Neopatrimonial theorisation of accounting and corporate governance issues in Kenya

Abstract

The present paper relies on a neopatrimonialism perspective to critically analyse the state of corporate governance (CG) and accounting transparency practices in the context of an emerging African economy (Kenya). Our data consists of a combination of 29 semi-structured interviews with key CG stakeholders, together with field observations and archival evidence. We uncover how western-originated accounting and CG systems and reforms are constrained by a vigorous Kenyan neo-patrimonial regime. We find that the implementation of Anglo-American governance and accounting innovations, such as the International Financial Reporting Standards (IFRSs), has proven less effective in improving CG practices within Kenya's corporate sector. This is due to conflicts between the demands of these formal institutions and a powerful neo-patrimonial order, leading to ineffective corporate boards, inadequately skilled accounting professionals, weak regulatory and enforcement systems, rampant corruption, and a lack of shareholder engagement.

Keywords: accounting; corporate governance; financial transparency; neopatrimonialism; Africa, less developed countries

1. Introduction

Many less developed countries (hereafter 'LDCs') have adopted western-originated accounting and CG reforms (e.g. Anglo-American CG model and International Financial Reporting Standards (IFRSs)), with a view to enhance corporate sector efficiency and subsequently drive economic growth (Siddiqui, 2010; Ntim, Opong, & Danbolt, 2012). These reforms have also been adopted mostly at the behest of western advisors and international institutions such as the World Bank (Siddiqui, 2010; Alawattage, Alsaid, & Ali, 2017). Nevertheless, extant evidence shows that accounting and CG practices within LDCs have hardly improved (see, for example, Wanyama, Burton, & Helliar, 2009; Bakre & Lauwo, 2016; Kimani, 2016; Nakpodia, Adegbite, Amaeshi, & Owolabi, 2016; Outa & Waweru, 2016; Nakpodia & Adegbite, 2018). Some of the explanations provided for this occurrence are that the reforms are too western centric and inappropriate to the realities within these LDCs realities (Uddin & Choudhury, 2008; Siddiqui, 2010; Adegbite & Nakajima, 2012).

Extant evidence, mainly from a quantitative "at-a-distance" perspective, allude to the limited improvements in accounting and governance practices. Local factors (e.g. politics, corruption, culture) are mentioned by these researchers but not really explored in detail. Often, generic prescriptions are put forward (e.g. more training, adoption of more codes, legal enforcement) but it is unclear whether these will make a difference without an understanding of these factors. As Wanyama, Burton, & Helliar (2009, p.159) observes, the "mere emergence of detailed governance codes in developing countries does not necessarily mean that de facto practices will improve." At the same time, there has been an emerging research agenda from a qualitative perspective.

Extant evidence shows that CG practices and accounting transparency within LDCs remains inadequate (see Young, Peng, Ahlstrom, Bruton, & Jiang, 2008; Wanyama, Burton, & Helliar, 2009; Adegbite, 2015; Bakre & Lauwo, 2016; Osemeke & Adegbite, 2016; Nakpodia & Adegbite, 2018). Some of the issues suggested by authors for having contributed to weak accounting and CG practices include: concentrated/familial ownership of firms (Young, Peng, Ahlstrom, Bruton, & Jiang, 2008), inadequately skilled accounting practitioners (Wanyama, Burton, & Helliar, 2009), weak regulatory regimes (Adegbite, 2015), rampant corruption (Bakre & Lauwo, 2016), and lacking shareholder engagement (Uche, Adegbite, & Jones, 2016). Paradoxically, this is despite many of the LDCs having adopted extensive neo-liberal reforms (e.g. IFRSs and international CG models), aimed at improving corporate accounting and governance practices. The above evidence further shows that adoption of western-originated accounting technologies and CG models, is not an absolute condition for improving CG practices and firm transparency within LDCs. Similarly, Kenyan firms, also the focus of the present study, have persistently exhibited weak CG practices and inadequate transparency (see, for example, Barako, Hancock, & Izan, 2006; Outa & Waweru, 2016; Outa, Eisenberg, & Ozili, 2017). This is despite implementation of an international code of CG. Against this background, we set out to understand how Kenya's CG code is implemented within her prevailing contextual reality as well as challenges faced while putting the code's provisions into practice.

Notwithstanding a handful of studies (e.g. Lassou & Hopper, 2016; Alawattage and Alsaid, 2017; Hopper, Lassou, & Soobaroyen, 2017), the present paper argues that there needs to be a better understanding of the root cause(s) that impede the intended use of accounting and CG practices. Using the case of Kenya, the paper addresses the scant understanding of how contextual realities of LDCs constrain the workings of western-originated CG models and accounting technologies. Our study makes two important contributions to literature. First, it enriches the burgeoning literature on critical accounting and governance research within LDCs, and Africa in particular (Nyamori, Abdul-Rahaman, & Samkin, 2017), by illuminating the root cause of the factors constraining the implementation of neo-liberal reforms adopted in Kenya. Second, we build on, and simultaneously extend, prior critical work (such as, Bakre & Lauwo, 2016; Lassou & Hopper, 2016; Alawattage & Alsaid, 2017) which examine the introduction of accounting reforms in other LDCs. We contribute to the literature by positioning the paper to explain how the neopatrimonial nature of Kenya's business environment constrains the effective implementation of western-originating accounting technologies and Anglo-American CG code within the corporate sector. A few empirical studies have adopted a neo-patrimonial framing to analyse the implications of implementing government accounting practices in a context where resourcing and spending decisions are often underpinned by cultural, tribal and party political arrangements (see, Lassou & Hopper, 2016; Lassou, 2017). In the present paper, we seek to complement these lines of inquiry by exploring the interplay between neo-patrimonial features of the African system and business/corporate imperatives (e.g. profit maximisation, accountability to shareholders, markets and financial providers, formal board and corporate accountability processes) at the firm level. For instance, well documented instances of corruption and nepotism in the public sector often imply the involvement of private sector actors as one side of the corrupt transaction/dealing. Equally, political actors typically seek resources from the private sector (political donations, employment for their kin). For instance, it is quite commonplace for private sector actors to provide vast resources to finance electoral campaigns in Kenya (see, for instance, Mathenge & Wanga, 2017; Wanga, 2020). In this way, neo-patrimonial influences do move from one sector to the other, but arguably not in the same magnitude or prevalence due to existence of other pressures (e.g. foreign ownership, professional managers, and the need to maintain competitiveness and reputation towards market players). In light of the above observations, we address the following research question: Why do international accounting and CG regulations fail to deliver their intended impact within Kenya companies?

The focus on Kenya is motivated by the following. Firstly, Kenya's is one of the major African economies and arguably key to the success of the East African region, with significant potential for growth and prosperity in light of its existing resources and location (Waweru, 2014). Yet, the private/corporate sector's outcomes continue to be disappointing in terms of unfulfilled potential (see, African Development Bank Group, 2019). There are continual reports of weak accounting and CG practices, in spite of the implementation of Kenya's code of CG practices of 2015 and International Financial Reporting Standards (IFRSs) (see, Outa & Waweru, 2016; Outa, Eisenberg & Ozili, 2017). Furthermore, it has been reported that corruption has permeated many sectors of the economy and there is an escalating culture of bribery (Pring & Vrushi, 2019). Kenya also ranks poorly at position 141 out of 183 in the 2019 *corruption perceptions index*, compared to other countries where neopatrimonialism-based accounting research has been conducted (i.e. Benin: 83, Ghana: 85) (Transparency International, 2019). This high level of corruption is a "constitutive feature" of neopatrimonialism (Kelsall, 2011, p. 76). The noticeable position occupied by Kenya in corruption rankings, relative to other African countries, also potentially points to the existence of different types of neopatrimonialism across the continent (see, for instance, Lassou, Hopper, Tsamenyi, & Murinde, 2019). Our analysis thus seeks to uncover factors which constrain existing corporate sector regulations to improve firm accounting and CG practices. Secondly, existing neo-patrimonial research in Africa has focused on West African countries (i.e. Benin and Ghana) (see, Lassou & Hopper, 2016; Lassou, 2017; Lassou, Hopper, Tsamenyi & Murinde, 2019). We would argue that the socio-cultural context of Africa is observed to vary considerably across countries (Adegbite, 2015; Nakpodia, Adegbite, Amaeshi & Owolabi, 2016). Some of the cultural differences between Kenya and the two western African countries (Benin and Ghana) include the fact that leadership in many of the former's tribes was not hereditary, but rather revolved around individuals nominated or elected by respective tribes (Igboin, 2016; Cappelen & Sorens, 2018). This therefore makes it impossible for one or a few individuals and/or families to amass immense power or resources over extended duration of time, as espoused in the concept of neopatrimonialism. Also, unlike Ghana, Nigeria and Benin, where traditional rulers (i.e. kings and chiefs) still wield significant influence, such traditional framework of leadership is rare in Kenya (Awinsong, 2017). Notwithstanding, such traditional structures of leadership are noted in the literature as key enablers of neo-patrimonial systems (see Lassou & Hopper, 2016; Hopper, 2017). Cognisant of the determining role of culture in neopatrimonialism (Beekers & Van Gool, 2012; Woods, 2012; Mkandawire, 2015; Hopper, 2017), the present study thus offers fresh insights from an Eastern African emerging economy.

The rest of the paper is organised as follows. The next section provides a discussion of Kenya's context, including governance and accounting reforms that have been implemented in the country. Section three presents the paper's theoretical framework and critique of extant literature. Section four explains the data and methodological approach utilised in this research. Section five presents the results and discussion. Lastly, section six concludes the paper and outlines avenues for future research.

2. Accounting, CG, disclosure reforms and the Kenyan corporate context

2.1 Accounting standards and Issues

Kenya has adopted a number of accounting reforms to enhance transparency and accountability in the corporate sector. Table 1 below highlights the key events that contributed to the development of Kenya's CG code and other accounting reforms.

[Insert Table 1 here]

Kenya formally adopted the International Financial Reporting Standards (IFRSs) in December 1999 without modifications, with the aim of improving financial reporting quality and transparency. These IFRSs apply to listed companies, financial institutions and government-owned companies. Prior to IFRSs adoption, The Institute of Certified Public Accountants Kenya (ICPAK) was responsible for the development and implementation of accounting and auditing standards in Kenya (Barako, Hancock & Izan, 2006). The Nairobi Securities Exchange (NSE) enforces IFRSs implementation for all domestic and foreign companies whose securities are traded in Kenya. The accounting literature documents that firms adopting IFRSs enjoy several benefits, including enhanced stock turnover and liquidity, and comparability of annual report information, compared with firms that do not (Barth Landsman, Lang & Williams, 2018). In 2010, regulatory bodies in Kenya introduced IFRSs for small and medium-sized entities. The recent Companies Act of 2015 offers more flexibility for SMEs by exempting them from audit, however, SMEs are required to prepare and file their financial statements with the registrar of companies in each reporting period. The commercial public sector organisations in Kenya have also implemented the IFRSs, as well as partially adopted the International Public Sector Accounting Standards (IPSASs) since February 2014 (Government of Kenya, 2015).

The audit industry in Kenya is primarily self-regulated with minimal oversight at the national level. Auditors are however expected to comply with the quality assurance guidelines and professional code of ethics of the Institute of Certified Public Accountants of Kenya (ICPAK) (The Institute of Certified Public Accountants of Kenya, 2015). In order to encourage compliance with the IFRSs, the ICPAK introduced the Financial Reporting (FiRe) Awards in 2002. By the end of 2009, companies from neighbouring countries (Rwanda, Uganda, and Tanzania) were also participating in the FiRe Awards, which signals the leading role played by Kenya in the wider East African capital markets (The Institute of Certified Public Accountants of Kenya (ICPAK), 2018). Despite the early adoption of IFRSs at the national level, actual compliance, as compared to reported compliance, remains low at the firm level (Outa, Eisenberg & Ozili, 2017). Nonetheless, extant evidence reveals that listed companies exhibit relatively higher degree of IFRS compliance compared with private firms (Mathuva & Chong, 2018). This observation is attributed to listed firms desire to attract cheap capital and increased foreign investments (Kimani, 2016), efforts which subsequently promote IFRS adoption in Kenya (Outa & Waweru, 2016; Mathuva & Chong, 2018).

2.2 Governance standards and Issues

Reforms that set stage for the introduction of CG in Kenya began in the mid-1980s. For instance, in 1984, a joint report was published by the International Finance Corporation (IFC) and the Central Bank of Kenya (CBK) recommending the establishment of a formal regulatory body to supervise and develop the capital markets in Kenya. This was eventually realised with the support of various foreign donor agencies, including the United States Agency for International Development (USAID). The USAID in this instance provided the government of Kenya with financial assistance amounting to US$775,000 which helped in establishing the Capital Markets Authority of Kenya. The Nairobi Securities Exchange (NSE) was later registered in 1991 as a private company limited by shares.

Still, Kenya continued to experience corporate collapses and banking sector crises in the periods following the establishment of the two bodies – Capital Markets Authority and Nairobi Securities Exchange. These developments led to calls for the need to develop a code of CG practices to protect shareholder interests and encourage foreign investors. The World Bank and the International Monetary Fund, for instance, encouraged reforms to promote effective CG practices (Mwaura, 2007). In addition, there was increased interest by various stakeholders to participate in the development of Kenya's CG code. These stakeholders included: the donor community, professional accounting associations, academics, the government of Kenya, through the Capital Market Authority (CMA) and Nairobi Securities Exchange, and the business community (Gatamah, 2002). Nevertheless, the Kenyan CG development process was still viewed with suspicion despite the extensive consultations carried out with local stakeholders. As Gatamah (2002) notes:

> …[there was] *fear that good CG practices [were] an imposition by the donor community to facilitate enhanced dominance of the market by the foreign community* [and] *to facilitate rent seeking by foreigners in the process of liberalisation and privatisation.* (Gatamah, 2002, p.50-51)

Notwithstanding, Kenya's first official CG code was adopted in 2002 and which was overseen by the CMA. The CMA is also responsible for issuing licences to capital market players, such as listed firms and stockbrokers, and provides monitoring and supervision of all capital market intermediaries. Kenya's CG code of 2002 was based on the 'comply or explain' principle, and included various provisions relating to: (a) the board of directors; (b) the role of board chairman and the Chief Executive Officer; (c) shareholders rights; (d) accountability and audits; and (e) public disclosure (Capital Markets Authority of Kenya, 2002). The CG code of 2002 was later replaced with the CG code of 2015 (titled, the Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015) (Capital Markets Authority of Kenya, 2017). In addition to the provisions contained in the CG code of 2002, the CG code of 2015 requires companies to disclose in their annual reports: directors' remuneration policies, including a breakdown of senior executives/board members compensation; investors with substantial shareholdings; and exposure on directors' aggregate loans. The CMA further recommends enforcement of the CG code by various bodies, including: the registrar of companies, the CMA, the Nairobi Securities Exchange and the judiciary. However, the two main challenges for these enforcement bodies include the lack of clarity in terms of areas of authority, and the conflicting requirements of different regulators, which highlight coordination and communication problems within Kenya's regulatory architecture (Outa & Waweru, 2016).

2.3 Company law issues and Kenyan governance issues

Company law in Kenya is founded on the English common law system. The current *Companies Act* in Kenya was passed into law in 2015, to succeed the previous statutes which were based on the United Kingdom's Companies Act of 1948. Several other laws and regulations have also undergone extensive revisions in the recent past, including: the CMA Act (in 2013), the Banking Act (in 2015), the State Corporation Act amendments in 2015 (Outa & Waweru, 2016). Schedule six of the Companies Act 2015 stipulates the requirements and general framework for financial reporting for registered companies, and the Nairobi Securities Exchange ensures their compliance as a listing requirement on the main market. Furthermore, the Institute of Certified Secretaries of Kenya (ICS) conducts regular stakeholder consultation sessions and promotes good CG by assisting listed companies in areas such as: board induction, board development, board evaluation, risk management and strategic planning. The ICS has prepared and trained hundreds of company secretaries on various boardroom procedures (such as minutes writing, management of meetings, and other corporate secretarial services) (Institute of Certified Secretaries of Kenya, 2019). In addition to these reforms, the Capital Markets Authority has set up an online Whistle-blower Portal where suspicious corporate activities can be directly reported to the regulatory bodies.[1]

The above firm-level CG reforms initiated in Kenya ideally need to be supplemented by strong formal institutions at the national level. Such institutions including robust judiciary and strong investor protection laws are required to support effective firm-level governance mechanisms and practices. Unfortunately, Kenya ranks very poorly across majority of the country-level governance measures, including the Transparency International Corruption Perception Index and the World Bank Global Governance Indicators. In *Figure 1* below, we present various global governance indicators for Kenya, including measures for political stability, government effectiveness, regulation quality, the rule of law, voice and accountability, control

[1] The URL of the Whistle-Blower Portal is: https://www.cma.or.ke/index.php?option=com_content&view=article&id=289&Itemid=265

for corruption, strength of investor protection index (World Bank, 2017), and the Transparency International Corruption Perception Index 2018 (Transparency International Corruption Perception Index, 2018). The current ranking of Kenya across all these accountability related indices certainly raises questions about the rule of law, and the quality of regulations and national level institutions. Today, Kenya faces various other socio-economic challenges such as, corruption, an underdeveloped infrastructure, insecurity, and unpredictable markets. Such challenges are observed in the literature to be impediments to business as well as obstacles to effective CG practices (Mwaura, 2007; Ntim & Soobaroyen, 2013).

[Insert Figure 1 here]

In Figure 2 below we present an integrated framework of internal and external forces that have influenced the development of accounting and governance reforms adopted in Kenya.

[Insert Figure 2 here]

Our analysis section will further elucidate the issues discussed in this section, together with the way they impact the implementation of accounting and CG reforms adopted in Kenya. In the next section, we discuss the paper's theoretical framework and prior literature review on accounting and CG issues within LDCs contexts.

3. Literature review

3.1 Theoretical framework

Neopatrimonialism, as a concept, emerged in the 1960s to explain social and economic developments in sub-Saharan Africa (see, Eisenstadt, 1963). Neopatrimonialism suggests that the post-colonial era failed to bring institutional reforms that support economic development, and instead led to hybrid institutions that retained patrimonial[2] power structures rather than deriving from legal rational systems. The consequence was a lack of economic development and weakened political frameworks (Eisenstadt, 1963, 1973). In a neopatrimonial context, the power of the leaders tends to be "erratic and incalculable" and the exercise of such power may occasionally also go beyond the provisions laid down by existing laws (Lassou & Hopper,

[2] Weber proposed patrimonialism as a typology of how power is legitimised in social relations, whether through patriarchal authority of an individual or the impersonal authority of a bureaucracy (Weber, 1968a, p.1006). Weber further notes that a ruler need not to possess any special qualifications to rule as personal loyalty and fidelity of the ruled are the sources of power (Weber, 1968b, p.227).

2016, p.44). Another noticeable attribute of leaders in neopatrimonial contexts is a tendency to draw public resources for personal benefit (Beekers & Van Gool, 2012; Hopper, 2017).

Neopatrimonial contexts usually lack clear boundary between indigenous governance systems and legal rational bureaucracy (Cammack, 2007; Mkandawire, 2015; Hopper, 2017). The indigenous governance systems comprise of traditional power structures that regulate social interactions within a society over an extended period of time, hence becoming culturally embedded (Sandbrook & Oelbaum, 1997; Mkandawire, 2015). Indigenous governance systems are characterised by, among others, patron-client relations and informal institutions such as ethnic and/or tribal loyalty, cronyism and nepotism (Lassou & Hopper, 2016; Lassou, 2017). These features serve as a basis for decisions and actions of people living in particular neopatrimonial contexts, and also tend to stand in the way of formal institutions adopted in the same context. For instance, in the context of our study, the appointment of directors based on their tribal/ethnic connection (informal institution) would clash with CG regulations (formal institution) requiring director appointments to be based on individual competence. Also, while awarding procurement tenders to a CEO's kinsmen (informal institution) may seem appropriate from the perspective of their community, this practice would be in direct conflict with the arm's length principle (formal institution). These examples depict the tensions which exist within neopatrimonial contexts. Notwithstanding, literature suggests that people living in neopatrimonial contexts tend to be more accustomed to the indigenous ways of life which underpins the informal institutions, and also predate the legal rational bureaucracy (Woods, 2012). Consequently, the effectiveness of the formal institutions (i.e. legal rational bureaucracy) is neutralised by the more prevalent informal institutions, which also precede the former.

Accordingly, Cammack (2007) criticises foreign development agencies for failing to consider the underlying institutional environments of African countries when implementing reforms. This author observes that donors come with externally constructed notions that, because African countries show "signs of a modern, democratic state—i.e., they hold elections and have democratic-style institutions, such as parliament, […] judiciary, which many assume will function as in the West", then the objectives of the former will be achieved (Cammack, 2007, p.599). Cammack (2007) refers to this as 'delusion', since presence of such institutions does not guarantee that they will be effective in carrying out their mandates.

Similarly, Lassou & Hopper (2016) applying the neopatrimonialism perspective in a Francophone African country, observe that accounting reforms introduced through concerted efforts of the World Bank and French government hardly improved government accounting practices. They argue that the prior indigenous accounting system had been relatively successful compared to the 'imported' French accounting system (Lassou & Hopper, 2016). This is even though the former had emerged from a weak institutional environment. It is possible that the 'ecological embeddedness' (Whiteman & Cooper, 2000) of local innovations potentially offers an innate immunity against institutional disturbances, a privilege that western solutions may not enjoy. Consequently, Hopper (2017) suggests that to ensure externally originating reforms are successful within LDCs, such reforms should be implemented in a gradual manner and adapted to individual countries' institutional realities.

Nevertheless, the concept of neopatrimonialism remains contested. For instance, Kelsall (2012) argues that countries can achieve development despite clientelism, the rent seeking behaviour of powerful elites which is associated with neopatrimonialism. Referring to the economic development of East Asian and some African countries, the author argues that "clientelism and rent-seeking are not necessarily inimical to development" (Kelsall, 2012, p.681). There are other studies in which the economic and political developments of former-Soviet bloc countries have been examined using the neopatrimonialism perspective (e.g., see Laruelle, 2012). Contrariwise, Hopper (2017, p.226) argues that neopatrimonialism "aids corruption and renders official and formal systems of accountability redundant, except arguably to present a veneer of accountability to gain legitimacy from external parties." This is because neopatrimonialism leads to disregard of formal structures of governance in favour of a more powerful traditional order. The above conflicting positions concur, however, that rent-seeking behaviour is central to all forms of neopatrimonialism (e.g. see, Kelsall, 2012; Hopper, 2017). The key determining factor that makes some neopatrimonial contexts more economically prosperous than others, is because rent seeking is more "centralised and oriented to the long term", (Kelsall, 2011, p. 84), as opposed to assuming a decentralized and short-horizon approach to rent management (Cammack & Kelsall, 2011). Notwithstanding, our paper argues that any form of rent seeking behaviour by corporate executives puts shareholder value at risk and impede firm efficiency (Ntim & Soobaroyen, 2013; Bakre & Lauwo, 2016; Nakpodia and Adegbite, 2018). Still, some of the aspects of neopatrimonialism such as clientelism and/or rent seeking may predispose firm executives to engage in financial statement misrepresentation with a view to conceal activities which contravene accounting standards or provisions of the CG code (see, for instance, Rezaee, 2005). In the present study, we investigate how such and other aspects of neopatrimonialism affect accountability and CG practices of Kenyan firms.

The above discussion of neopatrimonialism to explain economic and social development has been conducted largely at the macro level. To the best of our knowledge, this concept has hardly been used in debates on accounting and CG at the firm level. Yet, considering that CG is essentially about acquiring and using authority to govern corporate affairs, the link to Weber's proposition of power structures seems logical (see, Weber, 1968a; 1968b). For instance, we argue that accounting and CG norms assume the legitimacy of the board of directors and other professionals (e.g. accountants and auditors) to draw from contractual obligations to protect the interests of shareholders. To maintain their legitimate claim to exercise their power as directors and/or professionals, they are expected to discharge their fiduciary duties. This expectation, in a legal rational sense, means that only directors/professionals with the necessary skills, training, and knowledge are appointed. Such organisational power structure is similar to the rational bureaucratic structure mentioned by Weber (1968a).

In neopatrimonial settings, formal institutions required to facilitate and regulate the conduct of business, although present, are usually weak and lack independence to effectively oversee market operations (Sandbrook & Oelbaum, 1997; Lassou, Hopper, Tsamenyi, & Murinde, 2019). In the context of our study, such formal institutions comprise corporate sector regulatory agencies, capital market laws, and accounting and corporate governance regulations. Thus, the neopatrimonialism perspective will allow us to understand how Kenya's neopatrimonial context (comprising powerful indigenous governance systems and other informal institutions, see Lassou, 2017) constrains effective accounting and CG practices at the firm level. Even more, the neopatrimonial lens will permit us to uncover why accounting transparency and CG practices remain weak despite presence of accounting professionals and boards of directors apparently constituted in accordance with the law. Consequently, the present study extends the application of neopatrimonialism into the corporate sector. Our paper contributes to theory by showing that neopatrimonialism not only pervades the political systems in African countries, but also impacts privately controlled modern enterprises, hence constraining their efficiency. This is a departure from prior research which have previously applied the neopatrimonialism construct in the public sector context (or government accounting reforms, as in Lassou & Hopper, 2016 and Lassou, 2017).

3.2 Empirical literature

Okpara (2011) revealed that transparency is still a challenge in Nigeria despite firms having seemingly independent boards. The author, for instance, notes that many "shareholders […] are only allowed to speak during AGMs if they are known to side with the board of directors" (Okpara, 2011, p.195). Similarly, Soobaroyen & Mahadeo (2012) reported that presence of independent non-executive directors did not improve board accountability in Mauritius. The above evidence contradicts prior literature which argues that board independence has positive impact on firm transparency (see, for instance, Zahra & Pearce II, 1989). In addition, Hearn Strange, & Piesse (2017) observe that corporate boards in many African countries tend to comprise more social elites (i.e. government officials, military chiefs and other influential members of society). Also, respect for age in African culture makes it impossible for board members to challenge the authority of elderly directors thus affecting board accountability processes (Nakpodia & Adegbite, 2018). From a neopatrimonialism perspective, the perception of age as a sign of authority bestows a social hierarchy in corporate boardrooms and supplants the formal roles of the individual directors (e.g. see Mkandawire, 2015). Besides, the appointment of influential societal members has potential to engender neopatrimonial relations within the corporate sector, where director appointments are limited to minority groups rather than all merited individuals. Considering the above literature, we propose to examine the following proposition:

> Proposition 1: The excessive appointment of influential societal members into boardrooms based on their age or status in society, rather than merit-based appointments, has potential to impede the effective functioning of corporate boards.

Besides, Hoskisson, Eden, Lau, & Wright (2000) observe that weak regulatory environments within LDCs, fail to deter managers from engaging in corruption and other unethical activities. Politically connected corporate executives have also been found to use their political influence to 'entrench their corrupt activities' (Nakpodia & Adegbite, 2018). For instance, Nakpodia & Adegbite (2018) observe that certain politicians—such as the President, Vice-President, Governors, and Deputy Governors in Nigeria—enjoy full 'political immunity', which means that they cannot be held accountable for their actions while such persons sit on boards. Klapper & Love (2004) also argue that widespread corruption within emerging markets exacerbates information asymmetries subsequently leading to weak CG climate. Other studies on Nigeria also attribute corruption to poor CG practices, as enforcement bodies are compromised to ignore violations of capital market regulations (e.g., see, Adegbite, 2012; Adegbite & Nakajima, 2012; Adegbite, Amaeshi, & Nakajima, 2013; Bakre & Lauwo, 2016). Paradoxically, the neoliberal reforms advocated by international financial institutions to improve CG and transparency within LDCs, including privatisation and fair value accounting, have been found to aggravate 'corruption and lack of accountability' in Nigeria (Bakre & Lauwo, 2016). The evidence reviewed above is consistent with literature which suggests that neopatrimonialism encumbers the formal structures of governance while at the same time serving as a hotbed for corruption (Beekers & Van Gool, 2012; Mkandawire, 2015; Hopper, 2017). In this regard, we propose to examine the following proposition:

> Proposition 2: Neopatrimonialism creates a conducive environment for corruption and lack of accountability, subsequently impeding the effective implementation of formal institutions such as IFRSs and Anglo-American CG code.

Siddiqui (2010) in a study of Bangladesh, further observes that poorly trained accounting and auditing professionals contribute to weak accounting and CG practices. Similar concerns have also been raised regarding the competency of the auditors and accountants working in Kenya noting that many universities lack "financial and manpower capacity" while teaching materials also "lack adequate focus on current international accounting and auditing practices" (World Bank, 2010, p.12). These observations suggest that many accounting graduates in similar LDCs contexts, could be lacking the competency and experience required to discharge their accounting and CG duties effectively. Furthermore, Bakre (2007) found that the Institute of Chartered Accountants of Nigeria (ICAN) did not 'investigate or sanction' its members who were accused of violating professional codes of conduct. Another challenge noted in the literature to hinder effective accounting transparency and CG practices is the weakened state of auditor independence. This is influenced by desires to please clients to sustain business in embryonic corporate sectors within LDCs where clientele is limited (Rezaee, 2005; Habib & Islam, 2007; Uddin & Choudhury, 2008). In this regard, we propose to examine the following proposition:

> Proposition 3: The nascent nature of corporate sectors within LDCs leaves audit firms, both international (including 'Big Four') and local firms, with a relatively limited clientele which potentially contributes to weak auditor independence.

In the following section, we discuss the data collection procedures and research methodology utilised in this study.

4. Methodology

4.1 Research design and data collection

Over the past 30 years, with the emergence of principles-based ('comply-or-explain') CG codes around the world, researchers in the positivist tradition have predominantly conducted index-based studies[3] to capture firm-level governance and transparency issues in relation to compliance/non-compliance with national CG codes, and their implications on firm performance (*e.g.*, Klapper & Love, 2004; Ntim & Soobaroyen, 2013). However, recent inconclusive evidence on the governance-performance relationship in the positivist tradition calls for further methodological scrutiny in CG research (Wintoki, Linck, & Netter, 2012; Ullah, Akhtar, & Zaefarian, 2018), with researchers suggesting the use of alternative or mixed methodological approaches (e.g., Filatotchev & Wright, 2017). While quantitative studies have their own merits, they may not uncover complex and dynamic governance issues, and often find a 'spurious correlation' between CG and firm-specific outcomes, such as transparency, firm valuation, etc. (Wintoki, Linck, & Netter, 2012). The accessibility of longitudinal CG data from financial databases and corporate disclosure documents could partly explain the predominance of quantitative studies in CG research. This study is therefore an attempt to explore the underlying CG issues in a weak institutional environment through an alternative (qualitative) methodological lens. More importantly, studies in the positivist paradigm rely heavily on data drawn from large listed firms, which may not be generalizable to small and medium-sized entities. Our study includes a representative sample of small, medium, and large listed companies in Kenya.

Access to primary data on CG and related measures is indeed a challenge in LDCs contexts (e.g., see Claessens & Yurtoglu, 2013; Filatotchev & Wright, 2017). In line with the scope of our research, we adopted an interpretive qualitative research method. Our interview data were triangulated (Yin, 2011, p.81-82) with qualitative field observations and archival evidence—including data from annual reports, records of AGM proceedings, regulatory and policy reports, media reports, and information published on the websites of various listed firms and regulatory bodies. The use of triangulation and methodological pluralism in accounting research "has the potential to provide a synergy of being mutually informative that could permit a richer portrayal of the organizational reality, revealing unique organizational issues

[3]Since the 1992 publication of the Cadbury Report in the UK, many studies have attempted to examine the impact of compliance on firm-specific attributes, such as operating and stock performance, risk-taking behaviours, etc.

or dynamics" (Hoque, Covaleski, & Gooneratne, 2013, p.1188). Furthermore, we argue that collecting data from multiple sources (e.g. archival documents, face-to-face interviews, participant observations,) helps in understanding the 'multi-level complexities of a phenomenon', increases the trustworthiness of empirical evidence, and contributes to 'theoretical refinements' (Filatotchev & Wright, 2017; Hoque, Covaleski, & Gooneratne, 2013, p. 1189; Osemeke & Adegbite, 2016). The multiple sources of data proved extremely useful in capturing experiences and meanings constructed by the research participants concerning accounting and CG issues prevailing in Kenya.

A total of 29 semi-structured interviews were conducted in two phases by the first co-researcher, with key accounting and CG stakeholders in Kenya. We provide an anonymised classification of the interviewees in Table 2. As reported in Table 3, a wide range of interviewees (key stakeholders) was selected to gain an overarching understanding of accounting and CG issues. The interview participants included senior executives of Kenyan listed firms and representatives of regulatory bodies—namely, the Capital Markets Authority (CMA), the Institute of Certified Public Accountants of Kenya (ICPAK), the Institute of Certified Public Secretaries of Kenya (ICPSK), and the Nairobi Securities Exchange (NSE). These representatives are influential policy developers and implementers; hence, their views offer insights into the current regulatory reforms and on-going CG debate in Kenya. We also interviewed a journalist, a CG trainer, and an academic from a Kenyan public sector university. Interviewing senior executives/board directors and officials in regulatory bodies was facilitated by the professional networks and local connections of the first co-author. These interviewees were able to express their opinions relating to the effectiveness of accounting and CG regulations implemented in Kenya. We show our interview questions in the appendix.

Eight of the interviews were conducted between May and June 2013, and the other 21 between April and June 2015. On average, each interview lasted about an hour. All interviews were conducted at the premises of each interviewee's organisation. The interviewees were offered the opportunity to express their opinions in loosely guided conversations (O'Dwyer, 2004). Our interview protocol, presented in the appendix, covered a wide range of accounting and governance issues relating to: the effectiveness of boards of directors, bribery and corruption, the professionalism of accounting practitioners, auditor independence, the effectiveness of the regulatory framework, and shareholder sophistication. Twenty-five of the interviews were tape-recorded and later transcribed; notes were taken for the other four interviews after the participants expressed objections to being tape-recorded. The interviews were conducted in both English and Swahili languages. The latter were subsequently translated into English. The handwritten notes taken in the interview process were subsequently transferred to a Microsoft Word document on the same day. Lastly, detailed written notes were taken regarding observations made during the field research. These comprise both reflective notes about the researcher's personal experiences during the fieldwork, as well as handwritten notes taken during six AGMs observed in the second phase of the research fieldwork. Discussing the significance of field observations in complementing interview findings, Hoque, Covaleski, & Gooneratne (2013, p.1175) argue that "people in organizations have different backgrounds, sets of experience and motivations […] they interpret problems differently, have different frames of reference and see different options and solutions [and therefore] representing this complexity in text is not easy". A comprehensive Microsoft Word document was also prepared containing anonymised details relating to the respondents' backgrounds and job descriptions. All interviewees were assured that their individual identities would be protected.

[Insert Table 2 here]

[Insert Table 3 here]

While negotiating for access to the AGMs, it was made clear that, due to ethical concerns, AGM proceedings would not be tape-recorded. This was because it was practically impossible to seek individual consent from each of the participants—shareholders and firm representatives present in the AGMs. Lastly, the ethical approval granted to our research prior to travelling overseas for fieldwork did not include clearance for a covert investigation; hence, the observing co-author resorted to taking handwritten notes.

4.2 Approach to data analysis

The data analysis process employed in this paper was iterative in nature and began by conducting an analysis of various documents and archival evidence. This assisted us in identifying potential interview participants, as well as designing an appropriate interview protocol (Saunders, Lewis, & Thornhill, 2009, p.146; Yin, 2011, p.29). This initial analysis further enabled us to pinpoint the unit of analysis to be examined in the study and obtain richer understanding of the researched context—Kenya. Subsequently, the interview transcripts and field observation notes were merged with the documentary data and archival evidence and analysed using the NVivo 11 qualitative data analysis software. The NVivo software greatly facilitated with managing the voluminous textual files in our possession (interview transcripts, field notes, documentary data, and archival evidence). Inspired by the procedures adopted in prior empirical research (e.g., O'Dwyer, 2004; Belal, Cooper, & Khan, 2015; Nakpodia & Adegbite, 2018), our data analysis steps included: data reduction, data display, and construction of meanings. During the data reduction stage, an open coding process (see O'Dwyer, 2004) was initially followed whereby (first-order) codes were assigned to the data. Comparable/similar codes were then categorised together to form second-order codes, which were later merged further into the high-level themes discussed in the section 5 of this paper (see also, Yin, 2011). Figure 4 below provides an illustration of the procedure followed in the coding process, as well as how the themes discussed in section 5 of this paper (results and discussion) were reached.

[Insert Figure 4 here]

A second coder also independently coded the data and a comparison of the coding outcome demonstrated a high degree of inter-coder reliability. This collaborative approach to coding and data analysis enabled us to enhance the reliability and validity of the findings reached (Saunders, Lewis, & Thornhill, 2009; Yin, 2011). Lastly, the iterative process adopted in this paper enabled us to immerse in the data and reflect on the meanings constructed by the participants regarding the various issues that impact accounting and CG practices in Kenya. The next section presents the findings reached in this study.

5. Results and discussion

This section presents and discusses the study's findings. Relevant excerpts are also included under each of the five thematic headings below—sections 5.1 to 5.6—in order to illustrate interviewees' narrations and experiences, as well as illuminate how accounting and CG standards are implemented within the purview of Kenya's prevailing contextual reality.

5.1 Board of directors

To begin with, the interviewees expressed a strong and unequivocal opinion that board ineffectiveness had contributed to the weakened levels of CG and firm transparency within Kenya's corporate sector (e.g., Interviewees: SEK13, SEK 14, RRB2, SEK6, J1, UAA1). The factors hampering the effective functioning of boards were observed to emanate from Kenya's institutional environment, including the excessive family control of firms, tribalism, and the rampant impunity enjoyed by negligent boards. Consistent with the literature, (e.g., Claessens & Yurtoglu, 2013; Kumar & Zattoni, 2014; Aguilera & Crespi-Cladera, 2015), our findings show that familial control is a prevalent feature of Kenyan firms. This affords familial owners excessive influence over firms decision-making process, sometimes in excess of their cashflow rights. This also leads to concentration of firm control in the hands of a small number of family patriarchs who occupy powerful 'position of (traditional) authority' (Weber, 1968b, p.227). The excerpt below summarises the interviewees' views:

> *"…there is tendency for certain families to dominate boards of some listed companies because of their significant shareholdings. I think we could talk of an elite capture by a small group of Nairobians…small group of people who control corporate Kenya…*"
>
> (SEK13)

The above evidence puts to question the ability of such boards to play a meaningful role in the CG process. Considering that board independence is likely to be compromised by excessive familial ownership, this may then impede the monitoring and judgment capacity of 'independent'/outside directors (Ullah, Ahmad, Akbar, & Kodwani, 2018). In Kenya, the ownership structure is highly concentrated, with some influential families exerting significant influence on companies listed on the Nairobi Securities Exchange. This economic power grab by the elites as alluded above is symptomatic of traditional clans holding and consolidating power at the cost of the rational legitimacy expected of modern legal corporate entities. This clash of traditional power structures with the legal rational distribution of power, as argued from the neopatrimonialism perspective, was seen in many of the corporate boards under study. A consequence of this hybrid legitimacy is thus weak independence of non-executive directors and the consequential exacerbation of the agency problem. With most Kenyan firms exhibiting concentrated ownership—rather than dispersed shareholdings (Kimani, 2016)—the implementation of an Anglo-American-oriented CG system has brought few practical benefits, except for potentially advancing a neoliberal agenda (Chang, 2007) or (as per Lassou, Hopper, Tsamenyi, & Murinde, 2019) neocolonialism.

Besides the familial grip on firms, poor nomination practices similarly hamper board effectiveness. Our conversations with various corporate insiders painted a picture of board appointments being based on cronyism and tribal relations, which supports our proposition 1. Furthermore, these factors usually trump the individual competencies of the board nominees. This finding is consistent with recent evidence that suggests that the appointment of social elites to boards is a common phenomenon in Africa (e.g., Hearn, 2015; Nakpodia & Adegbite, 2018), and usually involves "empowered clans, families or tribal groups" (Hearn, Strange, & Piesse, 2017, p.240). This finding is also consistent with the neopatrimonialism perspective, which posits that, within LDCs, rational CG systems are often constrained by powerful sociocultural forces, including neopatrimonial interests (Hopper, 2017). As illustrated in the excerpts below, the appointment of directors is also greatly influenced by tribal considerations and/or friendship:

> "*The biggest hindrance to professionalism within many boards is the problem of the old-boys network, whereby serving directors invite their friends and business associates to take up board positions* […] *that way, friendship supersedes* [the relevant] *experience or expertise…*" (RRB2)

> "*Board appointments in this country are influenced by the tribe you and the people sitting on a particular board come from* […] *this may go unnoticed by the general public because we are all deeply immersed in this problem but, as someone who has worked in corporate Kenya all my life and also understands its boardroom intricacies, suitable candidates are occasionally overlooked because they come from the 'wrong tribe'* […] *any Kenyan will tell you that tribalism is a big problem in this country…*"
>
> (SEK6)

> "*Almost all boards have what you call a nominations committee because it is a requirement by the CMA* […] *but some of them are just rubberstamps* […] *about three or four years ago, I was serving on the board of one of the listed companies and our Chair brought one of his business associates and the nominations committee happily endorsed that person* […] *so, having a nominations committee is one thing, but its members being able to effectively execute their roles is another…*" (SEK14)

Consistent with the above interviewee accounts, a leading financial newspaper in Kenya summarised the nomination processes of Kenyan firms as follows:

> *"…managers are allowed to suggest the names of cronies or friends from the old-boys network for nomination to the board, making it a 'yes outfit' that is incapable of making quality decisions*." (Business Daily, 2010)

The nomination practices demonstrated above show a strong neopatrimonial character, whereby the nomination practices of listed companies are found to be based on clientelism/nepotism (Beekers & Van Gool, 2012), chiefly on the basis of the tribe and/or ethnic identity which people identify with (see, for instance, Cammack, 2007; Kelsall, 2011). Accordingly, the presence of non-executive directors on Kenyan boards where selection is based on the 'old-boys' network' (Business Daily Africa, 2010) or tribal affiliation (Musikali, 2008) does little to improve board independence. This, we argue, is because non-executive directors potentially come as ‘outside friends’ and less as ‘external experts’ and monitors, thus adversely impacting board independence (Zahra & Pearce II, 1989). Consequently, entities such as the Bretton Woods Institutions and western development partners should consider their policy advice to LDCs that underpins the notion that the adoption of western CG models can transform CG practices. The ineffectiveness of non-executive directors is a global governance issue, with non-executive directors around the world being frequently criticised for failing to understand the business models of their companies and preventing corporate failures (Ullah, Ahmad, Akbar, & Kodwani, 2018). This is even more likely in those instances in which such business models, which are usually propagated by a syndicate of western-based establishments such as the World Bank and IMF, are problematic and/or incompatible with the institutional contexts in which they are applied (Lassou & Hopper, 2016; Hopper, Lassou and Soobaroyen, 2017; Lassou, Hopper, Tsamenyi, & Murinde, 2019). This also suggests that many firms may have ‘independent’ boards in appearance, but which are nonetheless inept.

Besides, our analysis revealed that directors abuse their positions by engaging in non-arm’s length transactions with the companies they serve. This is unequivocally captured in the following interviewee accounts:

> “*...the current issues facing* [company name withheld—CNW], *whereby the management set up shell companies that overbilled their company for the delivery of goods and services, is a good example of how some boards engage in questionable practices to defraud their companies...*” (J1)

> “*...if you look at a company like* [CNW], *all those things that came to light there had been going on for more than 20 years and the whole board could not have been in the dark about them* […] [the board] *was hiding all those things from the auditors* […] *a number of directors were also long time suppliers of* [the same company] *and the directors also had secret offshore accounts* […] *the only reason why these issues came to the public’s attention was because of a disgruntled ex-director* […] *without this whistle-blower, I don’t think that the* [CNW] *board misconduct would have been discovered...*” (UAA1)

The above statements show how some directors engage in unlawful activities, potentially with the full knowledge of the board. Boards which cover up the misdeeds of their fellow directors, would also be argued to be complicit in the malpractices carried out by their members. Such practices may include noncompliance with the arm's length principle, whereby directors award tenders to their firms or those of their associates, usually at inflated prices (J1) or looting firm resources, including cash (UAA1). We argue that the prevalence of such practices hinders firm transparency, as perpetrators could view CG disclosures as self-incrimination. Contrary to the advice of the Bretton Woods Institutions and other western organisations—i.e., that the adoption of international CG codes would make corporate boards more effective (see also, Uddin & Choudhury, 2008; Siddiqui, 2010; Alawattage & Alsaid, 2017)—the evidence in this paper reveals a 'rent-seeking behaviour' (Cammack & Kelsall, 2011, p.90) on the part of the illustrated corporate boards. The existence of such a powerful neopatrimonial culture serves as a hindrance to effective CG practices, and subsequently gives rise to an ineffective corporate sector that is hardly capable of driving meaningful economic development.

5.2 Bribery and corruption

The other high-level theme found to be a hindrance to CG and firm transparency in Kenya is bribery and corruption. Our interviewees suggested that the Kenyan business environment is endemically corrupt. The excerpts below demonstrate how this problem dominates Kenya's corporate sector:

> "*…You have the big four auditing firms here, which are also found in other countries* […] *however, the issue that makes a difference in the work they do is the environment in which they operate* […] *I don't believe that what we have seen here has ever happened elsewhere in the world* […] *in fact, the Arthur Andersen case is no different from what we have witnessed here in Kenya. The only difference is that we may see more of these cases here in our country than elsewhere, like in the developed countries…*" (SEK7)

As another interviewee added, the elevated levels of corruption in the country adversely affects the quality of the work performed by accounting practitioners:

> "*Corrupt individuals do not neglect anything to ensure that they leave no trail, including bribing the accountants of various firms to cover their actions*" (RRB9)

Consistent with Barkemeyer *et al.*'s (2015) work, we argue that "companies exposed to corruption [are] less likely to be transparent". To borrow the words of Cieslewicz (2014, p.519):

> "*Corruption has many consequences for accounting. For accountants, corruption means being put in situations where one is expected to conceal and explain away questionable activities. At a minimum, corruption requires the cooking of financial records…*"

Indeed, Hopper (2017) noted that exposing corruption in Africa is tantamount to putting one's life on the line. We argue that firms which abstain from corruption when competing within the corporate sector run the risk of losing out on business contracts, hence not generating enough wealth for their shareholders. Managers may also view bribes/incentives paid to secure business contracts as a firm survival tactic within highly corrupt business environments. Thus, firms are potentially left with few options, except for partaking in corruption to secure business and guarantee their survival. This view is supported by an Ernst & Young (2015, p.21) report that ranked Kenya top in Africa—and second globally—in terms of corruption, noting that "bribery/corrupt practices happen widely in business". This also suggests that corruption has become 'embedded' (Whiteman & Cooper, 2000) as a way of doing business in Kenya, despite being a punishable criminal offence under the law.

Ernst & Young (EY) reported the following after inviting managers of Kenyan firms to complete a survey about corruption within the corporate sector:

> "*90% of the managers perceived bribery/corrupt practices happening widely in business* […] *23% agreed that at least one of these three things happened within their firm: (a) revenues being recorded before they should to meet short-term financial targets; (b) customers being required to buy unnecessary stock to meet short-term financial targets; (c) underreporting of costs incurred to meet short-term financial targets* […] *41% of companies often report financial performance better than it is.*"
>
> (EY, 2015, page 5-12)

The evidence above shows the extent to which corruption and bribery has permeated Kenya's corporate sector. The prevalence of such irregularities in the conduct of corporate affairs is consistent with the concept of neopatrimonialism (see Cammack & Kelsall, 2011; Woods, 2012; Lassou, 2017). For instance, neopatrimonial systems are noted to suffer from widespread culture of "corruption, predation and [even] theft (Cammack & Kelsall, 2011, p.90), while at the same time exhibiting subversion of formal institutions (Woods, 2012;

Lassou, 2017), such as the prevailing national/international accounting and auditing standards (see Hopper, Lassou, & Soobaroyen, 2017).

The nature of the corrupt business practices reported in the Ernst & Young report (see Ernst & Young, 2015) also has the potential to cause 'market distortions' (Kelsall, 2011), subsequently impeding the economic development of a country. In addition, the Institute of Certified Public Accountants of Kenya (ICPAK), the body that regulates the accounting profession, has also openly decried widespread corruption as a major hindrance to financial accountability and transparency within the corporate sector. The CEO of ICPAK was quoted in a leading daily stating that:

> "*Fraudulent accounting is a national disaster in Kenya* […] *we need the input of every stakeholder including the police, the National Intelligence Service and the Ethics and Anti-Corruption Commission to curb the vice.*" (Business Daily, 2015)

This, however, is unsurprising, given that corruption, affects all sectors of the country's economy (Kimani, 2016). Indeed, according to Transparency International's Corruption Perception Index (2017), Kenya ranks as one of the most corrupt countries globally. The above evidence supports our proposition 2, concerning the negative association between corruption and firm transparency in Kenya.

Considering that corruption and rent-seeking continue to escalate in many LDCs (Bakre & Lauwo, 2016; Hopper, 2017), despite the introduction of various western-backed reforms (O'Brien & Ryan, 2001; Bakre, Lauwo, & McCartney, 2017), this paper calls into question the motives behind the 'imposition' of such reforms in those economies. This paper thus views various western-originated reforms as an unnecessary stranglehold exerted on LDCs by western powers (also, see Lassou and Hopper, 2016; Lassou, Hopper, Tsamenyi, & Murinde, 2019). It also goes without saying that the cities of many western countries—including London—have for many years served as repositories of plundered African resources, thus putting to question the credibility of western interventions within LDCs (Emmanuel, 2012).

5.3 Professionalism and inadequate skills of accountancy practitioners

The evidence analysed suggests that many accounting practitioners lack the professional competency required to support an effective CG environment. This challenge stems from both having low proficiency due to weak training and inadequate opportunities for continuous professional development. For instance, a recent study conducted by the Association of

Chartered Certified Accountants (ACCA) reports that lack of qualified accountants has contributed to weak CG environment in Kenya. The report observes that:

> *"Weak corporate governance sits behind many of the failures in financial reporting, which have seen some of Kenya's largest companies […] experience financial difficulty, including, in some cases, bankruptcy. A contributing factor in this corporate governance crisis has been the use of poorly skilled bookkeepers and unqualified 'accountants'…"* (ACCA, 2018, p.5)

Even where accountants are "qualified through a rigorous training and examination process", the report adds that they lack opportunities to enhance their skills after joining the labour market owing to lack of employer-led training and inadequate technology (ACCA, 2018, p.5). The above publication corroborates an earlier World Bank report which observed that the quality of accountancy training offered by Kenyan universities is constrained by shortage of resources, including teaching staff (ROSC, 2010).

The discussion in this subsection illustrates serious deficiencies in the training and development of accountancy professionals in Kenya. It is in this context that our finding about the quality of training and competency of accounting practitioners in Kenya becomes relevant. This is because a key feature of a legal rational bureaucratic construct of organisation, as proposed by Weber (1968a), is the legitimacy of power. This authority is drawn from the governor's qualifications to govern (Weber, 1968a). The evidence discussed above however suggests that many practitioners are potentially ill-equipped to perform their duties.

5.4 Lack of auditor independence

The lack of auditor independence was also found to be an encumbrance to CG progress within the corporate sector. Several interviewees provided accounts that suggested that external auditors had close—and occasionally questionable—relationships with the firms they audited. For instance, one interviewee narrated,

> "*You see, we don't have many big companies* [in Kenya] […] *we are still a small country* […] *the auditors may therefore avoid situations that could lead to fallouts with their clients. Sometimes, they may have to dance to the tune of their clients in order to sustain business…*" (RRB2)

Another interviewee added that

"*…we don't have many consultants who can provide the advice we would receive from a multinational firm like Deloitte, PWC, or KPMG* […] *so, when we go for competitive bidding, we may find that our current auditor has the lowest quote* […] *what else can we do?*" (SEK13)

Interviewees' accounts suggested that Kenya is a relatively small market for audit firms. This is because most Kenyan companies are small-and-medium-sized, while large firms represent only a minority of the registered companies. This leaves large audit firms with a little market for both audit work and other non-audit services (e.g., bookkeeping, management consultancy, and tax advice), which is in line with proposition 3. This finding is consistent with Habib & Islam's (2007) observation that large firms prefer to be audited by international audit companies. This, we further argue, does little to promote the skills of most indigenous auditors as well as auditing standards locally, besides "sustaining asymmetrical power/knowledge by providing [western auditing firms with] positional superiority" (Said, 1979, cited in Nkomo, 2011, p.228).

This paper further argues that auditor objectivity is inherently impaired in Kenya, as audit firms are compelled to compete for a limited clientele to survive. This is further compounded by the fact that Kenya's CG code and company statutes do not prohibit the provision of non-audit services to firms by their auditors, a factor noted to contribute to financial statement fraud (e.g., see Rezaee, 2005). Curiously, three of the top four major global audit firms are under investigation for abetting accounting fraud in five of Kenya's largest firms (The Institute of Certified Public Accountants of Kenya website, 2015). We thus contend that accounting firms are not strangers to poor conduct, and, indeed, also contribute to the imperfect state of accounting and CG within LDCs, such as Kenya in this case.

The discussion above is consistent with an earlier observation, made by the World Bank, that

"*auditors face potential conflict of interest* [as] *many audit firms provide tax as well as auditing services to the same client and, in some cases, will help their clients prepare the accounts they audit*" (World Bank, 2007, p.3)

One participant also made an interesting observation concerning the growing number of corporate collapses in Kenya, as captured in the quote below,

"*…we have seen companies that were being audited by the big four audit firms collapsing overnight and, after scrutinising their affairs, the investigators revealed*

> *massive financial improprieties within those companies* […] *for instance,* [CNW] *went technically insolvent about five years ago, but it had been audited for all this time and the auditors had been giving it a clean bill of health* […] *what were those auditors doing?*" (CGT1)

The evidence presented in this subsection also indicates an aberration from the provisions of Kenya's CG code, which requires firms to ensure "formal and transparent arrangements for maintaining professional interaction with the Company's auditors" (Capital Markets Authority, 2002, p.480). This means that, in many firms, external auditors are inhibited from discharging their roles effectively due to their close relationships with their clients. This finding may also suggest why the quality of auditing continues to wane, despite the presence of features that would otherwise be expected to boost the accounting and auditing environment in Kenya. Such features include the adoption of international accounting and auditing standards, the near-monopolistic domination of the auditing market by global audit firms (the 'Big Four'), and the presence of trained professionals/members of western professional accounting associations. This further illustrates that it is incorrect to assume that merely adopting western-style accountability and accounting systems can offer solutions to the accounting challenges experienced within LDCs (see also, Lassou, Hopper, Tsamenyi, & Murinde, 2019). Considering these observations, a difficult conundrum arises as to whether such western actors may harbour malicious intentions such as, in this instance, constraining accounting and audit quality within LDCs with a view to sustain a profitable market for western accounting firms and other enterprises (also see, Chang, 2007). We argue that the hybrid power structures combining legal rational and traditional sources of power have perpetuated personal relationships—over impersonal ones—in the discharge of the auditors' professional duties. This may also explain weak regulatory practices, as we demonstrate below.

5.5 Inadequate regulatory regime

Our analysis also uncovered various weaknesses which impede the ability of the corporate regulatory framework to support a thriving accounting and CG climate. For instance, our findings reveal that there are areas of conflicts between the regulatory requirements of various bodies, subsequently creating confusion for firms. This phenomenon is illustrated by the quotation below:

"*…we see conflicts in regulatory requirements, where one regulator asks you to do one thing and the other regulator threatens to penalise you if you do* […] *there is a need to harmonise the regulatory framework because some agencies do more or less similar work* […] *there should be just one body in charge of all the work and hopefully able to remove the grey areas in regulation…*" (SEK1)

The above interviewee remark is corroborated by a report previously published by the World Bank on the state of accounting and auditing in Kenya, which noted that:

"*…the CBK and IRA issue prudential requirements that* […] *prevail over IFRS* […] *Accounting differences do arise between the banking and insurance sectors, such as in loan-loss provisioning of banks and calculation of technical reserves in the insurance sector. Such differences could lead to inconsistencies in application of accounting regulations across banks and insurance companies, limiting transparency and comparability…*" (ROSC, 2010, page 13)

The above evidence calls for a need to pay due attention to the way the corporate sector regulatory framework is configured, if its effectiveness is to be enhanced. The presence of several regulators with duplicative functions, may give a delusive perception of a robust regulatory framework whereas their presence has a counteractive impact on the quality of regulation. This view is consistent with Cammack (2007, p. 599) argument that exhibiting "signs of a modern state", i.e. having the above-mentioned regulatory institutions, does not necessarily mean that they will work as expected or that accounting and/or CG practices will improve (see also Wanyama, Burton, & Helliar, 2009; Lassou, 2012; Kimani, 2016; Lassou & Hopper, 2016). Scenarios like this, we argue, can lead to poor/selective compliance with capital market laws, despite the latter being an important basis for effective CG and accounting practices to thrive.

Moreover, our analysis revealed that laxity on the part of regulatory bodies contributes to poor CG practices and weakened transparency within the corporate sector. The evidence examined indicates that some regulators do little, if anything, even when incidents of malpractice are evident. The excerpts below summarise the interviewees' views regarding the corporate sector's regulatory landscape in Kenya:

"*…bodies like the registrar of companies and even ICPAK do little to encourage compliance with CG regulations* […] *the companies registry is a mess* […] *the*

ICPAK has done nothing when their own members […] *are found to have engineered fraud within companies…*" (SEK12)

Another interviewee added,

> "*…the capital markets regulatory authority is not very strict. They should be penalizing wrongdoers or coming up with various strategies and schemes to ensure that we are complying with CG practices* […] *but you only see them when there has already been a problem…*" (SEK4)

The above interviewee accounts support a previous report published in a leading business daily in Kenya, noting the following:

> "*…mounting cases of accounting fraud* [continue to] *test the effectiveness of market watchdogs* […] *accountants and auditing firms of listed companies have lately been on the spot for allegedly falsifying company financials in collusion with management at the expense of shareholders* […] *ICPAK has been accused of paying lip service without taking solid action against auditors as cases of fraud mount*" (Ngugi, 2015)

To put the deficient state of the regulatory infrastructure into perspective, Gatamah (2002), cited in Okeahalam (2004), report that the "Registrar of Companies does not have the resources, technology or capacity to effectively monitor the more than 20,000 companies" registered in Kenya. This evidence is further supported by prior studies, which find that LDCs regulatory environments are generally weak compared with those in the developed economies, such as western Europe and the USA (e.g., La Porta, Lopez-de-Silanes, Shleifer, & Vishny, 2000; Millar, Eldomiaty, Choi, & Hilton, 2005; Claessens & Yurtoglu, 2013). Nevertheless, Chang (2007, p.102) contends that no country has a flawless regulatory environment, including "the richest countries which have sophisticated regulators commanding ample resources." While this argument suggests that there are inherent regulatory weaknesses in virtually all countries, the additional constraints presented by neopatrimonialism mean that regulatory regimes within LDCs are comparatively weaker, thus rendering them inadequate to support robust accounting and CG practices (see, for instance, Cammack, 2007; Woods, 2012; Lassou, 2017).

Moreover, we argue that the International Federation of Accountants (IFA) and other development partners should take cue concerning the existence of weak legal/regulatory environments within LDCs (Millar, Eldomiaty, Choi, & Hilton, 2005; Claessens & Yurtoglu, 2013), not to mention powerful neopatrimonial systems (see Kelsall, 2011; Mkandawire, 2015; Hopper, 2017). In this regard, the existence of corporate statues and enforcement bodies within LDCs should not be taken to mean that international CG systems (i.e., Anglo-American governance) and other western innovations (i.e., the IFRSs and IASs) would 'function the same way they do in the West' (Cammack, 2007, p.599). We thus conclude this discussion by contending that it would be naive for advocates of western CG models, or other such accounting and economic reforms, to expect similar outcomes across western countries and LDCs contexts.

5.6 Lack of shareholder sophistication

The Kenyan CG code assigns responsibility to shareholders, to ensure that directors and senior managers of firms are accountable for their actions. In this regard, shareholders are required to demand enhanced accountability from firms, and attend AGMs. Nonetheless, our analysis reveals that, for various reasons, shareholders are unable to discharge their CG duties effectively. To begin with, Kenya lacks investor activism and there is no shareholder association to protect shareholders' interests. This, coupled with a lack of basic financial literacy, leaves minority shareholders at a disadvantage (see Kimani, 2016). Besides, the evidence examined in this study shows that many minority shareholders fail to attend AGMs, as illustrated below:

> "[minority] *shareholders are less savvy, and most of them do not actively participate in AGM discussions…*" (RB10)

Another interviewee added:

> "*…Although I can't put a figure to the number of shareholders who seem to come to the AGM just to collect the freebies* […] *that number is quite big I must say* […] *when you add those who do not come, you realise that an awful number of small shareholders do not participate in the AGM consultations at all…*" (SEK9)

This matter has also been previously raised by Kenya's financial press:

> "*Retail investors are shunning the AGMs of listed firms, a trend that threatens to undermine their weak position in questioning management and board decisions to ensure they earn maximum value from shareholding* […] *their only chance of holding boards and management to account*" (Business Daily, 2010)

We argue that non-attendance of AGMs by the minority shareholders makes them susceptible to mistreatment by controlling investors (Uche & Atkins, 2015; Nakpodia, Adegbite, Amaeshi & Owolabi, 2016), and squanders their opportunity to demand accountability from managers (Kimani, 2016). It is also intriguing to see minority shareholders failing to take advantage of AGMs to advocate their interests, particularly considering the concentrated ownership of many Kenyan firms. One possible explanation for this phenomenon is that minority shareholders might not expect their views to have an impact on corporate decision-making, considering that many boards potentially comprise of overbearing directors who are powerful social elites and thus difficult to challenge (see also Hearn, Strange, & Piesse, 2017; Nakpodia & Adegbite, 2018). Insights from the neopatrimonialism theory suggest that such elites are a key feature of neopatrimonial systems, where they also exhibit "autonomy from socio-political forces in the society" (Cammack, 2007, p. 607). Consequently, this may work as a disincentive against minority investors who may in turn fail to attend AGMs noting that their voice cannot influence board decisions and/or firm CG practices.

Moreover, the first co-author noted that five of the six AGMs observed were conducted in the English language. This leaves many of the shareholders in attendance at a disadvantage, as a result of being unable to follow the AGMs proceedings. This is especially considering that many people in Kenya may not be proficient in the English language, including minority shareholders (also see, Tauringana, Kyeyune & Opio, 2008; Kimani, 2016). Accordingly, many shareholders attending the AGMs are thus unable to participate effectively during the AGMs due to language difficulties. The first co-author made the following observation:

> "*Out of the six AGMs observed, only one was conducted in English and Swahili (the latter being Kenya's lingua franca). This therefore puts to question the suitability of AGMs as forums for speaking and listening to shareholders as not all Kenyans—shareholders, in this instance—are proficient in the English language*" (First co-author's observation).

We contend that the use of a language that many shareholders do not have competency in, presents an opportunity that could be exploited by some firm executives to evade scrutiny by shareholders during the AGMs because of language barrier problems. The following interviewee quote summarises the responses provided in relation to the possible reasons for the preference of English in many AGMs:

> "*…it might be time consuming to have the AGM in English and Swahili and the board will want to get done with the AGM as soon as is practically possible* […] *because*

most shareholders are not comfortable with English, in which most AGMs are conducted, they don't see the need to attend those AGMs and that is why most of them just go to get some goodies…" (SEK4)

The above evidence shows the extent to which a large number of shareholders - a significant stakeholder constituency in the Kenyan CG landscape - are prevented by language difficulties from playing a meaningful role in safeguarding corporate transparency. This also means that, despite many listed Kenyan firms exhibiting one of the key features of a thriving CG environment (i.e. board of directors convening AGMs and shareholders attending AGMs), the actual purpose of the AGMs such as scrutinising firm financial statements or ratification of board actions are potentially unachieved. For instance, absenteeism by shareholders from AGMs means that they are unable to ratify dividends payable to them, thus relying on directors' benevolence which engenders a patron-client relationship, as espoused in the neo-patrimonial logic (Bakre, Lauwo, & McCartney, 2017). Consequently, the lack of appropriate input by shareholders on important CG decisions, potentially leaves the board with unchecked power which is another defining feature of neopatrimonialism (e.g. see Lassou & Hopper, 2016; Lassou, 2017).

The resulting gap in communication between corporate executives and majority of the shareholders, provides a convenient veil for poor accountability and corporate misconduct to thrive. Hence, the AGMs organised by many companies are for the most part reduced to superficial accountability mechanisms, which only provide a "veneer of accountability to gain legitimacy from external parties" (Hopper, 2017, p.226). Consistent with this observation, the literature on neopatrimonialism also suggests that weak transparency is a key feature of neo-patrimonial contexts (Lassou, 2017). Besides preparing corporate communiqués in Swahili, the constraints emanating from the use of English may also be circumvented by encouraging the establishment of shareholder associations, which can help minority shareholders to understand financial statement information (e.g., see Uche & Atkins, 2015; Uche, Adegbite, & Jones, 2016). Lastly, the evidence presented above suggests that many shareholders may not be playing an effective role in the Kenyan CG process, particularly in holding managers to account.

6. Summary and conclusions

This study utilized a neopatrimonialism lens (Eisenstadt, 1973; Kelsall, 2012; Hopper, 2017), together with insights from literature on accounting and governance within LDCs (*e.g.*

Wanyama, Burton, & Helliar, 2009; Siddiqui, 2010; Okpara, 2011; Bakre & Lauwo, 2016; Lassou & Hopper, 2016; Alawattage & Alsaid, 2017; Lassou, 2017; Nakpodia & Adegbite, 2018), to develop an understanding of factors that inhibit accounting and CG transparency in Kenya.

A major shortcoming of existing CG research is that majority studies have failed to sufficiently look inside the black box of corporate governance (Zattoni, Douglas, & Judge, 2013). This is as a result of such studies employing positivist approaches in their investigation, thus leading to inadequate analysis of the causes for poor governance practices within LDCs (Soobaroyen, Tsamenyi, & Sapra, 2017). In addition, whilst scholars have made some contribution to the qualitative-based literature, critical attention to the political economy of accounting and CG in the African context is still conspicuously meagre (Nyamori, Abdul-Rahaman, & Samkin, 2017). Our study contributes to these voids in the literature by highlighting how poor accounting and CG practices manifest within the Kenyan corporate sector, as well as critically analysing the underlying causes for these challenges using an interpretivist approach and mobilizing a neopatrimonial theoretical framing.

This paper’s findings reveal that accounting and CG practices in Kenya are constrained by various factors, including ineffective corporate boards, rampant corruption, weak regulatory and enforcement systems, inadequately skilled accounting professionals, and lack of effective shareholder engagement. For instance, we have seen how power structures within boardrooms demonstrate neopatrimonialism, i.e. tribal, ethnic, and parochial factors influencing the constitution of boards. This leads not only to ineffective corporate boards in terms of economic performance (e.g. see, Wanyama, Burton, & Helliar, 2009; Nakpodia & Adegbite, 2018), but also to clientelism and patronage; the two characteristics of neopatrimonialism (Kelsall, 2012; Lassou & Hopper, 2016; Hopper, 2017). This shows that Kenyan firms are a hybrid of traditional and modernist institutions, and not purely legal-rational entities (Weber, 1968a) as envisaged by assumptions of the Anglo-American governance system (Aguilera & Cuervo-Cazurra, 2004; Aguilera & Crespi-Cladera, 2015). The neopatrimonial culture in Kenya stems from a widespread ‘institutionalized informality’ (Hopper, 2017) that is also noted in literature to offer fertile breeding ground for corruption (Cammack & Kelsall, 2011; Woods, 2012; Mkandawire, 2015).

Overall, the present paper contributes to literature along two main fronts. Firstly, the paper adds to literature on accounting and CG in emerging economies using in-depth qualitative evidence from Kenya, to extricate the processes by which the effective implementation of western-based accounting and CG practices is moderated by neo-patrimonial features. By doing so, the paper responds to recent calls for more ‘accounting and accountability research’ on Africa (Nyamori, Abdul-Rahaman, & Samkin, 2017), using ‘in-depth interviews and archival data’ to uncover factors which hamper accounting and CG practices in Kenya (Soobaroyen, Tsamenyi, & Sapra, 2017). Secondly, this paper is one of the first few studies to deploy the neopatrimonialism frame to analyse how informal institutions practices (e.g. corruption, patron/client relations) influence the conduct of corporate affairs within the private sector. By mobilising neopatrimonialism to examine accounting and CG practices within the private (corporate) sector, this article also departs from prior studies that have deployed neopatrimonialism to examine accounting within a public sector context (e.g. Lassou & Hopper, 2016; Lassou, 2017; Lassou, Hopper, Tsamenyi, & Murinde, 2019). Our paper contributes to theory by showing how neopatrimonialism not only pervades the political systems in African countries, but also impacts privately controlled modern enterprises, significantly constraining their efficiency. We suggest that future neo-patrimonial-led research should be sensitive to the fact that private sector institutions are important actors in the continued dominance of neo-patrimonial systems in Africa.

The paper suggests that the governments and the development partners, should work together with stakeholders to ensure adequate systems are put in place to support effective accounting and CG practices (e.g. proper training of accounting professionals, robust court systems and capital market literacy by the general public). For instance, the government and relevant authorities should encourage board diversity within companies to address the potential elements of bias, and reduce influence from members who may be received to have a cultural authority. This strategy can help to minimise the influence of informal institutions which might come in the way of formal institutions (i.e. accountability and CG standards). Also, capital market oversight authorities should strengthen and enforce regulations regarding transparency of related-party transactions and payments that could be construed as corruption. External auditors should also specifically be made responsible to report on each company’s compliance with disclosures concerning related-party transactions and non-arm’s length payments. The other immediate action that can be taken to bolster accountability and CG development in Kenya, is to empower shareholders by supporting the formation of a shareholder association. We further suggest that information prepared for public corporate reporting, such as annual reports, should be disseminated in easily accessible languages (i.e., Swahili or other major local dialects) as opposed to English, so that local users can understand the information with ease.

Finally, we call for research to understand how neopatrimonialism affects internal board processes and board effectiveness. Where possible, action research during board meetings may be considered in order to gain deeper and first-hand experience of the boardroom black box. We also encourage research on the accounting pedagogy in Kenya, to enable policy makers and professional bodies to understand how accounting training can be improved to counteract the influence of informal institutions (e.g. the culture of bribery and corruption) on the work of accounting professionals. We also found that Kenya lacks a shareholder association to support minority shareholders. Future research could thus explore how minority shareholders may be empowered to be able to participate effectively in the corporate governance process and ensure that their interests are safeguarded.

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Figure 1: Country profile and World Bank global governance indicators

- Total GDP: US$74.938 billion
- Population: 49,699,862 million
- Political stability rank*: 12.86
- Government effectiveness rank: 40.87
- Regulation quality rank: 43.75
- Rule of law rank: 37.98
- Voice and Accountability rank: 40.39
- Control of corruption rank: 15.38
- Strength of investor protection index**: 5.8
- Transparency International's Corruption Perception Index of 2018: Ranked 144 out of 180 countries

Notes:

- * Rank definition: Percentile rank among all countries (ranges from 0 (lowest) to 100 (highest) rank)
- ** The strength of investor protection index is an average of three indices—the extent of disclosure index, the extent of director liability index, and the ease of shareholder suit index. The index ranges from 0 (little to no investor protection) to 10 (great investor protection).

Source: Compiled by the authors from World Bank Indicators, and, data on 'Doing Business Project'

Figure 2: An integrated framework of different forces and pressures constituting the accounting and governance framework

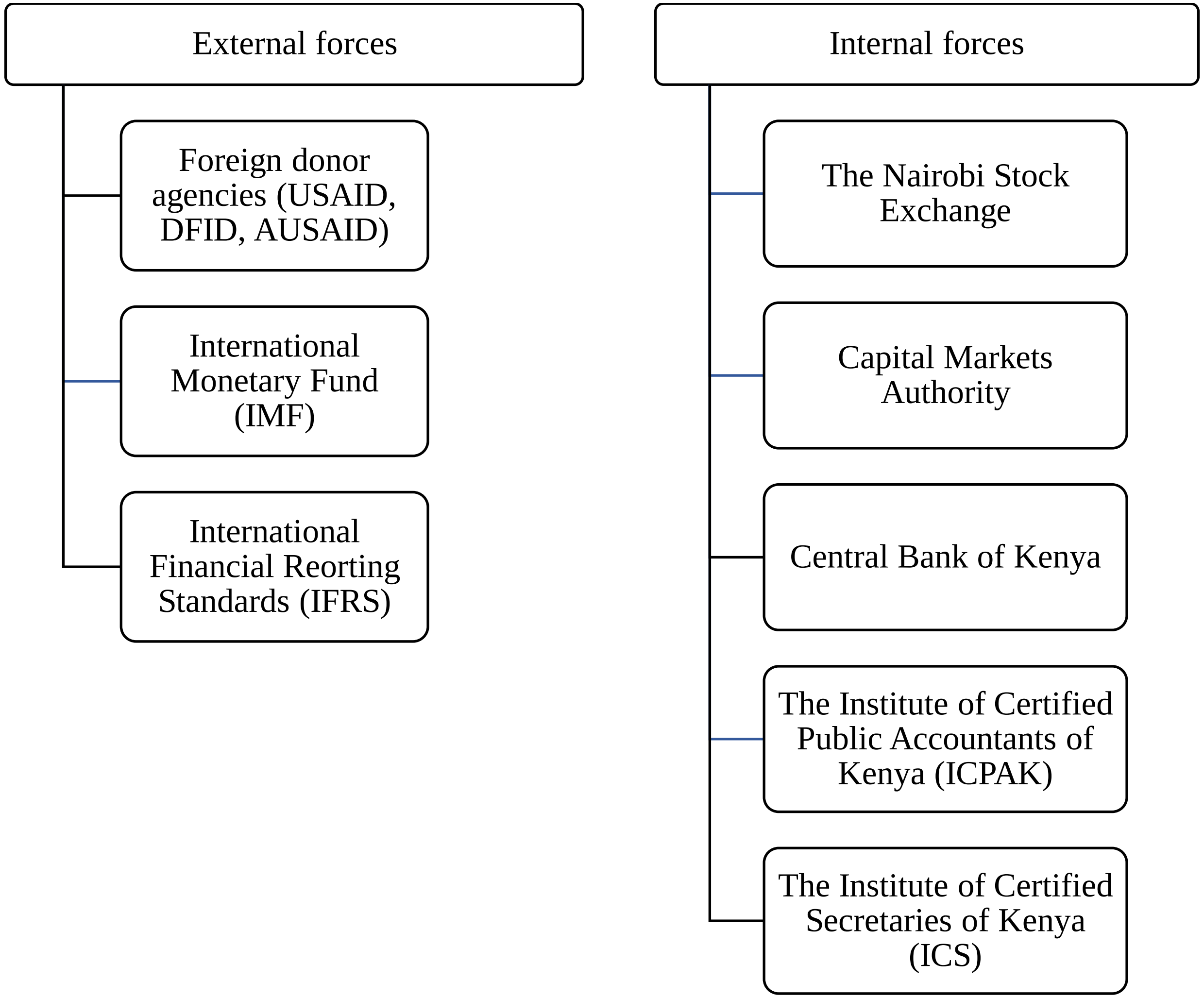

Figure 3: A conceptual framework of firm-level accounting and CG practices in Kenya

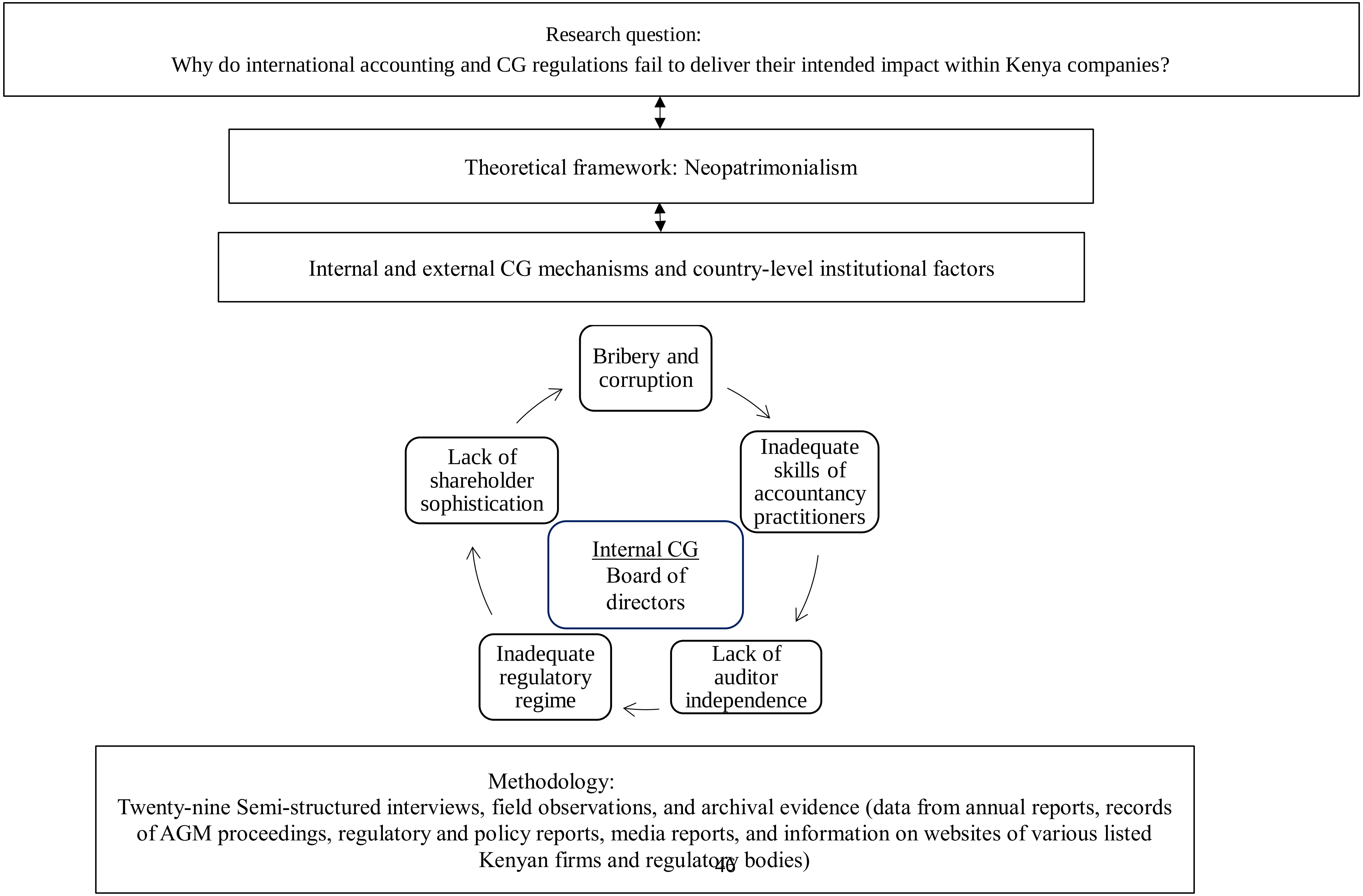

Figure 4: Data analysis process

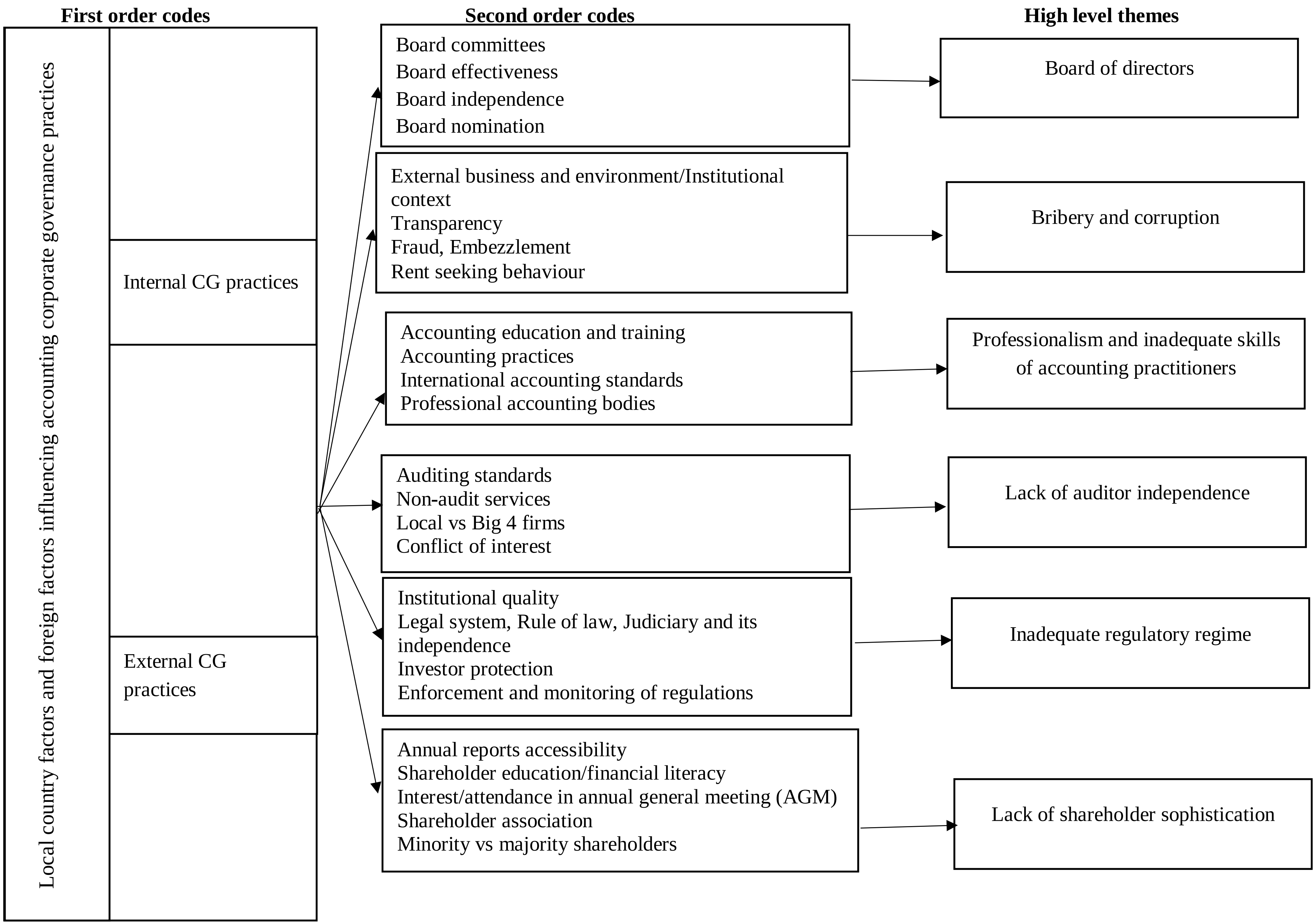

Table 1: Chronology of key accounting and corporate governance reforms in Kenya

Timeline	Event
Early 1980s: 1980-84	First phase of (economic) reforms introduced by the IMF and World Bank–beginning of the privatisation process
1984	Joint study by the IFC and the Central Bank of Kenya recommending the creation of a regulatory body for the capital markets
1985-1991	Second phase of (economic) reforms spearheaded by the World Bank and IMF—the establishment of the Capital Markets Authority (CMA) and formalisation of the NSE
Jun-86	Funding agreement signed between the Government of Kenya (GoK) and donors (USAID) to establish a capital market development authority
Nov-89	Kenyan parliament passes a bill to set up the CMA through an act of parliament (Cap 485A, Laws of Kenya)
Jan-90	CMA constituted
Mar-90	CMA inaugurated
1991	NSE formalised as a private company limited by shares
1991-1996	Third generation of economic reforms spearheaded by the World Bank and IMF
1997	Commonwealth secretariat held a three-day workshop in Kampala, Uganda, on improving company performance
Nov-98	First corporate governance workshop in Kenya organised by the NSE, CMA, ICPAK, and ACCA
March-August 1999	Private Sector Corporate Governance Trust (PSCGT) reviewed various international codes of CG and drafted a sample Kenyan code
Oct-99	PSCGT organised a CG workshop/seminar sponsored by the Ford Foundation, British Department for International Development, and Friedrich Ebert Foundation
Nov-99	PSCGT sample code published and distributed in Kenya
Dec-99	Institute of Certified Public Accountants of Kenya (ICPAK) adopted the International Standards on Auditing (ISA)
Dec-99	ICPAK adopted the IFRSs as issued by the IASB without modifications
Jan-02	Kenya Shareholders' Association established
Apr-02	Formal adoption of CG code based on 'Comply or Explain', entitled: Guidelines on Corporate Governance Practices by Public Listed Companies in Kenya
2009	ICPAK adopted Code of Ethics for Professional Accountants
2010	IFRSs became effective for small-and-medium-sized enterprises (SMEs)
2014	ICPAK partially adopted International Public Sector Accounting Standards (IPSAS)
2015	Kenya Accountants and Secretaries National Examinations Board (KASNEB) adopted the International Education Standards (IES) syllabus for professional accountants.
2015	2002 Code amended with Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015.
2017	Stewardship Code for Institutional Investors was issued by the Capital Markets Authority

Source: Collated from various sources (e.g., The Office of Economic and Institutional Reform, 1994; Capital Markets Authority, 2002; Gatamah, 2002; Were et al., 2006; Capital Markets Authority of Kenya website, 2017).

Table 2: Summary of Interviewees

Codes of Interviewees	Category of interviewees	Number of interviews
SEK 1-14	Senior executives of Kenyan listed firms	14
RRB 1-12	Representatives of regulatory bodies (Capital Markets Authority (CMA), Institute of Certified Public Accountants of Kenya (ICPAK), Institute of Certified Public Secretaries of Kenya (ICPSK), and Nairobi Securities Exchange (NSE)	12
J1	Journalist	1
CGT1	Corporate governance trainer	1
UAA1	University academic (Accounting)	1
Total		29

Table 3: Table of Interviewees

Codes of Interviewees	Job title	Gender	Industry/Company Size
SEK1	Compliance Officer	Female	Energy and Petroleum/Large
SEK2	Executive Director	Male	Insurance/Large
SEK3	Deputy Director	Male	Insurance/Large
SEK4	Executive Director	Male	Investment/Medium
SEK5	Non-executive director	Male	Manufacturing/large
SEK6	General Manager	Male	Telecommunication and Technology/Medium
SEK7	Compliance Officer	Female	Manufacturing/Medium
SEK8	Chief Risk Officer	Male	Telecommunication and Technology/Medium
SEK9	Additional Director	Male	Manufacturing/Medium
SEK10	Executive Director	Female	Banking/Large
SEK11	Compliance Officer	Male	Banking/Large
SEK12	Executive Director	Female	Banking/Medium
SEK13	Executive Director	Female	Manufacturing/Large
SEK14	Executive Director	Male	Commercial and services/Small
RRB1	Vice Chairman	Male	Regulatory Body
RRB2	Council member	Male	Regulatory Body
RRB3	Council member	Male	Regulatory Body
RRB4	Council member	Male	Regulatory Body
RRB5	Enforcement officer	Male	Regulatory Body
RRB6	Legal & Corporate Affairs Director	Male	Regulatory Body
RRB7	Regulatory Affairs Director	Male	Regulatory Body
RRB8	Executive Director	Female	Regulatory Body
RRB9	Deputy Director	Male	Regulatory Body
RRB10	Commissioner	Male	Regulatory Body
RRB11	Executive Director	Male	Regulatory Body
RRB12	Executive Director	Female	Regulatory Body
J1	Journalist	Male	Media
CGT1	Corporate Governance Trainer	Female	Private Training Firm
UAA1	University Academic in Accounting	Male	University of Nairobi

SEK=Senior executives of Kenyan listed firms, RRB=Representatives of regulatory bodies, JI=Journalist, CGTI= Corporate governance trainer, UAA1= University academic (Accounting)

Table 5: List of Interview Questions

Boards of Directors

i. In your opinion, what are the board committees that help in promoting good corporate governance within your organisation?
ii. How would you define an effective board of directors?
iii. What are some of the steps taken by the board to supervise and support the management?
iv. What criterion is used in recruiting new board members? Are the new directors trained for their new roles?
v. In your opinion, what particular features of the board structure have the greatest effect on corporate governance?
vi. What factors would you consider as most important regarding the composition of board as well as the board committees?
vii. Do you think the board of directors should have a greater responsibility for governance and oversight in the event of any corporate scandal?

Bribery and corruption

i. How would you rate the state of transparency and in Kenya’s corporate sector?
ii. What are some of the challenges that your organisation faces while performing its supervisory roles?
iii. How you would describe the quality of internal controls and external oversight in minimising the likelihood of bribery and corruption?

Professionalism and inadequate skills of accountancy practitioners

i. How would you describe the role of professional accounting bodies and higher educational institutions in promoting accounting education?
ii. Does your company encourage existing employees in pursuing professional accounting qualifications?

Lack of auditor independence

i. How would you rate the quality of audit work performed by external auditing companies***?***
ii. How would you describe the level of auditor independence?
iii. In your opinion, how you can compare the role of Big 4 auditing firms and local auditing firms in enhancing transparency and accountability in the corporate sector?

Inadequate regulatory regime

i. How would you rate the commitment from companies to strengthen corporate governance within the Kenyan corporate sector?
ii. Have you had instances where some corporate governance regulations contradict with other legal requirements in the country?
iii. In your view, what are some of the weaknesses or weak areas in the current regulatory requirements?
iv. How good is the coordination between the various supervisory bodies charged with overseeing CG implementation (i.e. Capital Markets Authority, Institute of Certified Public Accountants of Kenya, and Registrar of Companies)?
v. What are your main concerns regarding the manner in which corporate governance is designed?

Missing shareholder sophistication

i. What are some of the corporate governance problems that have had direct consequences on the welfare of shareholders?
ii. How have shareholders made use of available options in seeking redress for their grievances?
iii. In your opinion, are AGMs well attended? What do you think about the level of shareholder participation and activism at AGMs?

Appendix: List of Acronyms

- ACCA - Association of Chartered Certified Accountants
- AGM - Annual General Meeting
- AUSAID - Australian Agency for International Development
- CBK - Central Bank of Kenya
- CG - Corporate Governance
- CMA - Capital Markets Authority
- CNW - Company Name Withheld
- DFID - Department for International Development
- FiRe - Financial Reporting
- GoK - Government of Kenya
- IASs - International Accounting Standards
- IASB - International Accounting Standards Board
- ICPAK - Institute of Certified Public Accountants Kenya
- ICS - Institute of Certified Secretaries of Kenya
- IES - International Education Standards
- IFA - International Federation of Accountants
- IFC - International Finance Corporation
- IFRSs - International Financial Reporting Standards
- IMF - International Monetary Fund,
- IPSASs - International Public Sector Accounting Standards
- IRA - Insurance Regulatory Authority
- KASNEB - Kenya Accountants and Secretaries National Examinations Board
- LDCs - Less Developed Countries
- NSE - Nairobi Securities Exchange
- PSCGT - Private Sector Corporate Governance Trust
- ROSC - Report on the Observance of Standards and Codes
- SMEs - Small and Medium-sized Enterprises
- UK – United Kingdom
- USA - United States of America
- USAID - United States Agency for International Development
- WB - World Bank