The Pace of Change: Gender Diversity in Boardroom and Performance

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Abstract: The board is an integral element of governance, it has a major role in organization performance. Board composition influences reputation, governance, decision making and performance. The board should have gender diversity and leading to this study to investigate gender diversity in the boardroom and its effect on organization performance. Consistent women representation in boards remains low in most countries and gender diversity remains significant for change and performance. Low gender diversity has overwhelmed most boards and the genesis of this is the persistence of gender inequality years. Organizations perform better when gender diversity is embraced. Creating the conditions to unlock the full potential of women to achieve economic goals is still a complex challenging affair, they are still underrepresented in the boards. Gender diversity is a gender number game that needs to be unlocked, as its about the richness of the board as a whole, the combined contribution of a group of people that can bring change and make greatest contributions. However, full implementation of gender diversity in the boardroom will only come out if measures are taken to streamline the board appointment exercise. Gender diversity has a significant impact on organization performance, thus the need for change.

Key Words: Change, Gender diversity, Boardroom, Organization Performance

Introduction

In recent years, attention to and interest in corporate governance has focused on gender diversity as an integral part of internal corporate governance mechanisms. Although there is equivocal evidence and continuous debate regarding the effect of gender diversity on corporate outcomes (Van der Walt et al., 2006; Adams & Ferreira, 2007; Fancoeur et al., 2007; Leonard et al., 2014), gender diversity is still considered a productive area of research for these reasons. Firstly, while research into gender diversity has increased in the recent past, most empirical studies have been conducted using data drawn from developed countries (Carter et al., 2003; Erhardt et al., 2003; Kang et al., 2007; Carter et al., 2010), while there has been a general absence of evidence from emerging markets, particularly Kenya. Secondly, there is a current effort by many countries and organizations, including those in Kenya, to enforce policies, rules and regulations that seek to advance an agenda promoting women inclusion in governance, including corporate boards. This study focuses on the following objectives: to examine the effect of gender diversity in boardroom performance, to establish
the characteristics of board composition in Kenya and examine the effectiveness of gender diversity in decisions making.

Kenya is a country with a constitutional basis for gender equality on boards, with the highest percentage of women directors. This is the result of a progressive Constitution passed in 2010, which included language addressing gender discrimination throughout the government, pushed for by several civil society groups. A key result was a mandate stating that “not more than two thirds of the members of elective or appointive bodies shall be of the same gender.” “Elective or appointive bodies” included the boardrooms of state-owned companies where the government’s stake is more than half, some of the country’s largest companies.

There is change in diversity and women are coming up in high positions and board representation. Hillary Clinton once said, “in too many instances, the march to globalization has also meant the marginalization of women and girls, and that must change” and that is the pace of change in our boardrooms.

The Kenyan Context
The history of the Nairobi Securities Exchange dates back to 1920s, the formal market was constituted in 1954. The introduction of the market brought with it rules and regulations governing trading in shares that were heavily derived from those of the London Stock Exchange. After independence, the government introduced a series of rules and regulations promoting the growth and development of the market. A number of initiatives were intended to allow indigenous Kenyans to invest in listed companies and to limit the expatriation of funds by expatriate investors (Kemboi & Tarus, 2012). The government also set up the Capital Markets Authority (CMA) in 1990, through the Capital Markets Authority Act (CAP 485 A), and was mandated to regulate corporate governance mechanisms in listed firms. To achieve this objective, the authority facilitated the enactment of the Corporate Governance Code in 2002, to strengthen the governance mechanisms.

The enacted corporate governance guidelines were drafted with special reference to the codes of other countries. Cadbury’s Report and Higgs Report of UK, Kings Report of South Africa, and the Sarbanes-Oxley Act of the US are some of the reports used to develop the corporate governance code in Kenya. Gender balance on corporate board was included in the code’s provisions. Following the realization of the need for gender balance on corporate boards, a number of countries have since adopted rules and regulations to guide the composition of corporate boards. The Kenyan constitution, enacted in 2010, requires all public institutions to abide by one-third gender rule in board composition. Institutions are slowly implementing this provision, there is scanty academic evidence to justify the practice. Therefore, this study investigates the pace of change on gender diversity in boardroom and performance.

Gender diversity brings about financial benefits (Carter et al., 2010), it has been indicated that women presence on boards could affect company governance in significant ways (Adams and Ferreira, 2009). Women actions correspond more closely to the expectations of shareholders, looking at female directors, they have better attendance records than male counterparts. Women prepare well for meeting and are more likely to join monitoring committees, gender diverse boards allocate more effort to governance. African women are coming along, on the back of their talents as long as doors are open bringing change on board.
The untapped talents can easily be brought on board by women, thus contributing to different and broader range of talents, experience and knowledge, helping firms pursue competitive strategies. A study by Adams and Ferreira (2009) summarizes the contributions of women in corporate governance mechanisms that seem to enhance firm performance. Basic formal institutions like family, education, employment and governance have been found to influence women’s rise to boards and are common across countries, this is a great initiative to be embraced.

Objectives
1. To examine the effect of gender diversity in boardroom performance
2. To establish the characteristics of board composition in Kenya
3. To examine the effectiveness of gender diversity in decisions making.

A Literature Review

The Constitution of Kenya 2010 acknowledges the same rights of women and men. It additionally states that no gender has to occupy more than two-thirds of boardroom seats in state owned agencies. The UN Global Compact and UN Women collectively advanced the Women Empowerment Principles in Kenya with the intention of advancing women to take part completely in economic activities. Scarcity of women occupying management positions has persevered in lots of fields no matter the truth that greater women are knowledgeable than ever before, and make up almost half of the worldwide body of workers (WDR, 2012). According to the International Labour Organisation (ILO) woman labour participation has improved globally to nearly over 50% (2010). The top notch upward thrust within the general quantity of woman graduates with applicable ranges is no longer translated into a proportional growth of woman illustration on forums and senior management (Wirth 2001, Catalyst2 2011).

Underrepresentation of women on boards cuts across disciplines. Global board seats held by women and women chairs are few. Catalyst (2012) reports that Norway is leading at 40.1%, whilst others like the US are at 16.1% with the imbalances getting considerably greater, while several other countries having no single woman board member in corporate bodies. In Europe, women represent only 11.9% of board seats despite them being 45% of the labour force (Pande and Ford, 2012). Despite those initiatives’ women representation in high management positions has remained low (Catalyst, 2012). Even with incremental development, company forums stay male dominated world-wide (Vinnicombe et al., 2008). While the gender diversity has been recording minimum development.

Deloitte sees a connection between the rise in the number of women serving on boards and the desire for a more inclusive kind of capitalism. The business case for boardroom diversity has been made many times, but there are benefits that extend beyond any single corporation. Female leaders are role models and mentors to young women and girls. A strong representation of women in the boardroom has a trickle-down effect in breaking down stereotypes, encouraging girls to pursue careers in different areas this narrows the gap between genders.
Kenyan Societal Context

Gender diversity matters the world over, and the pains of inequality are universal. This study is situated in Kenya due to the historical gender inequalities. Kenya has lived under colonial legislations and delayed constitutional review until 2010, despite the existence of gender related laws and ratified conventions, women ascending to leadership is still news. Progress in education and changes in legislations to increase gender equality are good attempts but are only recent happenings that will take time to show impact. To discharge corporate responsibility, board directors require human capital defined by Becker (2009, p.16) as investment in education and training as well as social capital. Brass (2001) defines social capital as the relationships between people and the mutual obligations and support that these relationships create.

Women have been empowered, this has enabled women rise to various boards. The description of power is important here because when women have power to, with or within, they have the inner purpose and can possibly frame positive ‘rules of the game’ and protect themselves or challenge the negative rules of the game. Choices enable people to live the lives they want, for example the kind of livelihood, marriage or even child bearing (Kabeer, 2012). Work enables empowerment and expands women’s ability to make choices in a context where ability that was denied to them, is seen in board participation (Kabeer 2006) and enable women to go against ‘odds’ of gender and discharge their governance responsibility effectively.

Board Diversity

Diversity relates to gender, academic qualifications, technical expertise, relevant industry knowledge, experience, nationality, age, race and gender. The way forward can best be illustrated from Canada where Catalyst’s (2016) recommendations of four critical conditions need to be in place to improve diversity in the Canadian boardroom that applies to all and its duplicated in other countries. These are:

**Clear and intentional leadership**: Clear and intentional leadership must be demonstrated by board chair and CEO reinforcing the case for increased gender diversity, setting objectives annually, discussing progress versus objectives regularly and working to eliminate all barriers hindering gender balance achievement.

**Diversity objectives**: Clearly stated diversity objectives must align with organization’s strategic positioning and plans. These may include a diversity policy and targets against which progress is measured regularly.

**Strategic recruitment**: The board director recruitment process must be designed to identify a wide range of potential candidates from a variety of networks, who possess the competencies needed for the board and the organisation immediately and three to five years into the future.

**Inclusive practices**: A commitment must be given by board chair and board colleagues to create an inclusive and safe environment where the perspectives of all directors of both genders are valued. This should be extended down to employee level.
Effectiveness of Board Diversity

Various studies have argued in favour of women on board by linking to improved performance (McKinsey, 2007, 2008, 2010 and 2012). Companies with women on their boards have claimed to better understand female customers (Daily et al., 1999) and have insights on consumer choices and economic behaviour to mirror the market, especially with recent estimations that women control 70% of global consumer spending (O’Donell and Kennedy, 2011). Another set of studies found that gender diversity improves board effectiveness in delivering its mandate. Adams and Ferreira (2009) confirmed this by studying the meeting attendance and monitoring effort of boards. In addition to structural composition of size, skills, experience and performance, the ‘soft’, intangible elements possessed by women are now considered essential for good functioning of boards (Van den Berghe and Levrau, 2004; Roberts et al., 2005).

PwC (2011) identifies key concerns for corporate boards, strategy, risk and ethics, against which a board’s effectiveness can be determined. These roles are supported in other studies particularly for non-executive directors (Weir and Lang, 2001 and Dixon et al., 2005) summarized as performance monitoring, strategy development and conflict resolution. Lord Davies’ (2011) emphasize that boards should be diversified and made up of competent individuals who together offer a mix of skills, experiences and backgrounds. Carter et al. (2003) put forward that when boards are gender diverse, ability to monitor top management is enhanced and further, increase in the number of female directors may increase a board’s independence since women tend to ask questions that male directors may not ask. The essence of corporate boards is governance and stewardship (Adams 2002). Ideally, boards are established to manage issues (Shleifer and Vishny, 1997) by providing stakeholder protection through leadership and guiding corporate actions.

The Association of British Insurers, UK’s leading shareholder group (ABI, 2011), has claimed that including women on boards is one of the three key issues that make an effective board in addition to succession planning and board evaluation. Similar studies in the UK have indicated that gender diverse boards pay more attention to risk management (TCAM 2009) and lowers a companies’ risk of insolvency and bankruptcy (Wilson, 2009; Wilson & Ali, 2009). Gender balanced boards tend to have good governance behaviours where performance monitoring and evaluation is given priority, including non-financial measures (Brown et al. 2002). Other authors (Turnbull, 2002; Currall & Epstein 2003), analyse scandals that befell Enron and WorldCom, decisions were made without stakeholders’ consultation, an aspect they argue women would have handled better while anticipating and managing the crises. Other researchers and best practices in governance are also increasingly supporting gender diversity (Novak and Shoun 2012). Indeed, male CEOs also recognize the unique and positive contributions that female bring to the board (Burke 1994). For board to be effective, it is important that women are well represented.

Composition of Boards

What about the boards that have at least one woman? They have had an opportunity to be the catalysts that could improve women’s access to decision-making positions. Beaman et al. (2009) noted that communities more easily accepted female leaders where the appointments followed tenure of other female leaders. Another positive relationship between gender diversity in senior management teams and the presence of women was found on boards of Fortune 500 companies in the US from 1999 to 2000 (Billimoria 2006).
Effectiveness of Decisions Made in a Gender Diversity Board

Gender diversity make a positive difference in performance (McKinsey, 2007, 2008, 2010, 2012; Daily et al., 1999) and to the work of the boards (Carter et al., 2003; Huse, 2007; Adams and Ferreira, 2009) the number of gender imbalance on corporate boards is a global phenomenon, its domination varies across countries. Sealy et al. (2009b) in their examination of initiatives meant to increase gender diversity on boards in four countries (the UK, Norway, Spain and the Netherlands), observed and emphasized the importance of political and cultural contexts in the success of diversity.

Women have to show that they are ‘much far better than men’ to be appointed to executive positions (Eagly and Johannessen-Schmidt, 2001). This perception can contribute to women having inadequate confidence in their own abilities and may rate themselves lower than their male counterparts. A study by Hewlett and Packard (Dawson et al, 2012) found that when a professional vacancy arises, women wait to meet 100% of the minimum requirements before applying, while men with only 60% attempt the same vacancy. Rowlands (1998) identifies core elements of self-empowerment as self-confidence, self-esteem, sense of agency and dignity. Low levels of confidence and ambition may contribute to the scarcity of women at board level.

The ILO (2008) supports that women should have the freedom to choose work if they want to and have an equal chance with men to work when they choose. However, patriarchal ideologies have been found to constrain women, freedom of choice and action is not always obvious for women (Malhotra, 2003) and disempowerment could be rooted at household level. Veblen and Ardzrooni (1998) identified households as the bearer of gender, embedded in patriarchy when he referred to the ‘home’ as a male-headed household.

Gender Role Expectations

Biological differences between men and women are also responsible for gender specific roles. Socialization however supports a division of labour based on biological differences, in what Wood and Eagly (2012) term as ‘biosocial construction’ and argue that based on these biological activities, society infers gender stereotypes termed as ‘shared expectations that women and men are intrinsically different’. Wachudi and Mboya (2011) attribute the underrepresentation of women in the boards. Muturi (2012), in a case study by the Kenyan Institute of Management (KIM) of listed companies and state corporations in Kenya, confirmed that boardrooms in Kenya were male dominated.

Effect of Culture on Board Diversity

Maintained culture is a hindrance for women in certain communities to climb the ladder in development and participation. Cultural factors tend to contribute to the social construction of gender. Culture has been found to assign specific roles, responsibilities and expectations to men and women (Nzomo, 1995). Cultural practices like rites of passage in many African communities have good intentions for boys (adulthood) and ‘bad’ intention for girls. The preference of male to female children, as found in some African settings, is influenced by cultural belief, hence not worth the investment.
The responsibilities that women have outside work contribute to the attitudes of male managers, who brand women as ‘lazy’ or ‘uncommitted to professional growth’ (Kamau, 2002; 2007). In some contexts, like Kenya, career women may give first priority to their families, not because they lack commitment to professional growth but because they have been socialized that a good woman thinks of her family first (Kanake, 1995; Onsongo, 2005; Maathai, 2006). In a study of senior university-employed women in Kenya, Kamau (2007) many women would rather wait until their children have matured before they consider making major career moves. In corporate leadership, the situation seems similar, as many women managers would rather take on senior positions when their children have grown up.

**Characteristics of Kenyan Boards**

Board composition in Kenya’s is male-dominated. Male directors are generally more their female counterparts, perhaps an indication of the prevalence of the ‘old boys’ network in board membership. A similar relationship between gender and length of service in the board indicates that men have been serving much longer as board directors and women on board is indeed a recent phenomenon in Kenya. Generally, women on board in Kenya have similar characteristics of having an advanced education, a variety of work experience, record of accomplishment, membership to a professional organization, and young enough to devote time to board work, personality traits of the women on board ranging from having integrity and work ethics, determination, and persistence with career ambitions. Diverse boards are better boards. (Eagly and Karau, 2002) argue that the role men and women tend to occupy in society creates gender differences in self-representation. For example, the division of labour that men and women anticipate to hold at different times can influence who they are likely to become. Women are primarily responsible for family roles related to caring for children and domestic work (Binachi, 2000). Men and women internalize this social structure and in so doing, create a basis on which men and women try to normalize their behaviour (Wood and Eagly, 2012). Other studies on management and gender diversity, including those of Baretto et al. (2009) and Thomas and Gabarro (1999) have found that the ‘glass ceiling’ is a hindrance to women’s progression to top-level management. It has been proved that women are breaking the ceiling by occupying better positions and representing the boards demystifying the myth that women are not better representatives.

**Gender Diversity in Board and Change**

Board involvement is a central task for a board of directors (Jensen and Zajac, 2004). Board tasks cover a set of activities, such as the development of firms’ vision, mission, the formulation of business concepts and ideas, the evaluation and control of strategic proposals, and overseeing the implementation of approved strategies (Zhang, 2010). Indeed, studies have shown that board diversity is an important ingredient in executing strategy roles (Huse, 2005; Barroso et al., 2011). Indeed, gender diversity is among the most debated diversity measures in corporate governance. Gender diversity on a board of directors brings different perspectives, ideas, knowledge, skills and a broader view of organizational issues to a firm’s strategic considerations (Ruigrok et al., 2007; Adams and Ferreira, 2009). Women board members act as a minority group in influencing firm strategy, because they provide alternative bundles of resources necessary for crafting and executing corporate strategy, and this eventually leads to change. It is therefore important to study the gender composition of the board, because research has shown that gender does influence decision making; given the role of
board of directors in terms of advising, reviewing, and ratifying strategic decisions, women may play a significant role in the process.

Daily and Dalton (2003), Adams and Ferreira (2009) and Burke (2003) argue that women bring unique perspectives, experiences and work styles to the boardroom, and thereby greatly enhance boardroom deliberations. Furthermore, women on corporate boards tend to promote new ideas, improve communication, and instill a participatory style (Milliken and Martins, 1996; Johansen, 2007; Adams and Ferreira, 2009), the presence of women may encourage boards of directors to consider a wider range of choices. They raise a new set of issues for board consideration that are mostly based on their experiences, both as executives and consumers (Konrad et al., 2008). Johansen (2007) observed that women are more focused when setting priorities and always see the broader picture of the organization, especially in terms of the formulation of corporate values. Scientific research has established cognitive differences between males and females; for example, Paton and Dempster (2002) and Shaywitz and Shaywitz (1995) maintain that women think and process information in a more holistic manner, and are therefore more effective in implementing change, because they can address complex change situations in a more multi-dimensional manner. Paton and Dempster (2002: 543) reiterate that ‘effective management of change, and creation of change accepting cultures, calls upon management styles, competencies and approaches that appear to be most readily associated with female styles and behaviors.’

According to Campbell and Mínguez-Vera (2008), the increased involvement of women on the board helps to provide a broader view of organizational issues, and hence helps to gain a better understanding of the complexities of the business environment and improves decision-making. Hillman et al., (2007) find that the extent to which a firm is linked to other firms with female directors is closely correlated with female representation on board. This implies that women directors provide a strong link to the industry, and so may facilitate the transfer of information, resources and linkages that are necessary in decision making.

Adams and Ferreira (2009) report that women directors are less likely to experience problems in attending meetings, and that the attendance behavior of directors improves overall when more women are on board. Attendance behavior is important from the point of view of board’s decision making, because it enables the board of directors to contribute meaningfully to strategic direction. In a similar vein, Huse and Solberg (2006) note that women prepare well for board meetings, that they are more involved in board deliberations, and that they have a higher level of commitment. Board members who come to meetings poorly prepared reduce a board’s ability to contribute to decisions and support managerial dominance, resulting in problems.

According to Terjesen et al., (2009), women moderate men’s behavior in the boardroom because they always want to get on with the task at hand, rather than play politics. Similarly, men are known to get carried away with big agendas and tend to miss out on the details that women pick up on. It is also argued that gender diversity on board enhances board independence (Carter et al., 2003; Konrad et al., 2008; Terjesen et al., 2009). (Singh et al., 2008) women tend to enhance decision making power by diluting ‘groupthink’ the tendency of homogeneous groups to subconsciously censor non-preferred points of view, as well as any information that emanates from a non-preferred quarter. Adams and Ferreira (2009) also observed that gender diversity may result in more disagreements and may ultimately fuel conflict. This view
is supported by Richard et al., (2004) who argue that highly gendered boards encourage stronger identification by boards of directors with the opinions expressed by other directors of the same gender, thus increasing the likelihood of conflict, resulting in fewer decisions being made. Another dimension of gender is provided by Croson and Gneezy (2009), who argue that women are more risk averse than men, and that their inclusion on the board could diminish its strategic orientation.

Shrader et al., (2003) find that for women to exert a significant influence on firms’ decisions, it is necessary for them to achieve a certain numerical presence on the board. This view is supported by Westphal and Bednar (2005), who argued that individuals who attempt to express a minority opinion are more likely to experience ‘social distancing’, and hence to have less attention paid to their views by majority groups. In tandem with this perspective, Konrad et al., (2008) report that women are more vocal and active if there are more women on board. They advance more reasons in support of their argument: multiple women directors help to break stereotypes that solo women are subjected to; a critical mass of women helps to influence all-male communication dynamics; women are more likely to be heard and hence are beneficial in creating change. The inclusion of more women on boards injects energy and encourages directors to engage in more change.

**Gender diversity and Performance**

The existing literature offers a range of different perspectives on the relationship between diversity and group performance. Diversity results in a larger knowledge base and greater innovation (Bantel, 1993; Watson et al., 1993), and therefore leads to better performance. Erhardt et al., (2003) argue that women who serve on corporate boards are more effective decision makers, to be appointed to the board needs a competent person. Francoeur et al., (2008) firms with a large proportion of women on board generate enough value.

Adams and Ferreira (2009) firms with at least one woman on board of directors have more business segments and therefore perform better. Women bring knowledge of female market segmentation to the table (Daily et al., 1999); also women bring specific advantages to board decision-making when it comes to strategic tasks like team building, creativity, risk management, idea generation, and innovation (Shrader et al., 1997; Miller and Triana, 2009; Nielsen and Huse, 2010). Gender diversity has a positive and significant effect on firm performance.

**Conclusion**

A lot of conversation in the boardroom is determined by who is at the table. A more diverse board will raise and consider a wider set of issues and responses. A diverse board will ask different questions, raise different concerns, and approach things from different angles, which helps the company on the strategic, governance, innovation, and risk management fronts. There is no doubt there’s a big difference in conversation when you have more diversity on boards. You have a very different conversation if you’re the only woman in the room and you’re trying to promote diversity, but the other group really doesn’t understand your world. This is not a criticism of men, but they don’t live the lives we lead, so they don’t typically understand why diversity is so important, why our workplace structures are a disincentive for women to take on greater leadership, or why it’s important to show workforce there are female role models in senior positions.
Reference


