

THE INFLUENCE OF BOARD ATTRIBUTES ON FIRM VALUE: A CASE OF THE UNIT TRUSTS IN KENYA

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ABSTRACT

Boards have long been the subject of management research and the attention paid to corporate boards has increased substantially in recent years. Although the subject of corporate governance is gaining an increasing attention from both academic and business circles, there is no research hitherto been recorded on board characteristics and their influence of board characteristics on the firm value of firms especially in the developing countries like Kenya? This

study aimed to fill the existing gap by carrying out a research on the influence of board characteristics on the firm value. The general objective of this study was to investigate the influence of board characteristics on the firm value of firms with a special focus on the unit trusts in Kenya. The study adopted a descriptive research design, which is used when the problem has been defined specifically and where the researcher has certain issue to be described by the respondents about the problem. The target population composed of 116 staff in different managerial levels currently employed at the 8 unit trusts in registered with the CMA in Kenya. From each stratum the study used simple random sampling to select 35 respondents. The questionnaire was used to collect quantitative data. Quantitative data collected and analyzed by the use of descriptive statistics using SPSS and presented through percentages, means, standard deviations and frequencies.

A multivariate regression model was applied to determine the relative importance of each of the four variables with respect to the influence of board characteristics on firm value

. This was in an effort to establish the extent to which each independent variable affected the dependent variable.

The study found out that majority of the respondents agreed to a great extent that the size of the board has a material impact on the quality of corporate governance and that monitoring expenses and poor communication in a larger board has been seen as a reason for the support of small board size.

The study also established that majority of the respondents said that board flexibility affects firm value to a very great extent.

At the same time, the study established majority of the respondents agreed that that top management turnover, presence of

an audit committee and involvement in strategic planning affects firm value to a great extent and that involvement/participation of non-executive directors/ foreign ownership affect firm affects firm value to a very great extent.

Key Words: Board attributes, Board size, Board effectiveness, non-executive directors, board leadership and firm value

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