

Effect of Board Diversity on Organisation Performance, A Case of Kenya Ports Authority Mombasa, Kenya

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Authors' contributions

This work was carried out in collaboration between both authors. Author BN designed the study, performed the statistical analysis, wrote the protocol and wrote the first draft of the manuscript. Authors BN and PN managed the analyses of the study. Author BN managed the literature searches. Both authors read and approved the final manuscript.

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ABSTRACT

The global business landscape is increasingly becoming complex and unpredictable. For corporations to survive in these increasingly competitive markets, they have to be flexible and meet their customer requirements. It is on this basis that relation between strategic corporate governance and organisation performance has evoked much interest among scholars. This study investigated the impact of strategic corporate governance on organisation performance of Kenya Ports Authority in Mombasa Kenya. Specifically, the study investigated the effect of board diversity on the performance of KPA. The study adopted a cross-sectional descriptive survey design where 55 board of directors, general managers and head of division of KPA were targeted. The sample size was 48 and stratified sampling technique was employed to identify respondents that participated in the study. Self-administered questionnaires were used to collect the data from the respondents. Descriptive statistics was used to describe the data using frequency tables, percentages, and measures of central tendency used included mode, median and mean. The inferential statistics used was multiple regression, which established whether there was a

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significant relationship between board size, board independence, board diversity and committee members' competency on the performance of KPA. The data were analysed using the Statistical Package for Social Sciences (SPSS) software and presented using tables and figure. The study found that 59.8 per cent of the organisation performance at KPA could be attributed to strategic corporate governance. The study also found out that board diversity had a statistically significant impact on the organisation performance of KPA. This study recommends KPA to strive and incorporate board diversity Competency in its strategic corporate governance objectives if it were to enhance its performance.

Keywords: Strategic corporate; corporate governance; organisation performance; board diversity; Mombasa ports.

1. INTRODUCTION

Ongoing discussions about the impact of strategic corporate governance on organisation performance is majorly affected by the level of power exercised by boards of directors. According to Eccles [1], the board of directors play a key role in achieving the success of an organisation and can have long term negative consequences if it is poorly structured especially where functioning as a unit is a problem. In addition to coordination, cultures and diversities within the board of directors can influence the way executives and managers perform their day-to-day activities. Dalton and Dalton [2] argues that each culture and diversity is shaped by the backgrounds of the people serving on the board and selecting the best possible set of a diverse individual can positively affect the productivity of the firm. Existing studies have not managed to address the complexities that arise in strategic corporate administration structures that affect the organisations productivity. According to Velnampy [3], owner investment decisions are affected by risk-taking levels among other factors.

Being a State Corporation, Kenya Ports Authority takes part in considerable capacities of socio-economic growth. Therefore, it must adhere to the guidelines on good governance stipulated by the Government of Kenya [3]. Currently, the State Corporation is influenced by globalisation, reforms from the public sector, partnerships; regional and international, changes in climate, information, communication and technology (ICT) and human resource development that have a direct impact on its performance. For KPA to attain its objectives, it must appreciate the importance of good governance in the maximisation of its stakeholders' goals and aspirations [4].

In this study, Strategic corporate governance is in this route depicted as game-plan of regulations,

implementation and strategies that a company is encouraged and ruled by. Strategic corporate governance basically entails considering the interests of several stakeholders affiliated to the company [4].

Strategic corporate governance as an emergent discipline is a framework used by corporations to control and manage its functions. It documents how the entity relates to its stakeholders and can be viewed as the stewardship responsibility of managers and chief executives to give oversight for the goals and strategies of corporations to promote growth in their organisations [5]. In Kenya, the Capital Markets Authority defines Strategic corporate governance as the practices and processes that direct and guide firm activities of the corporation to intensify profitability [6]. It is related to creating the right balance between the organisation's fiscal and social goals, among individual and common targets while advocating for effective use of resources, accountability of power and stewardship, in addition to modifying the interests of individuals, companies and the society [5].

A study led by Velnampy [3] uncovered that there is a critical connection between good governance and firms' productivity with visible attributes, for example, improved transparency and reporting. Consequently, good governance fortifies these concepts that impact the productivity of a company. An organisation must have the right board size, board diversity and hold regular meetings where appointment and re-election of directors, remuneration of directors, and financial reporting to succeed [5]. Accountability, transparency, fairness and responsibility provide the assurance to the shareholders that their interests are safeguarded. However, in other studies, research has developed a less remarkable correlation between some good governance operations and organisation performance for instance a study by S. P.-J. [7]

reveals that there are no remarkable relations between board diversity and the performance of Sri Lankan State Corporations. Nevertheless, most studies agree that good governance practices can strengthen the performance of an organisation [1,8,7].

1.1 Objective

To investigate the effect of board diversity on the organisation performance of Kenya Ports Authority.

1.1.1 Specific objectives

1. To determine the effects of board diversity organization performance.
2. To investigate the effects of board members sex on organization performance.
3. To determine the effects of board members age on organization performance.

2. LITERATURE REVIEW

Board decent variety is the extent of ethnic, women, and racial minorities on the board [4]. Board variety composition in terms of sex, age, physically disabled, educational background and qualification and other placements on corporate boards has been the topic of debate and focus lately. Adams [9] examined the board-mixed characteristics from sex, ethnic, and a minor perspective where they incorporated varieties of board aptitudes. Terjesen [10] explained that a mixed gathering is described as being either African-American, female, Asian, and Hispanic, which agreed with.

Diversity can also be viewed from the perspective of a variation in the make up of the board of directors which may be classified in two ways; that is, characteristics that can be observed directly (e.g. ethnic origin, sex, and age) and the less noticeable ones (level of education and occupational background) [11].

Older board members may boost organisation productivity as a result of their experiences, the networks they have created and financial resources. An age diverse board is ideal since the younger board members are trained by the older board members which therefore ensures a sustainable route for succession of board members at the top management thereby ensuring better productivity and adoption of labour division. A board which comprises of

members with diverse educational background gives a variety of knowledge and skills that could be beneficial to the board in terms of repercussions of particular decisions as well as give quick in depth assessment on particular policies. As a result an educational heterogeneous board that incorporates mixed skills and knowledge enhances productivity [11].

2.1 Theories

This study was grounded on the ground of Stakeholders' Theory.

2.1.1 Stakeholders' theory

Stakeholders' theory explains the attributes of strategic corporate governance. Stakeholder theory implies that in any business entity the primary aim is to produce as much value as possible for the stakeholders [12]. This theory asserts that for an organisation to be successful and self sustaining the top level management; managers and chief executives should have similar goals to those of their consumers, employees, suppliers, communities, and investors. Therefore all the stakeholders' goals should be oriented in the same direction if top level management are to make meaningful impacts [12]. This theory expresses that the directors of a business must consider the interests of everyone equally and not simply that of the investors. This perspective presumes that a business must boost the absolute prosperity of everybody and everything affected by it, which can be interpreted as meaning that the partnership has a commitment to disperse its benefits to any burdened stakeholders.

According to Jones [12] Stakeholder theory recognizes that following Strategic corporate governance practices in an effective manner is determined through the roles of various parties in an organisation and through their relations with and inclusion in the organisation's basic decision making process. As per Jones [12], the focus of the stakeholders theory reveals business companies require a sound alliance with partners thus business individuals need to command the activities and results of the business in a protected way. The significant use of Strategic corporate administration applications in an organisation is to ensure high incentives to the interests of every single party in the organisation. The stakeholder theory is based on the administrative body decision making process [12]. This theory suggests, the main worry of

directors comprises of the commitments towards the partners of the business. According to Jones [12], this proposition is of importance to this work since it points out the main reasons why organizations should have a good relationship with their stakeholders through good governance structures.

2.2 Board Diversity on Organisation Performance

Board decent variety is the extent of ethnic, women, and racial minorities on the board [4]. Board variety composition in terms of sex, age, physically disabled, educational background and qualification and other placements on corporate boards has been the topic of debate and focus lately. Adams [9] examined the board-mixed characteristics from sex, ethnic, and a minor perspective where they incorporated varieties of board aptitudes. Terjesen [10] explained that a mixed gathering is described as being either African-American, female, Asian, and Hispanic, which agreed with.

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As per Adams et al. [13] Corporate boards are a result of varied outlooks, director characteristics,

ranges of abilities, and business encounters that are considered appropriate for the significant organisation. Hence, the major qualities of board executives must address bookkeeping, administration experience money, industry expertise and customer care understanding just as strategic organising. Adams et al. [13] are of the view that mixed boards are productive than the non-mixed ones. Additionally, Ararat [14] and Whiting [15] likewise consider board variety to have a favourable association with company performance. Nevertheless, Gianetti [4] is of an opposite outlook. He opines that there is no meaningful measurable connection between the existence of female executives on the board of firms registered in the Italian Stock Exchange and organisation performance. This in accordance to other studies as well the presence of women board members has not statistically been related to organisational outcomes. However in the United States it was found that between 1996-2000, boards with women were associated with a 35 % better return on equity [11].

Older board members may boost organisation productivity as a result of their experiences, the networks they have created and financial resources. An age diverse board is ideal since the younger board members are trained by the older board members which therefore ensures a sustainable route for succession of board members at the top management thereby ensuring better productivity and adoption of labour division. A board which comprises of

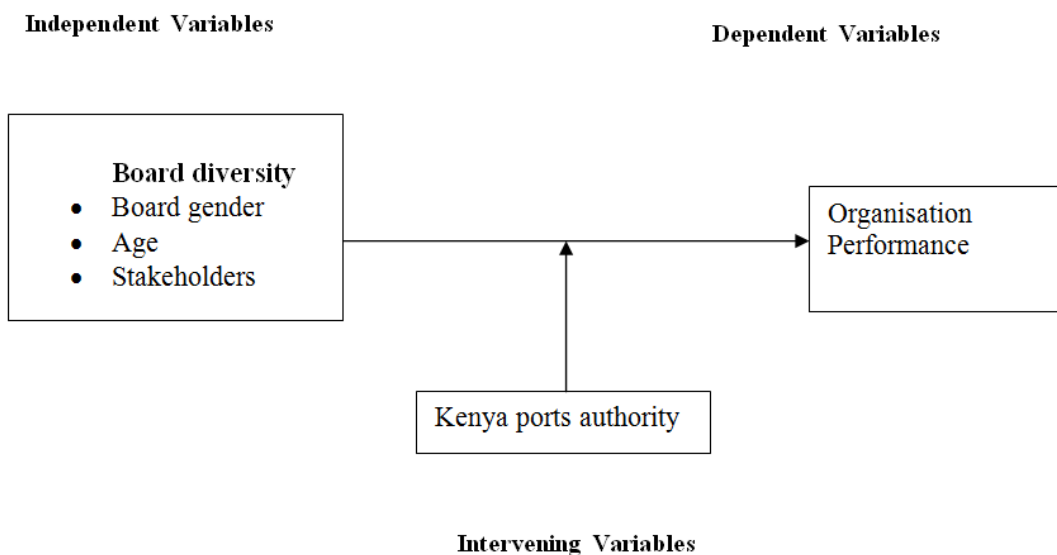


Fig. 1. Flow chart showing relationship between dependent and independent variables

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2.3 Theoretical Framework

The theoretical framework is based on related reviewed literature to the study. The theoretical framework was used based on Effect of Board Diversity on Organisation Performance.

3 RESEARCH METHODOLOGY

3.1 Research Design

The study was conducted through a cross-section descriptive survey research design. According to Osoo and Onen [16], cross-section descriptive survey design is a design that displays an ordered approach which explores the populace by choosing a selected representation which is then examined and events of interest noted. This investigation will acquire information that looks at various populace stata at a solitary point in time [16]. A cross-section descriptive survey research design is perfect since it guarantees total portrayal of the circumstance, ensuring that there is minimal prejudice in the collection of data and finding the what, where and how of a marvel [16].

3.2 Target Population

The target population for this study was 55 board members which includes boards of directors and the entire management of Kenya Ports Authority (KPA 2018). The study targeted the board of directors, general managers and head of departments as respondents because they were assumed to have the necessary knowledge and experience regarding strategic corporate governance policies at KPA.

3.3 Sampling Technique and Sample Size

A sample size of 48 is appropriate if the population is 55. Since the population size was 55, this study adopted 48 as the sample size [17]. Stratified sampling technique was used. Stratified Sampling technique is a technique where the analyst detaches the entire people into

different subgroups or strata by then erratically picks the last subjects equally from the different strata [16,18,19].

3.4 Location of the Study

The study was conducted at KPA in Mombasa County. Kenya Ports Authority directly to oversee and work the Port of Mombasa and every other seaport along Kenya's coastline that incorporate Lamu, Malindi, Kilifi, Mtwapa, Kiunga, Shimoni, Funzi and Vanga. In addition the Authority oversees incorporate inland waterways and also container compartment stations at Embakasi, Eldoret and Kisumu.

3.5 Data Collection Procedures

Data were collected through self-administration of copies of questionnaire to respondents.

4. FINDINGS AND DISCUSSION

4.1 Response Rate

The researcher distributed 48 questionnaires to Board of Directors, General Managers and Head of Departments at KPA. Out of these, 38 questionnaires that were filled and 10 returned unanswered representing a 79.2% response rate. The respondents who did not partake in the study cited busy and tight schedules as the reason for not participating in the study. According to Ott and Longneck [20], if a response rate is higher than 70%, then it can be considered sufficient for the study. Since the response rate for this study was 79.2%, it was deemed sufficient for the study. A rundown of the response rate based on the stratum (designation) of each respondent is provided in Table 1.

4.2 Demographic Characteristics

The study revealed that most of the respondents (71.05%) were males while 28.95% were females. This suggests that positions within the top management of KPA's key departments are dominated by males. Majority of the respondents were aged between 45 to 54 years (39.47%), 31.58% aged between 54 years and above and between 35 to 44 years respectively. Overall, this implies that respondents were old enough to have acquired the requisite knowledge and experience to be knowledgeable on the effects of strategic corporate governance on the organisation performance of KPA. Most of the

respondents had Degrees (47.37%), (42.11%) Masters degree and (10.53%) Diploma certificates. It also implies that KPA hires educated managers for their top management with most of them having at least a Degree.

4.3 Length of Service at KPA

Most of the respondents (44.74%) had worked at KPA for 1 to 4 years, (18.4%) had worked for 5 to 9 years, (15.79%) had worked at KPA for less than 1 year, (13.16%) had worked for 10 to 19 years, and a paltry (7.89%) had worked for 20 and above years. There is a minimal number of officers who had worked at KPA for 20 and above years and for 10 to 19 years respectively. This could mean that KPA does not have managers with proven experience to steer it based on knowledge and experience acquired from hands-on job training. This could also imply that either KPA has a low retention capacity for their top managers or the staff turnover is high.

4.3.1 Effect of board diversity on the organisation performance of KPA

The third specific objective of this study was to investigate the effect of board diversity on the organisation performance of KPA. Descriptive statistics regarding the main constructs of Board Diversity are presented in Table 1.

Table 1 shows a summary of the respondents' views regarding the effect of Board Diversity on the organisation performance of KPA. Of the respondents that participated in the study, respondents generally disagreed as evident with a mean of 3.6895 that the board is composed of members of both gender in equal representation. This suggests that positions within the top management of KPA's key departments are dominated by males. It could also imply that there are more males than females in the entire organisation of KPA. According to Adams et al.

[13], corporate boards should be a by-product of diverse perspectives, director attributes, skill sets, and business experiences that are deemed suitable for the relevant organisation. Therefore, the findings of gender composition at KPA are in conflict with the argument posed by Adams et al. [13] with regard to gender equity.

Similarly, most respondents disagreed that the board has an equal representation in terms of experienced executives and non-executives as evident by an aggregate mean of 4.0263. Adams et al. [13] argues that corporate boards should be a by-product of equal representation with regard to the number of executives and non-executives. Therefore, the findings of board diversity at KPA are in conflict with the argument posed by Adams et al. [13] with regard to representation.

With regard to whether the board has an equal representation in terms of racial minorities, most respondents disagreed registering an aggregate mean of 3.8158. These findings support those of Oketch [21] who noted that most parastatals in Kenya do not meet the specific composition in terms of equal representation with regard to racial minorities as outlined in the Kenyan Constitution.

To a large extent, most respondents disagreed that board members competency has helped safeguard the interests of stakeholders. Again, these results imply that political interference is high in KPA and most respondents could not tell whether the knowledge and experience they had gained has helped KPA to safeguard the interests of stakeholders or not.

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Table 1. Board diversity and organisation performance of KPA

Construct	Mean	Std. deviation
The Board is composed of members of both gender	3.6895	.98387
The Board has an equal representation in terms of experienced executives and non executives	4.0263	.85383
The board has an equal representation in terms of racial minorities	3.8158	1.04248
The board members education and training contribute in financial and market goals	3.2105	1.04385
Aggregate Mean	3.560525	

Source: Field Data (2019)

Table 2. Stepwise regression analysis

		Model 1	Model 2	Model 3	Model 4
Board size	β	2.162	3.8151	3.981	4.299
	Std. Error	.035	.039	.052	.042
Board Independence	β	2.043	2.721	2.327	2.429
	Std. Error	.125	.125	.104	.100
Board Diversity	β	0.530	2.631	2.671	2.723
	Std. Error	.637	.452	.320	.264
Committee member’s competency	β	1.106	2.810	2.901	3.010
	Std. Error	.327	.235	.117	.0271
Sociodemographic Factors	β	1.078	1.267	1.301	1.489
	Std. Error	.531	.421	.399	.289

Source: Field Data (2019)

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Board Diversity had a regression coefficient of 0.530 at a confidence level of 95 per cent—implying that any unit increase in Board Diversity is likely to increase the organisation performance of KPA 0.530 times. When incorporated with Board Size, Board Diversity improves organisation performance by 2.631 times.

Organisation Performance improves by 2.671 times and 2.723 times respectively when Board Independence and Committee Members' Competency are incorporated.

To a large extent, most respondents disagreed that board members competency has helped safeguard the interests of stakeholders. Again, these results imply that political interference is high in KPA and most respondents could not tell whether the knowledge and experience they had gained has helped KPA to safeguard the interests of stakeholders or not.

5. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Board Diversity

The study evaluated the effect of board diversity on the organisation performance of KPA. Of the respondents that participated in the study, respondents generally disagreed that the board is composed of members of both gender in equal representation. Similarly, most respondents disagreed that the board has an equal representation in terms of experienced executives and non executives as evident by an aggregate mean of 4.0263. With regard to whether the board has an equal representation in terms of racial minorities, most respondents disagreed registering an aggregate mean of 3.8158.

To a large extent, most respondents disagreed that board members competency has helped safeguard the interests of stakeholders. These results imply that political interference is high in KPA and most respondents could not tell whether the knowledge and experience they had gained has helped KPA to shield the interests of stakeholders or not.

5.2 Conclusions

The study revealed that 59.8 per cent of the organisation performance at KPA could be attributed to Board size. Most respondents (with an aggregate mean of 2.251) agreed that Board Size had a statistically significant impact on the organisation performance at KPA. Therefore, KPA must strive to incorporate Board Diversity in its strategic corporate governance objectives if it were to enhance its performance.

Board Diversity was found to be statistically insignificant with regard to predicting the organisation performance of KPA (Pearson's Correlation Coefficient of $r = 0.152$ at p -value of 0.067).

5.3 Recommendations

The study found out that Board Diversity had a measurably critical effect on the organisation performance of KPA. Therefore, the study recommends KPA to strive and incorporate Board Diversity, strategic corporate governance objectives if it were to enhance its performance.

CONSENT AND ETHICAL APPROVAL

The research adhered to all ethical standards in the course of the study by protecting the sources of the information, which was critical and sensitive. The researcher ensured that the data given by the respondents was kept secret [22]. This decreased the probability of the respondents being victimized or shamed. Informed consent was administered to the respondents before filing the questionnaire, they were also made aware that they had the right to withdraw their participation from the study at any time [19]. The researcher also requested authorization to conduct the research and collect data from the University and (NACOSTI) at the same time adhere to the laid down standards of confidentiality. In this study, confidentiality was kept. Authorization was looked for from the respondents to get their consent.

COMPETING INTERESTS

Authors have declared that no competing interests exist.

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