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Board Diversity and Performance of Commercial State Corporations in Nairobi City County, Kenya

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ABSTRACT: Performance is important to commercial state corporations because it reflects their ability to achieve organizational objectives, improve service delivery and utilize financial and organizational resources effectively. This study examined the influence of board diversity on performance among commercial state corporations in Nairobi City County, Kenya. Board diversity was operationalized through age diversity, gender diversity and professional diversity, while performance was assessed through organizational effectiveness, service delivery efficiency, and financial and resource performance. The study was anchored on Resource Dependence Theory and adopted a descriptive cross-sectional survey design. The unit of analysis comprised commercial state corporations in Nairobi City County, while the unit of observation consisted of top-level managers. From a target population of 31 managers, a sample of 29 respondents was determined using Yamane's formula at a 5% margin of error. Primary data were collected using structured questionnaires. Twenty-four usable questionnaires were returned, representing an 82.76% response rate. Board diversity recorded Cronbach's alpha of .715 and performance .831, indicating acceptable internal consistency. Descriptive results showed favorable perceptions of board diversity (M = 4.12, SD = .88) and performance (M = 4.37, SD = .82). Pearson correlation analysis established a strong positive and statistically significant relationship between board diversity and performance ($r = .746$, $p < .001$, $N = 24$). Simple linear regression showed that board diversity explained 55.7% of the variation in performance ($R^2 = .557$), and the model was statistically significant, $F(1, 22) = 27.61$, $p < .001$. Board diversity recorded a positive and statistically significant regression coefficient ($B = .682$, $\beta = .746$, $t = 5.25$, $p < .001$). The study concludes that board diversity was positively and significantly associated with performance among commercial state corporations in Nairobi City County, Kenya. Management and appointing authorities should strengthen age, gender and professional diversity in board appointments while promoting inclusive participation and effective utilization of board members' expertise in strategic decision-making.

KEYWORDS: Board diversity, performance, age diversity, gender diversity, professional diversity, commercial state corporations.

1. INTRODUCTION

Performance refers to an organization's ability to achieve its objectives, deliver services effectively and utilize available resources to attain desired outcomes (Kaunda & Pelser, 2023). Among commercial state corporations, performance is particularly important because these institutions are expected to fulfil public service mandates while maintaining financial sustainability, operational effectiveness and accountability. Commercial state corporations operate within complex institutional environments characterized by competing stakeholder expectations, regulatory requirements and resource constraints, making effective corporate governance essential for organizational performance.

Board diversity refers to differences in the demographic characteristics, professional backgrounds and experiences of individuals serving on an organization's board of directors (Wairimu, 2024). Age diversity brings together directors with different levels of experience and perspectives, while gender diversity promotes broader representation in organizational oversight and decision-making. Professional diversity introduces varied technical knowledge, managerial competencies and expertise required for strategic deliberations. Nzulwa and Omondi (2024) examined the relationship between board diversity and governance outcomes among state corporations in Kenya, highlighting the relevance of diverse board composition to organizational oversight and governance effectiveness.

In Kenya, commercial state corporations are expected to achieve organizational objectives, improve service delivery and manage financial and organizational resources effectively. Board diversity may provide a mechanism for strengthening strategic decision-making and organizational oversight through the inclusion of directors with complementary skills, experiences and perspectives.

Kaunda and Pelser (2023) examined corporate governance and performance in state-owned enterprises, highlighting the relevance of governance practices to organizational outcomes. However, evidence emphasizing financial performance does not fully address broader performance dimensions such as organizational effectiveness, service delivery efficiency, and financial and resource performance. This study therefore examined the relationship between board diversity and performance among commercial state corporations in Nairobi City County, Kenya.

2. STATEMENT OF THE PROBLEM

Commercial state corporations in Kenya play a significant role in economic development through service delivery, employment creation, infrastructure development and the implementation of government policies. Despite their strategic importance, these corporations continue to experience performance challenges associated with financial management, service delivery, resource utilization and organizational accountability. Corporate governance practices have consequently received increased attention as mechanisms for strengthening organizational oversight, strategic decision-making and performance.

Board diversity is particularly relevant because commercial state corporations require directors with varied professional competencies, experiences and perspectives to address complex governance and operational challenges. Existing empirical evidence indicates a positive relationship between board diversity and organizational performance. Ogwang et al. (2025) associated diverse boards with improved financial performance, while Nzulwa and Omondi (2024) examined the relationship between board diversity and governance outcomes among state corporations in Kenya, highlighting the relevance of diverse board composition to organizational oversight and governance effectiveness. Kaunda and Pelser (2023) also examined corporate governance and performance within state-owned enterprises. However, these studies were conducted in different institutional contexts or emphasized financial performance rather than broader organizational outcomes encompassing organizational effectiveness, service delivery efficiency, and financial and resource performance. The present study addressed this contextual and conceptual gap by examining the relationship between board diversity and performance among commercial state corporations in Nairobi City County, Kenya.

3. OBJECTIVE OF THE STUDY

To determine the influence of board diversity on performance of commercial state corporations in Nairobi City County, Kenya.

4. RESEARCH QUESTION

What is the influence of board diversity on performance of commercial state corporations in Nairobi City County, Kenya?

5. LITERATURE REVIEW

5.1 Theoretical Review

5.1.1 Resource Dependence Theory

Resource Dependence Theory was developed by Pfeffer and Salancik (1978). The theory explains how organizations depend on resources from their external environment and establish relationships to secure the resources necessary for organizational survival and performance. It emphasizes that organizations can reduce environmental uncertainty and strengthen their effectiveness by establishing connections with individuals and institutions possessing valuable resources. From this perspective, board members provide professional knowledge, experience, strategic advice, external networks and legitimacy that may contribute to organizational performance. The theory therefore provides a basis for examining how differences in board membership can strengthen organizational governance and access to critical resources.

Resource Dependence Theory anchored board diversity in this study. Board diversity was operationalized through age diversity, gender diversity and professional diversity. Age diversity brings together individuals with different levels of experience and perspectives, while gender diversity broadens representation and participation in board deliberations. Professional diversity provides varied technical knowledge, managerial competencies and expertise required for strategic decision-making and organizational oversight. Ogwang et al. (2025) associated board diversity with improved financial performance, while Nzulwa and Omondi (2024) examined the relationship between board diversity and governance outcomes among state corporations in Kenya, highlighting the relevance of diverse board composition to organizational oversight and governance effectiveness. The theory therefore supports the expectation that diversity in board membership may contribute to performance through improved decision-making, organizational effectiveness, service delivery efficiency, and financial and resource performance.

The theory nevertheless has limitations in explaining performance. The presence of board members with diverse backgrounds does not automatically guarantee effective decision-making or improved organizational outcomes. The contribution of board diversity may depend on the extent to which members participate in deliberations, share their expertise and influence strategic

decisions. Organizational structures, leadership practices, institutional requirements and resource constraints may also affect the utilization of board members' competencies. These considerations are particularly relevant to commercial state corporations, where governance decisions operate within established institutional and regulatory frameworks. It therefore remains necessary to examine empirically the relationship between board diversity and performance among commercial state corporations in Nairobi City County, Kenya.

6. CONCEPTUAL FRAMEWORK

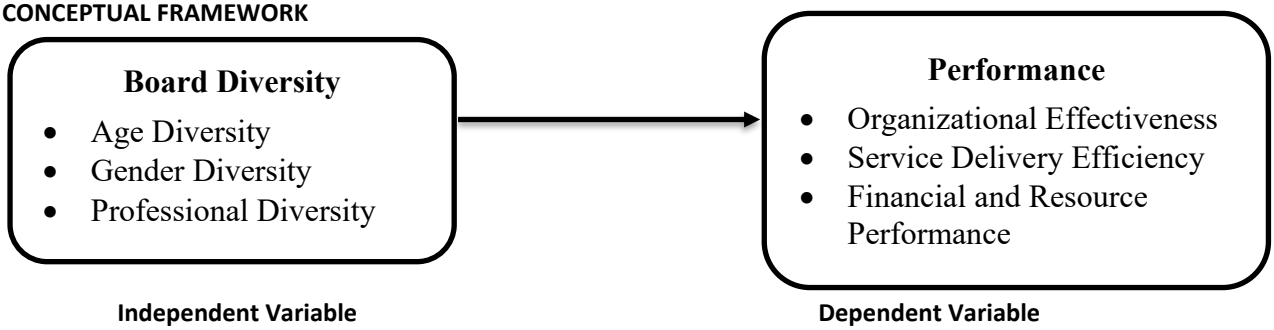


Figure 1: Conceptual Framework

6.1 Board Diversity

Board diversity refers to the representation of individuals with different demographic characteristics, professional backgrounds and experiences within an organization's board of directors (Amissah, 2025). Nzulwa and Omondi (2024) established that board diversity contributes to improved organizational oversight and performance by bringing varied perspectives and competencies into decision-making. In this study, board diversity was measured through age diversity, gender diversity and professional diversity. Age diversity refers to the inclusion of board members from different age groups, allowing organizations to benefit from both youthful perspectives and accumulated experience (Ogwang et al., 2025). Gender diversity concerns the representation of different genders on the board to promote inclusivity and broaden perspectives in organizational oversight and decision-making (Wairimu, 2024). Professional diversity refers to the inclusion of board members with varied professional qualifications, skills and expertise to strengthen strategic deliberations and organizational governance (Wairimu, 2024). These indicators capture the extent to which differences in board membership contribute to effective decision-making and organizational performance.

6.2 Performance

Performance refers to the extent to which an organization achieves its objectives, delivers services effectively and utilizes available resources to attain desired organizational outcomes (Kaunda & Pelser, 2023). Nzulwa and Omondi (2024) examined the relationship between board diversity and governance outcomes among state corporations in Kenya, highlighting the relevance of diverse board composition to organizational oversight and governance effectiveness. In this study, performance was measured through organizational effectiveness, service delivery efficiency, and financial and resource performance. Organizational effectiveness refers to the extent to which an organization achieves its established objectives and attains satisfactory overall performance (Amissah, 2025). Service delivery efficiency concerns improvements in the effectiveness and reliability of services provided by commercial state corporations (Kaunda & Pelser, 2023). Financial and resource performance refers to the effective allocation and utilization of organizational resources alongside improvements in financial performance (Ogwang et al.,2025). These indicators capture the extent to which commercial state corporations achieve their objectives, improve service delivery and manage available resources effectively.

7. EMPIRICAL REVIEW

7.1 Board Diversity and Performance

Board diversity is an important aspect of corporate governance that encompasses differences in gender, age, professional expertise and educational backgrounds. Such diversity may strengthen decision-making by introducing varied perspectives that promote innovation, accountability and effective organizational oversight. Ogwang et al. (2025) examined the effect of board diversity on the financial performance of insurance companies in Kenya, providing evidence relevant to the relationship between board composition and financial outcomes. Similarly, Nzulwa and Omondi (2024) investigated board diversity and governance outcomes among state corporations in Kenya, highlighting the relevance of board composition to public sector governance. Amissah (2025) examined board diversity, strategic innovation and corporate performance, extending the discussion beyond financial outcomes to broader organizational performance. Kaunda and Pelser (2023) also examined corporate governance and

performance among state-owned enterprises in a least developed economy, providing further institutional context. However, these studies addressed different sectors, governance outcomes or broader corporate governance practices, leaving limited evidence on the relationship between age, gender and professional diversity and performance measured through organizational effectiveness, service delivery efficiency, and financial and resource performance. This study therefore examined the influence of board diversity on performance among commercial state corporations in Nairobi City County, Kenya.

8. METHODOLOGY

The study adopted a descriptive cross-sectional survey design to examine the relationship between board diversity and performance of commercial state corporations in Nairobi City County, Kenya, without manipulating the study variables. The unit of analysis comprised commercial state corporations in Nairobi City County, while the unit of observation consisted of 31 top-level management personnel. Top-level managers were targeted because of their involvement in corporate governance, strategic decision-making and organizational performance oversight.

A sample size of 29 respondents was determined from the target population of 31 using Yamane's (1967) formula at a 5% margin of error. Simple random sampling was employed to select the respondents, ensuring that each member of the target population had an equal chance of selection. Data were collected using a structured self-administered questionnaire containing closed-ended questions and five-point Likert-scale items. A total of 29 questionnaires were administered, of which 24 were completed and returned, representing a response rate of 82.76%.

Validity was addressed through the alignment of questionnaire items with the study variables. Reliability was assessed using Cronbach's alpha. Board diversity, measured using five items, recorded Cronbach's alpha of .715, while performance, also measured using five items, recorded alpha of .831, indicating satisfactory internal consistency. Data were analyzed using descriptive and inferential statistical techniques. Descriptive statistics comprised frequencies, percentages, means and standard deviations. Pearson correlation analysis was used to determine the direction and strength of association between board diversity and performance, while simple linear regression was used to assess the statistical predictive relationship between board diversity and performance at the .05 significance level. The regression model was specified as: $P = \beta_0 + \beta_1 BD + \varepsilon$, where P represents performance, β_0 is the constant, β_1 is the regression coefficient for board diversity, BD represents board diversity, and ε is the error term.

The focus on top-level management was appropriate because these respondents were positioned to provide information on board diversity practices and organizational performance. Nevertheless, the cross-sectional design does not establish causality. Furthermore, reliance on top-level managers and self-reported questionnaire responses may introduce response and common-method bias. The findings should therefore be interpreted as evidence of association and statistical prediction rather than proof of a causal effect.

9. FINDINGS AND DISCUSSION

9.1 Response Rate and Reliability

A total of 29 questionnaires were distributed, of which 24 were duly completed and returned, giving a response rate of 82.76%. Five questionnaires were not returned. The 24 usable responses formed the basis of the analysis. Board diversity recorded Cronbach's alpha of .715 and performance .831, confirming acceptable internal consistency of the two scales.

Table 1: Response Rate

Questionnaires	Frequency	Percentage
Administered	29	100.00
Usable responses	24	82.76
Not usable/returned	5	17.24

Table 2: Reliability Statistics

Construct	No. of Items	Cronbach's Alpha	Decision
Board diversity	5	.715	Accepted
Performance	5	.831	Accepted

9.2 Descriptive Statistics for Board Diversity

Respondents generally rated board diversity positively, with an overall mean of 4.12 (SD = .88). The highest-rated statement concerned the representation of skills in meeting the corporations' obligations (M = 4.86, SD = .35), followed by the contribution of professionals to board discussions (M = 4.57, SD = .50). The contribution of younger and experienced individuals to decision-making recorded the lowest mean (M = 3.29, SD = 1.44), indicating greater variation in respondents' perceptions.

Table 3: Descriptive Statistics for Board Diversity

Board Diversity Item	Mean	Std. Dev.
Professionals benefit from discussions of the board	4.57	.50
Both younger and individuals of experience favor decision making	3.29	1.44
Oversight quality is impacted by gender representation	4.43	.73
The corporation's governance responsibilities are adequately supported by the professional skills and expertise of board members	4.86	.35
Dominance by a few individuals is avoided by enhancing a diverse board	3.43	1.40
Overall	4.12	.88

9.3 Descriptive Statistics for Performance

Respondents generally rated performance positively, with an overall mean of 4.37 (SD = .82). The highest-rated statement concerned improvement in financial performance over the preceding five years (M = 4.83, SD = .38), followed by satisfactory overall performance (M = 4.46, SD = .78). Achievement of organizational objectives recorded the lowest mean (M = 4.00, SD = 1.08), although respondents generally agreed that the objectives of the corporations were being met.

Table 4: Descriptive Statistics for Performance

Performance Item	Mean	Std. Dev.
The objectives of the corporation are met.	4.00	1.08
Service delivery has improved in the last five years.	4.29	1.08
Resources are allocated well within the corporation.	4.29	.77
The organization has documented improved financial performance in the last five years.	4.83	.38
The overall performance of the corporation is satisfactory.	4.46	.78
Overall	4.37	.82

9.4 Correlation Analysis

Pearson correlation analysis established a strong positive relationship between board diversity and performance ($r = .746$, $p < .001$, $N = 24$). The positive sign indicates that higher board diversity scores were associated with higher performance scores, while the magnitude of the coefficient demonstrates a strong relationship. Since $p < .001$ was less than .05, the relationship was statistically significant. Board diversity was therefore significantly and positively associated with performance among commercial state corporations in Nairobi City County, Kenya.

Table 5: Correlation between Board Diversity and Performance

Variables	Board Diversity	Performance
Board diversity	1	.746
Performance	.746	1
Sig. (2-tailed)	—	< .001
N	24	24

9.5 Simple Linear Regression Analysis

Simple linear regression was conducted to assess the statistical predictive relationship between board diversity and performance. The model produced $R = .746$ and $R^2 = .557$, indicating that board diversity explained approximately 55.7% of the variation in performance. The adjusted R^2 was .536, while the standard error of the estimate was .41208, indicating the average magnitude of prediction errors in the regression model.

Table 6: Model Summary for Board Diversity and Performance

R	R Square	Adjusted R Square	Std. Error of the Estimate
.746	.557	.536	.41208

The ANOVA results showed that the simple regression model was statistically significant, F (1, 22) = 27.61, p < .001. The model therefore demonstrated that board diversity significantly predicted performance among commercial state corporations in Nairobi City County, Kenya.

Table 7: Results for Board Diversity and Performance

Source	Sum of Squares	df	Mean Square	F	Sig.
Regression	4.689	1	4.689	27.61	< .001
Residual	3.736	22	.170		
Total	8.425	23			

The coefficient for board diversity was positive and statistically significant (B = .682, SE = .130, β = .746, t = 5.25, p < .001). The unstandardized coefficient indicates that a one-unit increase in board diversity was associated with a .682-unit increase in performance. Since p < .001 was below the .05 significance level, board diversity was a statistically significant positive predictor of performance. The estimated regression equation was P = 1.145 + 0.682BD.

Table 8: Regression Coefficients for Board Diversity and Performance

Predictor	B	Std. Error	Beta	t	Sig.
Constant	1.145	.428	-	2.675	.014
Board Diversity	.682	.130	.746	5.25	< .001

9.6 Discussion of Findings

The findings demonstrate a strong positive relationship between board diversity and performance among commercial state corporations in Nairobi City County, Kenya. Respondents generally expressed favorable perceptions of age diversity, gender diversity and professional diversity, particularly regarding the contribution of professional expertise to board discussions and organizational oversight. Pearson correlation analysis established a strong positive and statistically significant relationship between board diversity and performance (r = .746, p < .001). Simple linear regression further showed that board diversity explained 55.7% of the variation in performance (R^2 = .557). Thus, higher board diversity scores were associated with higher performance scores among the surveyed commercial state corporations.

The favorable descriptive ratings were consistent with the positive correlation and regression results. Respondents generally agreed that professional expertise and gender representation contributed to organizational governance, while the inferential findings demonstrated that differences in board diversity scores corresponded with differences in performance scores. The regression model was statistically significant, F (1, 22) = 27.61, p < .001, while the positive regression coefficient (B = .682, β = .746, t = 5.25, p < .001) indicated that increased board diversity was associated with improved performance. The findings suggest that differences in board members' ages, gender representation and professional expertise are relevant to organizational effectiveness, service delivery efficiency, and financial and resource performance.

The findings support Resource Dependence Theory, which emphasizes the importance of organizational access to diverse knowledge, competencies, experience and external resources. The theory suggests that boards comprising individuals with varied backgrounds can strengthen strategic decision-making, organizational oversight and access to resources required for effective performance. The positive and statistically significant relationship established in this study is consistent with this theoretical expectation. Professional diversity may strengthen the board's ability to evaluate organizational challenges, while age and gender diversity may broaden perspectives during strategic deliberations. These contributions provide a theoretical explanation for the positive relationship between board diversity and performance.

The findings agree with Ogwang et al. (2025), who reported that organizations with more diverse boards demonstrated better financial performance. The results are also consistent with Nzulwa and Omondi (2024), who examined the relationship between board diversity and governance outcomes among state corporations in Kenya, highlighting the relevance of diverse board composition to organizational oversight and governance effectiveness. Similarly, Kaunda and Pelser (2023) examined corporate governance and performance within state-owned enterprises, providing a relevant institutional context for understanding the

importance of governance practices in organizational outcomes. Taken together, these findings reinforce the importance of age, gender and professional diversity in strengthening board oversight, strategic decision-making and performance among commercial state corporations in Nairobi City County, Kenya.

10. SUMMARY, CONCLUSION AND RECOMMENDATIONS

10.1 Summary of Findings

The study examined the relationship between board diversity and performance among commercial state corporations in Nairobi City County, Kenya. Descriptive results showed generally favorable perceptions of board diversity, with an overall mean of 4.12. Performance also recorded a favorable overall mean of 4.37. Pearson correlation analysis established a strong positive and statistically significant relationship between board diversity and performance ($r = .746$, $p < .001$). Simple linear regression showed that board diversity explained 55.7% of the variation in performance ($R^2 = .557$), and the model was statistically significant, $F(1, 22) = 27.61$, $p < .001$. The regression coefficient was positive and statistically significant ($B = .682$, $\beta = .746$, $t = 5.25$, $p < .001$).

10.2 Conclusion

The study concludes that board diversity had a positive and statistically significant predictive relationship with performance among commercial state corporations in Nairobi City County, Kenya. Respondents generally perceived age diversity, gender diversity and professional diversity favorably, while the correlation and regression results demonstrated a strong positive relationship between board diversity and performance. Board diversity accounted for a substantial proportion of the observed variation in performance, indicating its importance in organizational governance. The findings therefore support the conclusion that diversity in board membership is positively associated with organizational effectiveness, service delivery efficiency, and financial and resource performance among the commercial state corporations examined.

10.3 Recommendations

Management and appointing authorities of commercial state corporations in Nairobi City County should strengthen board diversity by considering age, gender and professional expertise when appointing board members. Board appointments should be guided by clearly defined competency requirements that reflect the strategic and operational needs of individual corporations. Appointing authorities should promote balanced representation of different age groups and genders while ensuring that board members possess complementary professional qualifications and experience. Boards should also establish procedures that encourage meaningful participation by all directors during deliberations to prevent domination of decision-making by a few individuals. In addition, management should periodically evaluate the contribution of board diversity to organizational effectiveness, service delivery efficiency, and financial and resource performance to ensure that board composition continues to support institutional objectives.

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