

## **Effects of Principles of Corporate Governance on Management of Early Childhood Education in Bahati Division Nakuru County**

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**Abstract:** *This study sought to examine the effects of principles of corporate governance on management of early childhood education (ECE) in Bahati Division Nakuru County, Kenya. These were necessitated by the desire to establish whether schools are applying principles of corporate governance in managing school affairs. Proper application of corporate principals enables achievement of stated goals in management of ECE. The study draws a correlation between adoption of principals of corporate governance and performance of the ECE sector. Thus the study seeks to determine the effects of principles of corporate governance on management of ECE in Bahati Division, Nakuru County, Kenya. These were guided by the following objective; To determine adherence to the principle of full disclosure and Transparency in ECE management in Bahati Division, Nakuru North Sub-County. The research adopted a descriptive survey design. This was suitable in this study as it helped the researcher establish the existing levels of compliance with principals of corporate governance at the ECE schools and their influence on performance. Adherence to full disclosure and transparency as the study found out requires publicly revealing shareholder and ownership rights and company objectives. This plays a major role in the effective and productive Early Childhood Education management and sustainability of these institutions. As the study found out from the respondents in Bahati division Nakuru north sub-county, majority of respondents indicated that internal control systems, access to information and budgetary control were major assessment points in transparency in ECE management. Other determinants of transparency in ECE management as the study found out from the respondents were periodic reporting whereby management reports on the issues happening within or outside institutions that may have an impact on the shareholders and every stakeholder, another was control and feedback mechanisms whereby stakeholders were free to communicate and convey information expect feedback from management. Disclosure of material matters concerning the institution should be timely and balanced to ensure that all stakeholders and non-stakeholders have access, factual information. All this the study found that may play a major role in the success or failure of effective ECE management with regard to corporate governance.*

**Keywords:** *Early Childhood Education, Corporate Governance*

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### **I. Introduction**

In today's 'corporate' climate, the issue of 'governance' is a hot topic and one which every school need to consider in the context of its unique environment. There is a time when for many schools, and corporations, governance issues are considered to be little more than warm and fuzzy 'motherhood statements' full of good intent but of little hard, practical application (OECD, 2004). By implication, ECE centres should at all-time embrace principles of corporate governance in their management.

Legislators, courts and insurers, go through more stringent demands from stakeholders such as schools or organizations, whether major public corporation or a member of the "not for profit" sector, to implement and integrate "governance practices" throughout its organization. The OECD (2004) explains that the essence of the School Board's governance is to oversee all aspects of the school, appoint the Principal and ensure a strategic approach to the School's future by setting major objectives, policy frameworks and strategies. The school board must also monitor adherence to systems of risk management, ensure compliance with legal obligations, and, undertake periodic performance reviews. However, it is not the Board's responsibility to become involved in the day to day management and operations of the School. This is the responsibility of the Principal and the school's senior management team.

OECD (2004), further stresses that successful governance structures minimize problems and optimize performance and accountability. The essence of good governance lies in the ongoing development of a culture within the school that embraces ethics, honesty, transparency and high levels of integrity from all members of the school board, under the watchful eyes of its stakeholders, it is vital to recognize that no school can afford to neglect proper and effective governance processes.

Ultimately, it is the board which is responsible for governance practices and the board must therefore take responsibility for the processes by which the school is directed, controlled and made accountable. It is a vital ingredient of organizational success for boards to establish and continually develop effective governance

policies and practices. Indeed, schools irrespective of their size, complexity, history or affiliation, that establish, implement and actually apply (rather than pay lip service to) good governance principles, will be more successful in serving the needs of their stakeholders. Conflict of one sort or another is likely to be a constraint within a school. The role of governance is to manage the conflict and ensure that through on-going communication and dialogue the interests of the stakeholders continue to be met.

Governance, the manner in which power is exercised in the management of economic and social resources for sustainable human development, has assumed critical importance in these days of political pluralism. It is a vital ingredient in the maintenance of a dynamic balance between the need for order and equality in society, the efficient production and delivery of goods and services, accountability in the use of power, the protection of human rights and freedoms, and the maintenance of an organized corporate framework within which each citizen can contribute fully towards finding innovative solutions to common problems.

## **II. Literature Review**

Ensuring the basis for an effective corporate governance framework states that a company should clearly outline the division of labor, especially among supervisory employees and management. Making known legal and regulatory requirements to key personnel is important, as is the ability of management to fulfill any responsibilities regarding those who do not act in accordance to these (Crawford, 2007). This applies to the management of ECE too. For smooth running of operations, principles of corporate governance have to be followed. In the ECE sector, the basis for the rights and equitable treatment of shareholders requires that all shareholders receive equitable treatment and that the school management denies no rights given to any stakeholder. Just like shareholder rights in a company are included in the right to vote during meetings, reception of information regarding necessary company changes, election or removal of board members, transferring shares and obtaining any material relevant to the business in a timely manner, the same is true for school management boards. These principles also prohibit insider trading of any kind (Low, 2008).

The role of stakeholders focuses on employee development, reporting of concerns regarding unethical actions and alerting shareholders and creditors to problems regarding insolvency or inability to pay in a timely manner. It encourages mechanisms to increase employee performance, so long as it is ethical. Making available a means to report unethical actions of any kind is encouraged. Alerting shareholders and creditors about the possible inability to pay bills on time, or at all, is important (Tricker, 2009). Principles of corporate governance must be considered and applied in light of the complex school environment. Unlike traditional corporations, schools operate on a not-for-profit basis; its stakeholders have long term personal and emotional investments, relationships and friendships; participation in the school may cover many generations of family members; members of the Board participate on a voluntary basis; the school is engaged in the education, development and welfare of children; teachers are expected to be dedicated and provide a contribution well beyond the normal teaching day. Schools rely on family philanthropy, legacies and benefactors. It is not a simple matter for disaffected stakeholders to change allegiances. Changing schools can be a traumatic and expensive exercise (Goergen, 2012).

It is pivotal to good governance that the school management board recognizes and manages the School's main stakeholder groups. The management of stakeholders requires skill and tact and relationships must be delicately balanced at all times. Some experienced company directors have difficulty in adjusting to the non-commercial environment of the School Board. The members of the Board have a wide range of interests, specialties, skills and background. They may not have experience in the corporate boardroom. They may not be financially or commercially focused. They may be educationalists or religious nominees or representatives of parent or affiliate groups. The goals of the school extend well beyond financial performance. The company director must understand that the School Board is a different environment (Aglietta, 2005).

It is often the case that parents of current students sit on the School Board. This brings both benefits and difficulties. Parent Board Members are alive to the issues of the day and can provide important feedback to the Board. They are energetic and anxious to ensure that the school meets the current and future needs of the students (Aglietta, 2005). By the same token, parent Board Members are usually more accessible to stakeholders than non-parent Board Members and consequently may be subjected to greater pressure or scrutiny. It can be the case that parent Board Members are sought out by parents focused on securing the best outcome for their particular child or their particular issue rather than looking at the interests of the school as a whole. Parent Board Members often become targets for those with complaints, grievances or causes. This is a common issue for School Boards and requires clear guidelines to assist Board Members on how to deal with such situations.

According to Daines (2008), there is no universal model of good governance for schools. There can't be as every situation is different and what suits one school may not suit another. Rather, good governance requires a review of the particular school's unique context and culture. A governance structure will only be effective if it acknowledges the environment and particular context within which the school operates. Relevant factors for consideration include: the school's core values, history and culture, the objectives and strategic

direction of the school, individual personalities, interests of key stakeholders, current students and parents, former students and parents, Prospective students and parents, affiliates (e.g. religious association), government funders, benefactors, staff, local community, other relevant groups, the size of the school and availability of suitable Board members and other resources. In addition, a school's governance framework must be reviewed and adopted to reflect changing environmental factors. The framework that constitutes good corporate governance for a school will evolve in light of the changing circumstances of the school and must constantly be tailored to suit those particular circumstances (Daines, 2008).

It is not uncommon for interested parties, such as parents of current students, to try to lobby Board members. Parents have a strong investment in their children's education and therefore it is understandable that they may wish to express their concerns or try to advance their interests with someone who they would perceive to be in a position of some authority. These parents may require a degree of tact and understanding. The school should ensure that a proper forum exists whereby parents and other stakeholders can express their views or concerns without fear of retribution. It is important to ensure that the views of all stakeholders are considered, not just those who are more vocal or pushy (Aglietta, 2005).

If you are the recipient of pressure from parents, be sure to politely inform them that a proper method is in place for them to express their views. Provide reassurance that any opinions or complaints received in the appropriate manner will be dealt with in the appropriate manner. The best response is to suggest that the parent put their concerns in writing and address them either to the Principal, if the issue involves the operations of the school, or to the Chair, if the matter involves the Principal or a governance issue. Notwithstanding that schools operate on a not-for-profit basis and are not engaged in what would normally be considered as commercial activities, they are in fact quite sizeable businesses and they engage in a broad range of commercial activities. Therefore, it is important for schools to structure themselves along corporate lines to ensure limited liability, perpetual succession, ownership of property, to be able to contract in their own right and to facilitate operations in accordance with well-established and understood commercial procedures (Bebchuck, 2004).

Most preschools in Kenya fall into one of the following categories: Public preschools, faith / religious based and privately owned. Each structure has its pros and cons and there are various legal and legislative requirements which must be adhered to in each case. Each situation needs to be considered on its merits. In this study the researcher has considered only public pre-schools (Bebchuck, 2004).

Adherence to the principle of full disclosure requires publicly revealing shareholder and ownership rights, financial statements, company objectives and payment to key executives. Also, including risk factors pertinent to the company, accounting procedures and corporate governance policies is important. Many times this information is available in the annual report of a corporation. Disclosure of material matters concerning the institution should be timely and balanced to ensure that all suppliers and other nonstakeholders have access to clear, factual information (Bowen, 2008).

### **Objective of the Study**

To determine adherence to the principle of full disclosure and Transparency in ECE management in Bahati Division, Nakuru North Sub-County

### **Research Question**

Is there adherence to the principle of full disclosure and transparency in ECE management in Bahati Division, Nakuru North Sub-County?

## **III. Methodology**

This study utilized the descriptive survey design. The study used descriptive survey research design. Descriptive survey is useful when the researcher wants to describe specific behavior as it occurs in the environment. The main characteristic of this method is that the researcher has no control over the variables; he/she can only report what has happened or what is happening. It also includes attempts by researchers to discover causes even when they cannot control the variables (Kothari, 2004). This was appropriate in establishing the effects of principles of corporate governance on management of ECE. The study targeted all 41 public ECE centres in Bahati Sub-County. It involved all managers of the 41 ECE centres and 123 teachers. Purposeful sampling was done where the researcher took 10 preschools head teachers, 10 pre-school committee members and 11 pre-school teachers. This ensured that each member of the target population had equal and independent chance of being included in the sample. This ensured that the sample was representative of the total population under study. There was 100% response rate on the distributed questionnaires.

**IV. Findings And Discussions**

**The Level of full disclosures and transparency in ECE management in the school**

In the study, the researcher asked with regard to ECE management in the school, to what extent do the Pre-School teachers agreed with the following statements on the level of full disclosure and transparency in ECE management in schools in Bahati, Nakuru north sub-county. In order to investigate the level of full disclosure and transparency in ECE management, the study used a likert-type scale in which 5, 4, 3, 2 and 1 represented continuum scores for *Very great extent, Great extent, Moderate extent, Little Extent and No extent respectively*. These enabled the tabulation and interpretation of the responses from the research instrument. The main statistics derived are mean, standard deviation and variance. The mean illustrated the extent to which the respondents agreed or disagreed with the statements put forth on the level of full disclosure and transparency in ECE management. This is well elaborated in the table and narratives which shows the respondents and the statistics.

**Table 1: The Level of Full Disclosure and Transparency in ECE Management in the School**

Full disclosure and transparency in ECE management.	N	Std.		
		Mean	Deviation	Variance
Periodic reporting	11	2.2727	1.31840	1.818
Control and feedback mechanisms	11	2.4545	1.12815	1.273
Internal control system	11	3.1818	1.40130	1.964
Budgetary control	11	1.9091	1.13618	1.291
Access to information	11	2.4545	1.50756	2.274

**Source: Research data**

Table 1 above shows a tie in majority of Pre-School teachers in Bahati, Nakuru North sub-county who felt that having control and feedback mechanisms and Access to information was a great level of disclosure and transparency in ECE management both recording a mean of 2.4545 though there was a slight difference in standard deviation of 1.12815 and 1.50756 respectively. There was another portion of respondents that felt that periodic reporting influenced the level of disclosure and transparency in ECE management, recording a mean and standard deviation of 2.2727 and 1.31840. a good number of respondents from the case study felt that Budgetary control had an influence in the level of full disclosure and transparency in ECE management as evidenced from the study results in the table above.

**School committee view on Level of full disclosures and transparency in ECE management in the school**

In the study, the researcher asked with regard to ECE management in the school, to what extent do the school committee agreed with the following statements on the level of full disclosure and transparency in ECE management in schools in Bahati, Nakuru north sub county. In order to investigate the level of full disclosure and transparency in ECE management, the study used a likert-type scale in which 5, 4, 3, 2 and 1 represented continuum scores for *Very great extent, Great extent, Moderate extent, Little Extent and No extent respectively*. These enabled the tabulation and interpretation of the responses from the research instrument. The main statistics derived are mean, standard deviation and variance. The mean illustrated the extent to which the respondents agreed or disagreed with the statements put forth on the level of full disclosure and transparency in ECE management. This is well elaborated in the table and narratives which shows the respondents and the statistics.

**Table 2: The Level of Full Disclosure and Transparency in ECE Management in the Schools**

Full disclosure and transparency in ECE management.	N	Std.		
		Mean	Deviation	Variance
Periodic reporting	10	3.1000	1.52388	2.322
Control and feedback mechanisms	10	2.8000	1.61933	2.622
Internal control system	10	3.0000	1.56347	2.444
Budgetary control	10	3.500	1.43372	2.056
Access to information	10	3.3000	1.14814	2.011

**Source: Research data**

Table 2 above shows that some school committee members in Bahati, Nakuru North sub-county felt that having control and feedback mechanisms and Access to information was a great level of disclosure and transparency in ECE management recording a mean of 2.8000 and 3.3000 respectively. Though a standard deviation of 1.61933 and 1.41814 respectively was recorded. There was another portion of respondents that felt that periodic reporting influenced the level of disclosure and transparency in ECE management, recording a mean and standard deviation of 3.1000 and 1.52388. A good number of respondents from the case study felt that Budgetary control had an influence in the level of full disclosure and transparency in ECE management as evidenced from the study results in the table above recording a mean of 3.5000 and standard deviation of 1.43372.

**Head teachers view on Level of full disclosures and transparency in ECE management in the school.**

In the study, the researcher asked with regard to ECE management in the school, to what extent does the head teachers agreed with the following statements on the level of full disclosure and transparency in ECE management in schools in Bahati, Nakuru north sub county. In order to investigate the level of full disclosure and transparency in ECE management, the study used a likert-type scale in which 5, 4, 3, 2 and 1 represented Continuum scores for *Very great extent, Great extent, Moderate extent, Little Extent and No extent respectively*. These enabled the tabulation and interpretation of the responses from the research instrument. The main statistics derived are mean, standard deviation and variance. The mean illustrated the extent to which the respondents agreed or disagreed with the statements put forth on the level of full disclosure and transparency in ECE management. This is well elaborated in the table and narratives which shows the respondents and the statistics.

**Table 3:** The Level of Full Disclosure and Transparency in ECE Management in the school

Full disclosure and transparency in ECE management.	N	Std.		
		Mean	Deviation	Variance
Periodic reporting	10	3.3000	1.63639	2.678
Control and feedback mechanisms	10	3.0000	1.56347	2.444
Internal control system	10	2.8000	1.39841	1.906
Budgetary control	10	3.3000	1.63639	2.678
Access to information	10	3.3000	1.63639	2.678

**Source: Research data**

Table 3 above shows that majority of head teachers in Bahati, Nakuru North subcounty tied in response on the level of disclosure and transparency in ECE management in that they believed periodic reporting, budgetary control and access to information was the way to go in full disclosure and transparency in ECE management. This recorded a mean of 3.3000 and standard deviation of 1.63639 for both statements. A good number of respondents from the case study felt that control and feedback mechanisms had an influence in the level of full disclosure and transparency in ECE management as evidenced from the study results in the table.

**V. Conclusion**

Adherence to full disclosure and transparency as the study found out requires publicly revealing shareholder and ownership rights and company objectives. This plays a major role in the effective and productive Early Childhood Education management and sustainability of these institutions. As the study found out from the respondents in Bahati division Nakuru north sub-county, majority of respondents indicated that internal control systems, access to information and budgetary control were major assessment points in transparency in ECE management. Other determinants of transparency in ECE management as the study found out from the respondents were periodic reporting whereby management reports on the issues happening within or outside institutions that may have an impact on the shareholders and every stakeholder, another was control and feedback mechanisms whereby stakeholders were free to communicate and convey information expect feedback from management. Disclosure of material matters concerning the institution should be timely and balanced to ensure that all stakeholders and non-stakeholders have access, factual information. All this the study found that may play a major role in the success or failure of effective ECE management with regard to corporate governance.

## VI. Recommendations

The government should ensure that there is adequate disclosures within the ECE schools.

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