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Abstract

Purpose: The purpose of the study was to test the moderating influence of Legal Framework on board leadership practices and corporate governance performance in public institutions in Rwanda.

Methodology: The study adopted a descriptive and explorative design. The target population for the study was 214 managers from 10 public institutions in Rwanda. Stratified random sampling technique was used to get a sample of 195 respondents who were selected from the top management and middle managers staff. Data collected was analyzed through SPSS version 21.

Findings: The R^2 for Board composition practices before moderation was 57% but after moderation, the R^2 increased significantly to 63.6%. The R^2 for Ethical practices before moderation was 44% but after moderation, the R^2 increased insignificantly to 49.6%. The R^2 for Local Advocacy Practices before moderation was 65.8% but after moderation, the R^2 increased significantly to 77.4%. The R^2 for Decision-Making Practices before moderation was 44% but after moderation, the R^2 increased insignificantly to 49.6%. The hypothesis was tested and the study found out that Legal Framework was a positive and significant moderating variable for Board composition practices0.02<0.05 and Ethical practices at 0.02<0.05. However, Legal Framework did not have a significant moderating effect on Local Advocacy Practices0.24>0.05.

Contribution to theory practice and policy: Resource identification and utilization form the legal framework of are successful program. The utilization of these law must directly affect the immediate Moderating role of legal framework and corporate governance performance public institutions in Rwanda. It can therefore be concluded that respondents in the study utilized in public institutions in Rwanda in activities that directly and positively impacted on moderating role.

Keywords: *Corporate Governance Performance, Board composition practices, Ethical Integrity practices, Local Advocacy Practices, Decision-Making Practices, Public institutions in Rwanda.*

1.1 Introduction

In today's globalized world, board leadership practices are a subject that has received increased attention during the last three decades. With the growing competition of globalization, strategic decision makers have been faced with the competing interests of external and internal stakeholders such as greater diversity in corporate governance (Shahmandi, Silong, Ismail, Abu-Samah & Othman, 2011). Dissatisfaction with corporate entities' governance has increased in recent years with concerns of poor performance. This has led to collapse of many giant corporate entities. When this happens, the better part of blame goes to the board of directors and indeed the trend has been to suspend or fire the entire board while sparing the management (Dobs, & Hamilton, 2009). This dissatisfaction has led to the emergence of large institutional investors seeking controlling shareholding in most of the listed corporate entities. Various tools have been applied to ease the problem of corporate failures including giving top managers heavily packaged incentives. Integrity challenges have continued to rock corporate entities with boards of directors being hired and fired without much avail (Charan, 2015).

Boards are considered a link between the firm and the essential resources that a firm needs from the external environment for superior performance. Appointment of outsiders on the board helps in gaining access to resources critical to firm success (Johnson, 2016). Resource dependency theorists extended the argument by positing that board members with different skills, different cultural background, different gender, among others, will act as strategic resource to the firm which may result to superior performance (Earle & Scott, 2010). It is further argued that board composition diversity promotes the functional ability of the board, particularly its ability to engage in complex problem solving, strategic decision making, and management monitoring (Forbes & Milliken, 2009).

Boards have long had the legal authority and shareholder encouragement to proactively oversee executive decision making (Beekes, 2012). Boards with relevant knowledge, skills, and abilities have the potential for proffering unique tactical and strategic advantages to corporations (Finkelstein & Hambrick, 2014). They can contribute to a firm's success through three primary roles: the resource role wherein they enhance access to critical external resources, the service role in which they provide important advice to executive management, and the control role in which they provide governance oversight and determine incentives for executive performance (Chatterjee & Harrison, 2014). It's hence against this background this study was undertaken to test the moderating influence of Legal Framework on board leadership practices and corporate governance performance in public institutions in Rwanda.

1.2 Statement of the Problem

Corporate governance performance deals with the way in which public institutions assure themselves of achieving the milestones towards the country development (Ngulumbu & Aduda, 2017). From global perspective, corporate governance is still a hot topic among shareholders, regulators and society at large and received increased attention in the past decades (Smolo & Smajic, 2011). This is due to collapsed of big corporation such as Lehman Bros., J.P. Morgan, Morgan Stanley and others, fraudulent activities, several major corporate scandals and long-lasting economic depression that raised the questions on the suitability of existing governance practices of public institutions (Mazudmer, 2013). In Rwandan context, corporate governance has also gained prominence (Ekadah & Mboya, 2012). This has been caused partly by corporate failure or poor performance of public and private companies (Barako, Hancock, & Izan, 2006). Therefore, this study sought to fill this gap by critically testing the moderating influence of Legal Framework on board leadership practices and corporate governance performance in public institutions in Rwanda.

2.1. Theoretical Perspective

This paper discusses the Resource Dependency Theory upon which the study is anchored

2.1.1 Resource Dependency Theory

The resource dependency theory provided a theoretical basis for the roles of board as a resource to the firm (Hillman & Dalziel, 2013). Therefore, appointing directors can bring social capital and competence to the firm as this is a valuable quality that a director can bring to the board (Stevenson & Radin, 2010). From this point of view, board composition is regarded as a resource that can increase the value to the firm through improved performance.

A fundamental argument of this theory is that, firms attempt to exert control over their environment by bringing on board resources needed to survive (Pfeffer, 2012). Critical resources are often added to the board as way of managing dependence and therefore benefiting the firms. Outside directors bring resources to the firm, such as information, skills, access to key constituents (e.g., suppliers, buyers, public policy decision makers, social groups) and legitimacy'' (Hillman, Cannella & Paetzold, 2010). A case in point is that following the financial meltdown of 2008, various financial institutions included directors with risk management knowledge to their boards. Once on the boards, these directors work to assist the firm (Hillman & Dalzie, 2013).

Resource dependency theory also adopts a broad view that the skills and knowledge of directors are resources that could be used to help the firm perform better. The resource envelopes also include providing advice to management on strategic actions (Ogbechie, Koufopoulos & Argyropoulou, 2009). In this case firms that are struggling with solvency issues are likely to appoint a representative of financial institutions to their board (Mizruchi, 2013). This theory therefore portends that the skills and knowledge of directors are resources that can help the firm perform better. Adequate resources availed to the board of directors ensures that the board can make proper decisions that suits the public.

2.2 Conceptual Framework

The conceptual framework explains the relationship between the dependent and the independent variables in the study. The conceptual framework summarizes behaviors and provides explanations and predictions for the majority number of empirical observations (Cooper & Schindler, 2011). The various variables in the conceptual framework were: board composition, Ethical Integrity practices, Local Advocacy Practices and Decision-Making Practices as independent factors influencing Corporate Governance Performance. The Corporate Governance Performance as a dependent variable was measured in terms of quality Service, accountability, stakeholder Involvement and Customer Satisfaction. The moderating variable was the Legal Framework. A conceptualization of the connection of the independent variables, and the dependent variable is illustrated in Figure 1.

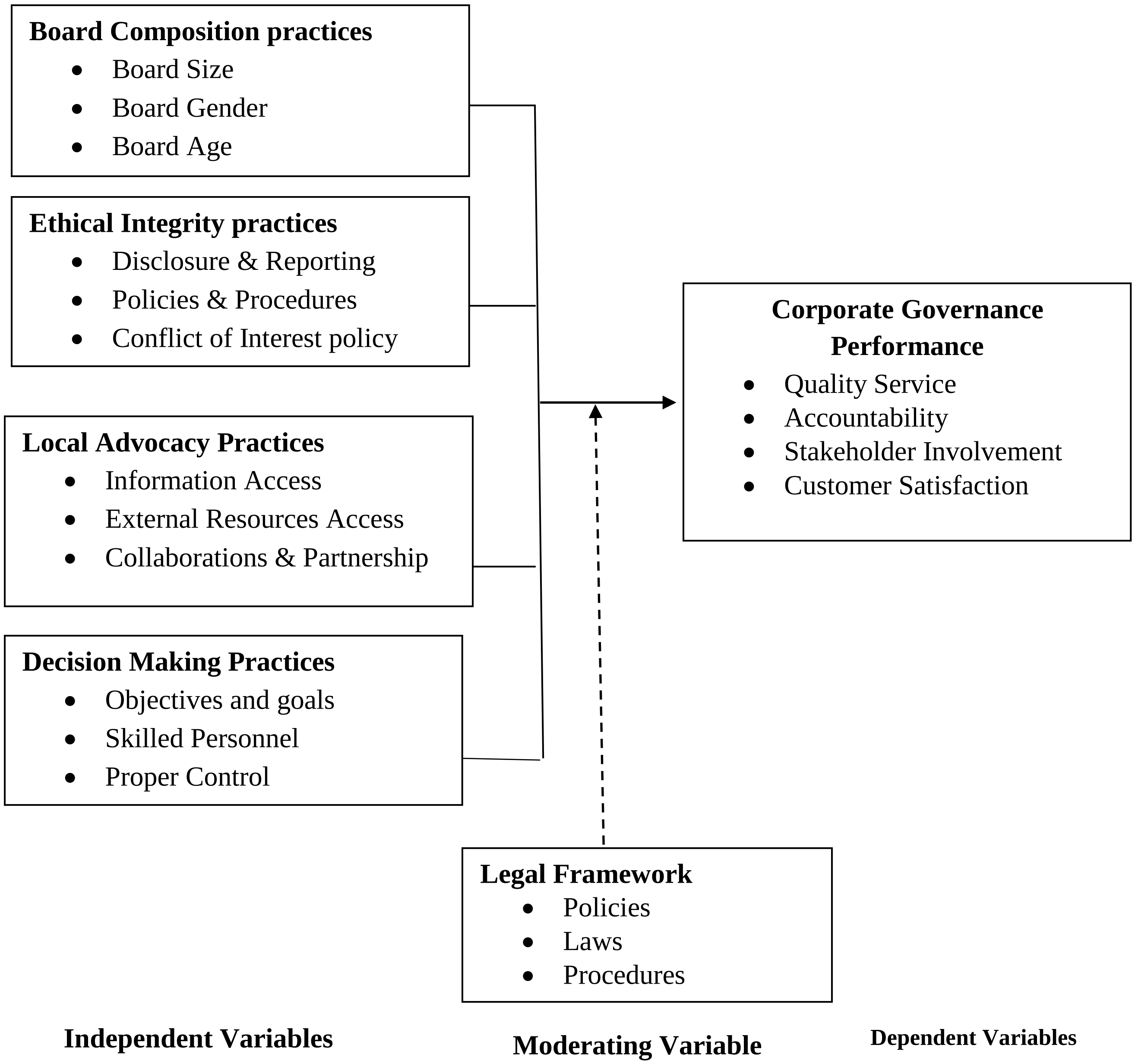

Figure 1: Conceptual framework

3.0 Research Methodology

The study used a cross-sectional survey research design. Cross-sectional surveys involve data collection from a population, or a representative subset, at one specific point in time and have an advantage over other research designs that only seek individuals with a specific characteristic, with a sample, often a tiny minority, of the rest of the population (Kothari, 2011). A sample size of 195 respondents was determined from a total population of 378 individuals using the formula by Yamane (1967).

$$n = \frac{N}{1 + N\,(e)^2}$$

Where n = the desired sample size

e= probability of error (i.e. the desired precision e.g. 0.05for95%confidence level)

N=the estimate of the population size.

$$n = \frac{378}{1 + 378\,(0.05)^2} = 195$$

Primary data was collected using structured questionnaires which had both close ended and open-ended questionnaires. Structured questionnaires refer to questions which are accompanied by a list of all possible alternatives from which the respondents select the answer that best describe their situation (Mugenda & Mugenda, 2009). Structured questions are easier to analyze since they are in the immediate usable form (Orodho, 2013). The questionnaires were self-administered. The researcher informed the respondents that the instruments being administered was for research purpose only and the response from the respondents were kept confidential. The researcher obtained an introductory letter from the University in order to collect data from the field and then delivered the questionnaires to the respondents with the help of a research assistant using the drop and pick later method.

4.0 Analysis for legal framework

The objective was to test the moderating influence of Legal Framework on board leadership practices and corporate governance performance public institutions in Rwanda. All the independent variables were moderated by the variable Legal Framework to give a composite. Results are presented in Table 1.

Table 1: Moderation role of Legal Framework Results

	Unstandardized Coefficients						
Variable	**B**	**Std. Error**	**t**	**Sig.**	**R squared Before Moderation**	**R squared After Moderation**	**R Squared C hange**
Board composition practices (X1)	-0.27	0.12	-2.34	0.02	57%	63.6%	6.6%
Ethical practices (X2)	-0.14	0.12	-1.18	0.24	44%	49.6%	5.6%
Local Advocacy Practices (X3)	-0.28	0.12	-2.43	0.02	65.8%	77.4%	11.6%
Decision-Making Practices (X4)	-0.14	0.12	-1.18	0.24	44%	49.6%	5.6%

The R^2 for Board composition practices before moderation was 57% but after moderation, the R^2 increased significantly to 63.6%. Further Board composition practices was significance with P value 0.02<0.05. This implies that Legal Framework moderates' board leadership practices on corporate governance performance in public institutions in Rwanda. The R^2 for Ethical practices before moderation was 44% but after moderation, the R^2 increased insignificantly to 49.6%. Further Ethical practices was insignificance with P value 0.24>0.05. This implies that Legal Framework moderates' board leadership practices on corporate governance performance in public institutions in Rwanda. The R^2 for Local Advocacy Practices before moderation was 65.8% but after moderation, the R^2 increased significantly to 77.4%. Further Local Advocacy Practices were significance with P value 0.02<0.05. This implies that government policies moderates' board leadership practices on corporate governance performance in public institutions in Rwanda. The R^2 for Decision-Making Practices before moderation was 44% but after moderation, the R^2 increased insignificantly to 49.6%. Further Decision-Making Practices was insignificance with P value 0.24>0.05. This implies that government policies moderates' board leadership practices on corporate governance performance in public institutions in Rwanda.

This is inline with Shleifer and Vishny (2017) argued that effective corporate governance is established either through a well-developed legal framework and an active capital market, or through concentrated ownership. In an extension of this argument, La Porta, Lopez-de-Silanes, Shleifer and Vishny (2007), argued that in countries with better legal protection of shareholders, financial markets are more developed and firms have greater access to external finance and better opportunities for growth. This analysis was extended to transition economies by Pistor, et al. (2000) by highlighting the effectiveness and impact of legal institutions on external finance. While La Porta et al.'s work was concerned with the analysis of "anti-director".

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4.1 Hypothesis Testing for Legal Framework

The Hypothesis to be tested was: **HO_1: Legal Framework does not significantly influence board leadership practices and corporate governance performance public institutions in Rwanda.**

The hypothesis was tested by using multiple linear regression and determined using p-value. The acceptance/rejection criteria were that, if the p value is less than 0.05, we reject the H_{A5} but if it is more than 0.05, the H_{A5} is not rejected. Legal Framework was a positive and significant moderating variable for Board composition practices0.02<0.05 and Ethical practices at 0.02<0.05. However, Legal Framework did not have a significant moderating effect on Local Advocacy Practices0.24>0.05 as shown in Table 1

5.0 Summary of findings, conclusion and recommendations

The fifth objective was to test the moderating influence of legal framework onboard leadership practices and corporate governance performance in public institutions in Rwanda. It was hypothesized that there is no significant moderating influence of legal framework onboard leadership practices and corporate governance performance in public institutions in Rwanda. The results confirmed that there is a positive statistically significant joint relationship between the moderating influence of legal framework onboard leadership practices and corporate governance performance in public institutions in Rwanda.

These conclusions are; resource identification and utilization form the legal framework of are successful program. The utilization of these law must directly affect the immediate Moderating role of legal framework and corporate governance performance public institutions in Rwanda. It can therefore be concluded that respondents in the study utilized in public institutions in Rwanda in activities that directly and positively impacted on moderating role.

From the conclusions drawn on this study the study was seen to provide important insights on the effect of board leadership practices on corporate governance performance in public institutions in Rwanda. Therefore, the results of this study are of interest to the Public institutions in Rwanda, policy makers, civil society and development partners.

The study made the following recommendations.

1. The study found that there is significant influence between board composition practices on corporate governance performance public institutions in Rwanda. Board size had significant positive relationship with corporate governance performance therefore large board sizes should be encouraged in Public institutions in Rwanda.

2. Public institutions in Rwanda should follow the government guidelines to constitute a board with persons of different experiences, skills and perceptions of business operations. These guidelines are expected to ensure an effective board which will steer the organization to greater financial performance.

3. The study recommends that the board in Public institutions in Rwanda should ensure that they observe ethics so as to improve on corporate governance performance public institutions in Rwanda.

5.1 Areas for further Research

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

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