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Does Board Diversity Critically Contribute towards Implementation of Strategy?

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Abstract: *Implementation of strategy plays a key role in the performance of any organisation through functional boards of directors. A key element of the board in great debate is the diversity of corporate boards. This article aims to link the diversity of board composition as a corporate governance practice and implementation of strategy at Kenya Ports Authority (KPA), Kenya. A random stratified sampling targeted 124 respondents from 5 key departments, at the KPA, Kenya. Data collection through structured questionnaire gave a response rate of 72%. Using regression analysis, model results showed a strong relationship between board diversity and implementation of strategy, with significant beta value of regression coefficient (β=0.181, p-value= .000 (p<0.05). Among the board diversity practices, board members selected from all professions as well as appropriate size of board and variations in gender of specific positions were the strongest in influencing implementation of strategy. In conclusion, implementation of strategy requires a careful mix of board diversity involving the composition of board, gender of board members and the size of that board. It is expected the results will benefit stakeholders, government policy makers, ports sector players, and academia. Additionally, the findings boost the body of knowledge of corporate governance practices and implementation of strategy.*

Keywords: *Corporate governance practices, implementation of strategy, board of directors, board diversity, Kenya*

Abbreviations: *CEO- Chief Executive Officer; ICT- Information and Communication Technology; KPA-Kenya Ports Authority; RBV- Resource Based View; SPSS- Statistical Package for Social Sciences*

1. Introduction

It is important to strategically carry out improvement of performance of core business activities and this calls for implementation of strategy. The gap between strategy and strategy execution is successfully closed by very few firms [1]. Strategy implementation is driven by boards of directors in both the traditional and modern organization set-up thus emphasising the need for appropriate corporate governance practices.

Diversity in terms of age, gender as well as ethnicity in the composition of the board of directors plays a crucial role in attainment of corporate governance [2]. Consequently, there is applied reviews of reports indicating director composing, training and more specifically, evidence of minutes for meetings [3]. To measure the implementation of strategy previous scholars used comparison of strategic objectives to financial results in terms of profit, revenue and cash flow [4, 5].

Out of the many well-designed strategies in most firms, only about 10 percent are ever successfully implemented [6]. More so, financial and stakeholder incompatibility are the key factors of strategy implementation failure [7]. Additionally, leadership, corporate governance and the environment are causes of failure of strategy [8]. In Kenya, the Kenya Ports Authority (KPA) has the mandate to guide the strategic decisions of all Kenyan ports. It also ensures that the port keeps evolving with changes. Newer areas of focus are the green port and smart ports. KPA has evolved to manage the busiest port within the East African region serving the economic needs of both governments and private sectors within Kenya and the region. However, many unimplemented strategies have led to the need to further explore the link between corporate governance practices and implementation of strategy thus leading to the study question, "How does board diversity as a corporate governance practice affect implementation of strategy at KPA, Kenya?

The anchoring theory for this study was stewardship theory which states that a steward protects and maximizes shareholders' wealth through firm performance [9]. Additionally, the stakeholder theory also supports this study envisaging the equal sharing of costs while having the agency principle in transparency such that all players in the entity know and respect their position [10]. As a strategy implementation study, the theory of Resource-Based View (RBV) also supports the study as it deals with the exploitation of well-designed internal resources that can be directed towards a sustained competitive advantage by a firm or organization [11].

2. Materials and Methods

The main methodology aspects for the study involved research design, the target population, sampling size and techniques as well the data analysis.

2.1. Research Design

A descriptive design was suitably applied to the study since it involved collecting measurable data classified or compared to each other [12]. This enables analysis and interpretation of the same to make conclusions.

2.2. Target Population

The targeted population was managers and employees of the KPA based at Mombasa and who at the time of the study had worked for the Authority for the past three to five years. Specifically, personnel from the following departments, Human Resources, Finance, Marketing, Planning, ICT and Procurement were purposively chosen to be the respondents over the past 5 years since 2017. The main reason and rationale for their inclusion as the target population was that staff in these departments play key roles in implementation of strategy and more so, corporate governance within a strategic time frame normally 3 to 5 years for government institutions.

2.3. Sample and Data Collection

Of the 1,700 employees at KPA, 217 were highly involved in the planning and implementation process. These 217 staff were the targeted population for the study sample. To obtain the initial sample size as recommended by Cochran [13], the study used the following two steps. First:

First step calculates an arbitrary number $\mathbf{n_0}$ using the above parameters of **Z**, **p**, **q** and **e**:

$$n_0 = \frac{Z^2 pq}{e^2}$$

Where:

- e gives desired level of precision (5% margin of error)
- p estimates proportion of managers to the population = 25%
- q ranges as 1 – .25

$= (1.96)^2\ (0.25)\ (0.75) / (0.05)^2$

$= 288$

Since we have an actual figure of 217 as the target population at the KPA, a second formula was applied upgrading n_0 to n to obtain a higher level of confidence.

To obtain higher confidence level, the sample size was modified by using this equation:

$$n = \frac{n_0}{1 + \frac{(n_0 - 1)}{N}}$$

- n_0 is Cochran's sample size (288)
- N is the population size of KPA staff at Mombasa headquarters (217)
- n is the adjusted sample size

Therefore, n (target sample) was, 288 / (1+(287 / 217)) = 124

3. Results and Discussions

The study used SPSS version 25 to produce all results. The statistical tests conducted were descriptive statistics and inferential statistics to establish the influence of board diversity on the implementation of strategy at KPA, Kenya.

3.1. Descriptive Statistics of the Study Constructs

Following from descriptive statistics using 5point Likert 3 aspects of board diversity were measured including composition of directors, size of board and gender of board members as presented in Table 1. Consequently, the mean of the composition of directors ranged from 3.52 to 3.81 which when rounded off to the nearest whole number was 4 (M=4). This therefore indicated that respondents were in agreement on all the questions regarding composition of directors. Additionally, the standard deviation (SD) value of all the questions was <1. This shows a high level of consensus among the respondents on the level of agreement regarding the 'composition of directors' constructs.

Furthermore, the mean of the size of directors ranged from 3.71 to 3.84 which when rounded off to the nearest full number, was 4 (M=4). This indicates that there was agreement amongst the respondents in the regard to the queries on the size of directors. Additionally, all the questions had a Standard Deviation value (SD) of <1, a sign that amongst the respondents, there exists a high consensual level of agreement as regards the 'size of directors' constructs.

Finally, the mean of the 'gender of directors' constructs ranged from 3.72 to 3.87 which when rounded off to the nearest full number was 4 (M=4). This indicates that there was agreement amongst the respondents in the regard to the queries on gender of directors. Additionally, all the questions had a Standard Deviation value (SD) of <1, a sign that amongst the respondents, there exists a high consensual level of agreement as regards the 'gender of directors' in board diversity.

Table1. *Descriptive mean on Board Diversity*

Board Diversity measures	**N**	**M**	**SD**
1. Composition of Directors			
Board directors truly mixed according to academics	**89**	3.52	0.67
Board of directors are from all parts of Kenya	**85**	3.64	0.67
Board members are from all professions since 2017	**88**	3.81	0.81
2. Size of directors			
The board of directors is of an appropriate size	**88**	3.84	0.77
The size of board is important in management	**85**	3.71	0.94
Board size keeps changing since 2017	**89**	3.76	0.95
3. Gender of directors			
Board members can be any gender	**87**	3.72	0.89
Some positions held only by specific gender	**89**	3.87	0.86
There has been variation in gender in the position of the chairperson since 2017	**83**	3.76	0.89

3.2. Correlation Analysis Results

Using correlation analysis, the extent of the relationship between independent and dependent variables is as presented in Table 2.

Specifically, the results indicate that there was significant relation between strategy implementation and board composition (r= .236), strategic implantation and board size (r= .029), as well as strategic implementation and gender of board (r= .017)

Table2. *Correlation matrix on Board Diversity and Strategy Implementation*

Variables	Strategy Implementation	Composition	Size	Gender
Strategy Implementation	1			
Board Composition	0.236	1		
Board Size	0.029	0.331	1	
Board Gender	0.017	0.417	0.379	1

3.3. Model Summary of Board Diversity and Implementation of Strategy

Individual board diversity practices (X) which include composition of directors, size of directors and gender of directors were tested with respect to the dependent variable (Y), which is implementation of strategy as indicated in Table 3. From the coefficients it can be fitted that

$$\mathbf{Y=\mu_o+ \mu_1X_1+\mu_2X_2+\mu_3X_3 + \varepsilon}$$

translates into

$$\mathbf{Y}=.204+ .181\mathbf{R_1}+0.22\mathbf{7R_2}+.663\mathbf{R_3} +.223\ \boldsymbol{\varepsilon}$$

This has the implication that if there was no corporate governance practice applied, a strategy implementation of 0.204 units would result for every effort in implementing the strategies at KPA, Kenya. Otherwise, for every perceived unit of strategy implementation, there is an input of .181 of board composition, 0.227 of board size, and .408 of board gender with an error value of 0.223thought to be the industry noise or uncertainties that cannot be controlled by any of the current factors under this study. From the results, there is indication that all the T values are positive and large enough implying that the results are strongly correlating to each variable. However, the strategies have shown various strengths of significance with the strongest at .002 ($p<.05$) being size of board while the weakest at .043 ($p<.05$) being gender of board.

Table3. *Regression Coefficients for Board Diversity and Strategy Implementation*

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	.204	0.223		1.113	.087
Composition	0.181	0.231	0.302	2.014	.011
Size	0.227	0.108	0.219	1.102	.002
Gender	0.408	0.117	0.401	1.122	.043

3.4. Discussion

Study findings indicated conformity as well as in contrast to other scholars previously studying corporate governance and strategy implementation. From the study findings, there is conformity as well as contrast to other scholars previously studying issues of board diversity indicating that the variety in terms of ethnicity, gender and professionalism of a board should be used to improve the size of a given board [14]. Additionally, the paper urges government to set rules that call for the inclusivity of all stakeholders. Furthermore, board diversity, board independence as well as duality of the top person in directorship, the CEO could have an instrumental part in the aggregate implementation of firm plans [15]. On the contrary, the results from a Kenyan study demonstrated the importance of diversity on boards as well as size in achieving stakeholder requirements and enhancing implementation of strategy. However, the study clearly concluded that diversity alone cannot be relied upon for implementation of strategy arguing that at times, lack of diversity could lead to a very focused team to delivery implementation of strategy perfectly [16].

Similarly, the current results on implementation of strategy are in line with other scholars from the previous periods who also studied strategy implementation. For example, one study indicated that implementation of strategy focusing on proper utilization of resources can enhance the chances of actualizing well-designed strategic plans [17]. However, another study pointed out that failure to have monitoring and supervision can lead to misappropriation of both financial and material resources without ever achieving implementation if proper annual as well as specific financial reports are not well produced [18]. This calls for a well-balanced board diversity to fully understand the corporate governance practices that are in line with strategy implementation.

4. Conclusions

The study concluded that although the independent variables had a positive influence on the implementation of strategy at the KPA, the strength of each variable was different. From the first objective seeking to assess the influence of board diversity on implementation of strategy at the KPA, Kenya, the descriptive results were indicative of the strong influence on the implementation of strategy. Using the results of Pearson correlation coefficients, the positive beta values ($\beta>0$) suggests that board diversity plays an important role in the efforts to implement strategy. This could be a sign that improved implementation of strategy calls for more exercising of composition of directors, the gender of the board directors and their size at the KPA, Kenya. The study suggests that there is need to increase the number of gender balances while also improving their participation. A policy on ensuring that members from either gender take board leadership is proposed. Similarly, there is need to recognize that not all corporate governance practices work effectively towards strategy implementation and that there is need to have a blend of their application while scanning the environment to help generate higher chances for success of strategy implementation. Since there is no single study that can claim to have all facts and findings, the current study recommends further exploration on what other corporate governance practices apart from board divefsity that are best suited to make strategy implementation a success not just at KPA, Kenya, but at any other body corporate.

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