

**BOARD STRUCTURE, CHIEF EXECUTIVE OFFICER'S
POWER AND FINANCIAL PERFORMANCE OF
LISTED FIRMS IN NAIROBI SECURITIES
EXCHANGE, KENYA**

BY

ADEN MUSA MOHAMUD

2017

**BOARD STRUCTURE, CHIEF EXECUTIVE OFFICER'S POWER AND
FINANCIAL PERFORMANCE OF LISTED FIRMS IN NAIROBI
SECURITIES EXCHANGE, KENYA**

BY

ADEN MUSA MOHAMUD

**THESIS SUBMITTED TO THE SCHOOL OF BUSINESS AND ECONOMICS
IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE
AWARD OF MASTER OF BUSINESS ADMINISTRATION
(FINANCE OPTION),
GARISSA UNIVERSITY**

DECEMBER, 2017

DECLARATION**Declaration by the Student**

This project is my original work and has not been presented for a degree or other award in any other university.

Sign Date 05/12/2017**Name: Aden Musa Mohamud****Reg No: MBA/SBE/1001/15****Declaration by the Supervisors**

I hereby verify that this research work was conducted by the above candidate under our supervisions.

Sign Date 10/10/17**Dr. Bii Philip**

School of Business & Economics

Garissa University

Sign Date 16/12/17**Dr. Kennedy B. Mwengei Ombaba**

School of Business & Economics

Garissa University

ABSTRACT

In Kenya the number of corporations going into receivership and others collapsing remains in dilemma. The general objective of the study was to establish the moderating effect of Chief executive officers' power on relationship between board structure and financial performance of listed firms in Nairobi Securities Exchange. This study made use of two theories namely; agency theory and stewardship theory. An exploratory research design was used in this study. The target population consisted of 68 companies for the period 2006- 2015. The research employed both descriptive statistics and inferential statistics. The sample size was 58 firms which were listed for the entire period of study and had complete data. The study used secondary data which was obtained from financial annual reports and NSE bulletins. Data was analyzed using both descriptive and inferential statistics. Specifically, multiple regression was used to test the hypotheses. The results showed that financial expertise of the board was positive and significantly related with financial performance ($\beta=1.831; <0.005$). Board independence was also found to be positively and significantly related with financial performance of listed firms in Kenya ($\beta=2.602; p<0.005$). Further the results showed that CEO power had a positive and significant moderation effects on board age ($\beta 2.582; p<0.005$) board independence $\beta = 2.681; p < 0.05$ and financial expertise ($\beta = 2.874; p < 0.05$). The results provide evidence on new theoretical insight into factors influencing financial performance by incorporating the role of CEO Power. This study adds value on the understanding of the effect of board diversity on financial performance in listed firms and how CEO power influences this relationship in decision making in the context of a developing economy country like Kenya, where CEO power is more superficial due to the ownership structure and the role of family and founders in firm management. The findings of this study will provide a basis for further studies on board diversity and financial performance. Furthermore, the study provides empirical evidence which will be used by the policy makers with regard to board corporate governance of listed firms. The study recommends that the board should employ independent directors as they are found to effectively exercise their mandate.