

Strategic Leadership and Its Role in Corporate Governance Practices in Mitigating Risks
in Stock Brokerage Firms in Nairobi

by

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STRATEGIC LEADERSHIP AND ITS ROLE IN CORPORATE GOVERNANCE
PRACTICES IN MITIGATING RISKS IN STOCK BROKERAGE FIRMS IN
NAIROBI

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I declare that this thesis is my original work and has not been submitted to any other college or university for academic credit.

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DEDICATION

First and foremost, I would like to dedicate this work to my beloved wife Faith Wanja and my two wonderful daughters Valerie and Ednah. You have all supported me during this challenging endeavor and your encouragement and understanding is highly appreciated. Secondly, I would wish to appreciate and thank my dear parents who taught me the value of hard work and selflessly supported me morally and materially. Surely, you gave me the best that you could. I gladly thank you and may the almighty God bless you all.

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LIST OF ACRONYMS

ALMAC	Asset Liability Management Committee
AMEX	American Stock Exchange
BSC	balance score card
CBK	central bank of Kenya
CDS	central depository system
CEO	chief executive officer
CMA	Capital Markets Authority
CV	coefficient of variation
FGDs	Focus Group Discussion
IPO	Initial Public Offering
NASD	National Association of Securities Dealers
NSE	Nairobi Stock Exchange
NYSE	New York Stock Exchange
OECD	Organization for Economic Development
SOX	Sarbanes-Oxley
UNDP	united nation development program
VaR	value at risk
WAN	Wide Area Network

ABSTRACT

Corporate governance is a matter of enormous public attention and concern. The success or failure of any organization rests on its leadership. In regard to stock brokerage firms, changes in the institutional framework and policies mark the growing process of stock markets as efforts are being geared to promote their development. As stock markets evolved from informal to more structured institutions, globalization, deregulation and technological advancement have transformed and are reshaping them.

The rate at which a number of Stock brokerage firms participating in the Nairobi Stock Exchange have collapsed is alarming. Over the past two years, Kenyans watched desperately as various brokerage companies, through which they invested their hard earned money collapse. The purpose of this study was to investigate the extent to which strategic leadership was incorporated in corporate governance practices in mitigating risk in brokerage firms participating in Nairobi Stock Exchange to maximize investors' wealth.

The research design used in this study was descriptive design. The sample size of 64 managers was selected randomly in each organization and came from finance and operation departments. Primary data was collected by use of questionnaires and analyzed using mean standard deviation and coefficient of variation. The major findings were that all the brokerage firms have boards of directors, most board of directors had 4 to 5 members, the board members of brokerage firms do not have adequate skills, knowledge or experience in strategic management, stock brokerage, finance, and risk management

and that most brokerage firms also do not have department for monitoring, mitigating and controlling risks.

The conclusion is that strategic leadership has not fully incorporated good corporate governance practices in brokerage firms' through board of directors who are responsible for the firm's ability to achieve strategic competitiveness. However, most firms use Balance Scorecard in strategic planning and management.

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