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Effects of Gender Diversity on Performance of Parastatals in Kenya: A case of Kenya Wildlife Service

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Abstract

Good corporate governance practices are critical for both private and public sector organizations to enhance their efficiency. Various reports on the poor performance of Parastatals in Kenya prompted this study. It is generally agreed that the services offered by most of these public entities is not commensurate with the tax-payers burden on the citizenry. The evidence of this status is documented in national and county government reports by various entities. The main purpose of this research was to examine how gender diversity as an aspect of corporate governance influence of performance of Parastatals in Kenya. Agency theory, stakeholder theory and stewardship theory were adopted to anchor the study. A descriptive research design was used in this research. The target population was the seven deputy directors at Kenya Wildlife Service and the 43 management staff who work under them. Primary data was obtained using a structured questionnaire. The reliability and validity of the questionnaire was pilot-tested in this study by randomly selecting 5 management staff from Kenya Forest Service headquarter in Nairobi, which has the same parameters as KWS. The questionnaire was administered through email as well as drop and pick later method. Descriptive as well as inferential statistics generated including frequencies and percentages and simple linear regression respectively were generated. The correlation findings show the influence of relationship between gender diversity and performance was positive ($r=0.700$, $p<0.000$). The regression coefficient results indicate gender diversity positively and significantly influence performance of Parastatals in Kenya ($\beta=0.826$, $p=0.000$). This study concludes gender diversity is essential for Parastatals to practice in their endeavor to improve on their performance. The study recommends management of Parastatals should ensure there is gender diversity in their board as this will enhance performance. It is further recommend policy makers should come up with sound policies to guide Parastatals on maintaining gender diversity on the board of directors.

Keywords: *Corporate governance, gender diversity, organization performance, Parastatals, Kenya Wildlife Service*

1. Introduction

In today's market atmosphere, corporate governance has gotten a lot of recognition recently. Increased social expectations on organizational behavior and efficiency necessitate the need for good governance. The corporate failures of multinational corporations such as Lehman Brothers, Enron, Xerox, and WorldCom, among others, have strengthened the significance of corporate governance in organizations,

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according to (Dibra, 2016). The field of corporate governance has widely been researched resulting into various definitions. However, they all converge to one common goal which is to promote the wellbeing of shareholders, stakeholders and the public (Agyei-Mensah, 2016).

For more than a decade, policymakers have focused on the idea of corporate governance in developed markets. In African markets, the idea is increasingly gaining momentum as a top priority (World Bank, 2019). The Asian financial crisis of the late 1990s, as well as the financial scandals that shook the US economy in the early and late 2000s, prompted a renewed focus on corporate governance practices. In the United States, Enron and WorldCom surprised the business world with the size and age of their unethical and illegal activities. The failures of these companies seemed to be just the tip of a hazardous iceberg (Dalton & Dalton, 2017).

Just like in most developed economies in the world and developing nations in the region, Kenya is lagging behind when it comes to corporate governance practices in state owned entities. Corporate governance continues to deteriorate in Kenya even though there is a tight regulatory framework (Malenya, 2017). Kenya has a large number of public and private institutions. Many institutions in Kenya have been characterized with scandals of different levels and magnitudes (Koech and Ogollah, 2018). Corporate governance is one of the determinants in the degree of performance of public companies in Kenya (Mwende, 2016). Furthermore, developing countries like Kenya are often confronted with a slew of issues, including uncertain markets, lax legal controls, investor security, and recurrent government intervention. As a result of these issues, developing countries must implement successful corporate governance systems even more urgently. Improved corporate governance mechanisms have also been proposed as a potential incentive for attracting foreign direct investment.

In efforts to fulfill their role and mandate, it is important for the board of directors to have gender diversity (Pucheta-Martínez, 2018). Diversity is a crucial part of the board of diversity. In that point of view, the main function of the boards in this context is to ensure that they have their rights mixed to provide different perspectives.

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The board which tends to have more women tends to have more perspectives and skills as compared to the board that has more men. Logical enlightenment for this line of reasoning is that women are prone to diversity ability to deal with more critical situations despite the fact that they remain stereotyped with some of the imagery in the modern societal backgrounds (Martin & Roper, 2018).

A parastatal, according to the State Corporation Act Cap 446 (1987), is a state corporation or corporate body formed by or under an Act of parliament; or by the president's order to perform the functions stated in that order; and whose government owns a greater percentage of the shares. A bank, a financial institution, or any other entity established under the Act may be informed of the corporations (Government of Kenya, 1987). According to the government of Kenya's sessional paper number four (GoK-Sessional Paper no 4, 1991), state-owned corporations (Parastatals) are formed for a variety of reasons, including promoting socioeconomic growth, enabling more people to participate in the economy, and bringing fair economic development to all of Kenya's regions, among others.

Since most institutions were still owned by white settlers at the time, parastatals were created primarily to allow more Kenyans to participate in the economy, a process known as indigenization of the Kenyan economy. As a result, a series of parastatals were formed, with the total number of parastatals reaching 240 by 1995. After a series of restructurings to bring them in line with the country's growth, there are now 127 parastatals in the country (GoK, 2020).

Logically, state-owned corporations are formed to be beneficial to citizens. State-owned companies, on the other hand, are only accountable to the government in power at the detriment of ordinary people. The key problem with Parastatals in Kenya is the weak governance mechanisms that have been developed within them, as well as misappropriation of funds and a lack of regulatory oversight (Gok-Sessional Paper No. 4, 1991). This has resulted in the government being overburdened; for example, in 2016, the government invested Ksh. 23.1 billion to assist Kenya Airways, Uchumi Supermarket, and Mumia Sugar Company in restructuring due to a series of losses (CBK, 2016).

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The Kenya Wildlife Service was created by an Act of Parliament, Wildlife (Conservation and Management) CAP 376, with the mission of conserving and managing Kenya's wildlife, as well as enforcing relevant laws and regulations. Formulating policies and guidelines for the conservation, management, and use of all forms of fauna and flora, except domestic animals, is one of its eight main functions. KWS is in charge of national parks and reserves stewardship, inclusive of visitor and wildlife safety both within and outside of protected areas. It advises the national government, local governments, and landowners on the best wildlife protection and management practices. Outside of protected areas, KWS is responsible for licensing, controlling, and supervising all wildlife protection and management practices, as well as provision of education on wildlife conservation and extension programs to raise public awareness. KWS also oversees the creation of capacity for wildlife protection and management, as well as the administration and coordination of international protocols, conventions, and treaties relating to wildlife in all of its forms. KWS maintains 23 national parks, 31 national reserves, 6 national sanctuaries, 4 coastal national parks, and 6 marine national reserves, accounting for around 8% of Kenya's total land mass. Outside of the protected areas, there are 154 field stations for wildlife management (KWS, 2017). KWS has adopted the BSC strategy through defining performance indicators that are aligned to the BSC perspectives. Customer and stakeholder satisfaction, financial development, stewardship and sustainability, productive processes, and competent, trained, and empowered employees are the success dimensions (perspectives) of KWS vision and strategic objectives. The current study investigated how gender diversity influences performance of Parastatals in Kenya, using KWS as a proxy.

For public institutions to enhance their efficiency, good corporate governance practices are needed. The study was prompted by the continued poor performance of Parastatals in Kenya. It is in the public domain that the services offered by most of these public entities are not commensurate with the tax-payers burden. Reported corporate accounting and financial scandals in public sector have been on rise as reported by Governance institutions such as Ethics and Anticorruption Commission, Controller of Budgets and Office of the Auditor General. These scandals often

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involved Heads of Institutions, CEOs, Directors, Board Members and Heads of Departments- acting unethically in pursuit of financial gains. All these are signals of poor corporate governance practices.

A number of studies on corporate governance and performance have been performed in various sectors. For instance, Miruka (2020) aimed to find out how corporate governance affects the financial results of Kenyan banks, Ouni, Mansour and Arfaoui (2020) sought to see how gender diversity affects the financial performance of participating Canadian companies' boards of directors and executive while Brahma, Nwafor and Boateng (2020) examine the relationship between gender diversity, selected female characteristics, and the financial results of 100 UK firms. Gaiku, Lewa and Senaji (2016) found gender diversity influence on performance in health sector NGOs in Nairobi County was statistically significant and having gender diversity through a high ratio of female board members to total board members influenced performance of health sector NGOs in Nairobi County. These studies did not however establish the influence of gender diversity on performance of Parastatals in Kenya which is the focus of the current study.

2. Literature Review

Ouni, Mansour, and Arfaoui (2020) sought to find out how gender diversity affected the financial performance of participating Canadian companies' boards of directors and executive committees, as well as the mediating position of environmental, social, and governance orientation. The research sample consisted of 47 Canadian businesses, with 925 findings over an 18-year period (2002–2019). The influence of gender diversity in turnover on firm financial results is empirically supported in this paper, which reflects 53% of the variation. The research not only supports the positive impact of gender diversity on performance, but it also shows a mediating process involving a company's environmental, social, and governance orientation, which accounts for nearly 4% of the overall effect of gender diversity on performance. This study focused on Canadian firms which has a different social cultural and economic environment from the current study which focuses on Kenyan Parastatals with KWS as a proxy.

Brahma, Nwafor, and Boateng (2020) investigated the connection between gender diversity, selected female characteristics, and financial performance of 100 UK firms. This study finds a positive and important relationship between gender diversity and firm results, based on critical mass theory and measuring gender diversity as levels of female representation in the boardroom. When three or more females are named to the board, the findings become extremely important and unequivocal when opposed to the selection of two or less females. Further analysis in this study show post-appointment financial output is positively correlated with female age, educational attainment, and the presence of female board members who also serve as executive directors. After accounting for endogeneity problems and using alternative indicators of firm success, such as return on assets and Tobin's Q, the results remain unchanged. This study focused on only financial performance leaving a gap on other aspects of performance. Further, the social and economic setting of UK is different from Kenya where the current study was conducted.

Rono (2019) aimed to determine the effect of board gender diversity on Kenya’s commercial bank’s business performance. The study was conducted using an explanatory research design with a population of 146 workers and a sample of 106 respondents. Purposive sampling technique was deployed for this particular study and a closed-ended questionnaire was utilized in primary data collection. Regression analysis was conducted. The findings indicate board gender diversity and business performance have a strong and significant relationship. The study concludes that board gender diversity is crucial for leadership capacity building in the organization. This study was focused on commercial banks whose business model is different from Parastatals which is the focus of this study.

Ibrahim, Ouma and Koshal (2019) examine the influence of gender diversity on the financial performance of Kenyan insurance firms. The study looked at data from Kenya's 55 insurance companies. The number of female directors on the boards of Kenyan insurance companies was used to measure gender diversity. A total of 412 board directors, chief executive officers, and chief financial officers provided primary data. Descriptive and inferential statistics were used to interpret the data. The two accounting-based metrics Return on Assets (ROA) and Return on Equity (ROE) were

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used to assess the firm's results (ROE). The results of the regression analysis show that gender diversity has a substantial and positive impact on the financial performance of Kenyan insurance companies. This research was conducted among insurance companies, whereas the current research concentrated on Kenyan Parastatals.

Karamahmutoğlu and Kuzey (2016) examined the impact of board gender diversity on the performance of publicly listed Turkish firms. Using data from the entities listed on the Borsa Istanbul from 2008 to 2012, this study uses an instrumental variables regression analysis to investigate the relationship between board gender diversity and firm results. The findings show that males dominate these companies' boards of directors in Turkey. Furthermore, the presence of female directors is not significantly linked to a company's financial success, as calculated by return on assets, return on equity, and return on sales. This study focused on only financial performance leaving a gap on other aspects of performance. Further, the social and economic setting of Turkey is different from Kenya where the current study was conducted.

From the studies reviewed, there exists a conceptual, methodological and contextual gap. The existence of gaps related to the concepts was shown by the different operationalization of gender diversity and performance. Gaps in the methodology were demonstrated by limited consensus in the study methods used. Gaps related to the contexts were shown through the different study settings. Many of the studies done were in developed countries and those done in the local context did not focus on Parastatals. The gaps demonstrate that research on the association between gender diversity and performance has still some gray areas on which there is no scientific consensus. The study sought to contribute in this area.

3. Research Methodology

The study adopted a descriptive design to determine the effect of gender diversity on performance. The population of the study was all the Kenya Wildlife Service management personnel. The Kenya Wildlife Service is led by seven deputy directors, who are assisted by 43 management staff. This research focused on both of them, resulting in a total of 50 respondents in the organization. Since the study population was relatively small, a census design was adopted. This study collected primary data

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by aid of a questionnaire. The study issued the questionnaire to selected KWS management personnel through Google forms. A Pilot study was done in determining the feasibility of conducting a complete study. This involved 5 management staff at Kenya Forest Service (10% of the target population) who filled the questionnaires and its accuracy tested.

The data was reviewed for completeness and the variables with missing or incomplete data removed. Social Sciences Statistical Package (SPSS) Version 24 was used to analyze data. The data was analyzed for descriptive statistics as well as correlation analysis. Diagnostic tests such as normality, multicollinearity, and autocorrelation and correlation analysis were undertaken to test if the regression model was well specified as per the assumptions of linear regression. Simple regression analysis was carried out where F-test and t-test were carried to test the relationship between gender diversity and performance. The research hypothesis was tested using the regression analysis. The following empirical model was adopted.

$$\mathbf{Y=\beta_0 + \beta_1 X_1 + \varepsilon}$$

Where:

Y is 'performance'

$\mathbf{B_0}$ is the 'Constant'

$\boldsymbol{\beta_1}$ represent 'Regression coefficient of predictor variable

$\mathbf{X_1}$ is 'gender diversity'

$\boldsymbol{\varepsilon}$ represents 'Error Term'

Both descriptive and inferential statistics results were presented in tables and figures which were accompanied by pertinent interpretations and discussions.

4. Research Findings and Discussions

The descriptive statistics for gender diversity are shown on Table 1. The findings show KWS board of directors can be said to be diversified in terms of gender to a great extent (Mean=3.59, std. dev=0.61). The findings also show board gender diversity influences collective decision making at KWS to a large extent (Mean=3.77, std. dev=0.79). Further, findings show board gender diversity is crucial for KWS image in the business environment to a moderate extent (Mean=3.45, std. dev=0.78). Further, findings show board gender diversity allows KWS to work with various

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people from different backgrounds to a great extent (Mean=4.05, std. dev=0.74). The results also revealed that board gender diversity is crucial for KWS talent acquisition to a great extent (Mean=3.95, std. dev=0.74). Further, board gender diversity attracts human talents from other organizations to a large extent (Mean=3.80, std. dev=0.76). Finally, board gender diversity influences diverse viewpoints on matters which are critical for KWS development to a great extent (Mean=4.09, std. dev=0.73). The overall mean was 3.64 and the standard deviation was 0.49 suggesting that KWS practices gender diversity to a great extent.

Table 1: Descriptive Statistics for Gender Diversity

Statements	N	Mean	Std. Dev
Our board of directors can be said to be diversified in terms of gender	47	3.59	0.61
Board gender diversity influences collective decision making at KWS.	47	3.77	0.79
Board gender diversity is crucial for KWS image in the business environment.	47	3.45	0.78
Board gender diversity allows KWS to work with various people from different backgrounds.	47	4.05	0.74
Board gender diversity is crucial for KWS talent acquisition.	47	3.95	0.74
Board gender diversity attracts human talents from other organizations.	47	3.80	0.76
Board gender diversity influences diverse viewpoints on matters that are critical for KWS development.	47	4.09	0.73
Overall Mean Score	**47**	**3.64**	**0.49**

Correlation analysis was done to establish the association between gender diversity and performance. The findings were as shown in Table 2. The correlation findings shown that the relationship between gender diversity and performance was positive (r=0.700, p<0.000). The implication here was that gender diversity positively related to performance at KWS.

Table 2: Correlation Matrix for Gender diversity and Performance

		Performance
Gender diversity	Pearson Correlation	.700**
	Sig. (2-tailed)	0.000

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Regression analysis was done to determine the effect of gender diversity on performance. The model of fitness findings was illustrated in Table 3. This showed that the R square was 0.490 signifying that gender diversity explains 49 percent of the variation in performance.

Table 3: Model Fitness Results for Gender Diversity and Performance

R	R Square	Adjusted R Square	Std. Error of the Estimate
.700[a]	.490	.484	.420680

The ANOVA results in Table 4 indicated that the overall model applied to assess the relation between gender diversity and performance was significant. This was supported by a significance level of 0.000 that was below 0.05 at 95 percent confidence level.

Table 4: ANOVA Results for Gender Diversity and Performance

	Sum of Squares	Df	Mean Square	F	Sig.
Regression	14.630	1	14.630	82.668	0.000
Residual	15.220	45	.177		
Total	29.849	46			

The regression coefficient results indicated gender diversity positively and substantially relate with performance (β=0.826, p=0.000). This implies change with a unit in gender diversity would lead in 0.826 changes in performance as in the model. The findings were further supported by a t-statistic of 9.092 which was higher than the t-critical of 1.96. The regression equation for the model is as follows:-

$Y= 0.508+0.826X$

Where

Y is performance and

X is gender diversity

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Table 5: Regression Coefficients for Gender Diversity and Performance

	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	.508	.334		1.521	.132
Gender diversity	.826	.091	.700	9.092	.000

5. Conclusions

The study concludes gender diversity influences Parastatals' performance positively. It is also conclude gender diversity is being undertaken by Parastatals to a great extent. Board gender diversity influences diverse viewpoints on matters that are critical for KWS development. In addition, gender diversity is critical in talent acquisition at KWS.

6. Recommendations

The study reveal gender diversity influence on performance of Parastatals is positive and statistically significant. The study therefore recommends management of Parastatals which have not adopted gender diversity should put in place internal organizational policy and culture to encourage gender diversity. The regulators should also develop policies guiding Parastatals on gender diversity at the board level.

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