CORPORATE GOVERNANCE CASE STUDY

Corporate governance is the system of rules, practices and processes through which NAIVAWASS is directed and controlled. This is mainly effected by the Board of Directors. The Board balances the interests of all the company’s stakeholders and creates frameworks to attain company objectives. They are in charge of action plans, internal controls, company performance and corporate disclosure.

Previous challenges

Mr Nahashon W. Wahome is the current Managing Director at NAIVAWASS. He has been part of the company since 2014 when he came in as Projects Engineer and then Technical Manager two years later. According to Mr Wahome, the company faced several challenges in corporate governance, including:

- Unclear constitution of the Board of Directors
- Poor participation of members in Board activities
- Lack of ownership
- Poor shareholder representation
- Lack of proper guidelines – for example, there were cases of board members retiring at the same time, which affected institutional memory
- Lack of performance appraisals for the Board

Mr Mark Kariuki, who was in the Board back in 2005, recounted that NAIVAWASS was often at loggerheads with the municipality over the water supply revenue. “There were no reinvestment, repair or maintenance activities as well as a lack of capacity building.” He added that Board had integrity issues, low capacity within the management structure, unclear mission and vision statements and insufficient funding.

Most of the issues the company faced in 2012 required donor support.

“It has been a tough experience, but we have been able to reach many milestones,” Mr Fredrick Maina, the current chairman of the Board, says.

Partnership and capacity-building
Over several years, SNV introduced a much-needed capacity building process and offered assistance with the relevant management teams. They also helped to develop policies in Finance, Human Resources and Procurement and initiated benchmarking programs against water companies in other regions in Kenya.

Additionally, they facilitated NAIVAWASS’s collaboration with Dutch water companies to improve the Board’s decision-making and report generation skills and to fine-tune the company’s day-to-day operations. From 2012 to 2015 when he was reappointed to the Board, Mr Kariuki opined that the Board had taken off very well, in no small part because of the support from SNV and VEI.

The Managing Director states that SNV came in to ensure the corporate governance system was improved and running smoothly within the company. They assisted in recruitment of Board Members and provided training for them. This training was to ensure that NAIVAWASS inculcates the culture of Board Corporate Governance.

Performance appraisals were also introduced for the Board, creating a framework through which the Board could appraise the MD and individual Board Members as well as the Chairperson could be appraised based on set performance targets. The Board also developed an induction program to help new members work with existing ones and orient them with Board activities.

According to the Chairman of the Board, VEI and SNV worked with WSUP from 2012 to 2016 when WSUP left the partnership. Their technical and financial support enabled NAIVAWASS to address its corporate governance challenges. They trained Board Members on organisational culture and Board conduct. Currently, they step in on occasion to mediate issues of conflict between the Board and Shareholders and to interpret laws set by the constitution and regulators.

**High productivity**

The support of the development partners has helped move NAIVAWASS from low to high productivity in their administration, procurement and most significantly corporate governance. The company’s delivery mechanisms have improved, as have revenue generation, project development and distribution areas.

Finally, the Managing Director lauds the introduction of performance appraisals, as they have grown the company’s overall efficiency. The training and capacity building measures have empowered the Board to make better high-stakes decisions on its own and steer the company towards its mission.
As a result of good corporate governance, NAIVAWASS has been able to:

- Receive an award from the Regulator (WASREB) for being the Most Improved Water Service Provider for two consecutive years
- Receive a Runners’ Up award for Good Corporate Governance in 2015
- Improve company performance
- Motivate staff and improve employee and customer satisfaction
- Attract more donors since 2014, increasing the number of projects they can handle
- Become more creditworthy, making it easier to receive bank loans

**Last word**

The next step would be to improve stakeholder communication for effective information exchange. With this in place, stakeholders will be able to understand their boundaries and responsibilities towards the company.