Towards realization of Board Gender Diversity in Deposit Taking SACCOs in Kenya: A critical review and synthesis

Dr Jackline Akoth Odero¹ and Prof. Robert Egessa²
¹Lecturer, ²Associate Professor
¹,²School of Business and Economics
¹,²Masinde Muliro University of Science and Technology, Kenya

Abstract - Corporate boards play a critical strategic role in charting the direction and performance of organizations. Such entities ought to embrace diversity since this influences work relations and performance through offering greater perspectives from different lenses on business issues, opportunities as well as wider scope of ideas and solutions. Board gender diversity is ubiquitous as it is the most debated diversity issue in firms. Guidelines and/or mandatory laws have been enacted by several countries including Kenya, to enhance gender diversity on company boards so as to eradicate the existing social and labor grievances that women have been experiencing. Female representation in company boards still remains far from the desired levels despite the enactment of these laws. This study’s main purpose was to recapitulate and critically review literature on board gender diversity. The paper interrogated the importance of board gender diversity, the laws touching on gender diversity issues and empirically reviewed literature on board gender diversity and performance. The study used secondary data. The paper posits that board gender diversity is a driver of organizational performance as well as a way of bolstering inclusivity of both genders on boards thus fulfilling legal expectations. The paper recommends that it is indispensable for Deposit Taking SACCOs to consider gender diversity when electing persons to boards if such entities hope to enrich board decision making, risk management, innovative thinking and competitiveness as well as enhance legal compliance.

Key words: Board Gender Diversity, Deposit Taking SACCOs, Organizational Performance.

1. INTRODUCTION

Board diversity is currently a highly debatable topic on corporate governance. Diversity focuses on the effect of different cultures, educational levels, regional backgrounds, gender, sexual orientation, ethnicity and ages on product development, quality and other core business issues (Enobakhare, 2010; Roosevelt, 1991). Diversity can positively influence group performance as it endows flexibility, which may be of value if the tasks of the group change or even become more complicated (Oyediran, 2003).

Gender is the most debated diversity issue in terms of the board of directors and also in several other societal situations. There has been intensified social discussions about women’s participation in the top-level positions (Cook & Glass, 2013; Kogut, Colomer, & Belinky, 2014). In 2010 only 10 percent of board seats were held by women at the top 300 companies in Europe and at Fortune 500 companies 15 percent of the board seats were held by women (Woods, 2010; Catalyst, 2010).

Luckerath (2010) asserted that homogenous boards were more likely to operate as a group thus experiencing symptoms of group think, which may either consciously or subconsciously lead to certain risks for instance: excessive self-esteem, strong pressure to reach an agreement and creating a tunnel vision. Kiamba (2008) reiterated that historically and traditionally, it had been perceived that men were better leaders in comparison to women. Recent studies have suggested that women directors may influence a firm’s strategy since they may bring emotive, cognitive and social capital which are distinct from contributions made by their male peers (Adams & Funk, 2015). Besides exploring the board gender diversity and firm performance relationship, more recently strategy scholars have started to focus more on the strategic implications of having women representation in boardrooms (Chen,
Crossland & Huang, 2014; Triana, Miller & Trzebiatkowski, 2013). A study by Bear, Rahman and Post (2010) confirmed that there was a positive relationship between the number of women directors and the measures of corporate reputation. According to Governance Metrics International (2010) industries that had the lowest ratings regarding social responsibility such as mining and construction also had a corresponding low number of female board members. These findings confirm that having female board members positively affects the social responsibility behaviors in a firm.

Zehnder (2016) found that the number of women on boards in Africa stood at 13%, 26% in Europe and 9% in Asia. PWC (2013) report that focused on 20 global markets indicated that women in financial services industry constituted approximately 60% of the employees. However only 14% of board seats and a mere 2% of CEO positions were held by women in the financial services industry. Appiadjei, Ampong and Nsiah (2017) in their study in Ghana listed companies on Board gender diversity and performance and observed that there was a poor representation of women in the corporate boards. Similar scenario is depicted in Kenya where the Kenya Institute of Management (2017) in their study on listed companies established that the number of women in boards of listed companies stood at 21% up from 12% in 2012 and 18% in 2015. Further, according to SASRA (2018) the boards of Deposit Taking SACCOs in Kenya had 83.25% male and only 16.75% female directors. This scenario points to less involvement of women in corporate affairs and decision making. This is despite the situation in most cases in Kenya where the female Board members held higher academic qualifications than their male counterparts as shown by various studies done. Nyokabi (2010) further pointed that despite women being greater academic achievers than their male counterparts, they were not accorded much visibility as the men do, even when the latter had little to show especially with regard to academic achievements. Research findings by Kenya Institute of Management (2017) on board member qualifications indicated that 54% of women held masters and above compared to 43% of men.

For quite some time, SACCOs have played a critical role as drivers of development especially in developing countries. They act as mobilizers of members’ capital by encouraging savings and giving credit to them at affordable rates for investment in enterprises. The extent to which they embrace good corporate governance practices will go a long way in ensuring better performance. In Kenya, Deposit Taking SACCOs are in control of more than 78% of the SACCO industry’s total deposits as well as assets (IMF, 2011). SASRA is a regulatory body that has been tasked with regulating and supervising Deposit Taking SACCOs in Kenya. SASRA issued regulations in 2015 on sound governance practices to be adhered to by Deposit Taking SACCOs in 2015. This was aimed at improving investor confidence including trust in management as well as promoting the country’s economic development. The guidelines stipulates that gender balance, tribe, occupation, age, education, experience and geographical distribution should be considered while composing a board (SASRA, 2015). Intriguingly, the SASRA (2015) guidelines on corporate governance has made a provision for gender balance as a factor that should be considered when appointing the board. Despite this provision, the boards are still dominated by male members as evidenced from the SASRA reports (2018, 2020) which indicated that female board members accounted for 16.75%, 19.00% and 19.01% in 2018, 2019 and 2020 respectively. SACCOs have been confronted with many challenges affecting their effectiveness in meeting their obligations for instance reduction in membership, poor governance, inadequate regulatory compliance and poor investment decisions have bogged down their performance (Ndungu, 2010; Ademba, 2011; Gweyi & Karanja, 2014; Moturi & Mbiwa, 2015). This paper contends that the challenges may be alleviated by embracing board gender diversity.

**Statement of the Problem**

Boards that embrace gender diversity have been seen to be major drivers of corporate success. In this regard, there has been an increasing awareness that lack of women in the top echelons of a company’s management and boards is detrimental to the company’s outcome both socially and economically as well as raising ethical issues in employment in regards to equality and discrimination (European Commission, 2010; Nekhili & Gatfaoui, 2013). Women have become more of a driving force as business leaders yet they remain minorities in company boards. As a result business agencies globally have come up with various changes in the corporate governance guidelines in order to ensure women are included in the company’s governance structure.
In Kenya, Article 27 of the Constitution of Kenya, 2010 and SASRA (2015) guidelines on corporate governance provides for gender balance as a factor to be considered in public appointments, including when appointing board members. Despite this reality, female gender representation in Boards has been a challenge (Ekadah & Mboya, 2012). The situation in the cooperative sector in Kenya paints this dull reality with the SASRA report putting the figure of female board membership at a paltry 19.01% (SASRA, 2020). The gender inclusivity issue in corporate governance has generated lots of debate in recent times, with many studies producing conflicting findings. Several studies across different institutional contexts have confirmed that having firm performance is actually influenced by having a higher proportion of women directors in boardrooms (Akinyomi & Olutoye, 2014; Campbell & Mínguez-Vera, 2007; Letting’, Aosa and Machuki, 2012; Mahadeo, Soobaroyen & Hanuman, 2011). Other studies however established that board gender diversity negatively influenced firm performance (Adams & Ferreira, 2009; He & Huang, 2011) or found no link at all in the relationship (Marinova, Plantenga & Rernery., 2015; Alvarado, Briones & Ruiz, 2011). It is on this basis that this article seeks to critically review literature on board gender diversity.

**ILLITERATURE REVIEW**

**A. Theories**

1) **Group Diversity Theory**

Dobbin and Jung (2011) aver that teams having functional diversity usually solve problems faster and more effectively than those having likeminded people working individually. Moreover teams having demographic diversity bring in diverse perspectives during decision making processes, thus increasing quality of decisions made. They further assert that diversity promotes network connections, varied creativity and even innovation leading to great synergistic benefits.

2) **Institutional Theory**

Institutional theory explains the effect that external institutional pressures have on firms and defines institutions as being regulatory structures, laws, government agencies, courts, professions, interest groups and also public opinion (Lowell, 1994). This theory is critical in regards to the laws providing for equality and protection from discrimination.

**B. Business Perspective Regarding Board Gender Diversity**

By reviewing previous research Shore et al. (2011) established that having inclusive work groups can create greater equality and more opportunities in the workplace for diverse groups through affirmation of the unique contributions offered and encouraging total participation in the work group activities. A diverse workforce particularly at management level has been linked to increased level of organizational effectiveness since having employees with distinct perspectives enhances the creativity level and the quality of decisions that may be made. This capability is thus important especially in dealing with 21st century customers who have dynamic tastes and preferences (Hill, Benson & Handley, 2016; Hunt, Layton & Prince 2015). Adams and Funk (2015) confirmed that in comparison to male directors, women directors were slightly more risk-loving. Studies have demonstrated women as being more cautious, selecting more prudent options and less risky orientations thus improving performance during financial crisis. Additionally it has been reiterated that women are better at governing corporations as boards having more women representatives have been found to be more attentive to regulation of conflicts of interest, monitoring risks, financial control and maintenance of good relationships with both the firm’s investors and other stakeholders (Pynchon, 2008).

According to Shkolnikov (2011) women are perceived as being receptive to diverse view points and as focusing more on the long term unlike men who focus more on short term decisions and this therefore generates enriched debates and also sound decision making which actually leads to greater financial performance including reporting better return on equity. An increase in number of female directors was confirmed to enhance corporate reputation (Bear et al., 2010). Moreover board-gender diversity promoted disclosure of a firm’s data (Gul, Srinidhi & Ng., 2011). A study done in US by Bart and McQueen (2013) revealed that female directors attained higher scores in comparison to male directors regarding complex moral reasoning dimension that entailed the ability to make fair decisions especially when there were competing interests involved.
A State owned enterprise may effectively achieve its goals and objectives if it embraces diversity as this may bring different viewpoints. Further this action reflects on the expectations of the community and Kenyan Constitution on fair, inclusive and productive services (Centre for Governance & Development, 2005). McKinsey (2012) alluded that companies that had a higher female representation in executive roles on average achieved stronger financial results, than other companies. This is especially the case where firms face turbulent times or the need to innovate (Rost & Osterloh, 2010; Deszo & Ross, 2011). This was actually due to the fact that women are better at processing information and also the associated risks. Further, women are well suited for senior management in modern organizations that want to engage and even develop employees and also want to build successful partnerships. Women in comparison with their male counterparts display more democratic and participative leadership behaviors (Eagly & Carli, 2003) and they generally score higher on the attributes of nurturance and empathy (Feingold, 1994). Board gender diversity may enhance better client relationships, better management of risk and audit (Gulamhussen & Santa, 2010). Moreover, Wilson and Altanlar (2009) established that the presence of female directors reduced likelihood of insolvency and that such companies seemed to be taking less debt and had better cash-flow. Mishra (2016) alluded that gender diversity was critical since men and women had different attributes which explained why they excelled at certain tasks. Furthermore, women have been known as being more intuitive in decision making due to their ability to multitask and relationship building while men focus more on tasks and use available information as well as procedures as the foundation of their choices. Kosi and Gerry (2021) noted that women’s organizations enhanced a social benefit pooled from the business’ operations and activities. Additionally, Périlleux and Szafarz (2015) contended that organizational boards dominated by females supported a social orientation. Barako and Brown (2008) concerted that board diversity led to improvement in corporate social reporting.

C. Legal perspective regarding Board Gender Diversity

Regulators have emphasized on the business benefits, instead of equality benefits, in order to appeal to businesses (Fairfax, 2005). According to Mensi-Klarbach (2014) political debates have focused on women under-representation in powerful positions as a result of discriminatory applications. According to the convention “discrimination against women” means any distinction, exclusion or even restrictions made on the basis of sex which has the effect or purpose of impairing or nullifying the recognition, enjoyment or exercise by women, irrespective of their marital status, on a basis of equality of men and women, of human rights and fundamental freedoms in the political, economic, social, cultural, civil or any other field. Moreover, the convention urges state parties to eliminate and take appropriate measures to eliminate discrimination against women by any person, organization or enterprise (Convention on the Elimination of All Forms of Discrimination against Women (CEDAW), 1979). Kenya being a party to this convention has taken measures to ensure women are not left behind in appointments by incorporating the gender rule in the constitution.

The Beijing Declaration and Platform for Action (1995) provided for advancing women and achieving equality of both genders since they are human rights matters as well as social justice conditions and route to building a sustainable, just including a developed society. A report by UN Secretary-General (2019) on Sustainable Development Goals recognized that there was no way the SDG’s could be achieved without achievement of gender equality and also empowerment of women and girls. Further, Agenda 2063 (2015) aspires for gender parity and advocates for half of the managerial positions to be held by women both in the public as well as the private sectors by 2063.

The constitution (2010) addresses the issue of diversity by providing for right to equal treatment of both men and women including equal opportunities in political, economic, cultural and social spheres. It also prohibits discrimination on the grounds of race, sex, pregnancy, marital status, health status, ethnic or social origin, color, age, disability, religion, conscience, belief, culture, dress, language or birth. Further it provides for the state to take measures to combat discrimination. One such measure is the implementation of the two thirds principle that not more than two thirds of the members of elective or appointive bodies shall be of the same gender. This provision actually provides an avenue for women to be appointed to sit on boards.
The National Gender and Equality Commission (2011) has been tasked with the role of promoting gender equality, freedom from discrimination and also to act as the state’s principal organ to ensure compliance with all the treaties and conventions relating to issues of equality, freedom from discrimination and also relating to special interest groups which includes minorities and marginalized, women, disabled persons and children that have been ratified by Kenya. Further, the Employment Act of 2007 also prohibits discrimination on any grounds in employment.

The SASRA (2015) Corporate Governance guidelines provides that Board size should range from 5 to 9 directors and the board composition should consider director’s gender balance, ethnicity, geographical distribution, occupation, age, experience including education.

Ahem and Ditmar(2012) in Norway found that legislating and implementing the gender quotas on board composition harms governance quality and firm value. As such there is a need to address gender diversity issues through recruitment of qualified professionals rather than quotas. Thus as much as the legal provisions are being considered competence should also be taken into consideration to ensure that experienced persons are appointed as board members.

**D. Empirical Review**

Previous research suggested that promoting women to key leadership positions would be an effective way of increasing diversity in an organization (Skaggs, 2008; Stainback & Tomaskovic-Devey, 2009). Chen et al. (2014) argued that gender diverse boards would be exhaustive and also prepared in evaluating an organization’s strategy proposals. Emphasizing on mergers and acquisitions, they further argued that boards that had more women directors were more likely to have thorough discussions and also evaluations regarding executives’ proposal for acquisition of firms, which would result in fewer as well as smaller acquisitions.

Several studies have been done on board gender diversity and financial performance in different geographical regions and institutional contexts such as Australia (listed firms), Nigeria (banks & manufacturing firms) and Kenya (listed firms) (Vafaei, Ahmed & Mather, 2015; Akinyomi, & Olutoye, 2014; Oludele et al., 2016; Letting’ et al., 2012). The studies have confirmed that board gender diversity is positively associated with financial performance. Similar were also found in other studies (Carter, D’Sousa, Simkins & Simpson, 2008; Rajula, 2016; Rana & Mwangi, 2017; Yap, Chan & Zainudin, 2017). On the contrary, other studies have confirmed an absence of a relation between board gender diversity and performance (Alvarado et al., 2011; Marinova et al., 2010; Carter, D’Sousa, Simkins & Simpson, 2010; Gregory-Smith, Main & O’Reilly, 2013). Ekadah and Josphat (2012) confirmed that board gender diversity had a negative and insignificant influence on bank performance in Kenya. Studies done in SACCOs have revealed that board gender diversity influences performance (Kenani & Bett, 2018; Ruto, Naibei & Cheruiyot, 2017; Samuel & Memb, 2016). Moreover, Mwaura, Omari and Wafula (2019) established that gender balance strategy influenced performance as it lessened discrimination and enhanced talent recognition.

**E. Critic of Literature Reviewed**

From the empirical review certain issues have been identified in the board gender diversity studies. Results on board gender diversity and performance are inconclusive. Some authors found a positive association (Akinyomi & Olutoye, 2014; Letting’, Aosa & Machuki, 2012; Carter, D’Sousa, Simkins & Simpson, 2008) while others found that there was no relation ((Marinova et al., 2010; Ekadah & Josphat, 2012).

Nevertheless, while considering the findings on both sides, there’s ample evidence regarding some agreement that board gender diversity affects organizational performance despite this relationship having being contested in some quarters. A logical assumption that may emerge is that the findings may also depend on the firm’s business context. Thus an analysis that’s more contextual on the relationship between board gender diversity and organizational performance would be of great importance as majority of the studies have been done in different sectors and contexts such listed firms in Australia (Vafaei, Ahmed & Mather, 2015), Nigerian banks and manufacturing firms (Akinyomi, & Olutoye, 2014; Oludele et al., 2016) and Kenyan listed firms (Letting’ et al., 2012) with a few focusing on SACCO’s. Hence the findings could not be generalized due to difference in structures.
Another issue identified relates to the methods that had been used to measure organizational performance. Some only used financial measures to gauge the effect of board gender diversity on organizational performance (Akinyomi & Olutoye, 2014; Letting’ et al., 2012; Oludele et al., 2016; Vafaei, Ahmed & Mather, 2015). Diversity is a multifaceted and complex concept and its effects actually permeate in all dimensions of a firm. Therefore using only one organizational performance measure may not provide an accurate picture regarding the relationship. Some studies only utilized descriptive statistics for analysis (Mwaura, Omari & Wafula, 2019) thus the findings would have been reinforced by incorporating also inferential statistics. Lastly, although the SASRA (2015) guideline on corporate governance clearly articulates for board gender balance when appointing board members, the implementation is yet to come to fruition.

III. METHODOLOGY
The study used archival data that was qualitative in nature where secondary data was obtained from analysis of existing literature from various current peer reviewed Journal articles, International conventions, laws of Kenya, SASRA annual supervision reports, SASRA guidelines on corporate governance and unpublished research thesis and projects. The criteria used to select Journal articles and research thesis was based on the key search words of board gender diversity and organizational performance.

IV. FINDINGS
Findings from analysis of empirical literature reveal that board gender diversity impacts on overall organizational performance and specifically the following benefits may be derived:

- The complementary perspectives of both women and men can actually result in fresh thinking and generation of new ideas.
- By creating opportunities for women to progress an organization’s reputation may be enhanced as being a world-class employer.
- Women are perceived as being receptive to diverse viewpoints and as focusing more on the long term and this generates enriched debates and also sound decision making which actually leads to greater financial performance.
- Women are more attentive to the regulation of conflicts of interest, monitoring risks and financial control and even maintenance of good relationships with the firms investors and other stakeholders
- Corporations having more women as board members report better return on equity and increased innovation levels.
- Reduced likelihood of insolvency, less debt and had better cash-flow.
- It promotes disclosure of data
- It significantly influenced dividend payment to shareholders
- Female board members influence the social responsibility behaviors in a firm.
- By embracing gender diversity in an organization’s board appointments, the appointing authority reflects on the expectations of the community and Kenyan Constitution on fair, inclusive and productive services. It also reflects on the expectations of Convention on the Elimination of All Forms of Discrimination against Women which is an international convention against discrimination of women. This will further boost the image of the firms.

Thus the findings imply that by Deposit Taking SACCOs adopting board gender diversity they are likely to inhibit the challenges they are experiencing and enjoy the above mentioned benefits. It is therefore critical to accentuate that board gender diversity is imperative in Deposit Taking SACCOs.

V. CONCLUSION, RECOMMENDATIONS AND AREAS FOR FURTHER STUDY
A. Conclusion
The predominant view in majority of the studies indicate that board gender diversity has an influence on firm performance. Without diversity of thought companies miss insights from women that can help the companies to thrive and grow. Embracing board gender diversity is a good practice as well as an effective business strategy. Organizations that embrace gender diversity promote the spirit of law on equality and non-discrimination. Not only
should board gender diversity be considered but also competence of the board members as having inexperienced directors may harm governance quality. The findings of this study will be of significance to Deposit Taking SACCOs management as it enlightens them on how to improve performance by having gender diverse boards. This study contributes to the body of knowledge by providing useful insights on the business and legal argument for board gender diversity. This research provides empirical evidence that may justify revisions to the current policies and regulations on board gender diversity in Deposit Taking SACCOs.

B. Recommendations
The paper makes the following recommendations;

- Deposit Taking SACCOs need to emphasize on building an inclusive organizational culture that truly considers board gender balance and should come up with policies mandating females to be represented in boards.
- Gender diversity in boards should be emphasized not just for the purposes of fulfilling legal requirements but adding value to firms. Further, increased female representation should be based on qualifications, experience and competence and not just on tokenism to fulfill legal requirements.
- Deposit Taking SACCOs should ensure that there is accessibility to leadership positions that will allow for development of women as leaders and also make it possible for demonstration of their capabilities.
- Moreover, women should work on personal factors that may hinder them from being appointed to the Sacco boards. They need to be more aggressive and work on personal development.
- Capacity building should be encouraged for senior managers and recently appointed board members to ensure quality contributions to organizational success through board participation, induction and continuous training.
- Top women on Sacco boards should groom other women by mentoring and nurturing them so as to prepare them for leadership positions. Women in Deposit Taking SACCOs should expand their networks and they should also be supportive of other women.
- Deposit Taking SACCOs should ensure they have a flexible work life balance in order to encourage more women to willingly take up board positions.
- Additionally, full implementation of the constitution, the SASRA guidelines on corporate governance and other laws touching on gender diversity would correct the maladies in the board appointment process.
- SASRA should facilitate a research to establish why fewer women are taking up board positions in Deposit Taking SACCOs for purposes of guiding policy and action as well.
- SACCO members should be enlightened on the factors to be considered when electing board of directors, gender balance being one of them. They should also be informed of the benefits of board gender diversity.
- It is thus indispensable for Deposit Taking SACCOs to devise as well as institutionalize mechanisms that enhance board gender diversity.

C. Areas for Further Study
This study made use of archival data thus further research that is quantitative in nature needs to be done. Moreover, this study should be replicated on a longitudinal basis to reveal trends in the effects of board gender diversity on performance. Board gender diversity advocates should refrain from limiting themselves to financial performance measures only and thus incorporate other aspects of performance such as corporate social performance, innovation performance, customer satisfaction levels and even board effectiveness. Research should be done to establish why there are fewer women on boards and on women’s and men’s perspectives on board gender diversity.

REFERENCES


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