INFLUENCE OF OWNERSHIP AND CONTROL ON A FIRM'S PERFORMANCE: A CASE OF UCHUMI SUPERMARKETS LIMITED.

PRESENTED BY

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A RESEARCH PROJECT SUBMITTED FOR THE PARTIAL FULFILLMENT OF THE AWARD OF DIPLOMA IN PURCHASING AND SUPPLY CHAIN MANAGEMENT OF THE UNIVERSITY OF NAIROBI.

JUNE 2014
DECLARATION

DECLARATION BY THE STUDENT

This project is my original work and has never been presented for qualification at any other diploma or degree in any university.

OMWOYO EUGENE OKIOMA, Signature........................ Date.........................
REG NO. L126/31019/2012.

APPROVAL BY THE SUPERVISOR

This research project has been submitted for examination with my approval as the University supervisor.

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This study is based on the agency theory. It examines the relationship between ownership and control (i.e., between shareholders and managers). The definition of agency conflict is provided and the possible agency problems that exist between shareholders and managers in the present corporate world and how these problems could be solved or avoided are analysed. The study analyses how the agency problems between shareholders and managers may affect a firm's performance.

This study explores the proposition that the divergence of interest between managers and shareholders has implications for corporate decision making and firm profitability. Shareholders prefer strategies, which maximize their wealth while managers prefer strategies, which maximize their utility. The study gives a short history of Uchumi Supermarkets Limited chain of stores explaining how it was incorporated, its ups and downs.

The methodology used in the study looks at a population of both shareholders of the company representing ownership and the directors of the company representing control. Both primary and secondary data were used in the study.

The study found that shareholders' interest prevail in the management of a firm. A number of agency problems were also found to be present and ways of solving them were suggested. The conflict between shareholders and managers was also found to have a positive relationship with the firm's performance.

The study suggested that the scope of powers and authority in the organization should be clearly stated. It also suggested that there should be a system in place to detect agency problem(s) in the system and those that may crop up and ways to solve these problems. It was also important to monitor managers' actions but to some extent.