also support this view. They opine that insider directors (managers), possess superior amount and quality information to make better decisions. This is corroborated by a study conducted by Bhagat and Black (2011) who found that firms with a higher number of outside directors fared poorly in comparison with firms who had less proportion of outside directors.
The stewardship theory considers composition of board of directors, position of the chief executive officer (CEO) and board size as essential elements for ensuring effective corporate governance within any organization, Coleman et.al, (2009). Being a board member local advocacy is stewardship to the public hence stewardship theory

2.2 Conceptual Framework

<table>
<thead>
<tr>
<th>Independent variables</th>
<th>Dependent variable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Advocacy Practices</td>
<td>Corporate Governance Performance</td>
</tr>
<tr>
<td>- Information Access</td>
<td>- Quality Service</td>
</tr>
<tr>
<td>- External Resources Access</td>
<td>- Accountability</td>
</tr>
<tr>
<td>- Collaborations &amp; Partnership</td>
<td>- Stakeholder Involvement</td>
</tr>
<tr>
<td></td>
<td>- Customer Satisfaction</td>
</tr>
</tbody>
</table>

Figure 2.1 Conceptual framework

3.0 Research methodology

The study used a cross-sectional survey research design. Cross-sectional surveys involve data collection from a population, or a representative subset, at one specific point in time and have an advantage over other research designs that only seek individuals with a specific characteristic, with a sample, often a tiny minority, of the rest of the population (Kothari, 2011).

A sample size of 195 respondents was determined from a total population of 378 individuals using the formula by Yamane (1967).

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

Where \( n \) = the desired sample size

\( e \) = probability of error (i.e. the desired precision e.g. 0.05 for 95% confidence level)

\( N \) = the estimate of the population size.

\[ n = \frac{378}{1 + 378 (0.05)^2} = 195 \]

Primary data was collected using structured questionnaires which had both close ended and open-ended questionnaires. Structured questionnaires refer to questions which are accompanied by a list of all possible alternatives from which the respondents select the answer that best describe their situation (Mugenda & Mugenda, 2009). Structured questions are easier to analyze since they are in the
immediate usable form (Orodho, 2008). The questionnaires were self-administered. The researcher informed the respondents that the instruments being administered was for research purpose only and the response from the respondents were kept confidential. The researcher obtained an introductory letter from the University in order to collect data from the field and then delivered the questionnaires to the respondents with the help of a research assistant using the drop and pick later method.

4.0 Analysis for Local Advocacy Practices

Regression analysis was performed in order to determine whether the independent variable, Local Advocacy Practices could be reliable for explaining the change in the dependent variable, corporate governance performance. The coefficients obtained indicate that the correlation coefficient (R) between the independent variable and the corporate governance performance was 0.811 which is a positive correlation relationship. Table 1 shows a coefficient of determination (R²) of 0.658, which means that this variable alone can explain up to 65.8% of the variations in the dependent variable, corporate governance performance.

**Table 1: Model summary showing Local Advocacy Practices**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.811*</td>
<td>.658</td>
<td>.656</td>
<td>.420123</td>
</tr>
<tr>
<td>a.</td>
<td>Predictors: (Constant), Local Advocacy Practices</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The Analysis of Variance (ANOVA) results are shown in Table 2. The findings further confirm that the regression model of Local Advocacy Practices on corporate governance performance is significant for the data F=156.122, p<0.01) since p-values was 0.00 which is less than 0.05.

**Table 2: ANOVA for Local Advocacy Practices**

<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></td>
<td>Regression</td>
<td>1</td>
<td>51.431</td>
<td>293.042</td>
<td>.000*</td>
</tr>
<tr>
<td>1</td>
<td>Residual</td>
<td>82</td>
<td>.617</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>78.242</td>
<td>83</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

b. Dependent Variable: Corporate governance performance
c. Predictors: (Constant), Local Advocacy Practices

http://dx.doi.org/10.29322/IJSRP.10.03.2020.p99106  www.ijsrp.org
The coefficients of Local Advocacy Practices are presented in Table 4.26 which indicate that the model has a significant p-value = .000. The study at 95% confidence interval solved the third research question by indicating that the variable Local Advocacy Practices is statistically significant in the corporate governance performance public institutions in Rwanda.

### Table 3: Coefficients of Local Advocacy Practices.

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>.580</td>
<td>.205</td>
<td>2.826</td>
<td>.000</td>
</tr>
<tr>
<td>Local Advocacy Practices(X1)</td>
<td>.793</td>
<td>.046</td>
<td>.811</td>
<td>17.118</td>
</tr>
</tbody>
</table>

a. Dependent variable: Corporate governance performance

Using the summary of Coefficients presented in Table 3, a linear regression model of the form, Y = α + βXi can be fitted as follows:

\[ Y = 0.580 + 0.793X1 \]

This implied that a unit change in Local Advocacy Practices would increase corporate governance performance by the rate of 0.793.

### 4.1 Hypothesis Testing for Local Advocacy Practices

**Ho3:** There is no significant influence between Local Advocacy Practices on corporate governance performance public institutions in Rwanda.

The hypothesis was tested by using multiple linear regression and determined using p-value. The acceptance/rejection criteria were that, if the p value is less than 0.05, we reject the H\textsubscript{A3} but if it is more than 0.05, the H\textsubscript{A3} is not rejected. Therefore, the alternative hypothesis is that there is significant influence between Local Advocacy Practices on corporate governance performance public institutions in Rwanda. Results in Table 4.29 shows that the p-value was 0.025. This was supported by a calculated t-statistic of 5.850 that is larger than the critical t-statistic of 1.96. The alternate hypothesis was therefore not rejected. The study therefore adopted the alternative hypothesis that there is significant influence between Local Advocacy Practices on corporate governance performance public institutions in Rwanda.

### 5.0 Conclusion on Local Advocacy Practices
The findings confirm that there is a statistically significant influence of Local Advocacy Practices and on corporate governance performance of public institutions in Rwanda. A positive increase in Local Advocacy Practices leads to an increase in corporate governance performance of public institutions in Rwanda. It can be concluded from this study that Local Advocacy Practices were statistically significant in explaining corporate governance performance of public institutions in Rwanda. The study concludes that Local Advocacy Practices are effective in determining corporate governance performance of public institutions in Rwanda.

5.1 Areas for further Research

Finally, the present study used data drawn from the same respondents at a multiple country using the same collection method. Self-rating of each public institutions in Rwanda can provide more insight on how board leadership practices is unique and its influence in corporate governance performance in public institutions in Rwanda.

6.0 References


[http://dx.doi.org/10.29322/IJSRP.10.03.2020.p99106](http://dx.doi.org/10.29322/IJSRP.10.03.2020.p99106)


http://dx.doi.org/10.29322/IJSRP.10.03.2020.p99106

www.ijsrp.org
Diversity on the Relationship between Board of Director’s Characteristics and Firm Performance in Oman”. Empirical study, New York


http://dx.doi.org/10.29322/IJSRP.10.03.2020.p99106 www.ijsrp.org


http://dx.doi.org/10.29322/IJSRP.10.03.2020.p99106
publishing.


